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The Pandemic Divide: How COVID Increased Inequality in America.

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By now the data are clear. With the exception of the Great Depression, the COVID-19-induced recession will be recorded as the worst economic downturn in modern history. Shuttered stores. Massive unemployment. Empty buildings. Bankruptcies. Unlike past economic fallouts, which happen routinely as markets heat up and cool down, this was driven not by a business crisis but by a health crisis. As a result, the economy entered into a forced and extended shutdown. Though much of the American economy eventually reopened, albeit at different levels depending on local and state politics, until the health crisis is solved, mitigated, or at least contained, the business crisis will remain a threat to a full recovery.

Though the cause of this recession is a historical anomaly, what remains consistent with past economic downturns is the relatively disparate negative impacts to various communities—as well as the identity of those communities. According to research conducted early in the pandemic by Robert Fairlie at the University of California at Santa Cruz, while small businesses owned by whites, Asians, and Latinos dropped by 17 percent, 26 percent, and 32 percent, respectively, no racial group saw a decline as significant as that of black-owned businesses (Fairlie 2020). Black-owned businesses, where the operations of the firm were the primary means of income and employment for the owner,
plummeted from an estimated 1.1 million in February 2020 to just 640,000 by April 2020—a drop of 41 percent.

This rapid and dramatic loss of black business from the American landscape is not the only notable statistic from the pandemic. Very little of the federal government’s economic response to this crisis made its way to black-owned firms. More than $2.2 trillion in initial direct aid to the economy was ushered through the halls of Congress in record time in March 2020. As part of this early legislation, the US Treasury’s Paycheck Protection Program (PPP) was granted a total of $660 billion to assist small businesses (US Department of the Treasury 2020). The PPP was designed as a loan under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide a direct incentive for small businesses to keep their workers on the payroll through the pandemic. Provided at an interest rate of 1 percent, with a maturity of two to five years and deferred payments for six months, these loans—which came with no fees and no collateral or personal guarantee obligations—are fully forgivable if used for approved purposes, specifically maintaining payroll (SBA 2020b).

The US Small Business Administration (SBA) launched the PPP on April 3, 2020, just a week after the CARES Act was passed (SBA 2020a). Within two weeks, more than 1,661,000 loans totaling nearly $342.3 billion had been approved. By early May 2020, those figures had risen to 4,102,736 loans totaling $525.8 billion. In just thirty-three days, this dollar figure represented more than twenty times the largest previous lending year in the history of the SBA.

Though early signs of the PPP pointed to anecdotal evidence that minority businesses, especially black firms, were being left out of this unprecedented capital program, such a hunch was difficult to quantify statistically. In the several months following the program’s launch, the SBA downplayed the importance of providing any such demographic data, choosing instead to direct attention to the overall program’s universal goals. Others continued to press for these data. Compelled by lawsuits from several news agencies and pressure from Congress, in July 2020 the SBA finally released data on PPP borrowers who received loans above $150,000 (Kranhold and Zubak-Sees 2020).

Though the PPP demographic data contained in the released report (see table 6.1) were limited because of the fact that just 14 percent of businesses chose to identify race in their loan applications (the SBA didn’t require it), clear patterns emerged across ethnic and racial groups in terms of beneficiaries (SBA Office of Capital Access 2020). More specifically, when comparing PPP loan data across America’s five major race/ethnic groups—white, black, Asian, American Indian, and Hispanic—there are sharp disparities. Matching racial
data from the US Census Bureau and the Small Business Administration offers quantitative indicators of the degree or extent to which small-business ownership in various racial/ethnic groups were either underrepresented or overrepresented given their relative population distributions.\(^1\)

As table 6.1 reveals, both white (83.4 percent) and Asian (7.6 percent) firms were overrepresented with PPP loans compared to their shares of the overall population, while Hispanic (6.6 percent), black (1.9 percent), and American Indians (0.6 percent) were each underrepresented. Accounting for 1.9 percent (12,783) of the total loans received, black-owned firms received just 14.4 percent of the total PPP loans they should have received to be equitable to their overall population share. The black community, by far, had the most inequitable distribution share of any US business population by race. White- and Asian-owned firms both received above-equity levels of lending: white firms benefitted the most, receiving nearly 154,000 loans—38.7 percent above their equitable proportion.

Numerous national independent surveys conducted since the Paycheck Protection Program was instituted provide a glimpse into the nature of this unequitable

**Table 6.1. Firm-level Paycheck Protection Program (PPP) racial analysis**

<table>
<thead>
<tr>
<th>Racial Group</th>
<th>Loan Count</th>
<th>Loans received(^d) (%)</th>
<th>Population(^3) (%)</th>
<th>Underrepresented or overrepresented loan count</th>
<th>Equity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>551,233</td>
<td>83.4</td>
<td>60.1</td>
<td>153,841</td>
<td>138.7</td>
</tr>
<tr>
<td>Black or African American</td>
<td>12,783</td>
<td>1.9</td>
<td>13.4</td>
<td>(75,820)</td>
<td>14.4</td>
</tr>
<tr>
<td>Hispanic</td>
<td>43,396</td>
<td>6.6</td>
<td>18.5</td>
<td>(78,929)</td>
<td>35.5</td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td>3,855</td>
<td>0.6</td>
<td>1.3</td>
<td>(4,741)</td>
<td>44.8</td>
</tr>
<tr>
<td>Asian</td>
<td>49,951</td>
<td>7.6</td>
<td>5.9</td>
<td>10,939</td>
<td>128.0</td>
</tr>
<tr>
<td>Total PPP loans</td>
<td>661,218</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s analysis of data from the US Department of Treasury (2020); Small Business Association Paycheck Protection Program (US Small Business Administration 2020a); and US Census Bureau (2020b).

Note: Subsection of firms from total PPP pool: loans above $150,000 as of July 6, 2020.

1. These loan count figures by race are estimates based on data extrapolated from SBA figures of the 94,501 applicants who filled out demographic information of the 661,218 actual total loans distributed.

2. Percent of loans received can equal more than 100% as these figures are rounded up or down for simplicity.

3. Percent of population can equal less than 100% as multiracial populations may not be captured in this analysis. White captures those who responded on census survey as white only, not Hispanic or Latino, or any other nationality.
distribution of funds across racial lines. In one such survey, a majority of black business owners reported that when they explored garnering a PPP loan, they were either outright rejected (41 percent) or were still waiting to hear back from the institution (21 percent), while only a small percentage reported ultimately receiving a loan (12 percent) (Global Strategy Group for Color of Change and UnidosUS 2020). It should be noted that this survey was conducted after the introduction of the second round of PPP, which by congressional statute was supposed to specifically focus on and prioritize underrepresented businesses (veterans, rural, minority-owned, women-owned, economically and socially disadvantaged, businesses less than two years old) (SBA 2020a). A May 8, 2020, report by the Small Business Administration’s inspector general found that the SBA did not comply with this part of the law’s guidance and did not enforce it with bank lenders.

Others argue that a primary reason for the loan disparities is that the first round of PPP required priority funding to go toward firms most at risk of laying off employees. Sole proprietorships, contractors, and gig economy workers were required to wait a week before they could apply for PPP loans (Abramson 2020). Since more than 96 percent of black businesses are sole proprietorships and have no employees, compared to 92 percent of Latinx and 82 percent of white firms, this led to exclusion by program design (US Census Bureau 2012b). In addition, qualifying for PPP as a sole proprietor required the submission of proof of income documentation—such as earnings reports, pay stubs, or invoices—that might have proven burdensome to many black business owners (US Department of the Treasury 2020). Furthermore, those sole proprietors who incorporated their business as a C corporation or S corporation, but who paid themselves through dividends instead of salary (a common practice), they were ineligible for the PPP altogether. These statutory regulations were likely disproportionately negative for black sole proprietors.

Some might argue this exclusion is not outright discrimination but rather an unintended and unfortunate byproduct of the general firm characteristics of the current US small business and entrepreneurial ecosystem. However, additional data suggest that the unequal distribution of funds might not be simply a product of the economic landscape or so benignly separated from race.

Matched-paired testing, used to detect discrimination by using a pair of testers with different races but similar profiles as a way to determine differences in treatment, was utilized by the National Community Reinvestment Coalition (NCRC) to discern whether there were any racial biases in the PPP (Lederer et al. 2020). The resulting study released by NCRC found that even with better financial profiles, black business owners were treated worse than their white
counterparts and were offered fewer and different loan products. Moreover, not a single black female business owner was encouraged to apply for a PPP loan. Kanye West’s apparel brand business, Yeezy, received a high-profile loan of $2–$5 million from the PPP, but he was the exception as a black-owned business, not the rule (Duffy 2020). West’s success spoke more to the size of his firm at 106 employees and his personal connections than to the program’s equitable execution. In the first round of PPP, 75 percent of loans went to businesses in census tracts where a majority of residents are white (Flitter 2020).

Though black-owned firms were disproportionately unsuccessful in garnering their equitable share of the PPP, others succeeded in doing so, even when they should not have. On September 1, 2020, according to a report released by members of the US House Select Committee on the Coronavirus Crisis, initial findings “suggest a high risk for fraud, waste, and abuse” within the PPP’s application and distribution procedures (Select Subcommittee on the Coronavirus Crisis 2020). Within PPP, 600 loans totaling $96 million went to companies ineligible to receive funding; 10,850 more loans totaling $1 billion went to firms that received multiple loans despite regulatory prohibition of this; another 353 loans totaling $195 million went to government contractors who should have been disqualified because of “performance or integrity issues”; and $3 billion of additional loans were issued to what were considered “suspicious” borrowers.

Though discouraging, these figures of inequitable distribution across both the bad (firm losses) and the good (loan proceeds) are unfortunately not surprising. Similar to past responses to federal crises, it is clear that race matters and that it will have far-reaching and long-term implications. For example, most of the loans to black firms were to sole proprietorships, making them ineligible for forgiveness and requiring repayment, while billions of dollars to white firms that constitute the majority of employee-based firms will convert to grants (making them, in essence, free money). The combination of the disproportionate overrepresentation of black firm loss, likely as a result of the disproportionate underrepresentation of federal aid and other historic gaps, along with the forgivable nature of the PPP loan, will exacerbate the already extraordinary US racial wealth gap.

These data support the classic axiom that when the white community gets the flu, the black community catches pneumonia—and while the former community gets full medical treatment, the latter community gets no treatment or a placebo. It raises the question: When the white community gets coronavirus, what does the black community get, and what can and should be done about it? The goal of this chapter is to answer those critical questions and more—most
notably, to comprehend the ultimate impact of COVID-19 on the American black business ecosystem. These inquiries are perhaps most importantly contextualized more broadly speaking within one definitive question: What does the future of the black economic landscape look like in America?

**The Racial Business Ecosystem, Pre-COVID-19**

Historically, communities have developed group-focused entrepreneurial ecosystems, with an eye toward either maintaining competitive advantage or combating or circumnavigating institutional barriers to entrepreneurial success (McKoy and Johnson 2018). These ecosystems are made up of trusted, mutually reinforcing, multisectoral, group-specific relationships, which are designed to facilitate, support, and advance entrepreneurship as an economic development strategy. These ecosystems allow for the resiliency and survival of the communities during structural changes to the economy, allowing them to grow and expand during good times, and ensuring they do not suffer irrecoverably during bad times. The current-day pandemic did not create the racial economic and entrepreneurial inequities we are now witnessing. Instead it has further exposed, exacerbated, and accelerated what was already, and has long been, present (McKoy 2020).

In an August 1897 *Atlantic* article, “Strivings of the Negro People,” eminent-scholar W. E. B. Du Bois decried that “to be a poor man is hard, but to be a poor race in a land of dollars is the very bottom of hardship” (Du Bois 1897). Nearly 125 years later, blacks remain a poor race in an extremely wealthy country and world, and they continue to bear the burden of what Du Bois called “the negro problem”—or the feeling of poverty: cent-less, home-less, land-less, tool-less and savings-less, yet having to continuously enter into competition with “rich landed, skilled neighbors.” This phenomenon is predominantly evident when analyzing the racial entrepreneurial landscape. Blacks remain a poor race and business class in America, during both economic expansions and contractions, even after more than a century and a half of striving.

In recent decades, as blacks have increased their share of the overall American demographic, a corresponding rise in their entrepreneurial share has followed. At first glance, this pattern would appear to be a positive trend, since rises in entrepreneurship lead to rises in business growth and, presumably, increases in wealth. Instead, collective black wealth has steadily dropped, with estimated projections—based on trend data—of a decline to a median of $0 by 2053 (Collins et al. 2017). That prediction was made prior to COVID-19’s arrival, and it is assured to be accelerated as a result of the pandemic’s current impact.
on black America. A key factor in this counterintuitive trend of increased entrepreneurship and decreased wealth can be attributed, at least partly, to the types of businesses that dominate the black business landscape: sole proprietorships.

