

# Column: Averting economic crisis needs intentional disruption

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There is an old saying in economics that when the white community gets the flu, the Black community gets pneumonia.

This is a simple way of saying that when things are economically bad for white people, that it is substantially worse for Black people. Even during the best of times, Black unemployment is still double that of white unemployment, Black startups still get less than 1 percent of venture capital, Black businesses still are denied loans at much higher rates than white businesses, and the racial wealth gap continues to grow. These disparities are even more pronounced during economic downturns. This has led me to spend much of the last four

months asking the question: “If Blacks get pneumonia when whites get the flu, then when whites get Covid-19 what do Blacks get?”

I have spent a lot of time expressing to media outlets that this is a unique economic crisis. It is an economic crisis driven by a health crisis, and until we get the health crisis solved – or at least contained – then the economic crisis will not be solved. We can adapt to the environment and reopen the economy with parameters such as social distancing, disinfecting strategies, or wearing masks, but nothing takes the place of curing the virus and disease that is ravaging our society.

As part of that broader economic conversation, I have been asked about the state of Black businesses during the pandemic. As with every other statistic, Blacks have suffered the worst effects of this current crisis. This is also the case in business ownership, where Blacks have less personal wealth to fall back on, been unable to access federal programs like the Paycheck Protection Program, and have been shuttering at incredible rates. These negative outcomes are not new to the Black community, however the pandemic has further exposed, exacerbated and accelerated them.

Though America, and our local cities and regions are quickly diversifying, the business-success ecosystem is not diversifying as fast, if at all. Every major region in North Carolina has seen dramatic increases in Black entrepreneurship in recent years, yet this has not resulted in an increase in Black wealth. This is because the majority of those firms remain sole proprietorships, and never grow beyond that. White-founded firms continue to control more than 90 percent of most industry sectors and nearly \$9 out of every \$10 in business revenue.

This inequity, surprisingly, is often even greater in regions that are economically prosperous and deemed more socially progressive like San Francisco, Denver and our own Research Triangle. If the Triangle was reduced to 100 people, 100 firms and \$100 in annual business revenue, the major racial breakdowns would be roughly as follows: 60 whites would share ownership of 87 firms and \$94 in revenue; six Asians would share seven firms and \$3.30; 11 Hispanics would share three firms and \$2.10; and 19 Blacks would share four firms and \$1.10. Imagine 19 people living off of \$1.10 per year. These figures represent pre-coronavirus.

There are a lot of things that corporate America and its leaders could do to support Black business. This includes investing risk capital into Black firms, procuring and partnering with Black firms, and ensuring that their own firms are moving beyond tokenism in their hiring practices.

Beyond that, this is a time to move from sympathy for the Black business owner to empathy. The current state of Black America and Black business relative to other groups is the product of its own pandemic: racism.

Just as the case with Covid-19, many of us suffering had no hand in starting the virus, but we spread it through our actions and communication. We mask it and practice social distancing in hopes that it will disappear. But until we destroy, or at least contain, the virus our economy will never reach its full capacity.

For white firms who are being destroyed, to no fault of your own, by a closed economy, lack of sufficient resources, programs that don't address the core problem: this is the normal life of the Black business owner trying to navigate a systematically racist world. If corporate America, philanthropic America and the public sector don't give this racism pandemic the attention that it deserves, then the answer to my earlier question is obvious: when white America gets Covid-19, Black America dies.

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