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The Business Community and the  
Tasks of Urban Reconstruction

Remarks by

Andrew F. Brimmer  
Member  
Board of Governors of the  
Federal Reserve System

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THE BUSINESS COMMUNITY AND THE  
TASKS OF URBAN RECONSTRUCTION

I am delighted to share in the discussions at this annual convention of the National Business League -- this country's oldest organization of Negroes engaged in the field of commerce and industry. In the 67 years since the League was founded by Booker T. Washington, its influence in the Negro community has ebbed and flowed, as one specialized group after another has arisen to help focus more sharply the interest of a particular group of members. Yet, the League's basic mission has remained the same -- the fuller sharing by Negroes in risk-taking enterprises with the joint objective of earning a profit and making a contribution to the welfare of the community at large.

At the present time, however, the League's mission, along with the mission of Negro businessmen in general, is not clearly understood and appreciated as it once was. As new organizations grew up (especially those campaigning for desegregation of the public schools and public accommodations, voting rights, equal employment opportunities, open access to housing and the other central issues of the civil rights movement), the National Business League increasingly found itself on the periphery of these dramatic events. Fortunately, this is no longer the case. In recent years, the leadership of the League has demonstrated a considerable capacity to develop new programs not simply to revitalize the League but to enhance the role of Negro business in general. The development and implementation of Project Outreach, with the support of Federal funding

through Title IV (Business Loan Program) of the Economic Opportunity Act, is a prime example of this new vigor. Moreover, the conception and launching of the National Committee for Equal Participation in Business suggest that even further innovations are in store, innovations which will insure that the League remains "a link in the chain of business progress." So, let me hasten to commend your efforts and to encourage you to press on in your historic mission.

I was asked to share with you any views I might have about the outlook for Negroes in business -- particularly in the urban ghetto. In responding to this request, let me say immediately that I do not have a ready-to-use kit of propositions that I can lay before you to speed the day when Negro businessmen, in fact, can participate equally in the Nation's business affairs. On the other hand, I have given some thought to the dilemma in which the Negro businessman finds himself:

- With the spread of desegregation, the Negro market is becoming less and less the principal preserve of the Negro merchant.
- But despite the cross-currents of progress by well prepared Negroes and stagnation by those without skills, the purchasing power of the Negro community is growing steadily. And despite the uncertainties created by the recent outbreaks of disturbances in many of our cities, it seems evident that this market will continue to attract the attention of local

and national firms serving the community at large.

In my judgment, the Negro businessman will find the competition for customers more and more intensive and sophisticated. To meet it, he, too, must become better trained and more sophisticated. But he must also realize that he will need help: While he will require greater access to capital, he will also need the assistance of those with technical know-how. To me, the message is clear: The Negro businessman in the urban ghetto cannot look forward to the restoration of a special preserve of black customers safe from the competition of white-owned firms. The white merchant will remain in the ghetto, and black merchants increasingly will be found outside its invisible walls. Thus, the key question is this: Can they find a means to work together in the vital tasks of urban reconstruction?

Personally, I am convinced that they can, because they are already doing it. In city after city, under the auspices of the National Business League, the Inter-racial Council for Business Opportunity, the Small Business Administration, SCORE and similar organizations, the effort is going forward. Moreover, just a few days ago, the opportunity to pursue such cooperative effort received an enormous boost when the Nation's leading life insurance companies announced that they would divert initially about \$1 billion of funds for investment in the urban ghetto. While the first ventures are expected to focus on low-income housing, the industry is also interested in the development of job-creating enterprises located in the ghetto. Here, then, is a promising opportunity for the Negro

businessman generally -- and for the League particularly -- to join a pioneering effort at community building.

Before closing these remarks, I would like to return to the prospects for Negro businessmen. In the meantime, I think it would be well to look briefly at recent trends in the income of the Negro community and the changing composition of middle class employment among nonwhites.

#### Trends in Personal Income

In the last few years, the personal income of the nonwhite community (of which Negroes make up well over 90 percent) has risen substantially in absolute terms and in comparison with that for the white community. The actual figures showing the median income of families are:

<u>Year</u>	<u>Total</u>	<u>White</u>	<u>Nonwhite</u>	<u>Nonwhite as percent of White</u>
1960	\$5,620	\$5,835	\$3,233	.55
1961	\$5,737	\$5,981	\$3,191	.53
1962	\$5,956	\$6,237	\$3,330	.53
1963	\$6,249	\$6,548	\$3,465	.53
1964	\$6,569	\$6,858	\$3,839	.56
1965	\$6,882	\$7,170	\$3,971	.55
1966	\$7,436	\$7,722	\$4,628	.60