A typical business ecosystem includes both well-established and new entrepreneurial ventures (McKoy and Johnson 2018). These networks of interacting firms evolve over a long process, defining relationships among industry players, with entrepreneurial insights interacting with strategic thinking to create, shape, navigate, and exploit business ecosystems. In the process, these business ecosystems, as they grow, connect to communities via wealth creation, human capital investment, experiential capital investment, and job creation (Zahra and Nambisan 2012). However, even as blacks experienced a steady rise in business ownership during the years prior to COVID-19, it is important to look more closely at the data. While, in recent years, the popular press was replete with stories that highlighted the growing status of historically underutilized businesses, particularly black-owned firms, a more scholarly and expansive analysis uncovers a less rosy picture of modern trends. A critical aspect of measuring the relative economic status, strength, and resiliency of a community is to look at their entrepreneurial landscape—or more specifically, their relative position within the broader entrepreneurial ecosystem.

During America’s last recession (2008–2012) blacks experienced the second-highest entrepreneurial growth of any population, at 34.5 percent, trailing only Hispanics at 46.3 percent, but significantly above Asians (23.8 percent) and American Indians (15.1 percent) (US Census Bureau 2012a). This minority business expansion stood in contrast to white firms, which experienced an overall business decline of nearly 5 percent. Black firms were seemingly making up ground on their white counterparts, moving 33.55 percent closer to being numerically and proportionately equitable based on population share relative to white firms between 2007 and 2012—the largest relative jump of any racial group (McKoy and Johnson 2018).

Yet, using an alternate quantitative vantage point provides a useful perspective when thinking about entrepreneurial equity. During that same time period, when measuring only for firms with paid employees—as opposed to all firms (those both with and without paid employees)—instead of losing ground, white firms actually grew overall by 2.2 percent during the Great Recession (US Census Bureau 2012a). In contrast to the previously reported aggregate overall firm growth of more than one-third, black firms with paid employees actually collectively declined 2.4 percent relative to their white counterparts—they were the only racial minority group in America to experience negative growth in this regard. As a result, prior to the COVID-19 pandemic black firms—when mea-
sured for parity—had just 13 percent of the firms with paid employees that they should have had when compared to white firms (McKoy and Johnson 2018).

Furthermore, black firms with paid employees were underrepresented when compared to all other racial groups as well. Blacks only had 10 percent, 21 percent, and 53 percent of firms when compared to Asians, American Indians, and Hispanics, respectively, to be considered equitable relative to those populations. In short, black firms were being started at unprecedented levels in modern times prior to COVID-19, but unlike their counterparts of other races/ethnicities, they have not been, and are not, growing beyond a single worker-owner. In fact, black-owned firms with paid employees were, and are, declining rapidly (even prior to COVID-19) relative to their peer groups.

To illustrate why such continued decline is so troublesome, table 6.2 presents pre-COVID-19 data on racial business shares within leading US industries based on firms with paid employees. This snapshot paints a portrait of the disparate, perpetually underrepresented existence of black-owned firms. White firms control 80 to 90 percent of every major American industry with regard to firms with paid employees, providing their owners a basis for the continued formation of the key components of a thriving, robust, and growing entrepreneurial landscape; specifically, an ecosystem that can provide entrepreneurial capital (i.e., financial capital, experiential capital, human capital, and social capital) that intrinsically benefits their broader and race-specific community economic ecosystems, even if not distinctively aiming to.

When entrepreneurs launch firms, they eventually hire new employees, and most often those employees match the demographic of the founder or founders—in terms of both race and gender (Boston and Boston 2007). Typically, businesses with paid employees are the most viable and thus the most financially successful (Austin 2016). Businesses with paid employees outearn those without paid employees by a significant factor. In 2012, firms with paid employees generated 97 percent of the $33.5 trillion generated in sales, receipts, or values of shipments. Firms without paid employees produced the remaining 3 percent (just under $1 trillion) (McKoy and Johnson 2018). Employer businesses create the most wealth for their owners, employees, and associated communities. Consequently, if whites are significantly overrepresented in ownership of firms with paid employees, and if those firms routinely hire from their associated racial populations, then the ensuing outcomes will be evident in the broader community landscapes. In other words, the relative advantages and disadvantages will be distributed inequitably in visible ways.

Moving from the pre-COVID-19 industry perspective, to the aggregate viewpoint and employing six quantitative measurements, table 6.3 provides insights
into both positive and negative economic distributions as they already were before the current pandemic. Both firm and revenue shares indicate which demographic populations are achieving representative success in their economic strivings. Since firm owners, as they grow, hire primarily those from their representative networks, poverty share is included in this analysis as a quantitative proxy indicator of how well the benefits of representative ownership are accruing from the entrepreneurial and business ecosystems to the broader community economic ecosystem.

As table 6.3 illustrates, and which was also evident from the previous eight sector industry-level analysis in table 6.2, when all economic sectors are accounted for, white firms already maintained a commanding aggregate economic presence prior to the COVID-19 pandemic: they were overrepresented in the positive metrics of community firm ownership and community revenue generation and underrepresented in the negative metric of community poverty share. Black firms and their community, in contrast, collectively held a much different position before COVID-19’s arrival. These representative US entrepreneurial landscape data might be helpful in understanding why the “universal” nature of the PPP structure—especially in round one—likely worsened relative inequity among firms across race/ethnicity in America instead of improving it (SBA 2020a).
Among the simplest ways to racially categorize the (in)equity of America’s business landscape prior to COVID-19, while juxtaposing that against the federal response, is to imagine that the millions of people, firms, and PPP loans in the United States were reduced to just factors of one hundred: one hundred people, one hundred companies, one-hundred dollars in business revenue, one-hundred dollars in entrepreneurial capital leverage, and one hundred PPP loans distributed. Table 6.4 presents this data on relative entrepreneurial ownership and entrepreneurial wealth by race/ethnicity pre-COVID-19. An additional column, with data pulled from Table 6.1, is added to reflect the corresponding figures related to the PPP loan distribution for supplementary analysis of the program’s (in)equity.

Table 6.4 is consistent with previous data and studies that show both white and Asian firms—relative to their overall community population share—as routinely overrepresented in economic equity measurements, whereas black, American Indian, and Hispanic firms are consistently underrepresented (McKoy and Johnson 2018). In measurements related to number of companies (nine) and entrepreneurial wealth strength ($8), Asian firms are above equity, while at equity ($6) in terms of economic revenue (i.e., cash). White firms are significantly above equitable levels in all three categories: companies (eighty-three), cash ($90), and strength (ninety-two). Thus, in an America measured out of hundreds, the sixty white Americans own eighty-three of the one hundred firms, possess $90 of the $100 in cash, and control 92 percent of the national capital markets. Conversely, the thirteen black Americans own just two firms among themselves, survive on just $1 in cash shared between them, and collectively have $48 in negative financial leverage and equity. As of this writing,
following over a year of the federal PPP’s operations, those two shared firms would have declined to one, and that shared $1 would be nearing $0 for black Americans.

In the earlier analysis represented in table 6.1, the significant inequity among firms of different races—based on the amount of PPP loans received relative to their overall population share—was the central focus. Conversely, using table 6.4 as a reference, one might be compelled to argue that if the percentage of firms with paid employees was used as the baseline demographic for the PPP loans, as opposed to the overall racial population share, then the program would prove appreciably more equitable in its distribution of loans. The firm shares and PPP shares are nearly identical. This analysis, however, ignores the two columns that sit between those data. There should be a convincing argument that when all of these pre-COVID-19 business characteristics are taken into consideration, that the PPP was distributed even more inequitably than even first posed.

If, as stated in the CARES Act, the purpose of the PPP was to help small businesses “survive the coronavirus crisis” and to “[reach] small businesses truly in need,” then the program might have been better organized as one that was means-tested, instead of universal in nature (Select Subcommittee on the Coronavirus Crisis 2020). Kanye West’s multibillion dollar apparel business was not the only one that rushed to the front of the PPP line. The companies approved for the larger loans—those above $150,000 that have been presented in this chapter—captured around 75 percent of the program’s total funding, though they represent a relatively small percentage of the 4.1 million borrowers. Large, well-resourced companies, such as Soho House or Gores Vitac Holdings—both

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>100 people</th>
<th>100 companies</th>
<th>$100 firm cash (§)</th>
<th>Entrepreneurial wealth strength (§)</th>
<th>100 PPP loans received</th>
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</thead>
<tbody>
<tr>
<td>White</td>
<td>60</td>
<td>83</td>
<td>90</td>
<td>92</td>
<td>83</td>
</tr>
<tr>
<td>Black</td>
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<td>2</td>
<td>1</td>
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<tr>
<td>American Indian</td>
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</tr>
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<td>Asian American</td>
<td>6</td>
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<td>19</td>
<td>6</td>
<td>3</td>
<td>-54</td>
<td>7</td>
</tr>
</tbody>
</table>

1. Figures are rounded, thus may not add to 100.
2. Paid-employee firms only.
controlled by billionaire proprietors—as well as Ruth’s Chris Steakhouse and Shake Shack, were among those who initially garnered PPP loans. Following mass public outcry, Ruth’s Chris Steakhouse and Shake Shack hurriedly returned their funds, proving the dollars were not vital for their immediate survival to begin with. By contrast, in May 2020, nearly half of the remaining black business owners surveyed (following the first wave of closings when nearly half of black businesses shuttered in the United States) said they anticipated closing within six months (by November 2020) as only one in ten received the PPP funding they requested (Global Strategy Group for Color of Change and UnidosUS 2020). Based on their relative economic position to other races/ethnicities prior to the pandemic, with little capital at their disposal and an inability to leverage the strength of their entrepreneurial wealth, black-owned firms in the United States should have immediately been ushered to the front of the PPP line for federal assistance.

The “covid-19 Health (i.e., outbreak) curve” has become the prevailing, but simple, hallmark visual representation of society’s current collective health condition, with efforts to “flatten the curve” as the paramount indicator of success against the coronavirus spread—including infections, hospitalizations, and deaths. A comparable visual curve, and one also in need of flattening, is the racial entrepreneurial equity curve (see figure 6.1). This plotted figure offers an equally simple quantitative representation of the collective health condition of America’s entrepreneurs.

When utilizing data from table 6.3—population share, firm share, revenue share, and poverty share—to calculate a quantitative measurement of overrepresentation and underrepresentation of American racial ecosystems, a relative equity score categorized by race/ethnicity can be computed, indexed, and charted to produce a curve. A perfectly flat curve would represent a perfectly equitable business and entrepreneurial ecosystem, with each population receiving its equitable share of economic benefits and economic ills. For the associated racial business ecosystems to have benefitted similarly from the PPP, this curve would have needed to be flat (i.e., perfect equity) prior to loan disbursements, which would have been representative of an overall equitable economic distribution system. Instead, blacks and Hispanics were grossly and negatively inequitable relative to their other US racial counterparts, who were at, near, or well-above equitable economic levels, pre-covid-19 (figure 6.1).

White firms, in aggregate—especially the largest ones—entered the pandemic with firm control over the US entrepreneurial and business economic ecosystems, finding themselves well positioned for opportunistic activity (i.e., mergers, acquisitions, etc.) and possessing the absorptive capacity for any negative
shocks. In contrast, black-owned firms in aggregate—with diminutive market ownership, miniscule revenue share, and negative capital leverage capacity—were (and continue to be) fighting for their collective survival: a perilous and precarious position they know, and have known, all too well throughout their history. This black American entrepreneurial journey, connected in its pathos to the global black diaspora but still distinct from other black parts of the world, must be both fully understood and reckoned with if black-owned firms in the United States hold any chance of surviving both the disproportionately negative impacts of the COVID-19 crisis on business and the subsequently inadequate policy responses.

How We Got Here
The notion that black entrepreneurship might altogether disappear from the American landscape, and black entrepreneurs from the economic ecosystem, as a result of COVID-19 might seem farcical. Blacks have been a constant, essential,
and fundamental element of American entrepreneurship since the United States was a British colony. The black slave body was literally the enterprise around which capitalism was organized, instituted, expanded, and globalized, even before those same bodies could legally organize separate enterprises of their own (Beckert and Rockman 2016, 1–5). However, black entrepreneurship and business ownership—as a practice—existed even prior to the end of slavery in 1865, and even in the South. The total value of all free black-owned establishments and personal wealth in the United States in 1860 was at least $50 million—half of which was based in the slave South (Marable 1983, 141). Consequently, in the four hundred years since blacks have been in America, this entrepreneurial spirit and resilience has survived abundant intrinsic and existential threats and crises—many seemingly more trying and encompassing than COVID-19.

