

Lending a Hand: How Small Black Businesses Supported the Civil Rights Movement

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Working Paper No. 67

December 2017

ABSTRACT

A large literature has detailed the seminal roles played in the Civil Rights Movement by activists, new political organizations, churches, and philanthropies. But black-owned businesses also provided a behind-the-scenes foundation for the movement's success. Many black-owned businesses operated across the South because they provided goods and services to black customers who could not attain them from white businesses because of segregation. These small business owners very often played roles in civic matters that their counterparts in larger firms did not. Their civic participation and support contributed far more to the potential for political progress than scholars have recognized. Some accounts of the Montgomery Bus Boycott, for example, underestimate the significance of the role played by Montgomery's community of black-owned businesses, from taxis to pharmacies. Examples from the Civil Rights Movement in Mississippi also illustrate the importance of local small businesses: black business owners were on the front lines, resisting strong pressures from the white community. This paper analyzes these episodes and places them in the context of black-owned businesses in the United States in the 1950s and 1960s, albeit descriptively given the unevenness and unavailability of standardized

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statistics. It also traces the debates over “Black Capitalism” and how the decline of segregation led to dramatic reorganizations of black businesses.

Keywords: American Political Economy, Black Capitalism, Civil Rights Movement, Small Businesses, African American Businesses, Civic Participation, Martin Luther King, Jr., Andrew Brimmer

JEL Classifications: A13, A14, B15, B52, D29, D72, G18, G21, J15, J48, L11, L21, N12, N82, N92, P48

News that Montgomery police had arrested Rosa Parks on December 1, 1955 for refusing to give up her seat on a bus spread quickly. Within twenty-four hours, leaders of the city's black community called a meeting to propose a bus boycott. The next evening, leaders in the African American community gathered in Martin Luther King, Jr.'s Dexter Avenue Baptist Church. The leaders included small business owners, lawyers, clergy, teachers, postal workers and union leaders. Though all agreed on the necessity of a boycott, alternate transportation lingered as the final question of the meeting. The city's relatively large network of black-owned taxi companies – eighteen companies operating approximately 210 cabs – provided the first solution. Each small taxi business eagerly offered its assistance, lowering its fares so that passengers paid the same as they would to ride the bus, lending critical tactical support to the early days of the boycott.¹

But when city authorities learned that this network of small black-owned businesses was providing critical organizational support to the protest, the police began enforcing a minimum fare law, prohibiting the cabs from offering the same low fare as the busses. But this did not hinder the boycott in the way that white city leaders hoped because a volunteer car-pool replaced the cheap taxi service. And with this solution, too, the assistance of the organizational network of small businesses proved vital. Black pharmacist Richard Harris worked tirelessly to orchestrate the carpool and offered his black-owned drugstore as a makeshift dispatch hub. Although city authorities prohibited one sector of small businesses from supporting the protest, another black-owned business filled the taxi companies' void.²

The story of the Montgomery Bus Boycott usually focuses on two key figures: Rosa Parks and Martin Luther King. But without the development of car pools and the support of

¹ Martin Luther King, Jr., *Stride Toward Freedom: The Montgomery Story* (New York: Harper & Row, 1958), 46-52; Taylor Branch, *Parting the Waters: America in the King Years 1954-63* (New York: Simon and Schuster, 1988), 133.

² Branch, *Parting the Waters*, 145; King, *Stride Toward Freedom*, 75-79.

small businesses, the boycott could not have succeeded. Initially black cab drivers contributed by driving black workers to their place of employment. The notion of using car pools, to lower the expenses of getting to work once the boycott was under way, was first used in Baton Rouge in 1953. There, “Operation Free Lift,” picked up black workers to go and return from work at designated locations. In Montgomery, boycott leaders eventually requested from the city the right to set up franchises; that is, a jitney system—not just cars but station wagons. Their request was denied. If allowed, car pool owners could have charged a fare to help defray expenses. Instead, King and others raised outside funds to assist the owners whose expenses included gasoline, insurance and automobile maintenance. Such logistics grew complicated, especially when violence led insurance companies to cancel coverage on the station wagons, forcing King and others to find alternative insurance. Despite such complications, the boycott could not have succeeded without the support of taxi owners or other small business owners like Richard Harris.³

These stories demonstrate that the support of small black-owned businesses helped the Civil Rights Movement to succeed in a variety of ways. And furthermore, “what was forgotten in the protests of the 1960s,” the novelist Darryl Pinckney observed, “was that for more than a century the sheer existence of a black upper class had represented a challenge to the racial status quo.”⁴ But this challenge to the racial status quo was not based on its existence alone, for it

³ David J. Garrow, *Bearing the Cross: Martin Luther King, Jr., and the Southern Christian Leadership Conference* (New York: William Morrow and Company, Inc., 1986), 19, 21, 27, 29, 53, 75, 78--82.

⁴ Darryl Pinckney, “Elite Black & Quite Different,” *The New York Review of Books* (May 26, 2016), 48-50. See also E. Franklin Frazier, *Black Bourgeoisie* (Free Press, 1957) and *The Negro Family in the United States* (Chicago: University of Chicago Press, 1939). In his book *Black Bourgeoisie*, Frazier criticized the black upper class for aspiring to act like white consumers. But contrary to Frazier’s impression, the black elite hardly represented a leisure class in the manner of its white counterpart. See also St Clair Drake and Horace R. Cayton, *Black Metropolis: A Study of Negro Life in a Northern City* (New York: Harcourt, 1945). The crucial participation of black businesses in the Civil Rights Movement challenges the argument put forth by those such as E. Franklin Frazier who argue that black business was nothing but a “myth,” which Frazier described as “one of the main elements in the world of

provided indispensable support to the Civil Rights Movement. Many black-owned businesses operated across the South because they provided the goods and services to black customers who could not attain them from white businesses because of segregation. Therefore they were geographically positioned to provide support not just in Montgomery but also in Little Rock, Greensboro, Birmingham, and Selma, among other southern cities. While there were 70,000 black-owned businesses in the United States in 1920, their total more than doubled across the civil rights era so that by 1969 they totaled 163,000 and employed 151,996 people.⁵ Just under 1,000 of these businesses, totaling 988, were in Birmingham, Alabama, for example, which was a focal point of the Civil Rights Movement when Martin Luther King led nonviolent marchers against Chief Eugene Connor's high-pressure water hoses, cattle prods, and attack dogs.⁶

The prevalence of black business ownership increased through the 1940s and 1950s, with the percentage of black males in the "proprietors" occupation grouping rising from 1.2 in 1940 to 6.2 in 1962.⁷ In many southern cities, it was not only the church that supported institutional support to the Civil Rights Movement: small black businesses also played a prominent role.

"These included," according to Fred Powledge, "the operators of black funeral homes,

'make-believe' which the Black bourgeois has created to compensate for its feeling of inferiority in a white world dominated by business enterprise." E. Franklin Frazier, *Black Bourgeoisie* (New York: Macmillan, 1957), 129-145.

⁵ Martin Hunt and Jacqueline Hunt, *The History of Black Business* (Chicago: Knowledge Express Company, 1998), 222; David H. Swinton and Julian Ellison, *Aggregate Personal Income of the Black Population in the USA 1947-1980* (Black Economic Research Center Monograph No. 3, 1973), 67.

⁶ U.S. Bureau of the Census, *Minority-Owned Businesses: 1969* (Washington, DC: U.S. GPO, 1971), 121.

⁷ U.S. Department of Labor, *The Economic Situation of Negroes in the United States* (Washington, D.C.: U.S. GPO, 1962), 7. In this study, Table 10, "Distribution of employed persons by major occupation group, color, and sex, April 1940 and April 1962," groups together "Managers, officials, and proprietors, except farm" in one category. Nevertheless although black business ownership was increasing at this time, black farm ownership was declining. In 1959 there were 272,541 African American farm owners whereas in 1920 there were 926,000. Juliet E. K. Walker, *Encyclopedia of African American Business History* (Westport, CT: Greenwood Press, 1999), 635.

newspapers, insurance companies, sometimes banks, and personal service establishments such as barbershops.”⁸

It is striking that black owners of small businesses have been underappreciated and/or omitted in the historical literature. The invaluable role played by black business owners has been emphasized by fewer historians than the prominent ministers and activists who relied on those business owners for financial and organizational support. This does not mean that the role of all small business owners has been neglected. On the contrary, there are scholars who argue that white business owners were important agents for social and political change in southern cities. Although white southern business owners “were not advocates of meaningful desegregation,” some sought “to place economic growth before white supremacy” by pressing for changes in race relations.⁹ This argument is misleading in two ways. First, although some white southern business owners might have “placed the quest for profits and ‘progress’” above racial considerations, it ignores that southern business owners were ultimately part of the elite that sought to maintain the status quo in these southern cities, and ignores the way that individual business owners’ commitment to white supremacy might have usurped their commitment to profit. Second, it minimizes the indispensable role played by black business owners, who play no part in this interpretation that claims that a supposed profit-seeking character drove white business owners to accept the aims of the Civil Rights Movement. As we argue, historians and economists must bring African-American owners of small businesses back into the story of the Civil Rights Movement.

⁸ Fred Powledge, *Free at Last? The Civil Rights Movement and the People Who Made It* (Boston: Little, Brown and Company, 1991), 44.

⁹ Elizabeth Jacoway and David Colburn, *Southern Businessmen and Desegregation* (Baton Rouge: Louisiana University Press, 1982), 5-7.

