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THE POTENTIAL OF BLACK CAPITALISM

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ABSTRACT

This paper examines Andrew Brimmer's well known thesis, supported by empirical analysis, on the nature of Black business. In his Public Policy article, Brimmer states his thesis that a "barrier of segregation" protects the Black business community and that Black businesses exist primarily because White firms have failed to offer a number of personal services or public accommodations to Black customers. It will be argued that Brimmer's analysis of the Black business community is misleading because the data from which his empirical analysis is derived are incorrectly handled, thus limiting the scope of his thesis. In this paper the same financial data on Black businesses are used but analyzed differently. In addition new data have been added. From analysis of both, an alternative thesis is developed which states that Black businesses may grow due to the increased availability of capital to Black entrepreneurs.

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Introduction

Black capitalism is a vaguely defined expression, but two elements are usually associated with the concept: Black business ownership and location of these enterprises in or near Black residential areas. Accordingly, data analyzed in this paper have been collected from Black-owned firms operating in metropolitan areas having substantial Black populations. Articles analyzing the Black business community typically state that segregation and discrimination have been instrumental in creating Black enterprises that are small. Of these articles, Andrew Brimmer and Henry Terrell's contains the most extensive empirical analysis of the Black business community to appear in socio-politico-economic literature in recent years. Their article, "The Economic Potential of Black Capitalism," which appeared in Public Policy, Spring, 1971, is an attempted evaluation of the economic potential of Black capitalism as a "means of stimulating economic development for Negroes."[1] In this paper I will re-evaluate the Brimmer-Terrell empirical analysis and examine the role that capital markets play in determining the nature of the Black business community. Contrary to Brimmer's views, the erosion of segregation and discrimination may be ushering in a new era of opportunity for Black entrepreneurs; the Black business community of the future will not necessarily resemble the present-day population of Black firms.

Andrew Brimmer's Analysis of the Black Business Community

According to a theory originated by Gary Becker[2] and extended by Andrew Brimmer,[3] Black businesses exist primarily because White-owned firms do not offer a wide range of services demanded by Negroes. "Behind the wall of segregation which," according to Brimmer, "cut Negroes off from many public services, there grew up a whole new area of opportunity. Behind this wall of protection emerged the Negro physician, the Negro lawyer, and, above all, the Negro businessman."[4] This segregated market, serving as a protective tariff, is the foundation for a Black business community of personal services, public accommodations, and life insurance companies. "In those areas in which Negro customers have relatively free access to retail establishments (such as department stores, hardware, furnishings, and similar outlets), Negro businessmen have not found fertile soil."[5] The recent progress toward desegregation in the United States has, in Brimmer's eyes, undermined the position of many Negro businessmen who were dependent on segregation to protect their markets. Specifically, the erosion of segregation and discrimination gives Blacks greater access to places of public accommodation and White firms are catering to buyers with a decreasing reference to race.[6] The tariff wall is falling, asserts Brimmer, therefore major adjustments must be made by those Black businessmen who have benefited from its existence.

Brimmer concludes that:

1. The typical Negro firm lacks the technical, managerial, and marketing competence needed to compete successfully in the business world.[7]

2. In the long run, pursuit of Black capitalism may retard the economic advancement of Blacks by discouraging many from full participation in the national economy.[8]

Brimmer's analysis of the Black business community would imply that recent governmental efforts to promote Black business ownership will not alleviate any economic problems in Black communities. This conclusion is directly counter to the goals of present government policy and the views of many leading officials in government and industry. This is illustrated by the Small Business Administration's present policy "to substantially increase the number of minority-owned, operated and managed businesses,"[9] and by Ross Davis, Assistant Secretary of Commerce for Economic Development, who has stated that, "When ghetto residents have substantial full-time jobs in businesses managed and owned by Black people, I believe that many of the social and economic problems of our cities may be solved."[10] How does Brimmer support his controversial assertion that business ownership will not provide an economically viable future for Black entrepreneurs? As Brimmer acknowledges, comprehensive financial data on the Black business community are virtually nonexistent. "To date, little has been known about the detailed characteristics of Black businesses. A recent seven-city survey of 564 Black-owned businesses conducted by the National Business league (NBL) in early 1968 has helped to fill this data gap."[11]

