

For Release on Delivery
Thursday, October 19, 1972
7:30 p.m. (E.D.T.)

THE ROAD AHEAD: OUTLOOK FOR BLACKS IN BUSINESS

Presidential Address

By

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Before the
57th Annual Meeting
of the
Association for the Study of Negro Life and History

Sheraton-Gibson Hotel
Cincinnati, Ohio

October 19, 1972

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I. Introduction

Three years ago, I examined the situation and prospects for black businesses in some detail. I found both the situation and prospects far from promising.^{1/} I have just completed another analysis of the status and outlook for American blacks in the field of business. The conclusions and implications emerging from that assessment are still unpromising -- but the opportunity may also exist for blacks to launch themselves on a course leading to expanded participation in the mainstream of American business.

When the existing pattern and structure of black-owned businesses are unraveled, a graphic -- and disturbing-- picture comes into sharp focus. The fact that black businessmen have traditionally concentrated primarily on small scale retail

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I am grateful to Mr. John Austin and Mrs. Ruth Robinson of the Board's staff for assistance in the preparation of this paper. However, the views expressed here are my own and should not be attributed to the Board's staff nor to my colleagues on the Board.

^{1/} "The Economic Potential of Black Capitalism" (with Henry S. Terrell), paper presented before the 82nd Annual Meeting of the American Economic Association, New York, December 29, 1969. A modified version was subsequently published in Public Policy, Vol. XIX, No. 2, Spring, 1971, pp. 289-308.

trade and the provision of personal services is widely known. The reasons for this are also widely recognized: racial segregation and discrimination restricted the access of blacks to housing and public accommodations. Under those circumstances, black businessmen came forward to meet most of the limited demand for services which a predominantly low-income population did register in the market place. Moreover, the extent to which traditional black businesses have been adversely affected by the abolition of legally based restraints on access to public accommodations is also generally appreciated.

However, what is less well understood is the degree to which black businessmen are caught on a downhill course: while they are making some progress in expanding their modest share of the nation's business activity, the fields in which they are concentrating are declining relative to the economy as a whole. In one sense, the situation of black-owned businesses today is roughly analogous to that which blacks had to face around the end of the last century. Possessing virtually no land and little skill in farming, they were encouraged to master the know-how then emerging from the publicly-supported scientific research in agriculture and thus make themselves into better farmers. The advice was laudable on its face, but the strategy of black economic development on which it rested suffered from a fatal

flaw: At that juncture, the basic, underlying drift of the economy was toward industry and away from agriculture. Although the latter was yet to achieve the enormous burst of output and productivity that was subsequently recorded in the first third of the 20th Century, the mainsprings of national economic growth were already to be found primarily in the industrial sector.

Consequently, while blacks did make advances in agriculture for a time, they nevertheless were caught on a downhill course. The net result was that they lingered too long in agricultural pursuits and also failed to establish beachheads in industry at a time when barriers to entry were still scalable and an expanding market for factory-produced goods lay ahead.

During the decade of the 1970's, the fields of principal concentration of black businesses -- small scale retail trade and personal services -- will probably grow more slowly than the economy as a whole. So, unless a major diversification occurs in the range and focus of black-owned businesses, blacks will be getting an even smaller share of the nation's business receipts in 1980 than they are currently receiving. Moreover, this spanning out in the pattern of business activity will also have to be accompanied by a significant increase in the size and efficiency of black-owned firms. To achieve this latter goal will require much larger aggregations of equity capital than blacks have been

able to mobilize to date. This, in turn, means that blacks will have to become much more willing to adopt the corporation as a form of business organization -- and to rely far less on individual and personal ownerships. It also means that blacks must be increasingly willing to share in joint-ventures with businessmen of other races and to tap the stream of risk-taking capital flowing through the economy as a whole. Finally, blacks must be prepared to undertake the hard task of acquiring the technical managerial skills increasingly required to survive and prosper in the sophisticated business world unfolding before us.

In other words, if blacks want to have a truly meaningful role in the business world of the future, they will have to become a new breed of entrepreneurs. They must be prepared to compete in a variety of new fields against a phalanx of nationwide corporations ever anxious to attract an increasing share of the rising income and expenditures of the black community. Failure on the part of black-owned firms to diversify means stagnation and decline in the years ahead.

These general conclusions are amplified in the sections which follow.

II. Relative Position of Blacks in Business

In 1969, there were 163 thousand black-owned businesses in the United States. (See Table 1, attached.)^{2/} These firms represented about 1.4 per cent of the 12 million firms in the country at large. These black-owned enterprises had gross receipts of \$4.5 billion, accounting for 0.24 per cent of the total. Thus, by either measure, it is obvious that blacks control only a meager share of the nation's business activity.

To put the business situation in perspective, it will be recalled that blacks represent 11.3 per cent of the total population in the United States, and in 1970 they received 6.5 per cent of total money income. However, with respect to income sources, only 0.7 per cent of the income for blacks was derived from property ownership (i.e., from rents, interest, dividends, royalties and inheritances) compared with 4.6 per cent of the income of whites. So, while blacks got 6.5 per cent of total income in 1970, they received less than 1.0 per cent of investment and property income in that year.^{3/}

^{2/} The basic statistics relating to black-owned businesses used in this study are from the U.S. Census Bureau's report, "Minority-Owned Businesses: 1969." (U.S. Department of Commerce, August, 1971.) Appendix Table I attached at the end of the paper contains most of the detailed data used here. A new Census Bureau survey of minority-owned businesses covering 1972 is planned for calendar year 1973. If the planned schedule can be kept, the results should be available about October, 1973.

^{3/} See Andrew F. Brimmer, "Income and Wealth in the Black Community," Ebony Magazine, October, 1972, pp. 64-70.

The overall position of blacks in business compared with other minority groups can also be seen in Table 1. In 1969, Spanish-speaking minorities owned 0.8 per cent of all firms, and they accounted for 0.18 per cent of gross receipts. For other minorities (mainly Orientals and American Indians), the corresponding proportions were 0.5 per cent of business firms and 0.14 per cent of gross business receipts. Consequently, with 2.7 per cent of the firms and 0.56 per cent of total receipts, the representation of all minority groups on the nation's business scene was modest indeed.

Black firms are predominantly over-managed with no employees. For example, of the 163 thousand firms reported in 1969, only 38 thousand (or less than one-quarter of the total) had any paid employees at all. Collectively they had 152 thousand workers on their payrolls. Since blacks held roughly 8 million jobs in 1969, black-owned firms (virtually all of whose employees are black) provided jobs for only 1.9 per cent of all black workers in the country.

III. Size of Black-Owned Firms

As already indicated, black businesses are mainly small-scale operations. Just how small can also be seen in Tables 1 and 2. For example, in 1969, the typical black firm with paid employees had about 4 workers on its payroll. This was about the same number found in other minority-owned businesses. Among major fields of

activity, however, the average number of employees did differ somewhat. In manufacturing and wholesale trade, the typical black firm had 8 employees; in retail trade the average was 3 paid workers. In contrast, in the economy as a whole, the corresponding figures per firm were: manufacturing, 72 employees; wholesale trade, 15 employees, and retail trade, 6 employees. Thus, measured by number of employees, the typical black-owned manufacturing firm was about one-tenth the size of its counterpart in the economy at large. In both wholesale and retail trade, the average black firm was about half as large as the typical firm in those industries.

An alternative way to measure the size of black firms is in terms of business receipts. In 1969, the average black-owned firm with paid employees had gross receipts of \$95 thousand. In manufacturing, the figure was \$187 thousand, and in wholesale and retail trade it was \$497 thousand and \$96 thousand, respectively. The parallel figures for the typical firm in those industries in the county as a whole were: manufacturing, \$2,068 thousand; wholesale trade, \$1,974 thousand, and retail trade, \$197 thousand. Again, in the factory sector, by this measure, the average black-owned firm was about one-tenth the size of its nationwide counterpart. But in the case of wholesale trade, the average black-owned business was one-quarter that in the nation, and in retail trade it was still in the neighborhood of one-half as large.

