

For Release on Delivery
Monday, December 29, 1969
2:30 p.m., E.S.T.

THE ECONOMIC POTENTIAL OF BLACK CAPITALISM

A Paper Presented
By

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

and

Henry S. Terrell
Economist
Division of Research and Statistics
Federal Reserve Board

Before the

82nd Annual Meeting of the
American Economic Association

New York Hilton Hotel
New York, New York

December 29, 1969

THE ECONOMIC POTENTIAL OF BLACK CAPITALISM

By
Andrew F. Brimmer*
and
Henry S. Terrell**

I. Introduction

In the recent past it has become fashionable to stress a strategy of "black capitalism" as a means of stimulating economic development for Negroes. This rather unique strategy has an intuitive appeal to varying shades of political opinion. To the black militant, it is appealing because it promises community ownership of property and an end to "exploitation" by outside merchants. At the other extreme, the strategy is appealing to white conservatives because it stresses the virtues of private enterprise capitalism as the path to economic advancement instead of reliance on public expenditures, especially for public welfare. Since this strategy has received explicit approval and encouragement in the Federal government and has led to the creation of various governmental bodies^{1/}, it merits a critical examination

*Member, Board of Governors of the Federal Reserve System.

**Economist, Division of Research and Statistics, Federal Reserve Board.

We are grateful to several persons for assistance in the preparation of this paper. We are particularly indebted to Mr. Erling Thoresen of the Board's staff who did the computer programming and designed the format for the special tabulations from the "Survey of Economic Opportunity" conducted by the U.S. Government's Office of Economic Opportunity in 1967.

^{1/} There are numerous official bodies and programs, including the Office of Minority Business Enterprise in the U.S. Department of Commerce (backed by a 63-man National Advisory Committee), an Inter-agency Task Force on Capital Development for Minority Businessmen, and Project OWN in the Small Business Administration.

of the contribution which it might be expected to make to minority economic development in the United States.

The selection of a strategy centering on black ownership of business enterprises raises several fundamental economic questions which this paper will attempt to answer:

- What is the nature of the economic environment in which black businessmen operate?
- What are the types of businesses that are likely to evolve from this environment?
- What are the main economic forces at work in the national economy that are influencing the number and scale of operation of the types of firms in which black businessmen are concentrating?
- Can black-owned businesses offer reasonable employment opportunities to a sizable proportion of the black population?
- In terms of individual opportunities, which career path is the more promising -- a career as a self-employed businessman or a career as an employed manager or official in a larger corporation?
Expressed differently, which economic choice is superior -- one involving investment in a business firm or one involving investment in human capital?

Before investigating the empirical evidence on which an answer to these questions must rest, it is important to define "black capitalism" carefully, because the term has come to mean different things to different people. One recent study has defined black capitalism as:

"The strategy which urges creation of new jobs and profit centers inside ghetto areas. The program also seeks to transfer the ownership of ghetto business from white to black control, at the same time building in the ghetto new banks, insurance companies, production, and service facilities."^{2/}

^{2/} Theodore L. Cross, Black Capitalism: Strategy for Business in the Ghetto, New York, Atheneum, 1969, p. 211.

Still another study gave virtually the same definition:

"A more complete definition of black capitalism, then, is that it is a policy for the promotion of black ownership of business within the urban ghetto."^{3/}

Individuals may take exception to the precise wording of these definitions, but we think most observers would agree on two key elements: black business ownership and the location of these businesses in ghettos. In assessing the potential of black capitalism, we accept these two basic concepts of black-owned businesses located primarily in black ghettos of large metropolitan areas.

The general results of our assessment can be summarized briefly:

- The low income, high levels of unemployment, relatively large debts and relatively small holdings of financial assets of urban Negro families constitute a poor economic environment for business investment. Moreover, economic advancement within the Negro community may not improve profit prospects of Negro-owned businesses. Instead, it may accelerate the competition from national firms seeking to serve the expanding Negro market.
- Negro businesses tend to be small-scale operations, heavily concentrated in the provision of personal services and neighborhood retailing, with slender profit margins. While their small size is an obstacle to efficiency, economies of scale do appear to prevail: it is estimated that profits increase roughly \$10.00 per worker with each increase of \$1,000 in sales.
- The attempt to expand small-scale, Negro-owned businesses is running against a strong national trend. In retailing (in which most Negro businessmen are engaged), the trend is toward large units in which efficiency is rising rapidly.

^{3/} Bernard H. Booms and James E. Ward, Jr. "The Cons of Black Capitalism." Business Horizons, Volume XII, No. 5, (October, 1969), p.9.

- Self-employment offers a poor economic future for Negroes. The relative economic rewards from employment in salaried managerial positions or as craftsmen are roughly one-third to two-thirds higher than the rewards of self-employment in the same occupations.
- If black capitalism were even moderately successful over the next decade, it would lead to the creation of between 550 thousand and 775 thousand jobs. If it achieved even the most optimistic expectations, the new jobs created would account for only slightly more than half of the growth in the Negro labor force. So, in 1980, black capitalists would be able to employ no more than 12 per cent (and in actuality probably a much smaller proportion) of the jobs Negroes would need.

11. The Economic Environment of Black Businesses

In an earlier essay, the heavy dependence of Negro businesses on the provision of personal services in a segregated market was identified as the central function of Negro businessmen.^{4/} Before proceeding further with this assessment of the prospects for black capitalism, we should pause briefly to review the consequences of economic separatism which resulted as an historical legacy of racial discrimination and segregation and the later consequences when some of these barriers were removed. In general, the effects were similar to those produced in international trade when a high tariff wall is erected between two countries: separate markets prevail in the two areas for items subject to tariff control. For the Negro community in the United States, the

^{4/} Andrew F. Brimmer, "The Negro in the National Economy," in John P. Davis, Ed., The American Negro Reference Book, Englewood Cliffs, Prentice-Hall, 1966, Chapter 5, pp. 251-336.

greatest barrier imposed by segregation was not in the market for goods -- to which they generally had relatively open access -- but in the market for personal services (such as barber and beauty shops and funeral services) and in public accommodations (such as hotels and restaurants). Consequently, a protected market evolved for the provision of these services within the Negro community.

Moreover, as one would expect, this wall of protection provided incentives for Negro professionals and entrepreneurs who began to specialize in activities servicing the Negro community. Negro professionals were highly concentrated in fields such as medicine, education and religion -- all hedged-in by segregation -- but all of which also provided a protected market. In occupations which were dependent upon unprotected national markets, Negroes were conspicuously absent. For example, in 1960 (the latest year for which comprehensive Census data are available) engineers, scientists, and technicians comprised only 3.8 per cent of all Negroes classified as professional, technical, and managerial; the corresponding figure for whites was 10.5 per cent. The fraction of Negro professionals who were architects was less than one-fifth the fraction for whites. Clearly Negro professionals were concentrating on servicing the Negro community.