To support his analysis on the nature of Black entrepreneurship, Andrew Brimmer employs this NBL survey data. Of the 564 businesses included in the survey, 102 (18.2%) were barber shops or beauty shops, 82 (14.5%) were grocery stores, 54 (9.6%) were restaurants, 38 (6.7%) were laundries, and 40 (7.1%) were service stations or auto repair places. The mean profit earned by a sample firm was reported to be $3,480. Average gross receipts per establishment were correspondingly small:

all service and retail businesses	\$19,147
laundries	14,655
beauty and barber shops	6,678
grocery stores	28,258
restaurants	7,346
service stations and auto repair places	18,065

The 1963 Census of Business reported average gross receipts per establishment of \$102,538 for all service and retail businesses in the United States. Apparently these Black businesses are very small compared to representative firms in the White business community.

Again using the NBL survey data, Brimmer and Terrell[12] regressed net profits per worker on a number of business characteristics recorded in the sample. The equation was:

$$\text{Profits per worker} = -151.32 + .00993X_1^{*} + 18.91X_2^{*} + 439.15X_3^{**}$$

$$\bar{R}^2 = .09 \qquad F = 20.29$$

where: X_1 = Total Receipts

X_2 = Age of Owner

X_3 = Membership in Business Organization

*Significant at 1 percent level.

**Significant at 10 percent level. (one-tailed tests).

This regression equation, according to Brimmer and Terrell, "showed quite clearly that efficiency, as measured by profits per worker, varied closely with the absolute size of firm as measured by its total receipts."[13]

I contend that Brimmer's evidence is not solid. His profit and sales figures are based upon the NBL survey of 564 Black firms, as with many surveys, nonresponse was a major problem in the NBL survey. In Durham, North Carolina, for example, a sociology class collected data on eighty

Black businesses by interviewing the owners--only eighteen of the eighty would reveal their profit and sales figures. In Jackson, Mississippi, six Black businessmen did the data collecting and succeeded in obtaining profit and sales figures from fifty of 112 Black business owners.[14] The pattern is similar for the other five cities in which data were collected. Brimmer's calculations of average profits ($3,480) and average sales ($19,147) are based on his assumption that all non-responders (sixty-two of eighty in Durham) had zero sales and profits. Close examination of the data which Brimmer used for his profit and sales calculations reveals other inconsistencies, for example:

a. Eleven firms had zero sales and positive (sometimes very large) profits.

b. A supermarket with sales of $340,000 was included three times.

c. 343 firms would not divulge their net profits; profits were taken as zero for all of these firms.

When average profits and sales calculations were made for firms reporting "complete" information, the results were predictably different. Information "completeness" refers only to those variables used in the analysis presented in the Spring, 1971, Public Policy article. Most of the deleted firms (361) failed to report both sales and profit figures; eight additional firms did not report information on either age of owner or business organization affiliation. Three firms were dropped due to obvious errors in the data cards. Profit and sales figures for those 192 firms in the NBL sample that reported complete information are shown below.

Percent in Selected Industrial Classifications		Average Sales	Average Profits
100.0%	All firms	$33,113	$ 6,834
7.8%	Laundries	32,803	7,147
15.6%	Beauty and barber shops	12,509	3,496
9.9%	Foodstores	52,779	6,024
10.9%	Restaurants	16,454	3,179
6.8%	Gasoline service stations	33,738	7,469
13.0%	Contracting services	55,184	10,497
7.3%	Professional services	42,172	13,988
28.6%	Other (miscellaneous retail primarily)	31,518	6,610

During the fall of 1971, financial data on Black businesses became available from two government sources--the Census Bureau and the Small Business Administration (SBA). Figures from the Census Bureau study of minority-owned businesses in the United States indicate that for the 163,073 Black enterprises, average receipts per firm were $27,437.[15] Most Black-owned firms have no paid employees; for the 38,304 Black businesses having one or more paid employee, average sales were $95,378 in 1969. These 38,304 firms paid wages to 151,996 employees and accounted for $3,653,363,000 in sales.[16]

These figures do not necessarily contradict Brimmer's belief that the "pursuit of Black capitalism may retard the Negro's economic advancement." Indeed, the sales and employment figures mentioned above suggest that Black firms make up a small segment of the overall business community. Nevertheless, being small at present does not necessarily imply nonviability.