Despite numerous barriers and trials, black-owned firms have always historically outpaced the overall business market in new firm starts. The total number of black-owned businesses in the United States was approximately two thousand in 1863, four thousand in 1873, and ten thousand in 1883 (Marable 1983, 143). Growth rates for black businesses declined abruptly between 1883 and 1903, a result of the initial loss of whites patronizing black businesses following the end of Reconstruction and subsequent racial segregation (Marable 1983, 143–144). However, by 1914, the number of black businesses had increased to forty thousand (Marable 1983, 144). By 1929, the number of black firms was greater than seventy thousand—bolstered rather than hampered by legal racial segregation. This decade (1919–1929) that buttressed the Great Depression ended what some refer to as the “golden years of black business” (Marable 1983, 146). Thousands of black businesses went bankrupt during the Great Depression, with pre-Depression growth not resuming until after World War II (Marable 1983, 148–50). As a result of the Civil Rights Era, beginning in the 1950s and lasting through the 1960s, black firms grew at a brisk pace as politicians and corporate leaders sought to improve their relationship with the broader black community.

In 1972, the number of black businesses in America had grown to 187,602. A half-decade later, a more than 23 percent growth rate had increased that number to 231,203 (Stuart 1981). Still, as a percentage of the overall US economic ecosystem, black firms remained miniscule relative to the marketplace—2.4 percent in 1972 and 3.3 percent in 1977, during a time in which blacks composed roughly 12 percent of the overall population. Even with the 23 percent growth in firm count, in 1977, these black-owned firms accounted for just two-tenths of 1 percent of the total business revenue. At the time, 94 percent of black-owned businesses were sole proprietorships, 2 percent were corporations, and
4 percent were partnerships (Stuart 1981). Like now, black ownership figures in 1977 skewed smaller than the broader landscape, in which 77 percent of businesses were sole proprietorships, 15 percent were corporations, and 8 percent were partnerships.

Returning to 1972 as the year for comparison and focusing on three metrics (the count of all black firms, the collective revenue of all black firms, and the average revenue per firm), insights emerge as to the pathway to the precarious condition of the current black entrepreneurial ecosystem.

Table 6.5 (visually represented by figure 6.2) shows that despite constant increases in firm counts and steady revenue growth across the last half century, black firms—or perhaps more accurately, contemporary black entrepreneurs—are getting poorer on average. With the exception of 1977 to 1982, during which average firm revenue declined by over 16 percent—likely as a result of the inflationary pressures, oil crisis, and ensuing recession of the late 1970s—black businesses saw positive average revenue growth during the last three decades of the twentieth century. Contrast that to the twenty-first century (see figure 6.2), during which black firms have never experienced positive average revenue growth, averaging instead a per annum decline of more than 2 percent—a pattern that has persisted whether the economy was contracting or expanding. In short, black businesses are getting poorer with each passing year and have lost one-third of their total average revenue since the beginning of the 2000s.

A broad examination of black-owned business in America over the last four-to-five decades exposes many compelling and encouraging data points—points

<table>
<thead>
<tr>
<th>Year</th>
<th>All black firms</th>
<th>Change (%)</th>
<th>All black firm revenue ($)</th>
<th>Change (%)</th>
<th>Average revenue per firm ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>187,602</td>
<td>—</td>
<td>5.5B</td>
<td>—</td>
<td>29,317.38</td>
<td>—</td>
</tr>
<tr>
<td>1977</td>
<td>231,203</td>
<td>23.2</td>
<td>8.6B</td>
<td>56.4</td>
<td>37,196.75</td>
<td>26.9</td>
</tr>
<tr>
<td>1982</td>
<td>308,260</td>
<td>33.3</td>
<td>9.6B</td>
<td>11.6</td>
<td>31,142.54</td>
<td>16.3</td>
</tr>
<tr>
<td>1987</td>
<td>424,165</td>
<td>37.6</td>
<td>19.8B</td>
<td>106.3</td>
<td>46,679.95</td>
<td>49.9</td>
</tr>
<tr>
<td>1992</td>
<td>620,912</td>
<td>46.4</td>
<td>32.2B</td>
<td>62.6</td>
<td>51,895.20</td>
<td>11.1</td>
</tr>
<tr>
<td>1997</td>
<td>823,500</td>
<td>32.6</td>
<td>71.2B</td>
<td>121.1</td>
<td>86,460.23</td>
<td>66.7</td>
</tr>
<tr>
<td>2002</td>
<td>1.2M</td>
<td>45.7</td>
<td>89.0B</td>
<td>25.0</td>
<td>74,166.67</td>
<td>14.2</td>
</tr>
<tr>
<td>2007</td>
<td>1.9M</td>
<td>58.3</td>
<td>137.5B</td>
<td>54.5</td>
<td>72,368.42</td>
<td>2.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.6M</td>
<td>36.8</td>
<td>150.0B</td>
<td>9.1</td>
<td>57,692.31</td>
<td>20.3</td>
</tr>
</tbody>
</table>

Figure 6.2. US black firm forty-year numerical change, average change, and average revenue change, 1972–2012. See table 6.5.
that are sometimes contradictory and seemingly inconsistent with the overall picture. From 1972 to 2012, the aggregate number of black-owned firms grew 1,286 percent, and aggregate black-firm revenue grew 2,627 percent: forty years of average annual growth at 32 percent and 66 percent, respectively. Black firms with at least $1 million in revenue grew more than twenty-fold—from around 715 in the mid-1970s to around 14,500 by the mid-2000s (Stuart 1981; US Census Bureau 2007). During that same period, aggregate black consumer buying power rose from an estimated $70 billion in 1973 (up from $30 billion in 1960) to nearly $910 billion in 2009; it is currently estimated at more than $1.3 trillion—an eighteen-fold increase (Marable 1983, 158; Nielsen Corporation 2019). Yet, in forty years, this development has only resulted in 97 percent total average revenue per firm growth for black entrepreneurs. During these four decades, average revenue per black firm increased by only 2 percent annually, preventing it even from doubling during that period.

To identify each economic impact—good or bad—that has left an impression on the trajectory of African American businesses would be impossible. However, characterizing the relationship between black entrepreneurship and business and the broader American (and global) ecosystem might be a useful analysis. These characterizations are divided into stages here and in table 6.6.

Deep-seated, entrenched, and systematic racism and discrimination have been the standard across all of these stages of black entrepreneurship in America. As a result, over time, the overall community economic ecosystem of black America has become increasingly fragile, weak, and hollowed.

The benefits that accompanied the emancipated black slave as a skilled and expert craftsman were countered by the two-thirds black illiteracy rate, a lack of business acumen resulting from centuries of bondage, and “black codes” (stage II) (Du Bois 1903). The benefits that accompanied segregation—forced black group economics—were countered by the serious violence that destroyed life and wealth in nearly fifty black communities across America between 1919 and 1923 alone, including in Tulsa, Oklahoma; Rosewood, Florida; and dozens of less well-known instances (stage III). Hundreds of black economic centers and business ecosystems would be destroyed in the decades ahead through federally funded urban renewal and highway projects. The “Silver Rights” benefits that accompanied the “Civil Rights Era” and the rise of black political influence, such as increased government contracting and opportunity, were countered by the unreciprocated and massive movement of consumer dollars from the black economic ecosystem to the white one (stage IV). The benefits that accompanied the recognition of the strength of the black consumer market by white
<table>
<thead>
<tr>
<th>Stage</th>
<th>Time period</th>
<th>Key drivers</th>
<th>Characteristic outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>I—Slavery</td>
<td>1619–1865</td>
<td>Enslaved blacks were at the heart of enterprises as private property and means of production. Some free blacks in the North and South owned firms.</td>
<td>Enslaved blacks were denied the wealth they created. Free blacks were harassed, had businesses destroyed, or were killed in the North and South. Forced to rebuild from scratch.</td>
</tr>
<tr>
<td>II—Artisan entrepreneurs</td>
<td>1865–1883</td>
<td>Former slaves provided an array of services to primarily white patrons.</td>
<td>Black codes (“vagrancy codes”) were instituted to deny blacks ability to be entrepreneurs. Illiteracy and lack of business education hampered efforts.</td>
</tr>
<tr>
<td>IV—Civil rights entrepreneurs</td>
<td>1963–1988</td>
<td>Black firms grew as politicians instituted affirmative action government business programs. This corresponded with growth of black political influence. Followed by decline of historic anchoring community institutions.</td>
<td>Social and economic integration went one way—black dollars into white communities, weakening and hollowing black economic base. Public sector promises to support black capitalism not kept. Number of federally protected business populations grew without growth of programs and resources.</td>
</tr>
<tr>
<td>V—Intermediary entrepreneurs</td>
<td>1988–2008</td>
<td>New black firms grew as white corporate elite sought to attract growing black consumer dollar, using black intermediary firms (media, advertising, etc.) to market. This (briefly) bolstered broader black entrepreneurial economic ecosystem.</td>
<td>Truncated “Golden Years II.” Educated blacks entered white corporations at an increasing rate. White corporations began creating black focused divisions and talent recruitment. Black firms continually faced racial discrimination in public and private sectors.</td>
</tr>
</tbody>
</table>

(Continued)
corporate elites were countered when those same corporations moved from procurement using black-owned intermediary firms to attract black dollars to transitioning that work in-house (stage V). This development led to a black business decline that was even quicker than the associated rise in black-owned businesses, as talent, along with opportunity, evaporated from black firms almost immediately. The benefits that have accompanied the rise of the black entrepreneurial startup in the twenty-first century, leading to nearly 2.6 million firms by the end of 2012, have been countered by the ongoing institutional racism and bias—specifically in banking and investment finance—that keeps them from growing beyond the founding entrepreneur (stage VI).

It is not the single contemporary effect of COVID-19 that threatens the survival of the black business ecosystem, but the uniqueness of the crisis coupled with the cumulative effects of past economic stressors and shocks. Black America as an entrepreneurial ecosystem is economically hollow—limited in absorptive capacity of both good and bad outcomes. Furthermore, the PPP is not the first program introduced under the guise of universality to address a major economic crisis that eventually exacerbated already present racial economic inequities. From the New Deal to the GI Bill to relief for distressed farmers and everything in between, blacks have absorbed the actual impact of most negative economic disruption in America’s history with little to no cushion.

Each disruption, large and small, from the beginning of the seventeenth century until now, has tested the collective resilience and resolve of the black community and the associated black business ecosystem. Though black business has recovered from each blow, they have, collectively, rebounded more weakly following each aftershock. Stages II–VI were hampered and harshened by the re-

<table>
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<tr>
<th>Stage</th>
<th>Time period</th>
<th>Key drivers</th>
<th>Characteristic outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>VI—Hustle entrepreneurs</td>
<td>2008–present (12 years +)</td>
<td>Black firms see significant growth, but primarily in service industries, with more sole proprietorships, and with less average revenue. Black sports and entertainment entrepreneurs become the primary black entrepreneurial role models for society.</td>
<td>Black workers and black firms are continually displaced by globalization and automation. Black anchor institutions, such as banks, increasingly disappear from the black community economic ecosystem. Black firms are disconnected from the financial marketplace.</td>
</tr>
</tbody>
</table>
The residual impacts of stage I—by far the longest of all the stages (see figure 6.3)—the denial of two and a half centuries of enterprising wealth creation. Consequently, as a result of COVID-19’s economic impacts, outcomes will continue to get worse for black business and entrepreneurship before they (maybe) get better.

**Expected Postpandemic Outcomes for America’s Black Business Ecosystem**

Thus far, all data previously discussed have centered on the prepandemic racial business landscape, homing in on black-owned firms relative to their racial/ethnic counterparts as well as to the distinct stages that black entrepreneurship in the United States has followed. Attention will now be turned from the past and present toward the future and the expected outcomes from COVID-19’s impact, specifically for the black-owned economy. What will the black entrepreneurial landscape look like after the storm has subsided? Until the health effects of the COVID-19 pandemic are addressed so that the American economy and the global economy can fully reopen, we can expect to see some version of
the same types of negative economic impacts witnessed so far. Unfortunately, the black community and their associated businesses will likely bear the greatest brunt of the negative impacts. Even when the COVID-19 crisis no longer affects our daily lives, there will be at least four residual impacts that alter the US economic and entrepreneurial landscape.

**INCREASE IN US OVERALL BLACK ENTREPRENEURSHIP**

This first identified post-COVID-19 impact might appear inconsistent with previous statements, which suggests that the pandemic is threatening the very existence of black-owned business in America. However, what is in jeopardy is not the existence of black entrepreneurship in the rawest sense but instead a particular type of black entrepreneurship. Following COVID-19 there will be more black-owned businesses than prior to the pandemic, driven by new sole proprietorships that exist at even higher relative levels than in previous periods.

