“Burn, Baby, Burn”: Small Business in the Urban Riots of the 1960s

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On August 11, 1965, a routine arrest of a drunk driver in the Watts section of Los Angeles sparked a riot that lasted five days and took the lives of thirty-four people. African American rioters looted and set fire to stores, as bystanders chanted the slogan of a popular disc jockey, “Burn, Baby, Burn!” The Watts riot ushered in four “long, hot summers” of mayhem. Between 1965 and 1968, more than three hundred riots occurred, resulting in two hundred deaths and the destruction of several thousand businesses (Thernstrom and Thernstrom 1997, 158–61; Graham 1980, 12). In this article, I examine the effect of the riots on small business, an issue neglected by government officials, who embraced an ideology that focused sympathetic attention on rioters but ignored their victims.

The Riot Ideology

As America’s inner cities burned, contemporary observers searched for answers to the question, “What do the rioters want?” Black militants and their white sympathizers considered the “rebellions” a form of political violence designed to force concessions from governmental authorities. In that view, the rioters were “political dissidents” who targeted “hated examples of outside oppression and exploitation” (Feagin and Hahn 1973, 44, 47).[1] The media publicized the views of militants, such as Stokely Carmichael, who characterized the riots as “uprisings” against poverty and white racism.[2] Black radicals argued that by rioting, the masses were abandoning racial integration in favor of

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separatism. They also maintained that the nonviolent tactics of the civil rights movement had failed to produce real economic gains for the inner-city poor.

The "fire in the streets" lent credence to this militant interpretation. The rioters resisted peaceful overtures from moderate civil rights leaders. Watts residents booed Martin Luther King Jr. when he appeared in their neighborhood in the aftermath of the riot (Crump 1966, 21). Likewise, during the Detroit riot of 1967, African American congressman John Conyers Jr. (D-Mich.) rushed to the streets in a vain attempt to calm the crowd. Surrounded by an angry mob, Conyers beat a fast retreat to safety and told reporters, "You try to talk to those people, and they'll knock you into the middle of next year" ("Explosion in the Cities" 1967).

Surveys of African American public opinion confirmed elements of the militant "protest" interpretation. Most white Americans blamed the riots on criminals or communists and thought that looters should be shot. African Americans, on the other hand, were much more sympathetic. A large majority thought that the riots were caused by a lack of good education, jobs, and housing. Nearly half of African American respondents cited police brutality as one of the reasons for the riots, though only 7 percent thought that it was the "main cause" (Erskine 1967, 664, 666, 673–75; Thernstrom and Thernstrom 1997, 164).

There were, however, many problems with this interpretation of the riots. The "rebellions" resembled giant shopping sprees; most of the looters appeared to be in the melees "for fun and profit." Their targets often included stores containing goods that could be easily consumed, such as liquor, cigarettes, drugs, and clothing. Looters generally avoided stealing goods that would have to be sold. The rioters stole clothes from dry-cleaning establishments and merchandise from pawn shops, property that belonged to black residents. These facts fit the conservative interpretation of the riots as an outbreak of mass criminality (Banfield 1968; Gilbert 1968, 180). Liberal sympathizers explained away these facts by inventing a corollary to the militant interpretation: the looters were acting out the acquisitive impulses of the larger society. According to one writer, the looting was "a statement about the nature of our consumer society [rather] than an expression of the lack of morality" (Gilje 1996, 159). Deprived of the opportunity to own desirable goods, rioters were "redefining property rights" by rejecting the "norms of private property" (Gilje 1996, 159; Quarantelli and Dynes 1970, 168–82; Feagin and Hahn 1973, 176; Fogelson 1980, 87–88; Fine 1989, 346). However, this dubious justification was more a reflection of revolutionary romanticism than a serious explanation of the riots.[3]

1. See also Skolnick 1969 and Fogelson 1971.

2. For example, in 1967, Carmichael used CBS News air time to call the secretary of defense a "racist honkey" and to declare that "fire must rage in the United States" (Singer and Osborn 1970, 29).

3. The historian Sidney Fine is skeptical of this explanation. In his study of the Detroit riot, Fine writes, "it would have astonished the many looters who seized goods because they saw a 'chance to get things' with little risk that what they were really doing was redefining property rights" (1989, 346).

