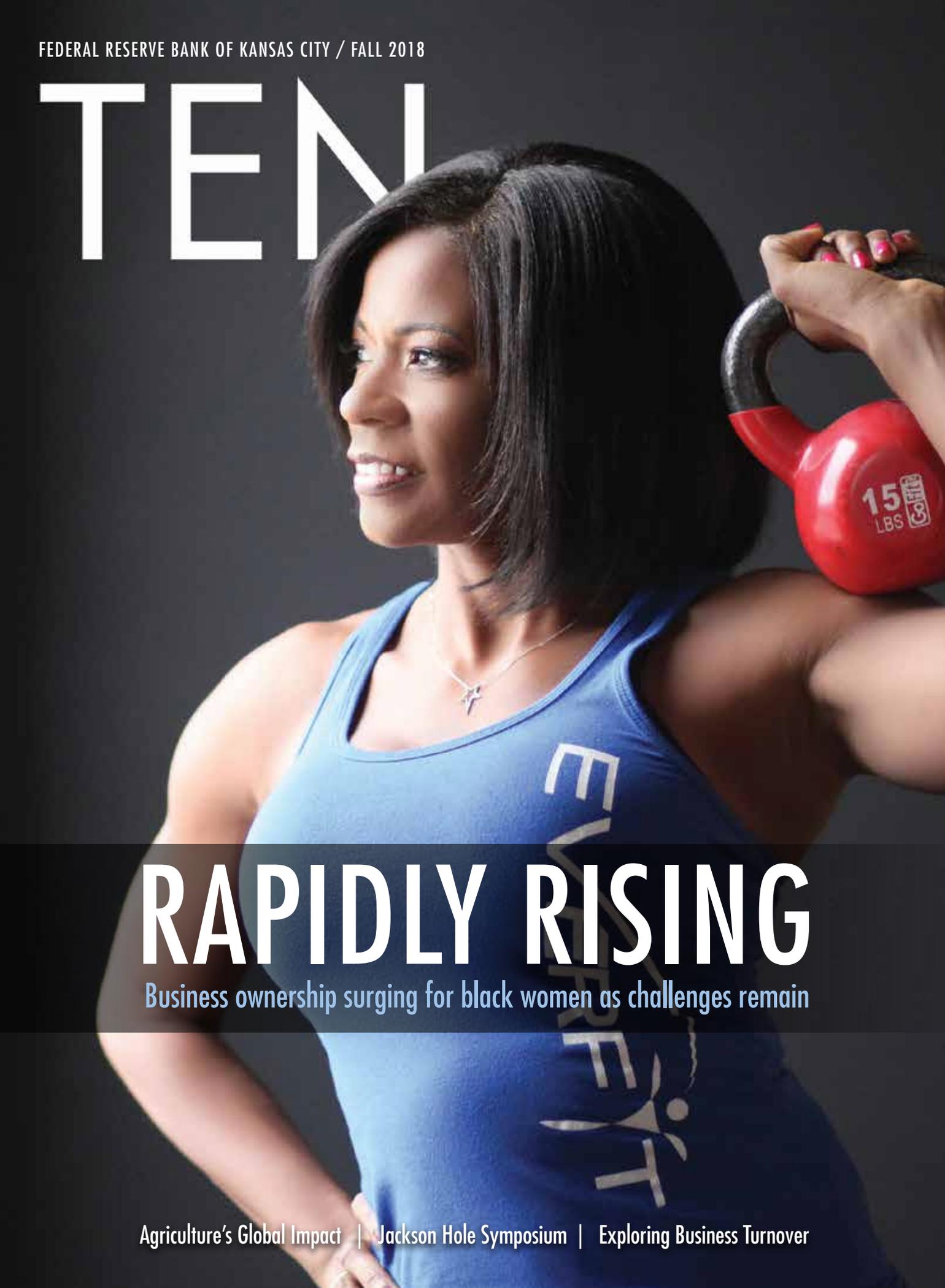


# TEN

A woman with dark hair, wearing a blue tank top, is shown in profile, lifting a red kettlebell with her right hand. The kettlebell has "15 LBS" and a logo on it. The background is dark. The woman's tank top has some text on it, including "EVERETT".

# RAPIDLY RISING

Business ownership surging for black women as challenges remain

# TEN

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TEN magazine is a quarterly publication of the Federal Reserve Bank of Kansas City focused on the connection between the Bank's research and the Tenth Federal Reserve District. TEN features articles on the Federal Reserve's history, structure and operations. The views and opinions expressed in TEN are not necessarily those of the Federal Reserve Bank of Kansas City, the Federal Reserve System, its governors, officers or representatives.

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## FEATURES



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180 percent growth since 2000, but challenges remain



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Changing market structure and the implications for monetary policy



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**BUSINESS TURNOVER**  
Exploring the widening divide between large and small urban areas

## ON THE COVER »

*Dawn Rattan, owner of EverFit in Shawnee, Kan.  
Photo by Smash Glam*

## From the *President*

ESTHER L. GEORGE



Technology is changing the way we do business and how people conduct transactions. Today, faster payments services are emerging that allow individuals and businesses to pay one another instantly, 24 hours a day, seven days a week, 365 days a year. Unfortunately, these services, and their benefits, don't reach everyone, and these transactions are often initiated outside of the banking system, without the safety net that a strong regulatory framework can provide.

For example, if someone sends you money through a phone app, it can take more than a day for your bank to actually receive those funds. As a result, banks take some risk by extending credit to make these payments immediately available to their customers.

For consumers and workers, delays in the payments system can have significant financial consequences. A worker waiting for a paycheck to clear could face overdraft fees, insufficient balance penalties and other costs that are the result of a slow settlement system. For small businesses, which must compete in a "just-in-time" environment, having a payment immediately available can mean the difference between making payroll this month or having to rely on short-term credit to get through a temporary crunch.

In short, some parts of our payment system are still too slow for the speed of today's economy. Aligning settlement speed more closely to the speed of transactions would provide a safe and

efficient foundation for the next generation of payment services.

The U.S. payments system supports the world's largest economy and has a long history of evolving to meet changing needs. As the U.S. central bank, the Federal Reserve operates check, ACH and wire transfer systems and provides mechanisms for settlement of payment transfers between banks. The Fed also has been a leader and catalyst for change in payments. In 2013, we initiated a broad improvement collaboration initiative with payment stakeholders. Since then, we've worked in tandem to advance payment speed, security, efficiency, cross-border access and industry collaboration.

As the next step in this effort, the Fed is now considering new or enhanced services to address the mismatch between faster payments and slower settlement—and has asked for the public's views through a comment process. It makes sense for us to look at how changes in the settlement process can encourage faster payments and enable everyone to gain the benefits of a more efficient system.

Please visit [fedpaymentsimprovement.org](https://fedpaymentsimprovement.org) for the latest updates on these efforts and to learn more about a *Federal Register* notice outlining the Federal Reserve's proposal.

A handwritten signature in black ink that reads "Esther L. George". The signature is written in a cursive, flowing style.

