



The 1961 National Conference on Black Business: The “Negro Market,” the Cold War, and the Future of Black Business in America

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From November 30 to December 2, 1961, the U.S. Commerce Department sponsored a three-day conference with the theme “Problems and Opportunities Confronting Negroes in the Field of Business.” This meeting focused on the role of black business in a changing social, political, and economic environment (both nationally and internationally). In this paper I demonstrate that the anticipated dismantling of American apartheid, while perceived as a positive social development, had negative implications for black-owned businesses in the United States. In fact, this 1961 Commerce Department conference, in addition to featuring several pessimistic discussions related to the future of black businesses in a desegregated society, actively urged African American businesses to seek new clients among the newly independent nations on the African continent. Black businesspeople were told that such a strategy, besides sustaining their profitability, would enable them to play an important role in the international battle against communism.

From November 30 to December 2, 1961, the U. S. Commerce Department sponsored a three-day conference with the theme “Problems and Opportunities Confronting Negroes in the Field of Business.” The proceedings of this meeting provide an important window on the state of black business at a crucial juncture in American history.

The John F. Kennedy administration’s interest in African American business enterprise grew out of a July 1961 meeting between Asa Spaulding, president of the North Carolina Mutual Life Insurance Company, and Luther Hodges, Kennedy’s secretary of commerce. Spaulding, speaking as an advocate of the national black business community, urged Hodges to sponsor a conference on black business. Hodges’ subsequent approval of Spaulding’s proposal appeared linked to

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the positive relationship Hodges had developed with North Carolina Mutual during his previous tenure as governor of North Carolina.¹

The ensuing conference focused on the role of black business in a changing social, political, and economic environment (both nationally and internationally).² It bears noting that the Commerce Department's commitment to this meeting did not include underwriting its cost. In fact, as Berkeley K. Burrell, then president of the Washington, D.C., Chamber of Commerce, noted at the opening banquet:

The economics of this effort have required that all persons who are participating in the three-day Conference—whether as committee members, speakers, or other participants—should pay the full registration fee. . . . We have been quite pleased with the readiness with which people who by rights should be submitting bills for honoraria have actually agreed to pay this registration fee.³

Considering that the Commerce Department did not financially support the conference, Luther Hodges' assertion in his opening address that "the Kennedy Administration is eager to help you, every day and in every way it properly can," must have rung hollow in the ears of some attendees. Moreover, this "transparent" support of an African American initiative reflected the general modus operandi of the Kennedy administration's relationship with blacks.⁴

Detroit Congressman Charles C. Diggs, Jr., who served as the general chairperson of the conference, used his opening remarks to disassociate the meeting from any type of Black Nationalist inclinations. He specifically noted:

Let us say quite frankly that our central concern, at this particular conference, is in the greater participation of Negroes in American business life. Let us hasten to point out that this in no wise implies any interest in any type of segregated—or separate—economy notions."⁵

Diggs's assertions, significantly, reflected the contemporary belief among some black businesspeople that ongoing racial desegregation would help black business gain access to white customers and clients.⁶ Yet, at the time, neither Diggs nor the black businessmen at the Commerce

¹ Walter B. Weare, *Black Business in the New South: A Social History of the North Carolina Mutual Life Insurance Company* (Urbana, Ill., 1973), 280.

² Jonathan J. Bean, *Big Government and Affirmative Action: The Scandalous History of the Small Business Administration* (Lexington, Ky., 2001), 45.

³ H. Naylor Fitzhugh, ed., *Problems and Opportunities Confronting Negroes in the Field of Business* (Washington, D.C., 1962), 11.

⁴ *Ibid.*, 12; Kenneth O'Reilly, *Nixon's Piano: Presidents and Racial Politics From Washington to Clinton* (New York, 1995), 189-237.

⁵ Fitzhugh, *Problems and Opportunities*, 16.

⁶ Robert E. Weems, Jr., *Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985* (Bloomington, Ind., 1996), 103-4.

Department conference could have known that (economic) racial desegregation would prove to be a one-way affair. While white-owned businesses would make considerable inroads among black consumers, white consumers would remain apprehensive about doing business with black-owned enterprises.⁷

Besides declaring black businesses' interest in participating in the mainstream of American economic life, Diggs asserted that the conference wanted to demonstrate the full allegiance of black businesses to American political ideals. He specifically stated that this conference was "motivated by a serious concern not only for the well-being of the Negro citizens involved, but also for the strength of American business enterprise at home and abroad, and for the broader cause of American democracy itself."⁸

Although Diggs (who was not a businessman) spoke glowingly of the potential of black business in an increasingly desegregated society, many of the papers delivered at the conference were far more cautious regarding the present and future possibilities for black business enterprise in America. For example, Lorimer D. Milton, president of Atlanta's Citizens Trust Company, told conference attendees that "the more successful Negroes become in the operation of businesses the stiffer becomes the competition which they must face from other firms—competition for both customers and employees."⁹ The "other firms" to which Milton referred were the increasing number of white companies that were seeking their share of the increasingly lucrative "Negro Market."

