

Urban Entrepreneurs

The Origins of Black Business Districts in Durham, Richmond, and Washington, D.C.

BY CHARLES GERENA

Jackson Ward was the place to be for African Americans in postbellum Richmond, Va. On 2nd Street, or “the Deuce” as it was known, residents and out-of-towners filled shops during the day, while music from jazz clubs filled the air at night.

From the late 19th century to the mid-20th century, a similar snapshot could be taken in Durham, N.C., or Washington, D.C. As racial segregation and terrorism plagued the South, black business districts in these cities emerged as refuges where African Americans could shop or start businesses of their own. They also served as repositories of much-needed capital for black entrepreneurs and homeowners. Black business districts thrived until the latter half of the 20th century, when desegregation made them less vital to African American consumers.

During the heyday of black business districts, entrepreneurs were both constrained and protected, says William Darity Jr., an economist at the University of North Carolina at Chapel Hill. They were “constrained

in the sense that, to a large extent, black entrepreneurs would have to provide their services to other members of the black community. But [they were] protected in the sense that they were not confronted with significant competition from nonblack businesses.”

The seeds of black commerce were germinating as far back as the 17th century, well before places like Jackson

Ward reached their zenith. “Ninety percent of blacks in the United States were the legal property of other folks, so the extent to which they could engage in entrepreneurial activity depended upon the discretion of their owners,” says Darity. Yet slaves found ways to participate in the economy.

For example, some plantation slaves who grew their own food were allowed to barter or sell their surplus production. Rice, tobacco, and other crops changed hands with other slaves, the slave’s owner, and customers in neighboring plantations and towns. (In the latter case, some of the profits usually went to the owner.) Slaves traded other products as well, including poultry, prepared foods, herbal medicines, and handmade goods.

Entrepreneurial activity also originated from slaves with managerial authority at white-owned plantations and businesses. “Often using the freedom that came from managing their owner’s enterprises, slave entrepreneurs made money by surreptitiously selling their skills and services or their owner’s goods to customers,” wrote historian Juliet E.K. Walker in her 1998 book *The History of Black Business in America*. “In some instances, owners gave their approval to such business activities, as long as the slave managers continued to produce profits.”

It was common for slaveholders to profit from hiring out their laborers. Some slaves recognized their value on the open market and asked to negotiate the terms of their self-employment. Occasionally, they went a step further and asked for permission to run a business. Owners usually acquiesced when they got a cut of the take.



In addition to showing feature-length films, Richmond's Hippodrome Theatre showcased Cab Calloway, Nat King Cole, Billie Holliday, Lena Horne, and other black performers.

What happened to all of this income? Slaves used it to purchase land and other assets. Even as Maryland, Virginia, North Carolina, and other southern states imposed new legal constraints on blacks during the 18th and early 19th centuries, African Americans managed to retain some property rights.

During this period, some blacks accumulated enough wealth to buy freedom for themselves and their families. Free blacks and those born outside of slavery eagerly continued a tradition of entrepreneurship. They found a variety of niches where their skills were valued by whites, including catering and other food services, personal services such as tailoring and hair care, and small-scale manufacturing. A few blacks managed to build substantial enterprises, particularly those that served both whites and blacks, and entered professions like law and dentistry.

Feeling threatened, protectionist whites barred blacks from certain occupations. For instance, in 1836, Washington, D.C., made it illegal for free blacks or slaves to sell alcoholic beverages or run other types of businesses for profit. This added to the challenges of collecting debts and obtaining credit that often impeded the growth of black-owned businesses.

In an effort to address the need for credit, wealthy antebellum blacks acted as informal bankers. They collected other people's savings, then used the funds to make loans and discount bank notes.

African Americans were accustomed to pooling their resources. Throughout the 1600s, slaves secretly formed burial societies to pay for traditional African funerals. Later, mutual aid societies and church-based relief societies used membership fees to offer death benefits, education and vocational training for youths, and other assistance. Some organizations, such as the Brown Fellowship Society in Charleston, S.C., financed start-up businesses.

