THE PROBLEMS OF BLACK BUSINESS

Participation in business among blacks has been far below that of whites. Black owned and operated businesses are usually small and specialized in personal services — such as barbering, laundry, shoe repair, and household maintenance. At the other end of the scale, Black ownership and operation falls far below national averages — to being nearly non-existent — in such areas as home furnishings, automobile sales, lumber and hardware, hotels and motels, amusement and recreation, and general merchandise.

One of the concerns of the current national administration is to give minorities an opportunity to participate more fully in business. Several important books have been written recently on the problems of black businessmen, most notably Theodore Cross' Black Capitalism, which the Christian Science Monitor calls “a remarkable blueprint for ghetto economic survival.” Excerpts from Mr. Cross’ book are presented in this issue of the Reporter.

Students and faculty at the University of Minnesota are involved. A student project in the department of Geography, comparing black-owned business with white-owned businesses in the Twin Cities area is reviewed in this issue of the Reporter. Faculty have been involved through projects such as BEAM — a training effort for minority businessmen. This issue of the Reporter looks briefly at some of the problems of black businesses — and at some of the areas where the facilities of higher education have played and can play an important role in meeting needs of black businesses.

BLACK CAPITALISM

The National Scene

The great challenge to America is what Theodore Cross, in his book Black Capitalism, calls the “second face of poverty” — the hardened refusal of the ghetto system to permit anyone who lives under it a chance to own and build capital. The ghetto economy, he says, operates at the threshold of anarchy. Just as urgent as the ghetto resident’s need to escape the monopolistic clutches of the slum credit merchant is his need for the leverage of business credit which multiplies affluence on Main Street. True economic emancipation for black people will be achieved only if society satisfies the Negro’s right and opportunity to mobilize talent for production and marketing in a total economy which will be receptive to his product and services. Mr. Cross suggests new credit techniques for an economy which has been deprived of financial leverage, and massive federal guarantees and incentives applied as risk-reduction devices.

While these new black enterprises often begin with a great deal of enthusiasm, they are short on sound business management, on capital, and on credit. Mr. Cross suggests that if black businesses are to succeed, the main economy businessmen and bankers must supply the black businessmen with three essential ingredients for the building of black capitalism: 1) training and entrepreneurial skills; 2) credit; and 3) risk capital. Among special incentives he notes are:

- selling shares in undeveloped black slums — with special tax incentives
- self-executing loan-repayment guarantees (up to 90% or the full face amount) with FHA & SBA limited to post-audit loan review
- loan clearing-houses in the ghetto (to drive out the loan sharks by compensating commercial banks and finance cos.) — with additional tax deductions for high risk loans
- core area service clusters — a variety of retail and service facilities, including day care, housing, hospitals, banks, shopping centers, etc.
- ghetto development bank — a non-profit community corp. funded from local banks, insurance cos., and business corps. (to bypass the redtape of new federal bank proposals)
- federally subsidized bonus to ghetto savings institutions that can best merchandise savings accounts (by use of trading stamps and all such gimmicks "downtown" banks now use)
- community development corporations — to build training and management skills under a protec-

BLACK CAPITALISM (cont’d. on page 2)
BLACK BUSINESS in the Twin Cities

A comparative study of black and white businesses in Minneapolis and St. Paul has been completed by two University of Minnesota graduate students, David Wickstrom and John Holdridge. The purpose of the study is to evaluate the role and condition of Minneapolis-St. Paul black businesses.

Early in 1969, H. Peter Meyerhoff, who heads the Buy Black Campaign headquarters (a section of the Minneapolis Urban League), was searching for a way to involve the resources of the University in his effort to facilitate the expansion of black-owned businesses. In the course of discussing ways of aiding black businesses with state officials, the need for statistical data on black businesses was recognized. As a result, six geography students under Professor John R. Borchert, undertook a field inventory of black businesses in the spring of 1969.