The militant explanation also failed to explain why the initial reaction of African Americans to the riots was highly negative. Survey takers in Watts found that "the actual events of the riot were almost universally condemned." When asked "What did you like about what was going on?" two out of three respondents replied, "Nothing." Detroit blacks believed that the rioters were motivated by the "chance to get things" (42 percent) or the "opportunity, lack of sanctions" (12 percent) rather than revenge. Indeed, a high percentage of those arrested during the riots agreed that they were acting upon a "desire for material gain" (Thernstrom and Thernstrom 1997, 161–62; Singer and Osborn 1970, 28, 37; Sears and Tomlinson 1968, 492; Fine 1989, 346). Nationwide, blacks hoped that some good would come of the riots and viewed them as in some way a protest against unfair conditions, but there was little support for the arson and looting that took place (more than two-thirds of blacks thought that "looters steal property and are criminals"). Moreover, after the terribly destructive riots of 1967, a strong majority of blacks thought that the violence hurt the cause of civil rights (Erskine 1967, 662, 671, 677).

The conservative theory of the riots offered a better explanation of the civil disorder. Critiquing the militant view, conservatives emphasized that a minority of ghetto residents participated in the riots and that most African Americans disapproved of the arson and looting. They noted that rioters rarely attacked government buildings and that the looting of stores was done more for "fun and profit" than for making a political statement. Although recognizing the real grievances of ghetto residents, conservative writers disputed that those grievances were the cause of the riots. Instead, they blamed the unrest on a weak police deterrent, media coverage, and a general breakdown of law and order. Televised newscasts unwittingly informed potential looters where they might join the mob and enjoy "safety in numbers."[4] Furthermore, by responding paternalistically to the riots and refusing to take a hard line against violence, liberal policymakers spawned a self-fulfilling prophecy that encouraged further self-destructive behavior. In effect, rioters were granted a moral holiday, and their neighbors paid the price (Banfield 1968; Van den Haag 1968; Burnham 1968; Methvin 1970).

Despite the shortcomings of the militant interpretation, the notion that the riots were a collective protest against racial injustice became part of an influential "riot ideology."[5] The riot commissions of the 1960s concluded that ghetto residents were reacting to "the dull devastating spiral of failure" or to "white racism" (Governor's

4. For an insightful analysis of crowd psychology, the role of the media, and the development of a riotous mob, see Haddock and Polsby 1994. For empirical evidence of the media's "contagion effect," see Singer 1970.

5. There is a large literature on this "riot ideology" (see Skolnick 1969, Quarantelli and Dynes 1970, Fogelson 1971, Feagin and Hahn 1973, Sears and McConahay 1973, and Siegel 1997).

Commission 1965, 128; U.S. Riot Commission 1968).[6] The "root causes" of the violence supposedly lay in a lack of "good" jobs; therefore, liberal policymakers responded sympathetically to the rioters. President Johnson stated privately that "The Negro . . . [is] still nowhere. He knows it. And that's why he's out in the streets. Hell, I'd be there too" (Flamm 1998, 321).[7] Johnson's speeches were replete with calls for social spending in response to the riots. Improving conditions in the inner city would, Johnson argued, "make us all a happier and more guilt-free people" (Johnson 1968, 836). Consequently, an increasing percentage of federal antipoverty dollars went to the ghettoes, transforming the color-blind War on Poverty into a series of "black-oriented" programs (Feagin and Hahn 1973, 27, 244, 253; Button 1978; Singer and Osborn 1970, 35; Weir 1992, 83–88; Gale 1996, 59–85; Skrentny 1996, 89).

The riot ideology reflected the loss of moral confidence that underlay the civil rights liberalism of the early 1960s. Former presidential aide Harry McPherson recalled that "too often the White House would issue a strong statement against rioters and then follow it with an apologetic 'Of course, we understand why you rioted.' . . . It was that ambivalence of the liberal" (quoted in Flamm 1998, 355). The neoconservative writer Midge Decter described this position as "the very liberal and very racist idea that being black is a condition for special moral allowance" (Decter 1977, 54). But that paternalistic attitude was not confined to liberals. Although "law-and-order" conservatives in Congress had accused the Johnson administration of "rewarding violence," Republican president-elect Richard Nixon pursued similar policies, such as promoting black capitalism in the ghetto (Kotlowski 1998).