In business also Negroes were concentrated in enterprises serving the protected Negro market. Life insurance provides probably the best example. Beginning in the 1880's, the major life insurance companies either stopped selling policies to Negroes or did so on the

basis of different actuarial tables which greatly increased the cost of protection to Negroes. The result was the creation of an environment where Negro life insurance companies were able to grow and prosper. In enterprises that sold to a more general public, such as hardware and department stores, Negroes have not made much headway.

The recent progress toward desegregation in the United States (symbolized by the opening of public accommodations) has eroded the position of many Negro businessmen who were dependent upon segregation to protect their markets. For instance, in many large cities (especially in the East and Midwest), most of the hotels and restaurants which previously catered to Negroes have encountered hard times, and many have actually closed their doors.

The legacy of racial segregation is of critical importance because it has shaped the economic environment in which Negro businessmen are currently operating and -- in which they can be expected to operate into the foreseeable future. The general economic factors determining the limited markets facing potential black entrepreneurs are rather widely known and bear only brief mention.^{5/} In 1967 the median family income of Negroes in metropolitan areas was only 63 per cent of that for white families, and the unemployment rate in central cities was 2.2

^{5/} For a more complete statistical information, see U.S. Department of Commerce, Bureau of the Census, Trends in Social and Economic Conditions in Metropolitan Areas, Series P-23, No. 27, February 7, 1969, U.S. Department of Commerce, Bureau of the Census, Recent Trends in Social and Economic Conditions of Negroes in the United States, Series P-23, No. 26, July, 1968, and U.S. Department of Labor, Bureau of Labor Statistics, Changes in Urban America, BLS Report No. 353, April, 1969.

times greater for Negroes than for whites. The unemployment data probably understate the true magnitude of the labor problem in urban ghettos due to the underemployment of many urban Negroes^{6/} and the discouragement effect of the high unemployment rates on potential Negro workers.

The data on income and employment highlight part of the problem arising from the limited markets confronting black entrepreneurs. Recent tabulations from the Survey of Economic Opportunity on the asset and liability position of Negro families reveal another dimension of the weakness of the Negro market. Survey data on the asset and liability position of households are subject to considerable error and must be interpreted with caution. The principal source of error is that assets are appraised by their owners and not evaluated through a market transaction, and the owner of an asset may have an imperfect knowledge of its true value. Survey data on assets also suffer to some extent from indeliberate omissions and deliberate nonreporting.

Given these cautionary comments, the data in Table 1 (attached) appear to offer conclusive evidence that the net financial position of Negro families is much worse than that for white families at similar levels of income. For example in 1966, urban Negro households tended to have only one-half to one-quarter the total asset accumulation of white families. On the

^{6/} The Manpower Report of the President issued April, 1968, reported a subemployment rate for nonwhites of 21.6 per cent compared to a white rate of only 7.6 per cent.

debt side, Negro families with total incomes below \$10,000 appear to have only slightly less in total debt obligations than their white counterparts, and in the higher income brackets Negro families have roughly the same total amount of debt as white families. Since Negro families had virtually the same total amount of debt secured by considerably less in asset accumulation at each level of income, their net financial position was substantially poorer than for whites. The data in Table 1 offer conclusive evidence that the income differentials traditionally observed between white and Negro families seriously understate the differences in economic welfare because they neglect the poorer net asset position of Negro families. This poorer net financial position reinforces the income and employment data in suggesting that urban ghettos offer poor profit possibilities for entrepreneurs concentrated there.

The conclusion from this section is that the low income, high levels of unemployment, and the poor net financial position of urban Negro families constitute a poor economic environment for business investment. A paradoxical problem is that any economic advances by urban Negro families may not necessarily improve the profit prospects for Negro-owned businesses. With increased economic status comes greater mobility and more diverse tastes. As Negroes become more affluent, they most likely will prefer to consume in the more diverse national economy.

Statistical evidence on the residential choices of more affluent Negro families indicates that this pattern may in fact be emerging. In

1967, noncentral city portions of metropolitan areas over one million contained 17.9 per cent of all Negro families in these areas; however, these same sub-areas contained 23.0 per cent of all Negro family units with incomes over \$10,000; 25.7 per cent with incomes of \$15,000 and 38.4 per cent of Negro families with incomes over \$25,000. At the other end of the income distribution spectrum, these areas contained only 12.4 per cent of all family units with income of less than \$4,000. In these large metropolitan areas, the mean Negro family income in the noncentral portion was \$8,622 as against \$6,750 in the central city, a gap of \$1,872 or 27.7 per cent. These data must be interpreted cautiously because of the small size of the Negro sample in the higher income brackets; yet, they do appear to offer some evidence suggesting that greater economic gains by Negro families will not necessarily benefit black entrepreneurs who serve minority ghettos in central city districts.

This same type of paradox faces black entrepreneurs in their search for qualified labor. One of the serious economic constraints on ghetto development is the lack of human capital among its residents. Businessmen have difficulty finding employees with high levels of education and on-the-job work experience. The acquisition of human capital by ghetto residents will not necessarily increase the supply of qualified labor to black businessmen because many of the qualified black workers will be attracted to the higher expected returns and the greater job security in a firm operating in the national economy.

One final problem facing black entrepreneurs concentrated in urban ghettos is the impact of federally funded urban renewal programs on their very existence. One study has pointed out:

"Since Negroes make up the largest percentage of persons in the low income levels, Negro-owned businesses in Negro communities undergoing urban renewal generally have high liquidation rates."^{7/}

The same study cites evidence from the Elmwood area of Detroit where 57 per cent of Negro-owned businesses failed to survive urban renewal compared with only 35 per cent for white businesses. These findings underscore the paradox that federal urban renewal programs may in fact be working at cross purposes with federal programs to foster black capitalism. In effect, black capitalists may suffer not only from the economic advances of Negroes but also from federal efforts to ameliorate the physical condition of core cities.

III. Characteristics, Efficiency, and Profitability of Black Businesses

Having discussed the economic environment in which black capitalists have been operating -- and are likely to operate -- it is important to examine the characteristics of the businesses that have evolved within this environment. Table 2 presents summary data on the categories of Negro-owned businesses in Washington, D. C., in 1967, the largest sample currently available. These data demonstrate quite clearly

^{7/} Brian Berry and others, The Impact of Urban Renewal on Small Businesses. Chicago, University of Chicago Center for Urban studies, 1968, p. 116.

that Negro businesses are heavily concentrated in services with a secondary concentration in retail trade.^{8/} An examination of the sub-categories is particularly revealing. Within the main heading of services, there is a heavy concentration of barber and beauty shops and drycleaning establishments. The retail sector is comprised primarily of foodstores, while the category of finance, insurance, and real estate is almost exclusively unincorporated real estate agents. The general pattern which emerges is a mosaic of small, service-oriented businesses which owe their existence to a protective barrier of segregation.