# Notes from around the Tenth District



photo by MATTHEW STAVIER

STUDENTS explore one of the new exhibits at the recent re-opening of the Denver Branch Money Museum.

## Denver Branch unveils revamped Money Museum

The Federal Reserve Bank of Kansas City's Denver Branch Money Museum recently welcomed visitors to its newly remodeled spaces and exhibits.

The museum had been closed since March to undergo changes that included expanded gallery space—inside the Branch building and outside on its patio. The new design invites visitors to better understand the Fed's missions and functions and how their own financial literacy can strengthen the overall U.S. economy. Guests can expect to learn about their relationship to money, budgeting and saving, as well as how to wisely use credit and how to identify a counterfeit bill. The Denver Money Museum, which had 60,000 visitors in 2017, is the most visited Money Museum in the Federal Reserve System.

"This new space creates an inviting environment for visitors to explore their own personal financial goals and dreams, while helping them understand the Bank's role in the overall economy," said Visitor Center Coordinator Abby Anderson, who led the redesign project.

New features in the museum include:

- Money personality quiz
- Interactive walls highlighting budgeting, saving and credit fitness
- Job and income display
- Redesigned counterfeit money exhibit, where guests can touch and smell bogus currency

Visitors will still be able to see a display of \$30 million in cash, view historic currency—such as a \$100,000 bill—and receive a free, souvenir bag of shredded money.

"For more than 100 years, we've been proud to be part of the Denver community," said Alison Felix, vice president and Denver Branch executive. "We realize our central location provides a unique opportunity for visitors to learn about functions of the Federal Reserve and our role in the economy. The new displays will increase visitor engagement and further enhance the guest experience."

The Money Museum is at 1020 16th St. Its hours are 9:30 a.m. to 4:00 p.m., Monday through Friday, excluding Bank holidays.



Find out more about visiting the Kansas City Fed's Money Museum at [KansasCityFed.org/MoneyMuseum](https://www.kansascityfed.org/MoneyMuseum).



## Kansas City Fed bank examiner receives prestigious Taylor Award

The Federal Reserve Bank of Kansas City is pleased to announce that bank examiner Mike Thomas was named a recipient of the William Taylor Award for Excellence in Bank Supervision in the Federal Reserve System. The award recognizes individuals who have demonstrated sustained and extraordinary achievement and professionalism in the performance of their responsibilities.

Thomas was recognized for leading a bank examination project team focused on understanding more deeply the nature of key risks banks face in the Tenth District. His successful team effort will have a positive impact across the United States. In leading this team, Thomas demonstrated outstanding technical knowledge, effective communication and extensive coordination skills.

“He took a vision and created a reality,” said recently retired Bank officer Jim Hunter, who praised Thomas’ examination talent and his work ethic throughout his 17-year career at the Bank. In winning the award, Thomas follows in the footsteps of other Tenth District examiners who have been Taylor Award recipients.

The award highlights the important role the Tenth District plays in understanding risks in state member banks and in relaying that to our bank examination counterparts at the Federal Reserve System level.

The Bill Taylor Award commemorates William Taylor’s integrity and outstanding contributions to both the Federal Reserve and the banking system as a whole, and represents the supervision function’s highest and most prestigious honor. The award was established in Taylor’s memory after he died at age 53. Taylor had served as director of the Division of Banking, Supervision, and Regulation for the Board of Governors of the Federal Reserve System in Washington, D.C., from 1984 to 1991. Following that, Taylor had been chairman of the Federal Deposit Insurance Corp.



photo by GARY BARBER

William Taylor Award winner Mike Thomas, right, was congratulated by President Esther George and Senior Vice President Kevin Moore.



Read more about the legacy of William Taylor in “Integrity, Fairness and Resolve: Lessons from Bill Taylor and the Last Financial Crisis” at [kansascityfed.org/publications/aboutthefed](http://kansascityfed.org/publications/aboutthefed).

## Federal Reserve holds forum on minorities in banking

Dialogue about increasing diversity and developing leadership within the banking industry was the focal point of a forum jointly presented in September by the Federal Reserve Board of Governors and the Federal Reserve Banks of Atlanta, Chicago, Dallas, Kansas City, Philadelphia, Richmond and St. Louis.

The two-day gathering, “Banking and the Economy: A Forum for Minorities in Banking,” took place at the Charlotte, N.C., branch of the Richmond Fed. In addition to offering updates on the industry and the economy, the forum provided professional development and networking opportunities for senior-level and middle-management bankers.

“The Federal Reserve values opportunities that allow us to build strong connections with national bankers while providing industry and professional-development knowledge,” said Chantell Garrett, senior stakeholder engagement advisor at the Kansas City Fed. “Programs such as this assist in developing a population of underrepresented bankers as they prepare for next-level leadership.”

Among the speakers at the forum: Deborah Elam, president of the Corporate Playbook consulting and executive coaching firm; Melissa B. Donaldson, vice president and chief diversity officer at Wintrust Financial Corp.; Ignacio Urrabazo Jr., president and chief executive officer at Commerce Bank in Laredo, Texas; Dallas Fed President Robert S. Kaplan; and Richmond Fed President Thomas I. Barkin.

The forum was part of the Federal Reserve System’s commitment to providing training, technical assistance and educational programs for the advancement and enrichment of minorities in the banking industry. The St. Louis Fed will host this forum in September 2019.

Learn more at [kansascityfed.org/publications/community/connections](http://kansascityfed.org/publications/community/connections).



photo by MICHAEL BATTS

## Bank Anniversaries

The following banks in the Tenth Federal Reserve District are celebrating one, five, 10, 20 or more years as Federal Reserve members in October, November and December.

Bank of Versailles	Versailles	Mo.	99
First State Bank of Newcastle	Newcastle	Wyo.	88
Grant City Bank	Medford	Okla.	78
Stock Exchange Bank	Caldwell	Kan.	78
Fidelity State Bank and Trust Company	Dodge City	Kan.	75
Farmers State Bank	Pine Bluffs	Wyo.	52
Bankers’ Bank of the West	Denver	Colo.	38
Citizens State Bank & Trust Company	Ellsworth	Kan.	38
Citizens Bank & Trust Company of Ardmore	Ardmore	Okla.	27
First Bank of Chandler	Chandler	Okla.	25
Ameristate Bank	Atoka	Okla.	22
Farmers State Bank	Phillipsburg	Kan.	20
Bank of Western Oklahoma	Elk City	Okla.	20
Enterprise Bank	Omaha	Neb.	5
First Bank of Nebraska	Wahoo	Neb.	5
First Bank of Thomas	Thomas	Okla.	1
Heartland Tri-State Bank	Elkhart	Kan.	1

# Making a CONNECTION

In founding the Federal Reserve more than a century ago, Congress recognized the importance of connecting the nation's central bank to the Main Streets of America. The Federal Reserve Bank of Kansas City carries out this role through its president and its programs and activities throughout the Tenth District, and beyond. Here is a glimpse at the recent activities of President Esther L. George and the staff of the Kansas City Fed.