With the end of the Civil War in 1865, African Americans thought they finally had a

chance to fully participate in the economy.

Certainly, southern whites had to swallow their resentment and resistance of black commerce to get through Reconstruction. Noted Walker, "They had no alternative but to rely on blacks, who constituted one-third of the South's population, to provide the essential goods and services needed for the...redevelopment of the region."

Yet they tried to maintain the second-class status of blacks whenever possible. Several states enacted "black codes" to keep African Americans out of occupations that could lead to independent enterprises. For example, South Carolina required blacks to obtain a license to participate in any business activity other than farming or domestic service. The catch was that a license couldn't be issued unless a white person provided evidence of the black applicant's good character.

By the turn of the century, southern blacks had lost much of their legal and civil rights. An array of state and local statutes known as Jim Crow laws institutionalized the segregation of whites and blacks. The Supreme Court upheld the creation of "separate but equal" public facilities for each race in 1896.

The result was that black-owned businesses lost their white clientele and black consumers were robbed of places to buy goods and services, forcing them to rely on trading with each other. This "economic detour" put African American commerce on a separate path from the rest of the U.S. economy.

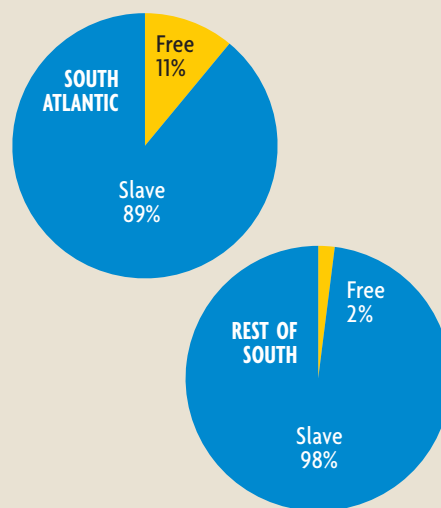
John Sibley Butler, a professor of sociology and management at the University of Texas at Austin, outlined this phenomenon in a 1991 history of black entrepreneurship. "Governmental programs forced Afro-American business people to develop separate enterprises and to sell in a restricted race market. This [had] the effect of decreasing the total amount of business activity among Afro-Americans. Other ethnic groups [were] free to operate in the larger market," thus giving them an advantage that blacks lacked.

Echoing their history of self-help and cooperation, blacks formed benevolent

Relative Freedom

In the pre-Civil War era, entrepreneurial activity tended to be higher among free blacks than slaves. This could explain why blacks in the rest of the South were drawn to black business districts in the South Atlantic region, which had a higher percentage and number of free blacks.

Black Population, 1860



	South Atlantic	Rest of South
Free	217,753	40,593
Slave	1,840,445	1,998,320

NOTE: As defined by the U.S. Census Bureau, the South Atlantic Division encompasses the Fifth District plus Delaware, Georgia, and Florida. The "Rest of the South" includes the East South Central Division (Ky., Tenn., Ala., Miss.) and the West South Central Division (Ark., La., Okla., Texas).

SOURCE: U.S. Census Bureau

societies and fraternal orders. At first, these groups provided basic necessities for newly emancipated slaves and their families. Later, they provided financial services that were unavailable to blacks at many white-owned institutions.

Blacks also organized building and loan associations when they had problems constructing and buying homes. Several associations were founded in Baltimore and, by 1898, 17 organizations were operating in Maryland, the District of Columbia, Virginia, and five other states.

European immigrants founded similar self-help organizations when they first came to America, but Butler argued that they existed in a different historical context. "No other racial or

A Symbiotic Relationship

With the reconstruction of the South after the Civil War came new opportunities for African Americans to make money, until segregation reared its ugly head toward the end of the 19th century. The race-specific business districts that subsequently developed contributed to the expansion of historically black colleges and universities (HBCUs), and vice versa.

Most HBCUs were backed by white and black religious organizations in the North that wanted to provide a college-level education to southern blacks who didn't have access to it.