Julius A. Thomas, a consultant for the National Urban League, echoed Milton's concerns regarding the future of black business in a desegregated nation. His presentation began by acknowledging that "Negro entrepreneurs arrived on the business scene primarily to provide, for Negroes, certain goods and services which could not be obtained in the so-called white segment of the business community."¹⁰ Moreover, because most white businesses during the early twentieth century viewed African Americans as an impoverished consumer market not worth pursuing, black enterprises were able to develop (by default) a close bond with black consumers. Yet, as Thomas went on to declare, black business in 1961 faced increasingly stiff competition for the patronage of black shoppers:

At the present point in history, we are facing a different kind of situation. Our general economic situation has improved to the point that our business is sought after by all kinds of entrepreneurs. Many of these concerns have almost unlimited capital.

⁷ Ibid., 16.

⁸ Fitzhugh, *Problems and Opportunities*, 16.

⁹ Ibid., 19.

¹⁰ Ibid., 39.

Furthermore, they bring to these enterprises the accumulated “know-how” of years of successful operation in other locations.¹¹

One of the academic presenters at the conference who would go on to achieve considerable professional prominence was Andrew F. Brimmer, then assistant professor of finance at the Wharton School of Business. His paper, entitled “Economic Growth and Investment Opportunities—With Special References to Negro-Owned Businesses,” provided a sobering assessment of the immediate future of black businesses in America. After corroborating Milton’s and Thomas’ earlier assertions about black businesses facing increased competition from their larger white counterparts, Brimmer went on to declare:

Although the demand for *services* will expand more rapidly than the demand for *goods* in the *general* economy, the reverse is likely to be true for *Negroes*. Median income of Negro male family heads, which was about 60 percent of their white counterparts in 1959, may rise to 75-80 percent of projected white median income by 1975, if employment opportunities for Negroes grow as anticipated. As Negroes advance into higher income ranges, they are likely to spend a major share of the gain in income on *goods*—especially durable goods and housing—rather than on *services*. . . . These trends may pose a serious challenge to Negro-owned firms. These firms have, in the past, been concentrated most heavily in the service fields.¹²

Although many of the 1961 conference presentations were cautious (if not pessimistic) in their analysis of black business in America, participants discussed some bold proposals. During a session with the theme “Sources of Capital Financing,” Edward Irons, an associate professor of finance at Texas Southern University, delivered a paper entitled “Needed: A Marshall Plan to Facilitate Capital Formation for the Negro Businessman.” Irons, citing the post–World War II Marshall Plan as a precedent, advocated a similar infusion of capital to assist black businesspersons.

Irons’s proposed “Marshall Plan” for Black America consisted of two distinct, but related, components. He first urged increasing the number of African American commercial banks. After asserting that America’s ten black commercial banks in 1960 controlled only 1/33 of 1 percent of the total assets of all U.S. banks, Irons plausibly declared: “If we accept the premise that no business community can achieve its full business potential without adequate banking facilities, it is easily seen that the Negro business community is suffering from this situation.”¹³ He went on to suggest that the National Bankers Association, an organization of black

¹¹ Ibid., 40.

¹² Ibid., 47-48, emphasis in original.

¹³ Ibid., 74.

bankers, should coordinate the effort to expand black-controlled commercial banking.¹⁴

The second phase of Irons's proposed Marshall Plan for Black America was the establishment of a national financial institution to:

supplement the credit function of local banks, or to provide credit to areas which do not have their own facilities. This national organization would not compete with the local institution; it would handle only those cases which, for legal or other reasons, the local bank could not handle. . . . For example, the average community is in need of venture capital. Banks, as we know, cannot lend venture capital. However, unless a community has venture capital, new businesses cannot get off the ground. This, in large measure, explains why the Negro business community, in the main, is comprised mostly of service establishments which do not require much original capital.¹⁵

Moreover, Irons envisioned this national financial institution as a non-profit entity that would raise funds on a contributory basis.¹⁶

Besides Irons's visionary proposal, presentations focusing on business opportunities in Africa for African Americans provided the business people in attendance some hope regarding their future operations. Although they were increasingly losing the battle (with their white counterparts) for the patronage of African American consumers, the message was that the African marketplace would both enhance the profitability of their businesses and enable them to play an important role in the international battle against communism.

