

We Can All Become Job Creators

By JOE NOCERA, New York Times, October 18, 2011

Howard Schultz. God bless him.

When last we left the chairman and chief executive of Starbucks, in mid-August, he had written [a widely publicized e-mail](#) lamenting the poisonous state of our nation's politics. That led him to [his first big idea](#): a call for a boycott of political contributions until Democrats and Republicans began to act in a nonpartisan way for the good of the country.

The idea had undeniable appeal. But it was also — let's face it — pretty quixotic, fun to dream about but impossible to turn into reality.

Here we are two months later, and Schultz is back with Big Idea No. 2. It is every bit as idealistic as his first big idea, but far more practical. Starbucks is going to create a mechanism that will allow us citizens to do what the government and the banks won't: lend money to small businesses. This mechanism is scheduled to be rolled out on Nov. 1. This time, Schultz is not tilting at windmills.

From the start, Schultz's crusade has been focused on the need for jobs, or, as he likes to say, "the jobs emergency." Should the government finance a sustained infrastructure program to create jobs? Of course. Should it give tax breaks to companies that hire the unemployed? Yes again. But with an election coming up, nothing of the sort is likely.

With the government a nonfactor, Schultz began mulling other ideas. He knew that small businesses created most new jobs, but that many small businesspeople couldn't hire because they had lost access to credit after the financial crisis. He thought about Starbucks's involvement in microlending programs in some of the countries where it bought coffee. He wondered if there was some way that that could be applied to small business lending in this country. Finally, he thought about the nearly 7,000 Starbucks stores in the United States, and its tens of millions of customers. Surely, he mused, there must be some way to take advantage of Starbucks's sheer size.

In late August, Schultz invited a handful of employees to his home. He told them that they were not there to discuss Starbucks business. "Let's try to take a big swing at job creation that will be unprecedented and unorthodox," he said. The meeting went well into the evening. Schultz served pizza.

Here's the idea they came up with: Americans themselves would start lending to small businesses, with Starbucks serving as the middleman. Starbucks would find financial institutions willing to loan to small businesses. Starbucks customers would be able to donate money to the effort when they bought their coffee. Those who gave \$5 or more would get a red-white-and-blue wristband, which Schultz labeled "Indivisible." "We are hoping it will bring back pride in the American dream," he says. The tag line will read: "Americans Helping Americans."

It didn't take long for Starbucks to find the perfect financial partner: [Community Development Financial Institutions](#), or CDFIs. These are lenders, mostly under the radar, that specialize in underserved communities. Most, but not all, CDFIs are nonprofit, and their loan default rates are extremely low. "We specialize in expending credit, getting paid back, and paying back our investors," says Mark Pinsky, whose organization, [Opportunity Finance Network](#), acts as an umbrella group to the best of them.

Pinsky served on a board with a Starbucks executive. Schultz didn't know that — indeed, he said he had never heard of a CDFI. But the young Starbucks executives charged with turning the idea into a reality soon found Pinsky — and realized that his organization was tailor-made for their project. Within a matter of days, he had met Schultz, and they had struck a deal.

Starbucks and [the Starbucks Foundation](#) will pay for the marketing costs, the wristbands and every other cost associated with the new program — which will be called [Create Jobs for USA](#) — out of its own coffers.

Here is the most beautiful part about the whole arrangement. The donations to Create Jobs for USA will not be loaned to the CDFIs. They will be turned into capital — equity that can be leveraged. Pinsky and others told me that that equity can be leveraged 7 to 1, meaning that if 10 million Starbucks customers donate \$5, that will support \$350 million worth of lending. That's real money.

The Starbucks Foundation [is starting things off](#) with a \$5 million donation. Schultz is hoping to convince other national retail chains to participate as well — so that Starbucks isn't the only place people can join in the effort. And, of course, he is hoping that Starbucks customers will flock to it in droves.

So am I. With the government and banks unwilling or unable, it's time we took matters into our own hands. At this point, who else can we count on?