

Racism and the Economy

focus on Entrepreneurship

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The history of transplanted Africans in America is filled with stories related to struggle and the overcoming of obstacles. This aspect of the African American experience is especially apparent when we examine the history of African American business activity. Dating back to the colonial period, black businesspeople have faced numerous race-based barriers to commercial success. Nevertheless, their creativity and resiliency, linked with the African American social/cultural tradition of “making a way out of no way,” have helped black entrepreneurs maintain a place in the landscape of American business.

During the first couple centuries of the African American experience, the institution of slavery represented an obvious impediment to black entrepreneurial activity. One of the prohibitions enslaved Africans faced was being unable to legally own a business. Nevertheless, in this oppressive environment, some enslaved Africans were able to engage in commercial activities (either by negotiating with their owners to do so or by operating within the “underground economy”).¹

Not every African brought to the Western Hemisphere came as a slave. They, like many whites, came as indentured servants (who gained freedom after serving their term of indenture). Still, business-minded free blacks, because of racism, were all but denied entry into the three major generators of American wealth during the colonial and early national periods: large plantation agribusinesses; the trans-Atlantic slave trade; and mercantile trade in slave-produced commodities. Thus, the historic tradition of black business being at the fringes of the American economy began during the colonial period.²

Because free blacks were denied entry into the most profitable areas of commercial activity, they were forced into establishing enterprises in smaller “niche” industries. These areas included:

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working as craftsmen and artisans; providing food and hair care services; and owning small retail enterprises.³

At the end of slavery, one of the new-found freedoms exercised by African Americans was the right to engage in commercial endeavors. However, this quest for economic empowerment was stifled by two important factors. First, the newly freed African American population had limited access to capital (which restricted the growth of their business enterprises). Second, because of pervasive poverty among newly freed blacks (exacerbated by the introduction of sharecropping), African American entrepreneurs catered to a primary consumer market with limited discretionary income. Considering that whites did not patronize post-Civil War black enterprises, the odds for African American business success seemed slim. Nevertheless, by the early twentieth century, African Americans, in a seemingly miraculous fashion, had carved out a respectable business infrastructure.

Booker T. Washington's 1907 book *The Negro in Business* surveyed the state of African American entrepreneurship forty years after slavery's abolishment. Through chapters with such titles as: "The Negro in Agriculture"; "The Negro Caterer"; "The Negro As A Hotel Keeper"; "The Negro Undertaker"; "The Negro Banker"; "The Negro Publisher"; and "Negro Business in the Southwest": Washington extolled these and other instances of African American commercial progress. Moreover, in the book's Introduction, Washington declared "I have observed in our businessmen the patience, persistence and willingness to learn by experience...I am proud and grateful to be identified with a race which has made such creditable progress in the face of discouragement and difficulty."⁴

Before World War I, most African American commercial activity took place in the South. However, the World War I "Great Migration" of African Americans out of the rural South, to take war-related industrial jobs in the urban North, ultimately contributed to a dramatic growth of black business activity in such cities as New York, Chicago, and Detroit. Also, just as the national economy witnessed an upturn during the 1920s, black-owned enterprises across the country experienced unprecedented growth. One important consequence of black entrepreneurs'

enhanced visibility was the 1927 establishment of a “Division of Negro Affairs” within the U. S. Commerce Department.⁵

Notwithstanding African American business progress during the first decades of the twentieth century, with the onset of the Great Depression, many of these gains quickly evaporated. For instance, black-owned banks, which proliferated during the 1920s, all but disappeared for a generation. Also, black-owned retail establishments were especially hard hit. In 1929, black America’s 24,969 retail stores generated aggregate sales of \$98.6 million dollars. Six years later, in 1935, the aggregate sales for black America’s 22,756 retail stores had plummeted to \$47.9 million dollars.⁶ Because black-owned businesses, in the context of Jim Crow racial segregation (in both the North and South), depended exclusively on black consumer support, high black unemployment rates associated with the Great Depression necessarily resulted in some African American enterprises closing their doors and lower sales and profits for those that remained.