Recent critics also have begun to cast doubt on the efficacy of protest.¹⁰ The Civil Rights Movement, however, powerfully counters such doubts, serving as the most powerful example of the possibilities of effective protest. What made the Civil Rights Movement such a uniquely effective protest movement? In her recent work *Twitter and Tear Gas: The Power and Fragility of Networked Protest*, sociologist Zeynep Tufekci argues that successful movements are proto-institutional, characterized by a high degree of organization and strategic flexibility guided by management structures.¹¹ Tufekci, however, misses why this is significant in relation to the Civil Rights Movement: organization, strategic planning, and structured management sounds precisely like the skill-set of a small businessman, and this further illustrates why the involvement and leadership of small business owners was critically important to the success of the Civil Rights Movement. “What gets lost in popular accounts of the civil rights movement,” Tufekci writes, “is the meticulous and lengthy organizing work sustained over a long period that was essential for every protest action.”¹² But she omits the crucial role that black small-business-owners played in that organizing work. She credits the private carpool network and “church groups, women’s groups, and labor unions” with building the foundation for the Montgomery Bus Boycott, but does not mention the network of black-owned taxis that preceded the carpool or Richard Harris’s pharmacy out of which the carpool was dispatched.¹³

Taxis and pharmacies, however, were not “big” businesses of the sort usually studied by business historians. “Small business” remained important long after the “rise of big business”

¹⁰ Nick Srnicek and Alex Williams, *Inventing the Future: Postcapitalism and a World Without Work* (London: Verso, 2017); for a perceptive critique of this line of thought, see Nathan Heller, “Out of Action,” *The New Yorker* (August 21, 2017): 70-77.

¹¹ Zeynep Tufekci, *Twitter and Tear Gas: The Power and Fragility of Networked Protest* (New Haven: Yale University Press, 2017), 67. Tufekci compares today’s protest movements with the Civil Rights Movement, noting how modern protests struggle with tactical maneuvering over the long-term whereas the Civil Rights Movement successfully moved through tactical innovations from the bus boycott to sit-ins to marches.

¹² *Ibid.*, 62.

¹³ *Ibid.*, 63.

took place at the turn of the twentieth century. The dominant Chandlerian paradigm in business history traditionally has “contrasted the complexities of ‘modern’ (big) business with the simplicity of ‘traditional’ (small) business.”¹⁴ While others have shown that small business was not merely “an anachronistic throwback to a preindustrial era” but instead a vibrant component of American economic life, we contend that it also played a powerful political role, not just in the importance of propagating a small-business ideology but in providing logistical and financial support to political activity. This calls into question Richard Hofstadter’s contention that in the twentieth century American small business owners became “more often than not... a parochial and archaic opponent of liberal ideas, a supporter of vigilante groups and of right wing cranks.”¹⁵ Many writers have, of course, defined “small business” in different ways, but some characteristics should be emphasized: it usually was locally owned by a single proprietor or a few partners, served a local market, and hired workers locally.¹⁶ Most importantly, small

¹⁴ Jonathan L. Bean, *Beyond the Broker State: Federal Policies toward Small Business, 1936-1961* (Chapel Hill: The University of North Carolina Press, 1996), 9. In 1969, the “small” character of most black businesses was reflected in the fact that 32.5 percent of minority-owned business enterprises had zero paid employees, compared to 26 percent among white-owned firms. Daniel R. Fusfeld, *The Basic Economics of the Urban Racial Crisis* (New York: Holt, Rinehard and Winston, Inc., 1973), table 7.3, p. 96).

¹⁵ Richard Hofstadter, “What Happened to the Antitrust Movement?” in *The Paranoid Style in American Politics* (New York: Vintage, 2008), 221. In the case of the Montgomery Bus Boycott, Hofstadter’s view would be confirmed given the behavior of white small business owners, whose “fear of losing white customers,” according to David L. Chappell, “led them to resist desegregation most rigidly.” But Chappell adds that larger white businesses, concerned with their national reputation, were more amenable to integration out of fear for the boycott’s economic effect. David L. Chappell, *Inside Agitators: White Southerners in the Civil Rights Movement* (Baltimore: The Johns Hopkins University Press, 1994), 74.

¹⁶ See Addison W. Parris, *The Small Business Administration* (New York: Praeger Publishers, 1968) for a description of the Small Business Administration, which passed Congress on July 30, 1953. The Small Business Administration’s declared policy was to support the “interests of small-business concerns in order to preserve free competitive enterprise.” It only made loans to companies that couldn’t secure loans from traditional borrowers; loans made directly or “in cooperation with a commercial borrower.” The SBA defined a small business as “one which is independently owned and operated and which is not dominant in its field of operations.” The number of small businesses in the 1950s was unclear given different numbers – 4.5 million from the Office of Business Economics; 6.3 million for the IRS, 3.1 million from the Census. Part of this might be because the IRS included business operations with no employees (just the single owner). One attempt to connect the SBA to black business occurred in 1964. Parris writes, the “SBA administrator, a strong civil rights advocate, saw to it that SBA management and financial assistance was available... loans came in a new SBA program called the 6X6 loans, which offered up to \$6,000 for a six year period. The response was enormous; in following months centers were also set up in Harlem and Washington. Dozens of beauty parlor operators, dry cleaners, dressmaker and other firms received 6 x 6 loans. The program got widespread publicity.” One place of success was Philadelphia. SBA loans were

business owners very often played a more active role in civic matters than their counterparts in larger firms. The civic participation and support of small African American business owners contributed far more than is recognized by students of the Civil Rights Movement.

These enterprises contributed a not-so-visible key set of component parts that provided an economic infrastructure that contributed to the success of the movement. Unique opportunities derived from time and place shaped small business owners' capacity to engage politically. This is especially true of southern cities in the 1950s. As Thomas Ferguson and Joel Rogers showed, foundation grants to Civil Rights Movement organizations did not become significant until the late 1960s and early 1970s.¹⁷ Support from black businesses filled that role before foundation grants ever arrived. This project reveals the dynamism of the community of black-owned businesses in southern cities in the 1950s and 1960s that made a significant contribution to the movement.¹⁸ Thomas Boston, a leading writer and researcher on African American business, thinks that scholars might not have realized the importance of black-owned businesses because

expanded to a maximum of \$25,000 in 1966 legislation, as part of the Economic Opportunity Act. Sadly, there is no separate listing of how many establishments received 6X6 loans. Parris, *The Small Business Administration*, 3, 20, 27, 36, 181, 187. Furthermore, the SBA had an ambiguous effect on black business because problematically SBA loans were not just slow in being granted but they were only granted if and "when there was a reasonable assurance of repayment," according to Theodore Cross, and since black businesses confronted very different conditions than others seeking loans, this stipulation limited loans to the black business community. Cross adds, "On November 9, 1966, SBA issued a ruling to all area administrators: 'While new businesses qualify [for loans to the disadvantaged business community]...we do not intend to provide start-up financing for a small grocery, beauty parlor, carry-out food shop, ...[they should not be made] unless there is a clear indication that such a business will fill an economic void in the community.'" Theodore Cross, *Black Capitalism: Strategy for Business in the Ghetto* (New York: Atheneum, 1969), 99-101. Similarly, in 1970 Earl Ofari wrote, "Because of policy measures, SBA loans going to black businesses that want to expand into more vital areas of commerce and trade are extremely hard, if not impossible, to obtain." Earl Ofari, *The Myth of Black Capitalism* (New York: Monthly Review Press, 1970), 79.

¹⁷ Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986), 55.

¹⁸ William Julius Wilson, in *The Declining Significance of Race: Blacks and Changing American Institutions* (Chicago: University of Chicago Press, 1978) suggests that as African Americans moved from the countryside to the city, the likelihood of achieving middle-class status increased. He does not imply that this was always the case, nor likely, but shows that urban migration deserves attention.

of their “small size.”¹⁹ And especially in the South, black-owned businesses were an important source of employment for black workers.²⁰

Historians of capitalism, a subfield of recent attention, claim to want to give attention to small-scale enterprise as well.²¹ But how many actually have done this? In fact, many fail to note that the size of an enterprise changes the character of its potential social and political activity. In other words, small scale production needs to be studied from different angles and social and political factors may play a more important part. Depending on the industry or sectoral location the same preconditions for success or failure may not exist. Unlike the standard neoclassical model small enterprises differ widely and generalizations are not always easy to derive. Simply put, the insights derived from the analysis of small enterprise behavior have

¹⁹ “The ‘mom and pop’ nature of small black businesses cannot be understood in isolation from the historical barriers of racial inequality...excluding such businesses from the black middle class because their income is low omits the very question that needs answering,” writes Boston, and he notes that “Many leaders of black society have come from the old black middle class. Their occupations have included clergyman, doctors, lawyers, educators and small independent businessmen.” Thomas D. Boston, *Race, Class and Conservatism* (Boston: Unwin Hyman, Inc., 1988), 40-41. Others, however, have cited the small size of most black businesses precisely to illustrate their relative unimportance in the larger economy. Earl Ofari, for example, wrote, “In the combined areas of banking, finance, real estate, and insurance...black businesses employed 5,000 people in 1960, or 1.1 percent of the 413,000 persons who worked in those areas across the nation.” Earl Ofari, *The Myth of Black Capitalism*, 76. We believe this argument misses the point that the owners of small businesses, despite employing relatively few people, could have played significant social and political roles in their communities. The case of black business involvement in the Civil Rights Movement also is a rejoinder to those who claim that a business only exists for the benefit of its shareholders and that instead the example of these black businessmen shows how businesses are economic institutions that serve an important social function through such civic activity.