During this period, officials at the Small Business Administration (SBA) used the riot ideology to justify racial preferences for black business. Agency officials argued that the creation of black businesses in the ghetto would sooth the disadvantaged by giving them hope for a better future (Foley 1968, Zeidman 1968, Samuels 1969). In fact, the SBA had pioneered government support for black capitalism long before the riots broke out. In January 1964, the agency established a pilot loan program to promote business ownership among African Americans. That affirmative action was the brainchild of Eugene Foley, a young administrator who took office in August 1963, the month Martin Luther King Jr. marched on Washington. Based on his brief experience with the pilot project, Foley persuaded Congress to include Economic Opportunity Loans (EOLs) in the War on Poverty. The goal was to get poor people off the welfare rolls by helping them start businesses. Despite high failure rates, the SBA

6. The major commissions included the California Governor's Commission on the Los Angeles Riots (called the "McCone Commission," after chair John A. McCone), the U.S. Riot Commission ("Kerner Commission"), and the National Commission on the Causes and Prevention of Violence, which published its report after the riots subsided (Graham 1980).

7. Many top government officials succumbed to the riot ideology. The authors of one survey found that "a majority or near-majority of influentials in each of these [government] agencies felt that violence was advantageous to social change" (Button 1978, 171).

pushed ahead with the experiment against the better judgment of the agency's loan officers.[8] The riots gave new impetus to the program and transformed it into a de facto preference for black applicants.[9]

Small Business and the Riots

While focusing attention on the rioters, policymakers ignored the plight of inner-city businesses affected by the civil disorders. No group experienced so much property damage as the businesses operating in riot-torn areas. The scale of the violence and destruction escalated through the 1960s. Rioters looted and burned some one hundred businesses in the Harlem riot of 1964, six hundred in Watts (1965), one thousand in Newark (1967), and a mind-boggling twenty-five hundred in the Detroit upheaval. According to one "low" estimate, rioters looted more than ten thousand stores overall (Feagin and Hahn 1973, 173; Thernstrom and Thernstrom 1997, 160; Quarantelli and Dynes 1970, 168). Nearly all of these businesses were small businesses; chain stores avoided the inner city because profits were low, crime was high, banks were wary, parking space was at a premium, and zoning regulations discouraged the establishment of large enterprises (Rosenthal 1967, 20; Sengstock 1970, 207–10). Most of the businesses were white owned, though many of their employees were black; in the Washington, D.C., riots of 1968, more than half of the displaced workers were black (U.S. Senate Committee on Government Operations 1969, 3209). By the late 1960s, it appeared that relations between inner-city merchants and residents had broken down. One analyst commented that "the hatred between residents and neighborhood merchants can . . . be likened to that existing between two opposing armies," each thinking the worst of the other (Rosenthal 1967, 15).[10]

The critics of inner-city businesses charged them with almost every imaginable abuse, including price gouging, the sale of shoddy merchandise, and ruthless credit collections (Berk 1968, 125; U.S. Riot Commission 1968, 274–77). In *The Poor Pay More,* sociologist David Caplovitz claimed in 1963 that "exploitation and fraud are the norm rather than the exception" (1967, xvii).[11] Black militants latched onto the "gouging

8. The General Accounting Office (GAO) later reported that of those firms completing the EOL program, only 15 percent were still in business as of the late 1970s. The GAO concluded that EOL borrowers "were in worse condition than before they took on small business ownership" (U.S. General Accounting Office 1980, iii).

9. I discuss the evolution of these racial preferences in *Big Government and Affirmative Action: The Scandalous History of the Small Business Administration*, forthcoming from the University Press of Kentucky. For a survey of the literature on black capitalism, see Bates 1993.

10. On the relationship between merchants and ghetto residents, see Berk 1970.

11. In the preface to the second edition of his book, Caplovitz expressed "second thoughts" about his characterization of the credit merchant as the "villain." He admitted that he "did less than full justice to the neighborhood merchant" and that "in some respects the local merchants charge more for the simple reason that it costs them more to operate" ([1967] 1973, xxv–xxvi). Caplovitz did not, however, alter the main body of his book to fit this revised understanding of the merchants.

merchant" stereotype as a focus for their attack on the "white power structure" (Rosenthal 1967, 16). Other observers noted the potential class conflict between these petty capitalists and their lower-income customers, who allegedly resented the relative success of the small-business owners (Horne 1995, 311).

