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The Decline of Black Business

And what it means for American democracy.

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At the new National Museum of African American History and Culture in Washington, D.C., a hallway of glass display cases features more than a century of black entrepreneurial triumphs. In one is a World War II–era mini parachute manufactured by the black-owned Pacific Parachute Company, home to one of the nation's first racially integrated production plants. Another displays a giant time clock from the R. H. Boyd Publishing Company, among the earliest firms to print materials for black churches and schools. Although small, the exhibit recalls a now largely forgotten legacy: by serving their communities when others wouldn't, black-owned independent businesses provided avenues of upward mobility for generations of black Americans and supplied critical leadership and financial support for the civil rights movement.

This tradition continues today. Last June, *Black Enterprise* magazine marked the forty-fourth anniversary of the BE 100s, the magazine's annual ranking of the nation's top 100 black-owned businesses. At the top of the list stood World Wide Technology, which, since its founding in 1990, has grown into a global firm with more than $7 billion in revenue and 3,000 employees. Then came companies like Radio One, whose fifty-five radio stations fan out among sixteen national markets. The combined revenues of the BE 100s, which also includes Oprah Winfrey's Harpo Productions, now totals more than $24 billion, a ninefold increase since 1973, adjusting for inflation.

A closer look at the numbers, however, reveals that these pioneering companies are the exception to a far more alarming trend. The last thirty years also have brought the wholesale collapse of black-owned independent businesses and financial institutions that once anchored black communities across the country. In 1985, sixty black-owned banks were providing financial services to their communities; today, just twenty-three remain. In eleven states that headquartered black-owned banks in 1994, not a single one is still in business. Of the fifty black-owned insurance companies that operated during the 1980s, today just two remain.

Over the same period, tens of thousands of black-owned retail establishments and local service companies also have disappeared, having gone out of business or been acquired by larger companies. Reflecting these developments, working-age black Americans have become far less likely to be their own boss than in the 1990s. The per capita number of black employers, for example, declined by some 12 percent just between 1997 and 2014.

What's behind these trends, and what's the implication for American society as a whole? To be sure, at least some of this entrepreneurial decline reflects positive economic developments. A slowly rising share of black Americans now hold white-collar salaried jobs and have more options for employment beyond running their own businesses. The movement of millions of black families to integrated suburbs over the last forty years also is a welcome trend, even if one effect has been to weaken the viability of the many black-owned independent businesses left behind in historically black neighborhoods.

But the decline in entrepreneurship and business ownership among black Americans also is cause for concern. One reason is that it largely reflects not the opening of new avenues of upward mobility, but rather the foreclosing of opportunity. Rates of business ownership and entrepreneurship are falling among black citizens for much the same reason they are declining among whites and Latinos. As large retailers and financial institutions comprise an ever-bigger slice of the national economy, the possibility of starting and maintaining an independent business has dropped. The *Washington Monthly* has addressed the role of market concentration in suppressing opportunity and in displacing local economies in depth (see, for example, "The Slow-Motion Collapse of American Entrepreneurship," July/August 2012, and "Bloom and Bust," November/December 2015). Other studies, including a report published last year by President Obama's Council of Economic Advisors, have substantiated these developments.

The role of market concentration in depressing black-owned businesses is also troubling because of the critical role that such enterprises have played in organizing and financing the struggle for civil rights in America. In the 1950s and '60s, black Americans employed by whites, including professionals like teachers, often faced dismissal if they joined the civil rights movement, whereas those who owned their own independent business had much greater freedom to resist. This is a largely forgotten history, but one that is gaining new urgency for all Americans in the age of Donald Trump. It shows the crucial way in which advancing and protecting basic civil rights can depend not only on moral and physical courage, but also on possessing the economic independence to stand up to concentrated power.

The decline of black-owned independent businesses traces to many causes, but a major one that has been little noted was the decline in the enforcement of anti-monopoly and fair trade laws beginning in the late 1970s. Under both Democratic and Republican administrations, a few firms that in previous decades would never have been allowed to merge or grow so large came to dominate almost every sector of the economy.