To date, little has been known about the detailed characteristics of black businesses. However, a seven-city survey of 564 black-owned businesses conducted by the National Business League (NBL)^{9/} in early 1968 has helped to fill this data gap. The NBL survey found roughly the same industry orientation as the Washington area displayed. Of the 564 businesses surveyed, 102 (18.1 per cent) were barber or beauty shops, 82 (14.5 per cent) were grocery stores or supermarkets, 54 (9.6 per cent) were restaurants, 38 (6.7 per cent) were laundry or drycleaning establishments, and 40 (7.1 per cent) were service station or auto repair places.

The NBL survey was particularly valuable because it gathered considerable data on the various characteristics of black-owned

^{8/} We have not overlooked the fact that a small percentage of Negro businesses was also found in construction, manufacturing, and transportation. However, in the nation at large, these typically have consisted mainly of small-scale operations heavily dependent on the ghetto environment, and -- with a few notable exceptions -- have not competed in the national market.

^{9/} Project Outreach of The National Business League, Washington, D.C. June 24, 1969. The seven cities in the NBL survey were Atlanta, Cleveland, Durham, N.C., Jackson, Mississippi, Los Angeles, Norfolk, and Richmond.

businesses. A brief profile of the typical black business depicts a very small scale of operation. The businesses in the NBL survey averaged only 2.2 full time employees, 1.1 part-time employees, had a mean gross income of only \$19,147, and mean net profit of only \$3,430.^{10/} In a later section these figures will be compared to averages for the nation at large, but they show clearly that the black firms in the survey are quite small by any standards.

The NBL data also permit an elementary statistical analysis of the factors affecting the profitability of Negro-owned businesses.^{11/} Ideally, an economist would want to have information on the size of the capital investment in order to calculate internal rates of return. Unfortunately, the NBL survey did not gather data on capital investment, so the analysis must be limited to factors affecting total net profits and profits per employee.

Total net profits depend on a variety of factors, and four particular variables were selected: (1) the size of the business as measured by the total number of workers,^{12/} (2) a measure of efficiency

^{10/} This compares with an average profit for Negro businesses of \$3,300 reported by Eugene P. Foley, former SBA Administrator, to a Congressional Committee. See U.S. House of Representatives, Select Committee on Small Business, Subcommittee No. 4, on Distribution Problems Affecting Small Business. Hearings, "Small Business Problems in Urban Areas," 88th Congress, 2nd Session, 1964, p. 48. Two other important factors which influence the profitability of Negro-owned businesses are crime and insurance. See Crime Against Small Business, a Report of the Small Business Administration transmitted to the Select Committee on Small Business, United States Senate, 91st Congress, 1st Session, Document No. 91-14, pp. 59-73.

^{11/} Linear least squares regressions were computed on 561 of the 564 respondents to the NBL survey. Three firms had to be deleted due to obvious errors in the data cards.

^{12/} Since many firms in the NBL survey reported no employees, the total number of workers was assumed to be the number of employees plus one. This additional worker was assumed to represent the owner of the business.

businesses, but it is perhaps even more important to test for economies of scale in these businesses to determine whether, in fact, there is any relationship between size and efficiency. Since there are no direct measures of the total inputs to these firms, it is hard to compare efficiency as scale increases. Constrained by data limitations, we attempted to measure the efficiency of these firms by the profits per worker. The main hypothesis is that profits per worker will increase with the size of the firms. The statistical results are reported in equation 2.

$$(2) \text{ Profits per worker} = \begin{array}{r} -151.32 \\ (.67) \end{array} + \begin{array}{r} 0.00993 X_1 \\ (4.94)^{**} \end{array} \\ + \begin{array}{r} 18.91 X_2 \\ (4.78)^{**} \end{array} + \begin{array}{r} 439.15 X_3 \\ (2.07)^* \end{array} \quad \begin{array}{l} \bar{R}^2 = .09 \\ F = 20.29 \end{array}$$

where: X_1 = Total Receipts

X_2 = Age of Owner

X_3 = Membership in Business Organization

Equation 2 sheds more light on the general factor affecting the efficiency of the firms in the NBL sample. Economies of scale do appear to prevail, since profits increase roughly \$10.00 per worker with each increase of \$1,000 in sales. The variable for age of the owner performed very well in the profit per worker equation. This finding combined with the lack of a close relationship in equation 1 between total profits and age of owner when a variable for efficiency was included suggests that the effects of age on total profitability were probably picked up in the efficiency term in equation 1. The variable

for membership in a business organization performed quite well -- further confirming the value of these organizations as found in equation 1.

The main conclusions from this section are that Negro-owned businesses tend to be small in terms of sales, employment, and profits, and heavily concentrated in personal services and retailing. The statistical analysis suggests that the small scale of many of these firms is a hindrance to efficiency since profits per employee tend to rise rather closely with the level of operations as measured by total sales receipts.

IV. The Relative Size of Black-Owned Business and Economic Trends Affecting These Firms

The last section examined the characteristics of Negro-owned business. In this section, these black-owned businesses are compared with similar categories of white-owned firms. Economic trends in these areas are also analyzed to determine whether the campaign to enhance the ownership of small-scale enterprises by Negroes is in conformance with -- or running against -- trends in the national economy.

Table 3 compares the size of Negro-owned businesses to the size of businesses in the same categories as reported in the 1963 Census of Business. Before analyzing the data in Table 3, two sources of upward bias for NBL survey data must be noted. First, the NBL data refer to 1968 as a base year while the Census data were collected in 1963. As will be shown later, there has been a strong tendency for retail

businesses to grow in terms of both sales and employment. A second source of upward bias for the NBL figures concerns the question asked about employment. The Census Bureau asked how many people were on the payroll at a given moment in time, while the NBL asked for the number of full and part-time employees. When part-time workers are included in the question, it seems reasonable for an entrepreneur to name a larger number than those who may be on his payroll at any given moment in time.

The data on size of firm defined in terms of employees or total receipts show clearly that Negro-owned businesses within each category tend to be smaller. The discrepancy is particularly large in terms of sales per establishment and widens in both relative and absolute terms in the categories where average size was largest. The average Census foodstore (the category with the largest receipts) was almost six and one-half times as large as the average NBL foodstore. In barber and beauty shops, the category with the smallest average receipts, the average Census business had receipts of roughly one and one-half times the average NBL businesses.

