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# THE FACULTY RESEARCH BULLETIN

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## Contributors

Blanton E. Black, M.A., Assistant Professor of Social Sciences

William H. M. Bowens, M.A., Instructor in Sociology and  
Business Administration

R. Grann Lloyd, Ph.D., Professor of Economics and Chairman  
of the Department

Robert C. Long, Sr., M.A., Assistant Professor of Business  
Administration

Wilton C. Scott, M.A., Director of Public Relations

Elson K. Williams, Ed.D., Coordinator of General Education  
Program

Andrew J. Hargrett, M.A., College Minister

## TABLE OF CONTENTS

The Socio-Economic Background of the 1951-1952 Freshmen at Savannah State College, <i>By Elson K. Williams</i> . . . . .	3
Social Types on a Negro Main Street <i>By W. H. M. Bowens</i> . . . . .	11
Barriers Against the Entrance of Negroes Into Certain Business Ventures in Harlem, <i>By Robert C. Long, Sr.</i> . . . . .	26
A Survey of Prevailing Grading Procedures in Representative Colleges and Universities, <i>By R. Grann Lloyd</i> . . . . .	25
The Rise and Expansion of Plantation Agriculture in Coastal Georgia, 1752-1860, <i>By Blanton E. Black</i> . . . . .	43
A Consideration of Selected Principles of Leadership in School and Community Relations, <i>By Wilton C. Scott</i> . . . . .	54
Factors Associated with the Attitudes of Prospective Male Graduates of Negro Colleges in 1954 Toward Entering a Seminary, <i>By Andrew J. Hargrett</i> . . . . .	60

# Barriers against the Entrance of Negroes

## Into Certain Business Ventures in Harlem

By Robert C. Long, Sr.

The purpose of this study was to discover, analyze and interpret those factors that might be attributed to the low percentage of Negro-owned businesses, other than the service type, in Harlem, which is predominantly Negro, and particularly in the 125th Street area, and to discover, if possible, if there has been collusion on the part of any group to keep the Negro merchant out of the area. The writer is indebted to the administrative officers of trade and commerce organizations, research libraries, civic agencies; employers and employees of businesses of various types who gave so unstintingly of their time and effort that this study might materialize; and to the members of the research committee, to whose interest, guidance and suggestion, the completion of this report is largely due.

The writer obtained material for this report principally through interviews with business executives, officials of business organizations, white and Negro and the man on the street. Historical data for background material was obtained from special sections of research in libraries. Of the 40 referrals and-on-the-spot contacts initiated, only 5 refused to furnish information.

According to data obtained through research, attention was directed to this problem as early as 1912, when Haynes' list of findings included such factors that seemed to constitute barriers against the entrance of Negroes into certain business ventures as these:<sup>1</sup> (1) lack of experience, (2) lack of initiative, (3) lack of capital and credit, (4) handicaps of social environment, i.e., prejudice and differences of white groups, and (5) previous conditions of servitude. Smith and Curly,<sup>2</sup> in a research paper lists in their findings, that the low economic status of the masses, lack of proper investigation as to type of business, and that Negroes have not learned the importance of cooperation in production, distribution and even consump-

<sup>1</sup>George E. Haynes. *The Negro At Work in New York City*. New York: Columbia University, 1912.

<sup>2</sup>Maceo A. Smith, and Benjamin C. Curley. "Economic Survey of Negro Businesses in Harlem." New York, 1928.

tion, as those factors that contribute to the low percentage of Negro-owned businesses other than the service type. Davie<sup>3</sup> discovered that this problem is the result of the Negroes' confinement to service-types of businesses in the past, and the long time concentration in domestic and personal services. Further, he found that the American Negro has been driven . . . to operate *racial* businesses. This is not his preference. Yet it seems to be the only recourse. It is an economic detour which no other racial group in this country is required to travel.

Pierce,<sup>4</sup> Oak,<sup>5</sup> and Davie,<sup>6</sup> in their respective studies discovered the following factors that seemed to constitute barriers against the entrance of Negroes into certain business ventures. They are, in addition to those listed above: (1) the peculiar social, economic and political status of the Negro, (2) lack of specialized training, (3) the "fear" complex of the Negro, (4) restricted opportunities for business training, and (5) general isolation from the interlocked movement of commerce.

