Banking on African American Employers: Effects of African American Banks, 1910-30

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Abstract

This paper examines the effect of banks managed (and likely owned) by African Americans from 1912 to 1931. Rather than examine the balance sheets of these banks, this paper directly estimates the impact of African American banks on African American residents in the surrounding county. Using a newly-constructed list of African American banks, I test for changes in the rate of African Americans who employ at least one person. I also test for changes in the rates of African American home ownership, mortgaged home ownership, and white collar occupations. Fixed effects analysis shows that African American banks increased the rate of African Americans reporting they employ at least one person by 4.3 percentage points. This effect is driven by banks in the South. The effect on other outcomes also varies by region. These findings show that African American banks had an impact on the communities they served.

1 Introduction

The definitive analysis of banks owned and operated by African Americans until 1935 remains Abram Harris' monograph, *The Negro As Capitalist* (Harris, 1936), which argues that early twentieth century African American banks were too small and fragile to provide benefits to African American communities. Harris' analysis, like the analyses of economists on later African American banks, focuses of the performance of the banks themselves. However, advocates of African American banking did not focus on performance, but instead cited the positive impact that community banks managed by African Americans would have on the African American community.

This paper re-examines African American banks from 1910 to 1940 from the perspective of the African American community. This is the first paper to perform this analysis, coupling a new data set of African American banks with county-level census data to determine the effects of African American banks on the African American community.

The analysis shows that African American banks had a positive effect on their community. Specifically, African American banks affected the African American *employer rate*: the share of African American adults in a county who reported that they employed at least one person in a non-domestic capacity. An additional African American bank per thousand African American adults in a county resulted in a 4.30 percentage point increase in the employer rate. This increase is statistically significant and robust to several changes in parameters and variables. This positive effect on employer rate is magnified in the South, where an additional African American bank per thousand African American residents increases the employer rate by 5.42 percentage points.

This paper also finds significant negative effects of Northern African American banks on home ownership, with an additional African American bank per thousand residents resulting in a 12.3 percentage point drop in the home ownership rate. In the South, the effects of African American banks on home ownership, and white collar occupations are not precisely measured, with a 28.9 percentage point increase in the rate of mortgages in the main specification.

Endogeneity issues may bias this analysis. While I find no valid instrumental variable, I use a combination of fixed effects and lags of the African American banking variable to ameliorate the potential endogeneity.

This paper makes four contributions to the existing literature on African American financial history. The first, as described above, is assessing the impact of African American banks on the African American community. This assessment is easier to perform using the data from the early twentieth century, rather than modern data, using household census records through the 1930 decennial census.

The second contribution is that these findings may be generalizable to modern community banks. While banking practices and regulations have changed considerably since World War II, the idea of community banks as local job creators continues today. The Independent Community Bankers of America states this on their web site: "Community banks are an integral part of Main Street; they reinvest local dollars back into the community and help create local jobs" (Independent Community Banking Association, n.d.).[1]

The third contribution of this paper is a new, comprehensive list of African American banks of this time period. Harris (1936) lists African American banks, and this list has been used in other studies, notably Ammons (1996). This paper makes two improvements to Harris' list. First, this list uses a different data source to generate a list of African American banks that does not perfectly correspond to Harris' list. Second, the availability of electronic versions of city directories made it possible to confirm the operation of African American banks during the time period specified.

Finally, this paper makes a contribution to the growing literature re-examining African American accomplishments since the Civil War. This scholarship, exemplified by Butler (1991), Cook (2011), and Logan (2018), centers the conversation on the contributions made by African American entrepreneurs, inventors, and politicians in the late nineteenth and early twentieth centuries, providing a new perspective on African American achievements from 1867 to 1940.

Mehrsa Baradaran disagrees with this portrait of African American bankers, saying "[I]t is not a story celebrating the heroic struggles of individual black bankers who were triumphant despite the odds. There are certainly stories of inspiration to be found, but the overemphasis on Horatio Alger tales of success can lead to distraction" (Baradaran (2017), p. 7). This paper makes the

[1] Perhaps reflecting this view, a bill was recently signed into law granting several concessions to community banks, including exemptions from reporting requirements (Pramuk, 2018).

argument that the economic literature has, for good reasons, moved far away from the rags-to-riches stories that echo Horatio Alger. The result of this movement is that the actual economic benefits of African American banks may be overlooked when reacting to the perceived benefits espoused by banking advocates.

2 Historical Background

After the failure of the Freedman's Savings Bank in 1873 due to mismanagement, overexpansion, embezzlement, and the Panic of 1873, commentators and historians lamented the effect this collapse would have on generations of African American households. W. E. B. DuBois said the failure "not only ruine[d] thousands of colored men, but taught to thousands more a lesson of distrust which it will take them years to unlearn" (Quoted in Baradaran (2017), p. 31). However, as noted on page 45 of Harris (1936), African Americans were organizing banks owned and operated by African Americans only fifteen years later.[2] While the first four African American banks, organized in the 1880s, failed before 1916, by that time other African American banks had opened. From 1912 to 1937, 109 African American banks operated in the North, South, and Midwest, five of which are still owned by African Americans today.[3] Figure 1 plots the number of banks from 1910 to 2016. The figure shows that the 1920s had the largest number of African American banks.

To understand the role of African American banks and the debate surrounding these banks, this paper presents the geographic, historical, and historiographical background of African American banking.

2.1 African American Banks

In this paper, African American banks are defined as banks with African American officers (president, vice president(s), and cashier). While this definition differs from the modern Federal

[2]For the contrary view that fifteen years was a long time, page 31 of Baradaran (2017) has a quote from a 1920s African American banker lamenting this length of time.

[3]These are Citizens Bank and Trust of Nashville, TN (1904), Mechanics and Farmers bank of Durham, NC (1908), Movement Bank (formerly Danville Savings Bank) of Danville VA (1919), Citizens Trust Bank of Atlanta, GA (1921), and the Industrial Bank of Washington, DC (1934) Source: Federal Reserve Statistical Release (2017).

Reserve and Federal Deposit Insurance Corporation definitions of minority banks,[4] I adopt this definition because data on bank shareholders is difficult to obtain. I believe this more tractable definition is reasonable because narrative histories of African American banks in this time period show that they were, with no recorded exceptions, entirely owned by African Americans (Harris (1936), Osthaus (1973), Sandler (1994), Ammons (1996), Marlowe (2003), Bradley (n.d.)).

African American banks had a variety of origins. They were organized by beneficial societies, groups of citizens, or wealthy individuals. African American banks were chartered as for-profit institutions, but frequently had advocates that promoted the banks' role in community development (Cayton & Drake (1946), Baradaran (2017)). The majority of African American banks were savings banks, generally with a mission to be relatively safer institutions for depositors. A few were commercial banks, generally with a mission to provide credit to the business community. However, the strength of these distinctions varied depending on the state that granted a bank's charter.

There are three other facts of interest to banking historians. First, with two exceptions, African American banks were state-chartered.[5] Second, six of the banks operated in counties with no African American urban population (Boley, OK, and Mound Bayou, MS had two African American banks, while Kenbridge, VA, and Indianola, MS, had one each). Third, none of the African American banks were members of their local clearinghouses, organizations containing representatives of prominent banks in a community that provided stability to its members during (most) crises (White, 1983).

Figure 2 shows the locations of African American banks during this time period. The larger circles on the map correspond with larger numbers of African American banks in a city. The map shows that these banks operated from Texas to Massachusetts. While this map gives a sense of the space where these banks operated, it does not show is the change in African American banks over time.

Table 1 contains a list of all African American banks operating from 1912 to 1937, verified as

[4]The definition used be the Federal Reserve and Federal Deposit Insurance Corporation is: joint stock or privately held banks majority owned by African Americans, or small banks managed by African Americans serving an African American community (Federal Deposit Insurance Corporation, 2016b).

[5]The two exceptions were the First National Bank of Boley, Oklahoma, operating from approximately 1922 to 1925, and the Douglass National Bank of Chicago, operating approximately from 1922 to 1931.

described below in Section 3.2.[6] The years listed correspond with the publication dates of the *Negro Year Book*, described in Section 3.1. Table 1 shows that 109 African American banks operated in twenty states during this time, though not all of those banks were operating during that whole period. The largest number of African American banks operating was in 1922, when 58 were in business nationwide. Chicago and Baltimore had the largest number of African American banks, with five each during this period.

These banks were small, and a small part of the overall banking system. In 1924, the combined capital of the 56 African American banks, by one estimate, totaled 6.25 million dollars (Work (1912), vol. 7, p. 394). That is three orders of magnitude smaller than the total capital of the 28,500 commercial banks in America, which had capital of 4.81 billion dollars (Bodenhorn & White (2005a), Bodenhorn & White (2005b)). If the estimate of African American bank capital is correct, the average African American bank had two-thirds of the total capital of the average non-African American bank.

The data set used in this paper does not have information about the size or profitability of each of these banks, but a companion project (Clarke, 2018) examines African American banks located in Virginia in more detail. Early findings from that project show that the median African American bank in 1922 had approximately one-fifth of the assets of non-African American banks operating in the same cities.

2.2 The Environment Facing African American Banks

This paper focuses on African American banks operating in the early twentieth century. This period includes the rise of African American commercial centers in New York (Harlem), Chicago (Bronzeville), Durham (Hayti), Richmond (Jackson Ward), and Tulsa (Greenwood). This commercial advancement came at the height of the Jim Crow era, when African Americans were denied opportunities to accumulate wealth via investment, real estate, and high-earning occupations. Moreover, the lack of political power through disenfranchisement in the South, along with the terror experienced through the racial violence of lynchings and race riots, also altered wealth accu-

[6]This list does not contain eight African American thrift institutions, defined as firms that include the words "Savings and Loan" or "Building and loan." A list of these thrift institutions is available upon request.

mulation. Cook et al. (2017) use household-level data to show that lynchings are correlated with increased racial segregation. Thus, African American banks operated in a repressive environment of racial animus.

African American banks could not open without a state charter, and could not operate without permission from the state banking department. This implies a lack of animosity from the state towards African American banking during this time. Abram Harris attributes this to "racial parallelism," the desire for white government and business leaders, especially in Virginia and North Carolina, to enable African American financial institutions, in order to promote racial segregation and suppress African American dissent (Harris (1936) p. 102-3).