²⁰ As William Julius Wilson and others pointed out, the number of African Americans in Northern unions grew in the 1950s and 1960s. Wilson, *The Declining Significance of Race*, 125-29; Richard Freedman, “Changes in the Labor Market for Black Americans, 1948-1972.” *Brookings Papers on Economic Activity*, 1 (1973): 67-120. As a result, these unions lifted some Northern blacks out of the lower classes. But in the South, that was not the case. While blacks in Northern industrial unions did better, there were few unions in the South, where black labor had fewer choices and opportunities to join unions. Instead, black businesses, even small firms (1-2 employees), provided employment opportunities. For more on A. Philip Randolph and African American unions, see William H. Harris. *Keeping the Faith: A. Philip Randolph, Milton P. Webster, and the Brotherhood of Sleeping Car Porters, 1925-37* (Urbana: University of Illinois Press, 1977).

²¹ Sven Beckert, “History of American Capitalism” in Eric Foner and Lisa McGirr, *American History Now* (Temple University Press, 2011).

different implications – implications that are harder to pinpoint because the units of analysis are viewed as too cumbersome to analyze.²²

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When Martin Luther King, Jr. traveled widely during the Civil Rights Movement, where did he stay and who supported his material needs? One magazine estimated that King travelled nearly 780,000 miles per year in the late 1950s as he preached against segregation.²³ Even if the estimate is overly generous, it is clear that such wide travel would have necessitated considerable material support. Local businesses likely played a key role. By the early 1960s, it took “\$1000 in hard cash to run the SCLC [Southern Christian Leadership Conference] movement each day,” and churches, businesses, and African-American entertainers donated to the cause.²⁴ Given the cost of running such a movement, King sought to raise funds wherever and whenever he could, such as pulling in \$80,000 for the SCLC in Chicago in 1966.²⁵ Consider the logistical and financial demands of the Selma march. Churches were not the only contributors, as local businesses likely provided marchers with food, shelter, and transportation.²⁶ Other scholars have noted the importance of church-based fundraising, but this has led some to downplay the importance of contributions from African-American small-business-owners.²⁷

²² The importance of financially supporting small businesses is an issue that many countries face. In China, for example, the government is working on making more bank loans available to struggling nongovernmental small businesses. The country recognizes that these businesses are critical to future development. As a result, China’s central bank lowered the reserve ratio to banks who make loans to small scale borrowers. The hope is that this will facilitate growth in small scale operations. Keith Bradsher, “China Moves to Steer More Loans to Small Businesses,” (Sunday, October 1, 2017): p. 4.

²³ Taylor Branch, *The King Years: Historic Moments in the Civil Rights Movement* (New York: Simon and Schuster, 2013), 14.

²⁴ *Ibid.*, 50.

²⁵ *Ibid.*, 139.

²⁶ *Ibid.*, 113, 117, 122.

²⁷ *Ibid.*, 180.

CORE (Congress of Racial Equality), for example, worked with the St. Louis NAACP in 1957 and 1958 on supporting job opportunities in black-owned supermarkets.²⁸ Although scholars have given less attention to the role of black businesses in supporting the Civil Rights Movement, it is evident that southern whites were well aware of the part being played by black businesses, because some bombings specifically targeted these businesses. In addition to the homes and churches of African-Americans, bombings in some communities involved black-owned businesses such as motels. Fred Powledge observed, “Between January 1, 1956, and June 1, 1963, according to a survey by the Southern Regional Council, there were at least 138 race-related bombings in the eleven states of the South...clustered in time and place around incidents of ‘the strongest Negro assertions of rights: Little Rock, 1960 and 1961...Tennessee.. 1956 and 1957...Atlanta...1961...Alabama and Mississippi ...1963.’”²⁹ Though the places were not always cited, businesses were bombed. It got so bad that Martin Luther King and Isaac Reynolds of CORE, who the police were searching for, moved from black hotels and motels to sleep in caskets in funeral homes.³⁰

In order for large-scale reform to succeed, King thought that African Americans needed to consolidate and employ their economic power. According to Mehrsa Baradaran, he advocated black banking as an important component of nonviolent resistance. This entailed, in King’s

²⁸ August Meier and Elliot Rudwick fail to discuss at length CORE’s support for black business owners or black business owners’ support for CORE activities. August Meier and Elliot Rudwick, *Core: A Study in the Civil Rights Movement, 1942-1968* (New York: Oxford University Press, 1973), 93. There were a series of organizations that sought, in a variety of ways, in the late 1960s and early 1970s to support black business development by providing access to increased funding and/or technical assistance. The majority of these organizations were in Northern or large Midwestern cities. For a partial listing, see Alvin N. Puryear and Charles A. West, *Black Enterprise, Inc.: Case Studies of a New Experiment in Black Business Development* (New York: Anchor Press, 1973), Appendix B, Selected Community Business Organizations, 425-435. Nevertheless contemporary analyses of the conditions faced by African Americans in the 1960s often ignored the challenges for black business owners. For example, the *1961 Commission on Civil Rights Report* (Washington, D.C.; GPO, 1961), while discussing in great detail the various problems confronting African-Americans, had almost no discussion on the problems or issues confronting black businesses.

²⁹ Powledge, *Free at Last?*, 483.

³⁰ *Ibid.*, 511-12.

words, “the development of financial institutions which were controlled by Negroes and which were sensitive to the problems of economic deprivation of the Negro community.”³¹ In his last speech, King said, “we’ve got to strengthen black institutions. I call upon you to take your money out of the banks downtown and deposit your money in Tri-State Bank. We want a ‘bank-in’ movement in Memphis... You have six or seven black insurance companies here in the city of Memphis. Take out your insurance there. We want to have an ‘insurance-in.’”³² Although he articulated it differently, Malcolm X also recognized the importance of black economic institutions. “Why,” he asked, “should white people be running the banks of our community?”³³

King might have learned of the benefits to be derived from a strong community of black-owned businesses from his father. When Martin Luther King, Sr. was the leader of Atlanta’s Ebenezer Baptist Church during the Great Depression, he modeled his fundraising off of the example of Atlanta’s black-owned insurance companies. Because most African Americans at that time were not large property owners, they did not need fire or automobile insurance.

Therefore,

“Negro insurance companies created their own market by inventing policies tailored to their clientele – small ones, designed to pay for funerals and doctor’s bills, occasionally for education. The companies hired armies of sales agents to collect premium payments from poor people in the most practical way: in small amounts, very frequently, often no more than a nickel a week. King recognized that this kind of payment schedule was precisely what a church should strive for in the hard times of the Depression. More creatively, he saw that if an insurance company could go door to door for its money rather than wait for customers to bring it to the office, so could a church.”³⁴

³¹ Baradaran, *The Color of Money: Black Banks and the Racial Wealth Gap* (Cambridge, MA: Belknap Press, 2017), 159.

³² *Ibid.*, 158.

³³ *Ibid.*, 161.

³⁴ Branch, *Parting the Waters*, 42.

As a result, Martin Luther King Sr. worked to recruit insurance salesmen and executives for membership at Ebenezer Baptist Church, hoping that their skills might be transferable to church fundraising.

Decades later, Martin Luther King Jr. might have had this history in mind when he lamented, “Negroes are almost entirely a working people. There are pitifully few Negro millionaires and few Negro employers.”³⁵ In constant need of donations to fund everything from bail money to lodging to the Freedom Rides, the Civil Rights Movement depended on black business owners. But Civil Rights leaders could also come into conflict over strategy and goals with black business owners because some were more conservative. For example, during the Birmingham integration struggle in 1963, A.G. Gaston, a black motel and funeral home owner, played a significant role as donor and organizer. He showed up with \$5,000 of his own money to pay bail and lodged King overnight in his motel.³⁶ He also threatened to transfer his accounts out of a white-owned bank that had a “whites only” on its water fountain.³⁷ But at the same time he thought that some of the Movement’s tactics had become too daring and provoked the bombings in Birmingham. But King refuted the view of Gaston and other Birmingham conservatives by arguing that “the bombing was the result of too little daring in civil rights, not too much.”³⁸ Despite Gaston’s material support for King, the relationship between the two men remained strained as their views on strategy and aims differed significantly. Southern whites also targeted Gaston’s businesses with violence, illustrating the way in which some southerners, recognizing the political and social power of small black business owners, mobilized to harm such

³⁵ Ibid., 539.

³⁶ Ibid., 786.

³⁷ Other black funeral home owners supported the Civil Rights Movement, such as William Shortridge, who cofounded the Alabama Christian Movement for Human Rights, which sought to end employment discrimination and segregation. Brian S. Feldman, “The Decline of Black Business,” *Washington Monthly* (March/April/May 2017).

³⁸ Branch, *Parting the Waters*, 891, 901.

businesses. When Gaston hosted King in 1963, his motel was bombed, and he discovered a ticking green box at a mortuary he owned.³⁹

The tension between King and Gaston illustrates a broader tension within the Civil Rights Movement. Sometimes the more radical strategies and aims of activists and volunteers conflicted with the more conservative character of the business owners who supported their activities. This led SNCC (Student Nonviolent Coordinating Committee) organizers upon entering new Mississippi towns to try to find common ground with the business owners whose support they needed. In one case the activists prepared for such tension through a role-playing exercise in which participants pretended to seek out the support of a local business owner. The exercise instructed participants to assume the businessman “is pretending to be friendly, then they are to assume that the businessman is unwilling to share power with young upstarts, and finally they are to assume that the businessman is sincerely committed to the movement but thinks SNCC people are working for personal glory.”⁴⁰ The exercise sought to resolve this problem by encouraging trainees “to think about not only overcoming fear but also neutralizing deception, distrust, and arrogance while avoiding pigeonholing people stereotypically.”⁴¹ A successful alliance between activists and business owners demanded compromise and cooperation to overcome potential conflicts. And sometimes circumstances pushed more conservative figures to take a more radical stand, such as when in 1962 thirteen black businessmen and ministers who previously had been reluctant to march held a protest march in Mississippi and were arrested.⁴²

³⁹ Taylor Branch, *At Canaan's Edge: America in the King Years 1965-68* (New York: Simon & Schuster, 2006), 140.

