THE IMPACT OF THE CURRENT ECONOMIC CRISIS ON BLACK-OWNED BUSINESSES

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The Bureau of the Census has recently released the publication *MB72-1 Minority-Owned Business—Black*. This constitutes the second number in a series which began in 1969.

On the surface the data show a rather dramatic increase in black owned business over the three-year period 1969-72. In particular, black business receipts showed an overall 60 percent increase. The number of firms in all categories also increased, with the most significant jump occurring in manufacturing and truck transportation.

There were 194,986 black-owned firms in 1972, showing a gain of 31,913 over 1969. However, only 31,893 employed paid workers in 1972, compared to 38,304 in 1969. If we consider only this group of firms with paid employees some interesting findings emerge from the census study.

1. The total number of firms declined by almost 17 percent between 1969 and 1972.
2. Contract construction, manufacturing, wholesale trade, and selected services increased in numbers by 14 percent, 9 percent, 25 percent, and 5 percent, respectively.
3. Transportation, retail trade, real estate, "other," and "unclassified" declined in numbers by 22 percent, 29 percent, 19 percent, 35 percent, and 91 percent, respectively.
4. In all types of firms both total receipt and average receipts per firm increased substantially. Total receipts went from $3.7 billion to $5.1 billion; average receipts went from $95,000 to $160,000.
5. In all types of firms both the total number of employees and the average number of employees per firm increased. Employment went from 152,000 to 197,000; employees per firm went from four to six.
The basic conclusion to be drawn from these data is that black businesses are evidently consolidating into a smaller number of larger units in transportation, real estate, and retail trade; at the same time they are expanding numerically in construction, manufacturing, and wholesale fields. In all industries, the average volume of business per firm is increasing.

These data, while new and unique, are nevertheless based on a 1972 survey. In the interval since 1972 the nation has been undergoing (a) a significant rise in production costs as a consequence of sudden quadrupling of prices by the OPEC suppliers, (b) a double-digit inflation, and (c) a recession which may well be the deepest and of the longest duration since the 1930's.

The current economic crisis has had an adverse effect on large and well-established businesses. The auto industry and its suppliers are laying off men in large numbers. Many of the huge long-haul air passenger carriers are operating in the red. Unemployment registered 7 percent for the month of December, 1974 and will continue to rise throughout most of 1975. Black unemployment hovered around the 13 percent level in December.

The prospects for small firms in general and for black-owned firms in particular would appear to be bleak. Black firms are especially vulnerable to the ups and downs of the business cycle because of their smallness and relatively recent vintage. These firms rely to a large extent on a black clientele which historically has suffered twice the unemployment rate of its white counterpart. Ever increasing additions to the jobless pool of Blacks compounds the difficulties of black firms.

METHOD OF STUDY

This study was designed to assess the probable effects of the current economic crisis on the growth in number and profitability of black business firms. To accomplish this goal a survey of approximately 800 firms, picked randomly from various registers, was carried out between December 23, 1974, and January 7, 1975. Telephone interviews with a responsible officer of each firm elicited an opinion which rated the success of the business in 1974 as compared to 1973. The interview also ascertained whether or not the firm will operate in 1975.

All firms in the survey were chosen from among those which were known to have been in operation sometime during 1972. Where there was