## KANSAS AND MISSOURI »



» President Esther George was a guest in August on Kansas City public radio station KCUR's "Up to Date" program.



» Alice Dittman (center), a pioneer for women in banking and chairman emeritus of Cornhusker Bank in Nebraska, was greeted by President George and former Kansas City Fed president Thomas Hoenig. They were joined by Dittman's daughter, Dawn Dittman Coronado, and son, (far right) Cornhusker Bank Chief Executive Officer John Dittman.



» As part of a joint meeting of Kansas City Fed directors, the group visited the Union Station headquarters of the Greater Kansas City Chamber of Commerce. President George welcomed the group and introduced Chamber President Joe Reardon. Every year all four District offices' boards meet as one group and start with a program designed to learn more about the economy of the host city.



» With President George in September at a meeting of the State Financial Officers Foundation (SFOF) in Kansas City were SFOF President Derek Kreifels; newly elected SFOF Chair Allison Ball, Kentucky treasurer; and former national SFOF Chair Ron Crane, Idaho treasurer.



» At the kickoff rally for the Kansas City Fed's United Way campaign on Sept. 17, President George spoke with Brent Stewart, chief executive officer of the United Way of Greater Kansas City and a member of the Bank's Kansas City Board of Directors. The Bank exceeded its 2018 United Way donation goal.



» On Sept. 10, President George greeted officers of the Bankers' Bank of Kansas during their visit to the Kansas City Fed.

» Professional soccer player Lindsey Horan and her father, Kansas City Fed Vice President Mark Horan, visited President George in July. Lindsey, who plays for the Portland Storm and the U.S. National Women's Team, was the first U.S. woman drafted out of high school by the professional soccer team Paris Saint-Germain.



» President George spoke in August at the District State Banking Commissioners Conference, alongside (left) Nate Kauffman, vice president, Omaha Branch executive and economist, and Kelly Lammers, deputy director of the Nebraska Department of Banking and Finance. The Kansas City Fed hosts this conference each year to discuss supervisory approaches and other matters.



» Rana Foroohar, CNN global economic analyst and associate editor at the *Financial Times*, visited the Kansas City Fed in September. Before Foroohar's speech to the Economic Club of Kansas City, she met with President George.

**COLORADO,  
NEW MEXICO,  
WYOMING »»**

»» At a Women’s Leadership Foundation event, Alison Felix, vice president and Denver branch executive, spoke about the importance of connecting with the business community. On hand (at right) was Beverly Carmichael, executive vice president of Red Robin Gourmet Burgers and Brews.



»» Denver Branch Public Affairs Specialist Erin Davis delivered a presentation during Junior Achievement Business Week. The program allows students to explore leadership concepts and participate in interactive workshops on marketing, business ethics and budgeting.

## OKLAHOMA »



» Oklahoma City Branch Executive Chad Wilkerson (left) met with Phil Albert, chief executive officer of Pelco Structural, to learn about the business and how it impacts the Claremore, Okla., economy. During the two-day visit, Wilkerson delivered an economic outlook speech and met with other business and community leaders.



» Chad Wilkerson, Oklahoma City branch executive, delivered an economic outlook speech to business leaders in Poteau, Okla., in July. During the visit, Fed staff toured local industries and met with community leaders to learn about the local economy.



» Senior Community Development Advisor Steven Shepelwich leads an Essential Skills training session for workforce development professionals. The session focused on employability skills, financial literacy and entrepreneurship. These sessions were hosted in Lawton, McAlester, Oklahoma City, Tulsa and Woodward.

## NEBRASKA »



» As part of a Kansas City Fed initiative to help bridge the digital divide, senior community development advisors Jeremy Hagle (center right) and Dell Gines (center left) led a roundtable discussion with Omaha area community leaders about digital inclusion.



» Omaha Branch Executive Nate Kauffman gave an update on national and regional economic conditions at the Risk Management Association, Midlands Chapter, annual economic outlook meeting in Omaha.



» The Omaha Branch brought together young professionals from the Omaha metro area to hear their perspectives on the economy as well as the challenges and opportunities that current economic conditions pose for them and their peers.



# JACKSON HOLE ECONOMIC SYMPOSIUM

AUGUST 23-25, 2018



photos by BILL MEDLEY

For the past four decades, the Kansas City Fed's Economic Policy Symposium has provided a forum for central bankers, economists and policymakers. Over the years, the annual gathering in Jackson Hole, Wyo., has explored topics including financial markets and stability, the role of the housing market, economic growth and other challenges facing central banks around the world.

This year's event, Aug. 23-25, addressed "Changing Market Structure and the Implications for Monetary Policy." The agenda each year is developed by the

Kansas City Fed's Economic Research staff in consultation with Bank President Esther George, who is the host of the event. The 2018 event included 20 presenters and discussants who shared in-depth research and commentary on the topic. Close to 40 countries were represented at the gathering.

Shifts in market structure over the past two decades have contributed to changes in productivity, growth and inflation that are of interest to central banks. Within product markets, there has been a notable increase in economic activity associated with large

multinational corporations along with increased market concentration in many industries.

These developments suggest that large firms today may have greater market power than in the past, and this shift may result in a decrease in competition within many industries. These shifts should concern central bankers since they likely have important linkages to observed structural changes in the global economy, including lower capital investment, a declining labor share, slow productivity growth, slow wage growth and declining dynamism.

The marketplace for consumers also has seen rapid changes due to advances in technology along with changes in consumer behavior. New markets are emerging online as traditional retailers struggle to adapt. This shift may be altering pricing behavior of firms in an increasingly global marketplace.

In particular, it may limit the ability of firms to raise prices in response to rising demand which may affect deviations from the law of one price. As pricing behavior evolves, inflation dynamics will also evolve, suggesting that the monetary policy transmission mechanism within and between countries may change as well.

Finally, the marketplace for the banking industry has also changed, leading to an increased focus on financial stability in the aftermath of the financial crisis that has raised questions about potentially competing trade-offs between competition, efficiency and stability.

Disentangling these potential trade-offs requires an improved understanding of the relationship between competition and bank risk. Analysis of changes in banking markets and bank regulation across countries before and after the financial crisis can provide valuable insights for regulatory policy makers and central bankers concerned about the monetary transmission mechanism.

With changes in the markets that firms, consumers, banks and the government transact in, understanding the implications of these changes for inflation, pricing dynamics, productivity and growth is vital for policymakers as they seek to promote conditions that can best foster long-run sustainable growth with stable prices.

The 2018 Jackson Hole Economic Policy Symposium provided a timely opportunity for central bankers, policy experts and academics to discuss the range of issues around this important topic.



#### FURTHER RESOURCES

To view the papers and presentations from this year's symposium, as well as historic records of past symposiums, visit [www.kansascityfed.org/publications/research/escp](http://www.kansascityfed.org/publications/research/escp).



(Top Left) On Friday morning of the symposium, Kansas City Fed President Esther George, Fed Chairman Jerome Powell (right) and New York Fed President John Williams walked during a break. (Above) President George is interviewed by Kathleen Hays of Bloomberg.





