ROAD TO SERF-DURHAM:
EXAMINING THE DECLINE OF THE AFRICAN-AMERICAN ENTREPRENEURSHIP
ECOSYSTEM IN THE UNITED STATES (PAST, PRESENT, AND FUTURE)

Henry Clay McKoy, Jr.

A dissertation submitted to the faculty at the University of North Carolina at Chapel Hill in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the Department of City and Regional Planning.

Chapel Hill
2018

Approved by:
Meenu Tewari
Nichola J. Lowe
Roberto G. Quercia
William M. Rohe
James H. Johnson, Jr.
ABSTRACT

Henry Clay McKoy, Jr.: Road to Serf-Durham: Examining the Decline of the African-American Entrepreneurship Ecosystem in the United States (Past, Present, and Future) (Under the direction of Meenu Tewari)

Business ecosystems are gaining in attention in contemporary scholarship. Historically, research has focused on how firms compete against other firms, how industries compete against other industries, or how markets compete against other markets (Moore, 1993; Mason & Brown, 2014). Attention is now turning to how business ecosystems compete against other business ecosystems. This dissertation introduces the concept of community economic ecosystem to the body of business and entrepreneurship ecosystem literature as a central component of understanding economic development, and applies it to study race as a contextual variable within entrepreneurial ecosystems and their outcomes.

The first paper asks whether minority entrepreneurs have achieved parity with their shares of the national population in terms of business formation, growth and expansion. The findings suggest that America’s various business ecosystems seem to have moved from de jure segregation to de facto segregation, as opposed to fuller integration. While the overall diversity of the business ecosystem is changing rapidly, the business success ecosystem might not be diversifying as fast, if at all.
The second paper asks what impact would the location of black entrepreneurs in minority entrepreneurial hubs, such as Atlanta, Georgia and Durham, North Carolina have on the relative economic equity of those populations compared to other racial groups in the area. The findings suggest that even in communities with relatively sizable black populations, high levels of black formal human capital, black experiential human capital, black wealth, black entrepreneurial spirit, and black political leadership, the economic outcomes for the black community still lag behind other communities.

The final paper asks whether entrepreneurship provides a viable means for advancing mutually beneficial economic outcomes for black Americans – individually and collectively; and whether it ever has. A reinterpretation of Durham’s historic Hayti community, from the end of the Civil War to the end of the Civil Rights Era, illustrates that this racial enclave was able to utilize strategic upbuilding to construct a “group economy” effective at combating overt discrimination, relying on the institutional anchoring of their community via financial, educational, cultural, and political institutions, among others.
To Mama.
ACKNOWLEDGEMENTS

First and foremost, I am a man of great faith. So, I want to thank God for the mercies bestowed upon me, not only during this chapter of my life, but throughout my life.

It is impossible to undertake and complete a journey like this without the help, patience, and guidance of a great many people. I want to begin by thanking my advisor, Meenu Tewari, who served as a steady and patient guide for me throughout this process. Because of her I will always remember to ask the question – “under what conditions did something occur?” – recognizing that component is as much a part of the narrative as what actually occurred. Likewise, I would like to sincerely thank each of my dissertation committee members – Nichola Lowe, Roberto Quercia, Bill Rohe, and Jim Johnson. Each of them brought a unique perspective to this work that would have otherwise been missing.

I thank Nichola specifically for the enthusiasm in my work, and expressing joy in learning new things, even while suggesting additional perspectives that I should consider. I thank Roberto specifically for always offering sage advice, while reminding me to write not only for the audience who already knows the background literature, but also for the audience that does not know it. I thank Bill specifically for asking the hard questions that often forced me to reconsider a strategy of research or presentation of material. I thank Jim specifically for his mentorship and collaboration, and particularly for introducing me to the U.S. Survey of Business
Ownership (SBO) datasets from the U.S. Census Bureau. These data literally changed the course of my thinking, my research, my dissertation, and likely my future. Each committee member challenged me to be better than I was.

Thank you to Dr. Mark Little and the Kenan Institute of Private Enterprise at the University of North Carolina at Chapel Hill for awarding me with the 2016 KIPE Fellowship to work with Jim. I am forever grateful for that. I also want to thank Dr. Deborah Gallagher of Duke University, who provided her input early in this process as a member of my program committee.

I would also like to thank my program cohort – Kirstin Frescoln, Chaosu Li, and Mathew Palmer – who served as my extended family especially during those early years of coursework. The dinner conversations and academic decompression sessions will always be special times for me. I also thank the many other UNC DCRP students, faculty, and staff who made my journey through the program engaging and enlightening. I could not imagine a better “school” family.

Next, I want to thank my “home” family. I want to offer the greatest thanks to my wife of 22 years, and mate of 25 years, Euba – and my two children, Jamila Anne and Jalen Anthony. They made all of this relatively painless by always giving me whatever space I needed to work and explore. I also want to thank my siblings – Lisa Anne, Linda Denise, Henrietta Elise (she is going to be mad I used her first name), Tiana Sharise, and Franklin Earl. Growing up in a big family allows for endless hours of learning how to debate and craft an argument. So, thanks for the early training. Thank you specifically to the Core IV. Being a little brother has not been bad at all. I appreciate your ongoing collective encouragement that has always given me the impression that I could achieve anything that I set my mind to.
I want to thank my parents, Henry Clay McKoy, Sr. and Belinda Odessa Jones McKoy. My dad spent 35 years serving America as an enlisted man in the United States Army. He fought, so that I could have the freedoms to pursue my dreams. As for my mother, this manuscript is dedicated to her. She did not live to see any part of this journey, passing away in March 2007. Yet, I still think about her every single day, and she continues to provide me with daily inspiration and drive to succeed, even in the face of challenges. She was an entrepreneur at the end of her life before sickness sidelined her. I owe some, or maybe all, of my entrepreneurial spirit to her. My mother is also the reason that this acknowledgement is so long.

I received an incredible honor in March 2006 when I was inducted into the University of North Carolina (Chapel Hill) Sports Hall of Fame. In my humility, I chose not to give a speech that night. I should have. I thought I had plenty more platforms to utilize for my appreciations, in the years ahead, when I made the decision. What I did not account for was that all of the people that I appreciate might not be around in those years ahead. A year later she was gone. My mother is the largest embodiment of that missed opportunity to thank the people that I loved for what they contributed to my success – specifically her. I said I would never make that mistake again. This extended acknowledgement is a fulfillment of that promise.

Finally, I want to thank the African and African-American diaspora beginning with my grandparents and direct ancestors. As I learn more about my history through the ancestry work of my oldest sister, it has made me appreciate them all even more. They lived during some of the periods that I covered in this manuscript. Throughout this work, I talk about understanding “context.” They lived during times, and under conditions, that are hard for me still to imagine and fathom.
Both of my grandmothers, Lucy and Minnie, were domestic housekeepers who worked for upper middle-class white families. My paternal grandfather, Jasper, was a sharecropper. My maternal Robert Jones, was at one time, one of the leading black farmers in Cumberland County, North Carolina. Born in 1892, he eventually owned over 100 acres of land, had both black and white workers, and was a wealthy man during his time. I never got to meet him, as he was deceased before I was born – and by the time I was born, that wealth was gone and all that remained were the few acres that I grew up on – but I hear that he was a heckuva entrepreneur.

One additional thanks to all the individuals, lives, and stories that I discovered during my research journey. They had to endure discrimination, racism, and hostilities unfathomable to me, but that were necessary for me to be able to sit here and pen these words today. I thank them for their stories. If they could achieve what they did during their times, I have no reason not to keep striving for a better future for “Africans in America.” With that, I cannot conclude without thanking all of the current African diaspora, here in America, and abroad, that still suffer daily indignities, pain, hardships, discrimination, hostilities, and even death, for no other reason than being black.

Kermit the Frog once sang the words:

“It’s not easy being green.”

Well, he should try being black. Or more accurately, black and blue. The jazz standard “Black and Blue,” composed by Fats Waller with lyrics by Harry Brooks and Andy Razaf, and later made famous by jazz legend Louis Armstrong, ends with the line:

“How will it end? /Ain’t got a friend/ My only sin is in my skin/What did I do to be so black and blue?”
As I said at the beginning, I am a man of great faith – so I am eternally hopeful that we as a community of people will get to where we need to. I do not know how it will end. However, I hope that this work helps along that path; and honors the struggles of those who came before me, those who are my contemporaries, and those who are yet to join the fight for racial equity.
# TABLE OF CONTENTS

LIST OF TABLES .............................................................................................................................................. xv

LIST OF FIGURES ........................................................................................................................................... xvii

LIST OF ILLUSTRATIONS ........................................................................................................................... xviii

INTRODUCTION ................................................................................................................................................. 1

  Background .................................................................................................................................................. 3

  Empirical Context – Black Entrepreneurship, Wealth and Economic Equity ............................... 8

  Three Papers ............................................................................................................................................. 12

REFERENCES ................................................................................................................................................ 18

PAPER 1: DO ECOSYSTEMS SEE COLOR? ................................................................................................. 21

  Introduction ............................................................................................................................................... 21

  Critical Background and Context ........................................................................................................ 23

  Empirical Strategy & Analysis .............................................................................................................. 27

  Findings .................................................................................................................................................. 29

  Parity Analysis ....................................................................................................................................... 31

  Discussion .............................................................................................................................................. 34
LIST OF TABLES

PAPER 1 ..................................................................................................................................... 21

Table 1. Absolute and Relative U.S. Population Change, 2007-2012…………………………..29

Table 2. Shifts in Shares of Total Population by Race/Ethnicity, 2007-2012…………………29

Table 3. Changes in U.S. Small Business Ownership by Race/Ethnicity, 2007-2012…………30

Table 4. Shifts in Shares of Business Ownership of Firms With and Without Paid Employees, 2007-2012……………………………………………………………………30

Table 5. Race/Ethnic Equity/Disparity Quotients Using Whites as Reference Group, 2007-2012……………………………………………………………………………………32

PAPER 2.......................................................................................................................................42

Table 1. HEPI Variables……………………………………………………………………………….49

Table 2. HEPI Share Calculation Table……………………………………………………………..50


Table 4. Over-/Under-representation U.S., Atlanta, and Durham Areas Population, Firm, Revenue, and Poverty Share by Race/Ethnicity, 201………………………………………………68

Table 5. Indexed Equity Quotient (IEQrace) for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012……………………………………………………………………………72

Table 6. Normalized Equity Score (NESrace) for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012…………………………………………………………………………74

xv
Table 7. Economic Ecosystem Equity Gap Score for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012
Table 8. Absolute and Relative U.S. Population Change, 2007-2012
Table 10. Hygioeconomic Composite Score for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2012

PAPER 3

Table 1: Community Economic Ecosystem Framework (Description)
Table 2: Community Economic Ecosystem Framework (HAYTI)
LIST OF FIGURES

PAPER 2.......................................................................................................................................42

Figure 1. Hygioeconomic Index...........................................................................................................71

Figure 2. Hygioeconomic Ecosystem Equity Gap for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012........................................................................................................77

PAPER 3.......................................................................................................................................88

Figure 1: Community Economic Ecosystem Framework (Model).....................................................98
LIST OF ILLUSTRATIONS

PAPER 3...............................................................................................................................................88

Illustration 1: Individual and Institutional Anchor Relationships..............................................117

Illustration 2: Community Economic Ecosystem Interactions.................................................120

Illustration 3: Community Economic Ecosystem Interactions.................................................125
INTRODUCTION

Business ecosystems are gaining in attention in contemporary scholarship. Historically, research has focused on how firms compete against other firms, how industries compete against other industries, or how markets compete against other markets (Moore, 1993; Mason & Brown, 2014). That examination is now turning to how business ecosystems compete against other business ecosystems. A major goal of this dissertation is to introduce the concept of the community economic ecosystem to the growing body of business and entrepreneurship ecosystem literature as a central component of understanding economic development. Like other economic ecosystems, community economic ecosystems also compete against one another.

The concept of the business ecosystem is well-known. A business ecosystem is a network of organizations – including suppliers, distributors, customers, and competitors – involved in the delivery of a specific product or service through both competition and cooperation (Moore, 1993). The concept of a community economic ecosystem is a broader one than that of an entrepreneurship or business ecosystem. The community economic ecosystem includes greater interactions across a wider range of diverse and varied community members. In addition to the diversity and variety of interactions, the interactions are also different from those
solely in business and entrepreneurial ecosystems. The interactions tend to be built around trust, mutual benefits, and a desire for collective achievements.¹

The foundational idea of this dissertation began with the discovery of data – and the desire to better understand those data. Following the release of the US Census Bureau’s most recent Survey of Business Ownership data (2012), interesting patterns and trends related to minority entrepreneurship emerged. More specifically, enormous entrepreneurial disparities between whites and each of the other major American racial groups (blacks, American Indians, Hispanics) were identified, save perhaps Asians (McKoy & Johnson, 2018). The African-American entrepreneurial ecosystem lagged in every category of success, except in the growth rate, where they were among the leading racial groups in starting new firms. This led to the question of “Why does black entrepreneurship look the way it does in contemporary America?” This question became the spine of a 2.5-hour event (originally scheduled for only 90-minutes) on a Spring 2017 evening in Durham, North Carolina’s old Hayti community – once the leading black entrepreneurial hub in America (Butler, 1991; 2005; Brown, 2008). That event became the basis of the three specific papers around which this dissertation was structured.

¹ The economic clustering literature also builds on ties of trust – both historical and newly constructed, as well as socially produced – relational contracts and continuous learning through close and often face-to-face ties between producer and customer. See Piore and Sabel (1984), Saxenian (1996), and Porter (1990).
On Thursday, June 15, 2017, in Durham, North Carolina, more than 300 people gathered inside a modest community sanctuary during the early evening to discuss the future of local economic development. The event was being hosted by the Durham Committee on the Affairs of Black People, a civic and political organization founded in 1935 for the betterment of the local black community (DCABP, 2018). This assemblage included a diverse population of local public officials, political candidates, elected officials, citizens and residents. The diversity of those in attendance included race/ethnicity, gender, income, education, age, local neighborhood, place of origin, and general background. The attendees in the room, however, did not provide
the only diverse context of the event. At least three additional aspects would contextually frame the evening’s conversation.

First, the gathering was being presented as part of the local Juneteenth series of events. Juneteenth is the annual holiday celebrated by some communities to commemorate the date when the last American slaves learned of their independence on June 19, 1865 (Juneteenth, 2018). President Lincoln’s Emancipation Proclamation went into effect on January 1, 1863, but it took more than two years for the news of freedom to reach blacks in Texas. Durham holds annual events during the week of Juneteenth.

Next, the location of the event was historically significant. The event was being held in the sanctuary of the Hayti Heritage Center, a cornerstone of the once bustling Hayti District. The name “Hayti” referred to Durham’s historically black community renowned for its robust black entrepreneurialism in the century following slavery. At various times during this period, Durham became alternatively known as “the capital of the Black Middle Class,” “the City on the Hill for Blacks,” “Black Wall Street,” location of the most African-American millionaires per capita in the United States, and home to hundreds of black businesses, including the largest black-owned business in the world (Brown, 2008). However, in June 2017, the Hayti District was not even a shell of itself. Partly because of broader economic trends following social integration, the construction of a highway through the heart of the district, and global economic forces, Hayti was no longer a social and economic marvel. An area once home to numerous keystone institutions had very few remaining community anchors. The Hayti Heritage Center was one of those few remaining institutions from the prior century – actually, the nineteenth century. However, it could no longer be considered a keystone.
Finally, the gathering was presented as a moderated discussion about the next phase of economic development and investment in Durham. If an American-Tobacco-anchored downtown and a robust black entrepreneurial ecosystem had been economic cornerstones of late nineteenth and early twentieth century Durham, both had crumbled by the end of that century. However, since the beginning of the new century, significant capital investments had provided a second life for the downtown. Additional capital supported economic development growth in other areas of Durham, specifically in the northern and southern geographies. South Square, Northpoint, New Hope Commons, and Southpoint, were all new or upgraded development projects consisting of various mixes of retail, residential, and commercial anchors. Still, no area saw the type of public and private capital investment as did downtown Durham, estimated at over $1.2 billion (DDI, 2018). The return on investment had been significant. Durham was now being mentioned alongside entrepreneurial hubs like Austin, Boston, San Francisco, and even Silicon Valley (Moretti, 2012). Some rankings placed it as the best place in America for entrepreneurship.

While northern, southern, and downtown Durham had each received significant capital investments for economic development, east Durham had received virtually none. East Durham was the historically black and low-income area, which had seen little change in the previous decade of surrounding growth, except that it had become browner and poorer. But because of that surrounding growth, gentrification was now becoming a reality (White, 2016). Areas once the exclusive domain of only the poorest citizens of the community were now being purchased for hundreds of thousands of dollars; primarily by those relocating from northern or western states. The lack of affordable housing in Durham, as well as the demographics of who should benefit from any such efforts, were central themes of the night. With thousands of new residents
moving to Durham annually, many of them educated and white, the central questions were who the next phase of Durham would be built for, who would benefit, and who would be left behind? In short, the question of the night was who would the future of Durham belong to?

The title of the Hayti event was “Building a Durham Economy that Works for All.” Over the course of 2.5 hours, the moderated conversation advanced sequentially across three discussions – covering Durham’s economic past, present, and potential future.

Discussion #1

The Past: For some, learning about the past, particularly the rise of Durham’s Black Wall Street in the midst of the segregated Jim Crow south, was a source of great fascination, pride and joy. For others, the eventual decline and decay of the Hayti District evoked sorrow, pain and ultimately, anger. Many of the African-Americans, when hearing about (or recalling) the freeway construction that leveled Hayti nearly six decades prior, and its intentionality, expressed sentiments of anger at what the community had lost, and under what circumstances. At times, all these emotions seemed simultaneously present in the room. Whatever the past state of Durham, it was no longer a black mecca of economic progress or prosperity.

Discussion #2

The Present: Referencing the most recent United States Census Survey of Business Owners (SBO) data (2007, 2012), and other community indicators, many in attendance at Hayti seemed surprised at Durham’s current economic and social conditions. Among the most shocking findings from the data was that Durham’s black entrepreneurial population had grown much slower than other major cities in North Carolina, and the state overall. From 2007 to 2012, black entrepreneurship in North Carolina and the United States had increased by over 34 percent,
but only 14 percent in Durham (SBO, 2007, 2012). More surprising, not only did Durham rank lower than major metropolitan statistical areas (MSAs) like Charlotte, Raleigh, Greensboro, and Winston-Salem, among others, in black entrepreneurial growth, but also lower than the much smaller, and more rural, community of Rocky Mount. Furthermore, though Durham’s black and white populations were essentially equal numerically, blacks while significantly underrepresented in business, were significantly overrepresented in poverty. For a city that professed a desire to be the most diverse entrepreneurial hub in the world (Graves-Manns & Klein, 2015), and aspired to work equally for all, these facts challenged Durham’s core belief of itself – as an equitable community.

Discussion #3: The Future

The Future: If the “past” and “present” discussions created the most dissention in the sanctuary, as attendees sought to assign fault and blame for the current state of black Durham, the “future” discussion created the most bewilderment. Though eight distinguished panelists representing the public, private, philanthropic, academic, and community sectors shared their insights and knowledge, none offered definitive solutions to the locally identified challenges. Even the most vocal audience members appeared at a loss about how to reverse Durham’s inequitable trends. Imagining an economy that worked for all appeared easier than designing one. Nearly everyone in the room that evening agreed that Durham’s economic development ecosystem was not functioning for all. But no one seemed able to offer concrete solutions. For many, there seemed to be broader forces at work that the community could only hope to slow, but not stop completely. The oldest members of the audience, and many blacks who knew its history, were nostalgic for Hayti of the segregated era.
Empirical Context – Black Entrepreneurship, Wealth and Economic Equity

Surface level data, news reports and the popular press would suggest that there has never been a better time to be a minority entrepreneur. According to the Survey of Business Owners (2012), minority entrepreneurship rose 39 percent from 2007 to 2012, while white entrepreneurship barely bulged, and contracted in some areas (Arora, 2016). This would suggest that numerically, minorities writ large, are moving closer to entrepreneurial parity with their white counterparts, which is a prerequisite for economic parity. As their buying power continues to rise, the minority population would seemingly be poised to support this rising class of entrepreneurs birthed from their own communities – helping them grow and scale to new heights. These broader demographic winds of change would seem to facilitate a shift from entrepreneurial headwinds to entrepreneurial tailwinds for communities of color. However, the condition on the ground seems considerably different; at least for some minority populations. Minority entrepreneurs and their associated populations do not all seem to be succeeding at the same rate in America.

Data from the most recent Survey of Business Owners (2012) reports the tremendous ongoing gap between sales, revenue and profits of minority-owned and non-minority-owned firms. This gap is usually associated with the difference between firms with paid employees and those without paid employees. American firms in 2012 recorded $33.5 trillion in revenue. Ninety-seven percent of that revenue, or $32.5 trillion, was earned by firms with paid employees, with the remaining percentage being earned by firms without employees. No entrepreneurial population in this context is as underrepresented as African-Americans. Black entrepreneurs have significantly less sales and employees than their counterparts. Data suggests this could be related to the lower amounts of capital that black entrepreneurs obtain to start and operate their
businesses. Austin (2016) suggests that increases in formal human capital (i.e., education), experiential human capital (i.e., work and managerial experience), and wealth (i.e., financial capital) increases entrepreneurial success, as does immigrant status. Yet, even as African-Americans have seen gains in those areas, their entrepreneurial success seems to be declining. Though some would suggest that overt racism is a driving factor of the entrepreneurial success gap, others would argue that following the election, and reelection of America’s first African-American President, that the United States is a post-racial society (Holmes, 2015). The truth is likely more complicated.

Research shows the wealth gap between white and black families continues to be significant, with whites possessing about 13 times the wealth of blacks (Kochhar & Fry, 2014). This gap is larger than it was when Martin Luther King, Jr. delivered his “I Have a Dream” speech, over a half-century ago, in 1963; when Lyndon Johnson signed the last of the major civil rights legislation, the Fair Housing Act, in 1968 (Rothstein, 2017); and when Richard Nixon, in the 1970s, launched his black capitalism initiative (at least in name) and declared that the “American private enterprise” via black entrepreneurship would “[open] the full range of business opportunity to all by removing the inherited and institutional barriers to entry” (Baradaran, 2017).

President Lyndon Johnson’s work with King, and other leaders of the Civil Rights Movement to advance the rights of black citizens, followed by President Richard Nixon’s black capitalism initiative, laid the foundation for some black entrepreneurial progress. However, it was a paradoxical progress. Social and economic integration turned out to be largely one way, with capital flowing out of black communities and businesses into white establishments that had just prior refused to serve them. Nixon’s black capitalism proved to be more form than
substance, creating vague political promises, with no mandates and no appropriations (Baradaran, 2017). However, one of the unintended consequences of Nixon’s efforts might have been to create the beginnings of a broader entrepreneurial confidence in the black business community that they could do business with the white community – or more accurately, that the white community would do business with blacks. However, Mehrsa Baradaran (2017) in The Color of Money argues convincingly that such two-way economic integration ultimately never occurred, leaving contemporary black America in financial straits.

Historical and contemporary social and economic policy has severely impacted the racial wealth gap. Centuries of federal, state, and local laws allowed whites to accumulate wealth, while blacks were barred from doing so (Rothstein, 2017). The utilization of housing as the primary, and sometimes exclusive, means of black wealth showed its limit during the Great Recession as the housing crisis hit, wiping out much of the wealth that many African-Americans owned compared to their counterparts who had additional ownership in other assets, such as stocks and small businesses (Kaufman, 2014, 2017). More recently, the December 2017 American tax overhaul is likely to further the wealth gap between whites and blacks, as the benefits accrue to large corporations and higher worth individuals and families.

Durham might be a microcosm of the outright failure (at worst), or severe limitations (at best), of targeted minority economic development policy and practice implemented since the Civil Rights Era to overcome larger historical institutional forces working against some non-white entrepreneurs. In Durham, though 18.3 percent of the overall population is in poverty, nearly half of those in poverty are black (46.5 percent), and over 80 percent are people of color (ACS, 2015). Among Durham’s children, age 0-8, of those classified as low-income, 57 percent are black, 86 percent are Hispanic, while just 14 percent are white (DCG, 2015). Nationally, the
African-American population seems to suffer from the same overrepresentation-among-the-poor as those in Durham. Furthermore, national economic mobility research suggests that in contemporary times, it is exceedingly difficult for an individual to rise above their economic birth status (Mitnik & Grusky, 2015). This would suggest that the growth in minority entrepreneurship, specifically black entrepreneurship, is not translating into individual and community wealth. This combination of factors is troubling. Even as America is on pace to become a majority-minority population by 2044 (CPC, 2014), newly published research predicts that if current trends persist, median black family wealth will reach zero by the year 2053, and Latino wealth is expected to follow by the year 2073 (Collins et. al., 2017). This means that half of all US blacks and Latinos will have wealth below zero. If most Americans are actively becoming poorer, this is a national competitiveness issue. In short, as minorities are increasing their share of the overall population, and increasing their share of the ownership class (seemingly) at an even faster rate, they are becoming poorer. The question is “why?”

The aim of this dissertation is to extend the Hayti Center conversation in hopes of gaining a better understanding of the past, present, and future state of the African-American economic condition, specifically through the lens of black entrepreneurship. The notion that entrepreneurship is the engine that stimulates economic growth, economic development, employment and competitiveness in global markets is supported by various research evidence (Raposo et. al., 2011). Thus, any discussion of black economic development, growth, and competitiveness in present or future times must include an analysis of black entrepreneurship. To understand the truth behind the data, this dissertation will use black American entrepreneurs as the primary reference group, and Durham, North Carolina as the primary reference community. The June 2017 conversation in Durham could likely have taken place in any black
community across the United States. The fact that it was happening in Durham, once the leading black entrepreneurial community in America, was telling. Thus, the questions loom large: After 155 years of physical freedom and black Emancipation, is the black community – individually and collectively – a free people, relative to whites and some of its other societal counterparts? Can a poor race of people be considered free in a land of wealth? Some would say, “no.”

The following pages of this dissertation will seek to answer these questions, and several others, in hopes of gaining insights into the present-day African-American condition; as well as, the community’s relationship to entrepreneurship as a viable means for social and economic advancement.

The Three Papers

This dissertation is organized as a collection of three papers that are linked across some common themes. First, each paper applies a community economic ecosystem lens – with business and entrepreneurial activities at the center of each analysis. Next, each paper also shares the theme of race as the central contextual variable, with a particular focus on the African-American business and entrepreneurial community’s relative performance compared to other racial groups. Race is one of the variables around which community economic ecosystems compete against one another. Finally, each paper focuses on Durham, North Carolina – the leading black entrepreneurial, business, and community hub for a century after the American Civil War. The scope of the three papers of this dissertation progressively narrows, like an inverted pyramid, going from a broad national focus in Paper 1 to a two case comparison in paper 2, to a single local community case study in Paper 3.
In Paper 1 – *Do Ecosystems See Color?*, McKoy and Johnson (2018) report on the trends identified from shifts in the American Community Survey (ACS) and Survey of Business Owner (SBO) data between 2007 and 2012 for the five major American racial/ethnic groups: whites, blacks, American Indians, Asians, and Hispanics. Data from these two surveys allow for the creation of a cross-sectional snapshot of changes in small business activity for a range of race/ethnic groups during and in the immediate aftermath of the Great Recession, the second worst economic downturn in history (Johnson, 2013). Paper 1 compares the population and ownership shares of the five main racial groups to measure absolute and relative growth or decline within each assessed category over the study period.

The goal of Paper 1 is to answer the following research questions: (1) Have the recent efforts to create more inclusive entrepreneurial ecosystems in America resulted in more equitable business outcomes for traditionally under-represented minority groups? That is, have minority entrepreneurs achieved parity with their shares of the national population in terms of business formation, growth and expansion? Additional questions answered by extension include: (2) Does a higher firm growth rate automatically equate to business parity and equity for one group relative to another? (3) Even if the data reflect a positive trend, how positive is it for any particular group? Finally, (4) if all entrepreneurs and businesses operate under the same business ecosystem, what accounts for the difference in growth rate? A new quantitative measurement, the *Race/Ethnic Equity/Disparity Quotient* was developed to answer these questions, using whites as the reference group. To answer these questions, Paper 1 draws upon two U.S. Census Bureau databases: The American Community Survey (ACS) and the Survey of Business Owners (SBO).
The findings of Paper 1 suggest that despite recent efforts to create inclusive entrepreneurial and business ecosystems, minority business owners made little progress towards achieving equity or parity with white business owners – and African-American entrepreneurs actually lost ground.

The second paper is entitled *Measuring the Equity of Diverse Community Economic Ecosystems: A Comparative Analysis of Two of America’s Leading Black Entrepreneurial Hubs, Atlanta and Durham*. Paper 2 builds on Paper 1 to understand economic parity at the community economic ecosystem level. The primary goal of Paper 2 is to introduce a new tool for measuring and quantifying community economic ecosystem equity: the Hygioeconomic [Equity/Parity] Index (HEPI). The paper tests the HEPI through a comparative analysis of two hubs of black entrepreneurship: Durham and Atlanta. Durham was the leading entrepreneurial hub from the end of the Civil War until the end of the Civil Rights era; and Atlanta has been the leading entrepreneurial hub since.

In addition to testing HEPI, Paper 2 also extends the work of McKoy and Johnson (2018) from Paper 1 in several ways. First, whereas Paper 1 focused exclusively on the relationship between racial groups and firms with or without paid employees, Paper 2 adds two additional economic components to the earlier quantitative assessment – firm revenues and levels of community poverty. Second, Paper 2 extends Paper 1’s questions related to the impact of ongoing efforts by public and private entities around entrepreneurial equity by asking: (1) How will actors know an equitable/inequitable community economic ecosystem when they see it? That is, how can economic inequity/equity be quantified beyond anecdotal and qualitative evidence? (2) How will one know when parity has been achieved; and (3) assess how far a community is from achieving racial economic parity? (4) How will one assess which economic
and entrepreneurial ecosystems are faring better or worse relative to others, across geographies and racial groups, among other factors? And specifically, (5) Do blacks, and Hispanics, have less economically equitable – and weaker – community economic ecosystems relative to other racial groups in the United States? (6) Do Durham and Atlanta both have more equitable community economic ecosystems for blacks, on average, than the United States as a whole? And finally, (7) does Atlanta have a more equitable community economic ecosystem for blacks than Durham? Paper 2 draws upon ACS and SBO data and uses the HEPI towards answering these questions concurrently.

In the third paper, *The Rise and Fall of Hayti: A Reinterpretation of Black Durham’s Community Economic Ecosystem, 1865-1958*, I focus specifically on Durham, North Carolina’s black Hayti community. Paper 3 traces the origins and trajectory of Hayti, as a segregated black community comprised of former slaves and black freedmen/women, to examine the evolution of its social structures and institutional development, under the racial hostilities of the day. Building on the previous work of the Theory of Middleman Minorities (Bonacich, 1973; Turner & Bonacich, 1980) and the Theory of the Afro-American Middleman (Butler, 1991; 2005), Paper 3 reinterprets the unique path of community economic ecosystem upbuilding, and institutional anchoring, that Hayti had to follow as a result of being forced on an economic detour (i.e., segregation). I employ a longitudinal, historical analysis approach as my methodological strategy to reveal this process.

The primary goal of Paper 3 is to reinterpret Hayti through the community ecology lens, specifically through the Five C’s process-oriented framework that I develop. Paper 3 examines the rise and fall, and potential rise again, of Hayti utilizing the Five C’s ecosystem lens. The Five C’s is an original framework that I develop to offer a unique lens into how entrepreneurship
feedback loops are incorporated and embedded into the process of community upbuilding and inclusion. If entrepreneurship is viewed just as individuals who succeed, and not at what that success does for the community, it misses out on an important dynamic of growth and economic development that builds wealth but also builds community. Hayti was more than a collection of successful individuals and organizations. Each entity in the Hayti ecosystem affected and was affected by the others, creating a constantly evolving relationship in which each entity must be flexible and adaptable to survive, while dealing with the racial context of being black in post-Civil War America. Paper 3 seeks to fill two gaps evident in the Hayti literature. Those two gaps are: reinterpreting the what of Hayti, and the how it came to be.

Paper 3 also aims to answer a series of foundational research questions related to the sociology of entrepreneurship: (1) Does entrepreneurship provide a viable means for advancing mutually beneficial economic outcomes for black Americans? (2) Has it ever? Also, (3) does entrepreneurship provide a means of strengthening black communities in the United States via economic development? (4) Again, has it ever? Another set of questions guiding Paper 3’s inquiry includes those from Bonacich (1973), Turner (1980), and Butler (1991; 2005): (5) How do ethnic groups succeed in America in the face of systematic discrimination and prejudice? And, (6) how is a degree of economic security carved out of a society which is hostile to the group?

In Paper 3, the lessons from Hayti’s rise and fall have the potential to provide the contemporary framework needed to build the relationships and institutions that can produce a more expansive entrepreneurship in the twenty-first century. By gaining a better understanding of what made this nineteenth and twentieth century black enclave thrive, broader knowledge can be extracted.
Minority entrepreneurs and businesses continue to face discrimination that constrains their ability to succeed in a hyper-competitive global marketplace (Johnson, Burthey, & Ghorm, 2008; McKoy & Johnson, 2018). More specifically, America’s various business ecosystems seem to have moved from *de jure* segregation to *de facto* segregation, as opposed to full integration. In order to move forward today, we need a more institutionalized reading of entrepreneurship, that cuts across narrow enclaves and melds the growth of the African-American community with the growth of the wider economy. These three papers, each in their own way, helps to explore the role of black entrepreneurship in anchoring wider growth in the African-American community.
REFERENCES


INTRODUCTION

The popular press is replete with stories that highlight the personal characteristics of successful entrepreneurs. By contrast, scholarly research, while acknowledging the role of personal traits, has devoted considerable attention to the role social stratification plays in facilitating or constraining entrepreneurial success (see, for examples, Bates, Jackson, & Johnson, 2007). Social stratification results from institutional processes that partition society into advantaged and disadvantaged groups (Davis & Moore, 1945; Hatt, 1950; Tumin, 1953; Buckley, 1958; Spilerman, 2000). The accumulation of power and resources by the advantaged group over time reinforces these processes.