The employment per establishment data are not nearly as convincing in terms of relative size as the receipts data. Negro beauty and barber shops actually tended to have more employees on average than the typical Census firm. In large part, this reflects the biases mentioned earlier due to the different questions asked in the NBL sample. The fact that the size differentials of establishments

are greater when measured on a receipts basis rather than on an employees basis leads to the result that receipts per employee are from two and a half to five times as great in Census firms as for those responding to the NBL survey. The greatest relative and absolute difference in receipts per employee was found for foodstores, the category with the largest absolute receipts per employee.

In part this wide variance in receipts per employee is caused by the biases which inflate the number of employees in the NBL firms. In part, however, it must be attributed to the relatively lower efficiency of the NBL firms which operate on much smaller scales. The larger firms tend to have a higher sales per employee, suggesting a better utilization of personnel.

Given this evidence relating to the general size and characteristics of Negro-owned businesses, it is instructive to examine the growth trends in these areas. Table 4 presents data for the growth trends in the retail sector where Negro businesses are highly concentrated. One of the most striking features is the absolute decline in the number of retail establishments between 1948 and 1963. In 1963 there were 3.5 per cent fewer retail establishments than in 1948. This trend toward fewer retail establishments has not persisted evenly among firms of all sizes. Between 1948 and 1963, there was a rapid increase in the number of retail firms of the largest size as measured by the number of firms with sales over \$1,000,000. At the other end of the spectrum, there has been a

persistent decline in the absolute number of small retail firms. During the 1948-63 period, the number of retail firms with receipts under \$20,000 declined by 162 thousand.

The impact of the trend to larger retail units is also demonstrated by the rise in the proportion of total receipts received by firms with sales over \$1,000,000. For all retail firms, this fraction roughly doubled in the 1948-63 period, and for foodstores the fraction practically quadrupled. At the opposite extreme, the fraction of total receipts received by firms with sales of under \$20,000 dropped from an insignificant 3.8 per cent in 1948 to a microscopic 1.5 per cent in 1963. These figures suggest a clear tendency for consumers to spend a much larger fraction of their disposable income in larger unit stores in general, and in particular a much larger fraction of the total food budget is being spent in supermarkets rather than in small grocery stores.

One final aspect of the growing tendency toward larger units in retailing is the increase in the average number of employees per establishment. Between 1948 and 1963, the average number of employees per retail establishment increased by about one-quarter.

Having examined aggregate data for retailing in general, we can examine more carefully recent trends in those specific industries in which Negro businesses are concentrated. Table 5 presents recent census data for these five categories. The patterns observed for

retailing and services in general appear to apply to these industries as well: there was a decline or slow rate of growth in the absolute number accompanied by a rise in the receipts and number of employees per establishment. The decline in the employees per establishment observed for laundries is actually a misleading statistic because it does not account for the rapid rise in self-service laundries which employ very few people. If self-service laundries are netted out, the employment per establishment figure for 1963 rises from 6.7 to 9.2. Unfortunately, this breakdown is not available for 1958 data, but the adjustment for 1963 does suggest that the observed trend toward smaller laundries is really the impact of the rapid increase in the number of self-service laundries.

On the basis of the analysis in this section, we can conclude that the small-scale, limited employment Negro-owned businesses are running counter to strong trends in the national retail sector where the emphasis is on larger units in which receipts per establishment are rising more rapidly than the number of employees per establishment.

V. The Strategy of Self-Employment

The previous sections have analyzed black businesses in the context of comparable businesses in the general economy. This section will consider the broader question of the choice between salaried and self-employment. Table 6 presents data from the Bureau of Labor Statistics

(BLS) showing growth trends in the two highest paying occupational categories. These two categories are important, because they contain the bulk of the self-employed and all self-employed in the retail trade.

The highest paying occupational category is professional, technical, and kindred workers. In the 1957-67 decade, employment in this category rose rapidly, and both the absolute number and relative proportion of nonwhites also rose substantially. The ability of nonwhites to gain access to the highest paying and most rapidly growing professional and technical positions is an important step toward economic equality, and Negroes and other nonwhites have been encouraged to acquire technical education to take advantage of these expanding opportunities.

The second highest paying occupational class is managers, officials, and proprietors. Employment in this category has not grown nearly as rapidly as in the professional and technical group, and the Negro's share has increased by roughly a third in the 1957-67 decade. The trends affecting this second category become much clearer when the category is subdivided into salaried and self-employed, and the self-employed are further subdivided into retail trade and others. For salaried workers in this category, the growth trend has roughly paralleled the trend in the professional category -- a rapid overall rate of growth combined with an extraordinarily rapid rate of growth of nonwhite employment. Thus, the absolute number of nonwhites tripled in ten years, and their relative share doubled. In the professional and in the salaried

managerial occupational categories, nonwhites as a fraction of the total increased, because nonwhites were able to gain access to rapidly growing positions faster than the national growth rate.

In the case of the self-employed, an entirely different picture emerges. Between 1957 and 1967, the number of self-employed in the managers, officials, and proprietors class declined by 40.6 per cent. In the same period, the share of self-employed who were nonwhite actually rose from 2.9 per cent to 4.2 per cent. In the case then of the self-employed, the increase in the proportion of nonwhites is not due to an ability to gain employment in an expanding area; rather it can be traced to a relative sluggishness in abandoning an area which is declining rapidly. This relative reluctance on the part of nonwhites to leave self-employment appears evident in the retail and other self-employed category. The decline in the absolute number of self-employed in retail trade shown in Table 6 coincides with the trends to fewer but larger retail establishments discussed in Section IV.

The trend toward the rapid decline in the number of self-employed managers has not been without economic justification. Table 7 presents data on the historical pattern of earnings in these two occupational categories. In the professional and technical category, median earnings are much higher for the self-employed than for the salaried workers in the same occupational group. The rates of growth in earnings have been about equal, so the relative gap has remained constant and the absolute gap has widened. The self-employed professional class is,

however, a very small category,^{13/} containing roughly only one-ninth of professionals, and its high earnings and rapid earnings growth are in large part accounted for by the rapid earnings gains in the medical profession. In general, the bulk of the self-employed in this category are physicians, lawyers, and accountants, and the high level of earnings represents a return to human capital as distinct from a return on business investment.