BLACK CAPITALISM (from page 1)

...torate, with the help of private foundations

- development of special tax credits for franchise income from the ghetto plus a protected product market to encourage ghetto retail outlets

As a white lawyer with expertise in the fields of banking and finance, and an understanding of the intangible and persistent barriers to economic development, Theodore Cross seems to offer some realistic, yet creative approaches to dealing with the main causes of ghetto dependency and powerlessness. He is joined by many blacks, and by groups such as the Council for Concerned Black Executives and the Association for the Integration of Management, who feel that black business will never hold real economic power until it can build sizeable corporations of its own that can in turn influence banking and financial attitudes.

Robert K. Otterbourg, a New York financial public relations consultant and member of the Interracial Council for Business Opportunity of New York, suggests some possibilities in the July 10, 1970 Wall Street Journal. Many blacks recognize that the entry and middle management positions in large corporations recently secured by blacks may give these individuals personal and financial security, but they do little to advance black economic thinking, to enrich black neighborhoods, or to reduce the unfortunate failures of untrained and underfinanced black businessmen, according to Mr. Otterbourg. Big corporations could well serve as the training ground for young blacks, who can learn the inside workings of growth industries (i.e. electronics, computers, mass-distribution) as apprentices in large corporations, which can underwrite mistakes and provide an actual management education following upon college training in business administration or engineering. But then, emphasizes Mr. Otterbourg, the black entrepreneur must be encouraged (and abetted) to move into self-employment.

There are now banking policies and availability of capital to black business both from private sources and through OEO, but legislation is needed to further implement new banking policies. And University expertise is needed in research, training and education for black business development. These efforts represent in part the commitment needed that will begin to make black capitalism a reality.

The Wickstrom – Holdridge study shows that the characteristics of black businesses in the Twin Cities are similar in pattern to national black business characteristics. Black businesses are smaller, both in number of employees and in floor space than white businesses and a high proportion of black businesses are engaged in personal services. Credit is much more difficult to obtain and failure rates among black businesses are much higher than white.

The attached map shows the three major concentrations of black population in the Twin Cities area which account for at least 95% of the black population – west of downtown St. Paul, south central Minneapolis and the near north side of Minneapolis. Also shown are black-owned businesses, representing about a 20% sample of all black-owned businesses of the Twin Cities. Most black businesses are located in or near the three black neighborhoods and in downtown Minneapolis. There are also a few black-owned businesses located in predominantly white residential areas. Of 34 black businesses sampled, 9 had almost all black customers, while 10 black owned businesses had almost all white customers. Those with almost all black customers were located in black residential neighborhoods or downtown Minneapolis, while those with almost all white customers were located downtown, Minneapolis, while those with borhoods or on the fringe of the black neighborhoods.

Black businesses in the Twin Cities were found to be considerably smaller than white businesses. Black businesses averaged 3.0 employees while white owned businesses averaged 6.8 employees. White businesses had been in business at their same locations on the average of about three times as long as black businesses. Average age of black businesses on the survey was 7.8 years, compared to 23.8 years for white businesses. Nineteen percent of the black businessmen owned the floor space that they used, while 41% of white businessmen owned their floor space. Twenty-one percent of black businessmen had experienced difficulty in acquiring credit while 11% of white businessmen had the same difficulty.

TWIN CITIES (cont’d. on page 4)
Minority Business Training in Minneapolis - BEAM

Two years ago the National Urban League secured $2 million in foundation grants to begin a "new thrust" — an effort to provide minorities with greater opportunities in business. Local Urban Leagues across the country were asked to submit specific project proposals. And as a result, Minneapolis was awarded a grant from the National Urban League for the project BEAM (Business Enterprises for American Minorities). This grant provides about half of the funds for the program — local businesses and institutions have contributed the balance to make the program possible. Director of BEAM is John Mitchell, engineer in the Aerospace Division of Honeywell, who is on paid leave from his company. Hugh Harrison, Management Consultant and Chairman of the Task Force on Business Development for the Urban Coalition has helped to secure local financial support.

Since one of the prime elements in the BEAM program is the training of minorities in business concepts, procedures and approaches, the University of Minnesota was sought to help develop appropriate coursework. Professor Robert Zimmer has coordinated the involvement of the School of Business. Professor Jack Gray, also of the School of Business, has worked to develop curriculum materials. Seminars in business management have been offered since June 1969, under the sponsorship of CURA, which administers the courses and provides the required books. The Seminars have attempted to consider the need for setting business objectives and developing long range planning, determining working capital and investment needs, providing information required of the SBA and banks, calculating cash flow, evaluating the use of credit, determining product mix and pricing, familiarization with business terminology and problem analysis.