Research reveals that social stratification and entrepreneurship interact in at least three ways (Robinson et al., 2007). First, entrepreneurship can be a means of social mobility for individuals and families. Second, entrepreneurship can address the challenges of a fractured society and offer opportunities for innovative approaches to solve problems. Third, the status of

---

an individual or group within a socially stratified society has significant influence on the entrepreneurial process undertaken by the individual or group.

Historically, advantaged and disadvantaged groups alike have developed group-focused entrepreneurial ecosystems, with an eye toward either maintaining competitive advantage or combatting or circumnavigating institutional barriers to entrepreneurial success. During periods of both *de jure* and *de facto* racial segregation, these ecosystems were made up of trusted, mutually reinforcing, multi-sectoral, group-specific relationships, which were designed to facilitate, support, and advance entrepreneurship as an economic development strategy. More recently, as immigration has driven population growth and increased diversity in America (Johnson, 2010), concerted efforts have been undertaken to develop more inclusive entrepreneurial ecosystems rooted in the principles of social justice and equity (National Venture Capital Association, 2016).

The goal of this paper is to answer the following research question: Have these more inclusive entrepreneurial ecosystems created equitable business outcomes for traditionally under-represented minority groups? That is, have minority entrepreneurs achieved parity with their shares of the national population in terms of business formation, growth and expansion? To answer these questions, this research draws upon two U.S. Census Bureau databases: the American Community Survey (ACS), which monitors demographic trends on an annual basis, and the Survey of Business Owners (SBO), which surveys U.S. small business activity every five years.

The most recent SBO was administered in 2012, which means the previous survey was conducted in 2007. Data from these two surveys allow for the creation of a snapshot of changes in small business activity during and in the immediate aftermath of the Great Recession for a
broad range of race/ethnic groups (Johnson, 2013). Dubbed the worst economic downturn since the Great Depression, the Great Recession idled 8.4 million workers driving the unemployment rate to 10% in 2009, up from 4% in 2007 (Johnson, 2015). However, a Kauffman Foundation report on entrepreneurial activity during the Great Recession argued that, “Rather than making history for its deep recession and record unemployment, 2009 might be remembered as the year business start-ups reached their highest levels in 14 years—even exceeding the number of start-ups during the peak 1999-2000 tech boom” (Kauffman News Release, 2010).

Other studies refute this research finding (see Shane, 2011), but the authors believe the SBO is more reliable than the databases used in these earlier studies for assessing changes in business activity during this tumultuous period. Moreover, the issue of equity (or the lack thereof), which has become the *soup du jour* when describing desired outcomes for racial minorities, is the primary focus in this study. To determine if minority entrepreneurs have achieved demographic parity, and by extension if inclusive entrepreneurial ecosystems are achieving desired business outcomes, ACS data on 2007-2012 population change by race/ethnicity are juxtaposed with 2007-2012 SBO data on changes in business activity by race/ethnicity.

**CRITICAL BACKGROUND AND CONTEXT**

A typical business ecosystem includes both well-established firms and new entrepreneurial ventures (Zahra & Nambisan, 2012). 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. Research emphasizes the importance of context, suggesting that each entrepreneurial ecosystem emerges under a unique set of conditions and circumstances (Isenberg, 2010). Understanding the
role of race as a contextual variable is critical to understanding how both entrepreneurial and business ecosystems evolved in the past and the present.

Owing to patterns of racial segregation, in both housing and business, commercial ecosystems distinguished by race and ethnicity have existed in America since at least the late nineteenth century. Under the Civil Rights Act of 1875, racial discrimination in public accommodations such as hotels, railroads, jury pools, and theaters was prohibited (www.history.house.gov). Less than a decade later, in 1883, the U.S. Supreme Court ruled that the Act was invalid because it addressed “social” as opposed to “civil” rights (www.senate.gov). This ruling provided legal cover for individual discrimination, specifically white against black, by noting that the Fourteenth Amendment protected people against violations of their civil rights by states, but not against the actions of individuals and private businesses (www.history.house.gov).

Thus, a business-owner could discriminate based on race. This ruling laid the groundwork for state legislatures throughout the South to legalize racial segregation in all public places, from schools to hospitals to restaurants (Wormser, 2002). These so-called Jim Crow laws ended the notion of a New South in the years following Reconstruction. Furthermore, the *Plessy v. Ferguson* decision, in 1896, upheld this doctrine and made famous the notion of *separate but equal* (www.senate.gov). The segregated world was rarely, if ever, equal.

Segregated black communities emerged across the United States, separate and genuinely unequal, from their white counterparts. However, several black communities of this era created and sustained, for a time, robust entrepreneurial and business ecosystems. The U.S. Census reported that black businesses increased from over 17,000 in 1890 to over 70,000 in 1926 (Hunt and Hunt, 1998). Boley (OK), Tulsa (OK), Nicodemus (KS), Rosewood (FL), and Durham (NC)
were among the most notable communities where the black business ecosystem competed effectively against the white ones. Black citizens never had to leave their community to purchase goods and services—unless they elected to do so (Bell, 2002).

These black business ecosystems were usually in close proximity to white ecosystems. In such situations, whites sometimes ventured into the black community for business services, some black businesses had white employees, and blacks often worked for white businesses and therefore brought their earnings back to the black business ecosystem (Brown, 2008). As America became more ethnically diverse through immigration, other racialized communities with their own business ecosystems emerged. Many urban communities have commercial enclaves dominated by the ethnic enterprises of newly or recently arriving immigrant groups. To combat what was initially overt, and later covert discrimination, these ethnic groups sometimes strengthened their business ecosystems by creating financial, educational, cultural and political institutions, among others (Hunt & Hunt, 1998; Bell, 2002; Brown, 2008).

In the six decades since the Supreme Court overturned the concept of separate but equal in the landmark *Brown v. Board of Education* decision in 1954, the American landscape has changed dramatically—socially, politically, economically, and culturally. Most would agree that race relations have improved markedly since the days of Jim Crow and *de jure* segregation. Some have even argued that the 2008 election and 2012 reelection of Barack Obama as President of the United States signaled the emergence of a post-racial America (Holmes, 2015).

Several trends suggest, however, that America has not resolved its race problem and may in fact have entered a phase of retrenchment (Holmes, 2015; Johnson & Parnell, 2016; Meacham, 2017). Michelle Alexander (2011) has argued persuasively, for example, that mass incarceration “is a new racial system along the same lines as slavery and Jim Crow.” Others
have argued that now President Donald Trump’s “Make America Great Again” presidential election campaign slogan was a not so thinly veiled call to “Make America White Again,” a view supported by the resurgence of white supremacy and other hate groups in America (Johnson & Parnell, 2016; Meacham, 2017). And the fact that the emergence of a new professional class of high growth black businesses—dubbed the “black gazelles”—are highly concentrated in cities with black leadership and strong supplier diversity programs as opposed to the private sector suggest that there are few concrete signs of a post racial business world (Boston & Boston, 2007). The demographic make-up of the “winning” competitors within America still looks much the same (i.e., white), perhaps save one group (i.e., Asians).

Minority entrepreneurs and businesses continue to face discrimination that constrains their ability to succeed in a hyper-competitive global marketplace (Johnson, Burthey, & Ghorm, 2008). In response to this state of affairs, major initiatives on diversity and inclusion in entrepreneurship have been launched in recent years. They include Forward Cities\(^1\), a multi-city collaborative in Cleveland (OH), Detroit (MI), Durham (NC), and New Orleans (LA), funded by the Kellogg, Kresge, and Steve and Jean Case foundations, among others. In addition, corporate giants like Google and influential professional affinity groups like the National Venture Capital Association (NVCA) have each also joined in as collaborators.\(^2\) Even the White House, under President Barack Obama, dedicated an entire day to diversity and inclusion at its 2015 entrepreneurship summit (Snider, 2015). The crucial question is: Have these efforts created a more level playing field for minority entrepreneurs and business owners?
EMPIRICAL STRATEGY & ANALYSIS

Researchers and economic policymakers at all levels of government typically use SBO data to monitor and evaluate census-to-census general and group-specific small business trends. The data are extremely helpful in understanding absolute and relative changes in business formation and performance by selected demographic characteristics. The focus here is on business ownership rates across five major race/ethnic groups: white, black, Asian, American Indian, and Hispanic. The 2007 and 2012 SBOs are the latest available national data on business ownership in the United States. Both firms without paid employees and firms with paid employees are included in these datasets. It is well-documented that firms with paid employees have significantly more sales, receipts, and revenues than those without paid employees. However, firms without paid employees are important in this study because they are part of the overall business ecosystem. This analysis therefore draws upon data on both types of firms to illustrate the nature, rate, and magnitude of changes in the U.S. small business marketplace between 2007 and 2012.

Beyond understanding recent trends in small business activity, this research also strives to answer the following questions: Does a higher firm growth rate automatically equate to business parity and equity for one group relative to another? Even if the data reflect a positive trend, how positive is it for any particular group? If all entrepreneurs and businesses operate under the same business ecosystem, what accounts for the difference in growth rates? To answer these questions, SBO firm trend data were combined with ACS population trend data in a three-step analysis process.

First, absolute and relative indices of 2007-2012 population change and small business firm change were calculated for the previously referenced five major race/ethnic groups.
Next, using the absolute size of the population in each race/ethnic group as the base, group-specific population ratios were calculated relative to the other race/ethnic groups. Separate, group-specific ratios were then derived based on the 2007 and the 2012 data. This process was repeated for the business level data.

Third, the ratios derived from the ACS data (numerator) were divided by the ratios derived from the SBO data (denominator) to create a measure of equity or inclusiveness, that is, a quantitative indicator of the degree or extent to which small business ownership in the various race/ethnic groups was either under- or over-represented given their relative population distributions. For the purpose of this research, this indicator hereinafter is referred to as the equity/disparity quotient and the white population is the reference group in the analyses of the presence or absence of minority parity.

A quotient score of 1.00 signals total equity in firm distributions between whites and a specified racial minority. That is, if a minority demographic group had a ratio equal to 1.00, then their representation at the firm ownership level is proportional to their corresponding population size compared to whites. A score either greater or less than 1.00 signals that racial business level inequity exists. More specifically, a number above 1.00 means that the identified group was over-represented against whites, while a number below 1.00 means that the identified group was underrepresented.
FINDINGS

Shifts in Population and Small Business Ownership

Tables 1 and 2 present data on absolute and relative population change and shifts in the shares of total population by race/ethnicity between 2007 and 2012. Tables 3 and 4 provide corresponding data for small businesses.

Table 1. Absolute and Relative U.S. Population Change, 2007-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>313,914,040</td>
<td>12,292,881</td>
<td>4.1</td>
</tr>
<tr>
<td>Non-Hispanic</td>
<td>260,953,023</td>
<td>4,759,301</td>
<td>1.9</td>
</tr>
<tr>
<td>White</td>
<td>197,243,423</td>
<td>-1,310,014</td>
<td>-0.7</td>
</tr>
<tr>
<td>Black</td>
<td>38,464,192</td>
<td>1,806,912</td>
<td>4.9</td>
</tr>
<tr>
<td>American Indian</td>
<td>2,084,472</td>
<td>65,268</td>
<td>3.2</td>
</tr>
<tr>
<td>Asian</td>
<td>15,375,460</td>
<td>2,229,268</td>
<td>17.6</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander</td>
<td>497,807</td>
<td>95,875</td>
<td>23.8</td>
</tr>
<tr>
<td>Some other Race</td>
<td>614,725</td>
<td>-100,550</td>
<td>-14.1</td>
</tr>
<tr>
<td>2 or more races</td>
<td>6,672,944</td>
<td>1,903,542</td>
<td>39.9</td>
</tr>
<tr>
<td>Hispanic</td>
<td>52,961,017</td>
<td>7,533,580</td>
<td>16.7</td>
</tr>
</tbody>
</table>


Table 2. Shifts in Shares of Total Population by Race/Ethnicity, 2007-2012

<table>
<thead>
<tr>
<th>Group</th>
<th>2012 Share</th>
<th>2007 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Races</td>
<td>313,914,040 (100%)</td>
<td>301,621,159 (100%)</td>
</tr>
<tr>
<td>White</td>
<td>62.8%</td>
<td>65.8%</td>
</tr>
<tr>
<td>Black</td>
<td>12.2%</td>
<td>12.1%</td>
</tr>
<tr>
<td>American Indian</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Asian</td>
<td>4.9%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Some other Race</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>2.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>16.9%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

Table 3. Changes in U.S. Small Business Ownership by Race/Ethnicity, 2007-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>29,620,955</td>
<td>1,057,426</td>
<td>3.7%</td>
</tr>
<tr>
<td>White</td>
<td>21,539,858</td>
<td>-1,056,288</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Black</td>
<td>2,584,403</td>
<td>662,539</td>
<td>34.5%</td>
</tr>
<tr>
<td>American Indian</td>
<td>272,919</td>
<td>36,288</td>
<td>15.3%</td>
</tr>
<tr>
<td>Asian</td>
<td>1,917,902</td>
<td>368,343</td>
<td>23.8%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3,305,873</td>
<td>1,045,604</td>
<td>46.3%</td>
</tr>
</tbody>
</table>


Table 4. Shifts in Shares of Business Ownership of Firms With and Without Paid Employees, 2007-2012

<table>
<thead>
<tr>
<th>Group</th>
<th>2012</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Firms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>29,620,955</td>
<td>28,563,529</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>White</td>
<td>72.7%</td>
<td>79.1%</td>
</tr>
<tr>
<td>Black</td>
<td>8.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>American Indian</td>
<td>0.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Asian</td>
<td>6.5%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>11.2%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>


A clear pattern emerges across ethnic and racial groups in terms of both population and business ownership. Due to rapid growth in both domains, minorities made up a greater share of both population and small business ownership in 2012 than in 2007. White population and business ownership, by contrast, declined resulting in declining shares of both during this period.

More specifically, as Table 1 shows, the U.S. white population declined by 1.3 million between 2007 and 2012. This white population loss was offset by rapid increases in the black, Asian, Hispanic, and other non-white populations, including those who self-identified as two or more races. Due to these race/ethnic differences in absolute population change, the white share of the U.S. total population decreased from 65.8% in 2007 to 62.8% in 2012. The decline in the
white share was offset by increases in the Hispanic, Asian, and two or more races shares of the total population (Table 2). It is abundantly clear from these data that demographic diversity is increasing in America.

The business ownership trends seem just as definitive (Table 3). Between 2007 and 2012, every racial group of color saw significant increases in its share of business ownership, while whites saw a nearly 5 percent decline (Table 4). Hispanics saw the greatest rise in firm ownership (46.3 percent), while blacks (34.5 percent), Asians (23.8 percent), and American Indians (15.1 percent) also experienced impressive growth. Each entrepreneurial group of color grew faster than its corresponding population. Those who value racial diversity in society, and business, should find much to cheer about in these numbers. But, in terms of equity, what do these numbers mean?

PARITY ANALYSIS

The equity/disparity quotient is used to assess minority group representation in relationship to white representation for all small businesses, for small business without paid employees, and for small businesses with paid employees. Quotients for 2007 and 2012 are examined separately, absolute differences in quotients for these two survey years are analyzed, and 2007-2012 changes in the quotients are assessed. The findings appear in Table 5.
Table 5. Race/Ethnic Equity/Disparity Quotients Using Whites as Reference Group, 2007-2012, (1.00 = Equity/Parity)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>0.62</td>
<td>0.72</td>
<td>0.13</td>
</tr>
<tr>
<td>American Indian</td>
<td>1.20</td>
<td>1.32</td>
<td>0.63</td>
</tr>
<tr>
<td>Asian</td>
<td>1.14</td>
<td>1.09</td>
<td>1.39</td>
</tr>
<tr>
<td>Hispanic</td>
<td>0.57</td>
<td>0.64</td>
<td>0.251</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>0.46</td>
<td>0.52</td>
<td>0.14</td>
</tr>
<tr>
<td>American Indian</td>
<td>1.03</td>
<td>1.12</td>
<td>0.59</td>
</tr>
<tr>
<td>Asian</td>
<td>1.04</td>
<td>0.99</td>
<td>1.32</td>
</tr>
<tr>
<td>Hispanic</td>
<td>0.44</td>
<td>0.47</td>
<td>0.248</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Absolute Change 2007-2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>0.15</td>
<td>0.19</td>
<td>-0.003</td>
</tr>
<tr>
<td>American Indian</td>
<td>0.17</td>
<td>0.20</td>
<td>0.04</td>
</tr>
<tr>
<td>Asian</td>
<td>0.10</td>
<td>0.10</td>
<td>0.06</td>
</tr>
<tr>
<td>Hispanic</td>
<td>0.13</td>
<td>0.17</td>
<td>0.003</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent Change 2007-2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>33.55%</td>
<td>36.97%</td>
<td>-2.36%</td>
</tr>
<tr>
<td>American Indian</td>
<td>16.39%</td>
<td>18.30%</td>
<td>6.51%</td>
</tr>
<tr>
<td>Asian</td>
<td>9.70%</td>
<td>10.55%</td>
<td>4.84%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>30.73%</td>
<td>34.93%</td>
<td>1.10%</td>
</tr>
</tbody>
</table>

Source: Authors’ analysis of data from the ACS and SBO, 2007, 2012

Minority firms were situated on both sides of their white firm counterparts in 2012. The equity/disparity quotients for all firms (i.e., including firms with and without employees) reveal that American Indian (1.2) and Asian American (1.1) firms were overrepresented while black (.62) and Hispanic (.57) firms were under-represented compared to white firms. Focusing on the two under-represented groups, this means that only 62 percent of the actual number of black firms and 44 percent of the actual number of Hispanic firms that should have existed in a perfectly equitable business world were actually operating in 2012. Similar trends were evident in the 2007 SBO data.
With regard to 2007-2012 change, all minority groups experienced growth relative to white firms. As a result, American Indian and Asian firms extended their leads while black and Hispanic firms narrowed their gaps against white firms. Black firms grew 33.5 percent and Hispanic firms grew 30.7 percent, moving both closer to numerical parity against white-owned firms.

For firms without paid employees, all representations for minority firms relative to white firms were similar to those for all firms in 2012. Looking at the differences in the 2007 and 2012 quotients, American Indians (1.2 to 1.3), blacks (0.62 to 0.72), and Hispanics (0.57 to 0.64) all increased their representations relative to whites. Asian over-representation (1.14 to 1.09) decreased slightly. Between 2007 and 2012 all minority firms without paid employees experienced greater growth relative to white firms without paid employees, with black firms leading the way at nearly 37 percent.

With regard to firms with paid employees, the parity dynamics are different from those for all firms and firms without paid employees, offering a much different viewpoint of representation. Compared to all firms and firms without paid employees, Asian firms with paid employees had greater over-representation compared to whites (1.39) in 2012. That is, Asians had 39 percent more firms than they should have had in comparison to whites in 2012 relative to population size. In contrast, American Indians had only 63 percent and Hispanics only 25.1 percent of the firms they should have had, compared to whites. For Hispanics, this was nearly the same representation as 2007.

Blacks made the most progress of any racial group in all firm growth between 2007 and 2012. However, they made the least progress of any group in terms of firms with paid employees. Compared to white firm counterparts, black firms with paid employees had just 13
percent of the firms they should have had in a black-white equitable business world.
Furthermore, blacks were the only group to lose ground to whites (2.4 percent decline) in firm ownership with paid employees during this period.

DISCUSSION

Between 2007 and 2012, a period that encompasses the worst economic downturn since the Great Depression, minority-owned business enterprises grew 39 percent while enterprises owned by whites declined (SBO, 2012; Arora, 2016). Nearly all of the entrepreneur-of-color groups experienced significant firm growth (Austin, 2016). For those concerned with greater diversity in terms of race/ethnicity, these are promising trends. However, deeper analyses of these data suggest that recent efforts to create a more inclusive entrepreneurial ecosystem have not generated greater parity or equity for black and Hispanic firms, in particular, compared to white firms.

Separating firms without paid employees and those with paid employees in the parity analysis provided additional insights and greater understanding of racial differences in the growth patterns. For all minority populations, except Asian Americans, the majority of the business gains occurred among firms without paid employees. For all entrepreneur-of-color groups except Asian Americans, the underrepresentation was greatest among businesses with paid employees. This distinction is important.

Typically, businesses with paid employees are the most viable and thus financially successful (Austin, 2016). Businesses with paid employees out-earned those without paid employees by a significant factor in 2012. Firms with paid employees generated ninety-seven percent of the $33.5 trillion generated in sales, receipts, or values of shipments. Firms without
paid employees produced the remaining three percent (just under $1 trillion) (SBO, 2012). Even though white firms declined by 4.7 percent for all firms, and white firms with paid employees grew only 2.2 percent from 2007 to 2012, less than any other group, their firm lead in absolute numbers is still significant. For firms with employees, white owned firms numbered 3,788,398, almost five times the number of similar minority firms (789,439).

While there has been significant entrepreneurial activity across diverse racial populations, there are not enough rapidly growing (“gazelles”) or large keystone firms (Hurley, 2009; Zahra & Nambisan, 2012) to serve at the center of minority ecosystems, particularly the black entrepreneurial ecosystem. The lack of commercially oriented keystone organizations in black and Hispanic communities, such as eBay, Google, and Apple, limits the success and economic value for their ecosystem members. Black businesses represent a rapidly growing segment, increasing 60 percent and tripling the national rate (18%) to nearly 2 million between 2002 and 2007 (SBO, 2007; DeBaise, 2011), and another 34.5 percent between 2007 and 2012 to nearly 2.6 million (SBO, 2012). But they represent just 2.2 percent of firms with paid employees.

Business ecosystems are comprised of a complex mix of factors that influence the success of business. Three of those factors are wealth (start up and expansion capital), experience-based human capital (relevant work experience), and formal human capital (education) (Fairlie & Robb, 2008; Austin, 2016). Consequently, if minority entrepreneurs are under-represented in ownership of the firms most likely to grow and expand, this then translates into less wealth to invest in other aspiring entrepreneurs, particularly those among the friends and family network. Moreover, research suggests minority-business owners are more likely than white firms to hire minority employees (Fratoe, 1988; Boston & Boston, 2007), offering those important experience-based opportunities as workers and managers.
With regard to expansion of human capital, without wealth, minorities are less able to afford the increasing cost of higher education, which in turn causes some to forego college and the associated entrepreneurial education/networking opportunities altogether. And for those who manage to attend college, without familial wealth, the debt burden from student loans might severely limit entrepreneurial aspirations and opportunities to own a business.

Combined, these factors suggest that despite the growing racial diversity of America, historic challenges around social stratification continue. While the overall diversity of the business ecosystem is changing rapidly, the business success ecosystem might not be diversifying as fast, if at all.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

America’s various business ecosystems seem to have moved from de jure segregation to de facto segregation, as opposed to full integration. Moreover, separate still does not equate to equal. The disparate business outcomes of the various demographic groups are likely a reflection of limited, or selective, interaction and cooperation across racial and ethnic business ecosystems. For example, although black firm ownership has steadily increased over the years (SBO, 2007; DeBaise, 2011; SBO, 2012), access to capital has not kept pace with this growth. Less than 1 percent of black entrepreneurs received venture capital in the first half of 2010, which created an uneven playing field at the outset. Emblematic of the challenges this presents, research has shown that, on average, white entrepreneurs typically have more than $80,000 in start-up capital, whereas black entrepreneurs have less than $30,000 (DeBaise, 2011).

The findings of this research suggest that policymakers must begin to recognize the merit of system-based and holistic approaches to entrepreneurship, as opposed to company specific
interventions (Mason & Brown, 2014). At present, most efforts to improve the success of minority entrepreneurship, whether publicly- or privately-initiated, focus on the individual as the primary target for intervention(s). This results in an abundance of technical assistant programs to “right” or “fix” the individual minority entrepreneur of whatever ails him or her. Less attention is devoted to understanding the deficiencies in the overall business or entrepreneurial ecosystem that might suppress the potential success of minorities in business, in ways different from white entrepreneurs. This is a dangerous norm, as it always puts the burden on the individual or the group, and never the overall ecosystem.

Several additional research questions emanate from this study. Is there a single business ecosystem as suggested by the standard literature on entrepreneurship ecosystems, distinguishable only by industry (Moore, 1993; Zahra & Nambisan, 2012), geography (Auerswald, 2015), or ecosystem activity (Lee & Peterson, 2000; Isenberg, 2010; Suresh & Ramraj, 2012)? Or, alternatively, does each racial group continue to operate under a different and unique business ecosystem tied to historic stratification? Understanding why individuals of particular groups launch firms is also important. The two most recent SBO surveys capture small business activity during America’s Great Recession leading to the question of whether minorities, often self-proclaimed as the last hired and first fired, were forced into entrepreneurship rather than willing participants? Prior research (Robinson, et al., 2007) indicates that for those who hold disadvantaged positions in the social structure, social stratification can have profound effects on how they identify, shape, and pursue entrepreneurship. If this is indeed the case, does it mean, as Survivalist Theory suggests (Boyd, 2000), that entrepreneurship is more of a survival strategy for minorities than it is for whites?
To answer these and related questions, future research must move beyond the race-only analysis undertaken in this study. Approaching these questions through both a gender-only and a race-and-gender lens is required to provide greater insights into where ameliorative strategies and policies are necessary to ensure equal opportunity of access to entrepreneurial ecosystem resources and generate equitable business outcomes.

Future parity research also should focus on the size of the firms within each racial demographic, looking at metrics such as sales, revenue, and number of employees. Firm size as measured by number of employees, for example, might reveal which traditionally under-represented group is moving toward the proper mix of large, established, keystone firms and small, rapidly growing entrepreneurial firms (i.e., gazelles) required for a business ecosystem to operate effectively and efficiently.

ACKNOWLEDGMENT

This research was supported by the Kenan Institute of Private Enterprise (KIPE) at the University of North Carolina at Chapel Hill.
REFERENCES


INTRODUCTION

The growth of wealth inequality in America across racial lines, particularly in cities, has been called by some as the “challenge for our times” (IMG, 2018). As immigration has driven population growth and increased diversity in America in recent years (Johnson, 2010), concerted efforts have been undertaken to develop more inclusive entrepreneurial ecosystems rooted in the principles of social justice and equity (National Venture Capital Association, 2016). Major initiatives on diversity and entrepreneurship include Forward Cities, founded in 2014 as a multi-city collaborative in Cleveland (OH), Detroit (MI), Durham (NC), and New Orleans (LA). Funded by the Kellogg, Kresge, and Steve and Jean Case foundations, among others, this program eventually grew to include 35 cities (McKoy & Johnson, 2018). This complemented the long-standing work of institutions such as the Kauffman foundation that promote minority entrepreneurship. In addition, major corporations such as Google, Intel, and Apple, and influential professional affinity groups like the National Venture Capital Association (NVCA) have also joined in as collaborators. Even the White House, under President Barack Obama, dedicated an entire day to diversity and inclusion at its 2015 entrepreneurship summit (Snider,
2015), which has influenced many cities to adopt progressive programs to support inclusive growth and entrepreneurial diversity.³

The original focus of many of the public and non-profit initiatives, such as Forward Cities and CEOs for Cities was on how to increase the vibrancy of downtowns. The goal was to create a national city-learning network to assist cities in driving economic growth, while simultaneously improving economic inclusion, racial equity, and integration in their local domiciles. That is, they seek to achieve economic parity across all racial communities utilizing entrepreneurial development as a strategy.

The crucial question for those interested in inclusive and diverse economic growth has been: Have these various efforts undertaken thus far, by public and private sector organizations, created a more level playing field for minority entrepreneurs and business owners?

Initial analyses and anecdotal evidence suggest that while the goal of building dynamic downtowns has been achieved by many cities (IMG, 2018) as a result of the increased interest millennials and the creative class have had in returning to cities to live, work, and play (Florida, 2002; Moretti, 2012), the benefits have not flowed equally to all. Some entrepreneurs of color have experienced business gentrification as downtown rents have increased much faster than their ability to pay. Durham, North Carolina is representative of the types of cities that have seen economic growth in their downtowns that has not lifted all local communities equally.

---

³ To accelerate the work of “inclusive innovation and economic growth,” Forward Cities and CEOs for Cities announced a strategic merger in February 2018 (Issue Media Group, 2018). CEOs for Cities was started 20 years ago by urban leaders when center cities and downtowns were in decline. It was an opportunity to engage mayors and CEOs of companies and city leaders into a conversation about concepts of city vibrancy in what some considered new and meaningful ways, and get cross-sector leadership to care and coordinate on intentional strategies to uplift cities (IMG, 2018). CEOs for Cities grew to 35 cities in the last two decades. Member cities include: Arlington (TX); Cincinnati (OH); Des Moines (IA); Grand Rapids (MI); Greenville (SC); Houston (TX); Indianapolis (IN); Memphis (TN); Miami (FL); Milwaukee (WI); Phoenix (AZ); Richmond (VA); St. Louis (MO); Topeka (KS); and Tulsa (OK); among others (see complete list at www.ceoforcities.org).
(Abrams, 2018): minorities, specifically Hispanics and African-Americans have not seen significant benefits.

McKoy & Johnson (2018), for instance used the American Community Survey (ACS), which monitors demographic trends on an annual basis, and the Survey of Business Owner (SBO) databases, to build an “equity/disparity quotient” to assess minority group representation in relationship to white representation for all small businesses with and without paid employees. Their findings suggested that the recent efforts to create a more inclusive entrepreneurial ecosystem did not generate greater parity or equity for black and Hispanic firms, in particular, compared to white firms (McKoy & Johnson, 2018).

While there was significant entrepreneurial activity across diverse racial populations, there were not enough rapidly growing (“gazelles”) or large keystone firms (Hurley, 2009; Zahra & Nambisan, 2012) to serve at the center of minority ecosystems, particularly the black entrepreneurial ecosystem. The lack of commercially oriented keystone organizations in black and Hispanic communities, such as eBay, Google, and Apple, limits the success and economic value for their ecosystem members. The authors concluded that despite the growing racial diversity of America, historic challenges around social stratification continue, and the business success ecosystem might not be diversifying as fast, if at all.

The goal of this paper is to extend the analysis of McKoy & Johnson’s (2018) previous study on group specific entrepreneurial equity to undertake an assessment of the community, economic and business ecosystems surrounding minority entrepreneurs.

For example, as Forward Cities, and other organizations, seek to increase the economic and entrepreneurial inclusion and equity component of their respective communities, it raises
several questions: How will these organizations know an equitable/inequitable community economic ecosystem when they see it? That is, beyond anecdotal and qualitative evidence, how will they quantify economic inequity/equity? How will they know when parity has been achieved; or how far a community is from racial economic parity? How will they assess which economic and entrepreneurial ecosystems are better or worse relative to others, across geographies and racial groups, among other factors?

To answer these questions, I will draw on data from the same U.S. Census Bureau datasets as in McKoy & Johnson (2018): the American Community Survey (ACS) and the Survey of Business Owners (SBO) 2007 and 2012. The aim of the paper is to extend our knowledge and understanding of community economic ecosystems associated with United States small business formation and performance by offering tools for quantitative analysis of differences across racial groups and different demographic populations.

EMPIRICAL STRATEGY AND METHODOLOGY: THE HEPI

I develop a new index – the Hygioeconomic [Equity/Parity] Index (HEPI) – to measure the racial equity/disparity of a given community economic ecosystem. “Hygio-” is derived from the Greek language meaning “health, healthy, healthful, wholesome, sound [in body]” (“Hygio”, 2018). The index connotes the normative idea that economic equity across racial groups is the shared and aspirational goal of an enlightened diverse “community.” The notion that underlies this analysis is that an equitable economic community is equivalent to a healthy, wholesome, and sound community ecosystem. Said more directly, when diverse groups have hygioeconomic scores that are equitable, the overall community will be better; when their scores vary widely, the community is less healthy. The HEPI thus seeks to represent the relationship that various types
of entrepreneurial and business activities have on the overall economic health of associated populations.

The five core questions associated with the Hygioeconomic Index, and a community’s economic parity strength, are:

1. What is a racial group’s share of all firms ownership?
2. What is a racial group’s share of firms with paid employees ownership?
3. What is a racial group’s share of all firms revenue?
4. What is a racial group’s share of firms with paid employees revenue?
5. What is a racial group’s share of a community’s poverty?

The data associated with these five questions constituted the HEPI. The collected data are measured relative to a racial group’s overall population share. The resulting figures are integrated into a community economic ecosystem framework to identity parity or disparity among populations. ACS and SBO data from the two most recent SBO years (2007; 2012) are merged to quantify the economic strength of specific racial groups within a larger, more racially diverse population of entrepreneurial actors, utilizing the Hygioeconomic Index as the evaluation instrument.

Entrepreneurs, including those in firms with no paid employees, are important to economic ecosystems (McKoy & Johnson, 2018). These entrepreneurs serve as agents of innovation and firm growth (Schumpeter, 1934; Boston & Boston, 2007). But businesses with paid employees are crucial to the health of the community economic ecosystem and account for the overwhelming majority of business revenue in the economy (McKoy and Johnson, 2018). Typically, businesses with paid employees are the most viable and thus financially successful
(Austin, 2016). In 2012, businesses with paid employees generated ninety-seven percent of the $33.5 trillion generated in sales, receipts or values of shipments. Firms without paid employees produced the remaining three percent (just under $1 trillion) (SBO, 2012).

Increasing the share of firms with paid employees is particularly important for minority communities. Research suggests minority-business owners are more likely than white firms to hire minority employees (Fratoe, 1988), which increases financial wealth and experience-based capital, two important factors to community economic stability and potential entrepreneurial success in the future. To account for the significance of firm revenue share to the success of a community economic ecosystem, I included the associated revenue data in the ecosystem equity analysis of this study, as an extension of McKoy and Johnson’s (2018) previous equity research.

Boston (2002; 2011) has been at the forefront of studying African-American-owned small businesses identified as “gazelles” and their presumed positive connection to the African-American community. While most researchers in the past focused on the growth in sales when discussing these fast-growing companies, Boston and Boston (2007) argued for the relevance of focusing on employment growth instead – especially for black-owned gazelles. Boston and Boston (2007) found that a majority of the workforce of black business owners were also black (high-growth firms: 56%; low-growth-firms: 67%), showing a direct relationship between black firms with paid employees and positive spillover effects on the economic health of the black community.