The figures on earnings levels and earnings growth are particularly interesting for the subcategories in the managers, officials, and proprietors category. This category probably represents the fundamental choices available to someone with less than the human capital to become a professional or technical worker. He can either become a self-employed businessman or seek a salaried position as an official or manager with an already established business. The data in Table 7 show that salaried workers have higher median earnings than self-employed individuals, and the rate of growth of salaried earnings has been faster than the rate of growth of earnings of the self-employed. These results corroborate the findings in Table 6. The relative growth of the salaried segment within the managerial class is clearly a logical economic response to the higher and more rapidly growing earnings in salaried vis-a-vis self-employment.

^{13/} In 1967 only 626 thousand heads of families were self-employed professionals representing 11.1 per cent of all family units headed by a professional and 1.3 per cent of all family units.

Economists expect a twofold relationship between earnings differentials and occupational shifts. An earnings differential is expected to induce an occupation shift to higher paying positions, and the occupational shift is supposed to narrow the differentials by expanding the relative supply in the originally higher paying occupation. In the case of the components of managers, officials, and proprietors, the rapid occupational shift has not reduced the earnings differential. In 1958 the median earnings of a salaried worker in this category were \$1,416 -- or 27.5 per cent higher than for a self-employed individual. By 1968 this gap had widened to \$3,252 -- or 43.9 per cent.

Table 7 points up the economic rationale for the very rapid decline in the number of self-employed in the retail trade. This occupational choice is by far the lowest paying within the managerial category, and its median earnings declined continuously relative to salaried managers. In 1958 a self-employed male in retail trade had median earnings equal to 69.8 per cent of the earnings of a salaried manager; in 1963 the ratio had declined to 65.1 per cent, and by 1968 it had declined further to 63.8 per cent. On the basis of this historical evidence, self-employment in retail trade is not a promising choice for a future career.

The failure of the rapid shift from self to salaried employment within the managerial class to reduce the earnings gap between these two types of careers has serious implications for future employment trends. The continued large relative economic returns to salaried as

against self-employment suggest strongly that the future will witness a further rapid exodus from self to salaried employment.

The data on the relative earnings changes in Table 7 were suggestive, but tabulations from the 1967 Survey of Economic Opportunity provide a much more complete picture of the earnings and income opportunities available to whites and Negroes. (See Table 8.) For earnings of Negro heads of families, the same pattern emerges as from the national total in Table 7. Again, one can observe much higher expected earnings for self-employed professionals (in large part reflecting returns to human capital) and much lower expected earnings for self-employed than for salaried managers. Not surprisingly the same results carry over to total family income -- suggesting clearly that the selection of self-employment by the head of the family will result not only in lower earnings to himself but also to a substantially lower total family income since earnings of the head constitute the major proportion of family income.

The data in Table 8 are particularly important because they allow a comparison of the expected returns for Negroes as self-employed managers versus employment as craftsmen. The results of this comparison are rather striking. In 1966, mean earnings of self-employed Negro managers were only 66.4 per cent as high as those of craftsmen. Exactly the opposite pattern prevailed for whites -- among whom expected earnings of self-employed managers were 25.2 per cent higher than for craftsmen. Table 9 shows that while the relative earnings of a Negro craftsman

were 72.1 per cent of his white counterpart, those of a self-employed manager were only 38.3 per cent as high

The wide discrepancy between whites and Negroes in the relative earnings from self-employment as a manager or a craftsman is explained by the fact that self-employed Negro businessmen are heavily concentrated in the poorer ghetto economy, while a Negro craftsman operates for the most part in the national economy. In a study prepared for the Small Business Administration,^{14/} it was found that Negroes owned only 2.7 per cent of all businesses in the survey, but that they owned 18.3 per cent of all businesses located in ghettos and only 0.7 per cent of businesses located in the suburbs. Stated slightly differently, 33.3 per cent of all businesses owned by Negroes were located in the ghetto while only 3.2 per cent of the businesses owned by whites were in the ghetto.^{15/} Clearly the low income status of the self-employed Negro manager is in large part due to his concentration in the poor economic environment of the ghetto.

The case of the Negro craftsman is completely different. Since the ghetto economy has little effective demand for his skills, he is employed primarily in the national economy, and his job rights are often

^{14/} Albert Reiss, Jr. Minority Entrepreneurship, unpublished Report submitted to Office of Planning, Research and Analysis of the Small Business Administration, June 30, 1969, p. 9.

^{15/} Tabulations from the Survey of Economic Opportunity confirm Reiss' findings in a slightly different manner. In central cities of SMSA's over 250,000, 64.6 per cent of self-employed Negro managers lived in census defined poverty areas while only 13.1 per cent of self-employed whites lived in these areas.

protected by strong unions. The problem facing the Negro craftsman is not relative wages, since unions tend to insist upon equal wages for all members, but rather being able to obtain full fledged membership in the craft unions with their apprenticeship requirements and seniority preferences.

The disparity in the relative rewards to Negro craftsmen compared to self-employed Negro managers is important because it points out one of the economic problems associated with maintaining a self-contained ghetto economy. It is axiomatic in economics that the real wages of labor increase directly with the amount of complementary capital. By being employed in the national economy, the Negro craftman is working with roughly the same amount of capital as his white counterpart. The self-employed Negro manager, however, by being limited mainly to the small amount of complementary capital available from the low level of ghetto savings, will have a substantially lower expected income.

The general conclusion from this section is that self-employment in the managerial occupations -- as distinct from the professional area -- offers a poor economic future for Negroes. The relative economic rewards to Negroes of employment in salaried managerial positions or as craftsmen offer much higher economic rewards -- primarily because they permit the Negro employee to work with a relatively large amount of complementary capital rather than confining himself to the capital short ghetto.

VI. The Employment Potential of Black Capitalism

At this point, we should pause to ask how much difference it might make to Negroes generally if the campaign for black capitalism were to achieve even a moderate level of success. Defining success in this context is obviously difficult. One criterion (and a measure emphasized by some of the most vigorous advocates of black capitalism) might be the equalization of the Negro's share of ownership and control of enterprises in all industries across the board. In our judgment, such a standard of success is clearly too harsh and unlikely to be attained. Instead, it seems reasonable to use more hospitable tests relating to the equalization of the Negro share of ownership and control, by the year 1980, in those fields where they are already concentrating.

Utilizing this criterion, we can make a rough estimate of the employment potential for Negroes of a reasonable degree of success achieved by black capitalism. In making this estimate, the first step was to take the total number of businesses in the United States economy in those areas in which Negroes are concentrating and estimate the number of enterprises which Negroes would control if they owned the same share of each type of businesses as their share in the total population (11 per cent). The second step was to estimate the total number of jobs made available by these firms using data on the average number of jobs per establishment. The calculations were performed under the alternative assumptions that these firms would employ at the same rates found in

(1) the National Business League sample described above or (2) the rates reported by all firms in the overall Census data.