It is interesting to note that the findings of this study are not too unlike those of yesteryear. The interviewees were unanimous in their beliefs that the main barrier against the Negro's entrance into businesses other than service type has been the lack of opportunity for experience. The contentions are that, (1) there has been a planned and deliberate denial of opportunities for Negroes on an equal basis, (2) that Negro employment has been restricted to that of domestic servants, porters, elevator operators, i.e., menial and marginal types of employment, and (3) that few Negroes come from families with business and commercial backgrounds.

An investigation into the causes of the riot in 1935 revealed that it was due in part to the economic unrest among the Negroes, and discrimination in employment. A demand was made on businesses to employ qualified Negroes as floor-walkers and clerks in the stores in Harlem, and particularly in the 125th Street area.

It was in 1936, and after many months of picketing and pressure, that a Negro salesperson was hired in the department stores on 125th Street. Now, and as the result of the enact-

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<sup>3</sup>Maurice R. Davie. *Negroes in American Society*. New York: McGraw-Hill Book Company, 1949.

<sup>4</sup>Joseph A. Pierce. *Negro Business and Business Education*. New York: Harper and Brothers, 1947.

<sup>5</sup>Vishnu V. Oak. *The Negro's Adventure in General Business*. Yellow Springs: The Antioch Press, 1949.

<sup>6</sup>Davie, *op. cit.*

ment of the FEPC, Negroes may be hired in any capacity for which they have qualifications. While the enactment of the FEPC is still somewhat ineffectual, it is a step in the direction of correcting and eliminating this barrier.

The next factor considered by a majority of the interviewees was that of high rent. Thirty or 85.7% were of the opinion that rental for commercial space was too high, and that Negroes are charged higher rent for the same space than whites, in residential as well as commercial space.

The "high rent" factor was among the findings discovered by McKay<sup>7</sup> who said that, "It is an inexorable law of real estate that as soon as Negroes move into a building or a block, which was formerly white, the value depreciates. The property may not immediately deteriorate but the landlords insure themselves against that eventuality by enormously increasing rentals as soon as Negroes take over."

This opinion was not shared by all, for five or 14.3% of those interviewed gave these views: (1) rental rates for residential and commercial space are higher throughout the country, (2) Negroes are not charged higher rent for commercial space than whites, nor for the reason that they are Negroes, (3) that operational and management costs are up, necessitating comparable increases in rates for rentals and leases, (4) that with rent controls off, landlords are or were attempting to get as much for commercial space as the "traffic will bear," (5) that high rent does not constitute a barrier, and that (6) much of the residential and commercial property is family-owned, therefore trustees of the properties are interested in getting whatever they can, thus protecting the interests of their legatees.

Another finding of this study revealed that there has been a lack of capital, and the lack of opportunity for credit. The pros and cons of this factor advanced by interviewees as a barrier was divided almost equally, for twenty or 57.1% felt that it constituted a barrier, while the remainder, fifteen or 42.9% felt that lack of capital and lack of opportunity did not necessarily constitute a barrier.

The interviewees listing lack of capital and opportunity for credit as factors constituting barriers said simply that, (1) there is a lack of cooperation on the part of banks in granting

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<sup>7</sup>Claude McKay. *Harlem: Negro Metropolis*. New York: L. P. Dutton & Company, Inc., 1940.

loans, and (2) that it is difficult for a Negro to obtain credit for the purpose of entering a business, (3) that since a large number of Negroes are "marginal" laborers, domestics, etc., who usually spend more than the prescribed "one-fourth" of their monthly earnings for rent, a correspondingly large amount for food, and other necessities, there is little left, if any, for savings or investment purposes.

There were those, including an official of a neighborhood bank, who felt that there is not so much the lack of capital as there is the failure on the part of some to combine or pool their capital, and that there is capital among many Negroes, but it is invested in real estate, liquor stores, or other types of "quick-return enterprises.

These "quick-return" enterprises are those service-type enterprises as beauty parlors, barber shops, restaurants, grocery stores, cleaning establishments, and bars and grills. The establishing of these businesses necessitates an outlay of capital, however, small, yet this capital is secured from some source.

Someone said that a Negro desiring to go into business in the South can easily obtain credit if he is well liked by the whites. If he happens to be in the middle-class—the professional group—credit is easily extended. In the North and particularly, New York's Harlem, credit is not so easily obtained. Regardless of one's personality, if he doesn't have the sufficient collateral, cash or co-signers, and if his skin happens to be black, he is likely not to get any credit.