The average black-owned business with paid workers had receipts of about \$24 thousand per employee. In manufacturing, the figure was the same. It was \$66 thousand in wholesale trade and \$30 thousand in the retail sector. Compared with firms in the nation at large, these relative measures were about the same for black firms as for all firms in manufacturing and retail trade. However, in the case of wholesale trade, the typical black-owned firm had sales per worker only half those recorded by its counterpart in the country as a whole.

IV. Industry Pattern of Business Ownership

As mentioned above, the conditions under which blacks have functioned as owners of businesses have been determined to a substantial degree by the legacy of racial segregation and discrimination. The consequences of this historical experience can be traced clearly in the industry distribution of business firms. In Appendix Table I, the main types of activity of black-owned businesses are shown in terms of the percentage of all black firms found in each field along with the proportion of gross receipts accounted for by each industry. The corresponding figures for the economy as a whole are also shown.

Several highlights can be lifted from among the details and summarized in the following table:

<u>Industry</u>	<u>Black-Owned Businesses</u>		<u>All Industry</u>	
	<u>Percentage of all firms</u>	<u>Percentage of Gross Receipts</u>	<u>Percentage of all firms</u>	<u>Percentage of Gross Receipts</u>
<u>Retail Trade</u>	27.73	43.19	18.31	20.41
Auto dealers & service stat.	3.91	14.11	3.19	5.35
Food stores	6.91	9.80	2.45	4.40
Eating & drinking places	8.66	8.04	3.32	1.49
<u>Insurance carriers</u>	0.06	2.98	0.04	3.32
<u>Personal services</u>	20.79	6.43	5.29	0.75
<u>Amusement & rec.</u>	2.09	1.17	1.57	0.32
<u>Real estate</u>	3.38	1.74	6.72	0.87
<u>Hotel, motels</u>	1.23	0.96	1.19	0.43

The extremely heavy concentration of black-owned firms in retail trade is clear. This line accounted for over two-fifths of gross receipts and more than one-quarter of the number of all black-owned businesses -- twice the proportion of receipts and 1-1/2 times the proportion of firms recorded for all American businesses. Within the retail trade sector, automobile dealers and gasoline service station operators (mainly the latter) represented about the same proportion of firms in both groups; but the share of total receipts in this category for black firms (14 per cent) was nearly three times

that for all firms (5 per cent). In the case of food stores, the ratios for black-owned firms were more than double those for businesses in general.

The historic discrimination against blacks in terms of access to public accommodations is traceable in the relative positions of black-owned eating and drinking places, of amusement and recreation outlets, and of hotels, motels and other lodging places. Nearly one-tenth of all black businesses were restaurants, bars, and similar establishments, and they accounted for roughly the same proportion of gross receipts. Among businesses at large, 3 per cent were eating and drinking places, and these received 1-1/2 per cent of gross receipts. The fraction of business activity accounted for by amusement and recreation places was also much higher for black-owned enterprises -- whether measured by the proportion of either number of firms or gross receipts. Hotels and motels represented about the same fraction of total businesses in both groups (1.2 per cent), but those owned by blacks accounted for more than double the share of revenue -- 0.96 per cent vs. 0.43 per cent.

The legacy of racial discrimination against blacks in the provision of life insurance coverage is also still evident. It may be recalled that, in the late 19th century, the American life insurance industry concluded that the relatively short life expectancy of blacks

made it too risky to insure them using the same standards applied to whites. As a result, a separate mortality table for blacks was developed which carried considerably higher premiums. Moreover, some companies cut back on sales of insurance in the black community. That double standard survived well into the mid-20th century. While it lasted, black-owned insurance companies provided a substantial part of the coverage available to blacks. It is for this reason that the relative positions of black-owned and white-owned insurance companies were quite similar in 1969. The effects of racial discrimination on the availability of residential housing are reflected in the relative position of black-owned real estate firms. The latter amounted to 3 per cent of all black firms vs. 7 per cent for the economy as a whole. Yet, in the case of blacks, they accounted for a somewhat larger proportion of gross receipts -- 1.74 per cent vs. 0.87 per cent.

On the opposite side of the canvas, one can also see the relative lack of representation of blacks in those lines of business where the perversely protective cloak of racial segregation and discrimination was not so evident--as shown in the following table:

<u>Industry</u>	<u>Black-Owned Businesses</u>		<u>All Industry</u>	
	<u>Percentage of all firms</u>	<u>Percentage of Gross Receipts</u>	<u>Percentage of all firms</u>	<u>Percentage of Gross Receipts</u>
<u>Manufacturing</u>	1.82	6.76	3.40	37.81
Food products	0.10	1.25	0.23	5.17
Lumber & wood	0.79	1.14	0.52	0.81
Printing & publishing	0.31	0.85	0.51	1.38
Chemical products	0.03	0.83	0.12	3.01
<u>Transportation</u>	9.69	4.37	2.87	3.28
Trucking & warehsg.	4.44	2.99	2.01	1.31
Local & sub.	4.47	0.95	0.54	0.17
<u>Wholesale Trade</u>	1.02	8.61	3.90	13.80
Grocery products	0.15	2.13	0.54	2.76

On the basis of these data, the modest participation of blacks in manufacturing is unmistakable. The proportion of black firms operating factories was only one-half that for American industry as a whole. In terms of gross receipts, the black proportion was only one-fifth that for businesses in general. Moreover, where blacks were represented in manufacturing to some extent, the activity was typically related to the blacks' historical situation in this country. For example, their presence in chemical products is mainly a legacy of the black-owned cosmetics companies which developed in response to the special needs of blacks for personal services -- particularly

through black-operated beauty and barber shops. Their presence in printing and publishing, of course, is primarily a mirror of black-oriented newspapers -- although a few magazine and book publishers have also made considerable headway in recent years. Blacks producing lumber and wood products consist almost exclusively of a few small-scale sawmills in the South. A scattering of black-owned food processing firms have been in existence for some years. Yet, it was only in the recent past that at least one of those companies made a breakthrough in the general market on a noticeable scale.

Black firms have been able to make some headway in transportation, but the net results are both mixed and limited. In some segments of this industry, black firms have been long accepted as part of the existing transportation capacity. This is especially true of trucking and warehousing. Here the experience accumulated by blacks as skilled workers as well as laborers served as a basis for subsequent launching of businesses. On the other hand, the rest of the black firms engaged in transportation activities consist almost exclusively of taxi operators, included under local and suburban transit in the summary statistics.

In the case of wholesale trade, one has to look hard to find black-owned firms outside of food distribution. It will be recalled that the operation of retail trade outlets is the most important form of activity among black businessmen. So the meager participation of blacks in wholesale trade means that blacks are essentially missing in one segment of the distribution network in this country.

V. Imperatives of Growth and Diversification of Black-Owned Businesses

The evidence presented so far leads to an inescapable conclusion: black firms are heavily concentrated in a relatively small number of trade and service activities. Just how narrow is their base of operations can be seen in Table 3. This table shows 25 industries ranked according to the share of gross receipts accounted for by each. The corresponding proportions for all firms are also shown. Sixteen of the industries are in the trade sector, six are services, and only three are components of manufacturing. Collectively, these 25 industries accounted for four-fifths of total business receipts of black-owned firms in 1969. The same group of industries accounted for less than half of the total business receipts in the economy as a whole.

The growth rates^{4/} projected for these industries during the period 1968-1980 are also shown in Table 3. A striking feature stands out in these statistics: half of the 25 industries which are so important to black firms have projected growth rates below that anticipated for the economy as a whole. The annual average rate of growth for the U.S. economy is estimated at 4.3 per cent over the period. Twelve of the 25 key industries for blacks have projected growth rates below that figure. In fact, for nine of them, growth

^{4/} The growth rates used in this analysis are taken mostly from the U.S. Department of Labor, Bureau of Labor Statistics, The U.S. Economy in 1980, 1970. Other growth rates were taken from: McGraw Hill, The American Economy, Prospects for Growth to 1985, 1972; National Planning Association, Revised National Economic Projections to 1980, 1971; U.S. Department of Commerce, Bureau of Domestic Commerce, U.S. Industrial Outlook 1972, with Projections to 1980, 1972.

rates below 4 per cent are anticipated. In contrast, only four of the 25 industries have projected growth rates of 6 per cent or above. Finally, the twelve industries with below-average projected growth rates accounted for 40 per cent of gross receipts of black-owned firms in 1969 -- compared with 21 per cent for all firms in the country.