Based on a summary of this literature, I use a multifaceted and nested set of instruments to develop the HEPI index.
First, the number of small entrepreneurial firms (without paid employees) are important to a community economic ecosystem because they drive disruptive innovation and growth in the overall business ecosystem (Schumpeter, 1934; Boston & Boston, 2007; McKoy & Johnson, 2018). Moreover, as firms with no paid employees expand to firms with paid employees, there might presumably be an accompanying reduction in unemployment and poverty of the associated community.

Next, larger, more established, business firms are important to a community economic ecosystem because they earn the most resources from the market which can be used to hire more employees, potentially from that same community, as well as contribute in other ways to strengthen the community ecosystem.

Based on these notions I develop HEPI using data on: population share; all firm ownership share; firms with paid employees ownership share; all firm revenue share; firms with paid employees revenue share; and poverty share. Data from the SBO firm trend are combined with the ACS population trend data in a five-step quantitative process to derive the Hygioeconomic Equity/Parity Index.

First, an Equity Percent Score for each racial group (EPSrace) was derived numerically using six variables (Table 1). The following variables were utilized in the analysis:

1. Overall Population (All)
2. Firm Ownership (All)
3. Firm Ownership (With Paid Employees)
4. Firm Revenue (All)
5. Firm Revenue (With Paid Employees)
6. Overall Poverty (All)
I chose these variables as simple representations of indicators of the strength of community economic ecosystems. The overall population share for the previously referenced five major race/ethnic groups serves as the baseline of determining their equitable share of both absolute firm numbers and the associated revenue. Thus, the overall population share is the constant in each calculation.

In a world of perfect equity, each population share would be matched with an equal ownership and revenue share. Poverty share is also included in the analysis, as it is assumed that if firm ownership of a racial group is increasing, then so is its share of revenue, and simultaneously having an inverse impact on poverty (reducing it), since research suggests that minority-business owners are more likely than white firms to hire minority employees (Fratoe, 1988; Boston & Boston, 2007). This is particularly true for African-Americans business owners.

In this context, the health of the overall community (all populations) is a function of the existing economic parity among entrepreneurial and business of subgroups. A Hygioeconomic Index is derived from the calculation of composite scores of each race/ethnic group and then charted.

Table 1. HEPI Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Data Description: 2007 and 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>Overall Population levels by numbers</td>
</tr>
<tr>
<td>X2</td>
<td>Overall firm levels by numbers (with and without paid employees)</td>
</tr>
<tr>
<td>X3</td>
<td>Overall firm levels by numbers (with only paid employees)</td>
</tr>
<tr>
<td>X4</td>
<td>Overall firm levels by revenue and sales (with and without paid employees)</td>
</tr>
<tr>
<td>X5</td>
<td>Overall firm levels by revenue and sales (with only paid employees)</td>
</tr>
<tr>
<td>X6</td>
<td>Overall Community Poverty levels by numbers</td>
</tr>
</tbody>
</table>
Table 2. HEPI Share Calculation Table

<table>
<thead>
<tr>
<th>Term</th>
<th>Share Calculation</th>
<th>Description</th>
<th>Positive Indicator</th>
<th>Equity Indicator</th>
<th>Negative Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>X2-X1</td>
<td>All firms share minus population share</td>
<td>X2&gt;X1</td>
<td>X2=X1</td>
<td>X2&lt;X1</td>
</tr>
<tr>
<td>B</td>
<td>X3-X1</td>
<td>Firms with paid employees share minus population share</td>
<td>X3&gt;X1</td>
<td>X3=X1</td>
<td>X3&lt;X1</td>
</tr>
<tr>
<td>C</td>
<td>X4-X1</td>
<td>All firms revenue share minus population share</td>
<td>X4&gt;X1</td>
<td>X4=X1</td>
<td>X4&lt;X1</td>
</tr>
<tr>
<td>D</td>
<td>X5-X1</td>
<td>Firms with paid employees revenue share minus population share</td>
<td>X5&gt;X1</td>
<td>X5=X1</td>
<td>X5&lt;X1</td>
</tr>
<tr>
<td>E</td>
<td>X1-X6</td>
<td>Population share minus poverty share</td>
<td>X6&lt;X1</td>
<td>X6=X1</td>
<td>X6&gt;X1</td>
</tr>
</tbody>
</table>

The $EPS_race$ is calculated by taking the percentage share of each variable from each racial/ethnic group and subtracting it from their overall population share to determine under/over representation. Poverty share is subtracted from population share. In the calculations, a positive number means overrepresentation for a community, a good thing for them, except in poverty, where a negative number (or underrepresentation) is better (See Table 2). These requisite quantitative measures of under- or over-represented share are then summed to determine the $EPS$. It should be noted that the Hygioeconomic Index is a relative index, meaning that one group cannot statistically be overrepresented without another group, or groups, being underrepresented. Therefore, what is positive for one group, is not necessarily positive for another group. The numerical range of the $EPS$ is from -4 to 4.

$$ Equity Percent Score (EPS_race) = A + B + C + D + E $$

Next, the Equity Percent Score is normalized to create a Normalized Equity Score ($NES_race$) for each racial group. This is calculated by multiplying the $EPS$ times 100. The normalized range is from -400 to 400.
Normalized Equity Score (NESrace) = [EPSrace x 100]

Third, in order to produce a number representative of a traditional index, an Indexed Equity Quotient (IEQrace) is calculated for each racial group. This is achieved by dividing NESrace by 400. This produces the final index range of -1 to 1.

Indexed Equity Quotient (IEQrace) = [NESrace/400]

The IEQrace is plotted on a graph to visualize the overall community economic ecosystems (i.e., all racial/ethnic groups together in one ecosystem or community) and their relative equity/parity. In a perfect world, an IEQ of 0 for each racial group would represent perfect hygioeconomic equity, that is, all populations have proportional values in terms of firms of varying characteristics (with and without paid employees) and associated revenue share. On a chart, this “perfect equity” would produce a flat line along the horizontal axis (X).

A hygioeconomic equity score either greater or less than 0 signals inequity across the overall economic ecosystem. There is an inverse relationship. If one population’s index number is below 0 then another’s is above 0, since it is a relative index. More specifically, a number above 0 means that the identified group was over-represented in its economic share, while a number below 0 means that the identified group was underrepresented.

This extends the work of McKoy & Johnson (2018) who used equity/parity quotient scores to measure inclusion and equity/parity based strictly on firm type. This updated analysis extends the previous work by including revenue and poverty figures in the examination, and then indexing the results.

The fourth step in the process utilizes the NESrace scores of the racial populations to give a different perspective on the relationship among these separate group ecosystems. The NES
allows each racial group to be compared in a simple quantitative way to determine the size of the 

*Economic Ecosystem Equity Gap (EG)*. The equity gap range is from 0 to 800.

\[
\text{Equity Gap (EG)} = \left[ \text{NESrace1} - \text{NESrace2} \right]
\]

The fifth, and final, step is to create a *HEPI Composite Score* for the community, or communities, under analysis – in this case, the United States, Atlanta, and Durham. The *HEPI Composite Score* is calculated by summing each of the Equity Gap scores for individual racial groups and then dividing by 4. Because there are five racial groups being compared in this analysis, there are four *Equity Gap* scores calculated. Whites, because of their general dominance in entrepreneurial and economic ecosystem factors (McKoy & Johnson, 2018), are used as the reference group. Each of the other racial populations are measured against their Normalized Equity Score.

\[
\text{HEPI Composite Score} = \frac{\text{EGraces1} + \text{EGraces2} + \text{EGraces3} + \text{EGraces4}}{4}
\]

By calculating these scores, it can provide the ability for racial populations to be compared to one another longitudinally, or to themselves, to measure progression towards equity or regression away from equity. As stated earlier, the range for *NES* is -400 to 400. The *HEPI Composite Score* for a community (i.e., city, state, nation, etc.) can range from a 0 to 800. To understand how to interpret these figures, it is important to recognize how it works.

*Interpretation*

Since the Hygioeconomic Index is a relative index, it is by default reflective of diversity. In other words, the only way a population could reach -400 is if it is a total community based on a single race, had zero ownership of business or associated revenue, and was completely in poverty. This might be the case for a community that was colonized by a stronger nation, where
its natural resources and associated revenue were stripped away, and the colonized community was kept in destitution. A score of 400 would only be achieved if a single-race community owned all the firms and revenues, and experienced no poverty at all. Though it is possible for a single country to approach those extremes [-400,400], it is extremely rare in contemporary times.

In recent history, examples of populations approaching those extremes in a single country might be Black South Africans (-400) and White South Africans (+400), during the era of Apartheid. In this scenario, a small, but wealthy racial group would own all, or most, of the country’s firms and associated revenue, while a poor, overwhelming majority of a different race would be mired in poverty.

Consequently, the more diverse a population, or “community,” is racially, in this measure, the farther from the [-400,400] range extremes the numbers will be. However, analysis can still be done comparing the gap and distance between racial groups relative to one another, and how close they are to economic nirvana or economic destitution.

As noted earlier, the **HEPI Composite Score** can range from 0 to 800. This score is an average of each of the community **Equity Gap** scores. Since a zero equity gap represents perfect hygioeconomic parity among community groups, the closer the composite score is to zero, the more equitable the community economic ecosystem is. Therefore, the lower the **HEPI Composite Score**, the better for a community; the higher the score, the worse for a community. This allows assessed areas to be easily and quantitatively compared utilizing a single integer. For example, a city with a HEPI Score of 100 has a community economic ecosystem that is more equitable than a city with a score of 200 – in fact, twice as equitable.
This index can be used at various levels of analysis, including national, state, local, and even hyperlocal or on other measurements across a community, as defined by clearly identified demographic parameters. For example, the HEPI could be used to examine the community economic ecosystem parity relative to populations stratified by categories such as gender, age, and geography, among others.

**TESTING AND APPLYING THE HEPI to ATLANTA, GA and DURHAM, NC**

The issue of equity or lack thereof pertaining to America’s black population is the central concern of this paper. Consequently, the presumption is that the most significant places to measure for high levels of racial community economic ecosystem parity are cities that are generally identified as diverse and inclusive entrepreneurial hubs. These economies are where, anecdotally, economic success and parity are already high or above the average for particular ethnic populations. Such cities with diverse ethnic hubs in America include: Miami, Florida (Cuban), Baltimore, Maryland (Greek-Americans), Jersey City, New Jersey (Indian-Americans), Washington, DC (Ethiopians), and Los Angeles (Persians), among others (Butler, 1991; 2005; Hoeller, 2015). These ecosystems are posited to be made up of mutually reinforcing, multi-sectoral, group-specific relationships, which are designed to facilitate, support, and advance entrepreneurship as an economic development strategy (McKoy & Johnson, 2018).

I have chosen to apply the HEPI to the United States; Atlanta, Georgia; and Durham, North Carolina.

*Choosing specific units of observation and analysis*

Historically, advantaged and disadvantaged groups alike have developed group-focused entrepreneurial ecosystems, with an eye toward either maintaining competitive advantage or
combatting or circumnavigating institutional barriers to entrepreneurial success (McKoy & Johnson, 2018). Two of the places most noted in history for developing African-American group-focused entrepreneurial ecosystems in the United States are Atlanta, Georgia and Durham, North Carolina.

Atlanta and Durham both share many common, or similar, traits that make them ideal test cases for the HEPI. Both cities are located in the southern United States and emerged from similar histories tied to slavery. Their historical and contemporary reputations as black entrepreneurial enclaves (Hatcher, 2017) are consistent with Boston and Boston (2007) findings suggesting “black Gazelle” firms are more likely to be found in the South (60.4 percent of gazelles and 48 percent of no-growth companies), than any other region of the United States (Boston & Boston, 2007).

Atlanta and Durham both compare similarly in the factors I have identified as influencing the success of entrepreneurial and business ecosystems. Those factors are: (1) formal human capital (education); (2) experience-based human capital (relevant work experiences and exposures); (3) wealth (start up and expansion capital); and (4) the “journeying” entrepreneurial spirit (willingness and confidence to migrate for, and pursue, economic opportunity) (Fairlie & Robb, 2008; Austin, 2016; McKoy & Johnson, 2018).

The Four Factors of Successful Entrepreneurship

**Formal Human Capital:** Each of the cities have high concentrations of stellar higher education institutions, specifically historically black colleges and universities (HBCUs). Durham is home to North Carolina Central University (NCCU), a HBCU founded in 1909. NCCU was named as the 2016 HBCU of the Year by *HBCU Digest* recognizing it as the top
institution among the nation’s 111 historically black colleges and universities (Supall, 2016). Likewise, some have called Atlanta “the most important center of higher education for African Americans in the United States,” as home to five HBCUs (American Historical Association, 2007).

Though Atlanta has significantly more HBCUs than Durham, Atlanta is a substantially larger city than Durham. In addition, because of its central location in North Carolina, NCCU is proximate to various other HBCUs. The city of Durham has one HBCU, but is within a 20-minute drive of two more HBCUs, within 45 minutes of two more, within 75 minutes of two more, and within three hours of all 12 HBCUs within the state. Though Durham is much smaller than Atlanta, the 12 HBCUs in North Carolina are more than any other state in America, above Georgia’s total of 10 (HBCU Lifestyle, 2018).

In addition, both cities are also home to, and proximate to, numerous predominantly white institutions (PWIs) that also educate large numbers of African Americans in the region (Moody, 2017). These combinations of educational variety provide a significant amount of formal human capital for blacks in Atlanta and Durham, a leading factor to successful entrepreneurship.

**Experiential Human Capital:** Both Atlanta and Durham provide potentially strong environments for the area black population to access experienced-based human capital. Experiential learnings, namely through internships and employment in leading industries, provides another important factor in the foundation of successful entrepreneurship.

According to the Metro Atlanta Chamber (MAC), in 2018, 26 companies headquartered in metro Atlanta are among the Fortune 1000, of which 15 are also among the Fortune 500
Those 26 firms generated an aggregate of nearly $360 billion in annual revenue. Notable firms based in Atlanta are: The Home Depot, The Coca-Cola Company, United Parcel Service (UPS), Delta Air Lines and SunTrust Banks. These major firms, in addition to thousands of smaller ones in the area, provide an environment abundant with opportunities for experienced-based human capital.

Durham, though much smaller, geographically encompasses the majority of the famed Research Triangle Park (RTP), the largest research park in the world by size, sitting on 7,000 acres. According to the Research Triangle Park Foundation, the owner and manager of the park, it is home to 250 companies, more than 50,000 employees, and an annual payroll of more than $2 billion (RTP, 2018). Industries represented in RTP include microelectronics, telecommunications, biotechnology, pharmaceuticals, finance, and information technology. RTP claims that its local industries “invest more than $300 million in research and development at the region’s universities each year – double the average R&D investment for innovation clusters elsewhere in the nation.” Notable firms within RTP include IBM Corporation, Cisco Systems, GlaxoSmithKline, Fidelity Investments, and Credit Suisse. Thousands of other firms call the Research Triangle region (Raleigh-Durham-Chapel Hill) home.

Wealth: A third factor in entrepreneurial success is access to capital and wealth. Though the majority of venture capital invested in firms is still concentrated in just a few cities – San Francisco Bay Area, New York City, Silicon Valley, Boston, and Seattle – both Atlanta and Durham appeared on a list of the top 20 U.S. metros for venture capital investment in 2017 (Florida, 2017). Atlanta ranked 13th with $754 million in venture capital for a U.S. share of 1.10 percent. Durham ranked 20th with $351 million for a share of 0.51 percent. Though these are not significant figures compared to the billions of dollars of capital invested in some of the top
markets, it is significant for the Atlanta and Durham markets, and southeast United States as a region. It is worth noting that African-American businesses in the United States receive less than 1 percent of the annual venture capital invested nationally (Oliver, 2018; Applewhite, 2018), but presumably being located in Durham and Atlanta would position African-American entrepreneurs well for any available capital.

However, a large factor in wealth might also be based on the assets of a local population. Both Atlanta and Durham have significant black middle-class populations. A recent list by the Center for Opportunity Urbanism, ranking the American cities where blacks were doing the best economically, was dominated by Southern cities; an irony since blacks once fled the South en masse for better economic opportunities, and fairer treatment, in American’s northern cities (Wilkerson, 2010).

In this recent analysis, Atlanta and Washington, DC tied for first place, as the areas where blacks were doing the best economically (Kotkin, 2018). Atlanta’s status was based on a combination of its high black median household income ($48,161), high black home ownership rate (44.7%), and a high share of the black self-employed (20.3%). Durham, with a black median household income of $40,428 (City Data – Durham, 2018), did not make the top 10 list of best places for blacks economically, though its neighbor Raleigh did. This does not mean that Durham does not possess any homegrown Africa-American wealth. If Atlanta is representative of new black wealth, Durham might be considered “old black money.” There exists residual wealth of Old Hayti, the prosperous black community dubbed as Black Wall Street (Butler, 1991; 2005). In short, both domiciles have access to local middle-class wealth.

Journeying Entrepreneurial Spirit: Finally, a fourth factor of entrepreneurial success is the willingness of people to migrate for opportunity. Both Atlanta and Durham are magnets for
blacks in search of more equitable opportunity and have been for more than a century and a half. During the end of the nineteenth century, and first half of the twentieth century, Durham was routinely referred to as “the Capital of the Black Middle Class” and “the City on Hill for Blacks” (Brown, 2008). In contemporary times Atlanta has been described as “the Black capital of America” (Kotkin, 2018) following Durham’s extended run.

Atlanta, at least since the political shifts of the late 1970s that produced embedded black leadership of local government, has been a popular enclave for the aspirational black American – particularly young people. The black population growth in Atlanta between 2010-16 was nearly 15 percent (Kotkin, 2018). Durham is also seeing increased black migration in recent years. The trends for these two cities parallel the competition among their representative states for the leading destination in the South.

Both North Carolina and Georgia have seen rapid population growth in recent years. North Carolina was the fifth fastest growing state from July 2016 to July 2017, adding 116,730 people to raise the population from 10.16 million to 10.27 million. Georgia was the sixth fastest growing state during the same period. Overall, Georgia is the eighth most populous state in America. North Carolina is the ninth. Consequently, the southern United States has become where the majority of blacks in contemporary times are finding economic success. Each of the top 10 metro areas in 2018 for black economic success are in the South (Kotkin, 2018). Durham and Atlanta are likely to both continue benefitting from the attraction of the South among blacks, which likely strengthens their black entrepreneurial ecosystems.

This growth continues to be driven annually by new black college students arriving to attend the local universities in the respective cities, but is increasingly being impacted by those on the other end of the demographic spectrum: retiring black Baby Boomers. From 2005 to
2010, an average of 66,000 blacks migrated to the southern United States (Toppo & Overberg, 2015). Atlanta and Durham are both experiencing “reverse migration” as black retirees return from lives and careers in the North, to the South. Georgia and North Carolina are second and third, respectively, as the most popular state for blacks to retire (Inge, 2017). Florida is the most popular. This trend of black retirees to North Carolina and Georgia is not expected to end anytime soon, and predicted to remain steady into the mid-2020s and 2030s.

This steady migration has resulted in some demographers predicting a new wave of retiree-entrepreneurs establishing businesses in these southern states (Johnson 2015). They are called “Encore Entrepreneurs,” and many are shunning traditional retirement in favor of starting or expanding a small business after their first career or later years (Johnson, 2015; Johnson et. al., 2017). Atlanta and Durham are expected to add these populations to their already notable black entrepreneurial ecosystems.

*Perennial Black Entrepreneurial Hubs*

Though Atlanta and Durham have operated on separate entrepreneurial cycles over time, by nearly all analyses, both have in general been, and are still considered, among the leading cities for black entrepreneurs and consistently rank high in such categorization. Atlanta (#3) and Durham (#7) are perennial top 10 best metropolitan areas for black owned companies (Hatcher, 2017) and representative of the thousands of black-owned businesses in the Southeast (Oliver, 2018).

*Extended Black Political Leadership*

Both Atlanta and Durham have experienced long tenures with black political leadership, particularly in the mayoral role. The late Maynard Jackson (d. 2003) was elected in 1973, at the

Jackson was both succeeded and then preceded by American Civil Rights icon, Andrew Young (1982-1990) and then ultimately succeeded by Bill Campbell (1994-2002). Campbell was succeeded by Shirley Franklin, the first black female to be elected Atlanta mayor (2002-2010) and first black female elected as mayor of a major southern city. Franklin was succeeded by another black male, Kasim Reed (2010-2018) and then black female (Corson, 2018). Keisha Bottoms, who began her tenure as the 60th mayor of Atlanta in January 2018, is the current mayor after winning a December 2017 runoff by 759 votes against white Atlanta Councilwoman Mary Norwood. Many credit the strong black entrepreneurial ecosystem in Atlanta to procurement policies and practices first instituted by Mayor Jackson, and maintained by his predecessors (Boston, 2002; Halbfinger, 2003; Suggs, 2017).

Durham has also enjoyed diverse elected political leadership. Bill Bell, an African-American, and retired engineer from IBM, served a record 8 terms (2001-2018) as mayor of Durham (Willets, June 2017). During his 16-year tenure he was supported by a long-serving black female Mayor Pro Tem (Willets, November 2017) and numerous black city council members. Bell first entered politics in 1972, the year before Jackson was elected as mayor of Atlanta, when he was elected to the Durham County Board of Commissioners (Vaughan & Eanes, 2017). Bell served an extended term on the Board of Commissioners (1972-1994, 1996-2000), where he served as chairman for 12 years (1982-1994).
The County Commissioners following Bell have continued to consist of black leadership over the years – including a period comprising the black voting majority and black chair (Bridges, 2016). Moreover, Durham has had black leadership in positions such as City Manager, County Manager, and many other leadership roles within the public sector. Though recent elections, such as the choice of a white male Steve Schewel to succeed Bell as mayor, over a black candidate (Willetts, October 2017), and a shift in the composition of the Durham Board of County Commissioners from majority black to majority white (Bridges, 2016), the community has still experienced extended time with black leadership. Furthermore, even following the recent election of Schewel, the Durham City Council remains majority African-American (Willetts, November 2017).

Black Population and Diversity

The final commonality of Atlanta and Durham taken into consideration when choosing them for study areas are there relatively high populations of blacks to whites, compared to most major metropolitan areas (ACS, 2007; 2012). Both cities have seen some demographic shifts over the last several decades as more Hispanics have moved in, as well as whites, in some cases. Each locale has a fair representation of the major racial groups as categorized nationally. Durham has always touted itself as a city with no racial majorities, since no single population comprises 50 percent or more of the population. Conversely, the Atlanta MSA does have a white population above 50 percent. However, the black population in Atlanta has found a way to leverage its collective action for collective economic achievement.

For all of these reasons we chose Atlanta and Durham as the two comparative cities to test the HEPI.
A-PRIORI EXPECTATIONS

An economic ecosystem is an economic community supported by the foundation of interacting business and entrepreneurial organizations and individuals including suppliers, producers, competitors, and customers fostering development and wealth creation (Moore, 1993; Lee & Peterson, 2000; Isenberg, 2010; Zahra & Nambisan, 2012; Suresh & Ramraj, 2012; Auerswald, 2015; McKoy & Johnson, 2018). The concept of a community economic ecosystem is a broader one than that of an entrepreneurship or business ecosystem. The community economic ecosystem includes greater interactions across a wider range of diverse and varied community members, and entrepreneurial activity should economically benefit a larger portion of community stakeholders. Whereas an entrepreneurial or business ecosystem is composed of networks of interacting firms, a community economic ecosystem is composed of networks of interacting individuals, families, homes, firms, organizations, institutions and entities. In addition to the diversity and variety of interactions, the interactions are also different from those solely in business and entrepreneurial ecosystems. The interactions tend to be built around desires for mutual benefits and collective achievements. If entrepreneurship is viewed just as individuals who succeed, and not at what that success does for the community, it misses out on an important dynamic of growth and economic development that builds wealth but also builds community.

Beyond understanding recent trends in small business activity, this research also strives to answer the following questions: What is the relative condition of the community economic ecosystem for one racial/ethnic group relative to another, particularly the black community economic ecosystem compared to other groups? If higher concentrated populations of blacks
have seemingly higher levels of formal human capital and supposed entrepreneurial capital, does that equate to closer equity and parity of their respective community economic ecosystems?

The first a-priori expectation underlying this study is that at the national level, the black community economic ecosystem will be quantitatively weaker than their other racial/ethnic counterparts in certain kinds of entrepreneurship, namely firms with paid employees (McKoy & Johnson, 2018). However, I expect that an analysis of two of the leading hubs for black entrepreneurship (Atlanta and Durham) will show more equitable outcomes for these populations, on average, than is the case for the United States as a whole. Thus, the second a-priori expectation is that Atlanta and Durham, with higher concentrations of blacks and higher concentrations of formal human capital (i.e., education) and other entrepreneurial resources for those blacks, will have a black community economic ecosystem with more economic and entrepreneurial parity compared to the national community economic ecosystems – particularly in relation to whites. A third, and final, a-priori expectation is that Atlanta is likely to have a more equitable community economic ecosystem for blacks relative to other racial groups, than Durham. Though Atlanta and Durham present comparative study communities, contemporary Atlanta continues to outpace Durham in a number of entrepreneurial categorizations (Hatcher, 2017; Kotkin, 2018; Oliver, 2018). This should result in black Atlanta achieving greater parity than black Durham relative to other racial groups, including the oft identified reference group – whites.

A-priori Expectations

1. Blacks, and Hispanics, will be less economically equitable – and weaker – relative to other racial groups in the United States;
2. Durham and Atlanta will both have more equitable community economic ecosystems for blacks than the United States as a whole; and

3. Atlanta will have a more equitable community economic ecosystem for blacks than Durham.
FINDINGS

Table 3 presents data on 2012 shares of total population, small businesses ownership, small businesses revenue, and poverty by race/ethnicity.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>65.59%</td>
<td>72.72%</td>
<td>82.76%</td>
<td>88.94%</td>
<td>89.84%</td>
<td>45.72%</td>
</tr>
<tr>
<td>Black</td>
<td>12.66%</td>
<td>8.72%</td>
<td>2.16%</td>
<td>1.22%</td>
<td>0.92%</td>
<td>22.72%</td>
</tr>
<tr>
<td>Amer. Indian</td>
<td>0.83%</td>
<td>0.92%</td>
<td>0.55%</td>
<td>0.32%</td>
<td>0.28%</td>
<td>1.57%</td>
</tr>
<tr>
<td>Asian</td>
<td>4.97%</td>
<td>6.47%</td>
<td>8.95%</td>
<td>5.68%</td>
<td>5.58%</td>
<td>4.07%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>16.88%</td>
<td>11.16%</td>
<td>5.57%</td>
<td>3.85%</td>
<td>3.38%</td>
<td>27.54%</td>
</tr>
<tr>
<td><strong>Atlanta, GA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>56.07%</td>
<td>58.27%</td>
<td>74.14%</td>
<td>87.12%</td>
<td>88.75%</td>
<td>23.54%</td>
</tr>
<tr>
<td>Black</td>
<td>32.81%</td>
<td>29.86%</td>
<td>5.82%</td>
<td>3.19%</td>
<td>2.01%</td>
<td>46.32%</td>
</tr>
<tr>
<td>Amer. Indian</td>
<td>0.26%</td>
<td>0.68%</td>
<td>0.42%</td>
<td>0.16%</td>
<td>0.13%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.06%</td>
<td>7.63%</td>
<td>11.72%</td>
<td>7.02%</td>
<td>6.98%</td>
<td>4.88%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>10.03%</td>
<td>7.50%</td>
<td>2.94%</td>
<td>2.52%</td>
<td>2.14%</td>
<td>11.73%</td>
</tr>
<tr>
<td><strong>Durham, NC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>42.45%</td>
<td>73.54%</td>
<td>74.38%</td>
<td>90.42%</td>
<td>91.50%</td>
<td>17.54%</td>
</tr>
<tr>
<td>Black</td>
<td>40.96%</td>
<td>17.14%</td>
<td>5.44%</td>
<td>3.11%</td>
<td>2.46%</td>
<td>51.22%</td>
</tr>
<tr>
<td>Amer. Indian</td>
<td>0.51%</td>
<td>0.79%</td>
<td>0.26%</td>
<td>0.15%</td>
<td>0.09%</td>
<td>0.91%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.07%</td>
<td>4.14%</td>
<td>5.08%</td>
<td>3.95%</td>
<td>3.90%</td>
<td>2.97%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>14.22%</td>
<td>4.14%</td>
<td>2.84%</td>
<td>2.36%</td>
<td>2.04%</td>
<td>24.64%</td>
</tr>
</tbody>
</table>

Source: American Community Survey (ACS) and Survey of Business Owners (SBO), 2012.

As Table 3 shows, the U.S. white population in 2012 represented less than 66% of the population, however they accounted for nearly 73% of all firms in America and almost 83% of
those firms with employees. The share was even higher in terms of revenue for the firms owned by whites, accounting for nearly 90% across both categories. This means that at the national level, though whites made up just over 6 out of every 10 persons, their businesses captured $9 out of every $10. Whites in poverty accounted for nearly 46 percent of the poverty share. This is a high number, but still well-underrepresented based on their population size.

In contrast, the black population, the study group, though nearly 13% of the US population were underrepresented in every category, except poverty, where they were significantly overrepresented, almost double (23%). Significant is also their underrepresented nature in firms with paid employees (2.16%), revenue for all firms (1.22%), and revenue for firms with employees (0.92%). Contrary to the white share of the revenue, where whites comprising 6 of 10 people in America share $9 out of every $10 of business revenue; blacks, comprising a little more than 1 of 10 people in America must share 9 cents of every $10 of business revenue. That is less than a dime.

This is consistent with previous findings that suggests that though black entrepreneurship appears to be growing in unison with other minority populations, black firms with employees have historically been significantly under-represented, and are declining (McKoy & Johnson, 2018). These low levels of black ownership share are associated with the low levels of black revenue share. The representative figures in Table 3 for American Indians, Asian Americans, and Hispanics also represent differences in shares across racial groups.

Table 4 shows the over- and under-representation of each ethnic and racial group by category. Positive numbers in each category A-D is a good thing for that population, because it means overrepresentation. In contrast, a positive number in the poverty category (E) is a bad
thing. That is, a negative number is better, because it means the group is underrepresented in poverty.

Table 4. Over-/Under-representation U.S., Atlanta, and Durham Areas Population, Firm, Revenue, and Poverty Share by Race/Ethnicity, 2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>65.59%</td>
<td>+7.13%</td>
<td>+17.17%</td>
<td>+23.35%</td>
<td>+24.25%</td>
<td>-19.87%</td>
</tr>
<tr>
<td>Black</td>
<td>12.66%</td>
<td>-3.94%</td>
<td>-10.50%</td>
<td>-11.44%</td>
<td>-11.74%</td>
<td>+10.06%</td>
</tr>
<tr>
<td>Amer. Indian</td>
<td>0.83%</td>
<td>+0.09%</td>
<td>-0.28%</td>
<td>-0.51%</td>
<td>-0.55%</td>
<td>+0.74%</td>
</tr>
<tr>
<td>Asian</td>
<td>4.97%</td>
<td>+1.50%</td>
<td>+3.98%</td>
<td>+0.71%</td>
<td>+0.61%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>16.88%</td>
<td>-5.72%</td>
<td>-11.31%</td>
<td>-13.03%</td>
<td>-13.50%</td>
<td>+10.66%</td>
</tr>
<tr>
<td><strong>Atlanta, GA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>56.07%</td>
<td>+2.20%</td>
<td>+18.07%</td>
<td>+31.05%</td>
<td>+32.68%</td>
<td>-32.53%</td>
</tr>
<tr>
<td>Black</td>
<td>32.81%</td>
<td>-2.95%</td>
<td>-26.99%</td>
<td>-29.62%</td>
<td>-30.80%</td>
<td>+13.51%</td>
</tr>
<tr>
<td>Amer. Indian</td>
<td>0.26%</td>
<td>+0.42%</td>
<td>+0.16%</td>
<td>-0.10%</td>
<td>-0.13%</td>
<td>+0.03%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.06%</td>
<td>+2.57%</td>
<td>+6.66%</td>
<td>+1.96%</td>
<td>+1.92%</td>
<td>-0.18%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>10.03%</td>
<td>-2.53%</td>
<td>-7.09%</td>
<td>-7.51%</td>
<td>-7.89%</td>
<td>+1.70%</td>
</tr>
<tr>
<td><strong>Durham, NC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>42.45%</td>
<td>+31.09%</td>
<td>+31.93%</td>
<td>+49.97%</td>
<td>+49.05%</td>
<td>-24.91%</td>
</tr>
<tr>
<td>Black</td>
<td>40.96%</td>
<td>-23.82%</td>
<td>-35.52%</td>
<td>-37.85%</td>
<td>-38.50%</td>
<td>+10.26%</td>
</tr>
<tr>
<td>Amer. Indian</td>
<td>0.51%</td>
<td>+0.28%</td>
<td>-0.25%</td>
<td>-0.36%</td>
<td>-0.42%</td>
<td>+0.40%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.07%</td>
<td>-0.93%</td>
<td>+0.01%</td>
<td>-1.12%</td>
<td>-1.17%</td>
<td>-2.10%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>14.22%</td>
<td>-10.08%</td>
<td>-11.38%</td>
<td>-11.86%</td>
<td>-12.18%</td>
<td>+10.42%</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of data from the ACS and SBO, 2012.
Similar patterns were found in both Atlanta (Table 3) and Durham, where the population of blacks and presumed formal human capital for blacks are increasingly higher than at the national level. Though the shares of the white and black populations ownership of All Firms in Atlanta and Durham were markedly different, the Firms With Paid Employees for both cities were very similar. Furthermore, whites accounted for a higher share of the firm revenue in Durham ($9.15 out of $10) than they did in Atlanta ($8.88 out of $10) and the United States ($8.98 out of $10), but so did the blacks in Durham (D: $2.46/A: $2.01/US: $0.92) compared to their entrepreneurial counterparts. The poverty shares for whites were significantly lower in both cities compared to the national level, and much higher for blacks as the measurement went to the local level.