NATE KAUFFMAN, vice president and Omaha branch executive, opened the symposium.

“TODAY, THE OUTLOOK FOR AGRICULTURE DEPENDS, PERHAPS AS MUCH AS IT EVER HAS, ON THE OUTLOOK FOR GLOBAL TRADE AND THE STRUCTURE OF GLOBAL MARKETS.”

— Nate Kauffman

“Trade isn’t a two-way street—it is a road grid going in every direction,” Sumner said, adding to a discussion on why rules-based systems are critical for trade to be successful.

Symposium participants expressed optimism about the future for agriculture within a global economy, but they noted that increased uncertainty surrounding agricultural trade policy was clouding their near-

term outlook. In addition to international trade, participants also discussed the significance of international labor flows in the agricultural sector.

In the United States, California accounts for about a third of all hired farm labor. Philip Martin, Professor Emeritus at the University of California-Davis, noted that the concentration of production on fewer and larger farms means that dependence on hired workers is increasing.

Pia Orrenius, vice president and senior economist at the Federal Reserve Bank of Dallas, added that there is an increasing demand for both farm labor and foreign labor solutions and the growth in the labor force will be a direct cause of immigration.

In the final session of the symposium, speakers discussed how foreign investment and the flow of capital across borders also has influenced the agricultural sector. J.P. Gervais, vice president and

chief agricultural economist of Farm Credit Canada, commented that trade and foreign direct investments are complements, not substitutes. Growth in investment can facilitate growth in trade.

The symposium concluded with keynote remarks on free trade from Princeton University professor Alan Blinder. Blinder observed that, despite widespread agreement among economists about the value of trade, public opinion often skews toward opposition rather than support. Recent events have highlighted important and emerging obstacles to trade, raising questions that will need to be explored further.

#### FURTHER RESOURCES

Papers from “Agriculture in a Global Economy” are available in a special issue of the Economic Review at [kansascityfed.org/publications/research/er](http://kansascityfed.org/publications/research/er).



# RAPIDLY RISING

Business ownership surging for black women as challenges remain

written by STAN AUSTIN

photo by SMASH GLAM



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“THE DATA IS CLEAR: INVESTING IN THE GROWTH AND DEVELOPMENT OF AFRICAN-AMERICAN FEMALE ENTREPRENEURS PAYS OFF. ENHANCING THE POTENTIAL WITHIN THIS DEMOGRAPHIC WILL HELP CULTIVATE A MORE SUCCESSFUL ECOSYSTEM FOR ALL.”

— Christina Long, Create Campaign Inc.

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For Adrienne Haynes, the road to owning a business began long before she enrolled in law school. The first steps on that journey were taken in high school.

Haynes, now the managing partner of SEED Law, a Kansas City firm specializing in serving entrepreneurs, was a teenager helping a businessman run an ice cream shop and a health food store.

“I enjoyed the opportunity to watch him enjoy his passion and make enough money to employ people like me,” Haynes said. “It was in that experience that I discovered entrepreneurship is a ‘thing’... and it allows people to explore their passions without working for someone else necessarily.” With that

experience as the trigger, Haynes later studied entrepreneurial law at the University of Missouri-Kansas City School of Law, with the goal of running her own business and helping others do the same.

Hers is one of many stories in a comprehensive Kansas City Fed report that shows business ownership by black women is by far the fastest-growing segment of American entrepreneurship, soaring roughly 180 percent since 2000.

In addition to national survey results and data from numerous sources, the report—“Black Women Business Startups”—includes direct feedback from five focus groups involving 34 black women who own businesses in the

Federal Reserve’s Tenth District. The report provides data-driven portraits of black women business owners and shares insight into their motivations, challenges and concerns. The report was compiled by Senior Community Development Advisor Dell Gines, who also led the focus groups in Denver, Kansas City, Oklahoma City, Omaha and Wichita.

“The high growth rate of businesses owned by black women provides policymakers and economic developers a unique opportunity to develop policy and programming to accelerate and expand the economic impact of these businesses in their local economies,” Gines wrote in the report. “However, for policies and

<< ADRIENNE HAYNES is managing partner of SEED Law, a Kansas City firm that focuses on entrepreneurs.



DAWN RATTAN is the owner of EverFit, a gym in Shawnee, Kan., that she opened in 2015.

programs to be effective, policymakers and economic developers need a greater understanding of this group of business owners. The objective of this report is to increase this understanding.”

The U.S. Census Bureau’s Survey of Business Owners shows that from 2000 to 2012—the latest year for which data were available for this report—the number of businesses owned by black women increased 179 percent, compared with growth of 52 percent for all women-owned businesses and 20 percent for all businesses. Sales receipts at businesses owned by black women more than doubled from 2002 to 2012, from \$20 billion to \$42 billion. An update of the Census Bureau survey, with data up to 2017, is expected to be available soon.

“The data is clear: Investing in the growth and development of African-American female

entrepreneurs pays off,” said Christina Long, president and chief executive officer of Create Campaign Inc., a Kansas organization that helps urban entrepreneurs and works to spur minority business development. “Enhancing the potential within this demographic will help cultivate a more successful ecosystem for all.”

At the same time, feedback from black women business owners shows that many face such challenges as access to credit or capital, the lack of support systems, and the desire for greater general business knowledge.

Dawn Rattan, owner of EverFit in Shawnee, Kan., said she had to acquire certain business skills on the fly when she opened her “boutique gym” in 2015. Often that meant balancing her passion for fitness with such stark realities as managing overhead costs and negotiating prices with contractors.

“For me, it’s really about rolling with your brain instead of your heart,” Rattan said, explaining what she has learned from owning a startup business. “It’s about just being business-minded instead of being emotionally driven ... learning to say ‘No’ and walk away. Really it’s taken me a while to do that.”

The Kansas City Fed report also points out that businesses owned by black women tend to be significantly smaller on average than other business ownership identified by race and gender. However, the report cites research showing that these “microbusinesses” provide valuable contributions to local economies by helping increase entrepreneurial activity. That activity boost, in turn, is associated with faster local economic growth.

## Profiles in ownership

Included in the Kansas City Fed’s report are survey results and other snapshots that convey some of the entrepreneurial characteristics and circumstances of black women who own businesses. Among them:

- Black women business owners mostly are between the ages of 35 and 54.
- The large majority of these women are first-time business owners.
- At least 50 percent of the owners in this group

used personal or family savings to start their businesses.

- Many of these owners have difficulty accessing credit and face capital constraints, according to the Federal Reserve System's 2016 Small Business Credit Survey. The black women in that survey also reported being less likely to receive some or all of the financing they requested, and they are significantly more likely to not apply for financing because they already are discouraged borrowers.
- For business ownership within racial or ethnic groups, black women were the first to make up more than 50 percent of their ethnic group's total business ownership. By comparison, white women comprise 33 percent

of business ownership in that ethnic group.

- These owners are likely to work part time in their business and use it as a secondary source of income.