The results of the calculations performed under the two alternative assumptions are presented in Table 10. The total number of jobs created in the principal lines of Negro business activity ranged roughly between 320 thousand and 450 thousand. It was noted earlier that these leading fields contain almost three-fifths of all Negro businesses. Assuming that the employment prospects of the rest of the Negro businesses were the same as in the categories identified -- and assuming that they expanded proportionately -- the resulting expansion would lead to the creation of between 550 thousand and 775 thousand new job opportunities, depending upon the assumptions regarding the NBL-sample or Census Bureau employment rates.

To measure the impact of this hypothetical job creation through the expansion of black-owned businesses, these figures must be compared to the total Negro labor force expected in 1980 of roughly 11,205 thousand workers.^{16/} The creation of between 550 thousand and 775 thousand job opportunities means that these black-owned businesses would offer employment to between 4.9 per cent and 6.9 per cent of the total Negro labor force. Stated differently, between 93.1 per cent and 95.1 per cent of Negro workers would still require jobs in firms owned and controlled by persons other than Negroes in 1980.

^{16/} The number of Negroes expected in the labor force in 1980 were obtained from U.S. Department of Labor, Bureau of Labor Statistics, Special Labor Force Report No. 73, Labor Force Projection by Color, 1970-80, September, 1966. The BLS estimates for nonwhites were reduced by 8.7 per cent to account for those nonwhites who are not Negroes.

A second and even more radical assumption regarding the success of black capitalism would be to assume that by 1980 Negro businessmen would control 11 per cent of all retail and service establishments and that these establishments would offer the same job potential as current retail and service operations. Table 11 shows that under these assumptions by 1980 black-owned firms would offer employment to only 1,284 thousand workers, or to 11.4 per cent of all Negroes in the labor force.

Having made some representative calculations on the employment prospects of black capitalism by the year 1980, it is instructive to put these figures in perspective by comparing them to the growth of the Negro labor force over the next decade. Our best estimates taken from BLS data are that the Negro labor force will expand from 8,879 thousand in 1970 to roughly 11,205 thousand by the end of the decade, implying a growth of 2,326 thousand. Our most radical assumption for the success of black capitalism was an employment effect of 1,284.0 thousand in this same period, suggesting that at best firms owned by Negroes could employ only slightly better than half the increment in Negro workers during the decade of the 1970's. Thus, in 1980 black capitalists would be able to offer employment to only a small fraction of the Negro work force, and the absolute number of Negro workers relying on employment in firms owned by persons other than Negroes would undoubtedly increase in the next decade.

In making the above calculations regarding the employment potential of black capitalism, we omitted consideration of employment

in Negro-owned firms in transportation, manufacturing, and construction. This omission was not accidental; rather it resulted from the basic fact that there are few Negro-owned firms competing in these types of businesses. Since firms in these categories (and especially in manufacturing) rely on important economies of scale, it is highly unlikely that a limited localized ghetto economy could effectively support them. In the case of construction, it should also be noted that the bulk of the increase in the supply of ghetto buildings arises primarily from the conversion of existing structures and to a much lesser extent from the creation of new structures. Thus, the outlook for construction companies confined to ghetto operations is not very promising. For these reasons, we have confined our estimates of the employment potential of black capitalism to the fields in which Negro businessmen seem most likely to expand.

VII. Concluding Observations

The general conclusion from this analysis is that the strategy of black capitalism, as we have defined it, offers a very limited potential for economic advancement for the majority of the Negro population. The ghetto economy as we understand it today does not appear to provide profitable opportunities for large scale business investment, and any economic advances made by residents of this marginal sector of the economy in all likelihood will not materially alter the investment prospects. This situation is in large part due to a tendency for affluent Negroes to shop in the more diverse national economy.

The strategy of black capitalism fails, however, for an even more fundamental reason: it is founded on the premise of self-employment. Our research has indicated clearly that self-employment is a rather rapidly declining factor in our modern economy because the rewards to employment in salaried positions are substantially greater. Self-employment may be the path to affluence for the fortunate few who are very successful, but for the great majority of the Negro population it offers a low and rather risky expected payoff.

At this juncture, we would like to point out that our disenchantment with the strategy of black economic development through black capitalism is not based simply on its limited economic potential. We are also concerned that reliance on such a strategy may substitute for efforts in vital areas which are of the utmost importance to the Negro population. In the long run, the pursuit of black capitalism may retard the Negro's economic advancement by discouraging many from the full participation in the national economy with its much broader range of challenges and opportunities. A strategy of black capitalism may also prove deleterious to the Negro community because, in the words of two observers, "the programs would place those least capable of accepting risk in the position of accepting large risks."^{17/} New ghetto enterprises would certainly be more prone to failure than already established firms, and their failures would leave a lasting burden on the individuals starting these firms and on

^{17/} Booms and Ward, op. cit., p. 25

those employees who had been induced to work in such enterprises rather than in businesses not dependent on the ghetto economy.

The solution of the economic problems of Negroes and other disadvantaged groups in a complex and difficult task^{18/} Efforts must be made on a variety of fronts, and the choice among the mix of programs must be made quite carefully. It was with the express purpose of facilitating this choice that we have analyzed the economic potential of black capitalism.

^{18/} For an excellent discussion of these problems and alternative solutions see Lester C. Thurow, Poverty and Discrimination, Washington, D.C., The Brookings Institution, 1969. For a specific treatment of the question of bringing business to ghettos see Sar A. Levitan and Robert Taggart, III, "Developing Business and Entrepreneurs in the Ghettos," Background Paper Prepared for The Community Self-Determination Steering Committee, Washington, D.C., April 17, 1969.

Table 1

Total Assets, Total Debts and Net Worth
Mean Amounts (in dollars) for All Families
by Size of Income, Race and Urban-Rural Place of Residence
1966