These data point to consequences of serious proportions for black businesses: because they are heavily represented in industries that are likely to grow rather slowly in the future, they are -- unfortunately -- caught on a downhill course.

How to reverse this situation ought to be a matter of major concern for those interested in expanding business opportunities for blacks in the years ahead. The magnitude of the task which must be confronted ought not to be underestimated. This task has both qualitative and quantitative dimensions -- since it involves the quality of managerial talent available to the black community as well as the size and growth of black firms.

With respect to the quantitative element, one can estimate the rate of growth which will be required if blacks are to make noticeable strides in expanding their share of the nation's businesses during the 1970's. Several alternative paths of expansion for black-owned businesses are shown in Table 4. Again, it will be recalled

that blacks accounted for 0.24 per cent of total business receipts in 1969. It will also be recalled that the rate of growth for the economy as a whole was projected at 4.3 per cent for the years 1968-1980. So, one target might be to achieve a rate of growth in black-owned businesses combined equal to that for the nation at large. This matched expansion would maintain the black share of total business unchanged.

However, it will also be recalled that -- in the absence of diversification -- black businesses will probably decline relative to the total economy. This is so because they are heavily concentrated in industries whose growth will probably fall short of that anticipated for the total economy. Expressed differently, even if blacks succeed in maintaining their share of those industries in which they are presently active, their share of total business will shrink somewhat by 1980. In fact, an unchanged share of key, existing industries in which blacks are concentrated would imply an annual average growth rate of 3.9 per cent in the period 1969-1980. This is well below the 4.3 per cent growth rate projected for the total economy over roughly the same period. This outcome would reduce the blacks' share of total business receipts to 0.227 per cent in 1980--from 0.237 in 1969.

Another alternative target might involve an effort to raise blacks' 1969 share of total industry by one-half in 1980--i.e., from 0.237 per cent to 0.355 per cent. This is by no means a large increase in the magnitude of black business activity. Yet, to

accomplish even this target would require an annual average growth rate of 8.2 per cent. If the aim were somewhat more ambitious, a target might be adopted of doubling the black's share of total business by 1980. This goal would require an annual average growth rate of 11.1 per cent. It will be recalled that none of the 25 key industries in which blacks are currently active have projected growth rates in excess of 8 per cent.

VI. Relative Position of Black-Owned Firms in High-Growth Industries

The above analysis suggests that the hill which black businessmen must climb -- if they wish to prosper as a group -- is high indeed. The effort will be further complicated by the fact that they are represented in only a meager way in those industries for which growth prospects are especially bright. The extent to which this is true can be seen in Table 5. This table shows 34 industries for which projected growth rates are 5 per cent or above -- compared with a growth rate of 4.3 per cent for the economy as a whole -- for the period 1968-1980. More than half of these industries have projected growth rates of 6 per cent or more.

Distressingly, less than one-fifth (17 per cent) of total gross receipts of black-owned businesses was accounted for by these high-growth industries. Because of lack of data, no detailed comparison can be made with the situation among firms in the economy at large. Such figures for all businesses were available for only 13 of the 34

industries shown. The gross receipts for these 13 high-growth industries represented 15 per cent of total business receipts. If receipts for the remaining 21 industries had been included, the proportion of all industry receipts accounted for by high-growth industries would have been well above 15 per cent -- indeed, it would have greatly exceeded the 17 per cent shown for black-owned businesses.

Moreover, while one-third of the 34 high-growth industries represents retail trade lines, another one-third represents finance and manufacturing activities. Only about one-sixth include industry groups providing services. So, if black businessmen are to search for opportunities in these high-growth fields, they must be prepared to confront a number of new and serious challenges which will tax the resources of the black community to a serious degree.

VII. Scaling Barriers to Entry and Diversification in High-Growth Areas

To advance on the road to enhanced growth, black businessmen will have to overcome several obstacles. These include a mastery of the increased technical and managerial requirements of modern industry, the fairly large-scale size of firm required for efficient operation, and greatly increased capital requirements. Of course, this short list by no means exhausts the range of barriers, but it probably covers a major part of the ground. Moreover, no one understands the nature of these obstacles better than the black businessmen already trying to make their way in a frequently inhospitable environment. But for those on the outside--or for those contemplating careers as businessmen--

it may be well to summarize the nature of the problems which must be confronted.

In the case of managerial talents and technical skills, one ought to distinguish among at least three situations: (1) the case of a person considering entering business for the first time, (2) the case of a person already owning his own business who needs to improve his own capabilities; and (3) the case of a person who is currently employed in a technical or managerial capacity by a major white firm. As far as the first category is concerned, the counsel to be given is straightforward: such an embryonic businessman ought to study the principles of business administration in college or technical school-- or he should get a job and accumulate the skills required while serving an apprenticeship in someone else's business. For those in the second category, a number of private and publicly-supported options already exist, and these need not be catalogued here. They include counseling by numerous locally-based small business development centers and offices of the Federal Government's Small Business Administration.

In my own view, the person in the third category is of particular interest. To date--after nearly a decade of effort by large corporations to attract black college graduates to their organizations-- a substantial number of blacks have developed considerable know-how in the field of business management. Undoubtedly, quite a few of these recruits have found life in the modern, large-scale corporation less

than hospitable and have left for more personally promising opportunities. Yet, many have remained -- and some have even made progress on the corporate ladder. Under the appropriate conditions, some members of these corporate cadres could provide the managerial and technical talents required if black-owned businesses are to be diversified. It is my impression that this is already happening in a modest way. I also have the impression that a fair number of other blacks are looking for a chance to follow the same course.

The task of increasing the size of black-owned firms is far more difficult. Some idea of the discrepancy in size between black-owned firms and those in the economy generally can be gotten from the data in Table 6. This table shows the average size of firm (for blacks and the United States as a whole) in 14 high-growth manufacturing industries. Size is measured in three ways: by the number of employees per firm, the value of receipts per firm, and the value of receipts per employee.

Several conclusions emerge from these data: most of the high-growth manufacturing industries are those based on sophisticated technical processes in which major technological advances and substantial increases in productivity can be anticipated. At the same time, measured by employment, the average black-owned firm in the industries with the highest projected growth rates are typically less than one-tenth as large as its counterpart in the economy as a whole. Measured by value of shipments, the same kind of short-fall on the part of black-owned firms is evident. When value of shipments per employee is used as a

standard, the divergence is less sharp, but the relatively small scale of the existing black-owned firms still shows through.

But for the present purpose, the data in Table 6 can also be taken as a rough indication of the magnitude of the capital that will be required if blacks want to diversify into high-growth industries. Ideally, to make such an estimate, one should have figures on capital required to finance a business of optimum size. Alternatively, data showing capital invested per unit of output would be useful. In the absence of either of these, the figures presented in Tables 6 and 8 do provide some insights. These statistics show the following:

<u>Industry</u>	<u>Value of receipts per firm (\$1,000)</u>	
	<u>Black-Owned Firms</u>	<u>United States</u>
All Industry	95	152
Retail Trade	96	163
Wholesale Trade	497	520
Manufacturing	187	1,625
Selected High-Growth Industries:		
Office, computing/acc. machines	159	11,349
Electronic components	356	3,678
Chemicals: plastics & synthetics	946	13,364
Service industry mach.	159	2,963
Rubber & misc. plastics	328	2,269
Radio, TV & comm. equipment	356	8,545

Thus, one can see that receipts per firm in total manufacturing are ten times those for all businesses in the United States. Moreover, in the case of some of the high-growth industries, receipts per firm are

well above those for all manufacturing. The data for black-owned firms show the same pattern, but the divergence among the black firms in the different industries is much less sharp.

In general, the evidence presented here should leave no doubt in anyone's mind that black businessmen will have to expand their scale of operation to a considerable degree if they are to participate in a meaningful way in the high-growth sectors of the American economy. To do so will require substantial aggregations of capital.