## Motivation, aspirations, challenges

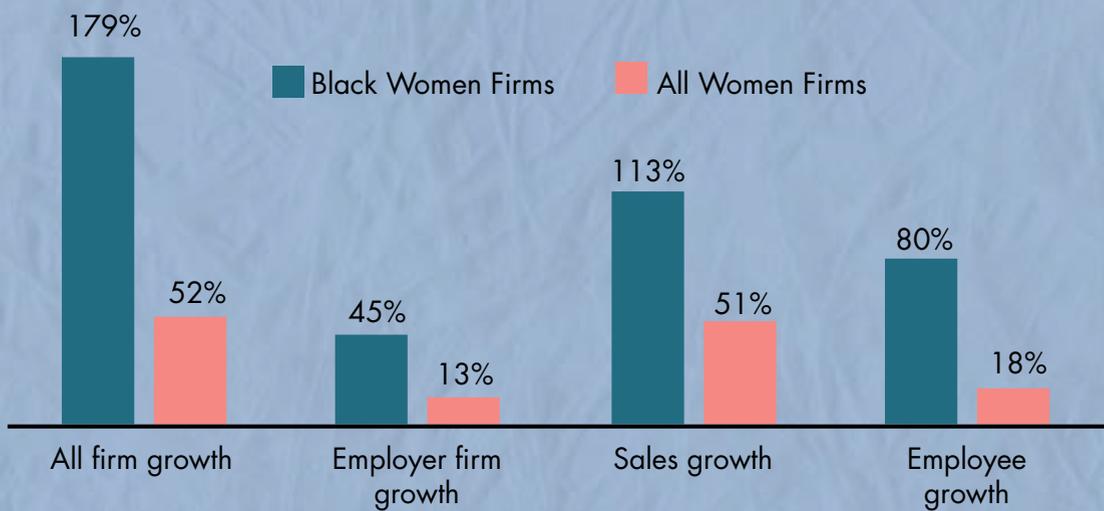
In the focus groups detailed in the Kansas City Fed report, 34 business owners shared feedback across these topics:

- **What motivated you to start a business?**
- **What challenges did you face?**
- **What support did you receive?**
- **What resources or information would you recommend for startups?**

**On startup motivation:** Focus group participants described “push” and “pull” themes that drove or compelled them to start businesses. For example, for several women, negative workplace treatment, unpleasant employment experiences or general workplace dissatisfaction helped “push” them into starting their own business. For others, the “pull” to start a business resulted from their passion for a particular line of work, the emergence of a specific opportunity, or the desire for greater flexibility and better work/life balance.

“I was in the cable industry for about 12 years, and I was laid off,” said Tiffany Cody, co-owner with Aisha Bullocks of Smash Glam, a photography business

### Growth Rates Black Women to All Women Firms, 2002–12



SOURCE: U.S. Census Bureau Survey of Small Business Owners

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“...I MADE A DECISION  
THAT I WOULD NEVER  
SPEND ANOTHER DAY  
MAKING SOMEONE  
ELSE’S DREAMS  
COME TRUE WHILE I  
IGNORED MY OWN.”

— *Tiffany Cody*

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with operations in Topeka, Kan., and the Kansas City area. “It broke my heart, and I made a decision that I would never spend another day making someone else’s dreams come true while I ignored my own.”

So Cody decided to pursue her passion for photography full time. That decision led to a partnership with Bullocks, who had worked in project management and the beauty industry.

“We were really able to gain support from each other,” Bullocks said. With support from their families, the two made a commitment “... to be serious about our business and move in the direction of growing our business.”

**On challenges:** Financing was

seen as a major business challenge. This was expressed as a general lack of financing, a lack of venture capital for certain high-growth businesses and a lack of financial management expertise.

The Fed’s Small Business Credit Survey found that among black women who own businesses the greatest financial challenges were in funds for expansion and operating expenses. In response to these challenges, the survey found, black women owners were more likely to make a late payment, use personal funds, negotiate payments with their lender or let their debt go into collection.

“I’m (running a business) out of my own pocket, funding it myself off my labor,” a focus group participant

commented. “Sometimes it’s hard when you do it like that, because you don’t have everything in place to be successful.”

Sometimes getting potential investors to believe in your business can be a challenge.

Carlanda McKinney started a bra company in recent years but later formed a partnership with another woman business owner to form Kansas City-based Raxxo, which leverages a technology platform for customized clothing.

“This has morphed from a bra company to a tech startup, because our platform can be used for anything ... We’re just starting with bras,” McKinney said. Getting that message across in meetings with potential investors—the majority



AISHA BULLOCKS (left) and TIFFANY CODY worked in different careers before launching their Smash Glam photography business in 2017.

of whom are male—has been a challenge for a women-led business, she said. Men tend to “get stuck on bras and don’t see the bigger picture,” McKinney said. “I’m starting to see as I talk more about the tech and less about the bras, I’m getting less blowback.”

**On support and resources:** Two other big challenges business owners said they faced were a lack of general business information and a lack of mentoring when they started their business. “I really didn’t have any support, and I didn’t know where to go,” one focus group participant said. “A mentor would have been amazing.”

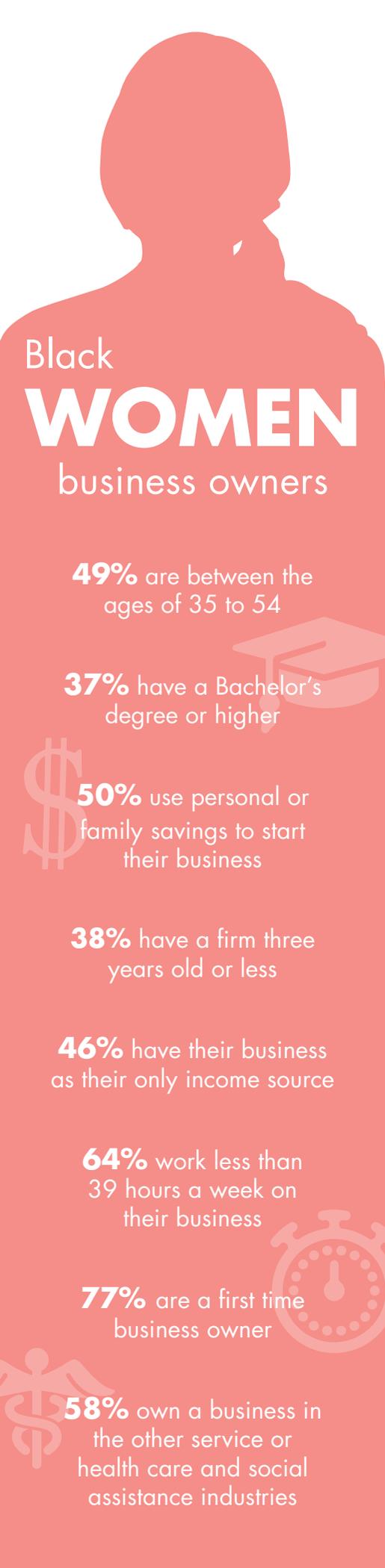
Rattan said she launched EverFit with support from her husband, who is a lawyer, and advice from a “business coach” at a local community college. In addition to running her fitness business, Rattan is responsible for payroll, marketing and other duties for her family’s retail liquor business in Kansas City, Kan. Because those businesses are “two extremes” with different goals and challenges, she has found insight and support through networking with other

independent gym owners. For those seeking to start a business, she recommends that they talk to many people who are established in that field, and to consider experimenting with a “pop-up” business model before being locked into commitments such as a long-term lease.