This is a brief survey of the environment in which African American banks operated. Many banks were small and fragile, and Harris' monograph describes some of the more notable banking failures. He places these failures in a framework describing the futility of African American progress through African American banking, as described below.

2.3 The Debate about African American Banks

Were these African American banks a positive or a negative influence on the African American community? Currently, the movement to reduce the number of unbanked people in the United States assumes that banks are welfare-improving (Federal Deposit Insurance Corporation, 2012). However, in an era before deposit insurance, the small size of most African American banks put them at an increased risk of failure, freezing customer deposits until resolution years later, when a portion of deposits would be returned to depositors. Additionally, high-profile failures in the 1920s resulted in jail time for Jesse Binga and John Mitchell, two prominent African American banking advocates (Harris (1936), Osthaus (1973)), thus casting further doubts on the welfare improving nature of African American banks. At the time, Abram Harris noted the potential for African American banks to be welfare-diminishing.

Abram Harris was the second African American to earn a PhD in economics.[7] Over the first half of his career, while at Howard University, his research focused on the political and economic

[7] The first was Sadie Mossell Alexander (Darity, 1989).

experience of African Americans (Darity, 1989). His 1936 book, *The Negro as Capitalist, A Study of Banking and Business among American Negroes*, was unsparing in its assessment of African American banks:

> As things now stand, the Negro bank has no real economic justification. It's *raison d'être* is not economic necessity but race prejudice and, it might be added, a growing racial nationalism among American Negroes which is fed by their poverty and their economic limitations. The Negro banker like the Negro business man is an uneconomic man, and the same circumstances that force the one to carry on his petty trade at the margin of gain, force the other to do likewise in the realm of small finance.
> – Harris (1936), p. 175

This assessment countered the then-contemporary "bank black" movement, led by the New Negro Alliance (Darity, 1989), which advocated for complete separation of the African American business and financial institutions from the wider economy. Harris writes that voluntary separation of the African American economy would be counterproductive, due to the lack of capital owned by African Americans (p. 55). Instead, Harris advocates the use of non-bank loan institutions, the adoption of interstate bank branches, and the incorporation of African American branches of non-minority banks. He asserts that these solutions would provide more banking services to the African American community than small African American banks.

Thirty years later, more banking services were provided to the African American community, likely due to a change in civil rights law as well as a relaxation of banking restrictions in many states. In this period of the 1960s and 70s, a new wave of African American banks opened, and branches of non-African American banks opened in African American communities. Andrew Brimmer, the first African American governor of the Federal Reserve, expressed skepticism about this second wave of African American banks.[8] Brimmer used balance sheet data to compare the performance of African American banks to non-minority banks and expressed his conclusions this way:

> [African American-run] banks may be a source of racial pride, and this is a positive consideration for a rapidly growing segment of the community - particularly young

[8] Lash (2005) has a comprehensive overview the debates regarding African American banking from 1970 to 2004.

> people. Moreover, these banks may also render some marginal - although high-cost - financial services.
>
> But under those circumstances, most of the black banks might be viewed primarily as ornaments - that is, as a mark of distinction or a badge of honor which provides a visible symbol of accomplishment. However, they should not be misread as indicating that such institutions - because of the inherent problems faced by small banks in the ghetto - could become vital instruments of economic development. – Brimmer (1971), p. 402

Discussion of the efficacy of African American banks continues today, with two analyses that depart from the traditional balance sheet method of studying African American banks. In the study that most closely approaches the analysis in this paper, Kashian et al. (2014) look at the makeup of communities that modern African American banks serve, and find that these banks serve communities that are poorer and more unbanked than the average community. However, their paper does not provide an assessment of the impact of African American banks on the African American community.

The most recent historical survey of African American banks and their lack of impact on race-based wealth inequality is Mehrsa Baradaran's book *The Color of Money: Black Banks and the Racial Wealth Gap* (Baradaran, 2017). Baradaran shows that the gap in wealth between African American and white households is not a result of free market outcomes, but rather due to historical government inaction to address the wealth gap, combined with government action to reinforce a nationwide segregated real estate market. These policies enforce race-based wealth inequality and, further, mean that African American banks could never "perform the magic of banking that is the multiplication of capital through fractional reserve lending" (Baradaran (2017), p. 71).

The ability of African American banks to improve economic outcomes faced skepticism from prominent African American economists. This skepticism arose, in part, because the idea of keeping the African American dollar in the African American community (an idea still advanced today (Jan, 2017)) not only ignored the reality of interbank connections, but also was, and continued to be an inadequate response to the systemic obstacles to resolving wealth inequality (Baradaran, 2017). However, African American banks may have provided other community benefits. To examine this, I collected data of African American banks of this time period, as described below.

3 Data

I use a newly-collected data set of African American banks from 1912-37, along with decennial household census data, to examine the impact of these banks on the rate of African Americans who report employing at least one person. I also examine the effect of African American banks on the rates of home ownership, mortgages, and white collar occupations. This data comes from two sources. The variable of interest, the number of African American banks in a county, comes from the *Negro Year Book*. Control variables for the demographic and economic characteristics of a county, as well as the dependent variables named above, come from the decennial household census. These sources are described below, followed by a discussion of the dependent variables used in the analysis and a review of the summary statistics of these variables.

3.1 *The Negro Year Book*

In this paper, the independent variable of interest is the number of African American banks in a county. This variable comes from the *The Negro Year Book* (Work, 1912). This study uses the first eight volumes, all edited by Monroe Work.

Monroe Work was the first African American to earn an advanced degree from the University of Chicago, a masters degree in sociology in 1903 (University of Chicago Library, Department of Special Collections, 2008). In 1908 he accepted a position at the Tuskegee Institute, then led by Booker T. Washington, in the Department of Records and Research (Edwards, 1985). In 1912 the first *Negro Year Book* was published, an almanac of the news events and other statistics of the previous year relating to African Americans.

The volumes of the *Negro Year Book* contain much information of interest to researchers, including data on lynching, education, and achievement of African Americans. Importantly for this paper, each volume contains a list of African American banks in a section titled "Directory of Negro Banks" (Figure 3). These listings include the city and state of the bank, and the listings change from one volume to the next, which allows the construction of a panel. The 109 African American banks, operating during one or more of the volumes of the *Negro Year Book*, generate

372 bank-year pairs.

The frequency of the *Negro Year Book* varied: for the first few volumes, the *Negro Year Book* was published annually, but after the fifth volume, the gap became six years between volumes. The publishing schedule is shown in Table 2.

Curating a nationwide list of African American financial institutions would have entailed challenges. Specifically, while there may have been publicized entry into the banking market, exit from the market may not have had the same publicity. Therefore, to ensure the suitability of this data for analysis, I take additional steps to verify the existence of banks in the *Negro Year Book*, as described below.

3.2 Verification

Since this list from the first nine volumes of the *Negro Year Book* has not, to my knowledge, been used previously,[9] an extra step is taken to confirm the existence of these banks. I check for the presence of these banks in online city directories provided by ancestry.com's HeritageQuest service (Ancestry.com, 2011). Once banks are confirmed in this way, they are included in the data for this study.

There are three errors that could occur with *Negro Year Book* data:

1. *The Negro Year Book* lists an African American-owned bank when that bank did not exist at that time
2. *The Negro Year Book* lists a bank that was not actually African American-owned and managed
3. *The Negro Year Book* does not list a bank that, in fact, existed and was owned and managed by African Americans

I attempt to confirm the *Negro Year Book* data to address the first error. Since I do not know the exact date when the city directory or the Year Book was finalized, it's possible that a firm existed by the time the Year Book was published but not when the city directory was published.

[9] Baradaran (2017) uses a list from the Tuskegee Institute, which presumably comes from the same sources as used for the published *Negro Year Book*.

To account for this, I search for observations in the city directories for the year before and after publication of a volume of the *Negro Year Book*.[10]

Ancestry.com's Heritage Online database contains city directories for several cities in the United States (Ancestry.com, 2011). For many cities in the South, the directories during this time have a special notation for "colored" residents and businesses. These notations include an asterisk, an italicized c, or a c in parentheses (an explanation can be seen in Figure 4). One example is the Crown Savings Bank, shown as "colored" in the 1922 Newport News city directory (Figure 5). For a handful of cities, the African-American directory is entirely separate from the white directory, as seen in Figure 6.[11] Thus, the advantage of using city directories to confirm listings is that, for many cities in the South, the designation of the bank as African American can be confirmed. If the business appears in the city directory, either in the alphabetical or classified listings, I denote that firm as verified for that year. For Southern cities (except for New Orleans, which does not indicate race or ethnicity in its city directory), even if the name does not match exactly, the existence of an indicated African-American bank counted as confirmation. Thus, the second potential error is addressed in the South (except for New Orleans). In Northern cities and New Orleans, it is not possible to determine the race of the owners of the firm from the city directory, and a name match is required for confirmation.

To perform this verification, I check over one hundred online city directories. To address the third potential error, while checking city directories, I look for banks that are listed as "colored," but are not in the "Directory of Negro Banks" in the *Negro Year Book*. While this is not an investigation of all possible city directories for all years, it is a non-random sample of over one hundred directory/year pairs. In these directories I find three banks that were not listed in the *Negro Year Book*. One of the listings contradicts other contemporary and historical accounts: in Richmond in 1925, the Mechanics Savings Bank is listed in the city directory, but that bank was

[10] for example, if the 1922 volume of the Year Book listed a bank, I looked for that bank in the 1922 city directory. If that bank is not found, either because the bank isn't listed or the city directory is not available, then I look at the 1921 and 1923 city directories.

[11] While checking the data in city directories, I noted the advertisements African American banks placed in the directories. Sometimes these advertisements were co-located with the Bank's listing, sometimes they were cross-referenced in the listing (e.g. "See ad on page"). One representative ad is reproduced in Figure 7. In all, eighteen advertisements for banks were collected. Only one, the still extant Merchants and Farmers Bank of Durham, NC, noted the race of their bank in one of their advertisements.

closed by regulators in 1922 (Marlowe, 2003). One is listed in Harris' monograph and is added to the list of banks in this paper, and one has no other contemporary reference. That there are only three African American bank listings that are not listed in the *Negro Year Book*, out of more than one hundred city directories, is evidence in favor of the comprehensiveness of the data collection of Monroe Work and his staff.