VIII. Reorganization of Black-Owned Businesses

Unfortunately, as presently organized, the typical black-owned firm is ill-equipped to raise capital. The form of organization of black-owned businesses is shown in Table 7 and that for all businesses in the United States is shown in Table 8. The highlights are as follows (per cent):

<u>Form of Organization</u>	<u>Black-Owned Firms with Paid Employees (1969)</u>		<u>All Industry (1968)</u>	
	<u>Number of Firms</u>	<u>Gross Receipts</u>	<u>Number of Firms</u>	<u>Gross Receipts</u>
Proprietorships	79	48	79	12
Partnerships	13	16	8	4
Corporations	<u>8</u>	<u>36</u>	<u>13</u>	<u>84</u>
Total	100	100	100	100

These figures indicate that the propensity of blacks to rely on personal ownership as a form of business organization is the same as that for all firms. Blacks make somewhat more use of partnerships. But the dependence of blacks on the corporate form of organization is only three-fifths that among all firms in the country.

However, the really striking comparison is the proportion of gross receipts received by the different forms of business organizations in the two communities. In the case of blacks, proprietorships accounted for 48 per cent of the total vs. only 12 per cent for all firms. For blacks, the share of partnerships was four times as great (16 per cent vs. 4 per cent). On the other hand, black-owned corporations received 36 per cent of the gross receipts--compared with 84 per cent for businesses in the economy as a whole.

Moreover, the relative importance of the corporation as a form of business organization in the country at large has been increasing since the end of World War II. The details documenting this trend are shown in Appendix Table II. The highlights can be summarized here (per cent):

<u>Form of Organization</u>	<u>No. of Businesses</u>			<u>Total Receipts</u>			<u>Net Profits (Less Loss)</u>		
	<u>1945</u>	<u>1960</u>	<u>1968</u>	<u>1945</u>	<u>1960</u>	<u>1968</u>	<u>1945</u>	<u>1960</u>	<u>1968</u>
Proprietorships	85	81	79	21	16	12	30	29	25
Partnerships	9	9	8	12	7	5	18	11	8
Corporations	<u>6</u>	<u>10</u>	<u>13</u>	<u>67</u>	<u>77</u>	<u>83</u>	<u>52</u>	<u>60</u>	<u>67</u>
Total	100	100	100	100	100	100	100	100	100

As one can see, by either measure--share of businesses, total receipts, or net profits--the relative importance of the corporate form of business organization in the United States has been increasing. The rise has been at the expense of both proprietorships and partnerships. Moreover, while the 200 or so largest corporations in the country have continued to play a significant role, the experience charted above is by no means an exclusive reflection of their position. Instead, the corporate form of organization is being adopted increasingly even by business firms of moderate size.

The reasons for this trend to the corporation are to be found in any mysterious sources. On the contrary, the advantages of the corporation over other forms are quite evident. These include limited liability and income tax advantages for the stockholders. But--of equal importance in the present content--the corporate form allows the business to raise from outside sources far more capital than it could get if it had to rely wholly on the personal resources of a single owner or a few partners. This is a lesson which some black businessmen have already learned. It is imperative that others learn it as well--if they are to move into the mainstream of American business.

Several other points with respect to business organization and capital requirements can be made at this juncture. These relate to the question of equity capital--meaning the amount of funds invested in a firm which belong to the owners and thus available as a cushion to absorb losses or otherwise sustain a business during difficult times. Little is

known with any precision about the relative amount of equity capital invested in black businesses. However, the general impression one gets from fragmentary data and discussions with businessmen is that capital in general--and risk capital in particular--is distressingly scarce. Yet, the need for increased availability of equity capital if black businesses are to diversify and grow is unmistakable.

An idea of the relationship between stockholders equity and total capital in corporations in the country at large is provided by the following figures:

<u>Industry</u>	<u>Ratio of Stockholders Equity to Debt</u>
<u>Manufacturing (Second Quarter, 1972) *</u>	
All corporations	2.30
<u>Size of Assets (\$ millions)</u>	
Under 1	1.93
1-05	2.22
5-10	2.77
10-25	2.63
25-50	2.02
50-100	2.21
100-250	2.00
250-1,000	2.11
1,000 and over	2.47
<u>Selected Other Industries (1968) **</u>	
Contract Construction	1.63
Wholesale Trade	1.88
Retail Trade	
Food stores	3.45
General merchandise	1.98
Auto dealers & serv. stations	0.89
Credit Agencies (ex. banks)	0.34
Hotel & Other Lodging Places	0.67

* See Federal Trade Commission, Quarterly Financial Report for Manufacturing Corporations, Second Quarter, 1972, pp. 28-33.

** See Internal Revenue Service, Statement of Income 1968, Corporate Income Tax Returns, pp. 14-19.

These figures suggest that--in general--stockholders have a sizable stake in their firms compared with the amount of debt outstanding. Even in the credit agencies and hotels sectors (which have the lowest ratios), those who own the businesses have themselves supplied a sizable proportion of the capital employed in the enterprise. Of course, these statistics refer to corporations only. However, if parallel data were available for proprietorships and partnerships, the ratio would probably be similar--if not even higher.

With respect to manufacturing corporations, it will be noted that stockholders had invested \$2.30 for each \$1.00 of borrowed money. The ratio increased somewhat with respect to size of firm--but only up to a point. Thus, it rose from 1.93 for those with total assets under \$1 million to 2.77 for those in the \$5-10 million class. The ratio then declined steadily as size increased to reach 2.00 in the \$100-250 million size group. Above this category, it again turned upward to reach 2.47 for corporations with assets of \$1 billion and over.

From these statistics a conclusion emerges which is of vital importance for those interested in the future of black-owned businesses. If they are to prosper--even if they expect to concentrate in trade and moderate-scale manufacturing activities--they will need to raise a substantial amount of equity capital. They cannot expect to run their businesses by relying primarily on debt supplied by banks and other

lenders. After all, banks are lending depositors money, and they cannot be expected to take the risk which properly belongs to those who supply equity capital.

IX. Concluding Observations

The main conclusions reached in this paper were summarized in the Introduction and amplified in the preceding sections. Here a key point made previously can be reiterated: blacks will have to look beyond their own community if they wish to expand their participation in business ownership in a meaningful way. This is true with respect to both technical and managerial assistance and equity capital.

In the case of equity capital, blacks have displayed little eagerness to invest their resources in risk-taking ventures. This reluctance is understandable: given the low level of income of the typical black family--and the wide-spread inability to make long-range plans for family security--it is not surprising that blacks have not rushed into the purchase of common stocks. On the other hand, blacks have accumulated a modest amount of wealth, and some of the latter has been invested in equity issues.

For example, in 1966 (the only date for which statistics are available), black families had total asset holdings of \$18.2 billion, of which \$2.3 billion were financial assets. So blacks' holdings of the latter were 0.7 per cent of the \$337.1 billion aggregate amount of financial assets for the nation as a whole. In the same year, all American

families had accumulated assets of \$970.1 billion--including money in banks, Government bonds, stocks in corporations, and equity investment in farms, businesses, and homes. So, blacks owned 1.9 per cent of the accumulated wealth in 1966.

In the same year, blacks had about \$200 million of stocks in corporations. This represented about 8.7 per cent of their financial assets and 1.1 per cent of their total wealth. This amount was equal to about \$38 per family. In contrast, all families in the country had stock holdings of about \$145.4 billion. This represented around 15.0 per cent of their aggregate wealth and 43.1 per cent of their total financial assets. This amount was equal to about \$2,603 of stockholdings per family.

So, while blacks received about 6.3 per cent of the nation's personal income in 1966, they owned less than 2 per cent of the accumulated wealth. Their share of total financial assets was 0.7 per cent, and they held 0.14 per cent of the stocks owned by all families.

Thus, black businessmen would be unwise to look to the black community as the exclusive source of the equity capital they will need in the future. Instead, I am convinced that they will have to rely on joint ventures with businessmen and investors in the economy at large to meet their requirements. The exact form these joint participations may take cannot be anticipated. However, a few years ago, I suggested that large commercial banks might form subsidiaries through which they could acquire reasonable amounts of equity securities issued by predominantly black-owned

firms. The model for this type of institution are the Edge Corporations owned by U.S. banks through which they do much of their business abroad.^{5/} Under the 1970 amendments to the Bank Holding Company Act, it is now possible for U.S. banks--through holding company subsidiaries--to form similar corporations to finance community improvement projects in this country. Under certain circumstances, such corporations would be able to take equity participations in black-owned businesses. I still believe this approach is a promising one.

