



POLICY BRIEF

The 12 regional Federal Reserve Banks are partnering on an event series highlighting the economic impact of structural racism and offering ideas for disrupting it. [An event](#) held June 2, 2021, the sixth installment of the virtual series, focused on systemic racism and entrepreneurship, reexamined the economic impact of structural racism, and raised bold ideas necessary to achieve maximum employment. The economy cannot reach its full potential if BIPOC-led businesses continue to be left behind, compromising the overall economy.

The event highlighted ambitious proposals for elevating, prioritizing, and intentionally investing in entrepreneurs of color to address race-based economic inequities caused by three interconnected factors, among others:

- **Historical context and Black entrepreneurs:** Historian Robert Weems Jr. of Wichita State University provided a historical review of structural race discrimination and barriers to accessing capital going back to slavery. The Black population had limited access to capital (which restricted the growth of their business enterprises). Policies promoting Black capitalism in the 1960s forged a system that continued to exacerbate poor access to credit, has been reactive rather than proactive, and does not advance Black entrepreneurship. For example, 50 years ago, there was governmental and policy interest in promoting and increasing Black entrepreneurship. Still, Black-owned businesses were relegated to only serving Blacks. In the insurance industry, large White-owned insurance companies were selling to Black-owned businesses and were viewed as a premium; however, when Black-owned insurance companies tried to sell to White-owned businesses, there was great resistance. The result of that push is that of the 50 Black-owned insurance companies, only two remain.
- **Pandemic and BIPOC entrepreneurs:** The pandemic has disproportionately hurt entrepreneurs of color, highlighting and demonstrating that the existing ecosystem does not permit equal access to capital. For example, Nebraska business owner Carmen Tapio called out how BIPOC business owners had difficulty accessing the Paycheck Protection Program, which was designed to help all businesses.
- **The value of networks to entrepreneurs:** Research shows the importance of social networks in accessing capital. The pandemic has reinforced the importance of networks to access lines of credit and other capital resources, including emergency support programs, during difficult times. Sanjay Singh, adviser to Pack Health and co-founder of Alabama Capital Network, added that there is a need to educate people at scale for ecosystem-building and to help build a safe space where entrepreneurs of colors and capital providers, including banks, CDFIs, and investors, can build networks to present their ideas. Such activity should be embedded with incentives for capital providers to seek to diversify their networks intentionally. “Whom you know is as important as what you know,” said Singh.

Racism and the Economy

focus on **Entrepreneurship**



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Narratives about persistent disparate outcomes often exclusively focus on smaller business owners' responsibilities and exclude historical and enduring discriminatory policies and practices. Developing a more inclusive ecosystem requires changes to systemic and institutional practices that continue to plague business owners of color.

Experts in the field presented several proposals at the event, including the following:

- **The “Right to Start” shift to focus on entrepreneurs of color:** “The Right to Start” campaign represents a fundamental shift to make BIPOC entrepreneurship a priority in American society. It proposes policy changes, such as utilizing and shifting existing workforce training dollars to directly invest in smaller businesses owned by entrepreneurs of color, reducing the requirements that make it difficult to assess credit by lowering fees and creating a financial system that supports people who are trying to get things started, and reframing financing for small entrepreneurs from an asset-based to a knowledge-based approach and eliminating the many fees that can add up to billions.
- **Reimagining supplier diversity:** This proposal would create a commission that offers a system for better doing business with BIPOC-led firms and startups. It would remove outdated race certification requirements that make it difficult to access corporate contracts and would incorporate improved levels of transparency and reporting.
- **Mobilize investments to BIPOC-led businesses:** [The Underserved Markets Capital Program, led by the Treasury and the Federal Reserve](#), would deploy \$10 billion of investments to small- and middle-market BIPOC-led businesses. The bold idea presents a market-driven solution, where some capital can serve as a bridge facility and can be a sustainable, profitable, and repeatable model to recycle capital and help businesses grow with a robust budget for technical assistance and wide support from corporate industry associations.

For more information

If you have additional questions or would like to be connected with Federal Reserve staff in your area, contact [Janelle Williams](#) at the Atlanta Fed, [Dell Gines](#) at the Kansas City Fed, [Samantha Porter](#) at the Philadelphia Fed, [Des Allen](#) at the Boston Fed, or [Carmen Panacopoulos](#) at the Boston Fed.