Analyses of US census data over time show that rises in self-employment—or entrepreneurship—follow and coincide with economic recessions. As people are displaced from paid labor, both in the short term and long term, they seek ways to replace and create incomes. These efforts to supplant and generate salaries, which all racial populations experience, often include leveraging human, social, experiential, and financial capital gained from past employment, education, and networks to launch businesses.

Black individuals are no different, and they are likely more prone to this path to entrepreneurship due to broader societal impetuses. The old adage suggesting blacks are the last racial group hired and the first one fired turns out to be true. This phenomenon is often most evident in and around economic recessions and subsequent recoveries. In economic recessions, across the board, unemployment increases for all demographics. However, the numbers are often most dramatic for black workers. During normal times, black unemployment is roughly twice that of white America. When companies begin shedding jobs, this ratio often remains consistent.

In the middle of the Great Recession, in July 2010, the official black unemployment rate stood at 15.6 percent—surprisingly not the highest for blacks during that period (US Bureau of Labor Statistics 2021). The white unemployment rate was 8.6 percent. Black US unemployment remained above 10 percent for nearly seven consecutive years during the Great Recession (July 2008–May 2015) with 2.5 consecutive years at or above 15 percent (July 2009–January 2012) (US Bureau of Labor Statistics 2021). The parallel and phenomenal above-average growth rate of black entrepreneurship during this same period is not coincidental. Similar patterns can be found in previous economic recessions.
Since during recessions a higher proportion of blacks lose their jobs than any other racial group, it stands that a higher proportion of blacks would launch businesses as an alternative to wage employment. This pattern is driven by the (un)availability of both short-term and long-term paid employment options, which historically differ by demographics. As recoveries occur, especially U-shaped ones (or recoveries taking several years), many employers start hiring or rehiring slowly, and they often rehire or hire white workers before others (Couch and Fairlie 2010). In addition, many firms do not return to prerecession employment numbers because of new operational efficiencies or automation—discovered or gained during the downturn—allowing them to utilize fewer workers while increasing productivity. These jobless recoveries often leave black wage earners out.

During the current health pandemic, even as blacks and other nonwhite groups are seeing higher shares of COVID-19 infections, hospitalizations, and deaths as a result of being classified as essential workers in many frontline jobs, the black community has simultaneously experienced the highest levels of continuous unemployment (CDC 2020).

All racial groups experienced a significant pandemic-induced year-over-year increase in unemployment (table 6.7). Despite the brief period in May 2020 when Hispanic unemployment eclipsed black unemployment, normal patterns reemerged upon a partial nationwide reopening of the economy in early summer. As reopenings lowered the unemployed US population from 49.8 million (May 2020) to 40.4 million (June 2020) to 31.3 million (July 2020), blacks resumed their status as the most unemployed group. This COVID-19-created recession and accompanying black unemployment should spark similarly aligned entrepreneurial-launch patterns of the past—especially postpandemic.

Entrepreneurship across all races will grow dramatically in the post-COVID-19 short term, but this pattern will be most dramatic for black Americans. Furthermore, even as the economy fully rebounds in the long term, many of those black entrepreneurs will remain self-employed. Some will remain self-employed

| TABLE 6.7. US unemployment rates pre-COVID-19 and during COVID-19 by race/ethnicity |
|----------------------------------|---------|---------|---------|---------|
| White                           | 3.3     | 12.4    | 7.3     | 5.1     |
| Black                           | 6.2     | 16.8    | 13.0    | 9.1     |
| Asian                           | 2.5     | 15.0    | 10.7    | 5.5     |
| Hispanic                        | 4.2     | 17.6    | 10.5    | 7.3     |

because they will enjoy it and have found success; many others will continue because they will not have viable options for returning to wage labor. Nevertheless, the overwhelming majority of these new black firms will be nonemployer firms—and will remain so in the long term.

**Increase in Racial Inequity (Poverteering)**

Typically, a higher-than-average increase in black entrepreneurship relative to other groups would be coupled with corresponding anticipatory expectations of job growth, wealth creation, and the potential narrowing of the racial wealth gap. However, there is a considerable probability that the increase in entrepreneurship in the black community as a result of the COVID-19 recession will not only fail to narrow the racial wealth gap and corresponding racial inequity but will also increase it.

The forthcoming increase in black sole proprietorships will likely continue this current century’s trajectory of falling average revenue per black-owned firm. As a result of this downward trend, coupled with the opportunistic movements of other entrepreneurial demographic populations and the disproportionate fraying of connective paths to wage employment for many blacks, inequality after the COVID-19 pandemic will grow across—and within—races.

In recent years, a group-level examination of black American demographic data trends yields a surprising discovery of a counterintuitive economic phenomenon: even as black Americans, with each subsequent year, continue to increase their proportionate demographic share of the overall American population as well as their proportionate share of the American business landscape, they are in aggregate holding a decreasing share of American wealth (US Census Bureau 2021a; US Census Bureau 2012b; Collins et al. 2017). I call this conflicting phenomenon *poverteering* (McKoy and Banks 2019).

Poverteering occurs when a distinct group or population simultaneously increases their societal population share and business share (through active entrepreneurship), while concurrently losing societal wealth share (presumably, while also increasing their overall societal buying power from their increase in population share). Blacks expanded their US population numbers by nearly 5 percent from 2007 to 2012 to an overall share of roughly 12.3 percent; that estimated share has now increased to 13.4 percent. Prior to the COVID-19 pandemic, the number of black businesses in the American economy (all firms) had increased by 34.5 percent during the last official US government Survey of Business Owners in 2012 and increased the group's overall share from 6.7 percent to 8.7 percent (McKoy Jr. and Johnson Jr. 2018). Black Americans also experienced increases in collective buying power from $845 billion in 2007.
to $1.1 trillion in 2012 (up from $318 billion in 1990) (Humphreys 2008). However, trends showed that black median wealth was concurrently declining, with an expected decline to $0 by 2053 (Collins et al. 2017). Presumably, white America is experiencing the opposite phenomenon—*inverse poverteering*, or the loss of population and business share while gaining wealth—seeing overall population shares decrease from 65.8 percent (2007) to 62.8 percent (2012) to 60.1 percent (2020) and business share from 79.1 percent (2007) to 72.7 percent (2012) (McKoy and Johnson 2018). In addition, though much larger in aggregate, white buying power is growing more slowly (124 percent) than black buying power (166 percent), though both trail Hispanic (307 percent) and Asian growth (294 percent) (Humphreys 2008).

Even prior to the COVID-19 pandemic, this racial inequity was anticipated to grow faster than previously estimated. This “road to zero wealth” in 2053 for black America (and Latinos in 2073) was estimated in September 2017, prior to the massive US Tax Cut and Jobs Act passed in December 2017. This legislation has largely benefitted wealthy, white Americans and has widened racial inequity, especially between white and black populations. COVID-19 will further accelerate and exacerbate these racial inequities across all populations, specifically as more black Americans begin poverteering.

**RELATIVE AND ABSOLUTE DECREASE IN BLACK FIRMS WITH PAID EMPLOYEES**

As previously stated, overall positive entrepreneurial growth among all populations will be a result of the COVID-19 economic crisis. The majority of that growth will be single-person, no employee firms—especially among African Americans. Moreover, during all major recessions, the number of firms with paid employees is expected to immediately decline as more will close down their operations from payroll strains than will create new employer firms. However, depending on the strength and speed of the subsequent economic recovery, employer firms would expect to eventually return to and surpass prerecession numbers. Within five years of the Great Recession, every racial and gender group (save black males) had surpassed their prerecession employer-firm absolute total (Austin 2016). Black males were net losers of employer firms (−2.2 percent), and the resulting positive overall growth within the black community was due only to the strong showing of black, female-owned employer firms that grew by 20.2 percent.

While percentage change offers some insight into how a racial entrepreneurial ecosystem is faring both relative to its own past performance and relative to that of other groups, there are also insights reflected in absolute numerical change as well. During the first five years of the previous recovery (table 6.8),
Asians and whites each increased their employer-firm totals by over eighty thousand, respectively. Hispanics added nearly forty-five thousand. These figures represented seventeen, sixteen, and nine times the rate of black employer firms added during the same period. Only American Indians trailed blacks in the average annual numerical growth, but American Indians far outpaced blacks per capita. As noted in previous studies, relative to employer firms, black Americans are losing ground to every other racial population, and they are the only group not making up ground on white firms when their population share is controlled for in the calculations (McKoy and Johnson 2018).

It is likely that black-owned employer firms will not only drop below pre-pandemic figures but also stay at that level for longer than their counterparts. Based on the most recent trends, employer firms owned by black males are likely to suffer the greatest setbacks. In addition, even as the recovery takes shape, black firms are likely to lose further economic ground to their counterparts via probable below-average sales figures—even as they are closing the gap in firm count on the strength of their above-average growth in sole proprietorships. As these black firms open or reopen, based on past trends, they may experience a significant drop in average annual sales revenue, meaning they may end up operating smaller employer firms, losing talent wars, suffering declining market prospects, and missing out on economic opportunities because of a lack of resources. Black women employer firms are the likeliest to suffer from these revenue declines and resource shortcomings.

Based on the small percentage of black-owned employer firms that received PPP proceeds—or other federal provisions—coupled with their lack of access to traditional broader private capital market as well as their lack of access to

### Table 6.8. Employer-firm absolute/percentage growth and changes 2007–2012 by race/ethnicity

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>Five-year absolute numerical change</th>
<th>Five-year numerical percentage change (%)</th>
<th>Average numerical change per year (%)</th>
<th>Five-year average annual sales change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian Americans</td>
<td>86,626</td>
<td>26.8</td>
<td>17,325</td>
<td>1.6</td>
</tr>
<tr>
<td>Whites</td>
<td>80,983</td>
<td>2.2</td>
<td>16,197</td>
<td>−2.7</td>
</tr>
<tr>
<td>Hispanics</td>
<td>44,717</td>
<td>21.2</td>
<td>8,943</td>
<td>2.0</td>
</tr>
<tr>
<td>Blacks</td>
<td>5,060</td>
<td>5.4</td>
<td>1,012</td>
<td>−9.6</td>
</tr>
<tr>
<td>American Indians</td>
<td>2,932</td>
<td>13.1</td>
<td>586</td>
<td>−13.9</td>
</tr>
</tbody>
</table>

personal, familial, and community wealth to survive the extended closed economy, the time after the COVID-19 pandemic will see a dramatically shrunken black employer-firm ecosystem. Whereas many white firms with paid employees that closed during this pandemic will merge with or be acquired by other firms, as in past recessions, black firms with employees are not likely to see such activity. Instead, they will simply lay off their workforce and close their doors permanently.

DECREASE IN BLACK WEALTH (AND AN ACCELERATED ROAD TO ZERO WEALTH)

The fourth impact from the COVID-19 pandemic, and an attendant result of the three preceding impacts, will be a decreased level of collective black American wealth: an escalator on which blacks were already descending, now sped up by the pandemic.

Wealth is an economic measure of one’s assets minus one’s liabilities. If the determinants of wealth creation were to be categorized into five associated key drivers—income rate, savings rate, investment rate, inheritance rate, and business ownership rate—as well as the scale of those factors, it is possible to chart the likely post-COVID-19 aftereffects on black wealth, specifically those linked to and associated with racial business ownership rates and success. For all racial demographics of individuals, each of those key wealth drivers will contract, or altogether evaporate, in the current environment; these trends will occur in the black community at an augmented pace. The precise degrees of change across America’s different demographic populations—positive and negative—will serve as the determinant of how much wider America’s current racial wealth gap will expand post COVID-19. But make no mistake, it will be wider.

As the pandemic persists and more blacks lose wage employment, some permanently, maintaining current assets such as homes, investment securities, properties, savings, retirement accounts, and businesses may prove arduous, if not impossible. Blacks who lose businesses, with or without paid employees, will see their wealth diminished. Owners of employer firms will likely see greater losses, since those companies traditionally capture significantly more revenue than sole proprietorships. For those who successfully (re)start new businesses, they can expect to share in the pattern of declining average revenues for black firms mentioned earlier, as they vie for the same withering pools of minority-designated dollars, even as the minority business population grows. This will likely result in the increased chasm in America’s racial wealth share generated by business ownership.