But, whatever approach one may prefer, the need for blacks to diversify their business activity--and the need for a vehicle to raise equity capital--cannot be disputed. If they fail in this effort, the outlook is bleak indeed.

^{5/} See Andrew F. Brimmer, "The Black Banks: An Assessment of Performance and Prospects", The Journal of Finance, Vol. XXVI, No. 2, May, 1971, pp. 379-405, particularly pp. 399-401.

Table 1. Principal Characteristics of Minority-Owned Business in the U.S., 1969

Category	Minority-Owned Firms												
	Number of Firms		Gross Receipts		Firms with Paid Employees						Firms with No Paid Employees		
	Number	Per cent of total	Amount (\$ mill.)	Per cent of total	Number	Receipts (\$ millions)	Receipts per firm (\$ 1,000)	Number of paid employees	Average number of employees per firm	Receipts per employee (\$1,000)	Number	Receipts (\$ mill.)	Receipts per firm (\$ 1,000)
All U.S. Industry	12,021	100.0	1,889,639	100.0	--	--	--	--	--	--	--	--	--
All Minority-Owned Firms	322	2.7	10,639	0.56	90	8,934	99	370,064	4	24,142	232	1,705	7
Black-Owned Firms	163	1.4	4,474	0.24	38	3,653	95	151,996	4	22,281	67	546	8
Spanish-speaking minorities	100	0.8	3,360	0.18	33	2,814	86	126,296	4	26,882	40	338	8
Other minorities	59	0.5	2,805	0.14	19	2,467	131	91,772	5				

Source: U.S. Industry: U.S. Internal Revenue Service, Statistics on Income 1969 (Preliminary) Business Income Tax Returns, and Statistics on Income, 1969 (Preliminary) Corporate Income Tax Returns. Minority-Owned Firms: U.S. Department of Commerce, Bureau of the Census, "Minority-Owned Businesses, 1969."

Table 2. Average Size of Black-Owned Firms in Major Fields of Activity

	Black-Owned Firms, 1969			United States: Total, 1967		
	<u>Manufacturing</u>	<u>Wholesale Trade</u>	<u>Retail Trade</u>	<u>Manufacturing</u>	<u>Wholesale Trade</u>	<u>Retail Trade</u>
Number of firms with paid employees	1,566	742	17,208	269,471	232,783	1,577,302
Number of employees	12,306	5,601	55,159	19,322,900	3,518,969	9,380,616
Value of shipments or sales (\$1,000)	292,448	368,711	1,651,899	557,397,800	459,475,967	310,214,393
Average number of employees per firm	8	8	3	72	15	6
Average value of shipments or sales per firm (\$1,000)	187	497	96	2,068	1,974	197
Average value of shipments or sales per employee (\$1,000)	24	66	30	29	131	33

Sources: Black-Owned Firms, U.S. Department of Commerce, Bureau of the Census, "Minority-Owned Businesses: 1969."

U.S. Total: U.S. Department of Commerce, Bureau of the Census, "Census of Manufactures, 1967," and "Census of Business, 1967."

Table 3. Principal Fields of Concentration of Black-Owned Businesses, 1969

Black-Owned Businesses				All Industry:	
Rank	Industry	Gross Receipts		Per cent of Total Gross Receipts ^{1/}	Projected Annual Average Rate of Growth, 1968/80 (Per cent)
		Amount (\$1,000)	Per Cent of Total		
	All Black Firms: Total	4,474,191	100.00	100.00	4.3
1	Auto dealers & serv.stat.	631,321	14.11	5.35	4.5
2	Food stores: retail	438,492	9.80	4.40	3.5
3	Eating and drink. places	359,975	8.04	1.49	3.4
4	Personal services	287,663	6.42	0.75	3.9
5	Contractors, special trade	283,682	6.34	2.36	5.2
6	Retail trade stores: misc.	277,878	6.21	2.72	4.7
7	Contractors, gen. bldg.	140,476	3.13	2.24	2.5
8	Trucking & warehousing	133,965	2.99	1.31	4.0
9	Insurance carriers	133,314	2.97	3.32	4.3
10	Businessservices: misc.	103,578	2.31	1.29	6.3
11	Groceries: wholesale	95,247	2.13	2.76	3.2
12	Real estate	77,916	1.74	0.87	5.2
13	Auto repair serv. & garages	76,937	1.71	0.46	4.0
14	Bldg. mat., hardware: retail	61,451	1.37	1.20	4.3
15	Gen. merchandise: retail	56,843	1.27	3.17	6.8
16	Food products: mfg.	56,183	1.25	5.17	3.3
17	Apparel & access.: retail	53,202	1.18	1.04	5.0
18	Furniture & home furn.: retail	53,201	1.18	1.01	7.8
19	Amusement & rec. serv.	52,524	1.17	0.32	3.1
20	Lumber & wood prod.: mfg.	51,098	1.14	0.81	2.9
21	Hotels, motels, etc.	42,970	0.96	0.43	5.1
22	Local & urban transit	42,795	0.95	0.17	1.6
23	Hospitals, med. & dent. labs	42,182	0.94	-	6.9
24	Contractors, heavy const.	38,607	0.86	1.11	4.1
25	Printing & publishing: mfg.	37,978	0.84	1.38	4.4
	Sub-total: 25 Industries	3,629,478	81.01	45.13	-
	All Other Industries	844,713	18.99	54.87	-

Source: Appendix Table I.

^{1/} Data are for 1968

Table 4. Alternative Paths of Expansion for Black-Owned Businesses,
1969-1980
(Amounts in Thousands of Dollars)

	<u>1969</u>	<u>1980</u>
I. <u>Base Position</u>	<u>Gross Receipts</u>	
U.S.: All Industry	1,889,638,823	
Black-owned Firms	4,474,191	
Per Cent of Total	0.237	
II. <u>Alternative Paths</u>	<u>Annual Average Growth Rate 1968-80 (Per Cent)</u>	<u>Gross Receipts</u>
<u>U.S.: All Industry</u>	4.3	3,002,636,090
<u>Black-owned Firms:</u>		
A. Matched Expansion	4.3	7,109,489
Per Cent of Total	0.237	
B. Unchanged share of existing industries	3.9	6,815,267
Per Cent of Total	0.227	
C. Raise 1969 share of total industry by one-half	8.2	10,664,234
Per Cent of Total	0.355	
D. Double 1969 share of total industry	11.1	14,218,978
Per Cent of Total	0.474	

Table 5. Representation of Black-Owned Businesses in High - Growth Industries
(Projected Annual Average Growth Rates, 1968 - 1980)