Since banks and other credit institutions operate under federal and state regulations, one should not be denied approval for credit should he meet the minimum regulations and qualifications. As Pierce<sup>8</sup> said, "I find that banks on the whole are very impersonal. Banking is being done today on a chain-store system lacking the personal touch. Character loans no longer exist."

Five or 14.2% of those interviewed believed that there is a lack of desirable space. The concensus of business and professional men is that the optimum commercial area in uptown Manhattan is that area on 125th Street between Eighth and Lenox Avenues, and one block north and south on cross streets. While there are many businesses of the service type owned, operated, and managed by Negroes on the cross streets,

<sup>8</sup>Pierce, *op. cit.*, pp. 73.

there are only five businesses owned and operated by Negroes on 125th Street. These include two beauty salons, a shoe store, a savings and loan company, a book store, and a photographic supply store. There is, however, office space for insurance companies and other professions located on upper floors.

About 1% of those interviewed indicated that the factors of (1) the lack of cooperation and confidence on the part of and among Negroes, (2) a lack of interest in business, and that Negroes have little or no business acumen, (3) the absence of an effective, active businessman's organization, (4) a lack of business sophistication and security, and (5) that there is collusion on the part of some merchants to keep the Negro merchant out of the area, are barriers against the entrance of the Negro into business other than the service type.

### *Suggestions and Conclusion*

The investigator does not wish to convey to the readers of this study that there are so few businesses owned and operated by Negroes as to cause concern, nor that there is need to place less emphasis upon the establishment and operation of service type businesses by and for Negroes. According to a news release in June, 1953,<sup>9</sup> it was reported that, "of the 6,500 businesses owned by Negroes in the city of New York, 4,500 are located in Harlem. They naturally include everything from barber shops to groceries, clothing stores and milliners. On Eighth, Seventh and Lenox Avenues, main Harlem thoroughfares,  $\frac{3}{4}$  of the businesses are owned by Negroes. A survey of Eighth Avenue businesses disclosed that out of a total of 788, no less than 70% were colored owned. The survey of Seventh Avenue businesses showed the same percentage of Negro ownership. It is the same story on crosstown streets except 125th Street."

It would appear that with approximately 284,481 Negroes living in Harlem, that there would be a wider variety of types of businesses. At the time of this study there were no milliners, one shoe store, no department stores, no major appliance stores, one or two drug stores, etc. According to some of the interviewees, while Harlem boasts of many eating places, there were only two considered first-rate.

The character of American business today is of such a caliber that even to achieve a modicum of success one must be equipped with the various technical and intellectual tools

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<sup>9</sup>*Pittsburgh Courier*, June 27, 1953.

of the trade. This can be said of any business venture, but especially is this true of non-service types. As Haynes has said, "Business enterprise involves judgments of the whims, wishes and wants of prospective customers and skill in buying goods or supplying services to supply their demands. The wage-earner needs his labor only. The business promoter must secure capital and establish credit. The employee has only the stake of a present place, and has little hindrance from going to another job in case of disappointment. The business man risks name, time, labor and money in the commercial current and has only his experience left, if he loses his venture."

Overcoming most of the factors indicated above is difficult for many new or prospective business men, and unless they have acquired at least a "speaking acquaintance" with them, they are likely not to be too successful. On the other hand, there are many top executives of today who were stock clerks, messenger boys, and shipping clerks of yesterday, and it mainly because they had many opportunities to grow into these characteristics of business ventures.

The Negro two and a half centuries under the complete control of a master could hardly be expected in one generation to acquire the experience, develop the initiative, accumulate the capital, establish the credit and secure the goodwill demanded today in carrying on great and extensive business enterprises, such as find their headquarters in New York City, the commercial heart of the continent. Besides, as Haynes has pointed out, the environment with its social handicaps, due to the prejudices and differences of the white group by which he is surrounded, and to previous conditions of servitude, have had their commercial and industrial consequences.

Now, after three hundred years many of these factors still tend to constitute barriers against the Negro entering certain business ventures. They exist in a somewhat lessened degree as previously, yet it is refreshing to know that those factors still constituting barriers are surmountable.

On the basis of the above conclusions, it is believed that many of those factors that tend to constitute barriers against the entrance of the Negro into certain business ventures in New York's Harlem, and certainly in other like areas, may be surmounted to a great degree, and to this end the following recommendations are offered:

1. Since there is a feeling, in some quarters, that there is an over-all need for the formulation of a pervasive phi-

losophy of Negro business and the indoctrination of actual and prospective business with this philosophy, it is recommended that Negro business adopt a philosophy based on the general premise that Negro business, if it is to achieve the fullest development possible in the American economy, must completely partake of the characteristics of American business and that it must not be limited in its patronage to one race, in its location to Negro communities, and its lines of business to service establishments and retail stores.