To address the issue of missing city directories, I check all observations that are not identified in city directories in the *Rand McNally Bankers' Directory* for the appropriate years (American Bankers Association and Rand McNally and Company, 1912-1937). As with the city directories, I check one year before and after the listing of the bank in the *Negro Year Book*, and count any bank appearing in any of these years as a confirmed African American bank.

In most cases, the name of the bank in the *Negro Year Book* matches exactly to the name in the *Rand McNally Bankers' Directory.* In a few cases where the name match is more ambiguous, I check the Heritage Online (Ancestry.com, 2011) census records for the president of the bank. If the bank president (or other officer, if the president can not be located) is listed as "colored" or "mulatto" in the census, then I confirm that this was an African American bank.

Out of the 526 bank-year observations in the *Negro Year Book*, 341 of them were verified using city directories, and 49 verified using the *Rand McNally Bankers' Directory*, a verification rate of 74.1%. These 390 observations form a definitive list of all African American banks and thrifts that appear in two sources for the year specified, and is the list I use for the main specification.[12, 13]

This list (ordered by state and city/town in Table 1) can be compared with the list in the appendix of Abram Harris' monograph, *The Negro as Capitalist* (Harris (1936), p. 191). The date range from Harris' and Work's list differs: Harris covers from 1890 to approximately 1935, while the Year Book published volumes between 1912 and 1937. Of the 109 banks listed in Table 1, the *Negro Year Book* and *The Negro as Capitalist* both list 88 of them. Twenty are only present in the *Negro*

[12] With three additions: The Jesse Binga Bank in Chicago in 1919, the Crown Savings Bank in 1931, and the St. Luke's Penny Savings Bank in Richmond in 1931 were not confirmed from the methods described above, even though they were confirmed for previous and subsequent years. However, other sources confirm the continued existence of these institutions: Osthaus (1973) for the Jesse Binga Bank, Virginia Bank Examinations studied in Clarke (2018) for the Crown Savings Bank, and Marlowe (2003) for the St. Luke's Penny Savings Bank. Therefore, these three banks during these years were also marked as confirmed.

[13] The list of the eight confirmed thrift institutions not included in this paper is available upon request.

Year Book, while one is only present in Harris' book (and is confirmed via city directories). Not on the list of banks included in this paper are 25 banks that are on Harris' list but not in the *Negro Year Book*: these have not yet been confirmed using city directories and the *Rand McNally Bankers' Directory*, so they are not included in this data set, but may be included pending verification.

This list is the current list of all confirmed African American banks. This new data set is linked with the data available in the US Census.

3.3 Decennial Census

Dependent and control variables come from the decennial household census from 1910 to 1930. County totals for African American literacy from 1910 to 1930 are from the The Inter-University Consortium for Political and Social Research (Haines & Inter-University Consortium for Political and Social Research, 2010), while individual 100% samples of the 1910-30 censuses are downloaded from the Integrated Public Use Microdata Series web site (Ruggles et al., 2015).[14] I aggregate these individual records to the county level. This creates a set of ten controls (nine variables and one vector) and four dependent variables, described below.

The first dependent variable of interest in this paper is the rate of African American adults in a county that report employing at least one other person (not including domestic service), called, in this paper, employer rate. It is reasonable to expect that African American banks would improve this rate by providing credit to people to start businesses. This employer question was only asked in the 1910-40 decennial censuses, as the question was reformulated in 1950, with the employer option removed (Integrated Public Use Microdata Series, n.d.-a). An advantage of this variable is that it comes directly from the enumerators: it is not imputed at a later time. The disadvantage is that it is a binary measure: it is not possible to distinguish a respondent who employs one person from one that employees a hundred. Nevertheless, it is a useful indicator of the level of economic activity in a county.

There are two measures used to quantify home ownership. The first is whether an adult lives in a house that the household owns (instead of rents). As can be seen from the summary statistics in

[14]The IPUMS 1940 100% datafile could not be used for this analysis, since, at the time of this study, African Americans are undercounted in several Southern states (Bloem, 2018).

Table 3, 34.4% of African Americans in the median county owned their residence, while 54.6% of white adults owned theirs. The advantage of this measure is that this is a direct response received during each census. The disadvantage is that this measure does not capture whether the house was mortgaged.

Thus, a second measure for ownership is whether a person lives in a house with a mortgage. For the 1910 and 1920 decennial censuses, the enumerator noted whether the house was owned, rented, or had a mortgage (Integrated Public Use Microdata Series, n.d.-b). The advantage of this variable is that it allows the analysis to isolate households that owe money on their house. The disadvantage is that this variable is not available for the 1930 census, which means that the sample is limited to the first five volumes of the *Negro Year Book* (see Section 4.2).

The final dependent variable examines the number of African Americans in white collar occupations. While the importance of African American banks in the above three variables is obvious, this relationship may not be immediately apparent. The proposed channel for this effect would be that easier access to both deposit and credit services would allow a household to smooth consumption more easily and invest in the human capital needed for household members to acquire white collar jobs, which would, on average, be higher paying than other job categories. The designation of white collar includes the general categories of professional and technical workers, managers, clerical staff, and sales workers. The measure is based on the imputed variable `occ1950`. The advantage of this variable is that it shows occupations that would be relatively high-paying working class jobs. The disadvantage is that the occupational codes are based on a 1950 occupational system, and that the responses of respondents were placed into one of these categories at a much later date by IPUMS personnel. Despite this limitation, an increase in this measure would indicate a positive effect of African American banks on the occupational mix of African Americans in a county.

Controls include the African American literacy rate, migration rate, urbanization rate, and the share of the population in a county that is African American, since these measures may affect the economic activity of African Americans in a county. Additionally, there is a vector of age controls, representing six-year bins for each county (e.g. the share of African Americans in a county aged 16 to 21). There are also two non-African American economic controls: the share of white employers in a county (determined in the same way as African American employer rate, described above) and the rate of white home ownership in the county, to control for white economic activity increasing African American economic outcomes through increased hiring or property values, as well as controlling for county- and time-specific economic activity.[15]

3.4 Standardization

Since the publication dates of the *Negro Year Book* do not match the years of the decennial census, I linearly interpolate all variables from the decennial censuses for *Negro Year Book* published from 1912 to 1937.

Census data is aggregated at the county level. This provides a reasonable geographic area to measure the impact of African American banks, but comes with two complications. First, county sizes differ across states, with no standard size of area or population. Standardizing per thousand adults in the county, as described below, addresses this issue. Second, county borders change over time. To resolve the second issue, I use the matrix provided by Horan & Hargis (1995) to generate time-consistent counties through this era. The Horan and Hargis matrix does not match up perfectly with counties in the IPUMS data, so I apply 123 additional transformations to ensure consistent counties that match up with census data.

I limit the population in this study to people aged sixteen years or more. Because ownership in household-based, including children would bias this estimate.[16] Additionally, this study is interested in the more immediate effects of African American banking, rather than long-term effects on children.

Lastly, each variable is standardized by population: African American variables are divided by the adult African American population in the county. This provides a better comparison across counties of differing sizes and populations. Control variables for white residents are divided by the adult white population in the county. To improve the readability of results, each variable is standardized at 1,000 residents.

[15]These controls do not include controls for adults of other races, but the results are robust to the inclusion of those adults. See Section 10.

[16]Arguments could be made for an upward or downward bias, depending on whether families with many children were more or less likely to own their home.

The summary statistics for the variables used in the fixed effects panel regression are listed in Table 3, with the mean, median, standard deviation, minimum, and maximum values for each variable.[17] The unit of observation in this data is a county in a certain year of *Negro Year Book* publication, referred to as "counties" from here on out for simplicity. African American adults, on average, have lower home ownership, white collar occupations, and migration rates than white adults. Additionally, there are two specific items of interest. First, comparing the employer rate for African Americans in the sixth row with the white employer rate in the seventh row shows that the employer rate was higher, on average, for African Americans, but lower in median, showing that there was wide disparities in the rates of African American employers across counties. Second, the size of the gap in white collar occupations is large: the rate of white collar occupations for African Americans is approximately one quarter or one fifth of the rate for white adults.

The dataset is divided in two different ways in Table 4. In Panel A, statistics for counties in the North and South are compared. Northern counties have 18.4 percent of the African American banks, which is roughly the same ratio as the ratio of population in the North and South (20.7 percent). There are large differences, however, between the regions. The rate of employers is roughly one-third as large in the North as in the South. This large gap in employer rate is surprising. Many of the counties in the South with the highest African American employer rate are rural, so this may indicate an increased number of farmers hiring workers.

As expected, the counties in the North have much higher migration rates and shares of African Americans living in urban areas. White collar occupation rates for African Americans are about twice as high in the North as in the South, a ratio that is slightly stronger than the white collar rate for white adults, which is approximately thirty percent higher in the North (the white collar rate for white adults is not shown in Table 4).

Panel B of Table 4 looks at the difference between counties that have African American banks and counties that do not. 2.2 percent of the sample contains African American banks. These counties have eight to ten times as many African American adults in them, as well as a large

[17] Since the denominator is the number of African American adults, but the numerator is all African Americans, the literacy rate, while consistently applied across the sample, is shifted higher than the historically reported literacy rates elsewhere (Margo, 1990), and should not be compared to those estimates.

percentage of urban African American residents: over seventy percent of African Americans in counties with African American banks live in urban areas (although six banks operated in counties with no urban residents, as described in Section 2.1). This urban rate is more than twice as large as the rate of counties without African American banks. Home ownership and mortgaged ownership are lower in counties with African American banks, with both rates about two-thirds as large in counties with banks.

Thus, the data comes from two sources: African American bank data comes from the *Negro Year Book*, verified with city directories and the *Rand McNally Bankers' Directory*. Other variables come from the decennial household census individual data, aggregated to the county level. This panel data set of observations and years is analyzed using panel fixed effects regression, described below.