For blacks, their representative shares more than double for every category measure when moving from the national level to the local study areas. This was a positive attribute for the firm ownership and revenue categories, but negative for the poverty category. Notable is black Atlanta’s share of All Firms (29.86%), which is considerably higher than the national (8.72%) and Durham (17.14%) shares, and nearly equal to their population share (32.81%).

In Durham (Table 3), where the white and black population are nearly identical, the white population is dominant with regard to business ownership and revenue shares. Though whites in Durham account for dramatically less than their national share in population (42.5% to 65.6%), and significantly smaller shares of firms with paid employees (74.4% to 82.8%), they account for greater shares of revenues for all firms (90.4% to 88.9%) and firms with employees (91.5% to 89.8%), and a dramatically smaller poverty share (17.5% to 45.7%).

A clear pattern is evident across ethic and racial groups at all geographic levels in terms of both business ownership share and business revenue share. The white community no matter
their population share, were overrepresented in both ownership and revenue shares, but underrepresented in poverty. In contrast, the black and Hispanic populations were always underrepresented in both ownership and revenue shares, but overrepresented in poverty share. Asian Americans performed the best in Atlanta and the worst in Durham. American Indians were overrepresented in business ownership of all firms and in poverty, but underrepresented in other categories, particularly the important areas of shares of firms with employees and revenue shares.

The Hygioeconomic Index

A better way to understand the relative equity of an overall community and subcommunities is to look at a Hygioeconomic graph. The Indexed Equity Quotient (IEQrace) is used to assess minority group representation in relationship to one another. The Hygioeconomic [Equity/Parity] Index (HEPI) is a measure of the community economic equity at a given period.

The HEPI is a statistical estimate constructed using the totals associated with a representation of what constitutes a strong economic community and population. Quotients for 2007 and 2012, the last two SBO data collected by the US Census, and ACS for corresponding years, are calculated separately (Table 5) and only the 2012 Index is charted (Figure 1). The findings for both 2007 and 2012 appear in Table 5. Since this index measures relative figures, the quotients can range from -1 to 1, however they sum to zero, the representative point of full equity. Figure 1 shows the Hygioeconomic Index plotted on a chart. The US, Atlanta, and Durham figures are charted. The plotted charts reveal at least three things worth pointing out.
Figure 1. Hygioeconomic Index [-1,1].


Black Population Share: USA – 12.66%; Atlanta – 32.81%; Durham – 40.96%

Source: Table 5 Data, 2012.

First, the HEPI shows that none of the units of analysis (USA; Atlanta; Durham) have hygioeconomically equitable community economic ecosystems. Hygioeconomic equity would be represented by a straight, flat line on the X-axis (Figure 1).

Second, the HEPI shows that inequity was different for different individual racial groups but relatively consistent for each analyzed population. That is, there is a pattern. For example, whites (1) have economic strength appreciably above their population proportion for each analysis. Two populations, American Indians (3) and Asian Americans (4), for all analyses appear relatively proportionate share-wise to their overall population. This proportionality suggests that their entrepreneurial activities are benefitting their communities representatively.
Hispanics (5) and blacks (2), on the other hand, are not at economic parity with their population size. The black entrepreneurial economic disparity is striking relative to the other groups.

Third, the chart shows Durham is not only significantly more inequitable for blacks relative to other populations, but in that regard Durham is a more entrepreneurially inequitable place for blacks than both the United States and Atlanta, overall.

At the national level, all the studied minorities except Asian Americans had a negative $IEQ$ in 2012 (Table 5). Both whites and Asian Americans had positive figures. The $IEQ$ for all ethnic/racial populations reveal that Whites (0.23) and Asian Americans (0.02) as communities have higher values and thus stronger entrepreneurial economic communities relative to American Indians (-0.005), Blacks (-0.12), and Hispanics (-0.14), who all were weaker than their representative populations. Similar trends were evident in the 2007 SBO relative to ACS data.

Table 5. Indexed Equity Quotient ($IEQ_{race}$) for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012 [-1,1]

<table>
<thead>
<tr>
<th>Race/Ethnicity of Business Owner</th>
<th>National 2012</th>
<th>Atlanta, Georgia (MSA) 2012</th>
<th>Durham, North Carolina (MSA) 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>0.23</td>
<td>0.29</td>
<td>0.46</td>
</tr>
<tr>
<td>Black</td>
<td>-0.12</td>
<td>-0.260</td>
<td>-0.365</td>
</tr>
<tr>
<td>American Indian</td>
<td>-0.005</td>
<td>0.001</td>
<td>-0.0029</td>
</tr>
<tr>
<td>Asian</td>
<td>0.02</td>
<td>0.033</td>
<td>-0.003</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-0.14</td>
<td>-0.07</td>
<td>-0.14</td>
</tr>
<tr>
<td>Race/Ethnicity of Business Owner</td>
<td>National 2007</td>
<td>Atlanta, Georgia (MSA) 2007</td>
<td>Durham, North Carolina (MSA) 2007</td>
</tr>
<tr>
<td>White</td>
<td>0.25</td>
<td>0.34</td>
<td>0.47</td>
</tr>
<tr>
<td>Black</td>
<td>-0.12</td>
<td>-0.263</td>
<td>-0.366</td>
</tr>
<tr>
<td>American Indian</td>
<td>-0.005</td>
<td>0.001</td>
<td>-0.0033</td>
</tr>
<tr>
<td>Asian</td>
<td>0.012</td>
<td>0.025</td>
<td>-0.012</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-0.13</td>
<td>-0.05</td>
<td>-0.12</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of data from the ACS and SBO, 2007, 2012.

At the city level, similar trends from the national level were seen in both 2007 and 2012. In Atlanta, the top three racial populations in regard to community strength remained consistent,
led by whites, Asian Americans, and American Indians, respectively. However, blacks and Hispanics switched places in Atlanta from their national statuses. Blacks had the weakest community economic ecosystem in both 2007 and 2012, trailing Hispanics who were the second worst.

In Durham in 2007, the white community was the only one with a quotient above zero. This means that the white community commanded their equitable share of the entrepreneurial economic pie, as well as some portion of every other major community, leaving each of them with less than their share. Small changes occurred in 2012 moving blacks, American Indians, and Asian Americans slightly closer to zero (i.e., equity). Of the three, Asians saw the most significant benefit. Blacks’ and American Indians’ improvements were miniscule. Whites in Durham saw a slight loss in their economic strength in 2012. This white shift downward is consistent with the nature of a relative index, since the increase in strength of blacks, American Indians, and Asians meant another or other communities had to decline. Hispanics were the group that experienced the greatest loss of community economic strength (-0.12 vs -0.14).

DISCUSSION

The Gap: What’s the Matter with Durham?

Another way to understand the Hygioeconomic Index is by looking at the Normalized Equity Score (Table 6) of each population. This score allows you to see two things. First, it allows you to see how far each population is from the ideal of zero, or perfect strength. Second, it allows you to see how big the hygioeconomic gap is between various communities.
Several things stand out in looking at the individual hygioeconomic scores of the various populations in this analysis in Table 6. When looking at the national and city measurements, the white community’s economic ecosystem gains fitness and strength as it moves down from the national to the local, with commanding scores of 91.77 (United States), 116.53 (Atlanta), and 184.96 (Durham), respectively.

Conversely, the study community, blacks lose fitness as they go from national to local. This is opposite of the a-priori expectation at the start of this analysis. The expectation was that blacks at the local level would score better in equity than those at the national level. Blacks with scores of -47.67 (United States), -103.88 (Atlanta), and -145.94 (Durham), are doubling and tripling their economic weakness by various measures as they move from national to local.

Hispanics fare worse than blacks in the United States as a whole by a small percentage (-54.21), but remarkably better in both Atlanta (-26.73) and Durham (-55.92). Hispanics in

---

**Table 6. Normalized Equity Score (NESrace) for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012 [-400,400], 0=equity**

<table>
<thead>
<tr>
<th>Race/Ethnicity of Business Owner</th>
<th>National Score 2007</th>
<th>Atlanta, Georgia (MSA) Score 2012</th>
<th>Durham, North Carolina (MSA) Score 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>91.77</td>
<td>116.53</td>
<td>184.96</td>
</tr>
<tr>
<td>Black</td>
<td>-47.67</td>
<td>-103.88</td>
<td>-145.94</td>
</tr>
<tr>
<td>American Indian</td>
<td>-2.00</td>
<td>0.30</td>
<td>-1.16</td>
</tr>
<tr>
<td>Asian</td>
<td>7.70</td>
<td>13.27</td>
<td>-1.11</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-54.21</td>
<td>-26.73</td>
<td>-55.92</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race/Ethnicity of Business Owner</th>
<th>National Score 2012</th>
<th>Atlanta, Georgia (MSA) Score 2012</th>
<th>Durham, North Carolina (MSA) Score 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>101.51</td>
<td>134.02</td>
<td>189.54</td>
</tr>
<tr>
<td>Black</td>
<td>-48.54</td>
<td>-105.31</td>
<td>-146.26</td>
</tr>
<tr>
<td>American Indian</td>
<td>-1.97</td>
<td>0.47</td>
<td>-1.00</td>
</tr>
<tr>
<td>Asian</td>
<td>5.00</td>
<td>9.93</td>
<td>-4.62</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-49.85</td>
<td>-20.85</td>
<td>-47.67</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of data from the ACS and SBO, 2007, 2012.
Atlanta fare better than Hispanics at the national level and within Durham, though none are close to their ideal strength. The fact that Hispanics saw declines in each of their hygioeconomic scores by 2012 (USA, Atlanta, Durham), suggests some negative impact to the Hispanic population that was different than in 2007. This negative impact might have been a result of the severe decline in the construction industry during the Great Recession, which began in 2008. Construction is an industry where Hispanics participate at a high rate. It is possible that the construction industry might have negatively impacted whites as well, but they might have made up for it in other economic areas.

American Indians in Durham (-1.16) fare better than those across the United States (-2.00), but worse than those in Atlanta (0.30). Asian American operate above their representation at the United States (7.70) and in Atlanta (13.27), but below their representation in Durham (-1.11) levels. These scores suggest that Asian Americans do much better outside of Durham.

*Table 7. Economic Ecosystem Equity Gap Score for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2007, 2012 [0,800], 0=equity*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White-Black</td>
<td>139.44</td>
<td>220.41</td>
<td>330.89</td>
</tr>
<tr>
<td>White-American Indian</td>
<td>93.76</td>
<td>116.23</td>
<td>186.11</td>
</tr>
<tr>
<td>White-Asian</td>
<td>84.06</td>
<td>103.26</td>
<td>186.07</td>
</tr>
<tr>
<td>White-Hispanic</td>
<td>145.98</td>
<td>143.26</td>
<td>240.87</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White-Black</td>
<td>150.06</td>
<td>239.33</td>
<td>335.80</td>
</tr>
<tr>
<td>White-American Indian</td>
<td>103.48</td>
<td>133.55</td>
<td>190.54</td>
</tr>
<tr>
<td>White-Asian</td>
<td>96.52</td>
<td>124.09</td>
<td>194.16</td>
</tr>
<tr>
<td>White-Hispanic</td>
<td>151.37</td>
<td>154.86</td>
<td>237.21</td>
</tr>
</tbody>
</table>
When comparing 2007 and 2012 individual hygioeconomic index scores (Table 7), using whites as the reference population, since they lead in all categories, we see the challenge of closing the racial gap. Blacks have the greatest hygioeconomic gap compared to whites in both Atlanta and Durham, with Hispanics possessing the largest gap relative to whites nationally. Overall, however, the trends seem positive for closing the gaps at the national level for all populations relative to whites. Similar patterns, to the national trends, of minorities closing the racial economic gap on whites are seen in Atlanta where every population has closed the gap on whites between 2007 and 2012. Durham paints a slightly different picture (Figure 2). In Durham the gap between whites and other populations is shrinking at a lesser rate than nationally or Atlanta. Furthermore, the gap in Durham between whites and Hispanics is growing instead of shrinking.
The larger economic ecosystem gap between blacks and whites at the local level compared to the national level is surprising. Identifying the reasons for these unexpected results is a challenge. A possible explanation is that black entrepreneurs and communities in major black entrepreneurial hubs were negatively and significantly impacted by the Great Recession, which occurred during the period covered by this dataset, in greater ways than the overall black American business population. Another explanation may be that the nature of “black hubs” as attractors of blacks at a rate higher than other locales, not only increases black entrepreneurial activity, but also simultaneously creates high shares of poverty. This explanation would be counter to the a-priori expectation that increased black entrepreneurship should lead to decreased
black poverty. However, it is possible. In this scenario, local community economic ecosystems would aggregate national trends of inequality in a smaller area, leading to the expanded economic gaps.

CONCLUSION

Table 8. Absolute and Relative U.S. Population Change, 2007-2012

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>313,914,040</td>
<td>12,292,881</td>
<td>4.1</td>
</tr>
<tr>
<td>Non-Hispanic</td>
<td>260,953,023</td>
<td>4,759,301</td>
<td>1.9</td>
</tr>
<tr>
<td>White</td>
<td>197,243,423</td>
<td>-1,310,014</td>
<td>-0.7</td>
</tr>
<tr>
<td>Black</td>
<td>38,464,192</td>
<td>1,806,912</td>
<td>4.9</td>
</tr>
<tr>
<td>American Indian</td>
<td>2,084,472</td>
<td>65,268</td>
<td>3.2</td>
</tr>
<tr>
<td>Asian</td>
<td>15,375,460</td>
<td>2,2298,268</td>
<td>17.6</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander</td>
<td>497,807</td>
<td>95,875</td>
<td>23.8</td>
</tr>
<tr>
<td>Some other Race</td>
<td>614,725</td>
<td>-100,550</td>
<td>-14.1</td>
</tr>
<tr>
<td>2 or more races</td>
<td>6,672,944</td>
<td>1,903,542</td>
<td>39.9</td>
</tr>
<tr>
<td>Hispanic</td>
<td>52,961,017</td>
<td>7,533,580</td>
<td>16.7</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>29,620,955</td>
<td>1,057,426</td>
<td>3.7%</td>
</tr>
<tr>
<td>White</td>
<td>21,539,858</td>
<td>-1,056,288</td>
<td>-4.7%</td>
</tr>
<tr>
<td>Black</td>
<td>2,584,403</td>
<td>662,539</td>
<td>34.5%</td>
</tr>
<tr>
<td>American Indian</td>
<td>272,919</td>
<td>36,288</td>
<td>15.3%</td>
</tr>
<tr>
<td>Asian</td>
<td>1,917,902</td>
<td>368,343</td>
<td>23.8%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3,305,873</td>
<td>1,045,604</td>
<td>46.3%</td>
</tr>
</tbody>
</table>

The findings of this study suggest that the challenge to overcome community economic ecosystem disparity between minority Americans and white Americans may be more difficult than initially imagined, even as America’s minority population (Table 8) and minority business ownership (Table 9) expands significantly. The equity gap between black Americans and other racial groups seem particularly confounding and surprising because even in geographic areas that have long-standing histories of being black entrepreneurial hubs, with social, political, and economic factors favoring less inequity, the disparity is still significant. This paper offers preliminary insights into the scale of these chasms, but not why they persist at such high levels. Two of the three stated a-priori expectations were confirmed in this analysis utilizing the new Hygioeconomic [Equity/Parity] Index (HEPI), which was a contribution of this paper.

The first expectation was that blacks, and Hispanics, would be less economically equitable – and weaker, relative to other racial groups in the United States. The HEPI found this expectation to be true. Based on earlier findings (McKoy & Johnson, 2018), blacks and Hispanics experienced the greatest economic and entrepreneurial weaknesses of any racial group in the United States. However, the scale of the disparity for blacks, relative to all other populations, was surprising (i.e., economic ecosystem equity gap) at the national and city levels.

The second expectation was that Durham and Atlanta would both have more equitable community economic ecosystems for blacks than the United States as a whole. The HEPI found this expectation to be false (Table 6). Both Atlanta, Georgia (-103.88) and Durham, North Carolina (-145.94), two classic black entrepreneurial enclaves and hubs, were more economically and entrepreneurial inequitable for blacks than the United States (-47.67), as a whole. This raises the question: if not in Atlanta or Durham, where in America might black communities find relative parity compared to other racial groups? Not only did the United States, Atlanta, and
Durham rank in that order for equity among the black community, their composite scores ranked them in that order overall for community economic equity across all racial groups (Table 10). The United States finished with a 2012 aggregate score of 115.81. Atlanta (145.79) and Durham (235.99) trailed. This suggests that though both Atlanta and Durham have strong black entrepreneurial ecosystems, in terms of activities, that perhaps these activities are not reaching the most vulnerable of their populations with associated activities. Since jobs and workforce solutions are not the only way to address issues such as poverty, it is possible that though other municipalities are not considered “black entrepreneurial hubs,” they might have local public policy or charitable activities that benefit blacks (i.e., reducing poverty) in ways unassociated with the level of black entrepreneurship. Atlanta and Durham might be lagging in additional community supports to address black community needs. This leads into the third, and final, a-priori expectation.

The third expectation was that Atlanta would have a more equitable community economic ecosystem for blacks than Durham. The HEPI found this expectation to be true as evidenced by the community Hygloeconomic Composite scores (Table 10). This might suggest that Atlanta has a stronger community economic ecosystem because it connects black entrepreneurial growth to beneficial outcomes for the broader black population. An additional reason for Atlanta’s 90-point equity lead over Durham might be the strong legacy and ongoing local government procurement programs for African-American entrepreneurs and firms (Boston, 2002), and/or efforts that other stakeholders (public/private) are making to reduce black poverty in Atlanta unassociated with black entrepreneurship.
Table 10. Hygioeconomic Composite Score for U.S., Atlanta, and Durham Areas by Race/Ethnicity, 2012, [0,800], 0=equity

<table>
<thead>
<tr>
<th>Community Economic Ecosystem Area of Analysis</th>
<th>Hygioeconomic Composite Score, 2012 (i.e., Average Equity Gap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>115.81</td>
</tr>
<tr>
<td>Atlanta, Georgia</td>
<td>145.79</td>
</tr>
<tr>
<td>Durham, North Carolina</td>
<td>235.99</td>
</tr>
</tbody>
</table>

Source: Author’s analysis of data from the ACS and SBO, 2012.

The utilization of the HEPI should be broadened to examine other cities noted for robust black entrepreneurial environments. This analysis might include cities like Memphis (TN), Montgomery (AL), Washington (DC), Savannah (GA), Baton Rouge (LA), Baltimore (MD), Miami (FL), and Richmond (VA) – all communities, in addition, to Atlanta and Durham, that made the Blacktech Week’s 2017 Top 10 list of the best cities for black owned businesses. The HEPI could also be utilized to explore other stratifications, for other ethnic minorities, or conduct gender parity analyses, in other communities.

The final a-priori expectation was also proven correct. Though both black entrepreneurial enclaves were less equitable than the United States, Atlanta was more equitable than Durham regarding the community economic ecosystem for blacks. The hygioeconomic gaps in Durham were surprisingly large between whites and the other racial groups. In addition, where the gaps were closing, they were doing so in less pronounced ways than in Atlanta or across the U.S. The gap was especially surprising between whites and blacks, since blacks in Durham comprise such a large proportion of the population.
These findings suggest that even in communities with relatively sizable black populations, high levels of black formal human capital, high levels of black experiential human capital, high levels of black wealth, high levels of black entrepreneurial spirit, and high levels of black political leadership, that the economic outcomes for the black community still significantly lags other communities. On the surface, this is surprising, but consistent with previous findings that entrepreneurial growth and entrepreneurial success are two different things (McKoy & Johnson, 2018). The demographic make-up of the “winning” competitors within America still looks much the same (i.e., white), perhaps save one group (i.e., Asians). Minority entrepreneurs and businesses continue to face discrimination that constrains their ability to succeed in a hyper-competitive global marketplace (Johnson, Burthey, & Ghorm, 2008).

The findings of this research suggest that policymakers must begin to recognize the merit of system-based and holistic approaches to entrepreneurship, as opposed to company specific interventions (Mason & Brown, 2014). Less attention is devoted to understanding the deficiencies in the overall business or entrepreneurial ecosystem that might suppress the potential success of minorities in business, in ways different from white entrepreneurs (McKoy & Johnson, 2018).

Future research should utilize the forthcoming 2017 SBO dataset to investigate the impact of the economic recovery on community economic ecosystem parity, specifically to examine whether the black population made up any ground compared to other populations. Despite these dismal findings relative to America’s goal of an inclusive and diverse economic and entrepreneurial ecosystem, these efforts now have a new instrument in the HEPI, to better understand, measure, quantify, and visualize parity/disparity. This is a start.
REFERENCES


Toppo, G. and Overberg, P. (2015, February 2). “After nearly 100 years, Great Migration begins reversal: College grads and retirees are leading the return of Blacks to the South.” *USA Today.* Available at https://www.usatoday.com/story/news/nation/2015/02/02/census-great-migration-reversal/21818127/.


INTRODUCTION

Does entrepreneurship provide a viable means for advancing mutually beneficial economic outcomes for black Americans? Has it ever? Also, does entrepreneurship provide a means of strengthening black communities in the United States via economic development? Again, has it ever? The various data associated with black Americans often seems contradictory. As black Americans increase their share of the overall population, increase their share of overall business ownership, they are also decreasing their share of overall wealth (a paradoxical phenomenon I refer to as “poverteering”). In 2018, black Americans possessed an estimated $1.2 trillion in spending power (McGirt, 2018), up from $30 billion in 1960 and $70 billion in 1973 (Marable, 1983); yet, recent studies report that black-owned firms in the United States are the only businesses seeing a decline among businesses with employees (McKoy & Johnson, 2018).

In his seminal work, Entrepreneurship and Self-Help Among Black Americans, John Sibley Butler (1991; 2005) poses two major questions related to the study of ethnicity and entrepreneurship in America initially offered by Bonacich (1973) and Turner (1980). First, is
how do ethnic groups succeed in America in the face of systematic discrimination and prejudice? Second, is a companion question of how is a degree of economic security carved out of a society which is hostile to the group? These questions are as relevant to the African American experience today as they were then.

In this paper I draw on the case of Hayti, the Black Wall Street of Durham, to argue that deep rooted, viable and successful entrepreneurship is essential to pulling African-American communities out of long term poverty in sustained ways. This entrepreneurship that I refer to is not only about successful individuals and businesses; it is about the ways in which businesses and entrepreneurs anchor community development and the conditions under which the fruits of their labor spill over into wider well-being. To make this argument I draw on the idea of ‘entrepreneurship as process’ as developed by Spigel (2013) and extend Butler’s (1991; 2005) theory of Afro-American middlemen and Light’s (1980) work on enclave economies to develop the community economic ecosystem framework as a way to study black entrepreneurship interpreted through a community ecological lens. A community economic ecosystem is a network of community stakeholders – individuals, families, firms, organizations, and institutions – engaged in trusted and mutually beneficial collective action, generally led by respected and capable middlemen. Culture is thus at the heart of such an ecosystem.

Culture has emerged as an important concept within the entrepreneurship literature to help explain differences in the nature of the entrepreneurship process between regions, industries and socio-cultural groups (Spigel, 2013; Stam & Spigel, 2016; Spigel, 2017). Despite significant, and growing, research on the topic, theories about how culture affects the entrepreneurship process remain underdeveloped. According to Spigel (2013; 2018) and Harrison (2018), without a framework to connect culture with everyday entrepreneurial practices
and strategies, it is difficult to critically compare the role of culture between multiple contexts. Such a framework is necessary when examining the influence of local cultures on entrepreneurship, given the diverse ways they can influence economic activities.

Equally important is the question of who captures the value created by entrepreneurial activities. Gereffi’s (1994, 1999) seminal work on business value chains disaggregates how power is distributed across nodes in a supply chain allowing differently situated groups to capture different shares of the value that the production network creates. Extending this idea to the community, it is important to ask whether the community is able to capture the value that individual firms, entrepreneurial networks and supply chains create in particular contexts.

De jure segregation was a particular political and cultural context that African-American middlemen had to contend with and organize the principles of their community economic ecosystem process through. The broader culture of the time, such as racial attitudes and practices of post-Civil War America, were contextual variables for blacks attempting to carve out economic security and success in Durham, North Carolina’s Hayti community. In addition, the particular culture regarding race – as well as entrepreneurship and commerce – of white Durham (specifically some of its leading white middlemen) during the era immediately following Emancipation, were influential factors in the upbuilding process of black Durham. The process of Hayti’s emergence as a business hub was influenced by these era-specific cultures, and continued to evolve in the face of internal and external developments.

To illustrate how a community economic ecosystem framework might be a useful lens to analyze economic development through a racial and spatial lens, I introduce a Five C’s perspective on entrepreneurial culture to explain how particular entrepreneurial cultures emerge within regions, influence the local entrepreneurship process and evolve in the face of internal and
external developments. This paper argues that community ecosystem upbuilding is a process-oriented activity – and strategy – that is influenced particularly by the context surrounding the middlemen entrepreneurs engaged in the upbuilding process. This in turn, shapes how individual entrepreneurship translates into community well-being, in particular spatial contexts at particular times.

This paper is organized as followed. First, I situate the community economic ecosystem framework in the context of scholarship on black entrepreneurship to highlight the gaps that this paper fills. Second, I explain the Five C’s framework concept along with my methodological strategy. Next, I introduce the Durham Hayti community case. Fourth, I reinterpret Hayti’s rise and fall utilizing the Five C’s framework. Finally, I conclude with reflections on the lessons from Hayti.

MIDDLEMEN, CULTURES AND ENCLAVES: THE SCHOLARSHIP ON BLACK ENTREPRENEURSHIP

The “Theory of Middleman Minorities,” originally developed by Edna Bonacich (1973), and extended by Bonacich and Turner (1980), has served as the theoretical guide for many studies in the area of ethnicity and entrepreneurship in America (Butler, 1991; 2005). The “middleman” is a synonym for “entrepreneur,” and believed to hold a more secure and elevated economic position than the majority of their racial counterparts in a society:

_Unlike most ethnic groups and minorities who sink to the bottom of the economic structure within a society, these groups develop economic security by playing the middleman position within the structure of capitalism. As such, they are to be found in occupations such as labor contractor, rent collector, money lender, and broker. Playing the middleman position means that they negotiate products between producer and consumer, owner and renter, elite and masses, and employer and employee. (Butler, 1991; 2005)._
Central to understanding Bonacich’s (1973) minority middleman theory “is the concept of sojourning, which is designed to capture the migration patterns of groups from a homeland to other parts of the world in their search for economic stability” (Bonacich, 1973; Butler, 1991; 2005).

The companion theories to middleman minority theory are collectivist theory and ethnic enclave theory. Collectivism argues that ethnic immigrants and minorities, excluded from a host society (i.e., the dominant populations), form strong bonds at the intersection of ethnicity and business, that in turn, leads to more hostility from the majority population – which results in an even stronger bond among the minority group, and so on (Light, 1980). It is, because of this racial hostility, that minorities are more committed to doing business with one another as a means of community upbuilding.

The collectivist approach emphasizes self-help institutions and their role in the economic stability of ethnic groups more than seeking assimilation into the host society (Cummings, 1980). Examples in the literature include (Butler, 1991; 2005): ethnic restaurants opened by Greeks, that can serve Greek foreign immigrant populations with familiar food and initial job opportunities in America, as well as providing lunch for workers from other racial groups; rotating community loan funds and associations started by Chinese immigrant entrepreneurs to develop business enterprises in America; and Ismaili Pakistani in America who develop community business incubators for the development of enterprises, as well as, for social welfare provisions of the immigrant community.

The ethnic enclave theory combines elements of both middleman theory and collectivist theory (Butler, 1991; 2005) to describe dual economic structures of center and peripheral economies (Averitt, 1968). Ethnic enclaves are defined as a distinctive economic formation,
characterized by the spatial concentration of immigrants who organize a number of enterprises to serve their own ethnic market and the general population. These “enclaves can be composed of a group of relatively independent firms which compete with each other for supplies and minority consumers, or minority firms can theoretically be arranged in a fairly unified system of vertical and horizontal integration” (Butler, 1991; 2005). There are theories in the international development world where ethnic entrepreneurs have looked at ethnic enclaves as routes to larger markets, a start to diversification (Barrett et al., 1996). However, in those cases it is generally the international groups attempting to reach export markets that they could not otherwise reach by routing through ethnic markets in the West. This process would allow the overseas groups to then learn about demand in these bigger markets and begin to serve customers beyond the ethnic enclave they began with.

These theories, however, were of limited value when analyzing the situation of black Americans who did not “sojourn” to the United States of free will. Also, once here, blacks occupied the lowest rung of both the social and economic landscape, systematically and legally barred from certain kinds of economic activities with the broader marketplace. John Sibley Butler (1991; 2005) has argued that the study of black entrepreneurship in America, and the African-American scholars engaged in the research, have historically been unrecognized though their ideas, which predated prominent theories – such as middleman, ethnic enclave, and collectivism – were already prevalent in books and manuscripts. These oversights narrowed and limited the scope of entrepreneurial literature, as well as economics and race, by excluding the experiences of black American entrepreneurs and the communities where they lived and operated their enterprises.
Recognizing the uniqueness of the African-American population’s relationship to capitalism and to fill these scholarly gaps, related specifically to black entrepreneurship in America, Butler (1991; 2005) extended the work of Bonacich’s (1973) Theory of Middleman Minorities. Butler (1991) introduced a Theory of the Afro-American Middleman. Butler (1991) offered an alternative framework based on what he referred to as a truncated middleman group theory for African-Americans. His major argument was that within the black community, black entrepreneurs developed in the same tradition as other ethnic middleman groups. Yet, he offered the “truncated” moniker to allow a better understanding of racial and economic patterns of the black entrepreneur, which were unique compared to other ethnic groups because of the presence of de jure segregation and other forms of oppression. He also argued that black entrepreneurs in America were systematically limited in the customers they were allowed to serve and the places they were allowed to do business by oppressive legal barriers.

Nevertheless, Butler (1991) offers two community cases in his book to represent black enclaves that succeeded despite these barriers, such as racial segregation – or perhaps because of them: Durham, North Carolina and Tulsa, Oklahoma. Both Durham and Tulsa shared similarities in their fostering of the spirit of entrepreneurship and enterprise development, but they ultimately met with very different fates (somewhat). Tulsa’s celebrated black business district and community, Greenwood, was destroyed by a race riot during the early twentieth-century (Franklin, 1980). Durham’s own black district, Hayti, still exists contemporarily, though much of it was destroyed by urban renewal in the mid-twentieth century (Anderson, 1990; Whittemore, 2017) – also racially motivated. Because of Durham’s entrepreneurial and economic success, as a Southern community, during the height of segregation and black
discrimination, as well as its survival well into the twentieth century, it has been an oft studied community.

Butler’s (1991; 2005) scholarly analysis of Durham, like those prior and hence, has acknowledged the unique institutional composition of the black enclave. Durham’s response to the economic detour of racial segregation has been referred to as “one of the strongest traditions of self-help ever to be developed in America” arguing that “no other group in the history of America has had to ‘go-it-alone’ as did blacks following emancipation from slavery” (Butler, 1991; 2005). Durham’s response was to create institutions: private educational institutions, churches, financial institutions, self-help fraternal societies, and insurance companies. The institutions which they built are considered a testimony to sheer entrepreneurship effort and the indomitability of the human spirit.

Durham is presented as an American phenomenon, similar to how Miami, Florida is for Cuban-Americans (Gilder, 1984). It is praised for anchor institutions like North Carolina Mutual Insurance and helpful relationships with the white business community, while being offered as a model for African-American enterprise. Though the storytelling regarding Durham’s black community, Hayti, is accurate in its descriptions of the physical components of the enclave, they fail to put the community into full context.

This leaves at least two gaps in the scholarly literature on Hayti. First, while acknowledging some of the most notable individual entrepreneurs and successful business firms in Hayti, the literature has not devoted much attention to how these businesses aided community growth, or the complex processes and interactions that characterized the community during its most successful period. Hayti, at its peak, is better understood as a community economic ecosystem, not simply as a group of independent, though successful, individuals, firms and
organizations connected by geospatial and racial associations. Understanding Hayti through an ecosystem lens offers an opportunity to better identify the elements that made it successful where so many other black communities were not, offering some insights that go beyond Hayti, or the black community, and may be generalizable.

By filling this gap, specifically regarding the history of Hayti, I argue that a second gap can be filled in the larger business and entrepreneurial ecosystem literature. Like Butler’s (1991; 2005) critique of the sociology of entrepreneurship, which he argues has overlooked the black entrepreneurial experience, I have a parallel critique regarding the economic ecosystem literature. Race as a contextual variable in the growing body of entrepreneurial and business ecosystem literature is nearly non-existent. This is the second gap that this paper aims to fill by examining the Durham case through a racial lens.

I draw on Spigel’s (2013) idea that process and culture lie at the center of a business ecosystem to illustrate how Butler’s (1991; 2005) truncated middlemen, forced on the economic detour of segregation, by the host society did not simply respond “with the development of business activity,” as he has argued, but instead constructed a community economic ecosystem that still offers significant lessons for today. Turning collective input and collective action into collective success (Krishna, 2002), Hayti developed a “group economy” (DuBois, 1912) and embodied the best of the “Black Capitalist Solution” key concepts first imagined by African-American leaders after black emancipation (Marable, 1983): (1) the accumulation of capital by individual black entrepreneurs; (2) strategies designed to maintain black control over the black consumer market in the United States; and (3) collective programs to improve the economic condition of all blacks within the overall framework of U.S. capitalism. These served as the foundation of Hayti’s successful community economic ecosystem.
The primary goal of this paper thus, is not to retell the story of Hayti, but instead to reinterpret it through the community ecology lens. To accomplish this reinterpretation, this paper draws primarily upon archival history, but also utilizes information from a number of new interviews of those who grew up in Hayti, continue to do business in the community, and some long-term residents of the historically black district.

CONCEPT AND METHODOLOGY

*Process-Oriented Community Economic Ecosystems: The Sociology of the Five C’s*

The concept of the business ecosystem is well-known. A business ecosystem is a network of organizations – including suppliers, distributors, customers, and competitors – involved in the delivery of a specific product or service through both competition and cooperation (Moore, 1993). The concept of a community economic ecosystem is a broader one than that of an entrepreneurship or business ecosystem. Whereas an entrepreneurial or business ecosystem is composed of networks of interacting firms, a community economic ecosystem is composed of networks of interacting individuals, families, homes, firms, organizations, institutions and entities. The community economic ecosystem includes greater interactions across a wider range of diverse and varied community members. In addition to the diversity and variety of interactions, the interactions are also different from those solely in business and entrepreneurial ecosystems. The interactions tend to be built around trust, mutual benefits, and a desire for collective achievements.