The preceding comments on Brimmer and Terrell's data coding procedures suggest that their regression analysis and the conclusions from it may be misleading. To evaluate the effects of missing information on the Brimmer-Terrell regression results, their equation was re-estimated using all firms reporting complete information (regarding the variables appearing in the regression equation):

$$\text{Profits per worker} = \underset{(3.58)}{2622.9} + \underset{(1.66)}{.005X_1} - \underset{(-1.38)}{20.9X_2} + \underset{(.87)}{293.0X_3}$$

T - statistic value is in parentheses

$\bar{R}^2 = .019 \qquad F = 2.24$

In the re-estimated model, none of the explanatory variables (total receipts, age of owner, business organization membership) is significant at the .01 level and the regression equation is insignificant at the .05 level when an F Test is applied.

While the Brimmer-Terrell empirical analysis of the Black business community is clearly wrought with errors, close analysis of Brimmer's "wall of segregation," "protective tariff" thesis reveals that his theoretical work is similarly limited in its validity.

To observe that segregation and discrimination have provided a wall of protection for Black businesses is a one-sided analysis of the historical development of Black entrepreneurship in America. As Black economist Charles Tate has noted, the Brimmer thesis is deficient because it fails to explore the causal relationship between the conditions of Black poverty and the workings of the American political and economic systems.[17] Among the more observable causal relationships the fact that capital markets have frequently been closed to Black firms can account for part of the Black business community's small size and industry orientation.

Lack of Black-owned construction companies is, of course, partially caused by the traditional practice of barring Blacks from entering most apprentice programs of the building trades. Past and present limitations on the educational opportunities available to Blacks undoubtedly handicap Black entrepreneurs in certain lines of business. This list is merely illustrative; it could be expanded to include other interrelations between discrimination, institutional racism, and the resultant present-day backwardness of the Black business community.

The Brimmer thesis fails to distinguish between White-owned firms who serve a White clientele and White-owned firms oriented toward Black customers. While Blacks have undoubtedly been denied service in numerous White restaurants historically, this fact does not logically imply that Blacks will be forced to patronize only Black-owned restaurants. If White entrepreneurs can operate profitably by serving a Black clientele, they have rarely shown hesitancy to exploit such opportunities, especially in highly competitive lines of business requiring little capital investment. Only in certain less competitive, difficult-to-enter lines of business have Whites failed to fully exploit the potential Black market.

Black Business and Capital Markets

Developing a strong Black business community necessarily hinges upon finding sources of capital for existing and planned Black firms. This study will now analyze responses to recent programs for making long term credit available to Black entrepreneurs. Financial information has been collected from the Small Business Administration (SBA) for a sample of 559 new and existing Black-owned firms in Boston, New York and Chicago.[18]

Because all of the businesses being considered have received long-term loans from banks or the SBA, this body of data focuses upon a potentially expansive segment from the population of Black firms.

Prior to the urban riots and rebellions of the 1960's, financial institutions rarely extended credit to Black entrepreneurs.[19] As Theodore Cross notes, "Rioting and burning have invariably been followed by industry commitments for new plants, etc. . . . . The motive most calculated to insure that businessmen will work for the enrichment of the ghetto is the threat to their corporate plans and product markets."[20] For large banks, locked into central cities and relying increasingly on a Black labor force, this is particularly true.

In 1968, the director of the Small Business Administration engineered a series of institutional innovations which brought about a vast increase in bank lending to Black entrepreneurs. Under Project OWN, bank loans to minority firms were insured against default risk by the SBA. SBA chief, Howard Samuels, believed in "compensatory capitalism:" in order to develop the minority resources seeking to find expression in business, bankers would have to accept the principle of less stringent requirements for loans to minorities. Higher risks would be accepted because higher priority social objectives were at stake; with the SBA assuming the default risk, banks increased their rate of lending to minority-owned businesses by more than 800 percent during the first seven months of Project OWN.[21]

The Small Business Administration, because of Project OWN and similar programs for lending to minorities, possesses a most comprehensive collection of data on Black businesses. Using information provided by

SBA's Office of Records, a random sample of Black firms in Chicago, New York, and Boston was selected for analysis. For these firms, extensive financial information was collected over a four month period by individually examining the loan files of Black borrowers in the local SBA offices of Chicago, Boston and New York. Brief statistics are presented below to summarize the more important traits of the sample of Black loan recipients. (Bank loans guaranteed by SBA are included in the sample and in all summary statistics.)[22]

Table 1

Black Existing Business Loan Recipients in Boston, New York and Chicago: Mean Values for Selected Business Characteristics