African American-owned insurance companies were able to survive the Great Depression. However, most became casualties of the one-way economic integration that took place during the mid-to-late twentieth century. Specifically, while white-owned insurance companies increased their exposure to the black consumer market after the dismantling of American apartheid, black-owned insurance companies (based upon de-facto racism) were unable to attract nonblack clients. This represented an unfortunate continuation of the “economic detour” that Merah S. Stuart described in his classic 1940 book *An Economic Detour: A History of Insurance in the Lives of American Negroes*. According to Stuart, the African American entrepreneur, unlike white and other nonwhite business owners, had to resign himself to only being able to serve “customers within his own race.”⁷

The urban rebellions of the late 1960s helped generate an unprecedented national interest in promoting substantive African American business development. In a quest to mitigate black anger, both the Johnson and Nixon Administrations promoted government programs to promote African American business formation.

Abraham Venable, a specialist in U.S. Commerce Department's Community Relations Unit, devised a variety of innovative programs to enhance black entrepreneurship. His 1966 "Athlete Project" involving black National Football League (NFL) players was especially significant. Working with Buddy Young, the NFL's Director of Player Relations, Venable encouraged the then 136 black players in the League to deposit at least \$1,000 each into an investment fund. Venable hoped to use highly visible black athletes as entrepreneurial role models for black youth.⁸

Howard J. Samuels, the Administrator of the Small Business Administration (SBA), during the final months of Lyndon Johnson's presidency, unveiled an August 1968 program known as "Project OWN." This initiative sought to dramatically increase the number of African American entrepreneurs in America's urban areas. Moreover, to help insure the success of "Project OWN," Samuels gained the support of the American Bankers Association, which agreed to encourage member banks to make capital available to prospective African American business owners. In an August 12, 1968 letter to Lyndon Johnson, Samuels optimistically predicted that "Project OWN," by the end of fiscal year 1969, "would generate ten thousand loans to prospective minority businessmen and that by fiscal year 1970, the number of such loans would increase by twenty thousand." Moreover, Samuels told Johnson that if twenty thousand business loans were made available each year during the 1970s, this could "greatly close the black-white gap in the entrepreneurial sector of the American economy."⁹

Because Hubert Humphrey, a supporter of "Project OWN," lost the presidential election of 1968, Howard J. Samuels' ambitious project represents an intriguing "what if" of American history. Nevertheless, Richard Nixon, whose successful 1968 campaign included the frequent use of the term "Black Capitalism," sought to institutionalize this campaign slogan with the creation of the Office of Minority Business Enterprise (OMBE) on March 5, 1969 through executive order 11458.¹⁰

Although OMBE's subsequent performance on behalf of black and other nonwhite entrepreneurs generated mixed reviews, between 1969-1972 an explosion of published works related to black

economic empowerment appeared in scholarly journals, business periodicals, mainstream magazines and in book form. While many of these publications have not been consulted in decades, *The Review of Black Political Economy* and *Black Enterprise* magazine (both begun in 1970) remain vital sources of information related to African American entrepreneurship.¹¹

By the mid-1970s, the urban unrest associated with the late 1960s had all but subsided. This contributed to a simultaneous diminishment of public and policy interest in African American economic empowerment. *The Reader's Guide to Periodical Literature (RGPL)*, a pre-Google index of information, provides a graphic indication of how the issue of black business development rose and fell as a topic of widespread public discourse.

Volume 28 of the *RGPL*, covering the period from March 1968 to February 1969 featured fifteen listings in the category "Negro Businessmen." These articles appeared in a wide variety of periodicals including: *Business Week*, *Ebony*, *Harvard Business Review*, *Look*, *Nation's Business*, *Newsweek*, and *Time*. Volume 29, covering the period from March 1969 to February 1970 featured a literal explosion of published works related to black business development. There were fifteen listings under the category of "Black Capitalism," nine listings under the category of "Negro Companies," and seven listings under the category of "Negro Businessmen." This increase could be linked to Nixon's creation of the Office of Minority Business Enterprise in March 1969. Volume 35 of the *RGPL*, covering the period from March 1975 to February 1976 revealed that black business formation had all but declined as a national priority. There were two listings under the category of "Negro Businessmen," one listing under the category of "Negro Companies," and *no listings* under the category of "Black Capitalism." The relatively quick exit of the term "Black Capitalism" from the nation's vocabulary appears especially striking.¹²

The national interest in black business development, associated with the first Nixon Administration, is a faint, distant, memory in today's America. Yet, many African American enclaves continue to be areas of economic stagnation and underdevelopment. Consequently, in the context of there is "nothing new under the sun," contemporary policy makers and

entrepreneurs might be well-served to revisit some of the substantive dialogue and action plans generated a half-century ago.