Just as the sociology of ethnic entrepreneurship includes the three overlapping concepts of middleman, collectivism, and enclave theory (Butler, 1991; 2005), the theory of *the sociology of economic ecosystem building* also includes three overlapping concepts driven by the
individual agent-worker middleman (Figure 1). The relationship between these three concepts (1) directional upbuilding, (2) institutional upbuilding, and (3) sustainable upbuilding is not static, but dynamic. That is, they interact in complex ways that influence the outcomes of the community economic ecosystem.

*Figure 1: Community Economic Ecosystem Framework (Five C’s Model)*

In Activity 1, *directional upbuilding* is driven by middlemen entrepreneurs. In this context, “entrepreneur” is not defined only as someone who starts a for profit business, but could involve an individual agent-worker involved in any number of efforts to support community upbuilding. In Activity 1, the middlemen group creates a community *concept* and assesses under what *context* they must function – or survive. Research emphasizes the importance of context, suggesting that each entrepreneurial ecosystem emerges under a unique set of conditions and circumstances (Isenberg, 2010). Each community economic ecosystem also emerges under a
unique set of conditions and circumstances. Understanding the role of race as a contextual variable is critical to understanding how community economic ecosystems evolved in the past and the present.

In Activity 2, institutional upbuilding, the middlemen begin pursuing institutional upbuilding. This activity is the core of the process, and focuses on the types of entities that are established in a community. These are the categories and types of institutions that anchor strong community economic ecosystems. These categories may contain large and small firms, for profit and not-for-profit. These categories also serve to separate both the function and interests of the middlemen entrepreneurs, though there can be overlap.

In Activity 3, sustainable upbuilding, these middlemen determine the level of active community capital and confidence available and leverage that to begin upbuilding the community ecosystem in earnest. This activity understands “capital” to be a combination of five subcategories including community, experiential, financial, human and social. It understands “confidence” to include two kinds, internal and external, and measured by the belief that a community has in itself to succeed (internal), or the belief that an outside group has in that community to succeed (external). This confidence may be measured by the willingness to invest the aforementioned five forms of “capital” into the community’s concept (i.e., vision).

Since these capital and confidence levels are often low at the beginning of the upbuilding process, middlemen might have to begin the upbuilding process from a modest state. This means that the development process of a fully functional community economic ecosystem is an evolutionary one. This evolutionary process adds value to middlemen who aggregate their collective active capital and confidence towards a single effort to increase the chances of success
increasing both capital and confidence, as well as community sustainability – through learning feedback loops for future efforts across the ecosystem.

These three activities interact in dynamic ways providing feedback, positive and negative, to the community economic ecosystem over time and form the Five C’s of Community Economic Ecosystem Upbuilding: (1) concept; (2) context; (3) core; (4) capital; and (5) confidence. The Five C’s are categorized by their upbuilding function (See Table 1).

The middlemen interact with one another in continuously dynamic ways allowing concept and context to change over time, based on internal or external factors. Likewise, components of the institutional core can and do change over time, as entities, individuals, and institutions change. Furthermore, capital and confidence can change – sometimes growing and sometimes shrinking. Nevertheless, committed middlemen – through successes and failures – continue to pursue collectivist visions and activities, often within community enclaves. These institution-building middlemen when driven by the Five C’s evolve over time seeking to increase their community’s economic fitness across the three broad functions of upbuilding (Table 1).
Table 1: Community Economic Ecosystem Framework (Description)

<table>
<thead>
<tr>
<th>Community Economic Ecosystem Upbuilding Function</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directional Upbuilding</strong>&lt;br&gt;Concept &amp; Context</td>
<td>Individual Middleman dreams become collective group dream serving as the foundation of the Community Economic Ecosystem</td>
</tr>
<tr>
<td><strong>Institutional Upbuilding</strong>&lt;br&gt;Core</td>
<td>Individual Middlemen break up into groups to pursue various organizational and institutional formation and growth to benefit Community Economic Ecosystem</td>
</tr>
<tr>
<td><strong>Sustainable Upbuilding</strong>&lt;br&gt;Capital &amp; Confidence</td>
<td>Within the most trusted and confident Community Economic Ecosystems the Individual Middlemen and the institutions that they lead share capital of various sorts – community, experiential, financial, human, and social – to support upbuilding and collective achievement</td>
</tr>
</tbody>
</table>

**Methodology**

The methodological strategy I employ in this paper is historical analysis. I draw upon the history of Hayti, Durham’s Black Wall Street, to explore the role of black entrepreneurship in anchoring wider growth in the African-American community. I identify the ‘middlemen’ institutions, spaces, cultures and turning points\(^4\) in the evolution of Hayti to build out a more institutionalized reading of entrepreneurship in Durham – one that cut across narrow enclaves

\(^4\) I utilize the Five C’s of the Community Economic Ecosystem Upbuilding Framework – concept, context, core, capital, and confidence – to trace turning points in Hayti’s history and view them through an ecosystem lens.
and melded the growth of the African-American community with the growth of the wider economy for a period of time.

The paper adopts a longitudinal approach to reveal this process. Data are drawn from a careful reading of primary and secondary historical accounts of the history and development of Hayti. Through this historical community analysis, I follow the social and economic development of Hayti over time and reveal patterns of development. Next, in order to reveal the underlying social and institutional structure of Hayti, I draw upon several sources of primary and secondary data. These include historical information on individuals, business firms (large and small), families, organizations, entities, and institutions within the Hayti community pre-1958 and are collected from numerous secondary data sources including scholarly literature – articles, manuscripts, and monographs. Other secondary data sources such as online databases, historical news articles, historical interviews, as well as, public and private archival records, are also analyzed. An additional source of information includes primary data collected from a series of personal interviews of people intimately familiar with Hayti.

To identify Durham’s entrepreneurial processes, I use Safford’s (2009) “network analysis” to reinterpret the community economic structure of Hayti. The analysis of the network structure of Hayti requires attention to the quality of ties, including their frequency, intensity, and multiplexity. Multiplexity refers to the multiple social contexts that brings individuals together. Like Safford (2009), the approach here maintains the critical notion that human agency is the primary driver of collective action. Networks do not determine human action. Rather, networks are constituted by human action.

I also draw on Krishna’s (2002) arguments that the outcomes of human actions, particularly success in economic development, are heavily influenced by both a community’s
social capital, as well as the capacity and capability of the agents leading the way. Social capital is defined as “features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam, 1995). When social capital is created and built up – even within a relatively short time period – it can be used as an asset, with the propensity for mutually beneficial collective action (Hall, 1997; Schneider et. al., 1997; Krishna, 2002). In sum then, the collective action of Hayti’s black community, for mutual benefit, during a perilous time for African-Americans in the United States – the century immediately following Emancipation – is the focus of this analysis.

Examining the Hayti community through the Five C’s Community Economic Ecosystem Framework as a complex adaptive social system and community economic ecosystem offers analytical advantages--a better understanding of “what” Hayti was during its economic peak years (1865-1958), and “how” it came to be so.

THE RISE OF HAYTI

Durham, North Carolina’s historic black business community, known as Hayti, has been widely researched. Its unique past has been chronicled by a number of capable and expert scholars and has resulted in an impressive body of scholarship -- articles, manuscripts, and monographs – going back more than a century. The literature related to Durham’s Hayti community has focused extensively on the Five W’s of research – who, what, when, where, and why.

The historical and scholarly conceptualization of “what, when, and where” Hayti was/is recognizes it as a segregated black enclave of the Southern United States, established as an independent community adjacent to Durham, North Carolina in roughly 1865 (Brown, 2009;
Rice & Anders, 2017). According to the classic literature, Hayti was alternatively “Black Wall Street,” “Capital of the Black Middle Class,” “City on the Hill for Blacks,” “home to more African-American millionaires per capita than any other community in America,” and “home of North Carolina Mutual Insurance, the world’s largest black business.” It has been held up as a representative example of Butler’s (1991; 2005) truncated middleman theory, black collectivism, and a robust racial enclave forced by segregation. Though Hayti served some white customers, and even employed some white workers, most of the middlemen entrepreneurs in Hayti – even the most successful ones – served black customers exclusively, and used segregation to their benefit (Brown, 2008; McKoy & Johnson, 2018).

The “who” of Hayti are well documented. The six “founding middlemen” credited as the foundational leaders of Hayti during its heyday (1868-1958) were named: Richard B. Fitzgerald (1843-1918); William G. Pearson (1858-1947); John H. Merrick (1859-1919); Dr. Aaron M. Moore (1863-1923); Charles C. Spaulding (1874-1952); and James E. Shepard (1875-1947). They were the middlemen credited with the successful upbuilding of black Durham (DuBois, 1912; Butler, 1991; 2005; Brown, 2008; Rice & Anders, 2017) and today have their names adorning numerous streets, schools, and other monuments in Durham. More recently Leslie Brown (2008) also chronicled the forgotten women leaders of Hayti as well, including the wives of many of the celebrated men: Minnie Pearson, Fannie Spaulding, Sarah “Cottie” Moore, among others. These women, and many others, often overlooked, were critical to the upbuilding of the Hayti community economic ecosystem. They often worked in formal or informal organizing and administrative roles at Hayti’s anchoring institutions. For the less affluent entrepreneurs (secondary middlemen), their wives often worked to contribute financially to upbuilding dreams – and survival.
The “why” of Hayti corresponds to Butler’s (1991; 2005) earlier questions regarding black economic reassurance. Hayti was established, even “invented,” to create a place where blacks could succeed and acquire some economic security in the face of systematic racial discrimination and hostility.

Yet, as argued earlier in the introduction, the explanatory literature on the history of Hayti contains two major holes. First, the “what” of Hayti should be understood through an alternative framework – a community economic ecosystem lens – a perspective not yet employed to explain its upbuilding, though several scholars have laid the foundation through previous work.

DuBois (1903; 1912) first used the term “upbuilding” to define the general act of social and economic development of black communities after slavery, and held up Durham of the 1910s as the exemplification. DuBois (1912) described a Durham where blacks owned “several brickyards, a textile mill, a lumber mill, a foundry, a furniture factory, a cigar factory, a library, a hospital, a college, scores of churches, a number of schools, and an astonishing array of retail services, shops, and stores, community organizations, and race institutions.” Brown (2008) most recently used the term “upbuilding” when describing black Durham’s construction of families, homes, organizations, institutions, and enterprises following Emancipation. She argued that blacks in Durham created networks of affiliation that developed into community, institutions, and organizations. Though DuBois (1912) nor Brown (2008) ever used the term “ecosystem,” their descriptions come the closest to describing Durham as such. Their prior analyses offered early perceptions that Hayti was more than an agglomeration of individual entrepreneurs and businesses.
The second major hole in the literature of Hayti is the “how.” How did Hayti become the center-economy of black America in the late nineteenth, and early, twentieth century? As noted earlier, most examinations of Hayti focus on the individual actors and the successful firms they launched (Butler, 1991; 2005; Vann & Jones, 1999; Rice & Anders, 2017). This presents a model where this thriving community often seems to have sprang from the ashes of the Civil War nearly fully formed, as opposed to the evolutionary process that it experienced because of the effective agency of local middlemen (and middle-women). The structure of Hayti’s social networks among the community’s economic, political, and civic leaders – often the same individuals – accounted for its unique trajectory as a black American enclave.

However, understanding Hayti’s trajectory and evolutionary process can also provide answers to the wider questions outside of a racial context. Hayti’s ability to activate collective action in the face of systematic discrimination and oppression speaks to the ability to achieve economic success and security for any group facing a hostile society and being forced to operate under heavy constraints and limiting contexts. However, the lessons can be generalized beyond the racial politics of Durham to better understand the structure and power of social networks to shape collective input, collective action and collective achievement (Krishna, 2002), particularly community economic achievement.

**The Five C’s of Hayti**

*The First Two C’s (Concept & Core): Directional Upbuilding through Black Success in Hostile and Less Hostile White Worlds*

The Hayti community was founded in the years immediately following the end of America’s Civil War. This helped shape the concept of the community. The initial naming of Hayti suggests that the inhabitants of the Durham community conceptualized itself similarly to
the scrappy Caribbean nation that won its independence after defeating Napoleon’s army in 1804 (Britannica, 2018). The island of Hayti (later “Haiti”) is the only nation in the world established as the result of a successful slave revolt. Based on historical records, it is unclear when the nation of “Hayti” changed its name to Haiti, but the black community in Durham maintained the moniker. Durham’s Hayti was a product of the ethnic enclave and Butler’s (1991; 2005) economic detour. That is, living among whites was not an option at the end of the Civil War. However, the literature on the early days of Hayti suggests that the blacks who migrated there sought a place to exercise both black nationalism and black pride (Brown, 2008).

Conceptualizing itself as a place of independence and freedom, Durham’s Hayti sought to be its own sovereign nation-state – and small island – separate from the recent oppression of American slavery, surrounded by an ocean of southern white hostility.

This concept of black independent survival became a theme of Hayti as it developed and matured. To achieve and sustain this independence, the leaders of Hayti encouraged and espoused the concepts of “Thrift and Savings” (Butler, 1991; 2005; Brown, 2008). In fact, James E. Shepard, one of the “forefathers of Hayti” and founder of North Carolina Central University once encouraged the citizens of the community to choose among only two pathways: education or entrepreneurship (Brown, 2008). However, building on the concept of entrepreneurship was no easy feat, often because of education (or lack of it).

Even if the blacks who arrived in Hayti as the early middlemen and entrepreneurial builders sought to build a life of post-slavery prosperity, the environment of nineteenth century America for blacks was still challenging. The context that the Hayti district was created under was a complicated and complex one. Former slaves knew little, if anything, about bookkeeping, advertising, or hiring employees, among other skills needed to be entrepreneurs; and according
to the 1870 census more than two-thirds were illiterate (DuBois, 1902; Marable, 1983). This limited the natural transition from slave to artisan-entrepreneur that black leaders like Booker T. Washington (1911) imagined. Black Durham would eventually establish educational institutions from elementary to college as anchors of their community aspirations, assisting in closing such gaps.

Lack of education for American’s newly freed population was not the only context that the upbuilding of Durham had to contend with. The criminalization of race served as a contextual factor that blacks had to operate under. Late in 1865, many Southern states passed “Black Code” regulations (Marable, 1983; CRF, 2018). These codes would eventually become codified as Jim Crow laws backed, enforced, encouraged and even instituted by de jure action of the federal government. For example, any black man who did not have an employer was subject to arrest as a “vagrant.” Some black artisans were fined, arrested, sentenced to jail, and utilized as convict labor. This made entrepreneurship a potentially dangerous avenue for recently emancipated blacks, or any black, in much of the United States.

Though no such Black Codes regarding vagrancy were instituted in Durham, blacks in Hayti were still citizens in the Jim Crow South. Yet, despite the contexts that made Hayti’s blacks similar to all their American counterparts regarding racial class, it is likely that two additional contextual factors – alluded to by DuBois (1912) – made Hayti so successful, and ultimately unique despite being a racial enclave operating under an economic detour by truncated middlemen (Butler, 1991; 2005).

First, though the word “ecosystem” was not created until 1935, DuBois (1912) described black Durham’s “group economy,” in ways that parallel the description of a contemporary
community economic ecosystem. He wrote of the “unusual inner organization of this group of men, women, and children,” suggesting Hayti’s unique social structure. He continued:

*It is a new ‘group economy’ that characterizes the rise of the Negro American -- the closed circle of social intercourse, teaching and preaching, buying and selling, employing and hiring, and even manufacturing...In Durham, the development has surpassed most other groups and become of economic importance to the whole town.*

Second, categorizing Durham as a “tolerant and helpful Southern city” served as DuBois’ (1912) claim that racism was less pronounced in the city, or at least less acted on, than in other locales – perhaps any other place in America. He argues the less oppressive, aggregated, and oppressive racism in white Durham may be the primary reason that Hayti succeeded and developed where others failed. In fact, DuBois (1912) identified the existence of Trinity College (now Duke University) as the anchoring institution of white Durham, and in his opinion, as being the single greatest factor in what “has made white Durham willing to see black Durham rise without organizing mobs or secret societies” to keep Hayti down.

DuBois (1912) argued that Trinity’s leadership’s – the president and professors – willingness to speak out and write for justice toward black men elevated the learning of the white community, which created a less hostile environment for blacks. It is not surprising that the scholar DuBois, would credit university leadership and professors with elevating the “ideals” of white Durham. DuBois’ (1903) own theory of The Talented Tenth guided his notion that the top 10% of a given race of people, generally the educated elite, would lead the efforts for positive social change of that entire race. He strongly believed that blacks needed a classical education to reach the highest levels of society, rather than the business education that Booker T. Washington (1895) promoted in the “Atlanta Compromise” (Bacon, 1896). The “Compromise” was an
agreement where whites would support the industrial ambitions of blacks in exchange for blacks not seeking integration or political rights. Nevertheless, DuBois (1912) was enthusiastic about the structure of black Durham. This is likely because Hayti, with its dual focus on education and business, and its leadership by a small group of talented, elite (and mostly educated) middlemen entrepreneurs, satisfied DuBois’ vision of both a Talented Tenth and black group prosperity.

However, DuBois (1912) did accurately predict that, over time, the rise of this black economic class of citizens in Durham might exacerbate the local race problem, not solve it. Though the destruction of a significant portion of Hayti did not occur until a half-century after DuBois visited in 1911, most blacks believe the construction of the Durham Freeway that was eventually routed through Hayti was a result of decades of racial hostility and jealously by some local whites to Hayti’s nearly century-long prosperity and independence (Bachle et al., 1986; Hester, 2006).

White Hostility to Black Economic Success Outside of Durham

Hayti was not the only successful black entrepreneurial enclave in the United States (Harriot, 2018), but it was the one that survived – the longest. Jackson Ward in Richmond, Virginia is dubbed by some as “the birthplace of black capitalism” and the “Harlem of the South” because of the numerous businesses once located there. Since many of those businesses were financial in nature, it also is known by some as the original “Black Wall Street.” The Fourth Avenue District of Birmingham, Alabama with 60 percent of the black businesses in the city was known as “Little Harlem.” Boley, Oklahoma, an all-black town founded in 1903, and incorporated in 1905 in the Creek Nation of Indian Territory, was called “the finest black town in the world” by Booker T. Washington and reportedly named the “wealthiest black town in the country” by the African American Registry (Harriot, 2018).
The all-black Greenwood section of Tulsa, Oklahoma is the black community economic ecosystem most often compared to Durham’s Hayti with both vying for historic supremacy and the title of the rightful “Black Wall Street.” Some accounts suggest the number of black-owned businesses in Tulsa’s black business district was close to 600, at its peak, though an accurate account is impossible to discern (Greenwood, 2015). What no one disputes is how the Greenwood district would ultimately meet its demise.

In Tulsa this happened in June 1921, when white Tulsans accused a black man of attempting to rape a white girl and attacked the black district (Ellsworth, 1992). The city’s law enforcement deputized every able-bodied white man and dispersed weaponry, including rifles and dynamite, to each of them from a stockpile in the city’s armory. The Tulsa Race Riot as it would become known not only fully destroyed the black business district, but by some reports left 8,000 black people homeless and herded into detention camps, another 300 blacks dead, and no black businesses standing (Hirsch, 2003). The attempted rape claim was false, and utilized simply to rationalize and provoke the attack, which was driven by white anger at the number of successful black businesses and wealthy blacks in Greenwood. No whites were ever charged or prosecuted for this attack. According to Leslie Brown (2009), after the destruction of Greenwood, African-American leaders “sought a new beacon of hope” to exemplify the triumphant climb out of slavery. Hayti became this solitary beacon. Four years after Greenwood’s fall, the scholar E. Franklin Frazier (1925) dubbed Hayti as the “black city on the hill” and “the Capital of the Black Middle Class.”

Many other black communities had functional economies even under racial segregation, which some attribute to the collectivist doctrines of these black enclaves. Still, most were more modest or truncated compared to the celebrated areas. At their zenith, both Durham’s Hayti and
Tulsa’s Greenwood claimed to be able to satisfy the full needs of their respective black communities without them having to venture into the white section of town, save to pay bills related to municipal services (Butler, 1991; 2005; Brown; 2008; McKoy & Johnson, 2018). Most, but not all, of these other black enclave economies would disappear because of some white action (Harriot, 2018).

Hayti’s black leadership knew the uniqueness of tranquility that surrounded their enclave, and did not have to look to Tulsa for a counterfactual. More than two decades before the Tulsa Race Riot, a similar attack had happened just 160 miles southeast of Durham in the port town of Wilmington, North Carolina. Wilmington was North Carolina’s largest city at the time. Referred by some as an “insurrection,” by others as a “race riot,” and others as a “massacre,” more than 2,000 blacks were left homeless and an estimated 300 more were killed in Wilmington on November 10, 1898 (Prather, 1984). Scholars have classified the causes behind the riot as an amalgamation of social, political and economic factors (Cecelski & Tyson, 2000). The original claim by whites was that blacks had initiated the insurgence but it was later discovered that the riot was actually a planned coup by North Carolina’s white conservative Democratic Party. A mob of 2,000 white men descended on and targeted the black businesses and black citizens of Wilmington. The goal of the attack was not only to destroy the increasingly successful resident black community, but to overthrow the legitimately elected local Fusionist government (Cecelski & Tyson, 2000; Doran, 2017). The Fusion Party was an interracial political coalition composed of Black Republican and Populist Party members who cooperated in state elections and in state government between 1894 and 1900. The uprising has since been classified as the only successful political coup in American history.
While the desire to end black suffrage has been a focus of most of the accounts of the Wilmington Race Riots, that has failed to tell the whole story. Though many of the city’s government leaders were black, an even larger number of prominent blacks were businessmen who had helped black people in Wilmington gain freedom and financial stability in the three decades since the end of the Civil War (Doran, 2017). In fact, a black business is said to have been a key factor in the timing of the riots, and representative of white anger towards the black community.

The black-owned newspaper, the Daily Record, was the first entity of any kind that was mobbed and burned during the riot (Umfleet, 2006). The paper was attacked by a mob of 400 whites. The owner and editor-in-chief, Alex Manley’s editorial – a few days prior to the riots – about mixed-race relationships, angered whites, and historians believe contributed to the attacks. The riots led to blacks in Wilmington losing many of the advances they had made since Emancipation. Laura Edwards (2000) convincingly argues that “what happened in Wilmington became an affirmation of white supremacy, not just in that one city, but in the South and in the nation as a whole.” As Tulsa would later emulate, following the riots, local laws were instituted in Wilmington rendering black political involvement, and black entrepreneurship, virtually impossible for decades (Umfleet, 2006).

*The Foundations of a Less Hostile White Durham*

Historical literature has often suggested that white Durham was a more tolerant population than other white communities (Washington, 1911; DuBois, 1912), but the reality is likely different. The blacks of Hayti indubitably kept the events of Wilmington, Tulsa, and other places in their psyche at all times, and responded tactically and deliberately. In 1921, when North Carolina Mutual Insurance, the venerable black insurance firm founded in 1898, decided...
to build a new office in downtown Durham, it insured that the new structure was several floors smaller than the tallest white-owned building locally (Brown, 2008). This lesson was perhaps learned in 1902 when whites burned down the Mutual’s earlier building.

Evidence suggests the black leadership of Hayti were aware of these racial sensitivities prior to the Wilmington and Tulsa events, and even preceding the burning of their earlier office. At least twice, in 1888 and then 1896, the Durham County Black Republicans had attempted to get two black leaders – W.G. Pearson and Dr. Aaron Moore – the run for political office (Brown, 2008). Both times they declined, remembering the white violence that erupted after the nomination of a black candidate in 1888. In fact, Hayti had to deal with the same hostilities from whites as any other blacks did around the country. White Durham felt that blacks, working beside them in tobacco factories, were an economic threat to their job security (Butler, 1991; 2005; Rice & Anders, 2017). The difference is that the whites did not act on that hostility in violent ways. It should be noted that “beside them” meant in the same organization, but not beside them, as plants were often segregated by race (Brown, 2008). In addition, blacks were always given the more menial jobs within a factory than whites, and paid a lower wage. These indignities associated with white Durham around both potential political engagement, and white-owned workplaces, made the Hayti community’s entrepreneurial success the more valuable for maintaining black spirit and pride, in an otherwise hostile environment.

George Washington Duke (aka Washington Duke), the patriarch of white Durham’s wealthiest and most influential family as the owner of Durham’s largest business, American Tobacco – and benefactor of Trinity College, was likely the differentiator in keeping white hostility from becoming white violence. A regular visitor to the Hayti community, Duke and his family not only patronized black firms, they invested financial capital in them as well as offered
other types of support for blacks (Brown, 2008; Rice & Anders, 2017). This was a sign of external confidence (the fifth “C”) coming into Hayti via financial capital investment, part of what made Hayti’s ecosystem grow.

Archival records on Hayti, nor on Washington Duke, offer any definitive reasons for Duke’s support of the black community; however, some of his own words might give some insights. In a “letter of advice” addressed to a black education convention in 1890, Duke encouraged the black community to work hard, to save their money, and to try to make the world a better place (Butler, 1991; 2005). Duke began his speech by stating that he felt “the greatest revolution” of his lifetime had been the emancipation of black Americans. He also stated:

I have always had a friendly feeling toward you, and now address you in the spirit of a friend, wishing if I can help you to overcome the hard conditions of your lot. I have no doubt that each of you would like to be a successful man. It is right that you should feel so, for a proper ambition is God’s call to a higher life.

Duke continued by encouraging the blacks in attendance to “be industrious” and not to seek out an easy path to success. Furthermore, he advised those in attendance to “do honest work,” live “upright lives,” and support their own institutions such as churches and schools (Butler, 1991; 2005). Finally, Duke finished his speech saying:

Cease to rely upon outside help, for you must work out your own salvation. Ever since I was twelve years old I have been trying to make the world better by having lived in it. Let this be the rules of your lives...If I am anything, if my life has been successful, if from small beginnings I have brought myself to a successful point in life, then I say to you that it was by following these rules that I have gained it.

Duke’s speech, at age 70, might imply that his support of the black community might be a combination of things: a religious imperative, or God’s mandate, to make the world better by
helping blacks; an empathy for the black plight because he had started out life poor; or perhaps, a respect for those whom he thought to be hard working, industrious, honest, and community-oriented regardless of race. These attributes would likely be ones that Duke would have assigned to John Merrick, “the father of black entrepreneurship” in Hayti, who would rise to become Hayti’s most successful entrepreneur of the early twentieth century – and arguably ever.

Duke is the individual said to have convinced Merrick to relocate his barbershop from Raleigh to Durham (Brown, 2008; Rice & Anders, 2017). Merrick was the Duke family’s barber. Washington Duke’s relationship with the black community and his unique status in the Durham community likely served as the primary mitigating factor in suppressing white violence towards blacks. As the wealthiest and most powerful man in Durham, and in fact among the most powerful in the world, Duke’s desire to be a “friend” to the black community and help them to “overcome the hard conditions” of their lives, likely impacted the actions of other whites in Durham who might have feared retribution from Duke had they acted too harshly on their hostilities toward blacks.
An additional theory of what constituted the bases of racial peace in Durham might be the interdependence of Durham’s white and black community economic ecosystems. Though Hayti was physically a segregated ethnic enclave in the tradition of Bonacich (1973), Turner (1980), and Butler (1991; 2005), neither black or white Durham held to all the standard rules associated with such. As the leading business center in North Carolina in the late nineteenth and early twentieth century, and a global supplier of goods to growing markets such as tobacco and textiles, there was regular market crossover between black and white producers, investors, consumers, and workers (Butler, 1991; 2005; Brown, 2008; Rice & Anders, 2017; McKoy & Johnson, 2018). N.C. Mutual and Mechanics & Farmers Bank both had offices in the white downtown of Durham. The black bank was noted to be a place where white business leaders of Durham sometimes sought to “hide” assets out of sight of others (Brown, 2008). Irrespective of why white middlemen leaders like Duke and Julian Carr, the leading textile entrepreneur in
Durham, and a noted white supremacist, engaged in the relationships they did with Hayti’s black middlemen leaders, the fact that trade, exchange and investment, as well as ideas about institutions of human capital and business straddled black and white Durham, was important in their ability to thrive and achieve mutual benefit. This might have also been a source of mitigating excessive violence against black institutions at that time.

These multidimensional and intricate aspects of racism at the local, statewide, regional, and national levels, during the period Hayti was forming and developing, along with the unique tranquility imposed by the presence of the Duke family and economic interdependency, all framed the context that the black population operated under. The Duke family was also responsible for an additional context, that was critical to the success of both white Durham and Hayti. As the middlemen entrepreneurs of the world’s largest tobacco company, American Tobacco, their firm anchored Durham’s economy for decades after the Civil War ended, making it an economic marvel of the industrial age – and the foundation of numerous fortunes and middle-class lifestyles in both white and black entrepreneurial ecosystems (Butler, 1991; 2005; Brown, 2008; Rice & Anders, 2017).

**Tobacco: Durham’s Keystone Industry**

The directional upbuilding (C1: concept and C2: context) for a community economic ecosystem is often related to a **keystone industry** and **keystone firm** (Moore, 1993) that “connects to the community.” The tobacco industry was the anchor industry for the white Durham community economic ecosystem, the center economy (Butler, 1991; 2005). Because of the enormous growth of the tobacco industry globally, it produced such demand that white tobacco merchants had little choice but to hire black workers from Hayti to work in their factories to meet that demand. Duke’s American Tobacco (Butler, 1991; 2005; Brown, 2008;
Rice & Anders, 2017) was the keystone firm in Durham’s economic ecosystem. Textiles were later added to the Durham’s center economy. The center economy is structured with a high degree of corporate and bureaucratic organization, great diversification, technologically progressive means of production and distribution, and national and international accounts (Averitt, 1968). The black employees who worked in white Durham during the day to earn their wages, and returned home across the railroad in the evening to Hayti to spend those wages, created the early economy of the black enclave – creating a black peripheral economy. The peripheral economy contains firms which are small, dominated by one individual, use outdated techniques of production, and operate in small restricted markets (Averitt, 1968; Marable, 1983).

The founding of North Carolina Mutual Insurance would later serve as the keystone firm for Hayti, converting the black district into a hybrid economy – a center-peripheral economy. Hayti became a center economy, in some ways self-sufficient because of the robust entrepreneurial activity, but remaining connected – in the peripheral – to the powerful white Durham tobacco and textile global economy.

The binary of the center-peripheral was later rejected by others who say that this proposed economic structure obscured the tensions and the interconnections that coexisted and variation as well as agency (Naustdalslid, 1977; Evans, 1979; Street, 1987). Later work has suggested that the economic structure of such economies resemble a hub and spoke, albeit one where the spokes operates as a peripheral economy.
The Third C (Core): Institutional Upbuilding through development of Hayti’s Core

By the time that noted scholar W.E.B. DuBois visited Durham in 1911, the Hayti community economic ecosystem economy was operating at peak performance, as both a hub and a spoke, skillfully and proficiently fusing at the intersection of community self-help strategy and entrepreneurship.

Of Hayti, DuBois (1912) declared:

*Today there is a singular group in Durham where a black man may get up in the morning from a mattress made by black men, in a house which a black man built out of lumber which black men cut and planed; he may put on a suit which he bought at a colored haberdashery and socks knit at a colored mill; he may cook*
victuals from a colored grocery on a stove which black men fashioned; he may earn his living working for colored men, be sick in a colored hospital, and buried from a colored church; and the Negro insurance society will pay his widow enough to keep his children in a colored school.

Though DuBois’ (1912) male-only references are evidence of the sexism of the period, the emergent phenomena that DuBois (1912) was describing was the core of black Durham’s community economic ecosystem. This web of interdependent firms, institutions, businesses, and organizations represented a growing and evolving network covering scientific, technical, artistic and humanistic, market (i.e. finance), and policy efforts to aid in the upbuilding of Hayti, as well as a litany of supportive individuals and entities (Table 2). These networks of interacting black firms exhibited a period of adaptation and co-evolved over a long process (McKoy, 1999), defining relationships among community players, with entrepreneurial insights interacting with strategic thinking to create, shape, navigate, and exploit business ecosystems (Zahra & Nambisan, 2012; McKoy & Johnson, 2018) that ultimately had value for all Hayti. Hayti’s core formed more than an amalgamation of small and large firms, it formed a community economic ecosystem.
<table>
<thead>
<tr>
<th>Community Economic Ecosystem</th>
<th>Description</th>
<th>Hayti (1865-1958)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Upbuilding Function</strong></td>
<td></td>
<td>See Expanded List in Appendix 1</td>
</tr>
<tr>
<td><strong>Directional Upbuilding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Concept &amp; Context</strong></td>
<td>Individual Middleman dreams become collective group dream serving as the foundation of the Community Economic Ecosystem</td>
<td>Richard B. Fitzgerald (1843-1918); William G. Pearson (1858-1947); John H. Merrick (1859-1919); Dr. Aaron M. Moore (1863-1923); Charles C. Spaulding (1874-1952); James E. Shepard (1875-1947). Black economic success in a hostile white world.</td>
</tr>
<tr>
<td><strong>Institutional Upbuilding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Core</strong></td>
<td>Individual Middlemen break up into groups to pursue various organizational and institutional formation and growth to benefit Community Economic Ecosystem. These institutions can be categorized in various interdependent categories such as sciences (S), technology (T), arts &amp; humanities (A), market (M), policy (P), and support (S).</td>
<td>Examples: St. Joseph AME Zion Church; White Rock Baptist Church; Scarborough Funeral Home; R.B. Fitzgerald Brick Manufacturing; Bull City Drug Company; North Carolina Mutual Insurance; Lincoln Hospital; Durham Hosiery Mill; Jones Hotel; the Carolina Times Newspaper; Mechanics &amp; Farmers Bank; the Algonquin Tennis Club; Union Iron Works Company; Durham Committee on Negro Affairs; Durham Business and Professional Chain; NCCU; Wonderland Theater</td>
</tr>
<tr>
<td><strong>Sustainable Upbuilding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital &amp; Confidence</strong></td>
<td>Within the most trusted and confident Community Economic Ecosystems the Individual Middlemen and the institutions that they lead share capital of various sorts – community, experiential, financial, human, and social – to support upbuilding and collective achievement</td>
<td>Many of Hayti’s leading institutions were co-founded by the same middlemen entrepreneurs. These entities were launched based on need and functionality, not on categorization or sector. These institutions were built from deep trust that sustained even through failure of some firms. They hired and invested within Hayti.</td>
</tr>
</tbody>
</table>
These “core” entities represented much variation in the ecosystem and was the result of a selection process (Axelrod & Cohen, 1999) allowing ideas to grow into new ventures. Hayti was not dependent on any single type of institution for its desired independence. The organizations born and nurtured in Hayti were varied and diverse, and aimed to satisfy the growing needs of its black community. Blacks in Durham boasted about not having to “go across the railroad tracks” to white Durham to satisfy any of their consumer desires (McKoy, 2018). When black middlemen identified a missing entity, they created it. This was the case when W.G. Pearson founded a surety company in 1926 to recapture funds blacks were paying to white firms for bonding (Brown, 2008). He wanted the funds to be captured in Hayti. The decision to create and support these institutions, especially financially, by the anchor Hayti Middlemen, seemed to rest on three things: (1) the perceived community need for the entity; (2) the collective knowledge already available to support its growth; and (3) its expected value to the overall community economic ecosystem.