⁴⁰ Charles M. Payne, *I've Got the Light of Freedom: The Organizing Tradition and the Mississippi Freedom Struggle* (Berkeley: University of California Press, 1995), 248.

⁴¹ *Ibid.*, 248.

⁴² *Ibid.*, 289.

Examples from the Civil Rights Movement in Mississippi illustrate the important role played by local small businesses and the opposition it provoked. Scholars have highlighted the importance of established organizations, such as black colleges, local NAACP chapters, and black churches, but black business owners and black farmers played important roles too.⁴³ In the Mississippi Civil Rights struggle, black business owners were on the front lines, enduring pressure from the white community. In addition to preaching at four different congregations, Reverend George Lee ran a prosperous printing business and a grocery store, positioning him as a prominent leader in Belzoni, Mississippi's black community.⁴⁴ He was the first African American in Humphreys County to get his name on the voting list and organized the Belzoni, Mississippi branch of the NAACP in 1953 along with his friend Gus Courts, another grocery store owner. Lee and Courts registered hundreds of black voters in a county where no black person had voted since Reconstruction. In 1955, after regularly receiving telephone threats that said, "You're number one on a list of people we don't need around here anymore," Lee was shot and killed while returning from picking up his preaching suit at the dry cleaners.⁴⁵ The investigating sheriff dismissed the death as merely an automobile accident and said the lead pellets lodged in what remained of his jaw were just dental fillings. Gus Courts then endured threats that wholesalers would not deliver goods to his grocery store and a local bank refused to do business with him unless he handed over NAACP records.⁴⁶ But this did not deter Courts. Despite threats that he would face a similar fate as Lee, he continued to push for voter registration. In response, white-owned gas stations stopped selling gas to him. Recognizing the

⁴³ Kenneth T. Andrews, *Freedom is a Constant Struggle: The Mississippi Civil Rights Movement and Its Legacy* (Chicago: Univ. of Chicago Press, 2004), 64, 66, 71. Small business owners included non-agricultural self-employed people.

⁴⁴ Payne, *I've Got the Light of Freedom*, 36.

⁴⁵ *Ibid.*, 37.

⁴⁶ Andrews, *Freedom is a Constant Struggle*, 94; Payne, *I've Got the Light of Freedom*, 36.

power of black-owned enterprise, Courts started pooling money within the black community so that it could purchase its own gas station. After refusing to remove his name from the voter registration list, Courts was shot twice while standing inside his store, but survived.⁴⁷

“The economic pressure that Gus Courts was subjected to,” Charles M. Payne writes, “was common across the state, much of it orchestrated by the Citizens’ Councils.”⁴⁸ But the way in which whites turned to violence after African Americans endured such economic pressure reveals “the forcefulness of Black activism.”⁴⁹ Mississippi police also harassed black business owners, such as the cabs who had their permits revoked and operations halted.⁵⁰ Consider the example of black small-business-owner George Washington, who refused to stop supporting the movement. This led a local oil supplier to remove the pumps at his gasoline station and distributors to refuse to deliver groceries to his store. Then, his property was bombed and police arrested Washington for “failing to report the bombing.”⁵¹ Mississippi’s black community developed effective measures to counter such economic pressure thanks to the power of black-owned enterprise. In response to the economic reprisals conducted by the Citizens’ Councils, the national office of the NAACP established a war chest at the black-owned Tri-State Bank of Memphis, whose funds could be lent to Mississippi activists to help evade the possibility of losing their homes, farms, or businesses.⁵²

Furthermore some organizations recognized the importance of a strong and stable community of black-owned businesses. The Delta Ministry of Mississippi promoted a “development” community called “Freedom City” that attempted to develop small scale

⁴⁷ Payne, *I’ve Got the Light of Freedom*, 38-9.

⁴⁸ *Ibid.*, 41.

⁴⁹ *Ibid.*

⁵⁰ Andrews, *Freedom is a Constant Struggle*, 94.

⁵¹ *Ibid.*, 94-5.

⁵² Payne, *I’ve Got the Light of Freedom*, 46.

enterprises to produce furniture and candy cooperatives with instruction in running cooperative businesses.⁵³ Black-owned businesses were a politically charged point of conflict in the Mississippi Civil Rights Movement. In Grenada in 1966, the Mississippi Sovereignty Commission blocked the construction of a black-run grocery store. In response the SCLC organized a boycott against white business owners and a group of black Grenadians “formed B&P (Business and Professional) Enterprises in order to establish a locally owned grocery store that would keep money in Grenada’s black community.”⁵⁴ Nevertheless the Sovereignty Commission thwarted this fledgling enterprise through lawsuits. “The failure of B&P Enterprises to establish a community-owned grocery store,” Joseph Crespino concludes, “was no small loss for black Grenada. With school and voting rights fights increasingly relegated to the courts, a community-owned grocery store might have provided a source of economic self-sufficiency and community focus.”⁵⁵

Mississippi gas station owner Amzie Moore understood that as a small business owner he was uniquely empowered to engage in civic participation. He used his position in the community as a springboard for his voter registration efforts, provoking a concerted campaign on the part of whites to strangle his business that was so intense that it drew the attention of J. Edgar Hoover in 1956. For example, local banks refused to provide the credit Moore needed for operational costs

⁵³ Mark Newman, *Divine Agitators: The Delta Ministry and Civil Rights in Mississippi* (Athens: University of Georgia Press, 2004). For more on the Delta Ministry, see Bruce Hilton, *The Delta Ministry* (London: The Macmillan Company, 1969).

⁵⁴ Crespino, *In Search of Another Country*, 11, 139. The Mississippi Sovereignty Commission aimed to gain control over local poverty boards established by the Office of Economic Opportunity. Additionally, in the South unorganized boycotts in many cases became as powerful as organized boycotts. Instead of shopping in white-owned stores, black customers shopped in black-owned stores, prompting the “Center for Research in Marketing, Inc.” to warn the white business community in 1962 of the increasing importance of black customers. Fred Powledge concludes, “The economic boycott, executed to perfection in Montgomery, now was part of the Movement’s repertoire almost everywhere.” Powledge, *Free at Last?*, 369.

⁵⁵ Crespino, *In Search of Another Country*, 140.

because he refused to put a “For Colored Only” sign on his building.⁵⁶ He also endured frequent threats and a reporter in 1964 noted that Moore would receive three calls threatening his life in an evening.⁵⁷ Moore developed a relationship with the prominent Civil Rights activist Bob Moses when Moses was recruiting SNCC volunteers from Mississippi. But Moore flipped the recruitment drive on its head. Moore felt that, while it was fine for SNCC to recruit young people from Mississippi as it was doing, it would be even better if SNCC sent students into Mississippi to register voters.⁵⁸ Moore’s position in the community as the owner of a gas station also enabled him to assist with logistics, such as transportation for the volunteers. Moore even presented his proposal for SNCC students to assist voter registration to the SNCC conference and hosted meetings of leaders of the voter registration drive at his home in Cleveland, Mississippi.⁵⁹ Another example is Daniel Speed, who owned a black grocery store in Tallahassee, Florida. Speed provided the funding for a bus boycott similar to the one in Montgomery and the grocery store served, like Moore’s house, as a meeting point for black leaders.⁶⁰

While in some situations such as Montgomery black business owners provided organizational and material support for protests, in other cities black business owners played prominent political roles. This was the case in Birmingham, Alabama. Amid racial tensions in 1950, some business and community leaders organized an Interracial Committee to address social problems affecting the city’s African American population. This committee consisted of twenty-five black members and twenty-five white members, with a black executive director. Three black businessmen served on the committee: a co-owner of a realty company, an owner of a funeral home, and a manager of an insurance office. But despite the presence of these black

⁵⁶ Payne, *I’ve Got the Light of Freedom*, 44.

⁵⁷ *Ibid.*, 45.

⁵⁸ Branch, *Parting the Waters*, 330.

⁵⁹ *Ibid.*, 345, 486.

⁶⁰ Brian S. Feldman, “The Decline of Black Business,” *Washington Monthly* (March/April/May 2017).

business owners, an imbalance also reflects how black businessmen could struggle to influence local politics in an institutional way, because in contrast to the three black businessmen there were fourteen white business executives. These white business executives had “greater access to the centers of power in Birmingham and thus could more easily control the priorities and activities of the Interracial Committee.”⁶¹

Although small businesses might not have been able to achieve economies of scale, sell to national markets, or employ considerable numbers, focusing on such economic indicators obscures an important side-effect of small business ownership: small-business owners were powerfully situated for prominent roles of civic participation. Andrew Brimmer, the first black member of the Federal Reserve Board, recognized this. Although his thoughts regarding this were somewhat contradictory, he elegantly articulated the small business owner’s capacity for civic engagement in 1968, writing, “the owner was a community leader. He had an opportunity to share in the development of programs in his community; he could lead a protest movement; he could occasionally deal with his white counterpart—he was in a position to do so.”⁶² Many observers have missed this point because they focus solely on conventional economic indicators, rather than exploring the political and social consequences of business ownership. For example, a 1971 research report from The Conference Board decried the fact that “black business is disproportionately restricted to small service establishments.”⁶³ Yet in the same report the researchers observed that a small black-owned business engaged in the manufacturing of transformers and metal stampings in Rochester, New York was “a symbol of hope to

⁶¹ Robert Corley, “In Search of Racial Harmony” in *Southern Businessmen and Desegregation*, ed. Elizabeth Jacoway and David Colburn (Baton Rouge: Louisiana State University Press, 1982), 175.

⁶² Andrew Brimmer, “Desegregation and Negro Leadership” in Eli Ginzberg, editor, *Business Leadership and the Negro Crisis* (McGraw-Hill Book Company, 1968), 38.