This change has hurt all independent businesses, but the effects have disproportionately hit black business owners. Marcellus Andrews, Bucknell University professor of economics, says that pulling back on anti-monopoly enforcement was a "catastrophic intellectual and political policy mistake," and that for the black community, the "presumed price advantages of concentration often do not translate into better economic opportunities."

A case in point is the decline of black-owned financial institutions, including banks and insurance companies. "Mainstream insurers went after black insurance companies for their top personnel to sell their products," says Wichita State professor Robert Weems Jr. When MetLife bought United Mutual Life Insurance Company in 1993, this was the end of the sixty-three-year existence of the last black-owned insurance company in the Northeast. *Black Enterprise* called the 1990s "a virtual bloodbath" for the black insurance industry, noting that from 1989 to 1999, the number of black-owned insurers declined by 68 percent.

Parks Sausage—which many readers of a certain age may remember for its jingle "More Parks Sausages, Mom, please"—also serves as an example of how market concentration led to the decline of black-owned independent businesses. Founded in 1951 by Henry Parks Jr., the Baltimore-based company grew into a multimillion-dollar operation, selling pork products from New England to Virginia. In 1969, Parks took the company public, making the 200-employee firm the first black-owned business on the New York Stock Exchange. Yet by the 1990s, after a turbulent series of ownership changes, the company had fallen into bankruptcy. In 1996, two black Americans, the former football stars Franco Harris and Lydell Mitchell, attempted to revive the company, but faced an increasingly consolidated meatpacking industry in which the four largest meatpackers controlled 78 percent of the market. As Harris put it, before selling out, "it's been hard to get distribution."

Much the same story occurs with black-owned grocers. In 1969, J. Bruce Llewellyn grew ten Bronx supermarkets into the nation's largest minority-owned retail business. By the 1990s, however, a retreat from antitrust enforcement and other fair trade laws permitted a few giant corporations like Walmart to engage in anticompetitive behaviors that in previous decades would have resulted in civil and criminal prosecution. These included undermining the pricing power of suppliers and loss leading, or the practice of selling below cost in order to drive competitors out of business. In 1999, Llewellyn sold his last remaining stores to the Dayton-Hudson Corporation, now known as the Target Corporation.

In 1986, a top executive at Revlon made a prediction about the future of the beauty and hair care industry. "In the next couple of years," he told *Newsweek*, "the black-owned businesses will disappear. They'll all be sold to white companies." The prediction proved accurate. In 1993, IVAX Corp. purchased Johnson Products Co., the thirty-nine-year-old maker of Ultra Sheen, beginning a decade-long series of acquisitions that wiped out remaining black ownership in the hair care industry. One consequence was fewer new hair care products for black customers. Funds once channeled into research and development, University at Buffalo professor Robert Mark Silverman explains, now were accrued as profits by the larger firms.

Much the same has happened to black-owned firms in the entertainment, communications, and publishing sectors. In response to the merger wave, the founder of Black Entertainment Television, Robert Johnson, told an audience at an investment conference in 1997, "You cannot get big anymore by being 100 percent black-owned anything." Four years later, Viacom bought out BET for $2.34 billion. In 2005, Time Warner acquired Essence Communications Partners, the publisher of the then-leading black women's magazine, *Essence*.

Meanwhile, "small enterprises," writes the business scholar John Sibley Butler, "could not compete with the expansion of larger retail chains, shopping malls, and franchises which developed." Black-owned funeral homes are a prime example. During the civil rights era, writes author Suzanne Smith in her book *To Serve the Living*, "funeral directors were usually among the few black individuals in any town or city who were economically independent and not beholden to the local white power structure." Yet, today, black-owned independent funeral homes are an imperiled institution, as national chains like Service Corporation International muscle out more and more businesses. Charlotte Clark, a black funeral home owner in Roanoke, Alabama, explains that these companies "buy local folks' funeral parlors but leave up the signs and play it off like there's been no change, but call the shots from elsewhere." The National Funeral Directors and Morticians Association, which represents black funeral directors, has seen its membership decrease by 40 percent since 1997.

Reflecting on the past three decades, Bob Dickerson, CEO of the Birmingham Business Resource Center in Alabama, says, "Had our institutions and businesses been maintained, had that money been plowed back into our communities, it could have meant a world of difference."