4 Method

The method for the analysis of this panel data is regression with year and county fixed effects. The primary motivation of this approach is to address issues of findings biased by differing economic situations in different years or different locations, isolating only those differences between counties. Four dependent variables are analyzed: the rate of African American employers, home ownership, mortgaged home ownership, and white collar workers. Since some of the findings of this analysis may be sensitive to decisions I made regarding the construction of the data set, I describe those decisions in more detail below.

4.1 Main Specification

The sample of counties constructed for analysis contains all 1910-consistent counties with 200 or more African American adults. It includes both rural and urban counties. It contains all institutions listed in the *Negro Year Book* that were not obviously thrift institutions, and uses the census definition for the Southern region. I discuss these decisions in the following paragraphs.

The preferred data sample excludes all counties with an interpolated adult African American population of less than 200. This 200 adult cutoff is chosen to create a large sample while dropping counties that would be extremely unlikely to contain an African American bank. The smallest county, in terms of African American adult population, that contains an African American bank is the independent city of Staunton, Virginia, with approximately 1,270 adult African Americans in 1931. As a robustness check, I limit the sample to only those counties with at least 1,000 African American adults in an alternative specification, described in Section 5.3.

I include both rural and urban counties in the main specification because, as mentioned in Section 2.1, six banks operated in counties with an African American urban population of zero, with six more operating in counties with fewer than 1,000 African American urban residents. Thus, limiting the sample to urban counties would trim the variable of interest by 5 to 10 percent. I present regressions on urban counties in Section 6.

The *Negro Year Book* lists both bank and thrift institutions in its "Directory of Negro Banks."[18] In the main specification, I define thrifts as any institution that has "savings and loan" or "building and loan" in their title, and exclude these firms from the data set. This leaves many cases where it is unclear whether the firm was a bank or a thrift, such as the Penny Savings Loan & Investment Company of Augusta, Georgia. To check whether results are sensitive to this division of banks and thrifts, I check the robustness of the results when including all institutions and when using a stricter definition of "bank" in Section 5.3.

It is possible that, since Jim Crow was implemented differently in the North and the South (Woodward, 1955), that the impact of African American banks may have differed by region. Therefore I separate states into two regions, following the US Census defining "South" as containing seventeen states, including West Virginia, Delaware, Maryland, Kentucky, and Oklahoma, as well as Washington, DC (United States Department of Commerce, Economics and Statistics Association, Bureau of the Census, 1994). As an alternative, I separate the regions based on their status during the American Civil War (and place Oklahoma in the South). This places West Virginia, Delaware, Maryland, Kentucky, and Washington, DC in the North, but does not lead to different regional results, as discussed in Section 5.3. I also analyze a subset of the South, the "cotton South," in

[18]Surprisingly, the *Negro Year Book* during Work's tenure as editor never lists African American credit unions, although Shapard & Fruchtman (2013) show that there were such credit unions functioning during that time in North Carolina. After Work's death, African American credit unions were listed in the final volume of the *Negro Year Book*, published in 1952.

Section 6.

Thus, the sample is limited to counties with at least 200 African American adults. It includes both rural and urban counties. It includes all verified institutions listed in the *Negro Year Book* that do not contain the phrases "savings and loan" or "building and loan." This is the sample used to estimate the effects of African American banks on the African American community, using a linear model of panel data, described below.

4.2 Model

Specifically, the model is:

$$
\begin{aligned}
economic\_indicator_{cy} = {} & \beta_1 african\_american\_banks_{cyt} \\
& + \beta_2 literacy_{cy} + \beta_3 migration_{cy} + \beta_4 urban\_pop_{cy} \\
& + \beta_5 african\_american\_population\_share_{cy} \\
& + Age_{cy}\eta + White\_controls_{cy}\nu \\
& + \gamma_y + \delta_c + \epsilon_{cy}
\end{aligned}
$$

Where the variable of interest is the number of African American banks per 1,000 adults in a county, lagged by years t relative to the other variables.

One potential source of bias in this analysis is reverse causality. To wit, did African American banks cause the observed changes in these counties, or did economic changes cause African American banks to be created? I address this issue in two ways. First, I specify both county and year fixed effects. This means that any economic impacts specific to a county, or due to wider macroeconomic trends, are removed. Second, I lag the African American bank variable. For example, the study gauges the effect of African American banks present in a county in 1913 on African American home ownership in 1915. Lagging the bank variable eliminates the possibility of reverse causality.

The length of lag depends on the dependent variable of interest.[19] The impact of banks on the rate of employers would be a short-term effect, while the impact on the rate of home ownership

[19] I thank Gail Triner for this insight.

would be a longer-term effect, and the effect on the rate of white collar occupations through increased human capital development would be longer still. Thus, I lag the bank variable for two years to gauge African American banks' effect on employer rate, six years for home ownership and mortgaged home ownership, and ten years for occupation.

This lag would, in some cases, push the census-based data far beyond the 1930 census, so I limit the sample to ensure that there is no extrapolation longer than five years. For example, the 1931 volume of the *Negro Year Book*, is included for the employer rate dependent variable (two year lag: 1933). However, that volume is not included for the property ownership dependent variable (six year lag: 1937). Additionally, since mortgage data is not available for the 1930 census, I exclude the 1921, 1925, and 1931 volumes for that analysis. These different inclusions are shown in Table 5.

While these two steps address reverse causality, they do not fully address the possibility of a county- and time-specific variable, omitted from this model, that could cause the changes in the dependent variables. Thus, the identifying assumption of this analysis is that there exists no other effect that would change the dependent variables of interest which would affect the African American population specifically in a way that varies across counties and across time non-randomly.

In Appendix A, I document attempts to find an instrumental variable that would relax the identifying assumption. However, due to the instrumental variable approach only reliably estimating the local average treatment effect, using an instrumental variable approach would still limit the applicability of the findings to counties that contained an African American bank and satisfied the conditions of the instrument. Since only 2.2% of the counties have African American banks in them (Table 4), an instrumental variable would provide only limited insight.

With lagging and county and year fixed effects, the effect of African American banks on entrepreneurship, home ownership, and occupations can start to be identified, subject to the identifying assumption and the robustness checks in Section 5.3.

5 Results

5.1 Employer Rate

The analysis indicates a positive effect of African American banks on the rate of African Americans who reported employing at least one person. Table 6 shows that, per county, for every additional African American bank per 1,000 African American adult residents, the rate of African American employers rises by 4.30 percentage points two years later. For comparison, the median African American employer rate (see Table 3) is 2.05 percent. The 4.30 percentage point increase is 92% of a one standard deviation improvement in employer rate. A county at the median employer rate would, upon adding a bank per 1,000 residents, move to the 76th percentile. This finding has a p-value of 0.021.

Thus, African American banks increased the number of African American employers in a county. It's unclear whether this is due to a direct channel (an African American bank loans directly to an African American employer) or an indirect channel (the bank's loans to the community at large increase the opportunity for employers to enter the market).

Other nationwide results in ownership and occupation, as seen in Table 6, can not be precisely measured. Since there are statistically significant estimates at the regional level, it is unlikely that this imprecision is due to sample size. It may also be that African American banks do not have an impact on these decisions, due to their small size or the availability of other sources of credit. However, it may also be due to the different experiences of African Americans in the North and South leading to differing impacts that are not detected at the national level. As seen below, there are significant effects of African American banks in the North on home ownership rate and nearly significant effects of banks in the South on mortgage rate.

5.2 Regional Results

I divide the sample into North and South regions, as described in Section 4.1, and run separate regressions for each region. Table 7 shows that the nationwide employer result is positive in both regions. However, the result is not statistically significant in the North. In the South, this result is statistically significant, and is robust to several checks, as described below. Thus, it seems that the nationwide employer results are driven by African American banks increasing the employer rate in the South.

Analyzing the Northern banks separately shows that the banks located in the North affected home ownership, as seen in Table 8. An additional bank per thousand African American adults led to a 12.3 percentage point decline in the rate of African American home ownership. This decline is 71.8% of a standard deviation for African American home ownership rate. This finding has a p-value close to zero.

This result is puzzling. Intuitively, one would expect that the presence of an African American bank would help more African Americans to own their homes. The mechanisms behind this result are discussed further in Section 6.

For the South, as seen in Table 9, we see that the effect of African American banks on home ownership and white collar occupations can not be precisely measured. The rate of mortgages held by African Americans increases by 28.9 percentage points, which is twice the standard deviation. This result has a p-value of 0.074. However, this finding is not robust to limiting the data to counties with more than 1,000 African Americans adults, which is one of the robustness checks performed below.

Thus, the presence of an African American bank increases the employer rate of African Americans in the same county. This nationwide effect is echoed in the South. In the North, there is a puzzling negative effect of banks on home ownership. All of these results are robust to the different specifications described below.

5.3 Robustness of Results

To verify that African American banks increased the rate of African Americans who reported employing at least one person, I conducted several tests to determine the robustness of the findings.

As discussed in Section 4.1, the analysis in this paper drops counties that had fewer than two hundred African Americans. It's possible that the estimated increase in employer rate may be sensitive to different population cutoffs. Regressions were re-run excluding counties that had less than 1,000 African Americans. The result is shown in the first column of Table 10, demonstrating that changing the population cutoff does not change the employer rate finding.

To check that the results of the analysis were not sensitive to the bank/thrift separation, I first include both banks and thrifts in the dataset. As seen from the second column of Table 10, adding thrift institutions to the number of banks does not alter the results significantly.

It's also possible that the definition of African American banks used in the main specification is too broad. To check if the results are sensitive to including too many institutions, I create a stricter definition of banks: the name of the institution have must the word "bank," "banker," or "banking" in the title. This reduces the number of African American banks in the data set from 109 to 93. The results, in the third column of Table 10, show no significant difference for the nationwide finding about African American employers.

The decennial censuses at this time had enumerators enter the race of the people they were interviewing, which may have differed from the race that the interviewee identified themselves as. The number of people in the sample not listed as white or "colored" is two orders of magnitude less than the total African American population of the sample (see the fourth row of Table 3). The originally specified regression model did not include people of other races along with the independent variables dealing with the non-African American population. As a check on validity, the same analysis was completed with people of other races included, which did not affect the results (this table is available upon request).