Total Sales	$74,101
Net Profits (including owner's withdrawals)	7,000
Current Assets (excluding intangibles)	17,110
Total Assets (excluding intangibles)	30,029
Total Liabilities	19,528
Owner's Management Experience (years)	8.45
Loan Amount	27,740
Number of Observations in This Group	285

Table 2

Blacks Forming New Businesses in Boston, New York and Chicago: Mean Values for Selected Characteristics

Personal Net Worth of Owner	$11,255
Personal Income of Owner	9,173
Owner's Management Experience (years)	5.01
Loan Amount	27,694
Number of Observations in This Group	273

Table 3

Black Existing Business Loan Recipients in Boston, New York and Chicago: Mean Values for Sales and Profits by Industrial Classification

	Number of firms	Average sales	Average profits
Retail	99	92,571	7,779
Contracting Services	29	97,838	7,697
Professional Services	22	53,223	10,566
Other Services	89	41,092	6,223
Wholesaling	16	170,975	11,193
Manufacturing	30	51,777	2,222
All	285	74,101	7,000

In Table 1, the net profits figure has most commonly been picked up from the borrower's income tax return. When corporations were encountered in the process of data collection and sample selection, owner's salary was added back into net profits in order to make the "profits" figure comparable for proprietorships, partnerships and corporations. A substantial minority of the entrepreneurs, especially those owning the newer, less profitable firms, held jobs with outside employers. Mean income from outside sources was therefore rather substantial for owners of existing businesses--$2,803 per owner for the 285 firm sample. In Tables 1 and 2 the owner's management experience variable includes managerial experience in any capacity, not just the kind of business in which one is presently engaged.

In the SBA sample, Black borrowers forming new firms are, on average, starting out with total business assets which exceed the mean total assets of $30,029 reported in Table 1 for existing Black businesses. The SBA regulations require that entrepreneurs receiving loans must put into the firm from personal wealth at least 15 percent of the dollar amount of the loan received. Assuming (conservatively) that borrowers put up the minimum 15 percent, the average new firm would begin with $31,850 in total assets.

The sample data on 559 Black SBA borrowers indicate that Black businesses of the future may differ substantially from the present population of Black firms. Among the 285 existing Black business borrowers, only 48 firms would qualify as personal services and public accommodations which would be "protected" according to Brimmer's implicit definition of the barrier of segregation. "Protected" firms were defined as encompassing the following industrial classifications: barber shops and beauty shops; funeral parlors; eating, drinking and entertainment places; hotels; convalescent and rest homes; cosmetic manufacturers and distributors; photographic studios; insurance; real estate and certain professional services--medicine, law and education.

After detailed scrutiny, problems in the "protective barrier of segregation" thesis become obvious. If one examines, for example, the profitability figures for Black firms reported on page 3, it is quite apparent that such "protected" fields as barbershops and restaurants are minimal profit makers; gasoline stations and contracting services, neither of which are "protected," are two of the most profitable lines of business. The same pattern exists in the SBA sample data.

The SBA sample of Black borrowers differs from the overall population of Black businesses in several important respects. Average receipts per firm (Table 1) are over twice as large as the average sales figure ($33,123) reported for all Black businesses in New York, Chicago and Boston.[23] The Black loan recipients are disproportionately engaged in lines of business that are not part of the Brimmer characterization of the Black business community. In evaluating the existing population of Black firms in Washington, D.C., Brimmer asserts that, "The general pattern which emerges is a mosaic of small, service-oriented businesses which owe their existence to a protective barrier of segregation."[24] The NBL survey data on 564 firms indicate that barber shops or beauty shops and grocery stores are the two most common types of Black owned businesses, but Blacks receiving SBA loans are not concentrating in these fields: barber shops and beauty shops make up 18.2 percent of the NBL sample of firms and 4.1 percent of the SBA sample; grocery stores comprise 14.5 percent of the NBL sample and 7.9 percent of the SBA sample. In terms of both industrial classification and annual sales volume, Black firms receiving loans from the SBA (including bank guaranteed loans) belong to a distinct subset of the overall population of Black-owned businesses and herein lies a key factor for determining the future prospects of Black economic development via business ownership. Consider the logic underlying one of Brimmer's primary reasons for concluding that Black capitalism faces a bleak future:

1. The Black business community has traditionally consisted of small firms operating in a market protected by segregation and discrimination;

2. Segregation and discrimination are gradually being eliminated (or reduced); future prospects, therefore, are bleak for Black businessmen.