The role of market concentration in driving down the number of black-owned independent businesses becomes all the more concerning when one considers some mostly forgotten history. In principles, people, and tactics, the fight for black civil rights, going back to before the Civil War, was often deeply intertwined and aligned with America's anti-monopoly traditions.

An early example is the Free Soil Party. Emerging in the 1840s, its members opposed slavery on moral grounds. They also opposed all forms of monopoly power as a threat to liberty, including its most terrible manifestation: the monopoly of slave owners over slaves. Marching under the banner of "Free Soil, Free Speech, Free Labor, and Free Men," the movement focused on granting equal citizenship to all Americans, in large part by promoting the then-radical idea of giving black freedmen and slaves the right to own the land on which they labored.

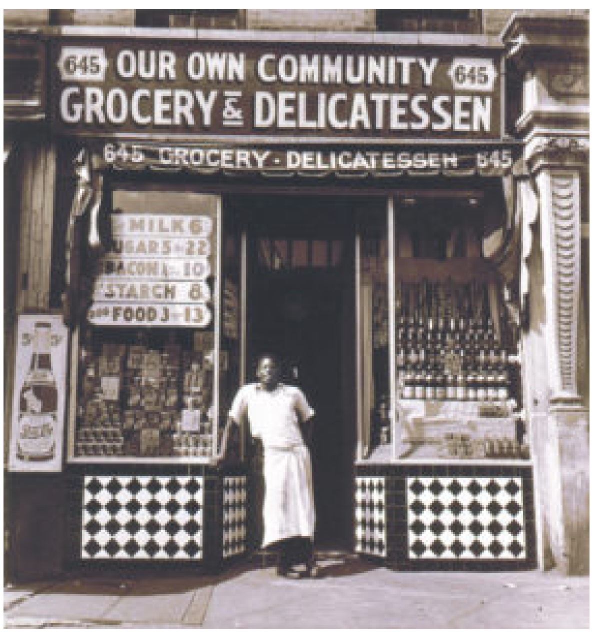
Courtesy Black Enterprise

No more Parks Sausages: Former National Football League star Franco Harris made the cover of Black Enterprise magazine in 1996 when he tried to rescue the first black-owned business listed on the New York Stock Exchange. A rapidly monopolizing meat processing industry doomed the effort.

Free Soilers proposed breaking up land monopolies and dividing western lands into 50-to-100-acre homesteads that would grant white and black families independence. As the antebellum history scholar Jonathan Earle explains, "Opponents of aristocracy, land monopoly, and slavery saw yeoman farming and inalienable landownership as the true opposites of servitude." It was therefore no surprise when Helen Douglass, the wife of the Free Soiler and abolitionist Frederick Douglass, wrote that his opposition against any type of coercion "not only made him a foe to American slavery, but also to all forms of monopoly."

After the Civil War, passage of the Fourteenth Amendment, which outlawed racially discriminatory laws like the Black Codes, depended in no small part on white supporters who saw it as a means of prohibiting all grants of monopoly or class privilege. An 1866 article in the *Boston Daily Advertiser* said it "[threw] the same shield over the black man as over the white, over the humble as over the powerful." In fact, one of the earliest applications of the law was by a group of independent Louisiana butchers who argued that a state-sanctioned twenty-five-year slaughterhouse monopoly violated the Fourteenth Amendment.

During Reconstruction, the relationship between black political enfranchisement and economic independence gained strength. Abolitionists in Congress passed the Southern Homestead Act, which promised to replace the monopoly of slavery with the creation of a black yeomanry secured with grants of free land. Like General William Tecumseh Sherman's Special Field Order No. 15, with its promise of "forty acres of tillable ground" to newly freed slaves, it fell victim to white backlash and sectional compromise, and was rescinded. Nevertheless, by the 1890s, black Americans who owned or aspired to own their own land joined with independent white farmers in the multiracial Populist Party, in states including Georgia and Texas.