It's possible that the analysis is missing controls related to banking or wealth that are not captured in the controls listed in Section 3.3. To account for this, two additional controls will be added to an alternate specification. The first is the amount of banking activity in a county, drawn from FDIC data.[20] The second is the amount of federal income tax collected in a county, generously provided by Price Fishback and Paul Rhode.

Since these data sets begin in 1920, they are not included in the main specification, as that would reduce the sample by half or more. Additionally, difficulties on my part combining these different data sets from 1920 to 1940 mean that this analysis is not available for this draft, but will

[20] I thank Matt Jaremski for his help with this data

be present in future revisions.

Thus, the nationwide result that finds a positive effect of African American banks on the African American employer rate is not sensitive to different population cutoffs nor different divisions between banks and thrifts. Other checks on the inclusion of banking activity and wealth will be checked in a future draft of this paper.

The Northern result that African American banks decrease the rate of home ownership is also robust to these specifications, as shown in Table 11.

Table 8 shows that Northern African American banks had a negative effect on the rate of home ownership. This finding is not sensitive to the division of North and South. To show this, I create an alternative definition, defining the South as the states that seceded during the American Civil War, plus Oklahoma, which was an unincorporated territory during the Civil War. This definition of the South differs from the census definition by subtracting West Virginia, Delaware, Maryland, Kentucky, and Washington, DC, from the South, and is a plausible method to divide North and South for the purpose of analyzing African American banks.

For the Northern results, Table 8 shows the negative and significant Northern results for home ownership. When adding the four border states plus Washington, DC, to the North, the results, shown in Table 12, indicate that the effects of African American banks in the North on the African American home ownership rate remain negative and significant, with a p-value of less than 0.001.

The regional results on African Americans that employ at least one person (that, in the South, there is a positive impact of African American banks on the African American employer rate, shown in Table 7) are still present when the four border states and Washington, DC, are moved from the South to the North. Table 13 shows that the effect in the South is positive and significant. The effect in the North under this alternative definition is positive and significant as well, although the effect is smaller by an order of magnitude and is not reflected in the main specification.

This analysis has shown that the nationwide increase in the employer rate comes mainly from the South. To attempt to isolate which part of the South is driving the Southern results, I limit the dataset to counties in the "Cotton South," as defined by Tolnay et al. (1992): Alabama, Arkansas, Georgia, Louisiana, Mississippi, and South Carolina. 32 African American banks operated in these states from 1912-37.

The results of this analysis are shown in Table 14. The effect of African American banks on employer rate is positive, but can no longer be precisely measured.

The implication of these findings under a modified definition of North and South is that the regional findings in the main specification are robust to changes in the method of North/South division.

6 Discussion

In the previous section, I reported on the effect African American banks had on the employer rate of a county, both nationwide and in the Southern region. Can this result be generalized to a finding about entrepreneurship? It is tempting to do so, but we do not know the number of persons each reported employer employed. Additionally, it's possible that the increase came from farmers employing additional farm hands.

If we do think of these additional African American employers as entrepreneurs, then this result supports the theory of banking described in Schumpeter (1934).[21] To attempt to sum up Schumpeter, banks in developing economies provide an additional service over banks in developed economies: banks in developing economies identify entrepreneurs and provide capital to them. This mechanism makes sense in the light of these findings.

To investigate the source of the effect on employer rate, I limit the dataset to counties with more than 1,000 African American adults living in urban areas. A county with 1,000 urban African American adults is in the 74th percentile. Table 15 shows the results of this analysis. Limiting the sample to those counties with an urban adult African American population of at least 1,000 results in a similar point estimate, with a p-value of 0.065. Thus, even with the presence in the South of twelve rural banks, the effect on employer rate is still positive and significant with rural banks excluded.

Since these rural banks operated in the South, perhaps the Northern effects are driven by urban residents. I restrict the dataset to counties with more than 1,000 African American adults in urban

[21] I thank Richard Sylla for this insight.

areas that are in the North. Table 16 shows the results of this regression: that the effect of African American banks on the rate of home ownership in the North is still statistically significant, and the estimation is roughly three percentage points stronger (more negative). This is not surprising, due to both the large share of African American population living in the North (see Table 4) and Northern African American banks located exclusively in urban counties.

This shows that the effects of African American banks on the African American community differed significantly by region. In the South, more employers were created, while in the North, the share of African Americans who owned homes declined.

Could this be the result of tightening housing markets in the North? African American adults living in the North were more likely to live in urban locations than those living in the South (note the twelfth row in Panel A of Table 4). Additionally, Baradaran (2017) describes how the segregated urban housing market limited ownership opportunities for African Americans. If Northern African American banks were helping wealthier African Americans to purchase property, rather than helping less well-off African Americans to finance their smaller homesteads, this would lead to the estimated effects.

While the Northern effect on home ownership is not adequately explained, the effect of African American banks on the rate of African Americans that reported employing at least one person is positive, and comes from Southern and urban counties.

7 Conclusion

This paper studies African American banks from 1910 to 1930 using a new data set of African American banks. It finds that African American banks nationwide increased the rate of African American employers in a county by 4.30 percentage points, close to a one standard deviation increase. When splitting the sample into North and South, the South also shows a positive and significant effect of African American banks on employer rate. In the North, the presence of an African American bank had a negative effect on the rate of African American home ownership.

Unlike previous analyses of African American banks, this study examines the impact of African American banks on the African American community. This leaves unanswered questions about the productivity of these banks. In a companion paper (Clarke, 2018) I answer these questions by looking at bank examinations for Virginia from 1919 to 1928. I find that African American banks were smaller and more fragile than non-African American banks. However, the size and fragility have more to do with the economic conditions facing these banks, rather than widespread mismanagement.

Activists and, according to Harris, white government officials emphasized the power of African American banks to redress economic inequality. Reacting to advocacy, economists showed that African American banks were too minor to have this impact. Although African American banks were, in general, small and fragile, and operating in a community without much capital, an evaluation of the African American community shows that African American banks did have a positive effect.

Appendices

A Instrumental Variable

In an attempt to further address the endogeneity issues that may be present in the data, I explore possible instrumental variables. I have not found a valid instrument yet. A valid instrument would need to vary by time and geography, and predict the presence of African American banks in a county. However, African American bank formation seems to be idiosyncratic, at least based on information gathered from county level household census data.

I constructed a candidate instrument, the reserve requirements of state banks. This is defined as the percentage of a bank's demand deposits that must be kept in liquid form. This percentage varied from state to state and across time, as documented on page 146 of White (1983). A change in reserve requirements would change incentives: a lower reserve requirement would allow a bank to lend out or invest a larger percentage of their assets at a higher interest rate than the bank would earn on required reserves.

This instrument is valid if the reserve requirements affected the establishment and survivability of African American banks, while not directly affecting the dependent variables regarding African American entrepreneurship, occupations, and ownership. This second condition seems to be satisfied in this case.

The instrument comes with limitations, however. The data in White's table only runs through 1929, so observations using the 1937 year book are dropped. Additionally, until 1928 the District of Columbia allowed banks to charter under any state's charter (Cole, 1959), so DC observations are excluded.

I perform a panel instrumental variable analysis using the Stata add-on `xtivreg2`. The instrument, however, is weak. The first-stage F-test reported is approximately 4.8, under the standard rule-of-thumb of 10. Thus, this instrument is too weak to provide an unbiased solution to any leftover endogeneity issues.

Any state-level instrument may suffer from the same issue, due to both the need to cluster standard errors by state, and by the fact that African American banks in this time period only operated in twenty states. One candidate instrument would be the minimum capital requirements for banks in a state, that is, the amount realized from sales of shares of stock, as well as a surplus fund and undivided profits. This may be a good predictor of African American banks since these banks were typically small. The minimum capital requirements for each state across time can be found in the *Rand McNally Bankers' Directory* (American Bankers Association and Rand McNally and Company, 1912-1937). This may be explored in a future revision.

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8 Tables and Figures

Table 1: List of confirmed African American banks

State	City	Bank	1912	1913	1914	1916	1919	1922	1925	1931	1937
Alabama											
	Anniston	Anniston Penny Savings Bank	x	x	x						
	Birmingham	People's Investment and Savings Bank	x	x							
		Prudential Savings Bank	x	x	x						
		Acme Finance Company								x	
	Mobile	Safety Banking and Realty Company	x								
	Montgomery	Montgomery Penny Savings Bank	x	x	x						
	Selma	Alabama Savings Bank	x	x	x						
	Tuskegee	Tuskegee Institute Savings Bank						x	x	x	x
District of Columbia											
	Washington	*Industrial Savings Bank*		x	x	x	x	x	x	x	x
		Union Laborers Savings Bank						x			
		Prudential Bank							x	x	
Florida											
	Jacksonville	National Mercantile, Realty and Improvement Company	x	x							
		S H Hart and Son	x	x							
		Anderson, Tucker and Company, Bankers/ Anderson and Company			x	x	x				
	Ocala	Metropolitan Savings Bank			x	x					
		Ocala Savings Bank					x	x	x		
Georgia											
	Atlanta	Atlanta State Savings Bank	x	x	x	x	x				
		Citizens Trust Co						x	x	x	x
		Pioneer Savings Bank and Association									x
	Augusta	Penny Savings Loan & Investment Company		x	x	x	x	x	x		
	Macon	Liberty Savings & Real Estate Corporation					x	x	x	x	
		Middle Georgia Saving & Investment Company						x	x	x	
		Wage Earners Realty & Investment Co								x	
	Savannah	Mechanics Investment Company/Mechanics' Savings Bank		x	x	x	x	x	x		
		Savannah Savings & Real Estate Corporation				x	x	x	x		
		Wage Earners Loan and Investment Company/ Wage Earners Savings Bank	x	x	x	x	x	x	x		
		Fidelity Savings Bank					x	x	x		
Illinois											
	Chicago	Jesse Binga Bank/Binga State Bank	x	x	x	x	x	x	x		
		American Bank		x	x	x					
		R W Hunter Banking and Industrial Co					x				
		R W Woodfolk and Co Bank					x				
		Douglass National Bank of Chicago						x	x	x	
	Springfield	Enterprise Savings Bank	x	x	x	x					
Indiana											
	Indianapolis	Pythian Bank and Loan Association		x	x	x					

