

A Grameen-style bank in Portland, microloans to lift incomes

BY M. NELS JOHNSON
CONTRIBUTING COLUMNIST



Nels Johnson is an elected director serving on the board of the Multnomah Education Service District, adjunct professor at Warner Pacific College and is an attorney in private practice. He and his wife live in Northeast Portland.

The last few months have seen a spree of really good news for Portland's tech industry. From Intel's \$13.8 billion second quarter (up 8 percent from a year earlier), to Bain Capital taking a \$230 million stake in online banking startup Simple, to the host of new and exciting tech companies like Buddy Up; the future of Portland's tech industry is really bright. All of the good news in tech brings good jobs to the region. Publications from Forbes to Business Insider now consistently view Portland as one of the nation's upcoming tech hotspots. Needless to say, a growing tech industry is really good economic news for Portland.

But the good economic news doesn't trickle down for everyone, there's another Portland—the Other Portland. The Other Portland is where the medium income for a family of four is around \$40,000 per year, which is significantly lower than the metro-wide figure of \$58,883. The Other Portland: predominately east of 82nd Avenue, where there are higher concentrations of poverty and crime, lack of access to transportation, jobs. The Other Portland: the ones who felt the acute pain of rents in the city increasing 6 percent last year, which continued to push the poverty farther and farther east. The Other Portland is where people spend their days grinding—just trying to survive.

Earlier this year, researchers from Princeton University and Northwestern University conducted a study titled "Testing Theories of American Politics" which concluded, among other things, that we're missing many rungs on the ladder of the American Dream. It's not easy or even likely that someone can start on the very bottom rung of society and work their way up to the top. Our economy has changed.

With limited education, skill sets and access to capital, people living in the Other Portland have limited access to opportunity. Many of the great, manufacturing and construction jobs that paid a living wage are gone as a result of the Great Recession and trends in globalization, and are unlikely to come back. People living in the Other Portland often find themselves locked out of the exciting new opportunities popping up in the tech industry all across the city. Instead, they are often doomed to a life of struggle and low wage work. It's time we as a city started thinking differently about economic development and job creation. We need to lower the barrier to entry into the world of entrepreneurialism and opportunity.

When thinking of how to create jobs for

those living in the Other Portland, the city ought to think outside the box and tap into its potential for innovation; perhaps it's time that Portland started its own Grameen Bank.

The Grameen Bank was founded in 1983 in Bangladesh by economics professor Muhammad Yunus. Yunus had recently returned to his home country of Bangladesh after teaching economics in America. Upon his return he was shocked not only by the abject poverty all around him, but the absolute lack of opportunity for poor folks.

He realized that all most people needed was a chance to succeed. He found that many people knew what they wanted to do, but simply didn't have the capital to do it. Yunus soon realized that the capital requirements that most people needed weren't a lot of money. A cow was really cheap, but could produce milk that could be sold at the market every day and earn enough income to lift a family out of abject poverty. So Yunus got the wild idea of making microloans to people. To date the Grameen bank has lent \$10.11 billion to over 8.4 million borrowers. The program has allowed the poor and disadvantaged to tap into their own entrepreneurial potential and lift themselves out of extreme poverty. In 2006, both the Grameen Bank and Muhammad Yunus were awarded the Nobel Peace Prize.

The Grameen Bank is based on micro-finance, which means they focus on giving out small loans to people. In Bangladesh, it might be \$50 for someone to buy a cow and then sell the milk at the market. In Portland, it could be \$1,000 for someone to buy a lawnmower and lawn equipment and start a lawn care business. Or loan someone \$500 for a website and raw materials for their business selling jams and jellies online. The bank has a cautious approach to lending, which has led to a loan recovery rate of 96.67 percent. The bank seeks to lend to entrepreneurs who have an idea for a business and demonstrate the drive and skills necessary to make it a success. The bank also works with the lendees to help them refine their business plans. In Portland, the bank could hire a few people to work with the folks it lends money to and provide the valuable business consulting needed to help them succeed. A Grameen-style bank could also serve as an incubator for innovation.

Certainly, the economic situation facing Bangladeshis in the 1970s was much more dire than the economic situation facing poor Portlanders today. Moreover, it's much more expensive to start a catering service here than it is to buy a cow for \$40 in Bangladesh

and sell the cow's milk for income. Portland and Bangladesh are not the same and face totally different challenges. But they do share common needs for lifting large swaths of people out of poverty as well as increasing their ability to innovate.

Expanding opportunities for entrepreneurship among the poor is one of the best remedies for poverty.

Starting a Grameen-style bank wouldn't cost the city, or other local governments, much money at all. To fund it, all the city would need to do is move some of their reserve from more traditional banks like Chase, or U.S. Bank, to a Grameen-style bank. The Grameen-style bank would lend the money out in the same way a traditional bank would. The city could withdraw on its deposit at any time, the same way it could at a traditional bank.

This is the sort of low-risk/high-reward economic development strategy that merits greater exploration and attention.

The point of using some of the city's reserves is one of scale. Though Mercy Corps has explored the concept of a micro loan program before, the city of Portland has the ability to implement a microloan program on a truly bank-sized scale. Such a large scale would have a profound impact on lifting people out of poverty.

While some parts of the city are thriving and growing at a rapid pace, the Other Portland is struggling mightily. Increasing low- or no-income people's access to capital and taking advantage of their skills and strengths could unleash a spirit of entrepreneurship and economic growth in a part of the city that sorely needs it. We Portlanders have a rugged, independent streak in us. We also think differently, are highly creative and entrepreneurial.

A Grameen-style bank in Portland would allow all Portlanders to tap into that unique, creative and entrepreneurial spirit that lives deep down inside of all of us. And it also might change us from a city divided along the fault line of opportunity to being united into One Portland.

While some parts of the city are thriving and growing at a rapid pace, the Other Portland is struggling mightily. Increasing poor folks' access to capital and taking advantage of their skills and strengths could unleash a spirit of entrepreneurship and economic growth in a part of the city that sorely needs it.

The Taft Home

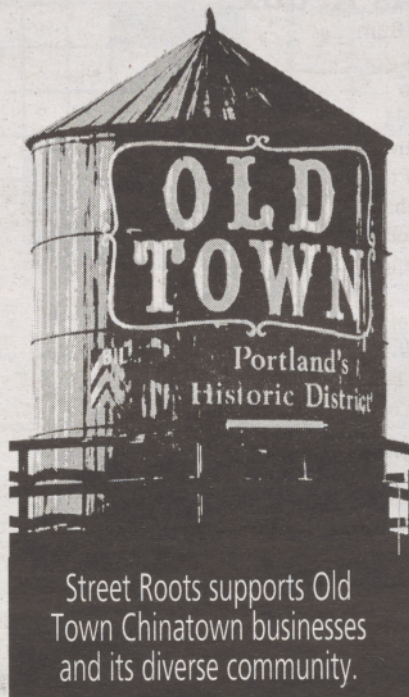


Residential Care Community

Where senior and disabled adults receive the care and respect they deserve.

Call us for more information
(503)223-2144

1337 S.W. Washington, Portland, OR 97205
www.tafthome.org



Street Roots supports Old Town Chinatown businesses and its diverse community.

Transition Projects believes **no one** should have to be **homeless.**

Transition Projects

650 NW Irving St.
Portland, OR 97209
503.280.4700
www.tprojects.org