Keeping it in the community: During the mid-twentieth century, antimonopoly laws, particularly fair trade legislation, contributed to an increase in the number of black-owned, independent businesses like this one in Harlem. *Library of Congress*

The natural alliance between supporters of black civil rights and opponents of monopoly, though strained by race-baiting demagogues, especially during the darkest days of Jim Crow, would endure. As a 1913 editorial by the National Association for the Advancement of Colored People (NAACP) put it, the Emancipation Proclamation and the legacy of the Free Soil movement “gave black men not simply physical freedom, but it attempted to give them political freedom and economic freedom and social freedom. It knew then, as it knows now, that no people can be free unless they have the right to vote, the right to land and capital, and the right to choose their friends.”

To be sure, many black leaders during this era recognized that economic independence was a necessary but not sufficient condition for securing full rights as citizens. Unlike their white counterparts, independent black business owners were vulnerable to the brutality of lynching, to voter suppression at the polls, and to the plundering of black business districts by white supremacists. Yet many black leaders nonetheless saw that the fight for racial justice also required expanded economic independence, which in turn depended on containing market concentration.

In the early twentieth century, groups like the National Negro Business League, for instance, supported anti–chain store legislation as a way to preserve black Americans’ economic self-sufficiency and freedom. As an editorial in the black newspaper *New Journal and Guide* bemoaned, “Chain stores are constantly draining every dollar, every week, from all of our Southern communities . . . never putting any of it back so that the communities can use it again.” Indeed, many black leaders supported these laws, even though the Ku Klux Klan and many racist white populists also championed them for their own reasons.

In 1928, W. E. B. Du Bois validated the black community’s embrace of anti-monopolism when he wrote, “To ask the individual colored man . . . to sell meat, shoes, candy, books, cigars, clothes or fruit in competition with the chain store, is to ask him to commit slow but almost inevitable economic suicide.” In 1932, the Associated Negro Press and the National Negro Business League, with the cooperation of the U.S. Department of Commerce, printed a newspaper column called “Business and Industry.” One article in the series noted that “an embarrassing problem confronts the 70,000 or more Negro-owned individual enterprises in the U.S. today[:] . . . Big Business, which so perceptibly handicaps the small industrial business units in which category Negro enterprise unquestionably belongs.”

Coming into the New Deal era, the federal government adopted many policies that enormously benefited whites but did little or nothing to help black Americans. The Federal Housing Authority engaged in redlining, the destructive practice of refusing to issue mortgages in predominately black neighborhoods. The Wagner Act left black workers still unable to join unions. Black agricultural and domestic laborers couldn’t reap the benefits of Social Security. “Roosevelt’s New Deal,” Ta-Nehisi Coates has argued, “rested on the foundation of Jim Crow.” But the expansion of anti-monopoly laws that also occurred during this period provided one important exception to this pattern.

These measures included stepped-up antitrust enforcement, along with new fair trade laws, like the Robinson-Patman Act of 1936 and the Miller-Tydings Act of 1937, that prevented dominant firms from exploiting their market power. Combined with anti–chain store measures passed in twenty-seven states, the new legal and regulatory constraints on market concentration benefited independent enterprise, including black-owned independent businesses. Between 1935 to 1939 the number of black-owned retail stores increased by 31 percent and the number of black employees hired by black-owned retail stores grew by 14.5 percent.

Into the 1940s, black leaders battled segregation while continuing to advocate for anti-monopoly laws. In August 1941, the student organization Negro Youth published a list of demands from the National Defense Program, including “that the Attorney General investigate and prosecute all violations of the Sherman Antitrust laws.” In response to a 1947 New York fair trade law that prohibited loss leading, a coalition of black wholesale grocers declared that the law "will afford additional protection to the small businessman, be he Negro or white."

Independent business owners also played a key role in financing civil rights protests, especially during their peak in the 1950s and '60s. In Tallahassee, black grocery store owner Daniel Speed bankrolled a bus boycott similar to that in Montgomery, and his shop served as a meeting ground for black leaders. In Biloxi, Gilbert R. Mason, owner of Modern Drug Store, led a "wade-in" against the whites-only section of a federally funded Gulf Coast beach. In his autobiography, Mason wrote, "Pharmacists represented an economically independent class of black businessmen who might have been thought difficult for the white establishment to control. In many cases, the black-owned pharmacy was itself a nexus in black communities."