Belief in the "gouging merchant" stereotype was widespread among blacks. In a nationwide poll taken in August 1967, half of the black respondents agreed that "the stores looted have charged Negroes exorbitant prices," although the same poll found that an even greater majority disapproved of the looting (Erskine 1967, 665). In a fifteen-city survey, blacks were much more likely than whites to say that they were overcharged or sold spoiled goods. Yet only a small percentage said that they were treated disrespectfully. Their chief complaints concerned the economics of ghetto business rather than interpersonal relations with merchants (Campbell and Schuman 1968, 45).

These complaints had some factual basis, although the sweeping claim of exploitation was unwarranted. Inner-city merchants charged higher prices and higher rates of interest on credit accounts than the suburban chain stores. One-third bought and resold "bargain" goods ("seconds" or "slightly spoiled" items). However, contemporary studies found that dishonest practices—mostly related to credit sales—were confined to a small minority of merchants. Furthermore, the higher prices reflected the higher operating costs of very small businesses; there was no evidence that merchants were reaping excessive profits. (Quite the contrary, the failure rate of inner-city businesses was high, profits were low, and working conditions were less than ideal.) The limited selection of goods was also characteristic of Mom-and-Pop establishments. The Kerner Commission concluded that "these practices do not necessarily involve 'exploitation,' but they are often perceived as exploitative" (Berk 1968, 129; U.S. Riot Commission 1968, 277). Although black ghettos were underserved by discount chain stores, the commission failed to note that low-income white neighborhoods were equally underserved (Sengstock 1968, 197–200).

The critics of ghetto business ignored the extra services those merchants offered to customers and residents of the ghetto. Nearly all contributed to local churches or charities, half helped customers fill out applications and other forms, and one-third sometimes gave "credit to people other stores wouldn't help" (Sengstock 1968, 206). They also worked extremely long hours as a convenience to their customers. Merchants reported having many customers who were friends and, according to researcher Richard Berk, half seemed to operate "informal, perhaps even friendly neighborhood stores" (Berk 1968, 126–27). In short, the blanket condemnation of inner-city merchants as rapacious business owners was undeserved.

Inner-city merchants victimized by the riots denied that they were singled out because they were unscrupulous or unfair to blacks. Most of the merchants hit by the riots blamed the looting on the fact that their store was a "tempting target" or merely in the area where the rioting took place. In fact, studies have shown that store reputation had little bearing on the selection of targets. Typically, rioters struck poorly lit, unguarded stores first, then moved against other business establishments in their neighborhoods. The looters chose stores based on the attractiveness of the merchandise, familiarity, and exposure (nearness to riots) (Berk 1968, 130; Rosenthal 1967, 12–15; Berk and Aldrich 1972, 540–44; Rossi and Berk 1970, 120).[12]

The accusations of unfair business practices and racism were extraneous to a major animus driving black militants—their desire to rid black neighborhoods of nonblack business owners. Most of the ghetto merchants were white, and a disproportionate share of their employees also were white (though most of the establishments also employed blacks). Many of the merchants were white ethnics: Jews and immigrants owned more than half of the ghetto businesses in fifteen cities surveyed by the Kerner Commission. Blacks owned roughly 25 percent of the businesses in those ghettoes (Berk 1968, 126–27). This white domination may have existed because these business owners established their stores before the area became predominately black. Still, by the end of the decade there was no sign of a major turnover in ownership, because the costs of moving proved prohibitive and the owners were unable to find suitable buyers (Aldrich 1973, 1406–12).The riots only worsened the situation by discouraging prospective buyers from taking over firms in a de facto war zone.

White business owners found themselves in the classic position of a "middleman minority" providing services to a host community that did not understand or appreciate their contribution to the local economy. Middleman minorities may work peacefully within a host community for generations until some precipitating event or movement turns the local residents against them. Demagogues may whip up community resentment of these "outsiders," playing on the xenophobia and ethnic solidarity of the locals (Sowell 1996, 27–35). Precisely such demagoguery took place during the 1960s. Black separatists preached hatred of white owners who worked in the ghetto but lived elsewhere; the typical ghetto merchant lived a median of two miles away from his store (Berk 1968, 127; Reiss and Aldrich 1971).[13] Malcolm X declared that "all the stores are run by the white man, who takes the money out of the community as soon as the sun sets" (quoted in Bell 1970, 219).[14] In *Black Power* (1967), Stokely Carmichael and Charles Hamilton railed against the white "exploiters [who] come into the ghetto from outside, bleed it dry, and leave it economically dependent." Carmichael and Hamilton maintained that the black community was "sapped senseless" by such absentee owners (17, 20). Radical white sympathizers echoed the separatist rhetoric. The economist

12. Some types of business were immune to attack because the rioters did not care for their merchandise. Businesses that sold commercial equipment or bulky consumer goods (for example, air-conditioning units) had little to fear from rioters (Henderson 1968, 6).