One example illustrates the scope of the racial wealth gap relative to US business ownership and operation. The *Forbes* list of American billionaires,
released in September 2020, detailed a group of America's richest individuals who have all created their wealth through the founding and growth of business enterprises—or who are descendants of those who have done so. Despite the COVID-19 pandemic, where millions of Americans have experienced near fatal economic decline, America's 400 wealthiest individuals added more than $240 billion to their aggregate net worth during the twelve months from August 2019 to August 2020, for a combined $3.2 trillion in wealth (Rogers 2020). Globally, the world's twenty-five richest billionaires gained nearly $255 billion in the immediate two months following the US stock market's early pandemic low on March 23 (Ponciano 2020). These particular economic gains bypassed black America altogether. There are no black Americans among the world's twenty-five wealthiest individuals; only one investor—Robert Smith at 330—is among the 400 richest Americans (Dolan, Peterson-Withorn, and Wang 2020). Moreover, he is the rare billionaire who has lost wealth in the last year since the pandemic's start.

Even when expanding the pool of America's wealthiest to all billionaires, only seven of the estimated 615 total billionaires in America are black (Dolan, Peterson-Withorn, and Wang 2020). Hence, blacks comprise just 1.1 percent of American business billionaires, though constituting more than 13 percent of the overall populace. Of those seven, five—or 71 percent—are representative of sports or entertainment, one is a technologist, and one is an investor. The richest black business “moguls” in the United States represent just pennies on the dollar compared to the richest whites. The collective wealth of these seven African Americans is $16.1 billion: Robert Smith ($5.0B); David Stewart ($3.7B); Oprah Winfrey ($2.5B); Michael Jordan ($1.6B); Kanye West ($1.3B); Sean “Jay-Z” Carter ($1B); and Tyler Perry ($1B) (Dolan, Peterson-Withorn, and Wang 2020). Using Smith's status as the sole member of the Forbes 400, the black business proportionate wealth of the four hundred richest Americans is just $5 billion of $3.2 trillion, or 0.16 percent.

A more startling exemplification of the racial wealth gap, specifically black business disparities, might be to compare one of America's—and the world's—wealthiest entrepreneurs and business owners, Jeff Bezos of Amazon, to the roughly three-million firm black business ecosystem in America. From 2007 to 2012, black-owned businesses expanded from 1.9 million to 2.6 million, with accompanying revenue growth of 9.1 percent from $137.5 billion to $150.0 billion (US Census Bureau 2021a). Assuming a similar annual revenue growth rate for black firms for the subsequent eight years, the aggregate total would have grown by about 14.6 percent to nearly $172 billion by 2020. An additional point of commercial optimism might postulate that as a result of the pre-pandemic bullish market, black business revenue more than doubled its growth...
rate from the previous 2012–2020 estimate of 14.6 percent to 30 percent, resulting instead in $195 billion in collective sales and receipts by 2020.

Even with such a sanguine (and doubtful) scenario of 30 percent growth over these eight years, these nearly three million black businesses collectively would still fail to match Bezos’s sole personal wealth, which has expanded by 57 percent in the last year since the pandemic began (Rogers 2020). Bezos’s wealth reached $205 billion on August 26, 2020, the first individual to ascend to that $200 billion milestone (Ponciano 2020). In July 2020, mid-pandemic, his personal worth increased by a record $13 billion in a single day—nearly as much wealth (81 percent) as all the black American billionaires have collectively earned over their lifetimes and careers in business (Pitcher 2020). Moreover, this increase was even after the divorce settlement that resulted in Bezos’s ex-wife, Mackenzie Scott, receiving 25 percent of his Amazon stock—resulting in her becoming the thirteenth richest person in the world, with a net worth of $64 billion (Dolan, Peterson-Withorn, and Wang 2020). Furthermore, though his net worth has dropped slightly below $200 billion since its August 2020 peak, it still singly exceeds black American business’ collective annual sales and revenue. Elon Musk, founder of Tesla and Space X, saw his wealth surpass $300 billion in November 2021, representing over 150 percent of the entire black business ecosystem (Haverstock 2021). Of course, these one-to-many comparisons do not even come close to representing the white business to black business wealth gap, which is exponentially greater.

For some, economic recessions are opportunities to expand wealth by acquiring assets at lower costs, inclusive of business acquisitions. This option does not exist for the majority of African Americans. The continuing deterioration of black American wealth, both absolute and relative to other US racial groups, will recycle itself through the reduction of future wealth generation prospects via business ownership—and consequently, for future opportunities to enhance overall community well-being—even after the COVID-19 pandemic is over. The loss of wealth will make it harder for African Americans to start and grow businesses. It will make it harder for them to pass down pecuniary endowments or make transfers to children that might result in business formation. It will make it harder for them to attain educational credentials, expand social networks, gain experiential opportunities, or otherwise develop foundations for successful entrepreneurship and business pursuits postpandemic.

The goal of this chapter is not to be fatalistic in regard to the ultimate survival of the black business ecosystem as a result of COVID-19. Instead, it offers key insights into why a thorough understanding of the prepanademic position-
ing of black-owned firms in the United States, their unique historic trajectory, and probable immediate postpandemic status, is critical to determining the best and most effective intervention: not only to save this racial classification of businesses but also to foster a sturdier, more durable, and more robust version of this ecosystem than before.

There are certainly urgent actions that are warranted to prevent the immediate extinction of the black entrepreneurial ecosystem in this present moment. Those actions should be pursued without delay, as stopping the black business hemorrhaging and preserving economic life is a necessity. However, as with any devastating storm that ravages the landscape, once survival is assured and the storm has passed, the true work begins in assessing what must be done to return or rebuild the topography.

Still, it is problematic to respond to what needs to be done on behalf of US black-owned businesses as a result of the COVID-19 crisis without concurrently speaking on what needs to be done on behalf of those black-owned businesses in general. Numerous policies should have been implemented prior to the pandemic to address black business degeneration in America. While the overall diversity of the business ecosystem has been changing rapidly for decades, the business success ecosystem has not been diversifying as fast, if at all (McKoy and Johnson 2018). Black businesses have been left behind.

It is necessary that any remedy aimed at addressing the specific effects of the COVID-19 pandemic on black-owned businesses in the United States must be simultaneously coupled with ecosystem-level cures for what ailed those businesses prior to the virus’ arrival. There must be sequences of responses addressing the short-, medium-, and long-term horizons of black business survival for the remainder and immediate aftermath of COVID-19. Next, there must be a more comprehensive, but targeted, scheme to generate the broader conditions that support the inherent advancement of successful African American–owned businesses. Finally, specific and measurable goals must be established in order to track progress to entrepreneurial and business equity. This tripartite approach needs to be executed concomitantly and in parallel to be successful.

**Short-Term, Medium-Term, and Long-Term Interventions**

**SHORT TERM: IMMEDIATE CASH INFUSIONS**

In the short term and immediate term, it is most important to assist black businesses—as many as possible—to survive the crisis, even as economies continue to reopen. This should not be a controversial statement since saving as
many American businesses as possible was the expressed impetus of the CARES Act, and specifically the PPP. However, the PPP, especially the first round, failed to adequately reach the most vulnerable and neediest businesses—which included the majority of black-owned firms in America. The second round, and subsequent attempts, did not fare much better even with such targeting language. Figure 6.4 presents a framework of tiered responses that could better support the short-term, medium-term, and long-term survival of US-based black businesses.

Cash is king, and it is important to be prudent while also finding the most direct way to get cash to black business owners. Thus far, with the PPP, the primary vehicles for cash distributions have been traditional banks. As of May 2021, of the 5,242 PPP lenders who participated since the program’s inception, nearly all are categorized as traditional banks (4,217, or 80 percent) or credit unions (859, or 16 percent) (SBA 2021). Financing has always been problematic for black businesses. While 77 percent of US adults rely on traditional banks or credit unions, 14 percent of blacks are unbanked and 35 percent are underbanked, rates higher than those of Hispanics (11 percent and 23 percent) and whites (4 percent and 11 percent), respectively (Board of Governors of the Federal Reserve System 2019). Furthermore, across all income levels, blacks are more

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**Figure 6.4.** Tiers and timeline of needed COVID-19 responses for US black-owned businesses.
likely to be denied credit compared to their counterparts. As recently as 2017, nearly half (45 percent) of black loan applicants, compared to only 18 percent of white loan applicants, reported being denied for bank credit. Even at income levels above $100,000, blacks were still more than 2.5 times more likely than whites to be denied credit (21 percent vs. 8 percent) (Board of Governors of the Federal Reserve System 2019). These statistics indicate how traditional banking is ineffective in reaching many black business owners.

Instead, Congress should allocate and target a significant amount of funding specifically to black-owned businesses through different and more targeted financial vehicles and intermediaries. Instead of the SBA being designated to work on such a targeted program, that task should fall to the Minority Business Development Agency (MBDA), which was established in March 1969 and has long been dedicated exclusively to minority business enterprise (Minority Business Development Agency 2021). The MBDA has a more direct history supporting minority businesses than the SBA, which has been questioned in recent years on its commitment to black business lending as SBA-backed loans have declined for African American business owners, even as the agency’s overall lending has increased to other business populations—with little other explanation beyond racial bias (Bates and Robb 2020).

These targeted funds should be delivered through means most likely to reach those firms. For example, Self-Help Credit Union, a white-founded-and-led community development financial institution (CDFI) based in Durham, North Carolina, with a sizable minority clientele, managed $183 million of PPP loans, totaling 1,758 loans with 59 percent of the loans received by businesses led by people of color (Gentry 2021). To target the funding even more precisely, supplementary capital could be allocated specifically to a coalition of CDFIs led by African Americans—who have customer bases of predominantly black-owned businesses. Moreover, these loans could be provided to both sole proprietorships and employer firms and be fully forgivable (with no tax penalty) to both groups.

A targeted allocation of federal capital could also explore other vehicles for swift deployment to eligible black firms. In addition to providing forgivable lending capital through African American–led CDFIs, Congress could create a substantial black business block grant program, modeled after current federal block grant projects like the Community Development Block Grant (CDBG) program, in existence since 1974. CDBG is the annual US Housing and Urban Development agency’s program that allocates capital to state governments and local municipalities of a certain size to address housing and poverty issues. This funding formula is based on a series of quantitative factors such as population,
age and condition of housing stock, and area poverty rates as determined by census tract data, with the greatest pro rata allocation going to the neediest areas. A new block allocation could be designated specifically for African American–owned businesses and distributed to state and local governments for rapid deployment, with the most pro rata funds going to the neediest areas and businesses.

Both state and local governments have struggled throughout the pandemic to figure out how to get capital to minority businesses, specifically black-owned firms, without running afoul of discriminatory laws. As a result, some governments have partnered with statewide or local anchor institutions—including nonprofits, foundations, and universities—who possess better track records or more relevant missions in reaching those target populations (Goad 2020). However, these programs have also proven largely ineffective and unsuccessful, with some black business owners complaining that these state or localized capital programs were stricter and more onerous than the federal ones. As a result, even among some of the most broadly crafted local and state business funds, the capital distribution rates seemed to parallel the bleak federal distribution levels. In addition, even among those local or state programs that were more successful in reaching black firms, the grant or loan size was so small, because of the fund’s diminutive scale, that it was largely inconsequential. Moreover, for some businesses, these funds were too little and too late anyway, since many relied on CARES Act funding to create these programs.

Thus, a block grant program dedicated to African American business owners could include some of the same capital-matching components of CDBG but also offer state and local governments the flexibility to partner with other resourced institutions to get funding onto the street more broadly and quickly. Finally, an additional aspect of the program could allow for retroactive grant making to black-owned firms that shuttered their doors as a consequence of inadequate and inequitable distribution of original PPP funding. In other words, if a black business owner can prove they had a business prior to COVID-19 and were denied an adequate opportunity to save their business, they would be able to get a retroactive loan or grant to restart their firm.

These represent two short-term and immediate actions that the federal government could implement to provide capital to black-owned businesses across the United States, addressing a critical need that PPP has failed to satisfy. Deploying capital through both African American–led CDFIs and through a special purpose state and local government block grant program would ensure that a
significant number of the remaining black businesses will survive the pandemic or be resurrected.

**MEDIUM TERM: MARKET-BASED STRATEGIC TECHNICAL ASSISTANCE AND CONNECTIVE OPPORTUNITIES**

Though immediate capital distribution allows for short-term survival of African American businesses in the midst of the ongoing pandemic and tepid reopening of the economy, it fails to adequately address the future positioning of those businesses in the broader marketplace. As expressed previously, to some extent the majority of black businesses, even prepanemic, were merely—and barely—surviving. The goal should be to advance a greater share of those firms from a state of surviving to thriving. To achieve this, black firms will need to both adjust to the modified and truncated pandemic-induced marketplace as well as position themselves more strongly for the postpandemic return to a fully opened economy.