In a presentation entitled "Investment Opportunities in Africa for the Small Businessman," New York Federal Reserve Bank economist Stanley Sumlin no doubt encouraged conference attendees when he asserted: "American Negroes should enjoy some extra advantages in this setting [Africa]. Not only are there ethnic affinities between American and African Negroes; but there is no stigma of colonialism attached to these Western brothers."¹⁷

G. Mennen Williams, the Kennedy administration's assistant secretary of state for African affairs told black business people that their efforts both in the United States and in Africa would "contribute substantially to our total welfare and to the freedom we are pledged to defend and to extend both at home and abroad."¹⁸ Moreover, after acknowledging the pioneering activities of some African American business people in Africa, Williams, with a subtle reference to the Cold War, concluded:

¹⁴ Ibid., 75.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid., 60.

¹⁸ Ibid., 63.

The United States has great need for the participation and assistance of talented people in its activities to build security by increasing world-wide economic development, and the larger participation of the Negro American in this task is no more and no less than an integral part of his full integration into American life.¹⁹

If Williams was a bit circumspect regarding the political dynamics of black business people assuming a more visible role in Africa, LeRoy W. Jeffries, vice-president of the Johnson Publishing Company, was much more direct. In fact, during the course of his presentation, entitled “Public Relations Programs in Small Business,” Jeffries unabashedly asked the question: “After all, who can be a better salesman of democracy in Africa than an American Negro businessman with some worthwhile product or service to offer?”²⁰

In his concluding remarks as conference chairman, Congressman Diggs clearly articulated the black business conference’s linkages with the evolving Cold War. He specifically asserted: “The Conference has reinforced the lines of communication for the delegates with the Federal government, an accomplishment of extreme importance in my opinion. I believe that Secretary Hodges’ opening remarks established a policy of including us in the drive to increase the gross national product and *to help in the Nation’s global struggle with the Sino-Soviet block.*”²¹

Although the question of how black business people could help the United States win the Cold War permeated the proceedings of the 1961 conference, one presenter, Eugene P. Foley, the Commerce Department’s deputy assistant secretary for domestic affairs, suggested another link between the federal government and black business. At the conclusion of his paper, “The Government’s Interest in Business Growth Opportunities,” which offered a perfunctory overview of various Commerce Department and Small Business Administration programs, Foley dramatically shifted gears. After citing the need to establish an organization “interested in promoting business opportunities for young Negroes who demonstrate an aptitude and interest in business,”²² Foley went on to declare:

I realize that much is being done by many people in respect to civil rights; and I fully appreciate that the basic rights of Negroes are the most important matters to be pursued and resolved in this decade. . . . I recognize that seeking business opportunities for young Negroes may not be a fundamental challenge at this time; nevertheless, I do not think it would diminish the energies of the civil rights movement if a few people active in business or closely related to it were to begin opening up commercial avenues for

¹⁹ Ibid., 66.

²⁰ Ibid., 89.

²¹ Ibid., 99 (italics added).

²² Ibid., 54.

young Negro businessmen. I would like to become part of such an activity.²³

Significantly, Foley's quest to link the civil rights movement with increased black business ownership received a big boost in August 1963 when President Kennedy appointed Foley to direct the Small Business Administration.²⁴ Furthermore, Foley's political inclinations, coupled with President Kennedy's subsequent assassination and Lyndon B. Johnson's desire to enact his predecessor's civil rights agenda, put Foley in a position to truly make his administrative mark. Specifically, as Jonathan J. Bean asserted in his history of the Small Business Administration, Foley wanted "to advance his own version of the War on Poverty by promoting the establishment of black businesses in the ghetto. In the next two years, he transformed the agency [SBA] into a vehicle for social change."²⁵

Foley's vision of an enhanced black business community in America subsequently received endorsement from other government officials, most notably, President Richard M. Nixon and his "Black Capitalism" initiative. Nevertheless, when we survey the tenuous state of many black enterprises in contemporary America, the pessimistic projections about the future of black business expressed at the 1961 Commerce Department conference on black business appear disturbingly accurate.

²³ Ibid., 54-55.

²⁴ Bean, *Big Government and Affirmative Action*, 36.

²⁵ Ibid.