13. David Caplovitz reported that most successful black business owners also lived outside Harlem (1973, 41).

14. See also Malcolm X, "The Ballot or the Bullet" and "After the Bombing" (in Malcom X 1965, 38–39, 166–67).

Barry Bluestone, for example, explained that the rioters found it "intolerable" that whites owned ghetto businesses. He wrote, "the first molotov cocktail targets were white-owned storefronts, neon-lit symbols of a 'honky'-dominated culture and . . . symbols of an entrenched lily-white economy" (Bluestone 1969, 37–38). Likewise, in a more subdued scholarly tone, the sociologists Joe Feagin and Harlan Hahn argued that the "revolts" were "intensely political": by looting and burning white-owned stores, the rioters were attempting to "remove hated examples of outside oppression" (1973, 47).[15]

This interpretation was plausible—after all, the rioters were black and most of the stores were owned by whites. But, in fact, rioters were just as likely to loot black-owned businesses. Black shopkeepers hoped in vain that the rioters would leave them alone. They put up "Soul Brother" signs to mark their shops as black owned; one merchant with a sense of humor posted a sign reading "Very, Very, Very, Very Black." White owners also tried unsuccessfully to protect their stores by affixing signs indicating that they employed African Americans. One sign read, "37 Soul Brothers and Sisters Earn Their Living Here" (Sauter and Hines 1968, 7–8; Crump 1966, 49; Gilbert 1968, 179–81). Yet studies of riot patterns revealed that race was not a significant factor in the selection of targets, in part because black merchants had the misfortune of being concentrated near the site of the rioting (Berk and Aldrich 1972, 543). In some cities, rioters initially left black-owned stores alone, but the looting and arson soon became indiscriminate. A black shopkeeper in Detroit noted that "you were going to get looted no matter what color you were" if your store contained desirable goods (Thernstrom and Thernstrom 1997, 164).

Nor was there much evidence that the rioters targeted Jewish shopkeepers, a group demonized by some black militants (Malcolm X once stated that "when there's something worth owning, the Jew's got it" [Perry 1991, 196]).[16] During the riots, some of those who participated in the unrest yelled anti-Semitic epithets (Fine 1989, 293). Anecdotal accounts, however, do not give an accurate impression of African American sentiment regarding Jews. When asked "Do you feel that Jewish store owners have treated you unfairly?" the overwhelming majority of black respondents who had shopped in a Jewish store answered "No." Actually, blacks viewed Jewish store owners more favorably than other merchants because of their liberal credit policies (Marx 1969, 161–67). Nor did black consumers evince any great interest in promoting black capitalism or in "buying black." In Cleveland's Hough District, only 10 percent of those surveyed preferred a black store owner to a white one (11 percent favored a white, and 79 percent were indifferent). A larger survey of fifteen cities

15. See also Hayden (1967, 30–33). The stereotype of "thieving white merchants" persists in historical treatments of the sixties (Matusow 1984, 362).

16. For a contemporary discussion of black anti-Semitism, see Hentoff et al. 1969.

found that only 18 percent preferred black ownership (Dubey 1970, 113–16; Campbell and Schuman 1968, 16).

Lacking the popular support needed to alter the buying habits of African Americans, black militants resorted to intimidation tactics. Stokely Carmichael and Charles Hamilton advocated that boycotts and demonstrations be directed against merchants until they agreed to "reinvest" 50 percent of their net profit in scholarship funds and jobs "for black people" (Carmichael and Hamilton 1967, 172–73). In the militant mind, the merchants were golden geese to be plucked at will by community activists. Although generally ineffective, the boycotts contributed to the hostile environment surrounding those who did business in the ghetto. The demonstrations also set a precedent for the ugly assaults on Korean merchants in the 1980s and 1990s.