Several conclusions can be drawn from these figures. During the first three years of the 1960's, the gap between the median income of white and nonwhite families actually widened; the ratio of nonwhite to white income fell from .55 in 1960 to .53 in 1963. This deterioration was a direct reflection of the slow pace of the economy following the 1960-61 recession. Between 1960 and 1963, the median income of white families rose by \$713, or by 12 per cent. The corresponding changes for nonwhites were \$232 or 7 per cent. However, following the general tax reduction of 1964, the national economy expanded much more vigorously and was further stimulated by the acceleration of the military effort in Vietnam. One result was a sharp climb in personal income. For white families, the gain amounted to \$1,174 (or 18 per cent) between 1963 and 1966. In this same period, however, the gain in the median income of nonwhite families was almost as large in absolute terms -- an increase of \$1,163 -- and represented a rise of 34 per cent, or nearly double that recorded for white families. In these most recent years, nonwhites made substantial gains in employment, and again the gap between white and nonwhite income was narrowed.

These improvements in the income of nonwhite families obviously have meant a further substantial rise in the aggregate purchasing power of the Negro community. In 1963, total money income of families and unrelated individuals amounted to \$371.1 billion, of which \$347.5 billion was earned by whites and \$23.6 billion by nonwhites. Thus nonwhites accounted for 6.4 per cent of the total. By 1964, the total had climbed

to \$393.5 billion; the income of whites amounted to \$367.2 billion and that of nonwhites to \$26.3 billion. So, the nonwhites' share had risen to 6.7 per cent. With the large relative gains in family income registered last year, the total purchasing power of the nonwhite community has undoubtedly expanded further. Thus, the Negro market offers an even stronger inducement for merchants selling to the general community.

#### Trends in White Collar Employment

The pattern of income changes described above has been the result of significant progress in the upgrading of nonwhite employment opportunities. Between 1963 and 1966, employment of nonwhite workers increased by 10.1 per cent -- from a monthly average of 7,234 thousand to 7,968 thousand. For white workers, the corresponding gain was 7.3 per cent -- from 61,575 thousand to 66,097 thousand. Thus, Negroes obtained about 14 per cent of the net increase in employment, although they represented just over 10 per cent of the total labor force. The unemployment rate for nonwhites fell by one-third between 1963 and 1966 -- from 10.8 per cent to 7.3 per cent of the labor force. White workers experienced the identical relative decline in their unemployment rate -- from 5.0 per cent to 3.3 per cent.

But, as mentioned above, there was a noticeable change in the pattern of employment growth among nonwhites. Between 1963 and 1966, total nonwhite employment rose by 734 thousand. About one-half of this gain centered in white collar jobs, although only 18 per cent of employed

nonwhites were holding such jobs in 1963. Among white collar occupations, the gains were particularly striking for clerical and professional and technical workers.

In contrast, the increases registered for managers, officials and proprietors were quite modest. Those receiving salaries rose by 22 thousand, but there was a decrease of 6 thousand among those who were self-employed -- all of which was concentrated in the retail trade sector. Thus, nonwhite businessmen in areas other than retail trade apparently about held their own. If this pattern of employment changes can be believed, it is of some significance. It could mean that the apparent downtrend in self employment among nonwhites observed since about 1950 may be moderating. While the tendency for the number of nonwhite owner-operators in the retail sector to decline as public accommodations become generally open to Negroes may continue, other business opportunities may grow more rapidly.

But the adverse changes in white collar employment have not been restricted to businessmen. The number of Negro lawyers is growing slowly, while the number of Negro physicians and dentists is actually declining in relation to total Negro employment. Even the number of school teachers is declining relative to the Negro labor force. In contrast as observed above, the number of Negro clerical, sales and non-professional technical workers has shown remarkable expansion in recent years. By 1966, nonwhites (who constituted 10.8 per cent of total employment) represented 5.0 per cent of all white collar workers. Yet they

accounted for 6.3 per cent of all clerical workers. On the other hand, they represented only 4.3 per cent of the professional and technical workers, aside from those employed in teaching and the health professions. Other examples could be cited, but the basic point still holds: white collar employment among Negroes is becoming increasingly concentrated in the middle grade salary categories, especially in nursing, retail sales, data processing, clerical and similar activities.

These trends are disturbing. While these occupations are obviously improvements over the traditional low-paying jobs as operatives, laborers and service workers, they are not particularly promising sources of community leadership. Although a computer programmer may earn as much (or more) than a high school principal, for example, he clearly has less weight in the community's affairs. A Negro reservations clerk in a leading downtown hotel is in the same business as the former Negro hotel owner, but here, also, his community role is less significant. In my opinion, the expansion of opportunities for Negroes in the truly professional and managerial occupations should be a prime goal of the Negro business community.