2. With the enactment of FEPC, it is recommended that Negroes who find employment in the various businesses in which there are few or no Negroes, that they seize every opportunity possible to learn the business thoroughly thereby acquiring that experience so urgently needed for future and present use.

It was Myrdal<sup>10</sup> who said that, the next expansion should be toward management, not only to offer employment to ambitious Negro youth but also to provide training for them without which Negro business will never be able to get beyond the initial stage. Interracial business—owned by white and colored capital, managed by white and colored officers, and sustained by white and colored patrons—would provide positions for white and colored workers, the latter being excluded from businesses owned exclusively by whites.

3. Since rental rates of commercial property is higher all over the country due to increased costs of maintenance, etc., it appears that the high rent factor is not accepted as a barrier for the financially strong and determined prospective man going into business, but rather as an excuse for the financially weak, shortsighted man going into business. Further, it recommended that adequate capital be secured prior to venturing into any type of business enterprise.

4. It is recommended that Negroes in business and those going into business thoroughly familiarize themselves with the necessary qualifications for securing credit and capital. It may be necessary in some instances to acquire more than the minimum qualifications.

To further point out that there is capital among the Negroes in Harlem, Dr. Ira De A. Reid in a radio address, "Eco-

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<sup>10</sup>Gunnar Myrdal. *An American Dilemma*. New York: Harper & Brothers, 1944.

conomic Aspects of Harlem” at the Hotel Claridge, New York, 1933, said, “The largest investments of Negroes in Harlem are found in the three R’s. Real Estate, 80 million, Religion, 8 million, and Revelry, untold millions.”

5. It is recommended that Negroes going into business be willing to begin on a small scale. A profitable business is not made over night, it sometimes takes years.

6. It is recommended that whenever possible Negroes in business and those going into business take advantage of business training programs offered in business training institutions, much of which is available for a minimum fee.

7. That while there is no guarantee that an organization of and for business men assures success in one’s business, much can be gained by membership in them, it is therefore recommended that membership and participation in such organizations be a *must*.

8. It is recommended that the American Negro rid himself of the notion that the West Indians or other ethnic groups possess superior business acumen.

According to data secured, the English speaking West Indians, like the Spanish-speaking, show aptitudes in this sphere because of their background. In the English-speaking islands the Negroes are over 90 per cent of the population. The small aristocracy are all high officials, heads and subheads of departments and large landed proprietors. The upper layer of the wealthy mulatto group are politicians, big merchants and civil servants. Enterprising West Indians, therefore, enter the field of petty commerce which is wide open to them and in which their competitors are immigrant Chinese and East Indians whose standard of existence is on a lower level than the Negroes. When these Negroes (West Indians) migrate to America they see in the black belt a special field in which their native background is helpful.

In summary, since the upper economic class of Negroes is sustained almost entirely by Negro patronage—the only large source of “outside” revenue available to this group being the salaries of teachers in Negro public schools and colleges and some government employees—it has found a vested interest in the maintenance of a separate Negro economy. It is now planning, through business association propaganda, and other methods, to secure a larger share of the economic activities of Negroes especially in the field of consumers’ goods

and services. The Negro business man faces a dilemma. As Dr. Pierce expresses it, "On the one hand, he wishes to integrate his business into the general American economy but finds the caste walls block his efforts and hinder his economic progress. On the other hand, he has a vested interest in racial segregation since it gives him what opportunities he has." There is the feeling that this belief has led him too frequently to rely upon "race pride" as an incentive for patronage rather than upon service, quality of merchandise, and competitive prices. The only Negro business that can hope to expand and develop adequately in the American economy is one that partakes completely of the characteristics of American business. There are some slight trends in that direction. Meantime, though the segregated Negro economy narrows the activity of the Negro business and professional classes, it is today the main path of economic progress for them, and it may operate to improve the status and power of the whole Negro group.

It would appear then, that the recommendation that would aid in surmounting these seeming barriers against the entrance of Negroes into certain business ventures is to acquire experience through employment in businesses and that offered by business training institutions, combine our resources, capital, experience, know-how, for better business, secure information on capital, credit, and functions of merchandising, and acquire a philosophy of American business—not Negro business.