Some of those firms flourished while others floundered. Both success and failure were valued in the ecosystem. Merrick reflected on the evolution of the Hayti district at the end of his life with appreciation for all they had accomplished, while also acknowledging the mistakes made along the way and how some things might have been done better (Brown, 2008). Like Merrick, many entrepreneurs in Hayti were serial middleman entrepreneurs, launching numerous businesses over time.

Founding Father Middlemen – Richard Fitzgerald, John Merrick, Dr. Aaron Moore, William Pearson, James Shepard, and Charles Spaulding – were serial collaborators in launching ventures inside of Hayti, and sometimes outside of the district – sometimes with assistance and financial investment from members of the Duke family but most times without (See Appendix
A). Fitzgerald, who might be considered “the godfather of black entrepreneurship in Durham,” in partnership with other blacks and Benjamin Duke launched the world’s first black-owned-and-operated textile firm in Concord, North Carolina in 1897 (Thompson, 1906). Fitzgerald was older than many of the other “Founding Fathers” and the first highly successful black entrepreneur in Durham, producing bricks to build factories for all the top white tobacco barons (DuBois, 1912; Murray, 1956). His firm continued this work even after his death in 1918.

These types of financial, knowledge, and social capital exchanges between blacks inside and outside of Hayti, and whites outside of Hayti, represents the embodiment of Hayti’s capital and confidence upbuilding. This is what allowed the community to sustain for so long.

*The Final Two C’s (Capital & Confidence): Sustainable Upbuilding through Institutional and Organizational Interaction, Support, and Reproduction*

The interactions of these vertical and horizontal businesses led to an institutional building that not only generated active capital and confidence, but allowed relationships to withstand challenges such as failed partnerships, unsuccessful ideas, mistakes, and death. Several of the founding partners of NCM left after the first year, following an insurance claim that forced them to invest additional funds, but those same individuals ultimately partnered for many other ventures (Butler, 1991; 2005; Brown, 2008; Rice & Anders, 2017). Likewise, not all ideas worked as planned, causing some ventures to fail, sometimes at a significant financial loss. After some of the prominent leaders of Hayti supported the creation of a black run investment bank in 1921, they unknowingly entered into partnership with a con man who was a fugitive from Kentucky to lead it, as well as partnering with him in two additional financial entities (Brown, 2008). In 1926, the gentleman disappeared from Durham with funds from the investment bank, never to be seen again. Because many of the founding father middlemen were of different ages, their deaths came at different times ranging from 1918 (Fitzgerald) to 1952.
(Spaulding). However, various combinations of old cofounders, and new partnerships were formed that continued to generate activity driven by active capital and confidence (both internal and external) within Hayti.

This continuous activity was driven by the active capital and confidence that existed in Hayti. The financial capital that blacks converted from wages earned in white Durham to revenue spent in black Hayti was significant in its growth (Illustration 3). Not all black enclaves had the benefit of such prosperous center economies and keystone industries as Durham’s tobacco and textile. Tulsa’s Greenwood section had a similar dynamic with the oil industry (Ellsworth, 1992). This connection made a significant difference in Durham. Segregation, a universal context across the South, benefitted the Hayti economy by forcing the financial capital to remain within the community economic ecosystem. However, the black business leadership also consciously aspired, and conspired, to circulate financial capital within the community.

*Illustration 3: Community Economic Ecosystem Interactions*
Owing to the success of many of Hayti’s firms, they invested significantly in experience-based human capital, or experiential capital, for the community. That is, the firms hired employees from the local black community that exposed them to business knowledge and management opportunities in numerous industries and sectors (Washington, 1911; DuBois, 1912). This knowledge was then used to launch new ventures, often introducing new innovations along the way.

The Hayti community also invested heavily in formal human capital, or education. Local black leadership raised financial capital to build primary and secondary schools in black Durham, sometimes in partnership with the Rosenwald Fund, started by the white industrialist and Sears & Roebuck founder Julian Rosenwald (Brown, 2008). Additional fundraising allowed for the hiring of black teachers. The community also successfully lobbied the Durham School Board for the introduction of a 12th grade to the all-black Hillside High in 1937, to achieve grade-level equity with the local white schools, and also to allow black students to matriculate to a broader array of colleges nationally who required a 12th grade education. In terms of post-secondary education, North Carolina Central University, originally founded as the National Religious Training School and Chautauqua for the Colored Race in 1909, is the most prominent educational institution in Hayti, however specialized schools were also present in the district such as beauty and cosmetology colleges (Carolina Times, 1939). As late as 1947, Hayti saw the launch of an independent business college, which survived until 1980.

The fact that Hayti’s Hillside Park was the first black public high school in North Carolina when it was built in 1922 (NCSHPO, 2013), was one indication that Hayti possessed community capital that could be utilized beyond business development. Throughout its history,
the community leveraged its internal and external **social capital** in active ways to advance the community economic ecosystem in socially relevant ways.

**Institutionalizing Negotiating Power**

Hayti’s emergence as a national phenomenon represented a community whose ‘whole’ seemed to be greater than the ‘sum of its individual parts.’ Blacks from around the United States flocked to black Durham attempting to learn from their success (Brown, 2008). Yet, even as Hayti was achieving increasing attention and accolades, the ecosystem around it was changing. This forced Hayti to make some changes. As some of the influential middlemen leaders died (black and white), so did the relationships they had nurtured over time that assisted in the success of Hayti. This prompted the remaining black elite to seek new strategies for maintaining negotiating power with white Durham. This was achieved by creating “political” institutions (Marable, 1983) that would formally negotiate on behalf of the black residents of Hayti (Brown, 2008). The founding of these institutions was often quite entrepreneurial as well; and sometimes began in the most unlikely quarters.

A local network of young elite black Durhamites who began a tennis club for their children in 1922 in their homes, called the Algonquin Tennis Club, eventually grew into an elite social membership club in 1934 with an impressive physical building and large membership (Carolina Times, 1939). A year later (1935) at a club meeting, at the urging of James Shepard, the elite black group conceived of, and established, the Durham Committee on Negro Affairs. DCNA would negotiate with white Durham’s political leadership for expanded black services, resources and accommodations and to take up NAACP-like initiatives at the local level (Brown, 2008). Important issues at the time included the aforementioned lack of a 12th grade at Hillside
Park School, the need for school crossing guards, and the need for sidewalks and paved streets in Hayti.

Two years after the founding of DCNA the same elites incorporated the Durham Business and Professional Chain (1937), arguing that business issues needed their own independent forum and political platform (McKoy, 2018). However, the two organizations stayed tightly connected and leveraged each other for collective action that sought to realize collective achievement. In 2018, these organizations will respectively celebrate their 83rd and 81st birthdates. DCNA (now Durham Committee on the Affairs of Black People, “The Durham Committee,” or simply “The Committee”) and DBPC (known as “The Business Chain” or “The Chain”) effectively and successfully collaborated at least until the end of the twentieth century – and still maintains a relationship (McKoy, 2018). This is consistent with Krishna’s (2002) notion that effective agents know what must be done to move beyond collective inputs to mutually beneficial outcomes.

Economic and entrepreneurial success continued to be a focal point of the Hayti community, with DCNA and DBPC leading the way in collaboration with Hayti’s new generation of middlemen. Yet, DuBois’ (1912) words from a half-century prior proved prophetic: when writing about Durham’s status as an economically successful black enclave, he predicted the ire it might potentially evoke in white Durham. Though this white resentment festered quietly for decades, it was ultimately acted on with significant wrath. That eventual “action” would have serious consequences for Hayti and its continuation as a thriving entrepreneurial community and “city of cities to look for the prosperity of Negroes” as Booker T. Washington (1911) had proclaimed.
THE DECLINE OF THE HAYTI ECOSYSTEM

It is impossible to determine how the Hayti community economic ecosystem might have adapted and co-evolved with greater Durham and the hyper-global economy had the Durham Freeway not been constructed through its core in 1958 as a product of “urban renewal.” Records suggests that dozens of businesses of a wide variety, and hundreds of homes were torn down to construct the freeway (Whittmore, 2017). The single-family homes were replaced with housing projects, and the overwhelming majority of businesses were never replaced. Though not given as the official reason, many blacks said the new freeway was constructed so that whites would not have to drive through black Durham to get downtown (McKoy, 2018). Regardless of the official or unofficial reasoning, the “urban renewal” effort was a regulatory assault on Hayti – equivalent to modern redlining and Jim Crow. The result was a devastated Hayti community that left black neighborhoods like Rolling Hills/Southside without an economic foundation, as middle-class blacks and black firms relocated elsewhere, following the highway construction (McKoy, 2018). Still, urban renewal was just one aspect of the Civil Rights Era referenced when discussing Hayti’s decline.

Evidence suggests that racial integration of the 1960s had similarly destructive consequences for the black community economic ecosystem writ large, not just in Hayti. Stanford University’s Gavin Wright, in The Economics of the Civil Rights Revolution (2018), states that many people believe “that integration inflicted heavy losses on black business communities.” Others have suggested that “the Civil Rights revolution was a mixed blessing for southern blacks, who won a measure of integration into a white world at the expense of some of the enduring and nurturing institutions of the old black one” (Applebombe, 1996). According to Robert E. Weems, Jr. (1998): “White-owned businesses, rather than unfettered black consumers,
were the primary beneficiaries of the Civil Rights Act of 1964.” This has left some older blacks, in the South, and in Durham, nostalgic for the era of segregation (Wright, 2006).

Social integration’s consequence was that nearly all black active entrepreneurial capital and confidence exited the community, leaving those with the least of those assets behind, to survive the best way they could. Economic integration went one way, out of the black community, in Durham and beyond, and almost exclusively into the white community economic ecosystem (McKoy & Johnson, 2018; McKoy, 2018). The contemporary economic declines of Hayti keystones like Mechanics and Farmers Bank (now M&F) and especially North Carolina Mutual Insurance (now NC Mutual) are examples of this (Eanes, October 2017; March 2017). Most blacks now bank and purchase insurance products – as well as most of their goods and services – from white firms. Additional factors also impacted Hayti’s economics negatively.

The globalization and internationalization of production also hurt Hayti. The loss of the tobacco and textile manufacturing as keystone industries to global forces affected both white and black Durham negatively (Rice & Anders, 2017). This shift resulted in the significant loss of local industrial jobs. These changes impacted the black entrepreneurs in Hayti the most because the secondary service businesses and secondary service jobs that black small business participated in were tied to servicing these industries, or more specifically, the black workers from those industries. Blacks were overrepresented in these areas. When the industries left the secondary businesses also shrank. While white Durham rebuilt its community economic ecosystem around the expanding Research Triangle Park, as well as growth of technology, entrepreneurship, and creative class economic activities, there was no intentional connection to the black ecosystem, or Hayti’s entrepreneurial past.
These activities, in aggregate, have converted Hayti from a center-peripheral/hub-spoke economy to a disconnected economy. No single force can be blamed for the full decline of Hayti, like its earlier successful economic growth, a series of interacting and dynamic forces also led to its decline. However, the loss of its business and entrepreneurial core disrupted both the concept of the community – as a self-sufficient and independent black enclave, and the context by which it operated – through entrepreneurial and institutional upbuilding. In addition, it destroyed capital and confidence that had been amassed for nearly a century (McKoy, 2018). The internal and external confidence, along with the entrepreneurial spirit, that existed at the zenith of Hayti seemed to largely disappear after urban renewal and revitalization. The confidence and spirit that was once the hallmark of the internal and external investments flowing into the community economic ecosystem of black Durham seemed to stop after the freeway. If the capital, confidence and spirit was not completely killed, then it was greatly wounded. This has meant that much of historic Hayti continues to stagnate and decline.

Current Hayti

The Hayti community still technically exists on municipal planning maps and district configuration. As with all complex adaptive social systems, this black enclave is resilient (Waldrop, 1992) and does not easily die. But just because it is not dead, does not mean that it is alive.

New information continues to enter the present Hayti ecosystem, with different impacts. In the years since the construction of the Durham Freeway numerous businesses have permanently closed; however, four commercial and retail developments have been constructed. Though modest in size, these developments have kept the economic activity level of the community reasonable over the last three decades. However, notably absent is a powerful
contingent of black middlemen entrepreneurs effectively leading the community around a collective concept – or vision. Some middlemen do still exist, such as Larry and Denise Hester, a husband and wife business team who have historic ties to Hayti (Butler, 1991; 2005; McKoy, 2018). The Hesters are responsible for developing two of the four commercial developments constructed since the freeway was built. However, unlike the early days of Hayti with middlemen like Fitzgerald, Merrick, Pearson, Spaulding, Moore, and Shepard, they have no contemporaries. In addition, no white middlemen have stepped forward to co-invest in Hayti as Duke and Carr did more than a century ago. In fact, the few economic development activities in Hayti, save the Hesters, have been government led.

During this time, new mixed-income residences have been built covering large areas of land (Taylor, 2013), while old public housing residences have been torn down, leaving large areas of blight (Khanna, 2009). The city and county have made some investments in Hayti, such as the remodeling of the original St. Joseph’s Church into a cultural heritage center, converting a closed middle school into an afterschool tutoring program, upgrading the local library, and transforming the former Hillside High School into a mixed-used project with an early childhood education program on the first floor, and affordable senior apartments above. Yet, local residents have been unable to persuade the city to invest finances in streetscapes along the main corridor, or make other major economic development investments (McKoy, 2018). This contrasts Hayti’s once powerful community capital, when blacks collectively pressured public officials for amenities and resources. These public-sector led activities have resulted in a slow increase of more whites entering the community, not necessarily as customers, but as residents and sometime facility renters. What, for more than a century-and-a-half, has been a proud black enclave is shifting demographically.
The Hayti community is getting older in both its physical infrastructure and the age of its residents (McKoy, 2018). The neighborhoods surrounding North Carolina Central University are gradually shifting from owner-occupied homes to renter-occupied houses as long-term residents die off, or houses are seized for non-payment of property taxes. The remaining citizens in the Hayti community are long-term homeowners, so are rooted in the community, but they are aging seniors and generally low-income. This has meant a loss of the earlier dynamic of Hayti, where the income of the residents circulated through the black institutions created by the middlemen in a nod to collectivism, black nationalism, and racial pride. Durham still has a sizable black middle-class (City Data – Durham, 2018), who work for large white institutions – the largest still associated with the Duke family name – but those middle-class blacks no longer live or spend their dollars in the Hayti community. The process of earning wages in Durham’s white economic ecosystem, and returning them “across the railroad tracks,” a hallmark of the success of the Old Hayti community economic ecosystem has vanished (McKoy, 2018).

North Carolina Central University remains open, taking up significant physical space in the Hayti community, along the main Fayetteville Street thoroughfare. The university ensures that a constant number of young people and other educated populations, a key to successful collective action and achievement (Krishna, 2002), enter the community daily. However, the singular economic engagement that this university community has in Hayti is with the university. The university population is transient with faculty and staff living away from campus, and students increasing doing so (McKoy, 2018). The students who do live on campus often work part-time jobs in Durham proper, and not Hayti, thus patronizing businesses – with financial and experiential capital – in other parts of town.
Little, if any, of the capital held by students, staff or faculty at the university goes into the surrounding Hayti community economic ecosystem. One primary reason for this lack of local capital circulation, is that unlike Hayti at its peak, and prior to the freeway, there are few businesses – of any kind – around to absorb any capital desiring to be spent in the area. Many of the small, peripheral businesses in the area are now sole proprietorships providing small and low-cost services such as barbering, hair braiding, and ethnic jewelry. Places that can absorb capital, are national or global brands, like KFC or Subway, which exports their capital out of the community. Though NCCU continues to grow and expand – with an increasingly diverse student and faculty population, including whites – providing formal human capital – a critical component of a community economic ecosystem – the loss of a full core ecosystem leaves few – if any – transactions that result in the sharing of social, experiential, financial, and community capital across Hayti’s black community.

Whereas the leadership of North Carolina Central University and its surrounding community once coincided and interacted – in fact were one in the same – and sought mutually beneficial outcomes, evidence suggests that is no longer the case (McKoy, 2018). Many of the trusted relationships once shared between the university and its surrounding community have disappeared over the years. Some residents see NCCU as more “overseer” and “bad neighbor” than nurturing institution (McKoy, 2018). There is a sense that NCCU is more concerned with its own growth, economic security, and survival than that of the surrounding community of Hayti.

Many of these aging neighbors and residents of Hayti remain skeptical of economic development plans, whether initiated by the public or private sector, and lack trust of the “black business class” (McKoy, 2018). One of the outcomes of urban renewal, and the Durham
Freeway, was not only to destroy the core businesses of Hayti, but to also destroy much of the trust and faith that the average black citizen of Hayti had for the local entrepreneurship class. Whereas, the black middlemen were once upheld by the community as the most esteemed members of Hayti, that has been lost. Some remaining residents who were living in Hayti at the time of the Durham Freeway feel these middlemen entrepreneurs “sold them out to the whites” (McKoy, 2018).

Archival records and historical interviews show that white Durham made a number of development promises to the citizens of Hayti in exchange for their cooperation in giving up property for urban renewal. These promises included activities such as rebuilding homes for those who had theirs destroyed, and “rebuilding Hayti better than it was previously” (Anderson, 1990; Richardson, 2018). These negotiations primarily included black middlemen from Hayti and the white political leadership of Durham. The promises made in those negotiations, even those written and documented, have never been fulfilled. Those Hayti residents lost trust because they are convinced the middlemen benefited from the negotiations, while leaving the masses with no gains (McKoy, 2018). Though there are no records to substantiate all the claims, these actions were seen in contrast to the early days of Hayti when black middleman leaders seemed to seek outcomes that benefited all Hayti.

In present day Hayti, whenever long-term residents hear the terms “renewal” or “revitalization,” they feel a sense of uneasiness (Hester, 2006). This skepticism is perhaps warranted. The most recent economic development activity in Hayti was the city-led redevelopment of the old Rolling Hills/Southside neighborhood (Taylor, 2013; Khanna, 2009). The public-private development has resulted in a dramatic property tax increase for low-income black citizens in the neighborhood who have done no upgrading of their homes (Bridges, 2017).
The revitalized area has welcomed a new cadre of young, white neighbors, seeking affordable housing near a rebirthed downtown Durham. Those new neighbors can sometimes feel imposing to the natives. Though the original intent of this residential project was to help stabilize a black community that had the highest number of vacant properties through residential ownership, unintended consequences like the tax increase, have left some feeling that it is only a matter of time before the previously all black enclave is all white (McKoy, 2018). To the Hayti natives, this is a return to ongoing patterns of regulatory assault suffered in prior decades; another round of Jim Crow activities and movements towards “redlining” the area to keep blacks out.

The historic St. Joseph Church is one of the first institutions created in Hayti in 1869 (Washington, 1911; Butler, 1991; 2005; Brown, 2008; Richardson, 2018). The church’s first substantial building was erected in 1891 with donations from black entrepreneurs John Merrick, W.G. Pearson, John O’Daniel and others, as well as white patrons Washington Duke and John Carr, and utilizing the bricks of black businessman Richard Fitzgerald. Today, that building has been remodeled and operates as the Hayti Heritage Center. The original sanctuary still exists, possessing large picturesque stain glass windows honoring both Jesus Christ and Washington Duke (in exchange for Duke’s donation he requested the tribute) (McKoy, 2018). The facilities are being rented more often by majority white organizations, such as a large white church that fully occupies the facility each Sunday. During the Sunday services the attendees take over every available parking space, and street parking in sight, while concealing the “Hayti Heritage” name with an expansive, bright, orange banner displaying their church’s name. Some in Durham’s black community, those living inside of Hayti and outside, have argued that whites entering the neighborhood are not only attempting to literally cover up the words “Hayti
Heritage,” on the building, but symbolically also attempting to gradually cover up the true Hayti heritage overall (McKoy, 2018).

CONCLUSIONS: LESSONS FROM HAYTI

This paper began with several goals. First, it aimed to reinterpret the story of Hayti through a community economic ecosystem process lens – specifically, utilizing a novel framework – the Five C’s. This provided a reinterpretation of “what” Hayti was – a process-oriented community economic ecosystem – and “how” it came to be – through an extended evolutionary process of trusted variation, interactions, and selection. It analyzed the culture and processes (2013) through which Hayti’s ecosystem was built and how it evolved, introducing race as a contextual factor.

Reviewing the Hayti literature through a process-oriented community economic ecosystem lens provided valuable insights. A consistent set of findings emerge that help explain both the accelerated growth of black entrepreneurial activity in post-Civil War Hayti (it’s rise), while recognizing the factors that precipitated the barriers to its ongoing success (it’s decline), and where we might look for insights into possible reemergence as a strong ecosystem (it’s re-rise). In particular, the reinterpretation of Hayti suggests the following lessons:

(1) [the rise] The culture of an ecosystem, and in particular, each of the Five C’s of community economic ecosystem upbuilding are crucial to its success. When middlemen/women leaders commit to a concept for a community, while understanding the context they are functioning under, and have the active capital and confidence to reinvest in themselves, they have a better chance in attracting outside investment. This allows them to build a strong core of institutions. Variation and diversification within
those institutions – that is, firms of different sizes and industries – matters. These firms together, anchor job-creating institutions in communities. However, when community capital, social capital, financial capital, and internal confidence are absent, a community economic ecosystem will not be sustainable.

(2) [the decline] cultural processes are central to understanding the resilience of ecosystems. When trust declines within the community economic ecosystem, it is likely to negatively impact the cohesiveness of the network of actors within and around it. This loss of cohesiveness and ‘constructed trust’ can have an outsized effect on the network and its hub-and-spoke economies, particularly among minority populations. Without trust serving as a foundation of the community economic ecosystem, institutional resilience cannot be built (or last), and the networks of individuals and institutions are less able to cultivate capacities to face internal or external crises and rebound. However, trust is not born only out of strong ties. Trust can be constructed through multiple weak ties as well as relational interactions (Sabel, 1993; Granovetter, 1973);

(3) [the re-rise] However, to return to Butler (1991) and his notion of the truncated middleman forced on an economic detour, even a robust community economic ecosystem has limited economic and institutional depth when pitted against a host ecosystem’s much greater legal and financial resources. In circumstances where truncated middlemen can show mutually beneficial outcomes for the host society, they are able to exit from the economic detours – especially with strategic investment and assistance from host society middlemen. This is the work of culture and process. As Spigel (2013) reminds us, entrepreneurship research must carefully consider how the concept of culture is used in the process of community economic ecosystem upbuilding if it is to be a useful factor in
explaining the heterogeneous geography of entrepreneurship we observe in the modern economy, as well as accurately interpret historical examples such as Hayti. The Five C’s is an original, analytical framework aimed at better understanding how community economic ecosystems form, function, develop and sustain themselves over time.

The lessons from Hayti suggest that contemporary African-American middlemen/women, and other racial middlemen/women must recognize that there is collective benefit to becoming part of and helping construct cross-class and racially-diverse community economic ecosystems, just as the blacks and whites in Durham recognized more than a century-and-a-half ago. This might be the most important lesson from Hayti.

The black citizens of Hayti had to build social capital relatively rapidly following slavery since the population consisted of former slaves and former free blacks from a wide-ranging geography, all of whom lived under the same system of oppression, discrimination, hostility and the constant threat of attack. The Hayti citizens’ capacities for mutually beneficial collective action was enhanced through purposive action (Krishna, 2002). Safford (2009) argues that when communities are faced with external crises, their responses to those crises become important to their future pathways. The contemporary African-American community is in such a situation, faced with numerous crises: income, wealth, health, and educational disparities, just to name a few.

Hayti showed that an early focus on institutional anchoring across a broad range of entities including those that provided the foundation of scientific, technical, arts and humanities, market-based, political, and support, were critical to upbuilding the wider community. These networks of inter-linked institutions evolved over a long process, defining social and economic relationships among community members, each institution exhibiting entrepreneurial insights
that also interacted with strategic and tactical thinking to create, shape, navigate, and exploit the community economic ecosystem with the goal of turning collective input and collective action, into collective achievement. Contemporary black America must move toward institutional building across a wide front to anchor itself to the everchanging and hyper-global economy.

Developing a deeper understanding of the multidimensionality of social identities, cultures and affiliations within Hayti reveals what seems at first to be a chaotic process of building entities from scratch, to be an ordered process in which new institutions are negotiated and created. Furthermore, preexisting relationships mattered in institutional upbuilding – as did closer and relevant relationships, as opposed to weaker and irrelevant ones (Safford, 2009). Contemporary African-Americans must leverage their networks, particularly those who have accumulated significant amounts of social and financial capital, toward collective community outcomes, while learning how robust community economic ecosystems are created and sustained.

The black middlemen who upbuilt Hayti through institutional anchoring had an array of ties that bound them – further strengthening their ties with each new institution – leading them to further create, and so on. The core group of Hayti’s middlemen entrepreneurs created churches, a hospital, educational entities, large firms, small firms, newspapers, and many social, civic and political organizations. In this case, “political” is not reserved just for organizations involved in the electorate, but any organizations created to advance an agenda (Marable, 1983). This black collectivist action was shaped by social embeddedness and in turn recursively influenced the social structure itself (Safford, 2009; Spigel, 2017). Contemporary black Americans must draw upon the ambitiousness of past middlemen to create solutions that are of the same scale as the
problems. Middlemen/women should seek out partners and cofounders willing to invest in numerous institutions understanding some will succeed and some will fail.

The middleman leaders of Hayti adopted strategies that, along with capable agency, succeeded. These black middlemen focused their efforts on seeking collective achievement for the black masses without concern about free-rider problems. Though everyone in Hayti did not achieve social or economic success (Brown, 2008), the anchoring institutions that the “Founding Middlemen” upbuilt were public in nature – churches, public schools, public colleges, insurance companies for burial of the masses for as little as $1 a week, a hospital, and banks to lend money for mass home ownership (DuBois, 1912; Brown, 2008; McKoy, 2018). For achieving economic benefit, they had to be skilled in how to get the best deals from local and state organizations, as well as market operations (Krishna, 2002). These activities that moved collective inputs to collective action to collective achievement were entrenched in Hayti through the creation of anchoring institutions. Contemporary African-Americans must agglomerate all the active capital and confidence it can muster, to transform the increasingly poor and segregated black enclaves across America into mini-Hayties, taking the best lessons of the past to magnify the positive, and minimize the negative, to build sustainable community economic ecosystems; not as victims of the economic ambitions of other racial groups, but as strategic partners seeking mutually beneficial outcomes and collective achievement.

Hayti’s Ship

For some long-term residents, the recent activities and actions in Hayti such as neighborhood revitalization and the renting of historic cultural facilities for white programming, represent an increasing institutional appropriation of Hayti’s black institutions (McKoy, 2018), similar to the practice of cultural appropriation – or the concept dealing with the adoption of the
elements of a minority culture by members of the dominant culture due to the presence of a
colonial element and imbalance of power (Coombe, 1993). To those individuals, these trends are
representative of those they have been trying to hold back for more than a quarter century, and
that they now feel increasingly threaten them – the gentrification of Hayti (McKoy, 2018). The
belief by some of the blacks living in the community, is that whites are taking over each of
Hayti’s sacred institutions one-by-one: the residential neighborhoods; the meeting spaces; and
the university – with more to follow.

The construction of the Durham Freeway through the heart of Hayti, and social
integration, both happened in relatively short periods of time in Durham. Evidence suggests that
these events had immediate, and lingering, negative impacts on the community members
remaining in Hayti both psychologically and economically (McKoy, 2018). Globalization came
only a decade or two after the prior disruptions. Other events have been more gradual, like the
institutional appropriations, but no less dramatic to some. For those in the Hayti community,
each institutional appropriation raises the question of identity – like a new piece of Theseus’
Ship replacing the old (Yanofksy, 2013) – white faces taking over black places. When is Hayti
no longer “Hayti”? However, the fact that Hayti still exists, even in a diminished form
contemporarily, suggests that institutional anchoring was an effective tactic in preserving over
the years some of the independence, freedom, economic success, and economic security, it
sought at its founding over 150 years ago. The question remains as to whether the same will be
able to be said in the future.

As Durham continues to be named one of the best places to live, work and play, it attracts
an increasing population of those wanting to become a part of the community. It is estimated
that in 2018, an average of 20 new people migrates to Durham daily (McKoy, 2018). This
migration has spurred increased gentrification of historic black communities, including Hayti. With downtown real estate now commanding upwards of $3 million an acre (Bridges, 2016), historic Hayti is feeling the pressure of market forces. What remains of the black community economic ecosystem is under threat of disappearing altogether. There is no absolute threshold that marks gentrification, the destruction of a community ecosystem, or the point where a complex adaptive social system completely becomes something else. However, at some point, like the ship of Theseus’s Paradox, the question will arise of whether a community economic ecosystem that has had all its components replaced remains fundamentally the same place.

In the case of Hayti, the answer will be no.
REFERENCES


Yanofksy, N.S. (November 2013). “The Ship of Theseus and the Question of Identity: Where does consciousness exist, and what is the reality of our soul if we question the basis of personal identity?” *Utne Reader*. 
CONCLUSION

This dissertation has argued that black entrepreneurship in America is in trouble. More specifically, it argues that a certain kind of black entrepreneurship is in trouble. Though African-American sole proprietorships (businesses with no employees) continues to expand at record pace, black-owned firms with employees is declining (McKoy & Johnson, 2018). This has negative impacts on the overall black community economic ecosystem, because as black firms with employees decline, so do some of the opportunities for individuals from the African-American community to be hired into gainful employment. Blacks are the only racial group experiencing this phenomenon. All other racial groups saw their firms with employees grow between the last two reporting periods (SBO 2007, 2012).

In his seminal work, *How Capitalism Underdeveloped Black America* (1983), Marable calls sole proprietors, who comprise such a high percentage of black businesses, “the proletarian periphery” and “marginal worker-entrepreneurs.” Thirty-five years ago, Marable (1983) reported that 82.7 percent of black-owned firms in the United States belonged to the proletarian periphery. Today, that number is 96.2 percent (SBO, 2012) – and increasing.

These negative trends associated with black entrepreneurship might disappoint Marable, but not likely surprise him. Marable (1983) argued that “the most striking fact about American economic history and politics is the brutal and systematic underdevelopment of black people.”
He went on to say that blacks have been on the other side of one of the most remarkable and rapid accumulations of capital seen anywhere in human history, existing as a necessary yet circumscribed victim within the “proverbial belly of the beast.”

Furthermore, Marable (1983) concluded:

*Blacks occupy the lowest socioeconomic rung in the ladder of American upward mobility precisely because they have been ‘integrated’ all too well into the system. America’s ‘democratic’ government and ‘free enterprise’ system are structured deliberately and specifically to maximize Black oppression. Capitalist development has occurred not in spite of the exclusion of Blacks, but because of the brutal exploitation of Blacks as workers and consumers. Blacks have never been equal partners in the American Social Contract, because the system exists not to develop, but to underdevelop Black people.*

Though Marable (1983) offered this as a counter perspective to the presupposed American post-Civil Rights era focus on affirmative equality for blacks, others would argue that after nearly four decades and the election and re-election of Barack Obama, America’s first African-American President, that many people today are working to not only develop black people, but also black entrepreneurs (IMG, 2018). That present-day notion served as the basis of this dissertation’s first paper.

The first paper asked questions such as: (1) Have the recent efforts to create more inclusive entrepreneurial ecosystems in America resulted in more equitable business outcomes for traditionally under-represented minority groups? That is, have minority entrepreneurs achieved parity with their shares of the national population in terms of business formation, growth and expansion? Additional questions answered by extension included: (2) Does a higher firm growth rate automatically equate to business parity and equity for one group relative to another? (3) Even if the data reflect a positive trend, how positive is it for any particular group?
Finally, (4) if all entrepreneurs and businesses operate under the same business ecosystem, what accounts for the difference in growth rate?

The findings of Paper 1 suggest that despite the growing racial diversity of America, historic challenges around social stratification continue. While the overall diversity of the business ecosystem is changing rapidly, the *business success ecosystem* might not be diversifying as fast, if at all (McKoy & Johnson, 2018).

The second paper extended the inquiry of the first paper. Though Paper 1 showed negative trends regarding black entrepreneurial equity across the United States, the second paper presupposed two things related to those inequities. First, that organizations, such as Forward Cities, the Case Foundation, and Google, pursuing racial entrepreneurial equity at the city level, would be better served if they had quantitative ways to measure for parity/disparity as they sought to address the problem. The second paper asked questions such as: (1) How will these organizations know an equitable/inequitable community economic ecosystem when they see it? That is, beyond anecdotal and qualitative evidence, how will they quantify economic inequity/equity? (2) How will they know when parity has been achieved; or (3) how far a community is from racial economic parity? (4) How will they assess which economic and entrepreneurial ecosystems are better or worse relative to others, across geographies and racial groups, among other factors? A new relative index, the Hygioeconomic [Equity/Parity] Index, HEPI, was devised as a consequence.