⁶³ James K. Brown and Seymour Lusteran, *Business and the Development of Ghetto Enterprise* (New York: The Conference Board, 1971), 3.

disadvantaged minority groups in Rochester and an effective power base for FIGHT [a black community organization].”⁶⁴ Black-owned businesses could, in short, translate into political power for the black community.

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Although black-owned businesses provided a material foundation for the Civil Rights Movement, the desegregation that followed the era had an ambiguous result on these businesses. After lending their support to the cause, many black-owned firms lost business when their black customers, who previously were denied the opportunity to patronize white businesses, could now shop in white stores, eat in white restaurants, or store money in white banks. In 1966, Andrew Brimmer observed the existence of two markets:

“One is open to the white public virtually without limitations, and whites are free to purchase both goods and services with complete freedom of choice. However, for Negroes entry into this market is extremely circumscribed. While they enjoy considerable freedom of choice in the purchase of goods (except housing), a wide range of services (especially personal services) offered to the general market is unavailable to them. Consequently, a second market has arisen. This is basically a Negro market, and the provision of personal services lies at its core. Thus, the Negro market is entirely derivative; it has evolved behind the walls of segregation to meet a demand left unfilled by business firms operating in the general market.”⁶⁵

But when the progress of the Civil Rights Movement began to tear down those walls of segregation, what happened to the black-owned businesses that served this second market?

The 1976 *Negro Almanac: A Reference Work on the Afro American Experience* lists the 100 largest black-owned businesses in the United States as of 1973. Usefully, the table lists the year in which the business was started. Of these 100 firms, 62 were founded in the 1950s and

⁶⁴ Ibid.

⁶⁵ Andrew F. Brimmer, “The Negro in the National Economy,” in *The American Negro Reference Book*, ed. John P. Davis (Englewood Cliffs, NJ: Prentice-Hall, 1966), 252.

1960s.⁶⁶ This contradicts the conventional prevailing view that the 1930s and 1940s was a period of much stronger growth for black-owned businesses followed by a decline in black-owned businesses in the 1950s and 1960s. Similarly, more than half of the 43 largest black-owned savings and loan associations as of 1973 were founded in the 1950s and 1960s. Nevertheless there is a sectoral disparity because, of the 37 largest black-owned banks in 1973, only 14 were founded in the 1950s and 1960s, and of the 41 largest black-owned insurance companies in 1973, only 3 were founded in the 1950s and 1960s.

The segregated market that Andrew Brimmer had observed in 1966 served, in his words, as a “protective tariff” and provided “the foundation for much of the Negro middle class.”⁶⁷ Nevertheless the effectiveness of this “protective tariff” began to diminish in the second half of the 1960s as an increasing number of white-owned firms sought the business of black customers. By 1966 Brimmer was already observing that “as the process of desegregation permeates the marketplace, Negro-owned businesses...are faced with increased competition from firms catering to buyers with a decreasing reference to race.”⁶⁸ But Brimmer made that observation when the process was only beginning, forcing him to concede that “because we have only fragmentary statistics on Negro-owned business, it is difficult to chart these trends with

⁶⁶ Harry A. Ploski and Warren Marr, eds. *The Negro Almanac: A Reference Work on the Afro American* (New York: The Bellweather Company, 1976), 431-433.

⁶⁷ Brimmer, “The Negro in the National Economy,” 254, 293, 295. Describing the tariff-like effect of segregation, Brimmer wrote, “If we divide the retail sector according to the principal types of stores, we see immediately the importance of segregation in providing opportunities for Negro entrepreneurs. For example, in 1960, Negroes operated 2.6 percent of all retail outlets – but 5.6 percent of the eating and drinking establishments. They also had 4.1 percent of the food stores; this is a reflection of the fact that such stores (especially smaller ones) are typically located in or near segregated residential areas.” Brimmer also observed that “nonwhite businessmen concentrating in the segregated market tend to earn relatively more, compared with all self-employed entrepreneurs, than their colleagues competing in the open market.

⁶⁸ Brimmer, “The Negro in the National Economy,” 291. Charles Tate dismissed Brimmer’s notion that segregation could have served as a protective tariff, writing, “To note that the ‘legacy of segregation’ provided a wall of protection for the development of Black business in America presents an unusually sanitized, one-sided account of the economic history of Black people. It obscures the causal relationship between exploitive white capitalism, and the economic structure of the ghetto.” Charles Tate, “Brimmer and Black Capitalism: An Analysis,” *Review of Black Political Economy* (Spring 1970), 85.

precision.”⁶⁹ The passage of time and the construction of data sets from government and private-sector statistics allows us to confirm that Brimmer’s initial observation proved to be on the mark: increased competition in the wake of desegregation harmed the prospects of black-owned businesses.⁷⁰ Additionally, Thomas Boston argues that statistics on the number of black businesses obscure some critical issues: (1) black businesses may have been more committed than others to locate and stay in impoverished areas than other businesses; (2) these businesses may have generated more jobs for African-Americans than other possibilities; (3) in many cases a considerable number of successful black businesses resided in low-income areas of large urban areas; (4) African Americans had better initial jobs in black businesses than they might have in white-owned businesses; and (5) chances to improve conditions in impoverished areas were greater if there were more black businesses.⁷¹

By 1966, just two years after the passage of the Civil Rights Act, *The Negro Handbook* compiled by the editors of *Ebony* magazine made a similar observation as Brimmer:

“As the barriers of race are hurdled, the Negro consumer who was once the private property of the Negro owner and operator of hotels, restaurants, night clubs and beauty and barber shops, has turned with increasing alacrity to white establishments which offer, in many cases, extra services, luxury atmosphere and a degree of glamour for the same dollar. Even the long held monopoly of burying the dead is no longer an exclusive function of the Negro mortician, increasingly white undertakers have learned that Negroes spend vast sums of money annually

⁶⁹ Brimmer, “The Negro in the National Economy,” 291. Brimmer frequently wrote annual articles on the economic situation of African Americans. While they usually included measurements of black business activity, such data was bundled with the measurement of managers and officials. It is not possible from existing data sources to disentangle businesses from the other categories.

⁷⁰ In 2002, Brimmer reevaluated how accurate his original hypothesis was, showing that it was “well supported by the evidence” and that “many of these enterprises have suffered from the adverse impact of competition from large white-owned firms – while others have benefited from new opportunities that have emerged in the American economy at large.” Andrew F. Brimmer, “Competition and Integration of Black Enterprises in the American Economy,” *Review of Black Political Economy* 29.3 (2002): 9-50.

⁷¹ Thomas D. Boston, “The Role of Black-Owned Businesses in Black Community Development,” in *Jobs and Economic Development in Minority Communities*, edited by Paul Ong and Anastasia Loukaitou-Sideris (Philadelphia: Temple University Press, 2006), 162.

in ‘putting their people away right,’ and they are wisely seeking this lucrative market.”⁷²

The number of black self-employed business owners reached a peak in the 1950s.⁷³ The total declined from 59,820, or 2.5 percent of all self-employed business owners, in 1950, to 46,400, or 2.4 percent of all self-employed business owners, in 1960.⁷⁴ The following year, at a Department of Commerce conference entitled “Problems and Opportunities Confronting Negroes in the Field of Business,” Dr. Edward D. Irons, Associate Professor of Finance at Texas Southern University, called for a new Marshall Plan. “Why not a Marshall Plan,” Irons asked, “to facilitate capital formation for Negro business? I suggest two approaches: (1) a Marshall Plan to *facilitate organization of commercial banks* to be owned and operated by Negroes and (2) a Marshall Plan to open a *national financial organization* to supplement local financial institutions.”⁷⁵ And by 1968, even Richard Nixon recognized the need to aid black businesses, calling for the provision of technical assistance, loan guarantees, and new capital sources and calling for the creation of a bank to finance business enterprises in poverty-stricken areas.⁷⁶

In the late 1960s such initiatives began to fall under the umbrella of policies associated with the “black capitalism” movement, which Richard Nixon supported as a presidential candidate. It should be noted that scholars have persuasively shown that Nixon’s embrace of

⁷² *The Negro Handbook* (Chicago: Johnson Publishing Company, 1966), 214.

⁷³ For detailed socioeconomic analysis and data on the 1950s, see Rashi Fein, “An Economic and Social Profile of the Negro American,” *Daedalus* Vol. 94, No. 4 (Fall 1965): 815-846.

⁷⁴ Brimmer, “The Negro in the National Economy,” 292.

⁷⁵ U.S. Department of Commerce, “Problems and Opportunities Confronting Negroes in the Field of Business: Report on the National Conference on Small Business,” edited by H. Naylor Fitzhugh (Washington, D.C.: U.S. GPO, 1962), 74. Fitzhugh, a professor of business administration at Howard University, was one of the first African-American graduates of Harvard Business School in 1933. The National Urban League also promoted “A ‘Marshall Plan’ for the American Negro.” For a detailed description of the National Urban League’s proposal for an African-American Marshall Plan in the early 1960s, see Alan F. Westin, editor, *FREEDOM NOW! The Civil-Rights Struggle in America* (New York: Basic Books, 1964), 48-51.

⁷⁶ Earl Ofari, *The Myth of Black Capitalism*.