Opportunities for Joint Ventures

Let me return to a subject I raised above -- namely, what are the opportunities for nonwhite businessmen to join with their white colleagues to further the reconstruction of our urban environment? Since this topic has been a central theme of this convention, I am certain that I need not pursue it in detail. However, I would like to focus briefly on the opportunities which may emerge because of the recently announced decision of the leading life insurance companies to invest initially an additional \$1 billion in the urban ghetto. At the end of 1966, total assets of United States life insurance companies amounted to \$167 billion, having increased by \$8 billion during the year. But during 1966, they acquired a total of about \$37 billion in new investments, an amount more than four times as large as the net gain in total assets -- a fact reflecting the reinvestment of loan repayments, exchanges, replacements and short-term security purchases.

Let me hasten to say that I, personally, do not interpret these large flows of life insurance company funds to mean that the diversion of \$1 billion of investments to the urban ghetto (perhaps over a period of several years) is of only minor importance. To the contrary. In the first place, insurance companies are pinched for funds. The cash flow in a typical life insurance corporation is about as fully committed as it has ever been. In my judgment, these corporations would have absolutely no trouble putting the money into investments elsewhere with a higher rate of interest. Of course, insurance companies already have

heavy commitments in the city -- investments in housing and in industrial and commercial facilities. Therefore, I can see that they would want to share in underwriting the efforts of urban reconstruction.

I think this decision of the life insurance companies is significant in another way. It is my impression, based on a number of conversations with officials of Negro-owned life insurance companies, that the large, nation-wide institutions are collecting substantially more in net premiums in the Negro community than they are re-investing in that community. Of course, one cannot document this statistically, but the indirect evidence seems to support the conclusion. For example, officials in Negro-owned insurance companies say they believe that any one of the largest five or six life insurance companies in the country is now carrying on its books more coverage on the lives of Negro citizens than is carried by all of the Negro-owned companies combined. If this is true (and there is no reason to doubt that it is), this represents a significant change in itself. Until a few years ago, virtually all of the national companies avoided entirely or were highly selective in the issuance of policies on Negro lives, a practice which they felt was necessitated by excessively high mortality rates in the Negro community. As we know, this practice on the part of the national companies was the main reason that Negro-owned life companies found such promising markets for so many years. With the change in practice, the nation-wide companies are now concentrating on expanding coverage in the Negro community --

especially among the members of the growing middle class.

While the average Negro policy is undoubtedly smaller than the average for white policyholders, in the aggregate the volume of net premiums ( and the net savings component) collected in the Negro community is sizable and growing. On the other hand, the return flow of investments to the Negro community, in the judgment of Negro insurance officials, probably falls considerably short of the outflow.

In reporting these observations, let me say immediately that I am not advocating that there should be a one-to-one ratio between the flow of life insurance savings and the re-investment of funds in a particular locality or community. If such a rule were applied across the board, the efficiency of our machinery for mobilizing and channeling funds would be greatly damaged if not essentially destroyed. On the other hand, if extra risk in the urban ghetto has induced life insurance companies, on balance, to steer investments to other areas, there is much to be said in support of a conscious effort on their part to divert funds into the ghetto-- especially if some kind of Federal Government insurance is available to reduce the level of risk.

So, in my judgment, this is a good decision in the right direction. But, how can Negro businessmen help to re-inforce this step? The possibility of joining in local sponsorship of low-cost housing developments (perhaps through limited dividend cooperations) is an obvious step. Apparently, projects of this type will be among those initially undertaken by the participating insurance companies.

Beyond this, opportunities will probably also exist to join in the establishment of job-creating enterprises in the ghetto -- although only limited planning in this direction has been undertaken by the companies so far. One concrete example of how this might be done was called to my attention only a few days ago: Just outside the boundary of one of our large midwest cities is an all-Negro community with a population of about 10,000, and a labor force of roughly 5,000 -- of whom 20 per cent to 25 per cent are unemployed. The reasons for the high unemployment rate are the usual ones, of which a lack of skills is the most important. The municipal officials have drawn up a development plan and are actively trying to attract industry. A moderate-size machinery manufacturing firm has responded with an offer to establish a plant in the community which would have approximately 300 employees when it reached full strength in about two years. The capital outlay would be about \$300 thousand, and the company is prepared to supply \$150 thousand. It has asked the city to find the remaining \$150 thousand. It appears that about \$300 thousand would be required to underwrite the on-the-job training program necessary to fit most of the local potential employees for the semi-skilled assignments which the plant would provide. It also appears that training funds may be available through existing Federal Government programs. Thus, the net requirement is for \$150 thousand for plant facilities. Here, then, is a natural opportunity for Negro businessmen in that midwest community to join with a life insurance company participating in the newly-announced investment program to translate a plan into a living effort of urban reconstruction. I am confident that similar

opportunities exist in every one of our major cities.

I urge the National Business League to share in the identification and development of these opportunities. Our citizens in the ghetto -- and particularly their children -- will be eternally grateful to all of you.