SIC	Rank	Industry	Growth Rate (per cent)	Black owned Firms Gross Receipts		U.S. All Industry Gross Receipts	
				Amount (\$1,000)	Per cent of total	Amount (\$1,000)	Per cent of total
		All Industries	4.3	4,474,191	100.00	1,706,136,759 ^{1/}	--
573	1	Radio, TV, music stores	10.3	16,565	0.37	--	--
62	2	Security brokers	10.2	6,765	0.15	4,065,483	0.23
5022	3	Drugs, wholesale	9.7	8,153	0.18	--	--
45	4	Air transport	8.6	342	0.01	8,837,199	0.51
367	5	Electronic comp. & acc., mfg.	8.4	6,746	0.15	--	--
597	6	Jewelry, retail	8.2	4,877	0.11	--	--
28	7	Chemical products, mfg.	7.4	37,080	0.83	51,493,527	3.01
60	8	Banking	7.1	24,445	0.54	3,854,823	0.22
49	9	Electric, gas & san. serv.	6.9	9,399	0.21	33,179,425	1.94
723	9	Beauty shops	6.9	55,291	1.23	--	--
807	9	Medical, dent. labs.	6.9	12,206	0.27	--	--
53	10	General merchandise, retail	6.8	56,843	1.27	54,144,527	3.17
5713	10	Floor covering, retail	6.8	6,890	0.15	--	--
572	10	Household appliances, retail	6.8	7,596	0.17	--	--
30	11	Rubber & plastics	6.3	3,980	0.09	14,766,997	0.86
38	12	Instruments, mfg.	6.2	702	0.01	11,463,937	0.67
5992	13	Florists	6.1	9,254	0.20	--	--
7622	13	Radio, TV repair	6.1	9,643	0.21	--	--
7391	14	Research & devel. labs.	6.0	*	--	--	--
369	15	Misc. elect. equip., mfg.	5.5	7,170	0.16	--	--
5064	16	Elect. appl., TV, wholesale	5.3	954	0.02	--	--
561	16	Men's, boys' furn., retail	5.3	15,082	0.33	--	--
562	16	Women's ready to wear, retail	5.3	12,084	0.27	--	--
564	16	Children's, inf., retail	5.3	425	0.01	--	--
17	17	Spec. trade construction	5.2	283,682	6.34	40,288,108	2.36
47	17	Transportation services	5.2	15,383	0.34	4,003,099	0.23
65	17	Real estate	5.2	77,916	1.74	17,714,613	0.87
261	18	Pulp mills	5.1	*	--	--	--
5712	18	Furniture, retail	5.1	16,386	0.36	--	--
595	18	Sporting goods, retail	5.1	4,641	0.10	--	--
70	18	Hotels, motels, etc.	5.1	42,970	0.96	7,426,441	0.43
264	19	Misc. paper & prod. mfg.	5.0	606	0.01	--	--
5995	19	Hobby & toy stores	5.0	186	^{2/}	--	--
66	19	Comb. real est. & insurance	5.0	5,095	0.11	3,008,929	0.17
		Sub-total		759,375	16.90	254,247,108	14.73 ^{1/}
		All other industries		3,714,834	83.10	1,451,889,651	85.27

^{1/} All industry data on receipts at the three and four digit SIC level were available for only 13 of the 34 industries shown. If receipts for the remaining 21 industries had been included, the proportion of all industry receipts accounted for by high-growth industries would have been well above 13 per cent -- indeed, it would have greatly exceeded the 17 per cent shown for black-owned businesses.

^{2/} Less than 0.005.

* Withheld to avoid disclosure of figures for individual company.

Table 6. Average Size of Firms in Selected High - Growth Industries
(Annual Average Growth Rate: 1968-1980)

SIC	Rank	Industry	Growth Rate (per cent)	Black-Owned Firms			United States: Total		
				Number of employees per firm	Value of Receipts per firm	Value of Receipts per employee	Number of employees per firm	Value of shipments per firm (\$1,000)	Value of shipments per employee (\$1,000)
357	1	Office, computer & acc. machines	10.3	8 <u>1</u> /	159	20	377	11,349	30
3831	2	Optical, ophthalmic & photo equip.	8.8	9 <u>2</u> /	126	14	72	1,418	20
367	3	Electronic components	8.4	10	356	36	199	3,678	19
282	4	Chemicals: plastics & synthetics	6.8	17	946	56	314	13,364	43
358	5	Service industry machinery	6.5	8 <u>1</u> /	159	20	96	2,963	31
30	6	Rubber & misc. plastic products	6.3	12	328	27	92	2,269	25
365 366	7	Radio, TV & communication equip.	6.2	10	356	36	367	8,545	23
369	8	Misc. electrical equip. & supp.	5.5	10	339	34	105	2,725	26
25	9	Furniture & fixture (exc. household)	5.4	10	164	16	36	739	21
28	9	Chemicals & selected products	5.4	17	946	56	98	4,926	50
3811 382	9	Instruments: scientific & control	5.4	9 <u>2</u> /	126	14	113	2,316	20
33	10	Primary metals	5.3	14	363	26	66	2,971	45
363	11	Household appliances	5.1	10 <u>3</u> /	339	34	316	9,941	32
251	12	Household furniture	5.0	11 <u>4</u> /	157	14	50	859	17
		All manufacturing	--	8	187	23	72	2,068	29

1/ Approximated by SIC 359, Miscellaneous machinery, excluding electrical.

2/ Approximated by SIC 38, Instruments and related products.

3/ Approximated by SIC 369, Miscellaneous electrical equipment and supplies.

4/ Approximated by SIC 2511, Wood household furniture.

Source: Black-Owned Firms: U.S. Department of Commerce: Bureau of the Census, "Minority-Owned Businesses, 1969."
United States Total: U.S. Department of Commerce: Bureau of the Census, "Census of Manufacturers, 1967."

Table 7. Forms of Business Organization, Black-Owned Firms, 1969

	All Firms		Firms with Paid Employees					Firms without Paid Employees		
	Number of firms	Gross Receipts (\$1,000)	Number of firms	Number of employees	Gross Receipts (\$1,000)	Average Number of employees per firm	Average Receipts per firm	Number of firms	Gross Receipts	Average Receipts per firm (\$1,000)
All Industries: Total	163,073	4,474,191	38,304	151,996	3,653,363	4	95	124,769	820,828	7
Sole Proprietorship	148,135	2,512,024	30,131	88,194	1,752,530	3	58	118,004	759,494	6
Partnership	11,424	645,341	5,149	23,357	591,841	5	115	6,275	54,500	9
Corporation	3,514	1,315,826	3,024	40,445	1,308,992	13	433	490	6,834	14
<u>Percentage Distribution</u>										
All Industries: Total	100.0	100.0	100.0	100.0	100.0	--	--	100.0	100.0	--
Sole Proprietorship	90.8	56.2	78.7	58.0	48.0	--	--	94.6	92.5	--
Partnership	7.0	14.4	13.4	15.4	16.2	--	--	5.0	6.7	--
Corporation	2.2	29.4	7.9	26.6	35.8	--	--	0.4	0.8	--

Source: U.S. Department of Commerce, Bureau of the Census, "Minority-Owned Businesses: 1969," Table 9, Part B, p. 168

Table 8. Forms of Business Organizations in the United States, By Industry Group, 1968
(Number in thousands, total money figures in millions of dollars; money figures per firm in thousands of dollars)

Form of Business Organization	Agriculture, Forestry, and Fisheries	Mining	Construc- tion	Manufac- turing	Transp., Comm., Elec., Gas	Wholesale and Retail Trade			Fin., Ins., and Real Estate	Services	Other Industries	All Industry
						Total	Wholesale	Retail				
Total: All Forms												
Number of Firms	3,358	69	839	397	367	2,566	453	2,113	1,222	2,795	59	11,672
Business Receipts	51,723	15,985	97,530	645,129	116,537	579,385	235,451	343,934	164,062	101,317	4,737	1,776,405
Receipts per firm ('000)	15.4	231.6	116.2	1,625.0	317.5	225.8	519.7	162.7	134.2	36.2	80.3	152.2
Profit (less loss)	4,467	1,750	5,401	45,712	11,593	20,069	6,791	13,278	18,644	21,490	112	129,238
Profit per firm ('000)	1.3	25.3	6.4	115.1	31.6	7.8	15.0	6.3	15.2	7.7	1.9	11.0
Proprietorships												
Number of Firms	3,206	43	663	172	286	1,891	268	1,623	516	2,390	45	9,212
Business Receipts	37,362	1,220	19,334	6,673	6,175	105,922	20,432	85,490	7,760	36,548	1,111	222,105
Receipts per firm ('000)	11.6	28.4	29.1	38.8	21.6	56.0	76.2	52.6	15.0	15.3	24.7	24.1
Profit (less loss)	3,545	74	2,887	757	925	7,534	1,796	5,738	2,501	13,645	3	31,871
Profit per firm ('000)	1.0	1.7	4.3	4.4	3.2	4.0	6.7	3.5	4.8	5.7	0.1	3.4
Partnerships												
Number of Firms	121	13	50	33	15	207	32	175	299	176	4	918
Business Receipts	5,344	970	7,365	5,531	1,230	33,917	10,977	22,940	9,397	16,226	552	80,532
Receipts per firm ('000)	44.1	74.6	147.3	167.6	82.0	163.8	343.0	131.1	31.4	92.2	138.0	87.7
Profit (less loss)	654	73	801	544	152	2,244	556	1,688	1,068	5,823	46	11,405
Profit per firm ('000)	5.4	5.6	16.0	16.5	10.1	10.8	17.3	9.6	3.5	33.1	11.5	12.4
Corporations												
Number of Firms	31	13	126	192	66	468	153	315	407	229	10	1,542
Business Receipts	9,017	13,795	70,831	632,925	109,132	439,546	204,042	235,504	146,905	48,543	3,074	1,473,768
Receipts per firm ('000)	290.8	1,061.1	562.1	3,296.5	1,653.5	939.2	1,333.6	747.6	360.9	212.0	307.4	955.7
Profit (less loss)	268	1,603	1,713	44,411	10,516	10,291	4,439	5,852	15,075	2,022	63	85,962
Profit per firm ('000)	8.6	123.3	13.6	231.3	159.3	22.0	29.0	18.5	37.0	8.8	6.3	55.7

Source: U.S. Department of Commerce: Bureau of the Census, Statistical Abstract of the United States, 1971, Table 711, p. 459.