“black capitalism” as a solution for the nation’s racial ills in the 1968 campaign was merely a strategic move to incentivize African Americans to move away from Black Power politics, serving his larger ideological goal of subverting African American radicalism.⁷⁷ Nevertheless another underlying and controversial implication of “black capitalism” was the presence of the first word in that phrase, which implied that black economic activity could be most successful as something apart from capitalism broadly defined. This generated an intense rebuttal from Brimmer, who began articulating his view of “the trouble with black capitalism.” In *Ebony* magazine in 1970, Brimmer articulated his opposition to the premise of the movement in a piece entitled “Economic Integration and the Progress of the Negro Community.” “In my view,” Brimmer wrote, “the only promising path to genuine economic progress of the Negro in America is an accelerated widening of opportunities in an integrated economy.”⁷⁸ Brimmer wrote, “the encouragement of Negroes to look to black capitalism (essentially the ownership of small businesses in the ghetto) as a strategy for economic progress is to perpetuate a cruel hoax.”⁷⁹ “On the other hand,” he continued, “the participation of Negroes in business enterprise generally is quite a different matter. For instance, Negroes may well own and operate businesses outside the ghetto, competing with others in the same lines, taking advantage of profit opportunities (while

⁷⁷ Robert E. Weems, Jr. and Lewis A. Randolph, “The National Response to Richard M. Nixon’s Black Capitalism Initiative: The Success of Domestic Detente” *Journal of Black Studies* Vol. 32, No. 1 (September 2001): 66-83. By the 1972 election, Harvard Sitkoff notes, Nixon “deliberately pursued a ‘Southern strategy’ conceding the votes of blacks and those committed to liberalism and going after those of white Southerners, suburbanites, and ethnic workers troubled by the specter of racial equality,” prompting the president of the NAACP to lament, “For the first time since Woodrow Wilson we have a national administration that can rightly be characterized as anti-Negro.” Harvard Sitkoff, *The Struggle for Black Equality, 1954-1992* (New York: Hill and Wang, 1993), 212-3. More recently Mehrsa Baradaran has argued that Nixon’s embrace of black capitalism “decimated the black community and turned the wealth gap into a wealth chasm,” and shows that other figures at the time, such as Nelson Rockefeller or William Buckley supported it for similar reasons. Mehrsa Baradaran, *The Color of Money: Black Banks and the Racial Wealth Gap* (Cambridge, MA: Belknap Press, 2017), 180.

⁷⁸ Andrew F. Brimmer, “Economic Integration and the Progress of the Negro Community.” *Ebony* (August 1970), 118.

⁷⁹ *Ibid.*, 121. For Brimmer it was a “cruel hoax” because he thought small-scale enterprise ran against prevailing economic trends, which suggested that “self-employment in any occupation...offers a poor economic future – for whites as well as blacks.”

running the same risk of loss), without regard to the race of the participants...But clearly such an approach simply amounts to capitalism – neither black nor white.”⁸⁰ It is important to note that Brimmer was making this argument with black political and economic power in mind. “Black people,” he concluded, “*must get inside* the corporate structure to learn how basic decisions are made and how genuine economic power is exercised. Only then can they be in a position to share this power and to assure that it is used for them – and not against them.”⁸¹ Brimmer had made a similar argument years earlier when speaking to the National Business League of Philadelphia in 1963, foreseeing the transformation of the black economic situation in the years to come. “Let me emphasize again,” he told the audience, “that in my opinion the desegregation of the market place which is already under way will require the desegregation in the ownership and management of business enterprises as well.”⁸²

Brimmer previously had stated why he thought “black capitalism” was based on faulty premises. In a 1969 piece entitled “The Trouble with Black Capitalism,” he wrote, “one should not expect Negro consumers to persist in paying higher prices to subsidize high-cost local retailing establishments that show little prospect of achieving economies of scale that would enable them to survive in the long run.”⁸³ He also emphasized the difficulties black business owners faced in capital-intensive industries: “the prospect of success seems to diminish rapidly as the scale and technical sophistication of the enterprise increase.”⁸⁴ But some black-owned manufacturing enterprises had found much success in the past. These firms largely focused on

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² *The Negro Handbook* (Chicago: Johnson Publishing Company, 1966), 216.

⁸³ Brimmer, “The Trouble with Black Capitalism.” *Nation’s Business* (May 1969), 79.

⁸⁴ Ibid., 78.

the production of cosmetics which were sold to black barber shops and beauty salons.⁸⁵

Nevertheless, as Brimmer had predicted earlier, firms producing cosmetics for the national market began targeting these black enterprises and Brimmer says that “Under the impact of this competition, most of the small-scale Negro-owned factories could not survive.”⁸⁶

But by rooting his argument against black capitalism in questioning its economic inefficiency and inability to achieve economies of scale, Brimmer failed to see another consequence of black business ownership. Small business owners had a powerful capacity for civic engagement and leadership in their communities. This aided the Civil Rights Movement, as we have shown. Charles Tate, a community organizer and former chairman of the Dayton, Ohio chapter of CORE, seemed to understand this in his rebuttal of Brimmer’s argument against Black Capitalism. “The real potential of Black economic development,” Tate wrote, “must be measured in terms of its capability to produce the leadership in the Black ghettos for organizing the human and capital resources to take control of local institutions.”⁸⁷ Therefore, when Brimmer dismissed black banks as nothing but “ornaments” that might be “a source of racial pride” but not “vital instruments of economic development,” he failed to see why they still mattered as sources of racial pride given that they endowed black leaders with political and social power.⁸⁸

Table 1 presents data on self-employed business owners by race and industry in 1950 and 1960. Most of the limited data collected in this period is national in nature, not regional nor

⁸⁵ In *The Myth of Black Capitalism*, Earl Ofari used the disproportionate prevalence of black-owned beauty-product manufacturers to illustrate the plight of black manufacturing in the 1960s, citing a 1964 Drexel study which found only thirteen small black manufacturing enterprises operative. Ofari wrote, “although black businesses made up 9 percent of all the businesses in [Philadelphia], nearly all of them were in the retail and service trade fields, which again are the lowest paying categories of business. A full 35 percent of the black businesses were either barber or beauty shops, two of the most non-vital areas of business concern.” Earl Ofari, *The Myth of Black Capitalism*, 74.

⁸⁶ Brimmer, “The Trouble with Black Capitalism,” 79.

⁸⁷ Tate, “Brimmer and Black Capitalism: An Analysis,” 90.

⁸⁸ Baradaran, *The Color of Money: Black Banks and the Racial Wealth Gap* (Cambridge, MA: Belknap Press, 2017), 202.

statewide. Most black businesses in this period were single proprietorships.⁸⁹ In the South, they produced goods and services for segregated markets. The typical black business engaged in activities associated with personal services—and very few engaged in other areas. In 1950 the top industrial categories where African-Americans accounted for two percent or more than the total market of self-employed business owners were Transportation, Communications, utilities and sanitary services, retail trade and personal services (Table 1). Within retail trade, eating and drinking establishments along with food stores accounted for a significant portion of self-employed black business owners. The ability to sustain other types of businesses was limited because of a lack of adequate capital. The number of self-employed black business owners engaged in transportation and communications declined between 1950 and 1960. This decline occurred in those areas which experienced the least amount of discrimination and segregation, supporting Brimmer’s argument that desegregation served as a form of protective tariff for black-owned businesses.⁹⁰ Over the decade the transportation number decline was related to decreases in taxi, truckers, and bus services, while sanitary services declined because of more competition from other trash collectors. Retail trade similarly declined because of more mass marketers (large supermarkets and department stores). The number of funeral homes and barbershops declined while the number of motels and hotels increased. All in all, “in 1950 there were about 42,500 self-employed black business owners in the United States; in 1960, only about 32,500.”⁹¹

⁸⁹ Brimmer states that because of single ownership, census data on “self-employed managers, proprietors, and officials” can serve as a proxy indicator of the extent of black business ownership in this period, necessary given the paucity of data collected at this time. Brimmer, “The Negro in the National Economy,” 291.

⁹⁰ *Ibid.*, 294.

⁹¹ Theodore Cross, *Black Capitalism: Strategy for Business in the Ghetto* (New York: Atheneum, 1969), 63.

Table 1**Self-Employed Businessmen by Race and Industry, 1950 and 1960**

Industry	1950			1960		
	Total	Black	Black as % of Total	Total	Black	Black as % of Total
Construction	191,820	3,390	1.7	222,601	3,978	1.8
Manufacturing	231,210	1,050	0.4	168,395	1,376	0.8
Transportation	50,940	2,430	4.7	38,223	1,241	3.2
Communication, utilities & sanitation serv.	4,260	270	6.3	4,812	82	1.7
Wholesale trade	174,240	2,640	1.5	133,607	2,610	1.9
Retail trade	1,349,190	38,730	2.8	994,425	26,303	2.6
Banking and finance	20,910	90	0.4	22,076	41	0.2
Insurance & real estate	44,910	600	1.3	49,232	794	1.6
Business services	33,390	570	1.7	37,020	890	2.4
Automotive repair & garages	59,610	870	1.5	38,528	1,083	2.8
Misc. repair services	29,070	450	1.5	19,317	414	2.1
Personal services	135,720	5,970	4.4	127,356	4,349	3.4
Other industries	97,080	2,760	2.8	95,311	3,239	3.4
Total	2,422,350	59,820	2.5	1,954,903	46,400	2.4

Source: Andrew F. Brimmer, "The Negro in the National Economy," in *The American Negro Reference Book*, ed. John P. Davis (Englewood Cliffs, NJ: Prentice-Hall, 1966), 292. Data compiled from *U.S. Census of Population, 1950*, Special Reports, "Occupational Characteristics," 1956, IB Table 13. *U.S. Census of Population, 1960*, "Occupational Characteristics," 1963, Table 3.