“Don’t rush,” she said. “Rushing (to open the business by a certain date) caused me to make some bad decisions. Crunch the numbers. Don’t just paint a best-case scenario. Also do a worst-case scenario.”

Haynes of SEED Law in Kansas City said that professional networking is an important element of gaining support and growing a business.

“The pursuit of entrepreneurship is always challenging, but I’ve been really fortunate to have strong support systems here in town,” said Haynes, who has been instrumental in building the Multicultural Business Coalition in Kansas City as well as a network of black women attorneys. “I’ve been fortunate to not only enjoy the resources of these organizations but also to help develop them.”



# Black WOMEN

business owners

**49%** are between the ages of 35 to 54

**37%** have a Bachelor's degree or higher

**50%** use personal or family savings to start their business

**38%** have a firm three years old or less

**46%** have their business as their only income source

**64%** work less than 39 hours a week on their business

**77%** are a first time business owner

**58%** own a business in the other service or health care and social assistance industries

## Moving forward

Even as obstacles remain, participants in the report and focus groups said they were encouraged to see other black women face similar experiences as they grow their businesses.

That outlook is important, Gines said, noting that the report should be instructive for those interested in business development in their communities.

“The takeaway from this report, at the 10,000-foot level is that diversity matters, even in how you look at small business development, because when you look at it as a whole, you might miss some of the nuances that impact communities at the local level,” Gines said. “When you really want to see how small business impacts particular communities, you have to go deeper.”

Lee Gash-Maxey, executive director of the Colorado Black Chamber of Commerce, sees the rising growth and visibility of black women entrepreneurs as inspiring.

“I’m encouraged by the growing number of black women starting small businesses in our area,” Gash-Maxey said in the report. “This trend continues the legacy of black women, who’ve always found creative ways to take care of their families. It bodes well for our community because they’re making positive contributions ... as role models, as business leaders, as empire builders, as game changers, as policy influencers and as decision makers. Black women who own small businesses are making a difference in their lives and in our community.”

### FURTHER RESOURCES

Download the full report on black women owned businesses at [kansascityfed.org/community](https://kansascityfed.org/community), share your feedback and learn more about the Kansas City Fed’s Community Development work.



# BUSINESS TURNOVER

Exploring the Widening Divide Between Large and Small Urban Areas

written by SU BACON

**B**ill Maness clearly remembers the July day in 2010 when he was called to a meeting at Haldex Brake Products in Iola, Kan.

Maness was mayor of Iola, a town with a population of 5,500 that is the county seat and largest city in Allen County in southeast Kansas.

The meeting, Maness learned, was called by company officials who were dutifully notifying him, as mayor, that Haldex was closing its doors in December.

“I found out that not only was the community losing a major, longtime employer but also—I was losing my job,” Maness said.

For more than 30 years, Haldex had been a cornerstone of the local economy, employing up to 500 during the 1990s. About 160 were on the payroll when it closed.

The closing of a business like Haldex is part of a natural progression: Established businesses go away, and new businesses come into a community. It’s called business turnover—new firms enter and existing firms leave the economy.

“Business turnover is a vital part of any economy,” said Jason P. Brown, assistant vice president and economist at the Federal Reserve Bank of Kansas City.

Vibrant economies, innovation and productivity are found where turnover rates are higher. Turnover spurs growth as new companies with new ideas create competition in the marketplace and replace older, less-efficient companies.

In 1977, business turnover in the United States was 28.1 percent, meaning 28 percent of businesses either entered or left the economy. In 2015, business turnover had dropped to 19 percent.

Brown investigated the turnover rate nationwide from 2000 to 2014 in 917 areas of the country. His research was published in the Kansas City Fed’s *Economic Review*, available on the bank’s website. He found that business turnover has declined throughout the United States, especially in the “micropolitan” areas—the least-populated communities.

“In smaller areas with fewer businesses, if one of the businesses goes away, the consequences are much higher,” Brown said.

## Filling the holes

The consequences for Iola and its residents were more than the visible vacancy of a 150,000-square-foot building. Lives were disrupted.

“Factory closures hurt the mindset of a community,” said Maness, who now is economic development director for Thrive Allen County, a rural health advocacy organization.

Some Haldex employees went to work for yearbook publisher Herff Jones, which was next to the Haldex facility—only to see Herff Jones close in October 2015, displacing 60 employees.

Both operations closed because their companies relocated the plants.

What business turnover rates don't measure directly are the powerful influences of a community's resiliency and ingenuity. Iola, for example, bounced back. Through the cooperation of city and county governments and private investors, Iola now has a new 17,000-square-foot grocery store, an upscale apartment complex, a bicycle sales and repair store, 27 miles of bike and pedestrian trails and a regional hospital—all since Haldex closed.

And that large empty building? It's occupied.

In 2013, Catalyst Artificial Lift, located eight miles south of Iola in Humboldt, moved into 8,000 square feet of the old Haldex facility. The rest of the building is leased as warehouse space to another Iola business.

By diversifying and bringing in new businesses, Allen County and Iola survived the loss of two longtime manufacturing plants.

## Effects of the decline

Such losses in manufacturing exemplify the declining trend in business turnover in micropolitan and small metro areas. In these less populous communities, the average turnover from 1998 to 2014 for manufacturing firms declined 14 percent.