APPENDIX TABLE I. Black-Owned and Total U.S. Businesses, By Industry, Number, and Gross Receipts

SIC 1/	Industry	Black-Owned Firms				United States, All Industry, 1968				Black-Owned Firms as Per cent of Total	
		Number of firms		Gross Receipts		Number of firms		Gross Receipts		Number	Gross Receipts
		Number	Per cent of total	Amount (\$1,000)	Per cent of total	Number	Per cent of total	Amount	Per cent of total		
	All Industry	163,073	100.0	4,474,191	100.0	11,670,950	100.00	1,706,136,759	100.00	1.40	0.26
01	Agriculture	--	--	--	--	3,357,686	27.77	51,722,341	3.01	--	--
	Farms	--	--	--	--	3,172,391	27.18	45,269,480	2.65	--	--
	Agr. ser., hunting, for. & fisheries	3,367	2.06	63,699	1.43	185,295	1.59	6,452,861	0.37	--	--
07	Agriculture services & hunting	1,337	0.82	30,901	0.69						
08	Forestry	1,051	0.64	14,281	0.32						
09	Fisheries	538	0.33	4,814	0.10						
	Other industries	441	0.27	13,703	0.30						
	Mining	--	--	--	--	69,528	0.59	15,985,242	0.93	--	--
	Construction	16,235	9.96	464,343	10.38	838,988	7.19	97,530,126	5.71	1.93	0.47
15	Building construction, gen. cont.	2,359	1.44	140,476	3.14	165,356	1.42	38,253,472	2.24	1.43	0.36
16	Construction, heavy	369	0.22	38,607	0.86	32,476	0.28	18,988,546	1.11	1.14	0.20
17	Special trade construction	13,477	8.26	283,682	6.34	641,156	5.49	40,288,108	2.36	2.10	0.70
	Manufacturing	2,981	1.82	302,648	6.76	396,908	3.40	645,128,726	37.81	0.75	0.05
20	Food & kindred products	104	0.10	56,183	1.25	27,660	0.23	88,356,906	5.17	0.38	0.06
22	Textile mill products	39	0.02	3,233	0.07	7,827	0.06	21,117,335	1.23	0.50	0.02
23	Apparel and other products	163	0.10	21,838	0.49	27,684	0.23	23,834,783	1.39	0.59	0.09
24	Lumber & wood products	1,288	0.79	51,098	1.14	60,642	0.52	13,979,110	0.81	2.12	0.37
25	Furniture & fixtures	90	0.05	7,656	0.17	14,979	0.13	7,518,795	0.44	0.60	0.10
26	Paper & allied products	21	0.01	2,277	0.05	5,763	0.05	24,269,742	1.42	0.36	0.01
27	Printing and publishing	515	0.31	37,978	0.85	59,267	0.51	23,688,641	1.38	0.87	0.16
28	Chemicals & allied products	55	0.03	37,080	0.83	14,319	0.12	51,493,527	3.01	0.38	0.07
30	Rubber & plastic products	21	0.01	3,980	0.09	8,283	0.07	14,766,997	0.86	0.25	0.03
31	Leather & leather products	13	0.01	1,106	0.02	4,491	0.03	5,777,505	0.33	0.29	0.02
32	Stone, clay & glass	75	0.04	9,768	0.22	18,592	0.16	14,787,051	0.86	0.40	0.07
33	Primary metals	29	0.01	4,823	0.10	6,371	0.05	43,811,545	2.56	0.45	0.01
34	Fabricated metal products	93	0.05	16,777	0.37	34,270	0.29	37,152,210	2.17	0.27	0.05
35	Machinery, exc. elect.	98	0.06	12,672	0.28	45,602	0.39	50,019,437	2.93	0.21	0.03
36	Electrical mach. & equip.	64	0.04	17,065	0.38	13,692	0.11	46,546,975	2.72	0.47	0.04
37	Transportation equip.	28	0.01	5,658	0.12	9,214	0.08	92,176,721	5.40	0.30	0.01
38	Instruments, prof., sci. & cont.	16	0.01	702	0.01	5,922	0.05	11,463,937	0.67	0.27	*
39	Misc. manufacturing	269	0.16	12,754	0.28	32,330	0.28	74,177,055	4.34	0.83	0.01
	Transp., comm., electric gas & san. serv.	16,733	10.26	210,808	4.71	366,667	3.14	116,537,354	6.83	4.56	0.18
41	Local & suburban transit	7,296	4.47	42,795	0.95	62,707	0.54	3,008,212	0.17	11.64	1.42
42	Trucking & warehousing	7,252	4.44	133,965	2.99	233,275	2.01	22,467,997	1.31	3.13	0.60
44	Water transportation	37	0.02	3,242	0.07	13,653	0.11	4,825,497	0.28	0.27	0.07
45	Air transportation	18	0.01	342	0.01	8,356	0.07	8,837,199	0.51	0.21	*
47	Transportation services	1,198	0.74	15,383	0.34	14,943	0.13	4,003,099	0.24	8.02	0.38
	Other transportation	18	0.01	594	0.01	1,119	0.01	13,177,055	0.77	1.61	*
48	Communication	53	0.03	5,088	0.11	10,084	0.08	27,038,870	1.58	0.52	0.02
49	Electric, gas & san. serv.	861	0.52	9,399	0.21	22,530	0.19	33,179,425	1.94	3.82	0.03
	Wholesale & Retail Trade	46,880	28.74	2,317,402	51.79	2,590,943	22.20	583,828,137	34.21	1.81	0.40
50	Wholesale Trade: Total	1,660	1.02	385,039	8.61	453,664	3.90	235,450,346	13.80	0.37	0.16
501	Motor vehicles & auto equip.	114	0.07	24,773	0.55	27,493	0.23	11,667,214	0.68	0.41	0.21
502	Drugs, chemicals, etc.	83	0.05	9,765	0.22	13,243	0.11	9,877,481	0.58	0.63	0.10
503	Dry goods & apparel	51	0.03	16,246	0.36	20,849	0.18	10,533,926	0.62	0.24	0.15
504	Groceries & related prod.	240	0.15	95,247	2.13	63,403	0.54	47,134,783	2.76	0.38	0.20
505	Farm products-raw materials	77	0.04	24,305	0.54	24,364	0.21	21,279,049	1.25	0.32	0.11
506	Electrical goods	16	0.01	5,407	0.12	15,558	0.13	11,603,160	0.68	0.10	0.05
507	Hardware, plumbing & heat. equip.	33	0.02	12,987	0.29	14,254	0.12	9,926,262	0.58	0.23	0.13
508	Machinery, eq. & supplies	128	0.08	24,516	0.55	50,719	0.43	20,726,086	1.21	0.25	0.12
509	Alcoholic beverages	42	0.03	26,385	0.59	8,148	0.07	13,400,691	0.78	0.52	0.20
	Lumber & const. materials	81	0.05	13,831	0.31	15,031	0.13	10,494,451	0.62	0.54	0.13
	Other wholesale trade	795	0.49	131,577	2.94	200,602	1.72	68,807,243	4.03	0.40	0.19