These groups included the African Methodist Episcopal Church, which founded Allen University in Columbia, S.C., and the American Baptist Home Mission Society, which started the antecedent of Virginia Union University in Richmond, Va. The federal Freedman's Bureau, established to help newly emancipated slaves, supported their efforts from 1865 to 1872.

Several universities also benefited from the generosity of neighboring black business districts. James Shepard, a registered pharmacist and businessman, founded North Carolina Central University in 1910 after helping to start Mechanics and Farmers Bank and other institutions in Durham's Hayti and Parrish Street districts. Shepard kept N.C. Central afloat with a combination of private funds and tuition money until the state government purchased the school in 1923.

In turn, HBCUs benefited black business districts by serving as a training ground for future business leaders. Milton Holland, a graduate from Howard University in Washington, D.C., founded Alpha Life Insurance Company near the campus. HBCUs also served as magnets for African-American professionals and intellectuals.

—CHARLES GERENA

tained the masses, numerous black-owned financial institutions in Jackson Ward harnessed the economic power of residents. They included St. Luke Penny Savings Bank, the first bank managed by a black female president, Maggie Walker; and Southern Aid Life Insurance, one of the South's largest black insurers.

About 150 miles south of Richmond, Hayti became Durham's center of black commerce. Many small businesses operated in this neighborhood, while professionals and businessmen settled on Fayetteville Street.

When North Carolina Mutual Life Insurance Company, the nation's largest black-owned insurer, moved from Hayti to Parrish Street in 1906, other financial institutions like Mechanics and Farmers Bank and professional offices opened nearby. By the start of World War II, Parrish Street earned the nickname of "Black Wall Street."

While Hayti and Parrish Street had much in common with Jackson Ward, there were some important distinctions. First, Durham wasn't an old southern city entrenched in a history of racial and class-based separation. It was sparsely populated by farmers until the railroad came through in 1853. Tobacco warehouses sprung up along the tracks, creating demand for black and white laborers.

"My hunch is that the growth was so rapid that anybody could come here to get a job," says Perry Pike, education coordinator for the Historic Preservation Society of Durham. "They couldn't afford to discriminate in the way that other southern cities did."

Second, while blacks lived separately in Hayti and a few other communities, Durham was relatively progressive. "You saw a difference here," says Andre Vann, an official at North Carolina Central University who co-authored a book called *Durham's Hayti*. He believes there was more cooperation between blacks and whites in Durham than in other southern cities. "Many white capitalists used the black-owned banks to funnel their money [into black communities] inconspicuously."



Howard University was the center of black business and cultural activity in Washington, D.C., following the Civil War.

ethnic group... has had to face the total constitutionally sanctioned exclusion from the larger society that Afro-Americans have experienced. ...In an environment that totally shut them out, Afro-Americans placed more emphasis on self-help."

One of the prominent self-help organizations for blacks in the Fifth District was the Grand Fountain United Order of True Reformers, founded in Richmond's Jackson Ward by the Rev. William Washington Browne in 1881. In addition to providing financial services through its insurance company and bank, True Reformers used its members' funds to operate a chain of department stores, a newspaper, and a home for the elderly. It also invested in real estate in 10 Virginia cities, Washington, Baltimore, and other locations.

While some of these institutions lasted only a few decades, they all supported new business development and home ownership among blacks. These

were two important ingredients for blacks to survive independently in rural and urban areas throughout the South.

Most of this economic activity took place within black-only communities, since segregation prevented African Americans from buying land or conducting business in white communities. In southern cities, black businesses and professionals were pushed into race-specific districts, often relegated to the outskirts of the busy Main Streets where they once served all races.

Jackson Ward was one of these communities. German, Italian, and Jewish immigrants, who settled the area from the late 1700s to the mid-1800s, lived side by side with free and enslaved blacks. Once segregation divided Richmond by the end of the 19th century, however, Jackson Ward became the city's center of black commerce.

A few blocks from where Duke Ellington and Cab Calloway enter-

Richmond was also considered a fairly progressive city. “It was a gateway to the...North,” says Charles Bethea, executive director of the Black History Museum and Cultural Center of Virginia. “Jim Crow segregation was very harsh throughout all of the South,” but changed the farther north you went. “Let me put it this way: There were more civil rights cases filed in Virginia than anywhere else, pre- and post-Civil War.”