Brown's study of business turnover defines

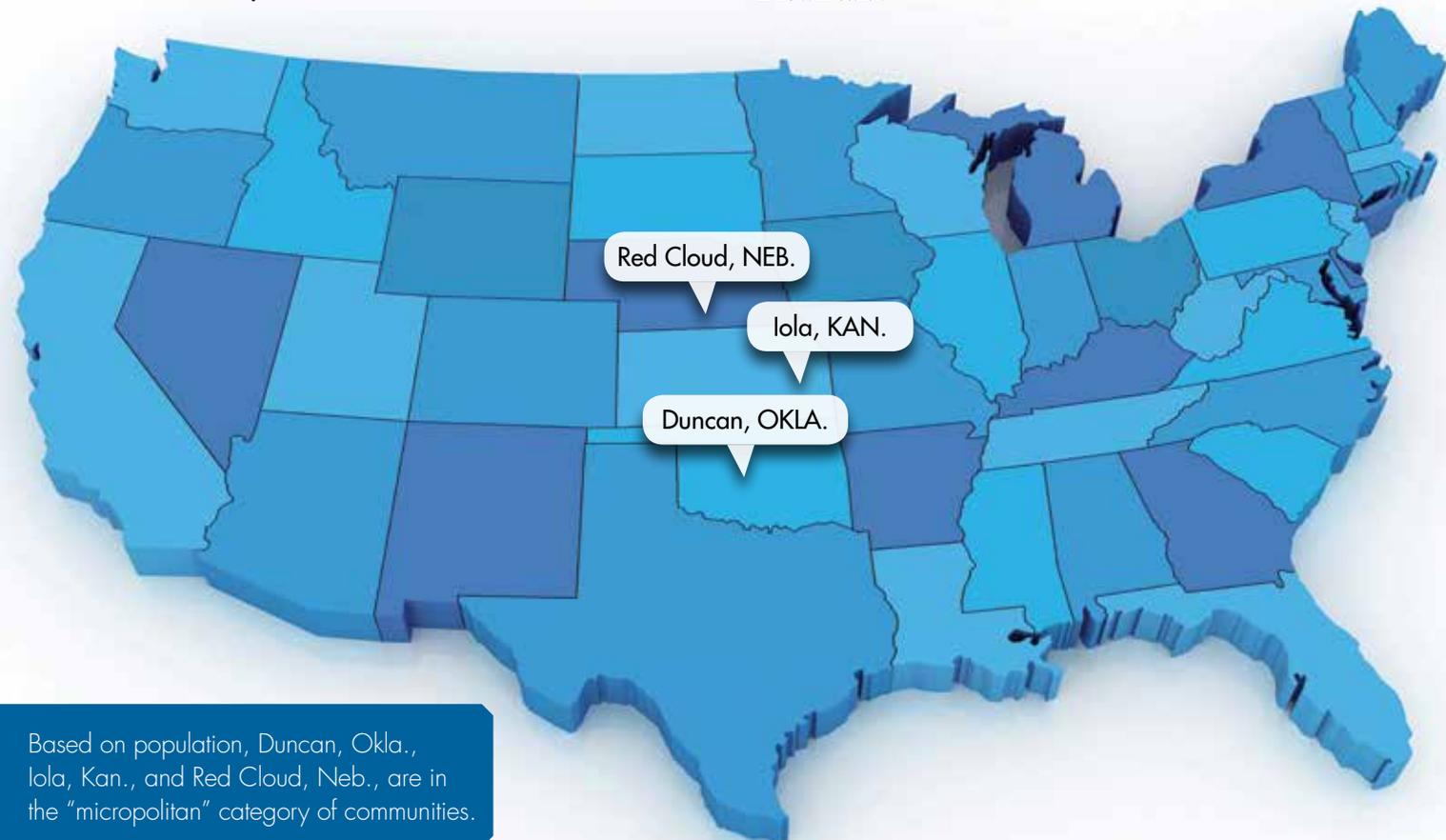
micropolitan areas by county populations of fewer than 220,000, such as the Warrensburg, Mo., area. "Large metropolitan" areas are those with more than 4 million people, such as Chicago. Using that definition, there are no large metropolitan areas in the Tenth District. "Small metropolitan" areas are those with fewer than 1 million but more than 220,000, such as the Omaha, Neb., and Topeka, Kan., areas. "Medium metropolitan" areas have populations from 1 million to fewer than 4 million, such as the Denver, Kansas City and Oklahoma City areas.

Of the four area sizes Brown studied, 734 were micropolitan areas. He found that the decline in business turnover differed significantly between micropolitan and small metro areas and the medium metro and large metro areas.

Such a decline has direct implications for the Tenth District, which is composed primarily of micropolitan and small metropolitan areas.

"Given their lower levels of business turnover, micropolitan and small urban areas may be at risk of becoming more static and less productive than larger urban areas," Brown said.

To survive, the smaller areas need to "acknowledge and challenge" their declining business turnover rates, Brown said.



Based on population, Duncan, Okla., Iola, Kan., and Red Cloud, Neb., are in the "micropolitan" category of communities.

It's a lesson Oklahoma City learned during the "oil bust" of the 1980s.

"We were so heavily dependent on the oil and gas industry," said Erin E. Risley-Baird, executive director of the Oklahoma Office of Workforce Development. "We knew we could weather the next downturn better if we could diversify."

The success of those efforts was seen in 2016 when the price for a barrel of oil dropped into the low \$30s.

"We had large layoffs in manufacturing of oil and gas equipment and closures of some small manufacturers," said Risley-Baird.

But because Oklahoma City had begun cultivating a diverse commercial landscape years before the bust, "we were able to find equitable employment for those who were laid off and keep them from leaving the state," Risley-Baird said.

Brown also found that the decline in business turnover rates was "more due to a lack of new businesses entering" than the number of existing businesses leaving.

Patents issued for new inventions are an indication of an innovative economy. Brown found the number of patents increases as the size of an area increases, with the most patents typically in large metro areas.

In the Tenth District, "Denver has the most dynamic economy in patent activity," said Patrick Woolley, patent attorney and chairman of the Intellectual Property Department at the Polsinelli law firm in Kansas City.

Patent activity also can be found to a modest degree in Omaha and Kansas City, Woolley said. But an area doesn't necessarily need to be large to produce patents.

One example is Duncan, Okla. Duncan is a micropolitan of 22,484, the county seat of Stephens County with a population of 43,332 and home for nearly 100 years to Halliburton Manufacturing Center.

"Many patents have come from Duncan-area employees on the true edge of research and development at Halliburton to make better products and processes," said Jeannie Bowden, business and industry specialist with the Duncan Area Economic Development Foundation.

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**"GIVEN THEIR LOWER LEVELS OF BUSINESS TURNOVER, MICROPOLITAN AND SMALL URBAN AREAS MAY BE AT RISK OF BECOMING MORE STATIC AND LESS PRODUCTIVE THAN LARGER URBAN AREAS."**

— Jason P. Brown

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Sometimes, however, inventing doesn't necessarily involve patents.

Red Cloud, Neb., for example, with a population about 1,000, recently reinvented itself as a tourist destination with the 2017 opening of the National Willa Cather Center. The center, a 10-year project costing about \$7 million, includes a museum, archives, exhibit space, bookstore and the works and belongings of Red Cloud's most famous author.

Dave Garwood, former board member of the Willa Cather Foundation, estimates the center in Red Cloud attracts 10,000 to 15,000 visitors annually.

Such tourism represents the U.S. economy's transition from producing goods to providing services, another trend that is tracked in the business turnover study.



#### FURTHER RESOURCES

Download Jason P. Brown's Economic Review article about business turnover at [kansascityfed.org/research](http://kansascityfed.org/research).