Funeral home owners emerged as another powerful bloc of civil rights activists. In 1956, funeral home owner William Shortridge cofounded the Alabama Christian Movement for Human Rights, a group that sought to end employment discrimination and abolish segregation in public accommodations. A. G. Gaston, who built his business empire as the owner of the Smith and Gaston Funeral Home, threatened to transfer his accounts from a white-owned bank unless it removed a "Whites Only" sign from a water fountain. In 1963, he lent Martin Luther King Jr. a room at his Gaston Motel. Soon known as the "War Room," it was there that King decided to submit himself to arrest in Birmingham, a galvanizing moment in the civil rights movement.

King himself connected part of the civil rights movement with the struggle against market concentration. While giving a talk in 1961 to students at the Southern Baptist Theological Seminary in Louisville, King drew parallels between the Sherman Antitrust Act and discrimination in public accommodations, noting, "This is what is said in the Sherman [Antitrust] Act, that if a business is in the public market it cannot deny access . . . [a]nd I think the same thing applies here . . . that a man should not have the right to say on the basis of color or religion, one cannot use a lunch counter that is open to everyone else in another racial group but not to these particular people; he has an obligation to the public."

In this era, support for the civil rights movement and opposition to monopoly were political stands often advocated by the same person. For instance, Justice Felix Frankfurter, who made anti-monopoly policy one of the causes of his life, served on the NAACP's National Legal Committee while also being the first member of the Supreme Court to hire a black law clerk. New York Representative Emanuel Celler sponsored the Celler-Kefauver Act of 1950, a major anti-monopoly law, and also introduced the Civil Rights Act in the House. Sargent Shriver, the architect of Lyndon Johnson's War on Poverty program, said at a dinner reception describing his vision for anti-discrimination laws and programs like Head Start, VISTA, and Job Corps, "The day may well come when Congress enacts a new Sherman Act for the social field—an antitrust law to ensure that . . . monopoly power is not used to expand and perpetuate itself."

Attorney General Robert F. Kennedy similarly drew a link between civil rights and anti-monopoly policy. "The principles of free enterprise which the antitrust laws are designed to protect and vindicate," he said in 1961, "are economic ideals that underlie the whole structure of a free society." Two years later, King, in his sermon "On Being a Good Neighbor," echoed Kennedy's vision when he said, "Our unswerving devotion to monopoly capitalism makes us concerned about the economic security of the captains of industry, and not the laboring men whose sweat and skills keep the wheels of industry rolling."

A seminal moment in the history of the civil rights movement came on a bloody Sunday in 1965 when Alabama state troopers attacked John Lewis and hundreds of others marching across the Edmund Pettus Bridge in support of voting rights. Here, too, the important link between black-owned independent businesses and civil rights was operating behind the scenes. Civil rights leader Amelia Boynton and her husband, Sam, for example, dedicated half the office space of their real estate and insurance company in Selma to host organizers from the Southern Christian Leadership Conference.

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Student Nonviolent Coordinating Committee founder Bernard LaFayette also set up an office in Selma because he knew that the black commercial class would provide a measure of protection for activists. Betty Boynton, the wife of Sam and Amelia's son Bruce, explained in an interview, "School administrators fired teachers and workers who were sympathetic to the movement." Indeed, one of the reasons so much of the activity of the civil rights movement was centered in Selma is that its strong community of black business owners offered critical logistical, financial, and other forms of support.

The link between civil rights and anti-monopoly policy also was a matter of tactics. In 1961, the owners of ten independent medical practices used the Sherman Antitrust Act against sixty-one local hospitals and medical organizations in Chicago that barred black Americans from the medical staff. The suit claimed that the hospitals, which provided more than 75 percent of the city's private hospital beds, discriminated against black physicians. The settlement slowly helped integrate black citizens into the medical profession.

In 1964, Reginald Johnson, secretary of the National Urban League, encouraged the use of antitrust laws to break up housing segregation in the nation's cities. Of the twenty million dwellings built since World War II, only 3 percent had been open to black families. "Widespread conspiracies in flagrant restraint of trade," Johnson said, "have confined millions of the nation's Negro citizens to lives of squalor, misery, and privation." Antitrust actions taken by the American Civil Liberties Union, the NAACP Legal Defense and Educational Fund, and other organizations helped force desegregation of neighborhoods and realty boards in cities including Trenton, St. Louis, Pittsburgh, Akron, and New York City.