An alternative approach to the same question would stress that, despite a myriad of adverse conditions, a small Black business community has stubbornly managed to survive; because capital was extremely scarce, the overwhelming majority of Black entrepreneurs concentrated in lines of business requiring little capital. When capital markets finally open up, Black businesses will expand into fields in which they theretofore had been unable to compete on an equal basis. Because the Black business community has, to date, been restricted from competing effectively in highly capitalized lines of business, SBA's program for making the capital markets available to Black entrepreneurs gives them an excellent opportunity for creating new firms and expanding existing ones. The distribution of Black firms (regarding industrial classification) who borrow through the SBA sharply differs from the distribution of all Black businesses because most of these loan recipients are moving into new territory: capital intensive and highly capitalized operations. If capital markets remain open to Black firms in the future, then the entire nature of the Black business community would possibly shift away from its present low capitalization orientation in personal services and low volume retailing.

Within a given industrial classification, particularly food store operation, poorly capitalized, low volume enterprises may operate in competition with highly capitalized, high turnover firms. A Black entrepreneur receiving long term credit from the SBA may be operating in a traditional Black line of business but that does not imply that he will be operating in the traditional fashion. He may, instead, be operating on a sufficiently large scale and with enough capital to be highly efficient. Two traditional lines of Black entrepreneurship--laundries and restaurants--should benefit substantially from the availability of long term credit and the resultant opportunity to become more capital intensive (i.e., to invest relatively more in plant and equipment) and to expand the scale of their operations. While Black groceries certainly need to operate on a larger scale to be efficient, this type of business probably faces such stiff competition from supermarket chains that the SBA may be wasting resources in lending to small grocers.

Black economic development programs call for the expansion of existing businesses and the creation of new ones. The SBA data cited herein suggests that it is probably incorrect to assume, as Brimmer does, that new and expanding Black firms will conform to the stereotype of the small, undercapitalized, inefficient Black firm of the past. The NBL data cited in the Brimmer and Terrell article focus upon present Black enterprises (and are incorrectly handled), therefore it is inappropriate for judging the economic potential, especially the employment potential, of Black capitalism. To determine the "potential" of Black entrepreneurship, one should examine data on existing firms that are expanding and on new firms being formed. One cannot validly examine a cross section of the present Black business community and make inferences, based upon the present status of Black enterprise, about the future potential of Black capitalism. What exists today may be irrelevant to what will exist in the future. With capital markets opening up for Black entrepreneurs, the Black business community of the future may be characterized by a relatively greater number of large firms competing effectively in all lines of business.

Appendix: Data Handling and Sample Selection

In the spring of 1967 the SBA ordered its regional offices to start classifying all loan applicants into appropriate racial, ethnic groupings. Although loans then in process were generally not classified, by June 1967, racial designations were available for more than 95 percent of the loans reaching final approval status. As the first step in selecting the sample of firms analyzed in this study, a listing (on tape) was received of all loan approvals originating in the Boston, New York and Chicago regional offices of the SBA. This listing covered the period from June 1967 - June 1970, and specified racial, ethnic group membership of the 3,000+ borrowers. Six minority codes were being used by the SBA: Eskimo, Indian, Puerto Rican, Spanish American, Asian and Negro.

The SBA data listed above were then punched on data cards (from the magnetic tape). These cards were sorted by race (ethnic group) and geographic location so that the following relevant groups were formed:

Loans to Blacks in Suffolk County, Massachusetts;

Loans to Whites in Suffolk County, Massachusetts;

Loans to Blacks in New York City;

Loans to Whites in New York City;

Loans to Blacks in Cook County, Illinois;

Loans to Whites in Cook County, Illinois.

Loans to Eskimos, Indians, Puerto Ricans, Spanish Americans, and Asians were dropped from further consideration.