# Tenth District *by the numbers*

ECONOMIC INDICATORS, FACTS AND TRENDS FROM THE SEVEN STATES



## \$39,567

Per capita personal income in New Mexico, first quarter 2018, up 0.2 percent from 2017



## \$7.9 billion

Missouri's exports through the second quarter of 2018, up 9.5 percent from a year earlier

## 9.6%

Colorado's increase in the Federal Housing Finance Agency purchase-only home price index, second quarter 2018

## 139

Average active oil and gas rigs in Oklahoma during August 2018, second nationally to 525 in Texas





# FROM THE VAULT

## *Kansas City Fed History*

# 24,266

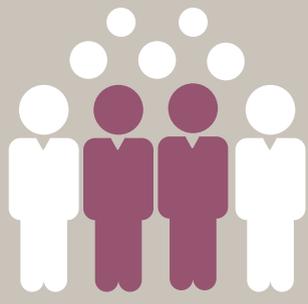
Tons of coal that Wyoming produced in August 2018, down 8.8 percent from 2017



Bank archives



925 Grand construction photo from Sept. 14, 1921, one week before the vault door's delivery.



# 2.8%

Nebraska's August 2018 unemployment rate, compared with 2.9% in July

# 1,479,400

Kansas civilian labor force in August 2018, up 1,100 from July

This year, the Kansas City Fed marked 10 years since moving to its headquarters at 1 Memorial Drive. Before that 2008 relocation, the bank's home since 1921 had been in the heart of downtown, at 925 Grand.

The photograph (above, left) captures a scene from Sept. 21, 1921, in the final weeks of the bank's construction. Workers paused while delivering a 50-ton vault door purchased from the Mosler Safe Co. of Ohio for \$32,000.

The door's astounding weight required a combination of mechanical and equine power to haul it northward from the rail yard near Union Station to the 925 Grand construction site. According to *The Kansas City Star's* coverage of the feat, "The vault was mounted on two house-mover's trucks lashed together. Four horses were hitched to the trucks, and ahead of the horses were two five-ton trucks, each of 60-horsepower pulling capacity."

The bank officially opened at 925 Grand on Nov. 16, 1921.

# SNAPSHOTS

Summaries of reports and analysis from  
Kansas City Fed economists and research staff

## Stress in agricultural lending

by CORTNEY COWLEY

Repayment rates for farm loans have declined every quarter since the second quarter of 2013, suggesting heightened stress in agricultural lending. If repayment rates continue to decline—and the outlook for the agricultural sector remains downbeat—agricultural banks could become less able to lend to creditworthy farm borrowers. Thus, declining repayment rates could lead to adverse outcomes for agricultural banks, farmers and the rural economies they serve.

*Economic Review, Third Quarter 2018*

## Auto loan delinquency rates

by JASON P. BROWN and COLTON TOUSEY

Steady increases in U.S. automobile debt over the last seven years have raised concerns over credit quality and delinquency in consumers' repayment. Delinquency rates have been rising mostly among subprime borrowers, who represent about a quarter of total outstanding auto debt.

*Macro Bulletin, August 2018*

## State taxation on investment: Oil industry

by JASON P. BROWN, PETER MANILOFF  
and DALE T. MANNING

Firms do not in general respond equally to changes in prices and taxes in the setting of oil well drilling in the United States. In a multistate model, a change in output price changes both the benefit and opportunity cost of drilling, whereas a change in a state tax rate only changes the benefit of drilling in that state. Thus, a firm responds more to a change in tax than a change in price.

*Research Working Paper, September 2018*

## Who are the unbanked?

by FUMIKO HAYASHI and SABRINA MINHAS

More households have entered the banking system. Still, 9 million households were unbanked in 2015. Even after accounting for income, multiple socioeconomic and technological factors contribute to households' probability of being unbanked.

*Economic Review, Second Quarter 2018*

# kcFED SOCIAL SEEN



Social media highlights of our engagement across the region.



1



4



2



3

1 **@KCPUBLICSCHOOLS** MOCHA mentors and mentees along with volunteers from the @KansasCityFed pause for a group photo during their conference on the power of public speaking. @KCPS\_Mentoring @DeraldDavis #AllInKCPS



5

2 **KANSASCITYFED** Dell Gines (KCFed community development specialist) spoke with KCUR 89.3 on the challenges black #women #entrepreneurs face in finding financing, advice & support. Listen to the interview at [kcur.org](http://kcur.org).

4 **@KANSASCITYFED** Our Community Involvement Program provides Bank employees with opportunities to #volunteer in a variety of #CommunityService activities. Members of our Green Team recently spent time helping out at the Habitat for Humanity. @ReStoreKC @habitatkc #HowWeDoKC



6

3 **@RAYWEIKAL\_KCPS** We're learning how to unlock the energy of our families today at the first-ever @kcpublicschools Family Empowerment Luncheon at the @KansasCityFed!

5 **@KANSASCITYFED** Local college students stopped by the newly renovated #Denver #MoneyMuseum to check out the exhibits. [kansascityfed.org/moneymuseum](http://kansascityfed.org/moneymuseum)

6 **@KANSASCITYFED** Thank you to everyone who helped make the 2018 @MoneySmartKC Day a success – more than 340 people attended & 64 people received free copies of their credit reports. We're proud to be a community partner in helping to promote #FinancialCapability in our community! #MoneySmartKC

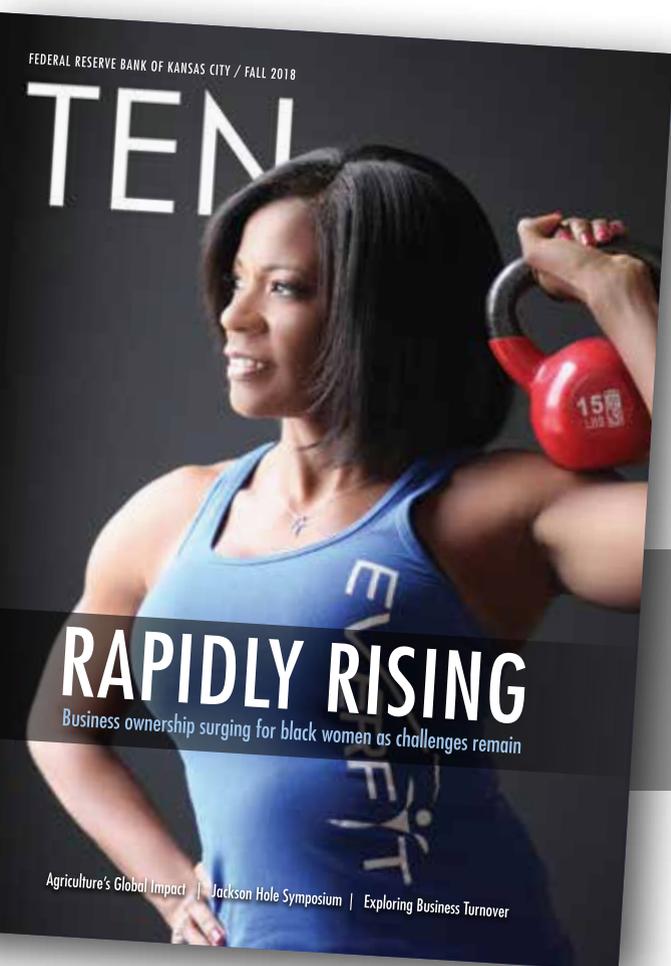
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