Second, Paper 2 presupposed that if such a measurement tool were devised, that business success and equity would look better for minorities, particularly blacks, within a more socially and entrepreneurially diverse environment. I utilized the HEPI to assess comparative equity among racial/ethnic groups and their community economic ecosystems – with particular
emphasis on how underrepresented entrepreneurial groups from Paper 1 – blacks and Hispanics – would fare in this broader analysis. Community economic ecosystems in Atlanta, Durham, and the United States were examined utilizing HEPI to gain insight into how blacks and Hispanics fared in these more diverse environments, as well as to discern how each locale ranked comparatively against each other regarding community economic equity.

The findings of Paper 2 were surprising as both Atlanta and Durham had less equitable community economic ecosystems for blacks, on average, than the United States as a whole. These findings suggest that even in communities with relatively sizable black populations, high levels of black formal human capital, high levels of black experiential human capital, high levels of black wealth, high levels of black entrepreneurial spirit, and high levels of black political leadership, that the economic outcomes for the black community still significantly lags other racial groups.

The third paper sought answers to a much broader set of questions regarding the African-American economic experience, but went hyper-local for the answers. Paper 3 asked questions such as: (1) Does entrepreneurship provide a viable means for advancing mutually beneficial economic outcomes for black Americans? (2) Has it ever? Also, (3) does entrepreneurship provide a means of strengthening black communities in the United States via economic development? (4) Again, has it ever? Another set of questions guiding Paper 3’s inquiry included those from Bonacich (1973), Turner (1980), and Butler (1991; 2005): (5) How do ethnic groups succeed in America in the face of systematic discrimination and prejudice? (6) And how is a degree of economic security carved out of a society which is hostile to the group?

To answer these questions, Paper 3 turned to arguably the most successful African-American community economic ecosystem in history – Durham’s Hayti community. As shown
in the second paper, contemporary Durham trailed both Atlanta and the United States significantly in black economic equity. However, in the century following black Emancipation, no black enclave was more economically successful for as long a period as Hayti. Therefore, it was that period of Hayti (1865-1958) which was examined, explored, and ultimately reinterpreted to seek lessons for contemporary society to create more equity across diverse community economic ecosystems. A new analytical framework, the Five C’s, was employed for this analysis.

The findings of Paper 3 suggest that it was the variety of types of institutions founded in Hayti, and the diversity of their interactions that anchored the community to its economic success. Though segregation likely helped, not hurt, the community; Hayti also had a strong set of capable middlemen entrepreneurs – with a frequency, intensity, quality and multiplexity of ties among them; and a community of relationships built on trusted and collectivist attitudes. Hayti, a segregated enclave experienced the greatest growth in the three decades immediately after slavery. This success occurred in the midst of the Jim Crow South, largely because of the exceptional entrepreneurial leadership of a handful of black individuals, the racial tolerance of several key white industrial leaders, and the commercial interdependency between black and white Durham economic ecosystems. These were all important factors in Hayti’s long-term economic success, helping to delay, though not, prevent its economic decline.

These three papers sought to collectively offer a different perspective on both the past and the present data regarding black entrepreneurship in America; while offering potential insights into future strategies for reversing negative trends.
Contributions

This dissertation makes at least five contributions to the academic literature:

First, (1) it adds race as an important contextual variable within the study of business and entrepreneurship ecosystems. Though the literature of business and entrepreneurship ecosystems is growing, there is little – to no – mention of race as a context. When identifying the economic winners and losers within these ecosystems, dissecting them by race can be very informative.

Second, (2) it adds the concept of a community economic ecosystem to the economic development literature, as well as to the entrepreneurship and business ecosystem literature. All business and entrepreneurship ecosystems exist within a larger context and framework – that framework is a community. The community can benefit, not benefit, or even be hurt by these economic ecosystems. Identifying them as community-based allows for a better understanding of community-economic relationships, especially how ecosystem development leads to economic development.

Third, (3) it stretches the boundaries of traditional thinking of the sociology of entrepreneurship from the building of business enterprises to the building of economic communities. The sociology of entrepreneurship is an important framework for understanding the relationship between group characteristics and the development of business activity (Butler, 1991, 2005). This dissertation introduced the concept of ecosystem upbuilding using the Five C’s (concept; context; core; capital; confidence). This has the potential to identify proactive, process-oriented strategies for community success by focusing communities on the process of directional upbuilding, institutional upbuilding, and sustainable upbuilding.
Fourth, (4) it introduces new quantitative tools and analytical instruments to the study and work of inclusive innovation, entrepreneurship, and economic development. The HEPI (Paper 2) offers new ways of examining and analyzing communities and their relative economic equity. This should allow for better and more accurate information when assessing the economic equity status of various communities in a uniformed, and replicable, manner.

Finally, (5) this dissertation stresses the importance of functionally varied and diverse institutions in nurturing and anchoring black – and general – community economic ecosystems. This is not a new concept; however, this dissertation offers a reminder of the power of diverse institutional anchoring. This suggests that strategies for black economic development must be more expansive than current efforts that focus on singular ribbon-cutting type economic development projects.

Each of these contributions aim to strengthen the overall economic ecosystem and economic development literature. In addition, it aims to strengthen black entrepreneurship literature as well.

Limitations

The first paper used U.S. Census data to examine various information associated with small business activity at the intersection of race/ethnicity, particularly regarding questions of equity/inequity. American Community Survey (ACS) and Survey of Business Ownership (SBO) data were merged to calculate a Race/Ethnic Equity/Disparity Quotient – a new quantitative indicator. This method is replicable. The authors of Paper 1 believe the SBO is a more reliable database than others used in earlier studies for assessing changes in business activity (McKoy & Johnson, 2018). Because the unit of analysis is the entire United States, the first paper has strong
external validity, or generalization across the United States. It may not offer the same insight into business activity outside the United States. Some might challenge aspects of Paper 1’s internal validity when arguing the overall trends identified, because of the unique time period by which the business activities measurement took place.

The Great Recession was the second largest economic downturn in history. However, Paper 1 places that context around its findings. As a relative analysis, its primary focus is on offering a comparative estimation across racial groups. Since all the analyses were completed under the same macroeconomic conditions, generalizations about black entrepreneurial parity/disparity can still be accurately drawn.

The primary limitation of Paper 1 is the delayed release of SBO data (2012). This allows construct validity to be satisfied by framing the findings within the context of the Great Recession. However, the gap in time (6 years) and the unique historical period of the study, might limit the ability of those findings to serve as indicators of contemporary trends.

Paper 2 shares the same data limitation as Paper 3. The delay in the release of the federal SBO data makes it a challenge to provide findings as contemporarily accurate or representative.

Since the development of the Hygioeconomic Index presents a tool for understanding specific geographic locales, Paper 2 does not present any findings as generalities. The findings are presented as only specific to the areas examined in the paper (i.e., United States; Atlanta; Durham). However, the measurements drawn from the U.S. examination likely presents some factors that can be generalized, in terms of black economic strength compared to other racial groups in America. Both Atlanta and Durham matched the U.S. pattern.
An additional threat to validity for Paper 2 might be construct validity. The variables included in the index make a presumed connection across each one: populations; firms with or without paid employees; revenue; and poverty. Based on the research of scholars like Fratoe (1988), there is an assumed relationship between within-race area firm growth and employee hiring practices. That is, when black firms hire paid employees, they tend to be other blacks (Boston & Boston, 2007). This hiring practice is expected to result in a decrease in racial poverty for the associated group.

It is possible that other factors affect the poverty level of a community more than the business activities of that community. For example, public or private assistance programs might have a larger impact on the level of poverty than an area’s firm growth. This limitation does not mean the index is internally invalid. Paper 2 had a focus on examining and measuring the strength of a community economic ecosystem within a certain locale. The direct relationship between firm growth and poverty reduction may be disputed, but the poverty level, regardless of what impacted it, is a legitimate variable within the HEPI model. This, I believe, answers the question of construct validity.

Paper 3 focuses its attention on a single case – Durham, North Carolina. Therefore, the paper might be seen as having low external validity, with the lessons from Hayti not being able to be generalized. Though I believe that there is a generalizability of these findings, until additional studies are done, it may be difficult to prove.

**Implications for Future Research**

Since Paper 1 and Paper 2 both utilized the same SBO datasets (2007, 2012), there is an opportunity for future research with each of those papers utilizing more recent information.
Survey of Business Owners data is released by the U.S. Census every five years. The next SBO will be conducted in 2017\(^5\). This will present an opportunity to examine both business activity and racial economic parity (Paper 1) as well as community ecosystem activity in a post-Great Recession environment. In addition, when the most recent dataset is released (2017), by utilizing datasets from 2007, 2012, and 2017, there will be a unique opportunity to quantify business and entrepreneurial activities among – and across – racial groups, immediately prior to, during, and following the second worse economic downturn in global history to discern how these different environments might affect races in different ways.

The first paper offers a number of additional research questions as identified at the end of study: Is there a single business ecosystem as suggested by the standard literature on entrepreneurship ecosystems, distinguishable only by industry (Moore, 1993; Zahra & Nambisan, 2012), geography (Auerswald, 2015), or ecosystem activity (Lee & Peterson, 2000; Isenberg, 2010; Suresh & Ramraj, 2012)? Or, alternatively, does each racial group continue to operate under a different and unique business ecosystem tied to historic stratification?

Understanding why individuals of particular groups launch firms is also important. The two most recent SBO surveys capture small business activity during America’s Great Recession leading to the question of whether minorities, often self-proclaimed as the last hired and first fired, were forced into entrepreneurship rather than willing participants? Prior research (Robinson, et al., 2007) indicates that for those who hold disadvantaged positions in the social structure, social stratification can have profound effects on how they identify, shape, and pursue

\(^5\) Though the SBO is conducted every 5 years, it generally takes several years to become publicly available. Therefore, the 2017 SBO data is not yet available for public review as of 2018.
entrepreneurship. If this is indeed the case, does it mean, as Survivalist Theory suggests (Boyd, 2000), that entrepreneurship is more of a survival strategy for minorities than it is for whites.

The second and third papers might offer the greatest potential for future research. The Hygioeconomic Index was introduced for the first time in Paper 2, and has just three analyses under its belt. Future research would allow HEPI to be tested against additional communities. This will help to further the theoretical underpinnings of inclusive and diverse economic development efforts, as well as economic parity and equity research. In addition, future research allows for deeper analytical perspectives to be taken. In these future efforts, areas like public policy tools can be tested at the local level to see their impact on the equity of the community economic ecosystem. For example, future research can control for the impact that local social services policy and programs play on community poverty reduction in various cities versus the presumed impact that the size of the business ecosystem has.

In Paper 3, the opportunity also exists to test the new framework, the Five C’s, on other communities to reinterpret their histories through a more nuanced lens. This paper attempted to provide an account of how community economic development ecosystems form, develop, function, evolve and sustain themselves over time. And also, to determine what ultimately influences and impacts their success or failure.

It is also possible to extend the framework of Paper 3 to add quantitative measures. For example, is there a preferred balance between the number, variety, and size of institutions in a community economic ecosystem that provides the strongest anchoring? Is there a minimum or ideal percentage of financial capital that must be invested into the community economic ecosystem in order to make it sustainable? What is the proper number of capable middlemen/women needed to move a community forward? Is it six middlemen like in historic
Hayti, or another number? How many social ties must they have between one another to be effective at upbuilding?

For Paper 3 there is also an opportunity to connect up with some of the contemporary writings on ecosystems (vs. clusters). The mix of business establishments in Durham’s historic Hayti district might be called a micro-urbanization or enclave urbanization economy (Sampson, 1991; Lowe, 2018). Urban renewal had a greater displacing effect on Hayti because it tore through a spatially-concentrated consumer market that relied on face-to-face interaction and concentrated consumer spending. It is possible that it would have had a less damaging effect if Hayti’s businesses were anchored to a product-making industrial cluster that might have dispersed or moved but not necessarily affected supplier or customer relations. This speaks to the bigger issue of economic interdependence – but also gets at some fundamental economic development concepts like export-base and industry clustering (Hill & Brennan, 2000), that could be interesting to puzzle through in the context of race and black entrepreneurship (Lowe, 2018).

In order to properly assess these theories, a more thorough analysis would have to be undertaken to understand additional mitigating factors, such as the challenge of accessing capital to rebuild firms (despite the presence of institutions like Mechanics and Farmers Bank) – whether in consumer or manufacturing – and other discriminatory challenges specific to black firms and entrepreneurs of that era. Interviews from the urban renewal period from Hayti entrepreneurs argue that the funds offered to them by the local government did not provide enough capital for full replacement value of their businesses (White & Ortiz, 1995). In addition, there were agreements and expectations between the Hayti business community and Durham’s
local government for rebuilding Hayti “better than it was” (McKoy, 2018). Those agreements were never honored.

This suggests that there was a combination of factors that made the African-American experience unique regarding any efforts to rebuilt after the physical destruction of their businesses. In addition, a component of the community economic ecosystem concept is the broader interactions of the entities in an enclave. The face-to-face consumerism was a part of the fabric of Hayti, providing a platform for a variety of middlemen entrepreneurs and the execution of community collectivism; and even with an additional aspect of the cluster that involved product manufacturing, the physical destruction of so much of Hayti’s core community would have likely still impacted its ability to recover as a collective community from urban renewal.

All three papers hold great promise for future research. Future research should continue to strengthen the quantitative power and validity of the tools and approaches used in these papers.
REFERENCES


The Past Matters

The goal of these papers collectively was to provide a new foundation of thinking about black entrepreneurship and its relationship to America. It would be a mistake to conclude from this manuscript that what is needed are the same kinds of interventions that we have had in the past.

According to Schopenhauer (1851), the purpose of research is to see long-standing data and phenomena with new eyes:

*So, the problem is not so much to see what nobody has yet seen, as to think what nobody has yet thought concerning that which everybody sees.*

We know that the black entrepreneurship experience in America is different, because the black experience in America has been different. Butler (1991; 2005) laid the groundwork for this with his theories of the truncated middleman and economic detour. Thus, the challenge now is to look at the data associated with black entrepreneurship, which everyone sees, but to think differently about it.

America’s Civil Rights Era resulted in a series of policy tools and strategies aimed at creating both a more integrated society, and a more just society (Omi & Winant, 2014). This vision has shaped much of the last half century in policy and practice. This effort of inclusivity was a reversal of the American government’s central role in sanctioning and enforcing
segregation and oppression of nonwhite citizens, particularly blacks. Rothstein (2017) argues persuasively, for example, that “the laws and policy decisions passed by local, state, and federal governments” promoted the discriminatory neighborhood segregation patterns that continue contemporarily.

As a consequence of civil pressures, local and state governments, often with force from the federal government, began measures to remove some barriers to integration. The theory of change to get to a just society, or one of equity, was through racial integration (Wright, 2018). However, integration was driven one way. Blacks were primarily bused to white schools, were encouraged to move into white communities, and urged to shop at white merchants. This theory has stayed in place for more than a half-century. For those racial minorities who find a ladder of upward mobility, usually through education and a career, it usually leads them out of their home community. This has left a growing number of low-income, minority communities across the United States (JCHS, 2017). When whites do integrate into minority communities, it most often results in gentrification of that community, displacing minorities to new areas that are even more stratified and concentrated in poverty (Abrams, 2018).

Most policymakers and practitioners now realize that racial integration was no social panacea for upward mobility for all communities (Bobo, 1988). For example, while many blacks did benefit educationally, career wise, and economically from integration, many others did not. African-Americans are still considered a disadvantaged population. That is, to paraphrase the noted scholar W.E.B. Du Bois (1903), blacks remain a poor race in a land of dollars.

Increasing efforts are focusing “inclusive entrepreneurship” on communities of color in hopes of creating some economic development activity among those populations (McKoy & Johnson, 2018). These initiatives often set relatively modest goals such as assisting the
chronically unemployed of the community (e.g., displaced workers, formerly incarcerated, undereducated) in creating sole proprietorships or lifestyle businesses to generate income. However, achieving these set goals can often prove challenging. Less attention is paid to assisting in the launch of businesses that will scale and one day have employees. This might account for the decline of such firms in the most recent 2007 and 2012 survey of business owners (McKoy & Johnson, 2018).

Two key strategies often employed by those working on inclusive entrepreneurship efforts are: (1) Mapping the entrepreneurial ecosystem; and (2) technical assistance (most often using a minority lens). Most efforts to improve the success of minority entrepreneurship, whether publicly- or privately-initiated, focus on the individual as the primary target for intervention(s) (McKoy & Johnson, 2018). This results in an abundance of technical assistance programs to “right” or “fix” the individual minority entrepreneur of whatever ails him or her. Findings of that research reveal that less attention is devoted to understanding the deficiencies in the overall business or entrepreneurial ecosystem that might suppress the potential success of minorities in business, in ways different from white entrepreneurs. Understanding these differences offer potential insights into gaps in community economic ecosystem development across different racial groups. Policymakers, planners, practitioners, and scholars are increasingly using the language of ecosystems when describing their desired economic landscapes, specifically when referencing entrepreneurship and business – but focus only on individual-level or firm-level intervention. Most continue to place the solutions to the racial entrepreneurship gap at the feet of individual entrepreneurs of color and their associated racial groups, instead of focusing more attention on the system-level impediments.
This is dangerous for entrepreneurs of color, particularly entrepreneurially underrepresented populations such as African-Americans. It frames success as a product of individual or group-based entrepreneurial savvy, intelligence and the ability to navigate the ecosystem effectively. However, this is misleading, as it – at best – overlooks the embeddedness of historic and contemporary discrimination in America, and – at worst – outright denies it.

Rothstein (2017) and others have begun chronicling the impacts of racialized policies in explicit racial zoning during de jure segregation that began in the 1920s as millions of black Americans migrated from the South to the North, to seek better opportunity and escape some of the southern oppression (Wilkerson, 2010). Urban planning of the 1950s led to the destruction of many integrated neighborhoods, primarily through the creation of segregated public housing, with impacts that we still see today in black ghettos (Jacobs, 1961). The federal government, through the FHA integrated discriminatory policies into their programs that prevented blacks from moving into certain neighborhoods or accessing certain resources that subsidized white suburbanization. The impacts of those actions are still evident today.

Baradaran (2017) in *The Color of Money: Black Banks and the Racial Wealth Gap* attempts to tell the history of the black-white wealth gap through the lens of segregated banking. She argues that “Americans have had a separate and unequal system of banking and credit” that has been built on discriminatory and racist government credit policy. She concludes that wealth accumulation in a segregated economy – that is, segregated housing, racism, and discriminatory credit policies – trap black communities in inequality and poverty. The impacts of those actions are also still evident today. Baradaran (2017) believes that the idea of community self-help, often defined as entrepreneurship, is no match for the inescapable, hard to detect, web that suppresses black economic success at the community-wide level.
Beginning at least since the 1970s and to present, noted scholars like Timothy Bates, John Sibley Butler, William Bradford, Jim Johnson, Thomas Boston, Alicia Robb, and Robert Fairlie have been chronicling the contemporary legacy of historic discrimination in entrepreneurship within stratified communities. Bates, Jackson, & Johnson (2007) argued persuasively that the uniqueness of minority-owned businesses is rooted in the higher barriers that they encounter when attempting to access skilled and capable entrepreneurs who have access to both financial capital to invest in their businesses and markets to sell their products. These challenges remain.

Scholars have recently been expanding this discriminatory framework beyond housing, neighborhood, financial and entrepreneurial segregation, recognizing that past policies and actions can continue to have oppressive outcomes long after they have been formally ended. Beckert (2014; 2016), Baptist (2014), Rockman (2016), and a growing list of researchers have argued that American economic development owes its existence as an advanced and dynamic economy to the institution of slavery. This stands in contrast to decades of scholarship that sought to place slavery as outside the institutional structures of capitalism (Beckert, Rockman, et al., 2016) and dismiss the relationship between capitalism and slavery. They argue that it is impossible to understand America’s “spectacular pattern of economic development” during the nineteenth century “without situating slavery front and center.” These historical narratives seek to reveal the link between the enslavement of black people and today’s global economy.

The challenge of competing in a hyper-competitive globalized market is getting more challenging, not less. America, nor the world, are going to slow down and wait for black entrepreneurial ecosystems to catch up with other racial groups. They never have. In addition, policy prescriptions of the past to address this challenge – such as large federal financial
investment or affirmative programs focused on racial equality – are unlikely to be available in the future.

In fact, twenty-first century African-Americans may be facing a future that looks surprisingly like the past. Recent events in the social and political landscapes of the United States have caused black Americans to return to the questions long-ago posed by Bonacich (1973), Turner (1980), and Butler (1991; 2005) that have framed much of this dissertation; yet seem particularly relevant in contemporary times: How do ethnic groups – specifically African-Americans – succeed in America in the face of systematic discrimination and prejudice? And how is a degree of economic security carved out of a society which is hostile to the group?

These are important questions. As America becomes a majority-minority nation while simultaneously reducing the portfolio of programs historically aimed at preventing future discrimination, or offering affirmative remediation for past discrimination, the separate but equal doctrine will be tested based on the de facto residential patterns at the intersection of race and class increasingly being seen across the United States, specifically concentrated black and brown poverty. These trends of racial re-segregation, and black economic strivings, are all taking place within the reemergence of a familiar American context.

**Contemporary Context**

The demands of the Civil Rights movement, particularly those economically related, have yet to be fully answered for black America. It is unclear whether the strategies of the past recognized by Bonacich (1973), Turner (1980), and Butler (1991; 2005) as being somewhat effective in carving out some economic security for ethnic minorities – (1) middlemen, (2) collectivism, (3) ethnic enclaves – what I refer to as the Triangle Offense, are available in
contemporary times for black America. Many of the most capable black middlemen/women are working in white institutions as executives; though African-Americans can feel collectively discriminated against, it is unclear that a collectivist mentality provides a vehicle for aggregating collective input, turning it into collective action, and attaining collective achievement (Krishna, 2002); and the black enclaves remaining in America are without their most resourced and educated citizens – and middlemen.

Of the strategy of the Five C’s – concept, context, core, capital, and confidence – black America is lacking nearly all of these relative to other racial groups in the United States. A collective concept has not emerged for the future of blacks in America; the entrepreneurial core of black America has been hollowed out as blacks take part in less diverse types of entrepreneurship and industry; capital remains at the same relative level for blacks in America as it did at the end of the Civil War (less than 1% of national wealth); and as a result of those other factors, confidence inside and outside the black community regarding collective future success is expectedly low (McKoy, 2018).

What some have classified as the final frontier of the Civil Rights Movement of the 1960s, economic equality among racial groups – specifically blacks and whites – is more desirable than ever (Andrews, 2017), but appears increasingly implausible because of recent social and political events. The only one of the Five C’s that seems to be in focus is that of context as blacks are seeing a familiarity from past generations, of the America that they must presently function in.

Some African-Americans, and others, have argued that now President Donald Trump’s “Make America Great Again” presidential election campaign slogan was a not so thinly veiled call to “Make America White Again,” a view supported by the resurgence of white supremacy
and other hate groups in America (Johnson & Parnell, 2016; Meacham, 2017). Recent policy
directions by President Trump regarding environmental regulations, education, immigration and
affirmative action are thought to be negative for the black community. Furthermore, following
January 2018 news coverage suggesting that President Trump made several derogatory
comments regarding Haiti and various African nations, and their economic value to America,
while suggesting that the United States allow more immigrants from “Norway” (Watkins &
Phillip, 2018), many feel that the American government vis-à-vis President Trump has made
clear its impression of the black populace – and its policy intent.

A Washington Post-ABC News poll found that 52 percent of Americans asked believe
that President Trump is biased against black people; and of that number, 79 percent of black
Americans believe he is biased against them (Jackson, 2018). Many in the black community feel
the country has not resolved its race problem and may in fact have entered a phase of
retrenchment (Holmes, 2015; Johnson & Parnell, 2016; Meacham, 2017).

The response from many in the black community, among others, was immediate and
largely unequivocal following the election of Donald Trump (Washington, 2016). Though the
expressed feelings ranged from “despair” to “anger” to “fear” to “depression,” immediately
following the election, many blacks wondered the same question: What does it mean that so
many whites voted for someone whom so many others viewed as racist?

A large number of African-Americans were troubled by why so many white voters chose
Donald Trump. Moreover, many expressed their feelings for what this transition from the
election, and reelection, of the first African-American President Barack Obama, to Donald
Trump meant. In an article that appeared in The Undefeated two days following the November
2016 U.S. presidential election, the following quotes, among others, from African-Americans appeared (Washington, 2016):

1. *It’s like the era after Reconstruction all over again, when they wanted to eradicate all of the gains made by blacks after the Civil War. After the war that ended slavery, an activist federal government helped the South’s newly freed African-Americans gain a toehold in society and elected offices before a racist backlash firmly restored white supremacy.*

2. *a whitelash against a changing country...This is a deeply painful moment.* Former Obama White House staffer and CNN talk show host Van Jones on the election results.

3. *I felt betrayed, by the country.*

4. *Trump was masterful in tapping in on a perception that people of color are causing working-class people’s pain.*

5. *I’m really afraid for my future.* Stated by an 18-year-old girl.

6. *Minorities and Women in all please know that this isn’t the end, it’s just a very challenging obstacle that we will overcome!!* Tweet from basketball superstar LeBron James.

America’s increasingly open discrimination, prejudice, and hostility from some quarters towards the black community, is prompting some African-Americans, after five centuries of the American experience, to no longer envision a world devoid of racism, but one in which black people have the wealth and might to level the playing field of society (Smith, 2018). In a time when blacks continue to lag all other racial groups in indicators of health, education, standard of living, employment, and economics, solutions are actively being sought (Jan, 2017).
Durham, North Carolina’s Hayti community once embodied some aspects of an independent black community, within a racist society, that created enough wealth to mitigate some of the worse aspects of discrimination in American society, and level the playing field somewhat. By using entrepreneurial efforts as a means of community economic upbuilding, Hayti produced enough of its own business activities that blacks did not have to travel ‘across the railroad tracks’ to find the goods and services it needed (McKoy & Johnson, 2018; McKoy, 2018). However, that Durham has all but disappeared – save a few remaining institutions from Hayti’s heyday – and memories of a time long-past. Durham is a reflection of the economic hollowness that has engulfed black America as a whole in the first quintile of the twenty-first century, as institutional-level black entrepreneurship has declined, and made way for an increase in black entrepreneurship on the proletarian periphery of society – and poverteering.

The Road to Serf-Durham

There are three primary ways that an individual can interface with a capitalistic society: (1) as unemployed; (2) as workers; or (3) as owners. Ownership, resulting in wealth creation, provides the most economic and political freedom. As such, understanding the black community’s national share of unemployment, employment, and ownership is important to understanding it’s future. But understanding how it might have arrived at those shares is just as important to predetermining where it might end without any intervention, or what interventions might be most appropriate to alter its trajectory. The organizing focus of this dissertation was through the lens of ownership, framed in contrast to the other two aspects – unemployment and workers.

The dominant economic debate of the twentieth century was between two towering economists, Britain’s John Maynard Keynes and Austria’s Friedrich von Hayek. Keynes (1936)
argued for targeted, ongoing, and substantial government intervention in the economy to settle, overcome, or avoid negative economic disruptions (Temin & Vines, 2014). Hayek countered by arguing that free market, laissez-faire capitalism, with very limited government intervention, was the most appropriate economic model and the key to personal and individual freedom (economic, political, and otherwise) (Friedman, 1962, 1982). Hayek (1944) suggested that government intervention would inevitably lead “to a loss of freedom, the creation of an oppressive society, tyranny of a dictator, and the serfdom of the individual.”

Hayek (1944) was referencing, “Serfdom,” a legal and economic system which was a form of bondage during the feudal age. Serfs were the lowest social class of the feudal society, but different from slaves, because they could own property:

*Serfs who occupied a plot of land were required to work for the lord of the manor who owned that land. In return, they were entitled to protection, justice, and the right to cultivate certain fields within the manor to maintain their own subsistence. Serfs were often required not only to work on the lord’s fields, but also in his mines and forests and to labor to maintain roads. The manor formed the basic unit of feudal society, and the lord of the manor and the villeins, and to a certain extent serfs, were bound legally: by taxation in the case of the former, and economically and socially in the latter.*

This may seem like an abstract notion, but it is not. Though data would suggest that America is in the dawn of minority entrepreneurship, the opposite might be true – at least for black entrepreneurs. A certain kind of black entrepreneurship is disappearing from the American business ecosystem. The black entrepreneur, leading growth firms that can scale, is declining, at least by some measures (SBO, 2012; McKoy & Johnson, 2018); and the black keystone firm, that anchors an entire community, industry, or ecosystem, is non-existent. If blacks experienced a “second slavery,” harsher than the first, in the century following America’s Independence (Beckert & Rockman, 2016), and are currently experiencing a “new Jim Crow” related to the
modern penal system (Alexander, 2010), the possibility of blacks being twenty-first century “racial serfs” as a result of racial entrepreneurial trends is a real one. As the black population increases its share of unemployment, employment for others, and self-employment/ownership of firms without paid employees, and decreases its share of ownership of firms with paid employees, its economic future seems perilous at best and disastrous at worst.

Contrary to Hayek’s road to serfdom, the African-American’s road was seemingly paved by a complex intersection of government intervention (Rothstein, 2017), coupled with free market exclusion (Baradaran, 2017) and discrimination centered around a racial caste system (Bates et. al., 2007). This government intervention, crucial to making a market system work, legalized, encouraged, enforced, funded, and sometimes mandated, the racial exclusion and discrimination that would come to define the development of the entrepreneurial, business, and economic ecosystem(s) of America. As is the case with any ecosystem, the decline, loss, or ultimate extinction, of any species within that ecosystem can have a dramatic, negative, and unexpected impact on the overall system (Primack, 2010). There is no reason to believe that the loss of certain kinds of black entrepreneurial “species” would not prove this point.

Understanding the rise and decline of the black entrepreneurial and business ecosystems in Durham, North Carolina, and its contemporary condition, might offer insight into the broader American black business ecosystem – past, present, and future. The hope is that this increased understanding can help to reverse the current trends that would result in both black Durham, and black America, residing in permanent racial serfdom.