There were 50 participants in the first course, including minority persons who were already in business or wanted to go into business, and a few white partners in black business or promoters of black business. Of those enrolled, 27 went on to earn a total of 44 certificates in general management, taxation and marketing. The courses are being repeated this fall, with 19 students enrolled. All minorities are welcome, and no previous college training is required. Professor Andrew F. Whitman of the School of Business is teaching these courses this fall, with John Mitchell and Scott Harrison assisting.

Mr. Mitchell spends a good deal of his time talking to local business groups, to arouse enthusiasm and support for minority businesses. In addition, he has been drawing support for the Twin City Black Business Trade Fair, (held Nov. 5-6 in the NSP Building) to encourage a metropolitan interest in the promotion of minority businesses.

BEAM has available a number of directories of interest to consumers and businessmen in the Twin Cities, including:

- *Consumer Directory* — a listing of all black businesses — shops, restaurants, etc.
- *Twin Cities Industrial Directory of Black Businesses* — an inventory of products or services offered, number of employees, etc.

These directories are available from the BEAM office, 332-3395.
Holdridge and Wickstrom found that there were considerable differences among the four major black business areas in the Twin Cities. Black businessmen in the south Minneapolis area had the least credit difficulty — about 7% while 37% of black businessmen in St. Paul experienced credit difficulty. The typical size of black-owned business in the three residential neighborhoods averaged between 1 and 3 employees, in addition to the owner. In downtown Minneapolis black operated businesses were more likely either one man shops or had 4 or more employees. The south Minneapolis area showed the greatest stability in black owned businesses, with 54% of the businesses having been in operation for 11 years or more. In the north Minneapolis business area, 55% of the black businessmen had been in business less than 5 years, while in St. Paul 63% had been in business for less than 5 years. On the average, the south Minneapolis area had a larger proportion of white customers than any of the other black business areas. And of the three major black residential neighborhoods, the south Minneapolis area had a higher per family income. With its greater stability and higher income, the south Minneapolis area was clearly the most desirable location for black businessmen.

The prospects for black business growth, however, do not appear hopeful because of a general decline in the demand for personal services and also the general inefficiency of small business operations. It is therefore likely that as technology, affluence and integration progress, the small black businesses will disappear. They often lack the entrepreneurial skills to take advantage of a changing market and to invest capital in new areas. In general, black businessmen do not take a scientific approach to business. But their attitudes are similar to those of white businessmen, i.e. “hard work is the road to success” and for those who have achieved success their rewards are rightfully theirs.

The complete study “Black Business in Minneapolis and St. Paul” will be available from the CURA Office (373-7833).

First Planning Institute a Success

The first Summer Institute for State and Regional Planning and Development offered a new approach to policy problem solving, in response to the new needs of a broad range of clientele who are concerned with state and regional planning and development policies. The Institute was jointly presented by the Department of Agricultural and Applied Economics and the School of Public Affairs in cooperation with the General Extension Division, the Summer Session, and the Agricultural Extension Service of the University of Minnesota.

The 46 students enrolled participated selectively in four graduate and undergraduate level courses, two policy seminars, and two special workshops.

Relatively broad representation was obtained in terms of the clientele group served by the Institute. Ten of the participants came from seven state departments and agencies including: Departments of Education, Taxation, Highways, and Welfare as well as the Planning Agency, the Public Service Commission, and the Governor’s Crime Commission. Included also were enrollees from two state colleges, one county office, four private consulting agencies, one out-of-state University as well as graduate students and faculty from a number of University of Minnesota components.

The Institute participants were exposed to joint policy seminars coordinated with theory and policy courses in Regional Economics and State Public Administration and Development Planning, as well as non-credit workshops on Environmental Quality and Information Systems. The core content of each of these activities was devoted to the understanding, application, and implementation of economic and political science theory and policy to the problems of societal change.