Farther north, in Washington, D.C., a large number of well-educated, free blacks asserted their political and economic power in the face of antebellum racism. During the 1860s, racial discrimination in restaurants, hotels, and other public places became illegal, and blacks won the right to vote and receive public schooling. The city reportedly had the nation’s largest urban black population.

But in the following decades, Washington became increasingly hostile toward blacks and rigidly segregated. The growth of public transportation enabled whites to exit middle-class communities like Shaw and move into new developments that were closed to other races, leaving blacks behind. At the same time, black businessmen were forced out of downtown Washington and relocated to U Street, 7th Street, and 14th Street N.W. in Shaw.

By 1910, Shaw had more than 200 black-owned businesses offering everything from jewelry to printing services. The Order of True Reformers built a five-story building on 12th and U streets to house the Washington branch of its bank, a concert hall, and offices for black professionals. The rest of U Street became a business and entertainment corridor for Washington’s black community, while 7th and 14th streets evolved into retail corridors for blacks that migrated from rural areas after World War I.

Eventually, though, black business districts lost working-class blacks who became fed up with repressive Jim Crow laws and moved north, where social conditions seemed better and

factory jobs were abundant. But middle and upper class blacks had no reason to leave the business districts where they had set down roots. They felt somewhat sheltered from the racial tensions of the South, especially those who were in the good graces of the white establishment and had their financial backing.

By the 1950s and 1960s, however, black business districts began to decline for other reasons. Historians believe that desegregation and the social progress of blacks created a new economic reality for these districts.

As black consumers ventured into the white business community, black business districts faced new competition. “The Civil Rights Act of 1964 didn’t make all public accommodations open overnight,” says Darity. “But over time, blacks had a much greater reach of potential service providers.”

Butler at the University of Texas agrees with this assessment, adding that young blacks didn’t want to run their family businesses because they thought they could make more money elsewhere. “[My family] had three malt shops and I managed them by the time I was 16. I wanted nothing to do with it when I became a man.”

Urban renewal efforts in later decades attempted to revitalize black business districts, but they often backfired. In Jackson Ward and Hayti, the construction of a highway led to the destruction of distinctive historic structures and isolated black communities. Jackson Ward lost more of its historic real estate from the construction of the Richmond Coliseum and the convention center.

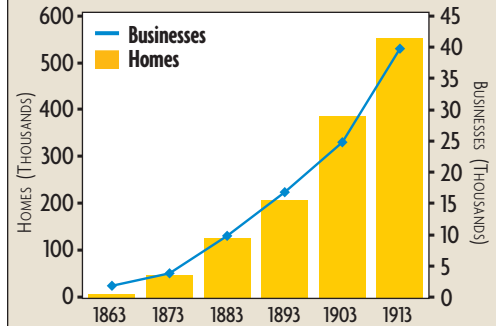
Private redevelopment has occurred in black business districts as well. For example, upscale shops and loft apartments are being developed on 14th Street in Shaw, which was decimated when riots burned black communities throughout Washington in 1968.

Some would say that these private and public revitalization efforts are part of a “systematic, political dismantling” of black communities, as Darity puts it. Others see it in a more positive light, as an example of “creative destruction”

Progress Against The Odds

Business and home ownership among African Americans continued to rise after the Civil War ended in 1865, despite social and legal discrimination. Black-owned financial institutions get some of the credit for keeping money flowing during this challenging period.

Black-Owned Properties



SOURCE: “Negro Year Book: An Annual Encyclopedia of the Negro, 1914-1915,” Tuskegee, Ala.; Negro Year Book Publishing Company, 1915

that ultimately will yield large benefits.

However one views this transformation process, though, it seems likely that these areas’ rich histories will be preserved in some form. Cultural Tourism D.C. is marketing Shaw as the South’s version of Harlem, while private interests in Jackson Ward envision an entertainment district that could serve visitors to the Greater Richmond Convention Center. **RF**

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