State	City	Bank	1912	1913	1914	1916	1919	1922	1925	1931	1937
Kentucky											
	Louisville	American Mutual Savings Bank						x	x	x	
		First Standard Bank						x	x	x	
Massachusetts											
	Boston	Eureka Co-operative Bank	x	x	x	x	x	x	x	x	
		South End Cooperative Bank						x	x	x	x
Maryland											
	Baltimore	Mutual Benefit Society Bank				x					
		Taylor and Jenkins Bankers					x				
		Harry O Wilson Bank					x	x	x		
		J Winfield Thomas Bank						x	x		
		Metropolitan Finance Corporation									x
Michigan											
	Detroit	D C Northcross & Co, Bankers						x	x		
		Peoples' Finance Corporation							x	x	
Missouri											
	Kansas City	Peoples' Finance Corporation								x	
	St. Louis	Peoples' Finance Corporation								x	
Mississippi											
	Columbus	Penny Savings Bank	x	x	x						
	Greenville	Delta Savings Bank	x	x	x						
	Indianola	Delta Penny Savings Bank	x	x	x	x	x	x	x		
	Mound Bayou	Bank of Mound Bayou	x	x	x						
		Mound Bayou State Bank					x	x			
	Natchez	Bluff City Savings Bank	x	x							
	Shaw	People's Home Savings Bank	x								
	Vicksburg	Union Savings Bank	x								
	Yazoo City	People's Penny Savings Bank	x								
North Carolina											
	Durham	*Mechanics' and Farmers' Bank/Mechanics & Farmers Bank*	x	x	x	x	x	x	x	x	x
	Elizabeth City	Albemarle Bank						x	x		
	Kinston	Dime Bank	x	x	x	x	x	x	x		
		Holloway, Borden, Hicks & Company, Bankers/ Halloway, Murphy & Company	x	x	x	x	x	x			
	Raleigh	Mechanics & Farmers Bank							x		
	Wilson	Commercial Bank of Wilson						x	x		
	Winston-Salem	Forsyth Savings & Trust Co	x	x	x	x	x	x	x		
		Citizens' Bank and Trust Company						x	x		
Ohio											
	Cleveland	Cleveland's Peoples Finance Corporation								x	
Oklahoma											
	Boley	Farmers and Merchants Bank/ Merchants and Farmers Bank	x	x						x	x
		First National Bank of Boley						x	x		
	Muskogee	People's Bank and Trust Company	x	x	x						
	Tulsa	Inter City Finance Corporation								x	
Pennsylvania											

State	City	Bank	1912	1913	1914	1916	1919	1922	1925	1931	1937
	Philadelphia	Brown & Stevens Banking Company				x	x	x			
		Citizens & Southern Banking Co						x	x	x	x
		Keystone Bank						x	x		
		People's Savings Bank and Trust Company/ People's Savings Bank	x	x	x	x	x				
	Pittsburgh	Modern Savings & Trust Co/Modern State Bank						x	x		
		The Steel City Banking Company						x	x		
South Carolina											
	Bennettsville	Workers Enterprise Bank						x	x		
	Charleston	Mutual Savings Bank					x	x	x	x	
		People's Federation Bank						x	x		
	Columbia	Victory Bank/Victory Savings Bank						x	x	x	x
Tennessee											
	Memphis	Fraternal Savings Bank and Trust Company	x	x	x	x	x	x	x		
		Solvent Savings Bank & Trust Company	x	x	x	x	x	x	x		
	Nashville	One Cent Savings Bank	x	x	x	x	x				
		People's Savings Bank and Trust Company	x	x	x	x	x	x	x		
		Citizens' Savings Bank & Trust Co						x	x	x	x
Texas											
	Dallas	Penny Savings Bank of Dallas	x								
	Fort Worth	Provident Bank and Trust Company	x								
		Fraternal Bank & Trust Company		x	x	x	x	x	x	x	x
	Houston	Orgen Savings Bank	x	x	x						
	Palestine	Farmers & Citizens' Savings Bank	x	x	x				x		
	Tyler	Farmers' and Mechanics' Bank	x	x	x						
	Waco	Farmers' Improvement Bank	x	x	x	x	x	x	x	x	
Virginia											
	Danville	*Savings Bank of Danville/Savings Bank and Trust Company*						x	x	x	x
	Hare Valley	Brickhouse Savings Bank	x	x	x	x	x				
	Kenbridge	Peoples Bank					x				
	Newport News	Sons & Daughters of Peace Penny, Nickel & Dime Bank	x	x	x	x	x	x	x	x	
		Crown Savings Bank	x	x	x	x	x	x	x	x	x
	Norfolk	Brown Savings Bank	x	x	x	x	x	x	x	x	x
		Tidewater Bank and Trust Company					x				
		Metropolitan Bank and Trust Company						x	x	x	
	Petersburg	Peoples Bank of Petersburg						x			
	Portsmouth	Community Savings Bank						x	x		
	Richmond	Commercial Bank & Trust Co						x	x	x	
		Mechanics' Savings Bank	x	x	x	x	x	x			
		St. Lukes' Savings Bank/St. Luke's Penny Savings Bank	x	x	x	x	x	x	x	x	
		Second Street Savings Bank						x	x	x	
		Consolidated Bank and Trust Company									x
	Roanoke	Acorn Bank								x	
	Staunton	People's Dime Savings Bank Trust Company	x	x	x	x	x	x	x	x	
	Suffolk	Phoenix Bank of Nansemond					x	x	x	x	

State	City	Bank	1912	1913	1914	1916	1919	1922	1925	1931	1937
Totals			44	44	42	34	41	58	56	36	15

Note: The five banks in italics are currently African American owned (Source: Federal Reserve Statistical Release (2017))

Table 2: Title and Copyright Dates for Volumes of the *Negro Year Book*

Volume	Title date	Copyright date
1	1912	1912
2	1913	1913
3	1914-1915	1914
4	1916-1917	1916
5	1918-1919	1919
6	1921-1922	1922
7	1925-1926	1925
8	1931-1932	1931
9	1937-1938	1937
10	1941-1946	1947
11	1952	1952

Note: The section "Directory of Negro Banks," Volumes 1-8, are used in this study

Table 3: Summary Statistics

	Mean	Median	St Dev	Min	Max
Adult Population	37894.52	14722.65	118804.87	1647.90	3012529.50
Adult Population (Afr. Am.)	4774.41	2487.75	8963.00	200.40	202151.41
Adult Population (White)	33000.11	10401.00	113171.59	400.20	2805141.50
Adult Population (All others)	120.01	1.40	817.53	0.00	30338.90
Employers/1000	34.04	48.74	41.95	0.00	243.49
Employers/1000 (Afr. Am.)	44.31	20.54	46.78	0.00	292.08
Employers/1000 (White)	32.48	52.96	41.06	0.00	229.60
Own home/1000	422.51	491.53	136.11	47.23	908.60
Own home/1000 (Afr. Am.)	258.42	344.27	171.19	1.36	900.57
Own home/1000 (White)	446.81	546.39	110.68	48.52	916.12
Mortgaged/1000	240.88	155.54	154.80	6.66	988.82
Mortgaged/1000 (Afr. Am.)	122.36	115.43	140.84	0.78	990.10
Mortgaged/1000 (White)	258.51	171.17	159.88	5.45	988.44
White collar/1000	149.44	61.07	39.57	0.00	249.10
White Col/1000 (Afr. Am.)	22.15	16.54	12.32	0.00	122.20
White collar/1000 (White)	145.84	84.55	44.01	0.00	308.13
Migration/1000	432.04	198.57	219.34	7.21	958.44
Migration/1000 (Afr. Am.)	286.20	153.45	287.42	0.18	998.65
Migration/1000 (White)	452.24	222.40	219.94	6.34	958.22
Urban pop/1000	639.71	171.91	282.83	0.00	1000.00
Urban pop/1000 (Afr. Am.)	403.93	175.43	343.37	0.00	1000.00
Urban pop/1000 (White)	674.16	178.20	284.40	0.00	1000.00
Lit. Rate (Afr. Am.)	0.67	0.88	0.15	0.20	1.00
Observations		10992			

African American literacy rate is shifted upward. See Footnote 17 on Page 17

Table 4: Summary Statistics by Region and Bank Presence

Panel A: Northern and Southern County-years

	North			South		
	Mean	Percentage	Total	Mean	Percentage	Total
Number of banks		18.35%	20		81.65%	89
Number of bank-years		17.57%	52		82.43%	244
Number of counties		26.86%	397		73.14%	1,081
Number of county-years		26.95%	3,580		73.05%	9,706
	Mean	Median	Total	Mean	Median	Total
Afr. Am. Population, 1925	3,690	752.5	1,464,956	5,192	3,019	5,612,136
Afr. Am. Population	3,168	743	11,342,526	5,136	3,072	49,847,594
Employers/1000 (Afr. Am.)	6.01	7.222		46.56	25.41	
Own home/1000 (Afr. Am.)	222.2	397.8		264.9	330	
Mortgaged/1000 (Afr. Am.)	134.4	197.2		206.9	103	
White collar/1000 (Afr. Am.)	42.34	28.26		19.49	14.46	
Migration/1000 (Afr. Am.)	762.8	661.2		184.8	95.61	
Urban pop/1000 (Afr. Am.)	876.1	756.6		314.9	51.47	
Literacy/1000 (Afr. Am.)*	934.7	920.7		748.4	761.6	
White Population	88,836	21,320	318,032,724	12,829	8,340	124,516,887
Employers/1000 (white)	31.69	37.05		48.27	55.75	
Own home/1000 (white)	437.4	555.1		508.7	534.2	
White collar/1000 (white)	162.6	110.5		121.9	78.46	