In addition to the six core faculty members from the School of Public Affairs and the Department of Agricultural and Applied Economics a total of 31 resource personnel participated as special faculty in the joint seminars and the workshops. This special faculty group included both Governor Harold LeVander and Lt. Governor James Goetz as well as senior state officials from such organizations as:

- State Planning Agency
- Pollution Control Agency
- Metropolitan Council
- Urban Affairs Council
- Department of Administration
- Minnesota Legislative Council Staff

Other organizations represented by these faculty leaders included:

- Economic Development Administration
- Limnological Research Center of the University of Minnesota
- Arrowhead Regional Development Commission
- Center for Urban and Regional Affairs
- Upper Midwest Research and Development Council
- Zero Population Growth
- Planned Parenthood of St. Paul
- Minnesota Association of Counties
- Worthington Daily Globe
- U.S. Department of Agriculture
- Minnesota Experimental City

The Institute was funded as a part of a program grant from the Minnesota Higher Education Coordinating Commission under Title I of the Higher Education Act of 1965. Matching funds came from each of the cooperating University organizations. The weekly Tuesday evening television program “Perspective on the 70’s – the Minnesota Public Policy Report” is an integral part of this program grant and the four programs aired during the period of the Summer Institute utilized both resource faculty and Summer Institute participants in the presentation of those programs. According to Professor John S. Hoyt, Jr., Director of the Institute, the evaluation of the Institute by the participants has been overwhelmingly favorable. A detailed evaluation of the Institute is underway and will be published together with a summary of the seminars and workshops.

A number of recommendations suggested that the Institute be made available in the future, to a larger number of local government personnel. Plans are be-
St. Clair, Minnesota, is a small village in Blue Earth County that has been adopted by the Urban Studies faculty and students of Mankato State College. St. Clair is a quiet village eight miles from Mankato and while it can hardly be considered urban since its population is only 450, it has many of the problems of its larger cousins and in many ways reflects why rural America, and more particularly, rural Minnesota, is declining in population and thus contributing to the overall problem of urban concentration.

The “St. Clair Project” came into being in the spring of 1969. What started as an attempt by a faculty member to assist a community in applying for federal assistance in the area of recreation turned into an attempt by the Urban Studies Institute to assist a community in a total re-examination of its future and its current status. That status revealed a community with vague ordinances (when they existed), no planning commission, no zoning codes, no sewage treatment facility and a complete void in accurate maps detailing the existence of basic facilities. The project members started from scratch to rebuild. They created ordinances, detailed maps, drew up subdivision regulations and zoning plans, as well as completed economic base studies, financial inventory reports and detailed demographic profiles in the community. In June of 1969 a group of students and faculty went house to house with a student-prepared, 70 question survey. Armed with advice and instruction from the student project leader and from the faculty involved, the students surveyed over three-fourths of the dwellings in the community asking questions aimed at determining income levels, population growth, attitudes toward growth, attitudes toward changes in the basic land use, as well as migration patterns. The survey was constructed to utilize the computer services of the college and students were involved in the programming and analysis of the data once collected and processed.

The over-all objectives of the program are aimed at the servicing of a community and providing meaningful and useful research and field experience for students and in a better manner than anything presented in a classroom situation or from a simulated situation.

Students from Sociology classes not only learned how to construct a questionnaire in theory and in practice, but were involved in administering the questionnaire. Shortcomings of design often do not appear until attempts to actually administer a questionnaire commence. Additionally, questionnaire-design teams and retrieval-design teams discovered that they must work together if the data gathering is to be a meaningful planning function. Finally, the surveyors discovered how important appearance and presentation are to the success in a survey situation. The students working on the project also indicated one additional benefit which the project director had not previously contemplated, that being the discovery that the generation gap isn’t as wide when common problems and common goals exist.

Other students were utilized from the physical design areas within the Urban Studies Program, notably the cartographic-skilled students and the photo-interpreters. These students were no longer spending long hours creating functional as well as attractive visuals that received grades and were then placed on shelves to be forgotten. Maps that were created from field notes are now part of the comprehensive plan. Models that were built of the community through information gathered will be utilized by the community in promotional activities aimed at financing the goals outlined within the comprehensive plan.