Size of Income	Total Assets		Total Debts		Net Worth		
	White	Negro	White	Negro	White	Negro	
Urban	0-2,499	10,356	2,449	1,028	693	9,328	1,756
	2,500-4,999	14,507	3,318	1,949	1,497	12,558	1,821
	5,000-7,499	16,861	6,921	4,305	3,285	12,556	3,636
	7,500-9,999	21,233	8,977	6,665	3,942	14,568	5,035
	10,000-14,999	31,523	15,421	8,884	7,534	22,639	7,887
	15,000-19,999	53,219	31,102	12,519	11,797	40,700	19,305
	20,000 & over	119,838	47,884	25,386	26,052	94,452	21,832
Total	25,403	6,070	6,125	2,663	19,278	3,407	
Rural	0-2,499	14,577	3,005	1,813	466	12,764	2,539
	2,500-4,999	18,706	3,673	2,833	1,294	15,873	2,379
	5,000-7,499	20,786	8,429	4,554	3,595	16,232	4,834
	7,500-9,999	28,625	21,213	7,250	5,629	21,375	15,584
	10,000-14,999	36,321	19,730	7,513	3,724	28,808	16,006
	15,000-19,999	84,584	20,510	11,808	1,830	72,776	18,680
	20,000 & over	180,147	<u>1/</u>	24,525	<u>1/</u>	155,622	<u>1/</u>
Total	25,598	4,639	4,724	1,277	20,874	3,362	
Urban & Rural	0-2,499	11,668	2,600	1,271	632	10,397	1,968
	2,500-4,999	15,657	3,380	2,191	1,461	13,466	1,919
	5,000-7,499	17,707	7,090	4,357	3,321	13,350	3,769
	7,500-9,999	22,541	9,480	6,761	4,009	15,780	5,471
	10,000-14,999	32,167	15,562	8,700	7,409	23,467	8,153
	15,000-19,999	56,272	30,468	12,451	11,201	43,821	19,267
	20,000 & over	124,877	47,884	25,315	26,052	99,562	21,832
Total	25,444	5,825	5,832	2,427	19,612	3,398	

1/ No cases reported.

Source: Tabulated from the Survey of Economic Opportunity.

Table 2

Distribution of Negro Owned and Operated Business in
Washington, D. C., 1967

<u>Type of Business</u>	<u>Number</u>	<u>Per Cent</u>
Services	1,249	60.5
Barber shops, beauty salons, or beauty schools	555	26.9
Drycleaning establishments	146	7.1
Retail	473	22.9
Carryout shops, delicatessens, grocery stores, or restaurants	240	11.6
Contract Construction	119	5.8
Transportation	82	4.0
Finance, Insurance	84	4.1
Real estate	73	3.5
Manufacturing	35	1.7
Newspaper publishers, printers, signshops	28	1.4
Wholesale	<u>20</u>	<u>1.0</u>
Total	2,062	100.0

Source: A Directory of Negro-Owned and Operated Businesses in Washington, D. C., compiled by Small Business Guidance and Development Center, Howard University, 1967.

Table 3 Selected Characteristics of Business Firms: Negro-Owned vs. All Firms

Type of Business	Number of Establishments		Employees per Establishments		Receipts per Establishments		Receipts per Employee	
	NBL Survey	Census	NBL Survey	Census	NBL Survey	Census	NBL Survey	Census
Laundries	38	75,052	4.8	6.7	\$14,655	\$50,607	\$3,053	\$ 7,553
Beauty and Barber Shops	102	257,236	2.5	1.1	6,678	9,817	2,671	8,925
Gasoline Service Stations	40	211,473	2.3	2.5	18,065	84,360	7,854	33,744
Foodstores	82	319,433	3.1	4.0	28,258	178,997	9,115	44,749
Eating Places	67	223,876	1.8	6.7	7,346	62,054	4,081	9,262
All Services and Retail Trade	564	2,769,604	3.3	4.2	19,147	102,538	5,802	24,405

NOTE: For purposes of comparability the NBL categories had to be adjusted slightly to match the Census data. The NBL category of grocery stores and supermarkets is compared to the Census category of foodstores.

Source: Project Outreach of The National Business League, U.S. Department of Commerce, Bureau of the Census, 1963 Census of Business, Volume 1, Retail Trade-Summary Statistics, and Volume 7, Selected Service Area Statistics, Washington, D. C., 1966.

Data for Negro-owned firms are from NBL Survey and refer to 1968.

Table 4 Growth Trends in Retail Trade, 1948-1963
(Numbers in thousands)

	<u>1948</u>	<u>1954</u>	<u>1958</u>	<u>1963</u>	<u>Percentage Change 1948-1963</u>
Number of Retail Establishments	1,769.5	1,721.7	1,788.3	1,707.9	- 3.5
Number with Receipts over \$1,000,000	10.4	19.0	25.2	36.1	+247.1
Number with Receipts under \$20,000	515.4	467.5	464.5	353.0	- 31.5
Proportion of Total Receipts Received by Firms with Receipts over \$1,000,000 (all retail)	19.8	26.0	29.4	36.5	+ 84.3
Proportion of Total Foodstore Receipts Received by Firms over \$1,000,000	12.0	27.0	38.6	46.4	+286.7
Employment per Establishment (all retail)	3.9	4.1	4.4	4.9	+ 25.6

Source: U.S. Department of Commerce, Bureau of the Census, 1963 Census of Business, Volume 1,
Retail Trade, Summary Statistics.

Table 5 Recent Growth Trends in Areas of Negro Business Concentration

Type of Business	Number of Establishments (thousands)			Receipts per Establishment			Employees per Establishment		
	1958	1963	Percentage Change	1958	1963	Percentage Change	1958	1963	Percentage Change
Laundries	67.9	79.1	+16.49	\$48,600	\$50,607	+ 4.13	8.2	6.7	-18.3
Beauty and Barber Shops	215.4	257.2	+19.41	8,884	9,817	+10.50	1.0	1.1	+10.0
Gasoline Stations	206.8	211.5	+ 2.27	68,834	84,360	+22.56	2.3	2.5	+ 8.7
Foodstores	356.8	319.4	-10.48	137,948	178,997	+29.76	3.4	4.0	+17.4
Eating Places	229.8	223.9	- 2.57	44,165	662,054	+40.50	5.7	6.7	+17.5
All Retail Trade	1,794.7	1,707.9	- 4.84	117,057	142,690	+21.90	4.4	4.5	+11.4
All Services	979.2	1,061.7	+ 8.2	33,995	41,995	+12.4	9.2	11.5	+12.5

Source: U.S. Department of Commerce, Bureau of the Census, 1963 Census of Business, Volume 1, Retail Trade, Summary Statistics.