Panel B: County-years with and without banks

	Banks			No Banks		
	Mean	Percentage	Total	Mean	Percentage	Total
Number of banks			109			0
Number of bank-years			372			0
Number of counties		4.19%	62		95.81%	1,416
Number of county-years		2.23%	296		97.77%	12,991
	Mean	Median	Total	Mean	Median	Total
Afr. Am. Population, 1925	21,448	20,706	1,329,806	4,059	2,077	5,747,286
Afr. Am. Population	30,820	20,243	9,122,789	4,008	2,066	52,067,331
Employers/1000 (Afr. Am.)	18.10	8.355		42.71	15.97	
Own home/1000 (Afr. Am.)	195.0	233.3		267.8	349.5	
Mortgaged/1000 (Afr. Am.)	101.4	110.9		173.8	155.0	
White collar/1000 (Afr. Am.)	38.61	34.33		21.12	17.31	
Migration/1000 (Afr. Am.)	465.2	254.3		261.5	159.8	
Urban pop/1000 (Afr. Am.)	800.0	795.1		352.1	181.9	
Literacy/1000 (Afr. Am.)*	854.8	825.3		770.3	799.2	
White Population	193,012	35,185	57,131,484	29,668	10,712	385,418,127
Employers/1000 (white)	17.26	29.72		31.88	46.63	
Own home/1000 (white)	392.1	414.9		459.0	544.0	

Note: African American literacy rate is shifted upward. See Footnote 17 on Page 17

Table 5: Limiting Extrapolation

Dependent Variable	Lag	Census data through	Vols. Included	Last Pub. Date Included
Employer rate	2 years	1930	1-8	1931
Home ownership rate	6 years	1930	1-7	1925
Mortgage rate	6 years	1920	1-5	1919
White collar occupation rate	10 years	1930	1-7	1925

To ensure that no census data is extrapolated more than five years, the volumes of the *Negro Year Book* included differ for each dependent variable analyzed

Table 6: Effect of African American Banks on African American Population

	Employer/1000	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	43.04	-43.50	249.5	0.604
	(18.57)	(55.50)	(160.8)	(3.088)
Demog. Controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes	Yes
Observations	10992	9618	5496	9618

Table 7: Impact of African American Banks on African American Employers by Region

	Employer/1000 - South	Employer/1000 - North
Banks/1000	54.17	1.259
	(20.61)	(2.522)
Demog. Controls	Yes	Yes
Year Fixed Effects	Yes	Yes
County Fixed Effects	Yes	Yes
Observations	8248	2744

Standard errors in parentheses

Table 8: African American Banks Effect on Ownership and Occupation in the North

	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	-122.9	-332.5	-7.808
	(23.51)	(625.2)	(5.776)
Demog. Controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes
Observations	2401	1372	2401

Standard errors in parentheses

Table 9: African American Banks Effect on Ownership and Occupation in the South

	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	-9.888	288.6	2.513
	(59.48)	(161.1)	(2.619)
Demog. Controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes
Observations	7217	4124	7217

Standard errors in parentheses

Table 10: Checking the Robustness of the Effect on Employer Rate

	Pop Cutoff 1000	Incl. Thrifts	Only Banks
Banks/1000	37.01		
	(17.67)		
Banks/1000		40.90	
		(16.73)	
Banks/1000			45.85
			(20.15)
Demog. Controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes
Observations	7480	10992	10992

Standard errors in parentheses

Table 11: Checking the Robustness of the Northern Effect on Home Ownership

	Pop Cutoff 1000	Incl. Thrifts	Only Banks
Banks/1000	-118.8		
	(34.97)		
Banks/1000		-159.7	
		(45.31)	
Banks/1000			-121.3
			(23.15)
Demog. Controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes
Observations	889	2401	2401

Standard errors in parentheses

Table 12: Northern Effects under Civil War and No WV Definitions

	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	-136.3	-915.3	-7.951
	(19.96)	(971.4)	(6.272)
Demog. Controls	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes
Observations	3297	1884	3297

Standard errors in parentheses

Table 13: Employer Rate Still Positive in the South when South = Confederate States + Oklahoma

	Employer/1000 - South	Employer/1000 - North
Banks/1000	52.31	3.109
	(25.74)	(1.604)
Demog. Controls	Yes	Yes
Year Fixed Effects	Yes	Yes
County Fixed Effects	Yes	Yes
Observations	8438	4848

Standard errors in parentheses

Table 14: Southern Employer Effect not from Cotton South

	Employer/1000	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	116.0	-30.39	218.2	-7.249
	(80.53)	(61.76)	(258.0)	(5.071)
Demog. Controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes	Yes
Observations	3456	3024	1728	3024

Standard errors in parentheses

Table 15: Only Counties with more than 1,000 African American Urban Adults

	Employer/1000	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	42.03	-50.24	45.40	0.114
	(22.69)	(48.81)	(276.0)	(2.975)
Demog. Controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes	Yes
Observations	2970	2530	1374	2530

Standard errors in parentheses

Table 16: Northern Effects on Home Ownership Still Present in Urban Counties

	Employer/1000	Own Home/1000	Mortgaged/1000	White Collar/1000
Banks/1000	-1.489	-158.5	103.5	-0.0629
	(2.457)	(42.42)	(623.3)	(5.888)
Demog. Controls	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes	Yes
Observations	881	750	392	750

Standard errors in parentheses

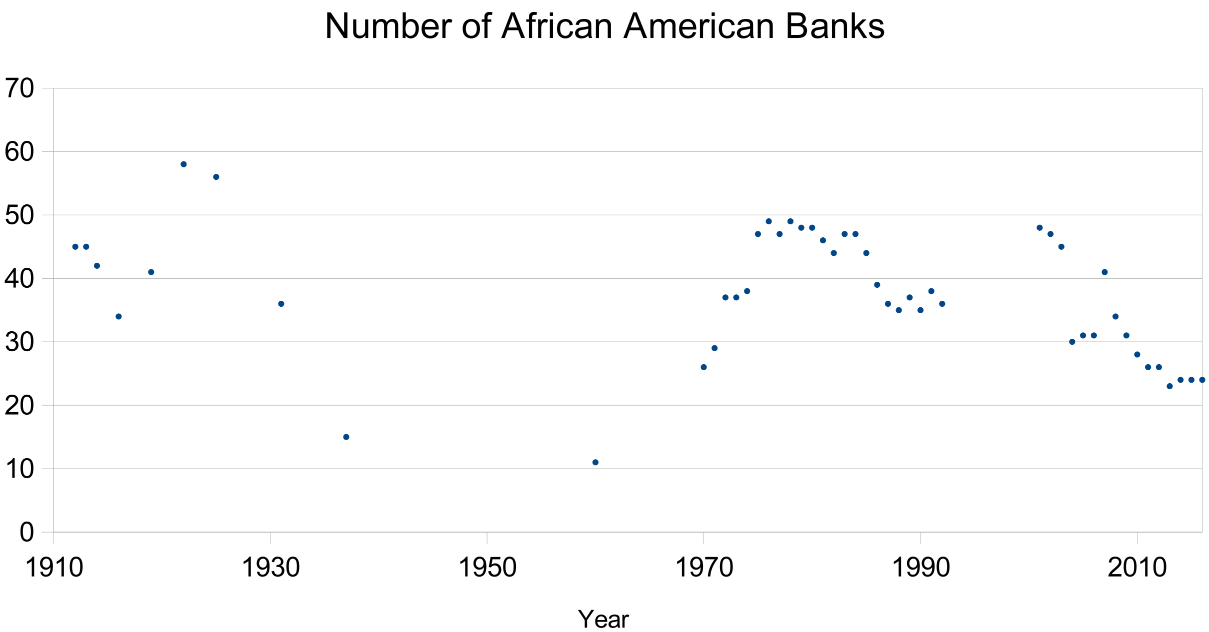


Figure 1: African American banks, 1910-2015. Sources: Work (1912), Ancestry.com (2011), American Bankers Association and Rand McNally and Company (1912-1937), Irons (1971), Brimmer (1971), Black Enterprise (1973-1993), Federal Deposit Insurance Corporation (2016a), Federal Reserve Statistical Release (2017)

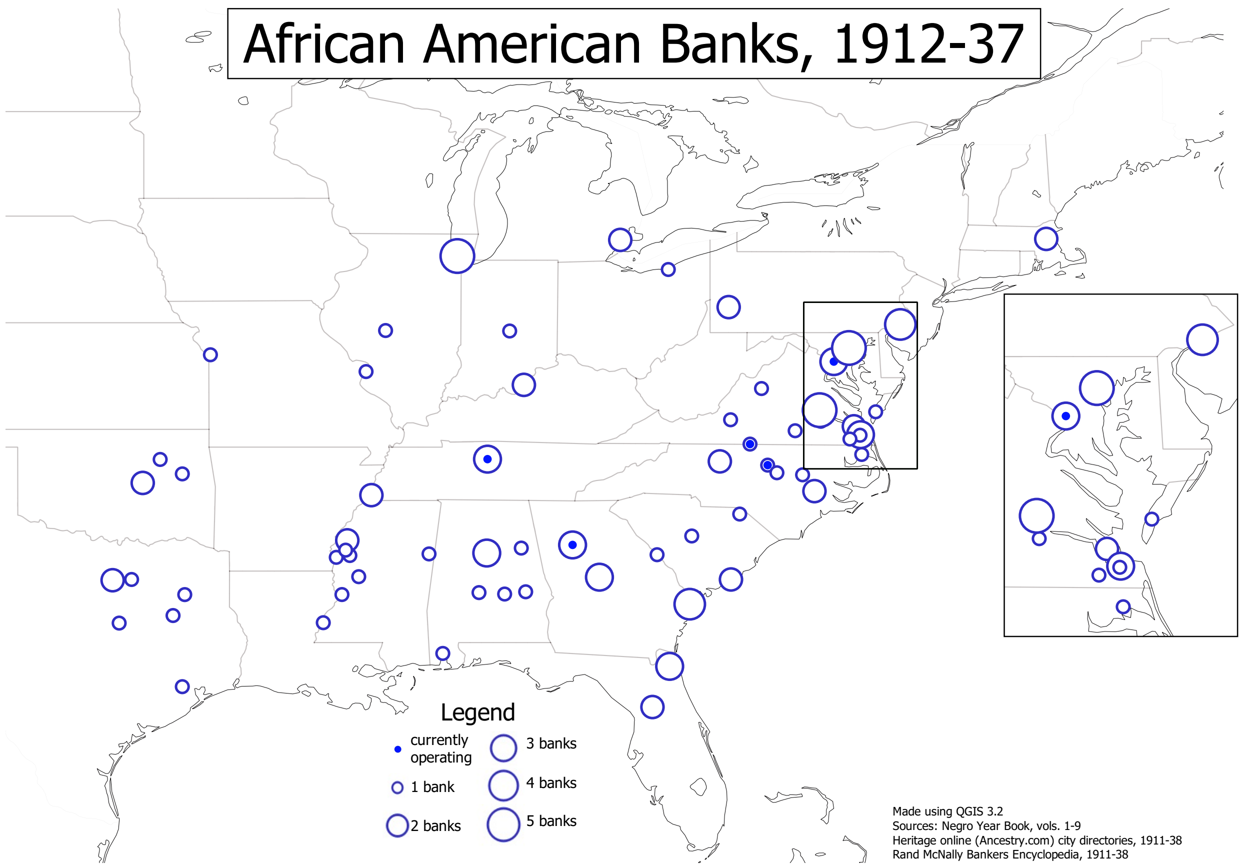


Figure 2: Map of African American Banks, 1912-37. Sources: Work (1912), Ancestry.com (2011), American Bankers Association and Rand McNally and Company (1912-1937)