**Strategic Technical Assistance (STA)**

To support adjustments to a modified marketplace, black firms must be supported in this transition to ensure that as markets are reopened they can take advantage of their new knowledge. As the marketplace has shifted, so have the parameters for operating within it. Some black-owned businesses, because of limited capital resources in the past or just outdated operational strategies, have been unable to evolve prior to and during the COVID-19 pandemic. For instance, most restaurants were required to shut down during the height of COVID-19’s spread and were only allowed to seat a reduced number of patrons as reopenings started. Black-owned restaurants that have operated as cash-and-carry businesses might need assistance moving to operations that include accepting payments via debit and credit cards, utilizing online and cellphone application-based ordering for curbside pickup, and employing delivery services such as Uber Eats, GrubHub, and DoorDash. This type of strategic technical assistance (STA) would have both immediate and long-term positive impacts on businesses, allowing them to remain operational during truncated marketplace conditions as well as better positioning them for after those conditions have stabilized.

Restaurants are not the only business sector that could benefit from market-based strategic technical assistance in this new era. Such strategic assistance could range from traditional areas such as legal and accounting advice to ensure that the organization is on solid footing, to less traditional advisory assistance.
Black business owners could receive consultation on how to protect their brands, copyrights, patents, or other intellectual property. Technical assistance could also be provided to firms that would benefit from gaining federal, state, and local certifications and designations important to qualifying for government contracting opportunities, such as Historically Underutilized Businesses (HUB), Small Business Enterprises (SBE), Minority Business Enterprises (MBE), the SBA 8(a) Business Development Program, and others. Though these skills and designations were equally important prior to the pandemic, they might allow black firms to better position themselves for postpandemic opportunities. Technical assistance should be strategic to the firm’s competitive positioning, as opposed to focusing on arbitrarily chosen topics. Black-owned firms should be able to procure these services from any provider in the marketplace, and not rely on having to go through government-specific programs.

To support this range of strategic technical assistance activities, which could occur simultaneously to short-term cash infusions, surplus funding could be included in the previously outlined immediate cash provisions. To procure these services, African American business owners would access these medium-term strategic technical assistance funds directly through either the CDFIs or block grant funds. Small businesses that request supplementary resources for STA would have those funds fully forgiven if they provided proof of procuring the strategic assistance. There are some state governments already leveraging CARES Act dollars to support entrepreneurial technical assistance. However, these programs do not allow entrepreneurs to engage in broader training activities that would also support firm advancement, such as educational workshops or higher education courses, nor do they provide the funds directly to entrepreneurs. In addition, technical assistance programs are customarily limited to the business owners as opposed to all employees. Yet, for those black firms that have paid employees, those employees should also be able to engage in STA trainings relevant to their work duties since many of these duties also have been permanently altered by the pandemic. Each of these added allowances would expand the impact of these STA efforts supported by federal funding.

**Connections**

Given that the results of some strategic technical assistance might take time, the direct federal cash infusions could provide a bridge for firms that are reskilling and retooling their leaders and workers for the ongoing economic reopening and post-COVID-19 economy. However, this approach might not be adequate
for all firms within the black entrepreneurial ecosystem. Some black firms are already properly equipped and simply need to be pulled into the COVID-19-related business opportunities that have emerged in the marketplace. This is a medium-term strategy that some, but not enough, US communities have used during the COVID-19 pandemic to assist black-owned businesses in an attempt to offset lost revenue.

The closure of school districts across the United States in mid-March 2020 as a result of the pandemic simultaneously created several community quandaries. Nationally, school districts were faced with having to figure out how to deliver educational content to students at home who might be without adequate learning resources and environments. A supplementary challenge was that a significant portion of those same students also lost access to at least two of the meals they generally ate at school each day: breakfast and lunch. While many school districts are familiar with this during summer vacation months, they were unprepared for this problem in early spring. As a response, some communities, through public funds and/or funds raised from charitable sources, moved to provide daily meals for those adversely affected students and families.

A key strategy in some geographies was the intentional procurement of those school meals from black-owned restaurateurs and caterers. In some places, this process was also inclusive of broader supply chains—such as procuring fresh fruits and vegetables from black-owned farms or other associated supplies from black business owners. This opportunity for double-positive impact allowed children and families to be fed and, simultaneously, for some black-owned firms to generate revenue: helping cash-starved businesses while filling an immediate, real, and pressing community need.

State and local governments can utilize similar creative strategies by surveying the landscape to identify real and immediate, as well as ongoing, COVID-19-related opportunities that can be subsequently connected to and procured by qualified black firms. Though such efforts might not replace all revenue loss, they can offer needed lifelines, concurrently allowing some firms to survive while maintaining—and on occasion expanding—payrolls that keep community members working.

These medium-term strategies would provide black-owned firms with more sustainable and supplemental means of survival than the one-time cash loans or grants. The ultimate goal would be to help these firms survive, reposition, and strengthen themselves in the short term and medium term, allowing them to thrive in the long term.
LONG TERM: SCALED-UP PUBLIC AND PRIVATE INVESTMENT AND OPPORTUNITY

It is unclear what the future of business will look like including when, and if, the economy returns to its full, pre-covid-19 pandemic form. Still, now is an ideal time and opportunity for the public and private sectors, who have both publicly pledged commitments to invest more in the economic growth of the black community and to reevaluate and alter their actual practices. Once the economy returns to its normal operations, there is a strong likelihood that things will return to business as usual. The same inequities, general and race specific, that existed prior to and during the covid-19 pandemic will exist following it.

Though many municipal and corporate leaders have recently made public proclamations, pronouncements, and even capital investments in response to increased attention paid to America’s racial inequities and injustices—particularly relating to the black community—it is unclear how sustainable and durable these commitments are. Furthermore, the majority of these investments have centered around support for historic social justice organizations, as opposed to providing conduits for the bolstering of the US black business ecosystem.

It will matter very little if short-term strategies of cash infusions, and medium-term strategies of strategic technical assistance and covid-related opportunities, position black American firms for a future of wider prospects that never materializes. Prior to the full reopening of the economy, all levels of government and major corporations should undergo intensive evaluations of their internal cultures and policies related to supporting black businesses across their respective footprints. These are endeavors that must be commenced by white-led institutions that control the majority of the economic landscape and accompanying resources, in order to fashion a less hostile and more welcoming environment for black firms attempting to do business in the full, unabridged economy.

Any allied efforts, if they aim to produce lasting transformation of a system that has been designed to be exclusionary since its founding, must go beyond perfunctory tactics, strategies, campaigns, and gestures, such as instituting new diversity, equity, and inclusion policies; commissions; or token positions that are little more than symbolic. As the old axiom professes, “Culture trumps policies every time.” Though inclusionary policy is important, as are devoted and enthusiastic diversity champions, if measurable impact toward equity is the goal, societal institutions must change enduring cultural practices that have become organizational features.
Both public and private entities should reevaluate their procurement portfolios, supply chains, policies, and practices—as well as the cultures that drive them. When the first government and corporate procurement programs were instituted in the early 1970s, black Americans were the primary if not exclusive focus of minority business programs. Black Americans then constituted roughly 11 percent of the US population. Therefore, the subsequent 10 percent target goal set as a general standard for minority participation and procurement made relative sense. In the half-century since those original policies, the definition and pool of populations classified as minority has expanded (as has the overall minority population of the United States) to recognize and include many more racial identities, gender categorizations, sexual orientations, and veteran statuses. Yet, many procurement programs continue to utilize the 10 percent goal—not only as a guidepost but also as a ceiling for this collection of protected classes. Even as whites constitute a smaller share of the overall US population, their businesses continue to control 90 percent of most industries and sectors—with every other group competing for the same remaining 10 percent. Consequently, a first step toward economic equity is for public and private sector players to reconstitute their procurement goals to be more reflective of America's changing demographic landscape.

Sliding racial procurement goals should be adopted based on the demography of the geographic landscape where they operate, combined with their customer or resident composition. Doing so would increase the probability that tax payments or consumer dollars paid and spent by the black community would recycle back through the black community economic ecosystem, with similar effects for other groups. Though this change would shift around the current revenue shares within the business landscape, every demographic would benefit as collective well-being increases.

President Joseph Biden, speaking on June 1, 2021 in Tulsa, Oklahoma, to commemorate the one-hundredth anniversary of the Greenwood race massacre, announced his intention to increase federal procurement and contracting dollars under his control from 10 to 15 percent for disadvantaged businesses. To ensure the desired impact on the long-term viability of the black business ecosystem, President Biden should not only direct his proposed procurement increase to go specifically to black entrepreneurs but also take the lead from some other local governments and create stretch goals such as 30 to 35 percent of federal procurement. Only then will there be adequate progress toward equity in the American procurement system.
Public and private institutions should also examine their partnership portfolios. All levels of government engage in some degree of public-private partnerships to spur job creation and economic development. More public resources should be leveraged specifically with and on black-owned businesses. At the federal level, this practice might mean creating more trade agreements and activities with predominantly black countries or providing federal tax policy favorable to black-owned business expansion across the United States. At the state and local levels, it would entail creating dedicated pools of corporate recruitment incentives, programs, and policies, specifically to support black businesses.

White-owned firms are constantly offered recruitment incentive packages that include billions of dollars in tax credits, workforce development investments, and property/site development subsidies, leveraged at both the state and local levels. Black-owned firms rarely, if ever, receive access to such subsidies, which further widens the associated business inequity and wealth gaps. The public sector should prepare for a postpandemic landscape that supports black business growth and expansion through leveraging dedicated efforts and resources to black-focused public-private partnerships.

Major corporations also have portfolios of strategic partnerships, joint ventures, and similar alignments with other businesses for mutual benefit. These organizations should identify opportunities to partner with black-owned firms to pursue new marketplace prospects, not merely for the purpose of increasing scores on government contract bids or checking a diversity or inclusion box. Since many start-up firms emerge as a result of employee churn from larger corporations, if larger firms alter their partnership portfolio to include black firms, the area most affected could be the future start-up economy. Pairing more early stage black firms with other groups in emerging markets and spaces could dramatically alter business-associated wealth opportunities for black-founded firms. A post-covid-19 environment that is welcoming to such business-to-business strategic partnerships would create greater opportunities for black firms and entrepreneurs. Whether in the public or private sector, these partnerships have to be racially equitable in their structures to maximize impact and see measurable change.

Public and private sectors should also reevaluate and overhaul how they currently invest into the black business marketplace and ecosystem. Expanding procurement and supply chain dollars to reach more black firms, as well as
more partnerships, would have significant long-term impact on racial entrepreneurial equity; however, cash investment, a predecessor to organizational capacity, is just as critical.

Though state and local governments have continued to face COVID-19-related revenue uncertainty throughout the pandemic, and will continue to do so as the economy ramps back up, they should still consider organizing special purpose capital funds for black-owned business support in the long term. The American Rescue Plan of 2021 was signed into law on March 11, 2021, with $350 billion of the $1.9 trillion total designated for local and state government control (White House 2021). Local and state government leaders should petition the federal government to allow a portion of federal rescue act dollars to form evergreen investment funds for black-owned firms. These local and state government rescue funds, which under federal statute must be spent by December 31, 2024, have a set of allowed uses, including aid to small businesses. A special clause could and should be adopted by Congress allowing the previously proposed “special purpose capital fund” to be an eligible activity under the act. In addition, any unspent funds after 2024 should be permitted to remain at the state or municipal levels if they are dedicated to providing equity capital for black business investment. These funds would move beyond current “minority loan pool” debt models popular with governments, which generally come with higher interest rates, to capital pools that can be distributed in equity or equity-like forms.

Moreover, investments in the entrepreneurial landscape—if they pan out—turn businesses into potential acquisition targets, or strategic partners, in the future. Major corporations should carve out designated capital to invest in funds dedicated to black firms in their industry (or supporting the entry of such firms) as a method of diversifying the entrepreneurial marketplace. As the demographic landscape has diversified, corporations for several decades have poached black talent to enter into new markets or have acquired black-owned firms. These strategies can remain, but they ought to be supplemented with investment dollars that build the capacity of future independent partner firms instead.

**A Transformation of National Culture**

Though institutional culture is critical to any substantial change, societal culture is paramount to any broader and permanent systemic shift in racial equity. Interest in business-related societal inclusion and diversity comes in periodic waves and cycles. The usual pattern finds these societal inclusive impulses most
pronounced when economic growth is at its peak and least evident during economic downturns. Presumably at the apex of growth, as some racial groups have been left out, there are pressures, inclinations, and aspirations to pull those populations into the economic tent. Alternatively, when markets are constrained and in duress, the prevailing attitude is often that racial equity must take a backseat to overall economic growth.