For instance, one of that era's most impressive accomplishments, in the realm of African American community development, was coordinated by Philadelphia's Rev. Leon Sullivan. During the late 1960s, Sullivan, the pastor Mt. Zion Baptist Church started an initiative called the "10-36 Plan." Initially, 650 members of Mt. Zion invested \$10 a month for 36 months into a cooperative pool. As time went on, an additional 6,000 black Philadelphians joined the program. Sullivan skillfully used this community-based funding as leverage to secure support from the federal government. In the end, with monies generated from within Philadelphia's black community and the federal government, Sullivan established a variety of enterprises including: Progress Plaza Shopping Center, the first black-owned shopping center in the U.S.; Progress Aerospace Enterprises, which manufactured electronic components for the aerospace industry; Progress Garment Manufacturing Company; and the Opportunities Industrialization Center (OIC), which provided job training to individuals, some of whom ended up working in Sullivan-coordinated enterprises.¹³

Commencing in March 2020, COVID-19 has wreaked havoc on small businesses in America. Yet, a recent survey conducted by Operation HOPE, a nonprofit organization promoting economic empowerment in the African American community, demonstrates that a significant percentage of black small business owners remain optimistic about the future. Operation HOPE, who in October 2020 joined forces with Shopify as part of its "One Million Black Business Initiative" (1MBB), surveyed 1,167 participants in its 1MBB program. Also, part of the methodology associated with the Operation HOPE survey, was to compare its findings with an earlier survey of small black business owners conducted by CNBC.¹⁴

Respondents to both surveys acknowledged that ongoing racial bias, coupled with the stresses associated with COVID-19, posed a threat to their enterprises. Nevertheless, 53 percent of the CNBC survey respondents and 86 percent of Operation HOPE survey respondents expected their revenue to increase.¹⁵ These findings suggests that the historic resiliency demonstrated by

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African American entrepreneurs, which helped them “make a way out of no way,” is alive and well.

¹ Juliet E.K. Walker, *The History of Black Business in America: Capitalism, Race, Entrepreneurship* (New York: Twayne Publishers, 1998), 58-62, 73-78.

² *Ibid.*, 33.

³ *Ibid.*, 39-48.

⁴ Booker T. Washington, *The Negro in Business* (Wichita, KS: Devore and Sons, 1992, originally published in 1907), 16.

⁵ Robert E. Weems, Jr., *Business in Black and White: American Presidents and Black Entrepreneurs in the Twentieth Century* (New York: New York University Press, 2009), 11-19.

⁶ Walker, *The History of Black Business in America*, 225.

⁷ Merah S. Stuart, *An Economic Detour: A History of Insurance in the Lives of American Negroes* (College Park, MD: McGrath Publishing Company, 1969, originally published in 1940), xxiii.

⁸ Weems, *Business in Black and White*, 82-84.

⁹ *Ibid.*, 95-96.

¹⁰ *Ibid.*, 127.

¹¹ *Ibid.*

¹² Robert E. Weems, Jr., “Whatever Happened to the Business of Black Power?” in Laura Warren Hill and Julia Rabig, eds. *The Business of Black Power: Community Development, Capitalism, and Corporate Responsibility in Postwar America* (Rochester, NY: University of Rochester Press, 2012), 304-305.

¹³ Weems, *Business in Black and White*, 142-143.

¹⁴ <https://operationhope.org/1mbb/learn-more/>; “Operation HOPE/SurveyMonkey: 1MBB Initiative Inaugural Survey,” March 2021, 3,6.

¹⁵ *Ibid.*, 5-6.