DIRECTORY OF NEGRO BANKS

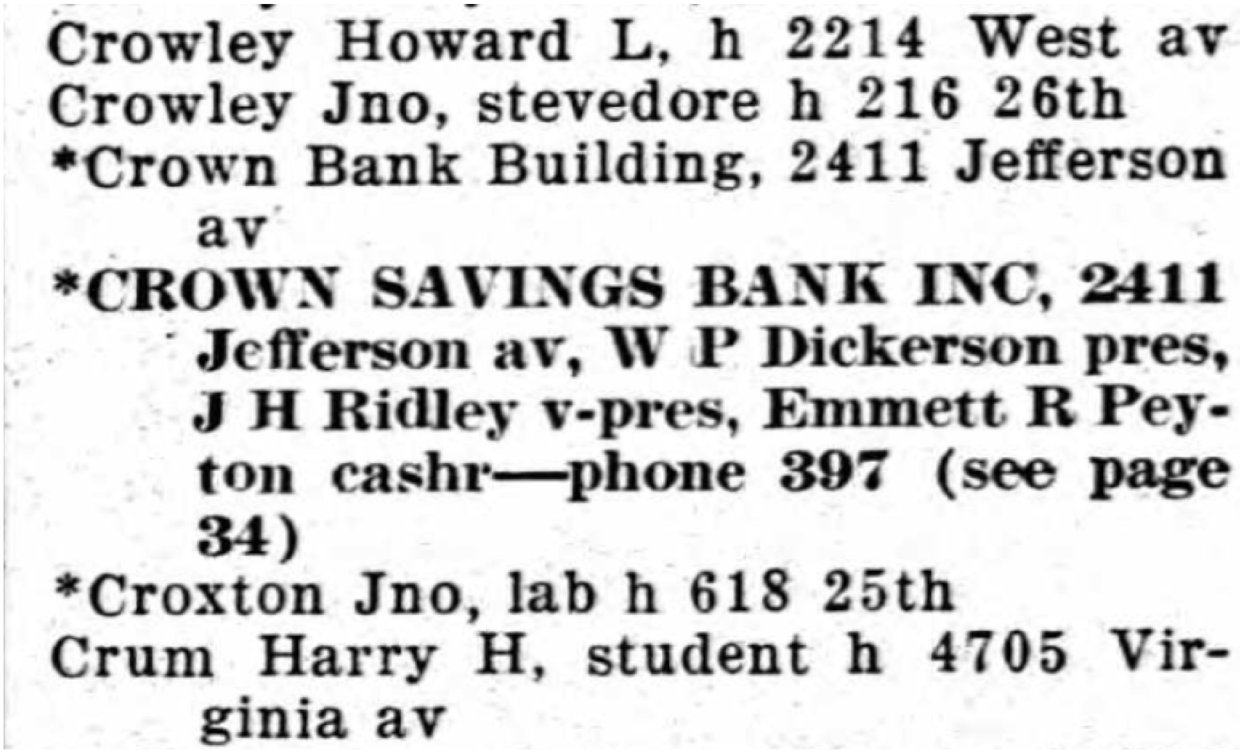
Name	Place	President
Alabama		
Tuskegee Institute Savings Bank	Tuskegee Institute	R. R. Moton
District of Columbia		
Industrial Savings Bank	Washington	
The Prudential Bank	Washington	J. R. Hawkins
Florida		
Progress Savings Bank	Key West	
The Ocala Savings Bank	Ocala	F. P. Gadson
Georgia		
Penny Savings Loan & Invest. Co	Augusta	R. S. Williams
Fidelity Savings Bank	Savannah	E. H. Quo
Mechanics' Savings Bank	Savannah	P. E. Perry
Savannah Savings & Real Estate Corp	Savannah	W. S. Scott
Wage Earners Savings Bank	Savannah	L. E. Williams
Liberty Savings & Real Estate Corp	Macon	R. E. Harlety
Middle Georgia Saving & Invest. Co	Macon	C. H. Douglass
Laborers' Savings & Loan Co	Columbus	J. L. Scanins
Citizens Trust Co	Atlanta	A. M. Wilkins
Illinois		
Binga State Bank	Chicago	Jesse Binga
Douglas National Bank of Chicago	Chicago	Anthony Overton
Kentucky		
First Standard Bank	Louisville	Wilson Lovett
American Mutual Savings Bank	Louisville	W. H. Wright

Figure 3: Directory of Banks in the 1925 Negro Year Book

(*) Purpose of star (*) in front of name is to denote colored person or firm, but we assume no responsibility for it's wrong use, errors often creep in.

Figure 4: Explanation for star indicator on persons and businesses, Elizabeth City, North Carolina

Source: Ancestry.com (2011)



Crowley Howard L, h 2214 West av
Crowley Jno, stevedore h 216 26th
*Crown Bank Building, 2411 Jefferson av
****CROWN SAVINGS BANK INC, 2411 Jefferson av, W P Dickerson pres, J H Ridley v-pres, Emmett R Peyton cashr—phone 397 (see page 34)***
*Croxton Jno, lab h 618 25th
Crum Harry H, student h 4705 Virginia av

Figure 5: Newport News city directory, 1922, showing "colored" indicator for the African American Crown Savings Bank

Source: Ancestry.com (2011)

THE HARNESS MAKER

COLORED DEPARTMENT 601

Colored Department
1914
4251
Savannah City Directory

Figure 6: Separate listings for "colored" residents of Savannah, Georgia, 1914

Source: Ancestry.com (2011)

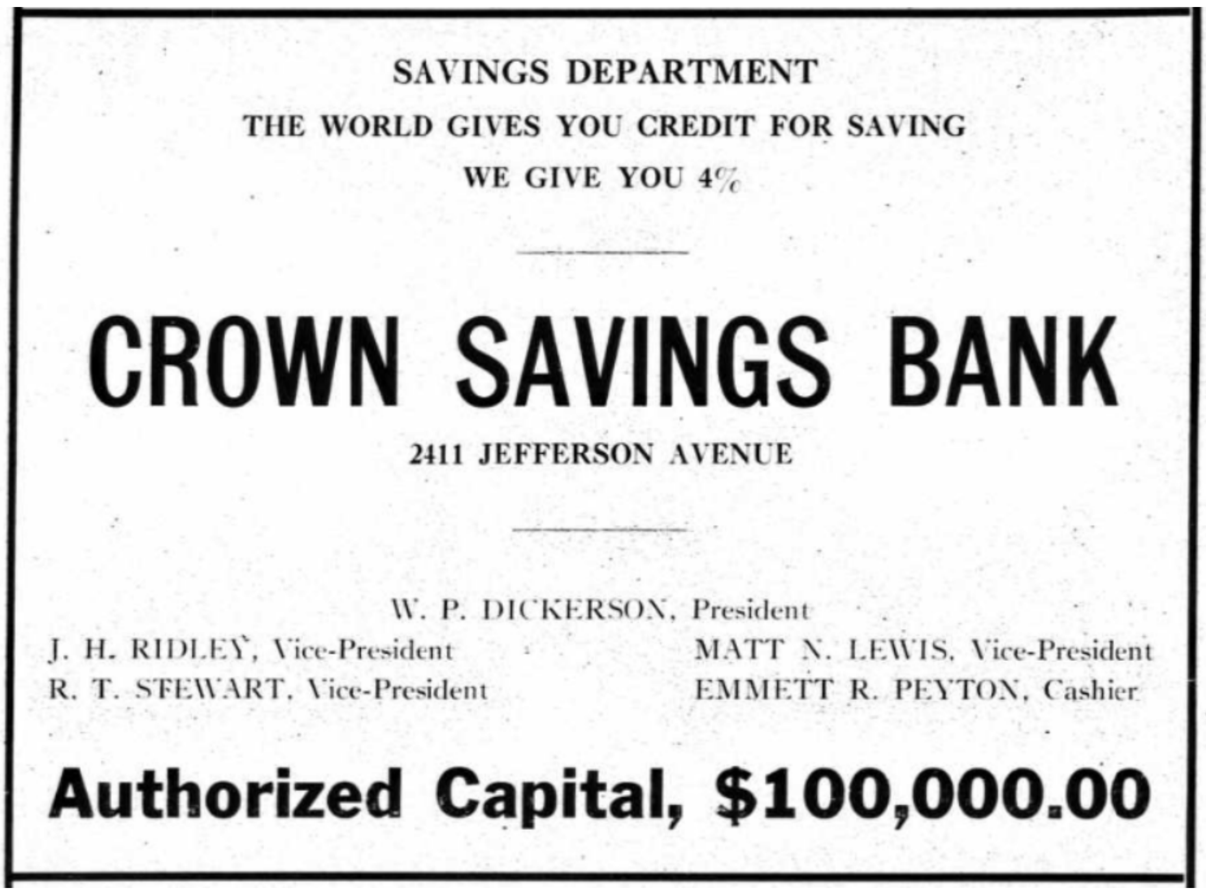


Figure 7: Advertisement for Crown Savings Bank in the 1923 Newport News, Virginia, city directory

Source: Ancestry.com (2011)