Figure 6.5 provides an approach beyond inclusionary and exclusionary cycles keyed on four strategies for permanent transformation of the US competitive black business ecosystem. The pattern of “peak growth/peak inclusion” and “slow growth/slow inclusion” in the business ecosystem runs inverse to business and market readiness for many black firms. This asymmetric pattern persists ironically for the same reason that drives the dynamic growth of black entrepreneurship during recessionary periods. In down markets, black-owned firms are among the last to be called upon for opportunities, as all business demographics scramble for contracting prospects. As the economy begins initial expansion following a recession, white-owned firms are among the first to be called back into action—partly because of their industry networks and partly because their resource base often allows them to withstand the downturn, unlike many black-owned firms—and maintain their capacity in the process.
Conversely, when black firms are sidelined for years without opportunities for revenue, those entrepreneurs choose, or are forced to find, alternative means for survival. Moreover, those black entrepreneurs who decide to stay the course often do so as sole proprietors, without access to adequate capital resources to build capacity. Consequently, as the economy approaches an apex, and well-meaning people begin looking for diverse firms to work with across an array of industries, there are few, if any, black-owned firms of scale remaining in the market.

As these inclusive opportunities arrive in the marketplace that is without an adequate supply of diverse firms—especially black-owned ones—an array of programs arise attempting to fulfill the demand. In these programs and during these periods, black entrepreneurs learn skills, launch firms, and gain industry and government certifications and designations, with the intention of taking advantage of these presumptive market opportunities. However, two timing-related factors undermine these opportunistic plans.

First, market opportunities are not everlasting. When those offering the opportunities are unable to find the diverse supply of contractors to fulfill their immediate demands, they assume there are none available in the marketplace, shrug their shoulders, rejoice in offering their best effort, and move forward with the standard industry players. Second, this preliminary outreach usually occurs at or near the peak of the associated economic growth cycle. By the time black firms have achieved readiness to take advantage of these inclusive opportunities, these advantages have been extended to others and recessionary pressures are shrinking the overall marketplace, beginning a descent into an economic trough. Thus, there exists a supply of ready black firms in the midst of an economic recession, where they will once again be the first to lose out on opportunities and contracts and the last to gain them. This asymmetric cycle continues perpetually. Eventually, black entrepreneurs grow weary and concentrate on smaller scale, service-based endeavors that can be operated as sole proprietorships, can be more easily attained, have lower barriers and costs to entry, and can be undertaken in both bull and bear markets—or simply focus on wage employment, if it is available to them.

If America is to permanently break these asymmetric cycles and remove the entrepreneurial disincentives that suppress black business wealth creation, and thus provide a post-covid-19 ecosystem for black-owned firms stronger than the one that existed prepandemic, it must focus on four concurrent strategies in relation to the black entrepreneur: pipeline, place and space, capital, and barriers. The United States government, the only entity with enough resources and wherewithal to invest and respond at an appropriate and adequate postpandemic scale...
to foster a new national culture of equity for black-owned businesses, should advance substantial federal dollars in each of these efforts over a sustained period of time, and it should consider previous and current pandemic response funding as only a beginning.

**PIPELINE**
First, the black entrepreneurship pipeline must be broadened, strengthened, and diversified across all sectors and industries. Black entrepreneurs are often pigeonholed into narrow constructs within key industries, expected to only engage in entrepreneurial efforts related to their race/ethnicity, or aggregated into low-margin and low-wealth service sectors. Lifestyle businesses such as barbershops, beauty salons, lawn-care businesses, janitorial services, and handy services are fine undertakings, but they cannot be the sole or primary players in a business ecosystem that expects to thrive and create wealth for the broader community. The implementation of this strategy must focus on increasing the representative pipeline of black-owned firms with paid employees and those that operate nationally and globally. In addition, attention must be paid to increasing the scalable business success pipeline beyond black athletes and black entertainers to the “everyday” black entrepreneur. Each of these various pipelines—industry, size, and type—will regenerate itself once it is adequately built. At that point, successful mentor entrepreneurs and businesses from the black community will support the next generation of black individuals and firms by providing inspiration, experiential opportunities, social networks, familial networks, employment, and financial support (i.e., entrepreneurial capital), ensuring a pipeline of skilled black entrepreneurs and more racially equitable business outcomes in perpetuity.

**PLACE AND SPACE**
Black-owned businesses should not be resigned to exist only in low-income and high-poverty census tracts, nor exclusively in racially monolithic ones. Commercial and retail gentrification in many major markets quickly follows or occurs in parallel to residential gentrification. As a consequence of economic integration following the Civil Rights Era only consisting of black dollars integrating into white businesses and communities, the black geographic economic ecosystem has been left barren and depleted. Furthermore, historic racial migration patterns, such as white flight from city centers to the suburbs—and then back again—often displace black firms that cannot absorb the accompanying rent or property tax hikes. Consequently, black firms get pushed into the most economically desolate zip codes, until those zip codes themselves begin
to gentrify—at which time, those same increasingly nomadic black firms get pushed into ever poorer areas (if they exist), or they shuttered altogether.

In 2020, fifty-two former black McDonald’s franchisees filed a federal lawsuit against the corporation alleging the organization “engaged in blatant and implicit racial discrimination” against them (Triangle Business Journal 2020b). These plaintiffs, who collectively operated more than two hundred stores, alleged they each lost between four and five million dollars because they were assigned undesirable locations, complaints that predated the pandemic-induced decline in the hospitality sector. This pattern of assigning black franchisees the worst locations might correlate with the dramatic decline of black-owned McDonald’s, which has decreased from 2.5 percent of total franchises in 1998 to less than half a percent currently.

Black businesses should be given strategic resources and help in positioning themselves within valuable real-estate areas. In addition, these firms should be given the opportunity to lead and anchor those efforts when revitalization is happening along historically black corridors. Financial resources or government-owned property should be made available, specifically at the municipal level, to support real-estate positioning to ensure that black firms are not left out of high trafficked and high growth, nonminority areas of the city. Such expanded geographic positioning will allow black firms to capture more diverse dollars.

**CAPITAL**

The scale and diversity of capital available to black-owned firms and the entrepreneurs who create them is crucial to any strategy to broaden the business success landscape. Lack of adequate access to capital stymies not only the types of industries and sectors that an entrepreneur can enter but also what types of entrepreneurs will even attempt to enter the market. Industries with high capital barriers to entry are often those with the potential to generate the greatest wealth. In contrast, black entrepreneurs, because of ongoing struggles to access all kinds of capital—from friends and family to bank debt to venture and equity funds—are forced to enter into low-cost, low-margin, and low-wealth industries. Furthermore, the black prospective entrepreneurs most qualified, experienced, and likely to succeed might choose to remain in corporate America—often with a white-owned firm—if the prospects of taking the entrepreneurial leap is too risky for them or their familial networks because of discriminatory capital options and lower wealth creation prospects.

In addition, geographic positioning in the highest potential markets also requires access to substantial, patient capital. Capital currently available to black businesses is both limited and restrictive. Half of black-owned businesses have
expressed difficulty with the availability of credit; nearly one-third indicated that they had difficulty purchasing inventory or supplies to fulfill contracts (US Federal Reserve Bank 2017). Additionally, 37 percent expressed difficulty making their debt payments. These challenges existed prior to the COVID-19 pandemic and were unsurprisingly higher than for any other racial group. Unquestionably, black entrepreneurs and businesses need access to more equitable bank credit, but they need access to more diverse kinds of capital as well. Most critically, they need access to venture, equity, and more flexible forms of capital at significantly greater and equitable scales. Equity capital allows firms to grow faster and create more wealth than debt does. If the black business ecosystem is to ever equitably compete and compare to their demographic counterparts, they will have to surpass the less than 1 percent share of equity investments that they now garner annually. Even when overt racism is not a direct exclusionary factor in business and entrepreneurship, capital access can be.

**BARRIERS**

Finally, black-owned businesses have not suffered because of one or two racist policies or practices: they have had their success suppressed by the sheer magnitude and voracity of the barriers—entrepreneurial, business, and economic death by a thousand paper cuts. Truthful conversations should be conducted with black entrepreneurs and firm owners to capture information on the myriad of barriers that they face on a routine basis, which cause individual and collective harm to the entrepreneurs, businesses, and overall black business ecosystem. Each and every one of these barriers should be categorized as either internal or systematic and addressed and remediated to the fullest extent possible. Frequent, persistent, and unremitting barriers are inherent and expected elements of the entrepreneurial vocation, but they should not be specifically attached to any particular racial demographic.

Undertaken collectively, cooperatively, and consistently, these four complementary strategies have the potential to provide the groundwork for an entrepreneurial and business ecosystem evolution that prevents black-owned firms in America from becoming extinct. The most important aspect is to normalize both black business inclusion and success and expand its relevance beyond diversity and inclusion cycles into the national culture of America. A sustained and significant congressional commitment to invest in these strategies after the COVID-19 pandemic would begin this important effort. The composition of the current inequitable landscape did not happen overnight; it culminated from more than four centuries of social and economic oppression, exclusion, and suppression. As a consequence, racial equity and systemic cultural change and practice
across the business landscape will not come immediately. However, the most effective pathway toward permanent transformation is to identify key metrics that will serve as the foundation of this aspirational and ambitious national cultural change—and to intently and diligently track them.

**Monitoring Specifics**

Any meaningful effort without definitive metrics to track progression toward success is one that is doomed to fail. This effort should become as naturalized and normalized as standard economic and business development is for white entrepreneurs. Nevertheless, in order to track and measure progress, at least

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<td>Number/Share of Black Businesses with Paid Employees</td>
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<td>Amount/Share of Diverse Private Capital Available to and Invested in Black Entrepreneurs and Black Businesses</td>
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<tr>
<td>Amount/Share of Black Business Revenue with Paid Employees</td>
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<tr>
<td>Amount of Geographic Dispersion of Black Businesses Across Diverse Economic Zip Codes</td>
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<tr>
<td>Amount/Share of Diverse Public Capital Available to and Invested in Black Entrepreneurs and Black Businesses</td>
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<tr>
<td>Number of Black Children Being Introduced to Innovative Environments in Elementary, Middle, High School; College; and Beyond</td>
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**Figure 6.6.** Six key metrics for monitoring overall black firm progress in the United States.
six key metrics (see figure 6.6) should be monitored at routine intervals to determine whether the four-pronged broader ecosystem strategies outlined in the previous section are working or if strategic adjustments are warranted.

**PAID BUSINESS SHARE**

While the number and share of black-owned businesses in the United States should be tracked relative to other demographic populations, specific focus should be allotted to firms with paid employees. Increasing the black relative share of this measurement should provide some indication of prospective well-being of the broader community economic ecosystem, since those firms would presumably benefit the black population through job creation and employment, retirement accounts, experiential learning, income, and wealth generation.

**PAID REVENUE SHARE**

Along with monitoring the share of black employer businesses, there should exist an accompanying tracking and measurement of those firms’ relative share of business revenues. Specifically, monitoring average firm revenue and overall share—to see if these metrics are rising over time, or at least in conjunction with overall market conditions—would be key to understanding the potential of those firms to leverage such revenues into further entrepreneurial opportunities such as expansion into new markets, nationally and globally. Such a development would impact the same wealth and well-being factors previously mentioned, but more directly than simply increasing the numerical share of paid-employee firms.

**PUBLIC AND PRIVATE INVESTMENT**

The third and fourth metrics are both associated with access to capital. Though public and private capital sources are frequently conjoined and often allied, they are distinct-sourced pools. Public capital can be inclusive of tools such as actual cash, tax breaks, incentives, workforce resources, building and site resources, and others. Private capital is more often associated with various pools of debt and equity investment. In either case, black firms get miniscule amounts of it relative to their economic contribution into the pools that provide the capital and their relative population share. Capital is the lifeblood of the economy, meaning that black entrepreneurs and businesses must see a dramatic increase in their share of the economy’s overall capital to be competitive and successful relative to their peers. Access to capital may be the most important of any of these factors; tracking the black share of public and private capital investment is imperative to tracking overall community well-being and success.
**DIVERSE ZIP CODES**
This metric will help to address the asymmetric outcomes of the one-way consumer capital flow, from the black community to the white community, following the civil rights movement. The expectation of social integration by African Americans was that economic integration would follow. Rising consumer buying power for the black diaspora in America, and even the world, has not resulted in a boom to black firm growth. Very few dollars of any demographic enter into the black business ecosystem, including black dollars. For black businesses, one of the challenges in capturing diverse dollars is that they are often relegated to segregated and low-wealth areas. As economic development takes place in cities across the United States, very few African American-owned businesses are included in those rising geographies. A major step in the right direction would be to track and monitor the geographic location and positioning of black businesses (including virtual/online positioning) to ensure they have adequate placing and opportunities to capture more diverse dollars, including, but not exclusively, those of the black community.