The above data processing operations produced a group of 1074 loans to Blacks from which a final sample of 559 Black businesses was formed. The following series of steps illustrates the processes by which 515 potential observations were dropped from consideration; the same general pattern is applicable to the White sample of businesses:

Number of observations according to the SBA computer		1074
A. Automatic deletions:		
1. Loan proceeds never disbursed	90	
2. Second or third loan to a business already in the sample; no business was included more than once	69	
3. Loan numbers listed by the SBA computer which corresponded to nothing listed with the regional offices; error in SBA records	15	
4. Loan file never located; these primarily consisted of new businesses that changed names between the date of loan application and final approval	23	
5. Loan repayment deferred; repayment status was therefore irrelevant	10	
6. Miscellaneous; included declined loans, borrowers that were not Black, and borrowers whose businesses had left the geographic area under consideration	6	213
B. Relevant sample for data collection:		
1. 50% of the new businesses in New York and Chicago randomly selected and dropped from further consideration	202	
2. Observations dropped because of missing or inadequate information:	94	
a. personal financial statement 38		
b. profit and loss statement 32		
c. business balance sheet 8		
d. other 16		296

C. Business for which data was collected from loan files and punched onto cards:	565
Observations having unexplainable inconsistencies	4
Non-profit educational institutions	2
Final sample size	559

Data collected on each existing business included balance sheet and income statement items, personal financial statements of the firm owners, loan terms at the time the loan was made and loan repayment status on the date the file was coded. Data that have been collected from the Washington headquarters and from the regional offices of the SBA are, by their nature, highly confidential. These data were made available subject to specific conditions imposed by the SBA and cannot be given to other interested researchers.

Notes

1. Andrew Brimmer and Henry Terrell, "The Economic Potential of Black Capitalism," Public Policy, Spring 1971, pp. 289-308.

2. See Gary Becker, The Economics of Discrimination, Chicago: University of Chicago Press, 1957.

3. This theory is explained most fully in Andrew Brimmer, "The Negro in the National Economy," American Negro Reference Book, John David, editor, Englewood Cliffs, New Jersey: Prentice-Hall, 1966; pp. 291-292 of the Spring, 1971 Public Policy article by Brimmer and Terrell contain a brief summary of Mr. Brimmer's theory of the Black business community. Mr. Brimmer is a member of the Board of Governors of the Federal Reserve System.

4. Andrew Brimmer, "Desegregation and Negro Leadership," Business Leadership and the Negro Crisis, Eli Ginsberg, editor, New York: McGraw-Hill, 1968, p. 34.

5. Brimmer, "The Negro in the National Economy," op. cit., p. 331.

6. Ibid., p. 291.

7. Ibid., p. 328.

8. Brimmer and Terrell, op. cit., p. 307.

9. Small Business Administration, SBA: What It Is ... What It Does, Washington, D.C.: U.S. Government Printing Office, 1970, p. 9.

10. Bernard H. Booms and James G. Ward, Jr., "The Cons of Black Capitalism," Business Horizons Vol. 12, October 1969. p. 19.

11. Brimmer and Terrell, op. cit., p. 295.

12. Regressions were computed on data from 561 of 564 respondents; three firms were deleted because of obvious errors in the data cards.

13. Brimmer and Terrell, op. cit., p. 296.

14. Berkeley Burrell, "Final Report Project Outreach," submitted to the Office of Economic Opportunity on January 15, 1969. p. 18.

15. Minority-Owned Businesses: 1969, op. cit., p. 154.

16. Ibid., p. 154.

17. Charles Tate, "Brimmer and Black Capitalism: An Analysis," Review of Black Political Economy Vol. 2, Spring, 1970, p. 86.

18. For details on sample selection procedures, see the appendix on data handling and sample selection.

19. Peter McNeish of the American Bankers Association explains why banks have, until recently, been extremely hesitant to extend credit to Black firms in urban areas. See McNeish, "Where Does the Money Come From?" in Black Economic Development, G. Douglas Pugh and William Haddard, eds., Englewood Cliffs, New Jersey: Prentice-Hall, 1969, pp. 85-86.

20. Theodore Cross, Black Capitalism, New York: Antheum, 1969. pp. 118-119.

21. Samuels, Howard J., "Compensatory Capitalism," in Black Economic Development, G. Douglas Pugh and William F. Haddard, eds., Englewood Cliffs, New Jersey: Prentice-Hall, 1969, p. 70.

22. The mean values reported in Table 1 are intended to describe a "typical" Black firm; one extremely large Black firm was therefore not included when the mean values were calculated. For flow variables (sales, profits, personal income), means are reported for the most recent full year prior to filing the SBA loan application. For new businesses having more than one owner, average net worth and income figures were picked up. The manufacturing category in Table 3 includes, most frequently, modest cottage industries.

23. Minority-Owned Businesses: 1969, op. cit., pp. 121-123.

24. Brimmer and Terrell, op. cit., p. 295.