Table 6

Trends in Self-Employment
(Thousands)

<u>Occupational Category</u>	<u>Percentage Growth</u>										
	<u>1957</u>			<u>1962</u>			<u>1967</u>			<u>1957-67</u>	
	<u>Total</u>	<u>Nonwhite</u>	<u>Nonwhite as Per Cent of Total</u>	<u>Total</u>	<u>Nonwhite</u>	<u>Nonwhite as Per Cent of Total</u>	<u>Total</u>	<u>Nonwhite</u>	<u>Nonwhite as Per Cent of Total</u>	<u>Total</u>	<u>Nonwhite</u>
Professional, Technical, and Kindred	6,476	246	3.8	8,040	373	4.6	9,879	592	6.0	52.5	140.7
Managers, Officials and Proprietors	6,705	140	2.1	7,408	188	2.5	7,495	209	2.8	11.8	49.3
Salaried	3,045	35	1.1	4,053	77	1.9	5,284	115	2.2	73.5	228.6
Self-Employed	3,660	105	2.9	3,356	111	3.3	2,211	94	4.2	-40.6	-10.4
Self-Employed Retail Trade	1,835	61	3.3	1,583	49	3.7	1,074	51	4.7	-41.5	-16.4
Self-Employed Excluding Retail Trade	1,825	44	2.4	1,773	52	2.9	1,137	43	3.8	-37.7	- 0.2
Total Employment	65,100	6,647	10.4	67,846	7,004	10.5	74,372	8,011	10.8	11.4	20.5

source: U.S. Department of Labor, Bureau of Labor Statistics, "The Negro Job Situation: Has it Improved?", Special Labor Force Report No. 102, January, 1969.

Table 7

MEDIAN EARNINGS OF MALE, FULL TIME WORKERS, 14 YEARS AND OVER, 1958-1968
(Amount in dollars)

Occupational Category				Absolute changes			Percentage change		
	1958	1963	1968	1958-63	1963-68	1958-68	1958-63	1963-68	1958-68
Professional, Technical, and Kindred	6,730	7,987	10,542	1,257	2,555	3,812	+18.7	+32.0	+56.6
Self-Employed	11,231	11,783	17,358 ^{1/}	552	5,575	6,127	+ 4.9	+47.3	+54.6
Medical and health	--	12,678	25,000 ^{2/}	--	12,322	--	--	+97.2	--
Other	--	10,932	14,903 ^{2/}	--	3,971	--	--	+36.3	--
Salaried	6,154	7,825	10,243	1,311	2,418	3,729	+20.1	+30.9	+57.2
Engineers, technical	8,151	9,512	12,359 ^{1/}	1,361	2,847	4,208	+16.7	+29.9	+51.6
Medical and health	--	--	17,195 ^{1/}	--	--	--	--	--	--
Teachers, elem. & sec.	5,651	6,950	8,779 ^{2/}	1,299	1,829	3,128	+23.0	+26.3	+55.4
Other	6,075	7,477	9,784 ^{2/}	1,402	2,307	3,709	+23.1	+30.9	+61.1
Managers, officials, and Proprietors	5,909	7,339	9,794	1,430	2,455	3,885	+24.2	+33.5	+65.7
Self-Employed	5,145	5,782	7,409	637	1,627	2,264	+12.4	+28.1	+44.0
In Retail Trade	4,527	5,280	6,801	753	1,521	2,274	+16.6	+28.8	+50.2
Other-Self-Employed	5,772	6,368	8,250	596	1,882	2,478	+10.3	+29.6	+42.9
Salaried	6,561	8,115	10,661	1,554	2,546	4,100	+23.7	+31.4	+62.5
Memorandum:									
Total with Earnings	4,888	5,980	7,664	1,092	1,684	2,776	+22.3	+28.2	+56.8

SOURCE: Unpublished Tabulations provided by the U.S. Department of Commerce, Bureau of the Census.

^{1/} Physicians and surgeons only.

^{2/} Includes medical and health workers shown separately in previous years.

Table 8

Mean Income and Earnings by Occupation and
Race of Head of Family, Urban Families, 1966
(Amount in dollars)

<u>Race and Occupational Category</u>	<u>Total Family Income</u>		<u>Total Earnings</u>		<u>Earnings of Head</u>	
	<u>All Units</u>	<u>Self-Employed</u>	<u>All Units</u>	<u>Self-Employed</u>	<u>All Units</u>	<u>Self-Employed</u>
<u>White</u>						
Professional, Technical, and Kindred Managers, Officials, Proprietors	11,750	18,787	10,880	16,641	9,607	15,600
Craftsmen	12,248	11,283	11,403	10,277	9,995	8,807
Total	9,091	7,587	8,663	6,762	7,035	5,260
	8,250	11,655	7,212	10,363	5,855	8,965
<u>Negro</u>						
Professional, Technical, and Kindred Managers, Officials, Proprietors	9,393	15,725	9,035	14,750	6,846	11,144
Craftsmen	6,779	5,328	6,213	4,647	4,696	3,374
Total, All Families	6,913	4,228	6,634	3,871	5,075	2,866
	4,996	5,418	4,374	4,814	3,164	3,428

Source: Tabulated from The 1967 Survey of Economic Opportunity.

Table 9

Negro Income and Earning as Percentage of
White, by Occupation, Urban Families,
1966

<u>Occupational Category</u>	<u>Total Family Income</u>		<u>Total Earnings</u>		<u>Earnings of Head</u>	
	<u>All Units</u>	<u>Self- Employed</u>	<u>All Units</u>	<u>Self- Employed</u>	<u>All Units</u>	<u>Self- Employed</u>
Professional, Technical, and Kindred	79.9	83.7	83.0	88.6	71.3	71.4
Managers, Officials, and Proprietors	55.3	47.2	54.5	45.3	46.9	38.3
Craftsmen	76.0	55.7	76.6	57.2	72.1	54.5
Total, All Families	60.6	46.5	60.6	46.5	54.0	38.3

Source: Tabulated from 1967 Survey of Economic Opportunity.

Table 10 Employment Potential of Black Capitalism in 1980:
 Assuming Proportionate Share of Businesses in
 Area of Present Concentration
 (Thousands)

<u>Type of Business</u>	<u>Total Number of Establishments</u>	<u>Negro Share of Establishments</u>	<u>Potential Jobs</u>	
			<u>NBL Rates</u>	<u>Overall Rates</u>
Laundries	79.1	8.7	41.8	58.3
Beauty and Barber Shops	257.2	28.2	70.5	31.0
Gasoline Service Station	211.5	23.2	53.4	58.0
Foodstores	319.4	35.1	108.8	140.4
Eating Places	223.9	24.6	44.3	164.8
	<hr/>	<hr/>	<hr/>	<hr/>
Total, 5 Categories	1,091.1	119.8	318.8	452.5
Total, All Categories	--	--	550.0	775.0

Table 11 Employment Potential of Black Capitalism in 1980:
 Assuming Proportionate Share of Businesses in
 All Services and Retail Trade
 (Thousands)

	<u>Retail</u>	<u>Service</u>	<u>Total</u>
Number of Establishments in 1963	1,707.9	1,061.7	2,769.6
Employees	8,410.2	3,261.5	11,671.7
Employees/Per Establishment	4.9	3.1	4.2
Negro Share of Establishments (11%)	187.9	117.2	305.1
Total Negro Job Potential	920.7	363.3	1,284.0