**YOUTH INNOVATION EXPOSURE**
The final metric, crucial to understanding the future strength of the black business ecosystem, is the amount of innovative exposure gained by the youth of the black business ecosystem. Findings suggest that gaps in adult innovation may be driven by differences in childhood environment, including role model or network effects, rather than varying abilities to innovate or differing quality of schools (Bell et al. 2019). Though children from high-income (top 1 percent) families are ten times as likely to become inventors as those from below median-income families, evidence suggests minorities and children from low-income families would likewise have had highly impactful inventions had they been exposed to innovation in childhood. Inventions and innovations such as patents, copyrights, and other intellectual property are the basis of the majority of business-created wealth in society. Increasing the exposure of black youth to innovation at earlier ages, in formal educational environments and outside of them, will be the foundation and connective tissue of the previous five metrics, as doing so would ensure a hearty and abundant black entrepreneurial ecosystem for generations to come.

**BENCHMARK = EQUITY**
What are the desired numerical and calculable goals—how many black firms are enough, how much revenue is enough, how much capital investment is enough—to declare equity (or for blacks to feel equitable)? As an anchoring
benchmark, US demographic population share should be used as a reflective and suitable guide of equity and distributive outcomes in business and entrepreneurship statistics. That is to say, as populations that have historically been classified as majority and minority attain smaller/larger respective shares of the overall population, including black Americans, so presumably would their proportional representative business share. Though this relative target is not hard and fast, it offers a guidepost to benchmarking success in the pursuit of full equity across all US demographic populations.

As affirmed recurrently throughout this chapter, the existing statistics for black America related to these six identified metrics are vastly inequitable compared to every other US racial population, and they will be even more so following the COVID-19 pandemic. However, this time the burden of existential survival cannot be placed solely on the shoulders on black Americans. Instead, historic action must be coupled with considerable and unprecedented economic resources—and scaled and sustained to match the unparalleled nature of the problem. The future of black America is dependent on how the nation moves forward to address these now more exacerbated postpandemic gross inequities.

Conclusion

African American businesses have traveled through six distinctive stages relative to the broader US economic ecosystem. Since the centuries where black bodies, backs, and hands served literally as the primary capital base of American capitalism, to their golden years as segregated entrepreneurs from 1919 to 1929, to their current status as hustle entrepreneurs, black firms have nakedly absorbed every substantial blow that has accompanied four centuries of economic calamities. The COVID-19 pandemic is itself a once-in-a-lifetime-type catastrophe requiring an equally rare type of response. Moments like these, because of their uniqueness, often have the potential to shift the wider landscape.

One of those factors during the COVID-19 pandemic was the ability of the global populace to watch an inconceivable series of oppressive—actually deadly—actions taken against an array of black Americans in real time (i.e., Ahmaud Arbery, George Floyd, Breonna Taylor, among others). These acts, as horrendous as they were, were inconceivable only to a large portion of white America and the white world—they were unsurprising to the black populace. Nevertheless, these extraordinary images of modern, overt, and deadly racism toward black America and the resulting outcry led to unprecedented protests, marches, and demands for change to systematic racism directed at black Amer-
icans. Consequently, in a rare synchronous moment, extending beyond usual considerations of narrow social justice levers (i.e., legal, educational), the world collectively pointed to gross economic imbalances that black Americans face as an effort worth paying specific attention to—after the peaceful protests and demonstrations gave way to a secondary faction of looters and rioters that destroyed many white-owned businesses in downtowns across America. As a result, increasing the success of black-owned businesses became the central focus of a national movement in the United States—at least for an initial period.

My Black Receipt was an initiative started with an “aim to make buying from black-owned businesses more than a trend” (Bond 2020). In 2020, from the symbolic Juneteenth (June 19) to the equally symbolic Independence Day (July 4), in the midst of the pandemic, consumers were encouraged to buy from black-owned businesses with a goal of customers spending and posting at least five million dollars in receipts by the end of the 2020 campaign. Blackout Day 2020 similarly called for all black Americans—as well as for other people of color—to refrain from spending any money on Tuesday, July 7, in a show of solidarity against the killing of unarmed black citizens by law enforcement (Brooks 2020). For any consumer planning to spend money on that date anyhow, the organizers called for them to patronize black-owned businesses only. Though Juneteenth 2021 was historic, becoming the eleventh designated federal holiday in the United States and the first since Martin Luther King Jr. Day nearly forty years prior, there was no continuation of the previous Juneteenth and Independence Day “buy black business” campaigns.

Throughout the months following 2020’s so-called “racial reckoning,” some historically black institutions (such as banks and universities) also received significant depository and donation increases, as did many other black-led organizations (Triangle Business Journal 2020a). Furthermore, organizations such as Google and Yelp created technology tools to make it easier for consumers to identify black-owned businesses in their searches (Bond 2020). Nevertheless, these consumer-, philanthropy-, and corporate-driven initiatives—even as well meaning as they are and might have been—represent only a tiny portion of what needs to be done to support the infrastructure of African American–owned businesses in this country; moreover, they fail to adequately address the historical institutional impediments that remain barriers to success.

Historically, especially in an election year, there might have been an expectation from the federal government of at least a token effort aimed at the voting portion of the forty-four million black Americans—undertaken to stoke greater turnout in November for whichever party made the latest and greatest economic
effort on their behalf (US Census Bureau 2021b). However, these were not conventional times.

On September 4, 2020, less than sixty days from the US presidential election, Donald Trump directed the leadership of all federal agencies and executive departments, via a memo from the White House Office of Management and Budget (OMB) to “list all contracts related to training sessions involving ‘white privilege’ or ‘critical race theory,’ and do everything possible within the law to cancel those contracts” (Dawsey and Stein 2020). According to the OMB memo, then President Trump deemed any belief that whites in America “benefited from racism” as “divisive, anti-American (and un-American) propaganda.”

Despite this denial that racism exists in America, and therefore declaring that efforts to address it have “no place in the federal government,” the memo ended by stating that “the president has a proven track record of standing for those whose voices have long been ignored and who have failed to benefit from all our country has to offer”—seemingly contradicting the memo’s notion of a nation that has always been fair to all people (Vought 2020). Not only does four hundred years of recorded American history serve as a counter to former President Trump’s assertion of a completely equitable country, but the broad array of inequitable racial responses to the COVID-19 crisis currently means the representation of that inequity is only a daily newsfeed away. This attempted retreat from federal programmatic responses to proven historic, and contemporary, racial inequities must be countered with both dramatic countering words as well as with bold reparative actions on behalf of the black business ecosystem in the United States. More challenging is that such efforts must occur in an environment that has quickly returned hostile toward racial acknowledgement and racial remedy by some political actors following a divisive election; the January 6, 2021, riot on the US Capitol; and rising aggression to not only critical race theory but also factual history related to black American oppression.

The activities and recommendations proposed throughout this chapter offer such bold proceedings. Throughout the history of this country the federal government has intervened with dramatic financial responses following crises that have threatened the nation’s survival, specifically those economically related—including massive capital investments in other countries: the New Deal, in the 1930s; the Marshall Plan (1940s); the GI Bill (1950s); the American Recovery and Reinvestment Act (2010s); and now the pandemic-related CARES (2020) and American Rescue Plan (2021) Acts. However, each time, those responses have been racially inequitable, with particular benefits aimed at white America’s survival while black America was left to fend for itself. The black business
ecosystem in America has always been in a state of perpetual crisis—and in need of devoted attention and intervention. Its depleted, fast-declining status now threatens the nation’s survival. The survival of all America is tied to the survival of black America, and the survival of black America, in turn, is tied to the survival of black American businesses.

The US black business ecosystem has been hollowed out from centuries of fiscal exclusion and economic discrimination, and the CARES Act has been no differently structured. However, this time, if left unattended, this economic exclusion could have a fatal impact on the future of black America—and America as a whole. America is becoming blacker and browner, on its way to becoming a majority-minority country. If the majority of a country has low, no, or negative wealth, then it is a problem not just for that population but for the entire country. If black businesses in the United States become functionally extinct and no longer play a significant role in the functioning of the overall American ecosystem, then there will be grave and negative consequences for the entire country. The unrest during the COVID-19 summer of 2020 might prove a mild preview of what is to come, if these swelling and intensifying economic disparities are unaddressed and further deteriorate.

The American Rescue Plan Act of 2021 seems to make an attempt at using federal capital in targeted ways to address historic racial inequities. Though the act is not specific to black America, President Biden has indicated that monies from the legislation should seek to address historic racial gaps. The $1.9 trillion Rescue Act, a part of what Biden calls his plan to Build (America) Back Better, is the third COVID-19 focused economic legislation passed since March 2020—following the $2 trillion CARES Act and $910 billion Consolidated Appropriations Act of 2021. These are touted as once-in-a-generation investments, as they are among the largest economic rescue plans in American history. Still, these investments should include more funds targeted toward black America’s economic development. It is impossible to build America back better unless it builds black American business back better. Targeted investments by the Biden administration to black entrepreneurship are a good start, but they are not sufficient for the scope of the current disparities.

Thus, as part of this ongoing pandemic relief, Congress should not only provide substantial supplementary capital to address the immediate and short-term needs of black-owned American firms but also allocate additional distinct funding aimed at addressing historic inequities in the black business landscape. Congress should authorize the creation of a permanently funded US black business development block grant program for both the short term and the long term, which would thereafter garner a significant annual appropriation.
The immediate dollars would cover much-needed cash infusions to black firms and strategic technical assistance. Though the short-term cash allocation would disappear in future appropriation bills, the STA funds would become a permanent component of the block grant program. Additional annual funding as part of the block grant would go to support the creation and operation of a new AmeriCorps-type service program called Equity Corps. Equity Corps would fund the training and intensive service of a group of young and diverse postcollegiate Americans to spend two years working with municipalities and states around the country on creating more equitable local entrepreneurial, business, and economic ecosystems—aimed at transforming the national inclusive culture. The largest proportion of the block program would be dedicated to the distribution of block grants to local and state governments on an annual formulaic basis, in order to fund all associated efforts in creating a racially equitable business environment.

Perhaps a first step toward more ambitious and sustainable federal support for minority businesses arrived with the passage of the Minority Business Development Act of 2021. The bill’s passage codified the Minority Business Development Agency (MBDA) as a permanent agency under the guidance of a newly created undersecretary role; expanded its geographic scope to include regional offices and rural business centers; and increased its ability to collaborate with both public- and private-sector partners to support the development of minority business enterprises (Bienasz 2021). The more than $1 trillion Infrastructure Investment and Jobs Act, passed in November 2021, provided $110 million annually through 2025 for the MBDA, up from $48 million allocated by Congress in 2021. Though this allocation is miniscule when considering the problem and degree of need—it is not enough to support the current black business ecosystem let alone the nine million minority businesses across the United States it aims to—the legislation may be a starting point. It must be seen as merely that. If black America, and America as a whole, are to achieve social and economic equity, the black business ecosystem alone must start seeing its own $1 trillion-plus in annual allocations and investments.

The weakened state of the black economy before the COVID-19 pandemic did not arise by chance, and it will not be changed by chance. In fact, the United States government played the central role in the African American business ecosystem arriving at such a depleted status, a situation that has been further hampered by the ongoing crisis and insufficient responses related to black American businesses. Consequently, the United States government must play an equally important role in building it up following the COVID-19 pandemic. Thus, there is substantial and significant ground in America to make up if there
is any hope of ever curing the other deadly disease that has been ravaging the country since its founding: systemic racism.

NOTES
1. These loan count figures by race/ethnicity are estimates based on data extrapolated from SBA figures of the 94,501 applicants who filled out demographic information for the 661,218 actual total loans distributed that were above $150,000.
2. Author’s analysis based on American Community Survey (ACS) data (2010) and Survey of Business Owners (SBO) data (2012) from US Census Bureau data estimates.
3. Entrepreneurial Capital Leverage (ECL) is the access to additional capital through means such as capital markets, banks, investors, and the such.
4. For more context on this curve, also called the Hygoeconomic Parity Index (HEPI), see McKay and Banks (2019).
5. Three million is a modest estimate by the author of all black firms, with and without employees in 2020, based on prior growth trends. Estimated at 15.4 percent increase from 2012 to 2020—pre-COVID-19.
6. For more context, see African American Alliance of CDFI CEOs (2021).
7. For more context, see HUD (2021).
8. Based on information collected by the author in Durham, NC, July–August 2020.
11. The word effort is utilized versus opposing language such as initiative or project, which belies some bounded start and end times.

REFERENCES


Race, Entrepreneurship, and COVID-19


