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“A Reality Check on Afrodescendant Entrepreneurship”

What should one expect from a “post-racial America” when it comes to entrepreneurship?

Ideally, we should expect that Afrodescendant firms engage vigorously in the market place—growing and expanding much like non-Afrodescendant firms.

On the one hand, there is no question that Afrodescendant entrepreneurship is mushrooming.

Observing the latest available data from the US Census Bureau’s Survey of Business Ownership, we see that the number of Afrodescendant businesses exploded during the last decade.

From 2002 to 2007, the number of Afrodescendant businesses surged 60.5% to 1.9 million.

However, as we have discussed in previous essays, these businesses tend to be small in terms of receipt size and in their hiring of employees.

On the other hand, there are other indicators that Afrodescendant businesses lag far behind non-Afrodescendant entrepreneurship in the US.

For example, a check of *Fortune Magazine’s* list of Fortune 500 Companies reveals that not one Afrodescendant-owned firm is in that lofty company.

But that is only symptomatic of a more critical problem. In order to become a Fortune 500 Company, at least for 2013, a firm must have receipts of nearly \$5.0 billion.

In order to achieve a receipt size of \$5 billion, however, a firm must achieve a large operating presence. It takes a sizeable amount of financial capital to achieve such a presence.

What is a readily available source of financial capital? Equity markets. In other words, in order for firms to grow large, many opt to issue shares on stock exchanges. Do Afrodescendant firms generally use this avenue to access the huge pool of financial capital that is available via US stock exchanges?

The answer is a resounding NO!

We performed a cross-check of *Black Enterprises’* 2013 Top 100 Black firms. Only two of these Afrodescendant firms, “Radio One” and “TV One,” have active listings with the US Securities and Exchange Commission (SEC)—the Federal agency with which firms must register if they seek to engage in the unrestricted sale of shares on US stock exchanges.

Therefore, for whatever reason, Afrodescendant firms generally fail to seek access to the large volume of financial capital that would permit them to grow into Fortune 500-size firms.

All of this should cause Afrodescendants to realize that, while many of us may be enjoying a highly improved quality of life in the 21st century, Afrodescendant businesses lag far behind and are not reflecting the expected benefits of a “post-racial” America.

Why does all of this matter? Because the failure of Afrodescendant businesses to become very large enterprises means, theoretically, that the Afrodescendant unemployment rate will remain higher than it would be otherwise, and that less wealth will exist in our communities.

As you know, the Afrodescendant wealth gap with non-Afrodescendants is another anomaly in “post-racial” America.

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