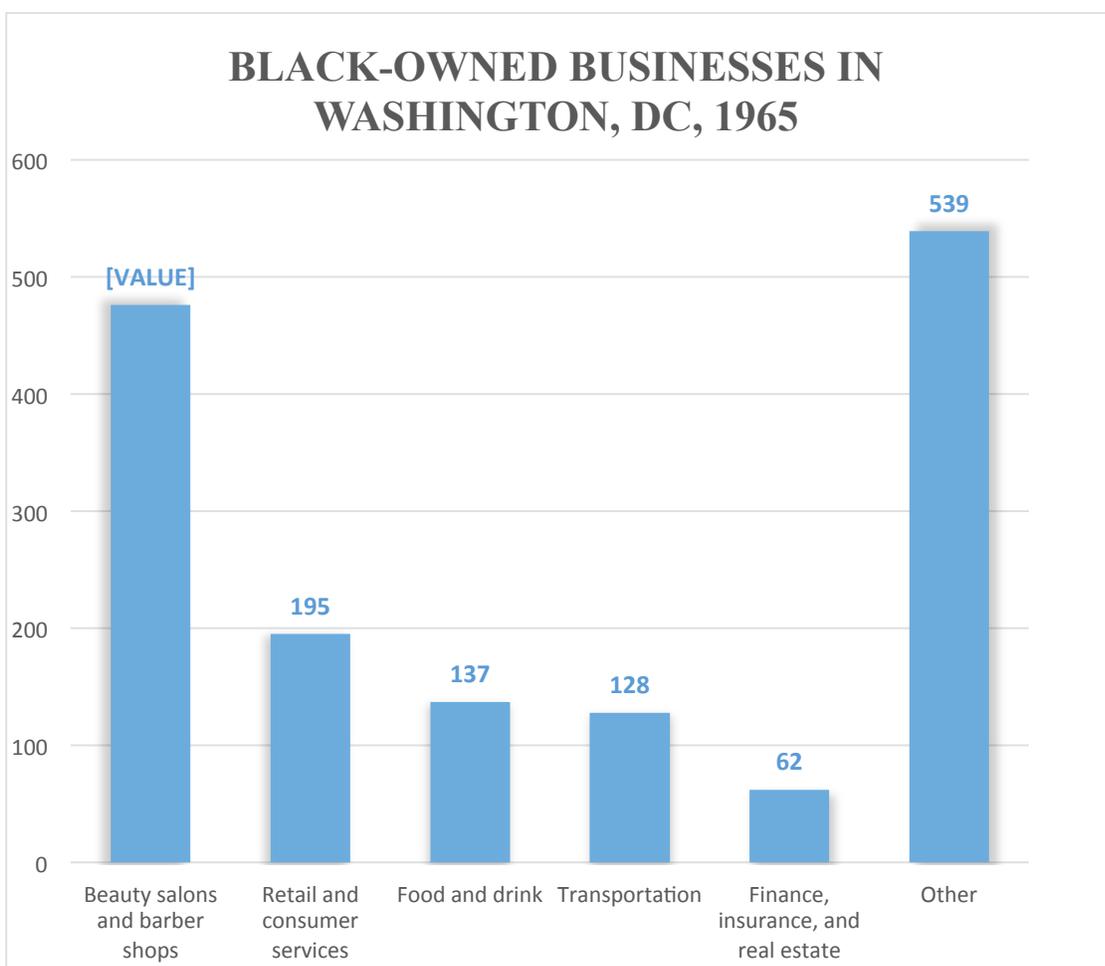
Chart 1 reveals the kinds of activities in which black-owned businesses were engaged in 1965.⁹² Although nearly a third of these businesses were barber shops and salons, most black-

⁹² Joseph I. Johnson, *A Directory of Negro-Owned and Operated Businesses in Washington, D.C.* (Washington, D.C.: Howard University Small Business Guidance and Development Center, July 1965). The kind of business directory from which we derived this data is not readily available for most years and therefore provided insight into the distribution of black-owned businesses in the mid-1960s in a way that could not be determined for the 1950s, a

owned businesses were engaged in personal or retail services of some kind. In this regard, lumping together transportation, food and drink, and retail services account for another one third as well. The final third includes small businesses such as funeral directors, tailors, and tourist homes, among others (see appendix 1).

Chart 1

Black-Owned Businesses in Washington, DC by category, 1965



Source: Joseph I. Johnson, *A Directory of Negro-Owned and Operated Businesses in Washington, D.C.* (Washington, D.C.: Howard University Small Business Guidance and Development Center, July 1965).

period for which we were unable to locate similar directories for southern cities. Unfortunately data on black business ownership by gender was not available.

Definitions: Food and drink: restaurants, delicatessens, bars and taverns, grills, caterers; Retail and consumer services: carry-out shops, grocery stores, drug stores, shoe repair, auto repair shops, radio and TV repair shops, variety shops, florists, moving and storage companies, tailors; Transportation: service stations and taxi cab associations

Black business activity continued to remain most prominently situated in services and retail trade through the rest of the 1960s. In Washington, D.C. in 1969, 60.5% of black-owned businesses were in services and 22.9% were in retail, whereas only 1.7% were in finance.⁹³ That the preponderance of black business activity was in the realm of personal services is illustrated by this 1969 table produced from data compiled by the Small Business Administration. It reveals that the share of black ownership was significantly higher in personal services than in all other industries (Table 2). This had important consequences for black enterprise because personal services businesses were often the first to feel the impact of a newly desegregated market. A closer look at the distribution of black business ownership in Birmingham, Alabama in 1969 illustrates how the preponderance of black economic activity was in services or retail (Table 3).

⁹³ Small Business Administration, 1969. Reprinted from Ronald W. Bailey, *Black Business Enterprise: Historical and Contemporary Perspectives* (New York: Basic Books, 1971), 169.

Table 2**Share of Black Ownership by Industry, 1969**

Industry	Share of Black Ownership
Personal Services	8.4%
Other Services	1.4%
Construction	2.6%
Manufacturing	1.2%
Retail Trade	1.9%
Other Industries	1.4%
All Industries	2.25%

Source: Small Business Administration, 1969. Reprinted from Ronald W. Bailey, *Black Business Enterprise: Historical and Contemporary Perspectives* (New York: Basic Books, 1971), 8.

Table 3**Black-owned Businesses in Birmingham, Alabama, 1969**

Industry	Number of Firms
<i>Total</i>	988
Contract construction	88
Manufactures	13
Transportation and other public utilities	42
Wholesale trade	14
Retail trade	370
Finance, insurance, and real estate	25
Selected services	367
Other industries	8
Industries not classified	61

Source: U.S. Bureau of the Census, *Minority-Owned Businesses: 1969, MB-1* (Washington, DC: U.S. Government Printing Office, 1971), page 121.

“The desegregation of places of public accommodation, such as restaurants, theaters, hotels and similar establishments,” Andrew Brimmer wrote in 1966, “will have a serious impact on many of the sheltered businesses which most Negro businessmen have operated behind the

barriers induced by segregation.”⁹⁴ This effect was not limited to personal services and retail establishments but also had a profound impact on insurance, banking, and financial services. The fate of the black insurance industry in the late twentieth century shows the unintended consequences of racial integration after the Civil Rights Movement. The rise of a black-owned insurance industry was spurred by the discriminatory practices of the insurers serving the national market, creating a protected environment for the development of black-owned firms. In the first half of the twentieth century, white-owned insurance companies refused or were reluctant to offer coverage to black customers.⁹⁵ In the middle of the century, however, this changed as the large nationwide insurers recognized the possibility of expanding their market. Scholars have shown how increased competition from white-owned insurance companies for black policyholders had a negative effect on black-owned firms.⁹⁶ This is because while white-owned companies successfully attracted significant numbers of black customers, white customers largely remained apprehensive about doing business with African American insurance companies. “Ironically,” Robert Weems noted in 1996, “while it appears that the future health of black insurance companies is linked with attracting more non-African American clients,

⁹⁴ Brimmer, “The Negro in the National Economy,” 325.

⁹⁵ Andrew Brimmer described the condition of the black-owned insurance industry in 1966: “Life insurance companies represent the classic example of Negro businesses which have grown up behind the walls of segregation. Beginning in the 1880s, most leading life insurance companies either refused to sell coverage to Negroes or did so on the basis of separate mortality tables which meant higher costs. These discriminatory practices provided Negroes with the opportunity and incentive to meet the insurance demands of Negro citizens. The growth of Negro life insurance companies has been based primarily on sales of industrial insurance which accounts for about two-thirds of their business. In contrast, ordinary insurance is the backbone of the nation’s life insurance industry, representing about three-fifths of the total amount of life insurance in force. Because of the high incidence of poverty among Negroes, industrial insurance (sold in small amounts by door-to-door salesmen who collect premiums on even a weekly basis) was virtually the only type of insurance which the typical Negro family could afford. With the rise in income, Negro families are becoming attractive prospects for the large national insurance companies.” Brimmer, “The Negro in the National Economy,” 332.

⁹⁶ Robert E. Weems, Jr., *Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985* (Bloomington: Indiana University Press, 1996); Walter B. Weare, *Black Business in the New South: A Social History of the North Carolina Mutual Life Insurance Company* (1973).

economic (racial) integration has been, and probably will continue to be, a one-way affair.”⁹⁷

Two decades later, his prediction has proven true. Brimmer showed that there were 15 black-owned insurance companies with total assets of \$765 million in 1990, equal to .540 percent of the assets held by all life insurance companies in the United States, but that by 2000 this shrunk to 10 companies with combined assets of \$653 million, or .340 percent of the assets held by all life insurance companies in the United States.⁹⁸

Table 4

Ranking of the Top Six African American Insurance Companies within *Best's* Listing of the 500 Leading Life Insurance Companies in Total Premium Income, 1978-1985

	1978	1979	1980	1981	1982	1983	1984	1985
North Carolina Mutual	195	204	211	240	262	271	289	307
Golden State Mutual	306	324	336	357	388	406	433	448
Atlanta Life	362	369	387	415	451	479	-	-
Universal Life	389	398	424	440	495	-	-	-
Supreme Life	421	406	454	473	-	-	-	-
Chicago Metropolitan	492	494	-	-	-	-	-	-

Source: Robert E. Weems, Jr., *Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985* (Bloomington: Indiana University Press, 1996), 116-7.