	Black-Owned Firms				United States, All Industry, 1968				Black-Owned Firms as per cent of Total	
	Number of firms		Gross Receipts		Number of firms		Gross Receipts		Number	Gross Receipts
	Number	Per cent of total	Amount (\$1,000)	Per cent of total	Number	Per cent of total	Amount (\$1,000)	Per cent of total		
Retail Trade: total	45,220	27.73	1,932,363	43.19	2,137,279	18.31	348,377,791	20.41	2.12	0.55
52 Bldg. mat., hardware, farm equip.	515	0.31	61,451	1.37	96,421	0.83	20,556,457	1.20	0.53	0.30
53 General merchandise	3,959	2.42	56,483	1.27	336,920	2.90	54,144,527	3.17	1.18	0.10
54 Food stores	11,268	6.91	438,492	9.80	285,793	2.45	75,161,720	4.40	3.94	0.58
55 Auto dealers & serv. stations	6,380	3.91	631,321	14.11	372,498	3.19	91,327,923	5.35	1.72	0.69
56 Apparel & accessories	1,315	0.80	53,202	1.19	103,292	0.89	17,901,244	1.04	1.27	0.30
57 Furniture & home furn.	1,246	0.76	53,201	1.19	119,866	1.03	17,259,776	1.01	1.04	0.31
58 Eating and drinking places	14,125	8.66	359,975	8.04	387,880	3.32	25,521,701	1.49	3.64	1.41
59 Miscellaneous retail stores	6,412	3.93	277,878	6.21	434,608	3.72	46,504,443	2.72	1.48	0.60
Finance, insurance and real estate	7,612	4.66	287,471	6.42	1,221,595	10.46	93,793,673	5.49	0.62	0.31
60 Banking	35	0.02	24,445	0.54	14,265	0.12	3,854,823	0.22	0.24	0.63
61 Credit agencies, exc. banks	111	0.07	12,644	0.28	62,640	0.53	4,370,225	0.25	0.18	0.29
62 Security & comm. brokers & dealers	257	0.15	6,765	0.15	36,195	0.31	4,065,483	0.23	0.71	0.17
63 Insurance carriers	104	0.06	133,314	2.98	5,113	0.04	56,812,345	3.32	2.03	0.23
64 Insurance agents, brokers	1,315	0.80	21,839	0.49	219,197	1.89	6,455,137	0.37	0.60	0.34
65 Real estate	5,524	3.38	77,916	1.74	785,365	6.72	14,889,598	0.87	0.70	0.52
66 Comb. real estate, insurance, law	147	0.09	5,095	0.11	64,996	0.56	3,008,929	0.17	0.23	0.17
67 Holding & other investment cos.	119	0.07	5,453	0.12	33,824	0.29	337,133	0.02	0.35	1.62
Services	56,077	34.38	663,236	14.82	2,795,421	23.95	101,316,950	5.93	2.01	0.65
70 Hotels, motels, etc.	2,015	1.23	42,970	0.96	138,921	1.19	7,426,441	0.43	1.45	0.58
72 Personal services	33,906	20.79	287,663	6.43	617,481	5.29	12,900,552	0.75	5.49	2.23
73 Business services	6,497	3.98	103,578	2.31	400,429	3.43	22,092,129	1.29	1.62	0.47
75 Auto repair, serv. & garages	4,549	2.79	76,937	1.72	186,943	1.60	7,970,697	0.46	2.43	0.97
76 Misc., repair services	3,468	2.12	35,953	0.80	205,313	1.77	3,571,398	0.20	1.69	1.01
78 Motion pictures	84	0.05	4,854	0.11	19,854	0.17	4,044,357	0.23	0.42	0.12
79 Amusement & rec. serv.	3,420	2.09	52,524	1.17	183,171	1.57	5,553,015	0.32	1.87	0.95
80 Medical & other health serv.	--	--	--	--	446,130	3.82	20,375,868	1.19	0.31	0.35
Hosp., med. & dental labs.	208	0.13	13,757	0.31	--	--	--	--	--	--
San., conv. & rest homes	591	0.36	28,425	0.63	--	--	--	--	--	--
82 Educational services	1,328	0.81	16,473	0.36	103,455	0.89	1,340,518	0.07	1.28	1.23
89 Miscellaneous services	11	0.01	102	*	437,647	3.74	16,041,975	0.94	0.78	0.40
Industries not classified	13,148	8.06	164,584	3.67	33,014	0.28	294,210	0.02	39.83	55.94

1/ SIC - Standard Industrial Classification Code.

* Less than 0.005 per cent.

Note: Figures may not add to totals because of rounding.

Source: Black-owned Businesses: U.S. Department of Commerce, Bureau of the Census; "Minority-Owned Business: 1969," Part B, U.S. All Industry: Internal Revenue Service: "Statistics of Income-Business Tax Returns, 1968.

Note: The following SIC codes were excluded from coverage in "Minority-Owned Businesses: 1969": 01, agricultural production; 10, metal mining; 11 & 12, coal mining; 13, crude petroleum & natural gas; 14, other mining; 40, railroad transportation; 801, offices of physicians & surgeons; 802, offices of dentists, dental surgeons; 803, offices of osteopathic physicians; 804, offices of chiropractors; 8099, health and allied services n.e.c.; 81, legal services; 86, nonprofit organizations; 89, miscellaneous services; 91, Federal Government; 92, State government; 93, local government; and 94, international government.

APPENDIX TABLE II Forms of Business Organization in the United States, 1939, 1945, 1960, and 1968
(Number in thousands; money figures in billions of dollars)

Form of Business Organization	1939		1945		1960		1968		Change 1939-1945				Change 1945-1960				Change 1960-1968			
	Amount	Per Cent Of Total	Amount	Per Cent Of Total	Amount	Per Cent Of Total	Amount	Per Cent Of Total	Amount	Percentage Change	Annual Ave. Rate of Growth (%)	Per Cent Of Total Change	Amount	Percentage Change	Annual Ave. Rate of Growth (%)	Per Cent Of Total Change	Amount	Percentage Change	Annual Ave. Rate of Growth (%)	Per Cent Of Total Change
Total Number: All Forms	1,793	100.0	6,737	100.0	11,172	100.0	11,672	100.0	4,944	275.7	25.0	100.0	4,435	65.8	3.4	100.0	500	4.5	0.6	100.0
Proprietorships	1,052	58.7	5,689	84.4	9,090	81.4	9,212	78.9	4,637	440.8	33.0	93.8	3,401	59.8	3.2	76.7	122	1.3	0.2	24.4
Partnerships	271	15.1	627	9.3	941	8.4	918	7.9	356	131.4	15.0	7.2	314	50.1	2.7	7.1	-23	-2.4	-0.3	-4.6
Corporations	470	26.2	421	6.3	1,141	10.2	1,542	13.2	-49	-10.4	-1.9	-1.0	720	171.0	6.9	16.2	401	35.1	3.8	80.2
Total Receipts	172	100.0	381	100.0	1,094	100.0	1,813	100.0	209	121.5	14.2	100.0	713	187.1	7.3	100.0	719	6.6	0.8	100.0
Proprietorships	24	14.0	79	20.7	171	15.6	222	12.2	55	229.2	22.0	26.3	92	116.5	5.3	12.9	51	29.8	3.3	7.1
Partnerships	15	8.7	47	12.3	74	6.8	83	4.6	32	213.3	21.0	15.3	27	57.4	3.1	3.8	9	12.2	2.6	1.3
Corporations	133	77.3	255	67.0	849	77.6	1,508	83.2	122	91.7	11.4	58.4	594	232.9	8.3	83.3	659	77.6	7.4	91.6
Net Profits (Less Loss)	11	100.0	40	100.0	73	100.0	129	100.0	29	263.6	24.0	100.0	33	82.5	4.1	100.0	56	76.7	7.3	100.0
Proprietorships	2	18.2	12	30.0	21	28.8	32	24.8	10	500.0	35.0	34.5	9	75.0	3.8	27.3	11	52.4	5.4	19.6
Partnerships	2	18.2	7	17.5	8	11.0	11	8.5	5	250.0	23.0	17.2	1	14.3	.9	3.0	3	37.5	4.1	5.4
Corporations	7	63.6	21	52.5	44	60.3	86	66.7	14	200.0	20.0	48.3	23	109.5	5.1	69.7	42	95.5	8.8	75.0

Source: U.S. Department of Commerce: Bureau of the Census
Statistical Abstract of the United States 1971
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