Students also were exposed to the problems of administration of government within the micro-micro-cities that dot our Minnesota landscape and to the importance of record keeping. Additionally, they were able to observe the village council in operation during a period of extreme crises. During the one-year observation and participation segment the students were exposed to a power struggle within the community which resulted in the election of a new mayor and several new councilmen who supported the goals and objectives outlined within the comprehensive plan and the modernization of the community. The program is now moving into the implementation stage; the zoning ordinances have been reviewed by a municipal attorney (obtained for the project by the community) and the subdivision regulations went into effect in the summer of 1970. Applications have been made to federal agencies to construct a sanitary sewage collection system and to construct a waste treatment facility.

Publicity concerning the dilemma of small communities has been successful in attracting the attention of state-wide candidates and these candidates are speaking out about such communities which are not going to die and may very well hold the key to stemming the outflow of people to large metropolitan centers. If nodules such as St. Clair can be encouraged to create and to maintain a quality of life that is an attractor rather than a detractor, we may very well be able to order metropolitan growth to better handle the massive problems which rapid growth creates.

Other small towns have indicated to the Institute a desire to be part of any similar projects in the future and it is hoped that other communities will be adopted in such a manner in coming years. While such programs are expensive and time-consuming, and often frustrating to both the participants of the academic world and the participants of the real world, the benefits to both cannot and should not be ignored in the opinion of the Urban Studies Institute staff.

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**Planning Institute** (from page 4) ing made now to repeat the Institute, in modified form, at four one-week sessions to be held at various out-state locations next summer. Implementation of these plans will of course depend upon the availability of both funding and appropriate Institute locations in the summer of 1971.
The University of Minnesota will become the nationwide collection point for information about youth development centers at United States colleges and universities, Congressman Donald M. Fraser announced today.

"The project will be supported by a $47,000 grant from the Department of Health, Education and Welfare," Fraser said. The University's Center for Youth Development and Research, headed by Dr. Gisela Konopka, will conduct the project, which is designed to assist colleges and universities to develop more effective research about youth.

"The Center for Youth Development has already been engaged in important research — in studies of youthful unrest and relationships between generations, for example" — Fraser said, "and these new funds will make it possible for the University to broaden and extend this important work."

Gisela Konopka, Director of the Center for Youth Development and Research, under CURA, has been off on a 6-month sabbatical which began Sept. 1. During the first 2 months Dr. Konopka has been traveling in the Near and Far East, where she was a delegate to the International Conference of Schools of Social Work and the International Conference of Social Welfare, both held in Manilla. She also served as Chairman of the Workshop on Student Participation at the Schools of Social Work meeting.

In her further travels, Dr. Konopka will focus on social problems concerns, and specifically on the relationship between the generations in rapidly changing societies. She will have the opportunity to observe and do writing in this area.

During her absence, her assistant Diane Hedin will be the Acting Director of the Center. Dr. Barbara Knudson, newly appointed Assoc. Prof. and Coordinator of Community Service Programs in the General Extension Division, will take over many of Dr. Konopka's duties and activities on a part-time basis.

Mrs. Nancy Belbas, Junior League of Minneapolis
Mr. Virgil Burns, Director, Minnesota Montessori Foundation
Dr. Paul Cashman, Vice President for Student Affairs, University of Minnesota
Dr. Warren Cheston, Dean, Institute of Technology, University of Minnesota
Dr. John Darley, Psychology Department, University of Minnesota
Mr. Eugene Eidenberg, Special Consultant to Vice President for Academic Administration, University of Minnesota
Mr. Jewel Goddard, Director, Department of Court Services, Hennepin County
Mr. Larry Harris, Director of Urban Affairs, Minneapolis Public Schools
Mr. William Hoffman, Director, Continuing Education for Social Work, University of Minnesota
Dr. Arthur Johnson, Sociology Department, University of Minnesota
Mrs. Josie Johnson, Afro-American Studies Department, University of Minnesota
Mr. Robert Johnson, Anoka County Attorney
Dr. Roland Larson, Associate Director, Youth Research Center
Dr. Harold Stevenson, Director, Institute of Child Development, University of Minnesota
Dr. Frank Wilderson, Assistant Dean, College of Education, University of Minnesota
Mr. Theatrece Williams, Director, Phyllis Wheatley Community Center.