Table 5

Ranking of the Top Three African American Insurance Companies within *Best's* Listing of the 500 Leading Life Insurance Companies in Total Premium Income, 1986-1992

	1986	1987	1988	1989	1990	1991	1992
North Carolina Mutual	310	328	345	387	383	404	416
Atlanta Life	491	-	-	-	-	-	-
Golden State Mutual	442	454	481	-	497	-	-

Source: Robert E. Weems, Jr., *Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985* (Bloomington: Indiana University Press, 1996), 123.

⁹⁷ Weems, *Black Business in the Black Metropolis*, xvi.

⁹⁸ Brimmer, “Competition and Integration of Black Enterprises in the American Economy,” *Review of Black Political Economy* 29.3 (2002): 37.

At the end of 1963, there were about 50 black-owned insurance companies, which had an income of about \$89 million in 1962.⁹⁹ But tables 4 and 5 reveal that the late twentieth-century was an especially trying time for black-owned insurance companies. African American firms saw their positions decline according to total premium income relative to other insurance companies. North Carolina Mutual Life Insurance Company, the country's most successful black-owned provider of life insurance, saw its ranking according to total premium income drop from 195 in 1978 to 416 in 1992. Other firms, such as Atlanta Life, Universal Life, Supreme Life, and Chicago Metropolitan simply fell out of the rankings in this period. Table 6 illustrates the difficulty black-owned firms like the Supreme Life Insurance Company experienced in attracting new customers. While Supreme Life could generate over forty million dollars in new business in 1987, this shrunk to less than eighteen million dollars within two years.

Table 6

New Business Generated, Supreme Life Insurance Company, 1984-1989

1984	\$34,060,000
1985	\$39,990,000
1986	\$38,834,000
1987	\$40,124,000
1988	\$27,305,000
1989	\$17,520,000

Source: Robert E. Weems, Jr., *Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985* (Bloomington: Indiana University Press, 1996), 122.

Similar troubles plagued the Chicago Metropolitan Assurance Company. Competition from white-owned firms combined with worsening unemployment among working-class blacks, the company's principal customers, hurting the firm's business until the Atlanta Life Insurance

⁹⁹ Brimmer, "The Negro in the National Economy," 297, 318.

acquired it in 1990. Chicago Metropolitan's troubles emerged in the context of continued economic hardship for Chicago's African Americans. In 1989, twenty-five years after the passage of the Civil Rights Act, "the African American per capita income of \$8,569 represented a mere 47% of European Americans' per capita income of \$18,258."¹⁰⁰ In 1989 Chicago, just eleven percent of whites had incomes below the poverty level compared to 33.2 percent of African Americans. The civil rights movement might have removed the barriers of segregation a quarter-century earlier, but a sharp economic divide still separated blacks and whites.

•••••

At the beginning of the 1960s, the prospects for black banks looked promising.¹⁰¹ There were 43 black-operated savings and loan companies in 1963 with combined assets of \$318,000,000, which was an increase of 72% compared to the 28 companies with combined assets of \$184,833,000 in 1960.¹⁰² But this soon reversed course. Brimmer stated that the number of black banks declined from 1963 to 1990 as they attempted to meet the needs of the black community.¹⁰³ The banks that failed were absorbed by other banks (mostly white bankers but some black banks absorbed other banks). "Virtually all of the failures," Brimmer wrote, "can be traced to aggressive lending practices, which reflected bankers' attempts to meet the credit needs of black consumers and black-owned businesses."¹⁰⁴ For Brimmer, the growth of black banks and their subsequent failures stemmed from how "state banking authorities followed the federal government's lead and chartered black owned banks that would not have met the rigorous capital,

¹⁰⁰ Weems, *Black Business in the Black Metropolis*, 120.

¹⁰¹ In Houston, black banks supported the growth of black businesses in the 1960s; for example, twenty-three banks, according to Earl Ofari, combined to offer \$7 million in loans to help establish black businesses. Earl Ofari, *The Myth of Black Capitalism*, 117.

¹⁰² *The Negro Handbook* (Chicago: Johnson Publishing Company, 1966), 214.

¹⁰³ Brimmer, "The Dilemma of Black Banking: Lending Risks vs. Community Service." *Review of Black Political Economy* (Winter 1992): 5-29.

¹⁰⁴ *Ibid.*, 6.

management, and other standards that had previously been used.”¹⁰⁵ This so-called “liberalized chartering...was initiated during Nixon’s administration’s emphasis on ‘Black Capitalism.’”¹⁰⁶ He concludes that black banks that survived did so by if they maintained conservative lending practices; simply put, if they avoided risky loans.

Table 7

Assets of Commercial Banks: all U.S. and Black-owned Institutions, 1990 and 2000

1990			2000		
U.S. Total	Black Total	Black percent of total	U.S. Total	Black Total	Black percent of total
\$3,399,900	\$2,555	.760	\$6,068,000	\$4,095	.680

Source: Andrew F. Brimmer, “Competition and Integration of Black Enterprises in the American Economy,” *Review of Black Political Economy* 29.3 (2002): Table 14, page 38.

The fortunes of black-owned banks continued to decline in the 1990s (Table 7). In 1990, the assets of black-owned banks represented .760 percent of the assets of all American banks, but this share decreased to .680 percent by 2000, because of, Brimmer says, “the impact on Black banks of the vigorous effort by the largest institutions to attract Black customers.”¹⁰⁷ While the number of black businesses grew from the 1980s to 2012 (table 8), students of black businesses note that lower levels of personal wealth and startup capital hurt black business owners

¹⁰⁵ Ibid., 19.

¹⁰⁶ Ibid., 19.

¹⁰⁷ Brimmer, “Competition and Integration of Black Enterprises in the American Economy,” 35. Brimmer also hypothesized that some black customers opted for the convenience of patronizing whichever bank was closest to where they worked rather than making the extra effort required to bank with black-owned institutions.

compared to white business owners starting in the 1990s. They also found differences in family business backgrounds contributed to a lower level of black businesses compared to whites.¹⁰⁸

Table 8

Black Business Ownership, 1969-2012

Year	Number of Firms	Gross receipts
2012	2,584,403	150,000,000,000
2007	1,900,000	137,500,000,000
2002	1,198,000	89,000,000,000
1997	823,000	71,215,000,000
1992	620,912	32,197,361,000
1987	427,165	19,763,000,000
1982	308,260	n/a
1977	231,203	8,645,000,000
1972	187,602	5,534,109,000
1969	163,000	4,474,000,000

Source: U.S. Bureau of the Census, 1977 Survey of Minority-Owned Business Enterprises (Washington, DC: U.S. Government Printing Office, 1979), page 6. Other data is derived from annual estimates by the U.S. Census Bureau, Statistical Abstract of the United States.

In the end the story of black business is about more than just economics. Black business owners were powerful figures who played an indispensable role in supporting the Civil Rights Movement. They provided not just shelter and food, but also a knack for organizational planning and experience with complex logistics, without which a protest movement cannot succeed. From D.C. to Alabama and from Mississippi to New York, black business owners did the behind-the-scenes work to lay the foundation for the movement's famous leaders to do their work. Simply put, histories of the Civil Rights Movement that emphasize the glory and successes of

¹⁰⁸ For a detailed breakdown of differences among races for selected years, particularly the 1990s, see Robert W. Fairlie and Alicia M. Robb, *Race and Entrepreneurial Success: Black-, Asian, and White-Owned Businesses in the United States* (Cambridge: MIT Press, 2008), chapter 4, pages 97-143. The shifting conditions of black business ownership is reflected in the example of broadcast stations, of which 63.9 percent of radio and television stations had been owned by African Americans in 1990, but shrank to 59.9 percent in 1996 and 51.4 percent in 2000. Brimmer, "Competition and Integration of Black Enterprises in the American Economy," 30.

charismatic leaders only tell part of the story. Those black small business owners who were uniquely situated to engage civically and support the Civil Rights Movement also parted the waters and deserve history's equal attention.

Black-owned businesses in Washington, DC, 1965

1,537 total black-owned businesses in Washington, DC in 1965¹⁰⁹

23,000 total businesses in Washington, DC in 1965.¹¹⁰

In 1965, 7 percent of businesses in Washington, DC were black-owned.

1965 population of Washington, DC: 797,000 (US Census Bureau)

This included:

295 beauty salons

181 barber shops

102 service stations

 14 Gulf stations

 7 Sunoco stations

 16 Texaco stations

74 restaurants

53 real estate operators

41 funeral directors

35 delicatessens

33 day nurseries

29 carry-out shops

27 grocery stores

26 taxi cab associations

26 drug stores

25 tourist homes

¹⁰⁹ Number of black-owned businesses counted from Joseph I. Johnson, *A Directory of Negro-Owned and Operated Businesses in Washington, D.C.* (Washington, DC: Howard University Department of Business Administration, Small Business Guidance and Development Center, 1965). The compiler wrote, "It is not presumed that every Negro business establishment in the District of Columbia is listed in this directory. To the best of the belief of the Center, however, this directory contains the names and addresses of at least 90 percent of the Negro businesses in the District of Columbia."

¹¹⁰ Statistical Abstract of the US: 1968 (89th Edition), 474. This total includes 19,000 proprietorships and 4,000 partnerships.

23 shoe repair
22 auto repair shops
18 bars and taverns
17 radio and tv repair shops
16 variety shops
12 florists
12 moving and storage companies
11 tailors
8 grills
7 insurance companies
6 beauty schools
2 caterers
2 banks

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