Strom (2007) argued that the first step toward closing entrepreneurial gaps is to understand them. He contends that high-quality scholarship allows us to learn more about the economic phenomenon of entrepreneurship, inspires a national conversation about policies that
foster entrepreneurship, and informs our programmatic efforts to educate tomorrow’s entrepreneurs. My hope is that this dissertation does all three of those things. My hope for this work is that it presents a better framework for understanding community economic development ecosystems and contributes to the associated theory, literature, and practice.
REFERENCES


## APPENDIX A:

### REPRESENTATIVE ENTITIES IN DURHAM’S HAYTI DISTRICT ECOSYSTEM 1865-1958

<table>
<thead>
<tr>
<th>Organization</th>
<th>Year Founded</th>
<th>Founders/Leadership</th>
<th>Purpose/Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shaw University (located in Raleigh, North Carolina – not in Durham)</td>
<td>1865</td>
<td>Noted Shaw Graduates/Associations connected to early Black Durham/Hayti:</td>
<td>Oldest Historically Black College in Southern United States. In 1880s – 5 students from Durham in liberal arts, professional, medical, and religious training programs. Durham students also went to St. Augustine (Raleigh), Howard (Wash., DC), Fisk (Nashville) and Hampton (Virginia).</td>
</tr>
<tr>
<td>White Rock Baptist Church</td>
<td>1866</td>
<td>Mrs. Margaret Faucette</td>
<td>Important church in Durham black community. Meeting place for activism.</td>
</tr>
<tr>
<td>St. Joseph AME Zion Church (later Hayti Heritage Center) *new St. Joseph Church built</td>
<td>1869</td>
<td>Molly and Edian Markham</td>
<td>Important church in Durham black community. Meeting place for activism.</td>
</tr>
<tr>
<td>Scarborough Funeral Home</td>
<td>1871</td>
<td>John Clarence Scarborough</td>
<td>Goal to bring respect to blacks in death.</td>
</tr>
<tr>
<td>R.B. Fitzgerald Brick Manufacturing</td>
<td>1879</td>
<td>Richard Burton Fitzgerald (ca. 1843-1918) (from Orange County/Chapel Hill) – first black in Durham to sit on a jury (1880) and last until mid-twentieth century.</td>
<td>1887 – 12 new tobacco factories in Durham. Orders on hand for two million bricks. 1911 – Fitzgerald was producing 30,000 bricks a day from his plant and owned 100 acres of land in Durham worth $50,000. 1920 – supplied the material for many of the brick structures in Durham. Developed business with help of a white tobacco manufacturer named</td>
</tr>
<tr>
<td>Organization</td>
<td>Year</td>
<td>Leaders/Founders</td>
<td>Description/Key Facts</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------</td>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Merrick Barber Shops (6)           | 1880 | John Merrick; John Wright (left partnership after 6 months)                      | 3 Barbershops for whites  
3 Barbershops for blacks                                                                 |
| Excelsior Hook and Ladder Company 1| 1880-1913 | Peyton A. Smith and others                                                        | All black fire company                                                                 |
| The “Colored” Masons               | 1880s| John Wright – Worshipful Master                                                  | Organization focused on mutual aid, self-help, and political organizing.  
Coalition building and business partnerships among men |
| Grand United Order of the True Reformers | 1881 | William Washington Browne; John Merrick                                           | Mutual aid society (precursor to insurance business)                                    |
| Royal Knights of King David (a fraternal lodge with budding insurance business)   | 1883 | Purchased business from Georgia Reverend Morrison: John Merrick; John Wright; William Day (Cabinet Maker); JD Morgan; TJ Jones William G. Pearson – Supreme Grand Secretary (1887); Merrick – Supreme Grand Treasurer | Mutual aid/burial society (precursor to insurance business). Provided inexpensive insurance policies to lodge members. Lodge and insurance business expanded to six southeastern states over the next 25 years. Merrick was largest shareholder in lodge’s insurance business until his death in 1919. |
| Merrick’s Dandruff Care Business    | 1890 | John Merrick                                                                     | Hair care product. Extension of his barbering business.                                  |
| Durham Drug Company (later Fitzgerald Drug Company; 1901-1910)                   | 1895 | Richard B. Fitzgerald and others                                                 | Pharmacy                                                                                |
| Coleman Manufacturing Company (located in Concord, North Carolina – not Durham)  | 1897-1904 | R.B. Fitzgerald (Durham, NC) was first President; Edward A. Johnson – Vice President/later President; Warren Clay Coleman – Founder/Secretary/Treasurer/Manager; Board of Directors – S.C. Thompson; L.P. Berry; John C. Dancy; S.B. Pride; C.F. Meserve; Robert McRae.  
Richard B. Fitzgerald of Durham, North Carolina was an investor in hosiery mill, along with other North Carolina black capitalists (primarily from Wilmington).  
*R.B. Fitzgerald was Durham’s most successful black businessman at the time.  
*Wilmington was largest city in North Carolina, and had robust black business | First endeavor to engage blacks as factory operatives. Only hosiery mill in world which was owned and operated by African Americans. Salesforce was white. First to do so. Whites earned most income. Traveled across 5 states. Mill constantly short on capital and insurance (felt could not get adequate insurance because of race). Replaced black manager with white manager in 1903, but continued failing. Benjamin Duke |
| **North Carolina Mutual Prudent & Provident Association (later North Carolina Mutual Insurance Company)** | 1898 | John Merrick (barber, entrepreneur); Dr. Aaron Moore (physician); William G. Pearson (educator); Pinckney Dawkins (educator); Edward Johnson (Dean – Shaw Law School); James E. Shepard (preacher, pharmacist, politician); Dock Watson (tinsmith).  
[Founders contributed $50 each. After first claim “broke the bank” only Merrick and Moore remained in business. Charles “C.C.” Spaulding – Moore’s nephew brought on as President (1900-1952)]. | By 1915, NCM was insuring customers in twelve states and the District of Columbia. 1918 - $1 million in insurance in force. Would grow to become the largest black businesses in the nation/world by turn of 20th Century into beginning of 21st Century. 1939 – 1,000 employees; 250,000 policyholders; NC Mutual held weekly forums on Saturday evenings with prominent guests |}

| **Small Durham Grocery Store** | 1899 | C.C. Spaulding – worked in store then purchased from owners | Short-lived foray into grocery business |

| **Durham Real Estate, Mercantile, and Manufacturing Company** | 1899 | Richard B. Fitzgerald; Peyton A. Smith | A general store and tobacco factory that produced “New Durham” and “The 1900” brands of tobacco. |

| **Train Excursion Business** | 1900s | John Wright; John Merrick; John O’Daniel | Popular entertainment allowing blacks a chance to see state of North Carolina by train. |

| **Shepard Real Estate Firm** | 1900s-1940s | James E. Shepard | Real estate and investment firm |

| **Lincoln Hospital (named for President Abraham Lincoln)** | 1901-1976 | Dr. Aaron Moore – Durham’s first and only black doctor (pharmacist) with help of John Merrick and Dr. Stanford L. Warren.  
Dr. John Shepard (Superintendent after Moore’s death) – James Shepard younger brother; Dr. Stanford L. Warren  
W.G. Pearson – Trustee  
*Washington Duke originally conceived the idea of building a monument to ex-slaves on the Trinity College (now Duke) campus. Durham’s black community convinced him instead to support the building of a hospital. The Duke family gave nearly $20,000 for building and equipping the building and the local blacks gave largely to its support as well. | With help from money from Duke family. $150,000 to start hospital. Current “Lincoln Clinic” (founded in 1971) is different from the hospital created by Dr. Moore. Lincoln Hospitals constructed in 1901, 1924, and 1953 no longer exists. Duke University Medical Center owns the current Lincoln Community Clinic. |

<p>| <strong>Spaulding &amp; Merrick</strong> | Pre-1902 | C.C. Spaulding; John Merrick | Cigar factory. Sold to Liggett &amp; Meyers |</p>
<table>
<thead>
<tr>
<th>Company/Entity</th>
<th>Year</th>
<th>Founder/Use</th>
<th>Details/Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durham Hosiery Mill #2</td>
<td>1904-1929</td>
<td>George Graham (white man); Julian Shakespeare Carr, Jr. (white patron; ex-Confederate colonel; white supremacist) *John O’Daniel (Recruiter for Durham Hosiery Mill #2; former slave of Durham’s Carr family; Black server said to be refuted black half-brother of Julian S. Carr, Jr.)</td>
<td>Mill #2 created just to employ black laborers. Only second textile mill in South to employ blacks as operators. Durham Hosiery Mill #1 (founded 1894) was world largest manufacturer of cotton in the 1910s and 1920s. Started with 50 black workers and expanded to 4000 by 1919. World’s largest producer of cotton hosiery.</td>
</tr>
<tr>
<td>Durham Negro Observer</td>
<td>1906</td>
<td>John Merrick via NC Mutual Insurance</td>
<td>For decades Durham’s only black newspaper</td>
</tr>
<tr>
<td>Jones Hotel</td>
<td>Pre-1907</td>
<td>Ms. Josie L. Jones</td>
<td>Before Durham’s Biltmore Hotel, black visitors to city had to stay in boarding houses, rooming establishments, and small hotels. Among the few business opportunities available to black women.</td>
</tr>
<tr>
<td>Mechanics &amp; Farmers Bank (M&amp;F)</td>
<td>1907</td>
<td>William G. Pearson, Richard B. Fitzgerald, J.A. Dodson, Dr. Stanford L. Warren, Dr. James E. Shepard, John Merrick, and W.O. Stevens - (additional founders: R.S. Fitzgerald; Dr. Aaron M. Moore; Jno. R. Hawkins; W.G. Stevens). 1907 – R.B. Fitzgerald – President; John Merrick – Vice President; W.G. Pearson – Cashier; C.C. Spaulding – President (1921-1952)</td>
<td>$100,000 was raised. Encouraged savings and thrift, and awareness of borrowing money for homes and education. Helped develop middle class. Would eventually branch out to Raleigh. Offshoot of NC Mutual. Whites wanting to “hide” some wealth and assets from wives or others were said to be customers of M&amp;F.</td>
</tr>
<tr>
<td>Whitted Wood Working Company</td>
<td>Pre-1910</td>
<td>Whitted</td>
<td>Manufacturers of doors, window frames, mantels, and all kinds of building materials.</td>
</tr>
<tr>
<td>Union Iron Works Company</td>
<td>Pre-1910</td>
<td>N/A</td>
<td>Manufactures general foundry products, plows, plow castings, laundry</td>
</tr>
<tr>
<td>Company Name</td>
<td>Formation Year</td>
<td>Officer(s)</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------------</td>
<td>---------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Peyton A. Smith General Contracting Company</td>
<td>Pre-1910</td>
<td>Peyton A. Smith (also owned a grocery store, Smith’s Hotel, and a beauty salon)</td>
<td>General contractor, constructed some of the largest buildings in Durham. White clients.</td>
</tr>
<tr>
<td>R.E. Clegg Brick Manufacturing</td>
<td>Pre-1910</td>
<td>R.E. Clegg</td>
<td>Manufacturer of bricks, producing 2 million bricks per season. $16,000 in annual revenue. White clients.</td>
</tr>
<tr>
<td>National Religious Training School and Chautauqua for the Colored Race, Inc. (later North Carolina Central University)</td>
<td>1910</td>
<td>James E. Shepard *other incorporators on original charter (June 28, 1909): John Merrick; Charles C. Spaulding; Dr. Aaron M. Moore; Dr. Charles H. Shepard; William G. Pearson</td>
<td>Co-Education College; First academic terms: Summer – July 5, 1910; Regular – October 12, 1910. First publicly supported black university in United States (1923). Shepard purchased four blocks along Fayetteville Street for the school. Brodie Duke and the Durham Merchants Association donated half the land.</td>
</tr>
<tr>
<td>Merrick-Moore-Spaulding Real Estate Company (became Union Insurance and Realty Company by 1930)</td>
<td>1910</td>
<td>John Merrick; Dr. Aaron Moore; C.C. Spaulding * After Merrick death (d. 1919) became Moore-Spaulding Company. In 1922, became Merrick-McDougal-Wilson Company</td>
<td>Bought and sold real estate, managed the rental properties of the Mutual, and sold liability insurance.</td>
</tr>
<tr>
<td>Durham Knitting Mill (aka Durham Textile Mill)</td>
<td>1911 Closed in 1915 or 1916</td>
<td>John Merrick, C.C. Spaulding, and Dr. Aaron Moore</td>
<td>The only hosiery mill in the world entirely owned and operated by Negroes. Sock maker. Only business started by Merrick that did not do well. Was a direct response to Julian Carr’s Colored Mill (#2).</td>
</tr>
<tr>
<td>Establishment</td>
<td>Years</td>
<td>Key Figures</td>
<td>Notes</td>
</tr>
<tr>
<td>---------------</td>
<td>-------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>The Electric Theater</td>
<td>1913-1920s</td>
<td>Frederick K. Watkins (later opened the Wonderland Theater in Hayti - 1927)</td>
<td>Movie theater and vaudeville venue</td>
</tr>
<tr>
<td>People’s Building (Savings) and Loan Association</td>
<td>1915-1920</td>
<td>W.G. Pearson – founder &amp; President</td>
<td>Eventually merged with Mechanics &amp; Farmers Bank</td>
</tr>
<tr>
<td>Scarborough Home (later Scarborough Nursery)</td>
<td>1918</td>
<td>Clydie Fullwood Scarborough (wife); John Scarborough (husband)</td>
<td>Emergency shelter for families made homeless by fire or other misfortune. Childcare center and shelter for destitute families. 1932 – enlarged to include a kindergarten and classes for mothers. Supervision and instruction for preschool kids ages 2-5.</td>
</tr>
<tr>
<td>Thomas Bailey &amp; Sons Meat Market and Grocery</td>
<td>1919</td>
<td>Thomas Bailey</td>
<td>By 1940 was grossing $80,000 a year.</td>
</tr>
<tr>
<td>Bull City Drug Company</td>
<td>Pre-1920</td>
<td>John Merrick, Dr. Aaron M. Moore, and 3 others</td>
<td>Pharmaceutical business that provided a place for black pharmacists to practice. Started 2 drug stores and then sold to managers who ran them as independent businesses.</td>
</tr>
<tr>
<td>Fraternal Bank and Trust Company</td>
<td>1920-1922</td>
<td>W.G. Pearson – founder &amp; President</td>
<td>Eventually merged with Mechanics &amp; Farmers Bank</td>
</tr>
<tr>
<td>Bankers Fire Insurance Company</td>
<td>1920</td>
<td>Founder/Secretary, Louis Jones (alias Wanti W. Gomez) – fugitive from Kentucky for arson (confidence man); W.G. Pearson – President; A.M. Moore – Vice President; C.C. Spaulding – Vice President and Chairman of Exec Committee – 1922-52; Avery – Treasurer</td>
<td>*Jones (Gomez) disappeared from Durham office in 1926 never to be seen again</td>
</tr>
<tr>
<td>Wonderland Theater</td>
<td>1920</td>
<td>Frederick K. Watkins</td>
<td>Modern vaudeville and movie house. Offered latest films and other entertainment for blacks. Auditorium also served as meeting place for black</td>
</tr>
<tr>
<td>Organization</td>
<td>Year/Period</td>
<td>Founder/Key Figures</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>James B. Long Recording Studio</td>
<td>1920s-1930s</td>
<td>James B. Long (Record Producer)</td>
<td>Studio produced the earliest recordings of Hayti musicians like blues musician Blind Boy Fuller (Fulton Allen) and others. Quality of recordings later impacted Hayti as live music was replaced by jukeboxes and creating negative impact on commercial district of Hayti.</td>
</tr>
<tr>
<td>Mutual Building and Loan Association</td>
<td>1921</td>
<td>Organizers: Richard Lewis McDougal, Professor M.A. Johnson and Dr. M.T. Pope (from Raleigh) C.C. Spaulding – President (1922-1952)</td>
<td>To teach blacks how to own homes. Acquired by Mechanics &amp; Farmers Bank in 2008</td>
</tr>
<tr>
<td>Durham Commercial and Security Company</td>
<td>1921</td>
<td>Founder: Louis Jones (alias Wanti W. Gomez) – fugitive from Kentucky for arson (confidence man) *Jones (Gomez) disappeared from Durham office in 1926 never to be seen again with DCSC monies</td>
<td>Investment banking services to black businesses. Goal of financing black enterprises of all kind</td>
</tr>
<tr>
<td>The Standard Advertiser (later The Carolina Times)</td>
<td>1921</td>
<td>Founder: Charles Arrant (d. 1922) Louis Austin (d. 1971) purchased The Standard Advertiser in 1927, renamed The Carolina Times (edited until death)</td>
<td>North Carolina’s oldest black publication, had become the principal medium for the advocacy of equal rights and dignity for black Durham.</td>
</tr>
<tr>
<td>Durham Business and Professional League (later Durham Business and Professional Chain – 1937)</td>
<td>Pre-1922</td>
<td>Little is known of original founders since no documentation can be found. But likely a combination of black, male business leaders of era. DBPL produced a commemorative pamphlet, Milestones Along the Color Line, in 1922, “showing property owned and controlled exclusively by Negroes in Durham, NC.”</td>
<td>Durham’s oldest black business advocacy organization. Originally associated with National Business League</td>
</tr>
</tbody>
</table>
schools into 19 colored districts. Blacks amassed enough resources to build 8 Rosenwald schools (matching funds), some with libraries. C.C. Spaulding graduated from Whitted School (1898 – age 23).

<p>| The Algonquin Tennis Club | 1922 | A group of young tennis enthusiasts from Durham organized the club around tennis interest and to support recreation and healthy activities among youth. | Met in homes of club members until 1934 when a building was purchased for the club. In 1934, the Tennis Club expanded to a social club, which was able to make major improvements to facilities (see below circa 1934) |
| National Negro Finance Company | 1924 | Founder: Louis Jones (alias Wanti W. Gomez) – fugitive from Kentucky for arson (confidence man) Affiliate of National Negro Business League founded in 1900 by Booker T. Washington (1856-1915). NNFC was established in Durham.*Jones (Gomez) disappeared from Durham office in 1926 never to be seen again | National Negro Bank capitalized at $1 million. The organization was started to provide working capital for firms, individuals, and corporations in all parts of the country. Investment firm that issued bonds for development projects. |
| Southern Fidelity and Surety Company (Southern Fidelity Mutual Insurance Company) | 1926 | W.G. Pearson | To recapture funds blacks were paying to white firms for bonding to come back to blacks |
| Regal Theater | 1927 | | Movie theater in Hayti neighborhood. Also served as a barbershop and performance venue eventually. |
| Jacqueline DeShazor Beauty College | late 1920s | Jacqueline DeShazor (moved to Durham from Brooklyn, NY in late 1920s) | Expanded from 3 rooms to 36 rooms in 1945, three story building. She purchased for $42,500 and owned building. Worth $80,000 in 1940s |
| Biltmore Hotel | 1929-1977 | Dr. Clyde Donnell | Pre-eminent hotel in Hayti |
| Rowland and Mitchell Tailor Shop | 1930 | Rowland/Mitchell | High class work for exclusive whites and alterations for the leading Durham department stores. 80% of their customers were white. |
| Parker’s Restaurant | 1930s | Parker | Small restaurant establishment specializing in “soul” |</p>
<table>
<thead>
<tr>
<th>Service Printing Company</th>
<th>1932</th>
<th>Mr. and Mrs. T.D. Parham</th>
<th>Branch of Carolina Times newspaper</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Algonquin Club/The Algonquin Tennis Club</td>
<td>1934-1964</td>
<td>The Algonquin Tennis Club was organized prior to The Algonquin Club and identified “social growth as one of its primary objectives.”</td>
<td></td>
</tr>
</tbody>
</table>

The Algonquin Club was organized by and for the use of African-American ‘elite’ of Durham and Hayti as a social club and community center. The Tennis club was organized in 1922. The building was purchased 1934. A 1939 article in Carolina Times reports that the Algonquin Tennis Club House “is the direct result of a dream of a group of young professional and business men and women.”

In addition to the tennis courts, in 1937-1938 renovations done to Club building to include pool room, ballroom, kitchen, two bedrooms accommodating four people, a bath, and a club room for the exclusive use of its members.

Officers/Members of Board of Management (1939-40): President – W.D. Hill; Vice President – J.T. Taylor & Mrs. N.J. Cox; Treasurer – H.M. Michaux; Recording Secretary – J.H. Wheeler Cox; Secretary – Miss T. Fitzgerald; Mrs. W.J. Kennedy, Dr. J.M. Hubbar, Dr. J.N. Millis, Mrs. Grace Massey, R.C. Foreman, E.R. Merrick, Mrs. Martha Donnell, G.W. Cox, & Mrs. B.A.J. Whitted. One of Southeast Durham’s most popular social and recreational spots during 1930s-1940s. Club said to host 44,669 people from 1934-1939, including 9,469 people in 1938 who attended over 200 meetings, dances, card parties, and receptions. The club would gain notoriety it brought young tennis legend Althea Gibson to the tennis club at the height of her stardom, and is where another legend, Arthur Ashe, would play as a youth. Building is believed to be where the current W.D. Hill Community Center is (near NCCU) and was torn down in 1968.

| Durham Committee on Negro Affairs - DCNA (later Durham Committee on the Affairs of Black People - DCABP) | 1935 | C.C. Spaulding – Chairman; James E. Shepard – Vice Chairman; J.T. Taylor – Secretary; Rencher N. Harris – Assistant Treasurer; R.L. McDougald – Treasurer; L.E. Austin – At-Large Member; W.D. Hill – At-Large Member; W.J. Kennedy; John H. Wheeler | Was proposed to take up NAACP-like initiatives at the local level. Political advocacy organization to negotiate with the white electorate for black resources and accommodations. Originally founded at urging of James Shepard to address discriminatory educational issues such as lack of 12th grade and need for crossing guards, but also the need of sidewalks and paved streets in black community. |

DCNA Executive Committee were only men, but women leaders emerged as part of DCNA subcommittee structure

It’s first written record is a meeting held at the Algonquin Club on August 15, 1935 to form the Durham Committee on the Affairs of Negro People (now DCABP).
<table>
<thead>
<tr>
<th>Business Name</th>
<th>Year</th>
<th>Founder/Owner Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Modernization and Supply Company</td>
<td>1938</td>
<td>U.M. and R.S. George (brothers)</td>
<td>1948 – employing 35 people grossed $100,000</td>
</tr>
<tr>
<td>J.L. Page and Sons Grocery, Meats and Produce</td>
<td>Late</td>
<td>James L. Page</td>
<td>Small grocery store. The land was purchased from the Fitzgerald family. Is said that one of Fitzgerald brickyards was on the site.</td>
</tr>
<tr>
<td></td>
<td>1930s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various Organizations operating in Hayti</td>
<td>1939</td>
<td>These Hayti organizations appeared on the Women’s Page of Carolina Times on Saturday, March 4, 1939:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Social: The Algonquin Tennis Club; The Ladies Auxiliary of Durham Usher’s Union; The Modernette Club; The Girls Reserves; The Pollyanna Club; The Industrial Girls Club</td>
<td>Hayti had active organizations of various types</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Business: Bull City Beauty Parlor; Riley Paint Co.; Model Laundry and Dry Cleaners; All-Quinn School of Beauty Culture</td>
<td></td>
</tr>
<tr>
<td>Smith’s Fish Market</td>
<td>1940</td>
<td>Freeman M. Smith (former postal worker from Toledo, OH)</td>
<td>Grossed more than $90,000 – opened 4 more retail outlets through the city – supplied Durham’s largest white-operated hotel, The Washington Duke</td>
</tr>
<tr>
<td>Long’s Florist</td>
<td>1940-</td>
<td>Long</td>
<td>Housed in building that housed Durham Colored Library when new library was built.</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cut Rate Super Market</td>
<td>Late</td>
<td>N/A</td>
<td>Small grocer in the heart of Hayti. Attached to a liquor store. Bottom floor was the store. Second floor served at various times as home of owners, and several night clubs including “The Square Club” and “The High Life Club.”</td>
</tr>
<tr>
<td></td>
<td>1940s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hayti Second Boom Time (various businesses)(^)</td>
<td>1941-</td>
<td>Movie theaters, dance halls, and “juke-joints” of Hayti were dealing with overflow conditions and shops were bustling. Most merchants were happy. However, after the war, the remaining shops in Hayti were “mom and pop” firms, and many of the entertainment venues that helped define the area rapidly declined and closed after the war. This foresaw its decline and destruction.</td>
<td>Soldiers came by busloads from Camp Butner for recreation from 1941 through end of World War II. Hayti provided various activities including illegal ones. Most issues from the soldiers were alcohol-related crime, leading to fights and destruction of property. This led to a negative image for Hayti</td>
</tr>
<tr>
<td></td>
<td>1945</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^\text{1}\)

**Footnote:**

- World War II
<table>
<thead>
<tr>
<th>Institution/Commission</th>
<th>Dates</th>
<th>Founding Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durham Redevelopment Commission</td>
<td>1958-1970</td>
<td>1958-1970</td>
<td>The City of Durham created the Durham Redevelopment Commission to undertake a series of projects under the umbrella of Urban Renewal. The most prominent project was the construction of Highway 147 (Durham East-West Freeway). It was constructed through the heart of Hayti community. It is estimated that this project displaced over 600 residents and 150 businesses.</td>
</tr>
</tbody>
</table>
| Fayetteville Street (Durham) Historic District | 2000 – adopted by Durham City Council | 2000 – adopted by Durham City Council | The area of Hayti south of the Durham Freeway remained following urban renewal. St. Joseph’s Church (now Hayti Heritage Center) and Stanford L. Warren Library received investments in 1980s and 1990s for renovations by the City. Those two buildings plus the Scarborough House and campus of North Carolina Central University were added to National Register of Historic Places to protect them. The locally designated historic district was put in place strategically to “offer the highest available protection for one of Durham’s most valuable areas.” 1200-2100 blocks of Fayetteville Street are Local Historic District, and the northern half of this corridor is included among “respectable blacks and whites,” leading to a decline in their patronizing Hayti.
| Hayti STAMPS Ecosystem: EXPERIENTIAL HUMAN CAPITAL | 1930 Census | 10,521 (5,508 – male; 5,013 – female) [over 10 years old] out of 18,717 blacks in Durham were employed in more than 50 industries across a range of skill sets. | Laid the foundation to launch enterprises by having strong basis of skills and trades. |
| Hayti STAMPS Ecosystem: FINANCIAL CAPITAL | Durham began as a financial district – as early as 1907. | Bankers Fire Insurance Company; Union Insurance and Realty Company; Dunbar Realty and Insurance Company; People’s Building and Loan Association; Royal Knights Savings and Loan Association; T.P. Parham and Association (a brokerage corporation); Mortgage Company of Durham | Allowed community to have access to investment capital to launch new firms and expand existing ones, including risk capital and patient capital. |
| Hayti STAMPS Ecosystem: ENTREPRENEURIAL CAPITAL | 1912 | Per DuBois – 15 grocery stores, 8 barber shops, 7 meat and fish dealers, 2 drug stores, a shoe store, a haberdashery, and undertaking establishment. 5 manufacturing establishments – mattresses, hosiery, brick, iron articles, and dressed lumber. Building and loan association, a real estate company, a bank, and 3 industrial insurance companies. Several brickyards; textile mill; lumber mill; foundry; furniture factory; cigar factory; library; hospital; college; scores of churches; number of schools; array of retail services, shops, and stores; community organizations; race institutions | Broad network of businesses to support entrepreneurial ecosystem. Allows exposure to broad range of industries and firms. STAMPS ecosystem captures and circulates financial, experiential, and human capital, as well as entrepreneurial spirit. |
| Hayti STAMPS Ecosystem: ENTREPRENEURIAL CAPITAL | 1949 | 300 black businesses 2 Filling station; Plumbing Store; Restaurants; Dance Hall; Print Shop; Grand Homes; Squat Bungalows; Apartment Buildings; Fraternity Hall; Newspaper; Undertaker; Library; Traditional service industries such as cafes, movie houses, barber shops, boarding houses, pressing shops, grocery stores, and funeral parlors. 2 hotels. | Broad network of businesses to support entrepreneurial ecosystem. Allows exposure to broad range of industries and firms. STAMPS ecosystem captures and circulates financial, experiential, and human capital, as well as entrepreneurial spirit. |
| White Durham Entrepreneurial and Business Ecosystem: CENTER ECONOMY KEYSTONE/ANCHOR FIRMS | 1865-1994 | Durham Cotton Manufacturing Company (1865); W.T. Blackwell & Co. Tobacco (1868) – partners John Ruffin Green as original producer of Bull Durham Tobacco [after Green death – Julian S. Carr, joined as partner]; American Tobacco (1890) – Washington Duke & Sons (1879); Liggett and Myers; Imperial Tobacco; Export Leaf; others | Duke had secret agreement with inventor of cigarette rolling machine that produced great quantity of cigarettes over competitors, for much cheaper. Antitrust (1907) busted up American Tobacco creating smaller firms (1911). Firms added thousands of black
| women to workforce. World War I boon in tobacco and new innovation in cigarettes. Tobacco production increased by 22 percent (1912-1920). |  |  |
### APPENDIX B:

**RACE/ETHNICITY POPULATION, FIRM, REVENUE, AND POVERTY SHARES, 2007-2012**

#### 2012

<table>
<thead>
<tr>
<th>All Races</th>
<th>1. Population</th>
<th>2. No. of All Firms</th>
<th>3. No. of Firms with Paid Employees</th>
<th>4. Revenue of All Firms</th>
<th>5. Revenue of Firms with Paid Employees</th>
<th>6. No. of Individuals in Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>313,914,040 (100%)</td>
<td>29,620,955 (100%)</td>
<td>4,577,837 (100%)</td>
<td>12,313,160,219 (100%)</td>
<td>11,247,258,155 (100%)</td>
<td>43,291,705 (100%)</td>
</tr>
<tr>
<td>White</td>
<td>197,243,423 (62.83%)</td>
<td>21,539,858 (72.72%)</td>
<td>3,788,398 (82.76%)</td>
<td>10,950,990,565 (88.94%)</td>
<td>10,104,625,082 (89.84%)</td>
<td>19,793,842 (45.72%)</td>
</tr>
<tr>
<td>Black</td>
<td>38,464,192 (12.25%)</td>
<td>2,584,403 (8.72%)</td>
<td>99,048 (2.16%)</td>
<td>150,203,163 (1.22%)</td>
<td>103,451,510 (0.92%)</td>
<td>9,836,000 (22.72%)</td>
</tr>
</tbody>
</table>

#### 193
<table>
<thead>
<tr>
<th>American Indians</th>
<th>1. Population</th>
<th>2,084,472 (0.66%)</th>
<th>2. No. of All Firms</th>
<th>272,919 (0.92%)</th>
<th>3. No. of Firms with Paid Employees</th>
<th>25,316 (0.55%)</th>
<th>4. Revenue of All Firms</th>
<th>38,838,125 (0.32%)</th>
<th>5. Revenue of Firms with Paid Employees</th>
<th>31,654,165 (0.28%)</th>
<th>6. No. of Individuals in Poverty</th>
<th>678,999 (1.57%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>1. Population</td>
<td>15,375,460 (4.90%)</td>
<td>2. No. of All Firms</td>
<td>1,917,902 (6.47%)</td>
<td>3. No. of Firms with Paid Employees</td>
<td>409,866 (8.95%)</td>
<td>4. Revenue of All Firms</td>
<td>699,492,422 (5.68%)</td>
<td>5. Revenue of Firms with Paid Employees</td>
<td>627,532,399 (5.58%)</td>
<td>6. No. of Individuals in Poverty</td>
<td>1,763,994 (4.07%)</td>
</tr>
<tr>
<td>Hispanic</td>
<td>1. Population</td>
<td>52,961,017 (16.87%)</td>
<td>2. No. of All Firms</td>
<td>3,305,873 (11.16%)</td>
<td>3. No. of Firms with Paid Employees</td>
<td>255,209 (5.57%)</td>
<td>4. Revenue of All Firms</td>
<td>473,635,944 (3.85%)</td>
<td>5. Revenue of Firms with Paid Employees</td>
<td>379,994,999 (3.38%)</td>
<td>6. No. of Individuals in Poverty</td>
<td>11,920,585 (27.54%)</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------</td>
<td>---------------------------</td>
<td>-----------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. 301,621,159</td>
<td>1. 9,120,856</td>
<td>1. 196,976</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Races</td>
<td>2. 28,563,529</td>
<td>2. 792,778</td>
<td>2. 43,133</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. 4,357,519</td>
<td>3. 151,523</td>
<td>3. 9,953</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. 11,267,793,384</td>
<td>4. 304,994,158</td>
<td>4. 54,512,537</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. 10,264,683,372</td>
<td>5. 278,477,518</td>
<td>5. 53,236,902</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. 38,567,903</td>
<td>6. 1,273,645</td>
<td>6. 34,252</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(100%)</td>
<td>(100%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>1. 198,553,437</td>
<td>1. 5,853,427</td>
<td>1. 81,459</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(65.83%)</td>
<td>(65.30%)</td>
<td>(41.35%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. 22,595,146</td>
<td>2. 659,377</td>
<td>2. 32,378</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(79.10%)</td>
<td>(83.17%)</td>
<td>(75.07%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. 3,707,415</td>
<td>3. 136,574</td>
<td>3. 7,299</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(85.08%)</td>
<td>(90.13%)</td>
<td>(73.33%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. 10,240,990,714</td>
<td>4. 288,397,238</td>
<td>4. 11,069,412</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(90.89%)</td>
<td>(94.56%)</td>
<td>(91.70%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. 9,406,549,498</td>
<td>5. 265,344,065</td>
<td>5. 10,031,340</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(91.64%)</td>
<td>(95.28%)</td>
<td>(92.71%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. 17,737,339</td>
<td>6. 577,493</td>
<td>6. 7,276</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(45.99%)</td>
<td>(45.34%)</td>
<td>(21.24%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Black</td>
<td>1. 36,657,280</td>
<td>1. 1,805,845</td>
<td>1. 80,571</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(12.15%)</td>
<td>(21.50%)</td>
<td>(40.90%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. 1,921,864</td>
<td>2. 83,919</td>
<td>2. 7,132</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(6.73%)</td>
<td>(10.59%)</td>
<td>(16.53%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. 93,988</td>
<td>3. 5,600</td>
<td>3. 545</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2.16%)</td>
<td>(3.70%)</td>
<td>(5.48%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. 135,739,834</td>
<td>4. 5,422,332</td>
<td>4. 411,539</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.20%)</td>
<td>(1.78%)</td>
<td>(3.41%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. 97,144,898</td>
<td>5. 3,864,183</td>
<td>5. 289,396</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.95%)</td>
<td>(1.39%)</td>
<td>(2.67%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. 8,925,858</td>
<td>6. 469,019</td>
<td>6. 18,380</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(23.14%)</td>
<td>(36.82%)</td>
<td>(53.66%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. No. of Individuals in Poverty</td>
<td></td>
<td>1. 2,019,204 (0.67%)</td>
<td>1. 100,527 (1.30%)</td>
<td>1. 880 (0.45%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>American Indians</td>
<td>2. 236,691 (0.83%)</td>
<td>2. 8,024 (1.01%)</td>
<td>2. 248 (0.57%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. 22,384 (0.51%)</td>
<td>3. 966 (0.64%)</td>
<td>3. 20 (0.20%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. 34,353,842 (0.30%)</td>
<td>4. 1,100,167 (0.36%)</td>
<td>4. 22,269 (0.18%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. 27,494,075 (0.27%)</td>
<td>5. 792,171 (0.28%)</td>
<td>5. 15,784 (0.15%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. 590,125 (1.53%)</td>
<td>6. 25,423 (2.00%)</td>
<td>6. 390 (1.14%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. No. of All Firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. No. of Firms with Paid Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Revenue of All Firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Revenue of Firms with Paid Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. No. of Individuals in Poverty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. No. of All Firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. No. of Firms with Paid Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Revenue of All Firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Revenue of Firms with Paid Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. No. of Individuals in Poverty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hispanic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. No. of All Firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. No. of Firms with Paid Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Revenue of All Firms</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Revenue of Firms with Paid Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. No. of Individuals in Poverty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Expanding Global Tobacco & Textile Markets with Durham the leading economy

American Tobacco Company/Golden Belt Textiles hired black workers

Factory wages to Black workers returned to segregated Durham

Hayti Wealth: Hayti had individuals and institutions with significant wealth

Hayti Anchor Firm: North Carolina Mutual Insurance captures revenue and reinvests in Hayti

Black Wages converted to Hayti Firm Revenue

Hayti Human Capital: Educational Institutions from Elementary to College

Hayti Experiential Capital: More than 200 Hayti Businesses (some with white customers)

Hayti Entrepreneurial Spirit: Blacks flocked to Hayti for work and entrepreneurial opportunity

Hayti Community Economic Ecosystem Success

Directional, Institutional, & Sustainable Upbuilding (businesses and other types of supportive organizations)
ENDNOTES

PAPER 1: Do Business Ecosystems See Color?¹

1 Forward Cities is a multi-city, national learning collaborative that seeks to develop more inclusive innovation ecosystems in our nation’s cities. www.forwardcities.org.

2 Google for Entrepreneurs has formed a number of partnerships with organizations like Code 2040 and American Underground to attempt to support more minority technology startups, particularly African-Americans. www.blackfounders.co.

iii The Steve and Jean Case Foundation was founded by former AOL Chairman Steve Case and his wife Jean. One of their focus areas is “inclusive entrepreneurship.” www.casefoundation.org.

iv The National Venture Capital Association (NVCA) created a diversity taskforce in 2014 to respond to criticism about lack of diversity in the investment space. www.nvca.org.

³ Nonwhite population growth is projected to continue to outpace white population growth well into the future. The population level data (Table 1) is expected to continue this trend. Minority populations are expected to collectively compose the majority of Americans by 2044, with some estimations predicting it as early as 2040. This prediction is already a reality within some age groups, as minority children compose 50.1 percent of those age 5 and under in America (CPC 2014).

APPENDIX A: REPRESENTATIVE STAMPS ENTITIES IN DURHAM’S HAYTI DISTRICT ECOSYSTEM, 1865-1958


5 Ibid


7 www.hpo.ncdcr.gov

8 Ibid, hpo


10 Historic Preservation Application (2000; 2016)