

From The Grassroots

Black Capitalism: Profile In Poverty

By Manning Marable

Disillusionment with Reaganomics has inspired a revival of a variety of black strategies for economic survival in the 1980s. Many black commentators, including Tony Brown, argue that Reagan is actually helping black people by pulling the federal government's social service "security blanket" out from under their feet. Blacks have sufficient resources to develop and sustain their own viable Black Capitalist economic program. Unfortunately, the neoconservative black polyannas are long on rhetoric but short on facts. A detailed analysis of the state on black-owned businesses in the U.S. illustrates the affluence of some, and a profile of poverty for the many.

Census research on black owned businesses also indicates a profound pattern of concentrated wealth and power in the hands of a relatively small number of black businessmen. Only 164,177 workers (mostly blacks) found employment in the 39,968 black firms which hired personnel in 1977. Within this figure, however, 32,581 businesses (81.5 percent of firms hiring workers) employed between one to four persons during the year. These firms hired an average workforce of 1.45 employees, paid average annual gross payroles of \$9,695, and recorded average gross receipts totaling \$68,831. Moving up the employment scale, a different picture emerges. Only 230 black firms in the U.S. in 1977 hired between 50 to 99 employees. This group retained an average workforce of 67.6 employees, had average annual gross payroles of \$540,035, and average yearly gross profits of \$2,357,909.

At the pinnacle of Black Capitalism were the 113 U.S. black firms which employed 100 or more workers in 1977. This tiny elite is part of the dominant U.S. corporate establishment. With an average workforce of 247.5 employees, these firms met average annual payroles of \$1,960,221.

Average annual gross receipts for the elite in 1977 were \$8,952,469. Throughout the U.S., there were 1,060 black-owned corporations and partnerships that hired 20 or more employees. This small fraction of all black entrepreneurs was only one half of one percent (00.46) of all blacks engaged in private enterprise. These 1060 affluent black firms had gross receipts which totalled \$2,467,958,000, 38.6 percent of all gross receipts acquired by black firms with employees, and 28.5 percent of the gross receipts received by all black-owned businesses.

Only a few enterprises earn the vast majority of profits. 103 manufacturing firms out of a total of 4243 received 67.3 percent of all gross receipts in that sector, and employed 52.8 percent of all employees. In wholesale trade, 5 percent of the firms had 75.3 percent of all receipts and 58.3 percent of all paid workers. In finance, real estate and insurance, 90 firms (0.9 percent of the total number) earned 69.2 percent of all gross receipts and had 77.1 percent of all employees.

Black Capitalism in the 1980s, must be subdivided into three distinct constituencies—the "proletarian periphery"; the intermediate black small entrepreneurs; and the black corporate core. Over four-fifths of all U.S. firms, 82.7 percent, belong to the proletarian periphery. These 191,235

enterprises have several common characteristics: 1) almost all are sole proprietorships, unincorporated firms owned by a single black individual, 2) most are started by black blue collar or marginally white collar employees; 3) the firms are undercapitalized from the outset, and owners are forced to subsidize business activities by drawing upon personal savings, loans from friends and relatives, and by allocating a portion of their salaries at their other place of employment; 4) all of these firms have no paid employees; 5) the vast majority are concentrated in two traditional sectors of the segregated black economy, human services and retail trade; 6) at least 75 percent become bankrupt within three years; and 7) their average annual gross receipts vary between \$3000 to \$15,000. Economically and politically, these blacks are essentially workers who are attempting to become successful business persons.

These small entrepreneurs uniformly pay higher rates for insurance, since majority-black communities are defined as "high risk" areas. They are

exploited by banks which "redline" black districts, making entire communities ineligible to receive loans at reasonable rates. Smaller retailers with low sales volumes and a small number of items for sale must charge higher retail prices for goods or services than larger white-owned companies. McDonald's and Kentucky Fried Chicken, for instance, can sell their fast foods at nominally lower prices than the black "mom-and-pop" chicken establishment, because of higher sales volume. Human service-oriented firms started by blacks who possess personal skills (hairdressers, cooks, barbers, caterers, etc.) can be established with little capital, but they are also very vulnerable to recessions. Black workers and the unemployed have precious little discretionary income.

At every periodic downturn in the economy, black lower and middle income families cut back on their spending for services and goods. As a result, in both 1973-75 and 1980, tens of thousands of black businesses failed. Unfortunately, thousands more will fail this year.

Minorities Report Issued

The Commission on the Higher Education of Minorities, funded by the Ford Foundation over a three year period, issued its report on "the overall educational progress of minorities during the past fifteen years." The Commission's most controversial recommendation was for implementation of the "value-added-model" that is "current normative or relativistic measures (should) be replaced by measures that assess learning and growth of the individual student and, second, that these measures be administered periodically to assess the individual's growth over time...rather than just for selection and screening of students."

While recognizing the different histories and experiences of the various minority groups in higher education,

the report noted these similarities; 1) education is "a value and a right that is unequally distributed in U.S. society;" 2) minorities are "major groups with longstanding unmet claims on U.S. education;" 3) "all four minority groups...are increasingly underrepresented at each higher level of degree attainment;" 4) all minorities are "underrepresented in all...fields except social sciences and education;" 5) students who "live away from home while attending college are more likely to persist to baccalaureate completion;" and 6) minority educators feel there is "a lack of institutional commitment to minorities" today.

The report can be ordered from Jossey-Bass Inc., Publishers, 433 California Street, San Francisco, CA 94104.



Jerry Beatty assures himself of one vote.

Census Bureau Report Black Undercount Cut

The proportion of blacks not counted in the census was reduced from 7.6 percent in 1970 to 4.8 percent in 1980, preliminary Census Bureau research shows.

"This sharp reduction in the black undercount rate was the result of a concerted bureau effort to improve the count of the black and other minority populations," said Bruce Chapman, Director of the Commerce Department's Bureau of the Census. "Targeted communications campaigns, community service programs, and improved followup procedures all contributed to the improvement."

The bureau's early research shows that census takers missed 1.3 million of the estimated 28 million blacks in the U.S. on Census Day, April 1, 1980. This compares with an estimated 1.9 million of the country's 24.4 million blacks not counted in 1970.

The 1980 census total population count also showed improvement over the 1970 census. The 226.5 million count exceeded by 5.5 million the number which the bureau had expected to count.

The 1980 census count also exceeded by 851,000 or 0.4 percent, the bureau's population estimate of 225.7 million legal residents on Census Day. This estimate was developed through a method of demographic analysis, which uses independent data sources such as birth, death, and immigration records in combination with past censuses and sample surveys. By way of contrast, the 1970 census missed an estimated 2.2 percent of the nation's population, or 4.7 million people.

In addition to the demographic research reviewed in the preliminary estimates released today, the bureau also is conducting a Post-Enumeration Program. Samples of the bureau's monthly Current Population Survey will be matched with the census and a re-enumeration of a sample of households included in the census. Results will be released later. This research will provide alternative estimates of coverage for blacks and all other races, as well as providing the only estimates for other segments of the population such as Hispanics.

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