Bruce Boynton even sought to join the Justice Department's Antitrust Division to combat discrimination and fight for greater equality. In a 1964 interview with *Jet* he said, "I purposely picked Antitrust instead of the Civil Rights section because we have to get involved in other areas, too. . . . Negroes have to learn how to operate stores, as well as boycott them." He never made it to the Justice Department but made history anyway. The Alabama Bar Association refused to grant him his law license because of his previous arrest for refusing to leave a "Whites Only" lunch counter. Boynton's protest led to the Supreme Court case *Boynton v. Virginia*, which helped desegregate interstate bus travel. NAACP lawyer Thurgood Marshall, who was already famous for having successfully argued *Brown v. Board of Education*, represented Boynton in that case.

As it happens, Marshall later became the nation's first black Supreme Court justice and one of the Court's last great defenders of anti-monopoly laws. Marshall grew up in the largely middle-class Druid Hill neighborhood of Baltimore, the grandson of two grocery owners, and as a young boy worked in their stores. Marshall's philosophy, his biographer Juan Williams writes, "was the result of being the child of a proud, politically active, black, middle-class family that owned successful businesses and lived in an integrated neighborhood." His greatest defense of the anti-monopoly vision came in the majority opinion he authored in *United States v. Topco Associates*, in which he argued that "antitrust laws, in general, and the Sherman Act, in particular, are the Magna Carta of free enterprise."

After the late 1970s, both Democrats and Republicans generally retreated from the long-standing tradition of using anti-monopoly laws to foster economic and political equality. Since then, successive administrations have evaluated mergers only for their "efficiency," and by and large have resisted antitrust actions except in the most egregious instances of collusion and price fixing. The subsequent three decades of merger mania have brought steep increases in both market concentration and inequality.

Some members of the black community applauded these changes. In a 1986 interview, Dr. William Bradford, chairman of the University of Maryland Finance Department, said, "Selling out will result in gaining future expansion opportunities. . . . [Black businesses] will move up the hierarchy and control more resources." But other voices expressed worry. An editorial in the *Atlanta Daily World* noted, "Mergers don't always make for better service or lower prices to the consumer, and one certain result of weakening the antitrust laws is more and more mergers."

Indeed, the number of mergers did keep growing, and in most instances involved smaller black-owned companies being bought out by larger firms controlled by whites. In 1988, MCA and Boston Ventures bought Motown Records for $61 million. In 1995, Shorebank Corporation acquired Chicago's black-owned Drexel Bank. In 1999, the French advertising giant Publicis Groupe acquired 49 percent of the black-owned marketing firm Burrell Communications Group. In 2005, a group of white investors purchased the nation's oldest black-owned bank, Consolidated Bank & Trust Co.

The process continues today. Indeed, one of the legacies of Obama's economic policies has been a particularly sharp drop in the number of black-owned banks. This is not only the result of lessened enforcement of the anti-monopoly laws but also an unintended side effect of measures like the Dodd-Frank Act. In the process of attempting to keep big banks from failing, Dodd-Frank created regulatory burdens that small banks could not meet. These policy changes contributed to a 14 percent decrease in the number of community banks between 2010 and late 2014. Particularly hard hit were black-owned banks, which decreased by 24 percent during this period.

Black-owned financial institutions and the businesses that depend on them for credit were also deeply damaged by the misallocation of bank bailout funds. Referring to the government's Troubled Asset Relief Program (TARP), former Atlanta banker George Andrews says, "If there ever was a crime committed to our community it was in the way the government handled TARP funds." According to a 2013 study of TARP investments, black-owned banks were ten times less likely to receive bailout money than nonminority-owned banks. Black Americans suffered disproportionately from the predatory lending practices of big banks and from the reform measures put in place to contain banks that had become too big to fail.

The story of how the struggle for civil rights intertwined and intersected historically with the struggle against monopoly provides a lesson for the future. It suggests that going forward we also should consider how political independence connects with economic independence in the struggle for social justice. Without freedom from domination in one sphere, there is no freedom in the other. Allowing the powerful to corner markets erodes the democratic spirit that makes America great.

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