"This Is America?" The Small-Business Reaction to the Riots

Throughout America in the 1960s, inner-city business owners saw their dreams dashed by vandals and looters who left wreckage in their wake. The contemporary and historical literature on the riots is enormous, yet scholars have paid little attention to those victimized by the lawlessness. The story of these merchants is found scattered among congressional hearings, articles in the business press, and accounts of individual riots. It is worthwhile to examine the experiences of individual victims, if only to put a human face on the tragedy.

"This is America?" cried an elderly woman who stood amid the debris of her family's clothing store, which had burned to the ground in the April 1968 riot that ripped through Washington, D.C. "My husband and I worked 40 years to build up this place and now they've gone and taken everything we had" ("Retailers Hit" 1968). In the Detroit riot of 1967, pharmacist Stanley Klein suffered a "total loss" of his drugstore. The rioters raided his store in search of liquor and then proceeded to ransack the establishment (quoted in U.S. Senate Committee on Government Operations 1968, 1526–27). In Newark, Romeo and George Caprio, owners of a television shop, told a reporter that the rioters "wiped us out completely in one night." A loan from the SBA and merchandise on consignment from wholesalers allowed the Caprios to rebuild, but they were burglarized just one week later ("Fear Is a Vacant Store" 1968).

A feeling of helplessness gripped many merchants as they witnessed the looting, either in person or on television. A Washington, D.C., businessman expressed the anguish he felt when the riot broke out:

> I loaded up as much of our records as I could and put them in the trunk of the car and told everybody to get out. Then they looted the store. . . . And you can imagine. I am sitting home with my wife terrified, watching television, and on the screen is our store—seeing people coming out of the

> windows and doors carrying arms full of merchandise, the sidewalks lined up with merchandise, cars circling. It made us cry, but we couldn't do anything about it. (Gilbert 1968, 179)

The business writer Richard Rosenthal summed up the anxieties of "the neighborhood merchant [who] feels betrayed by ghetto residents, larger businesses, and his city government. His business has suffered, he is a likely target of casual and deliberate violence. . . . He is financially unable to move, improve his store, or go out of business. Indeed, many small merchants seem emotionally unable to go out of business, despite their fears and bitterness." Most of the ghetto merchants were more than fifty years old and had invested their entire being in their stores. In practical terms, it was difficult for them to start over in a new career, even if they wished to do so. No one wanted to buy an uninsurable building in a high-crime area (Rosenthal 1967, 16). Consequently, these business owners viewed the future with pessimism. One merchant lamented, "I should have gotten out when I could. Now I can't. I can only hope that things will get better" (Raine 1970; anonymous merchant quoted in U.S. Senate, Small Business Committee 1967, 21).

Most inner-city merchants escaped physical harm, but a few unfortunates lost their lives trying to defend their property. Among them was Krikor Messerlian, an Armenian immigrant who had come to the United States in 1920 with a visa from the British high commissioner in Constantinople. Messerlian arrived in Detroit at the age of twenty and worked briefly in an automobile factory before setting up his own shoe-repair shop on Twelfth Street. The "little shoeman"—only five feet tall and weighing less than one hundred pounds—became a permanent fixture of life on that commercial avenue. When poor blacks arrived from the South, he stayed and enjoyed good relations with his new neighbors. By the 1960s, the elderly repairman didn't do much business, but his shop gave him meaning in life. Messerlian lived in the back of his store, surrounded by his life's possessions: a cot, a television, and books. He spent much of his time reading or chatting with other Armenian immigrants. Unfortunately, as a friend recalled, he was an "old man from the old country. . . . He didn't know how to back off when he was challenged." When several young black men broke into his shop during the riot, Messerlian refused to let them take what little he owned. He drew a short saber he kept for protection and slashed the arm of one of the rioters. The others pulled the old man into the street and beat him mercilessly until his small, frail body was shattered from the blows. He soon died from his wounds. The authors of a Detroit riot chronicle wrote that "there were few tangible effects left from the life of Krikor Messerlian. His shop was virtually empty." "The red neon outline of a shoe—with the word REPAIR under it—was still in the window. But inside there were just some shoes, a few pieces of old furniture, and an official-looking document signed on July 10, 1920, by the British High Commissioner of Constantinople" (Sauter and Hines 1968, 15–21).

The businesspeople who survived the riots faced many difficulties. Some merchants reduced inventory to minimize the potential losses from further looting, but that defensive maneuver increased purchasing costs because they lost out on large-volume discounts. The elimination of night hours caused a decline in sales for some firms. A store open late at night seemed a "lonely island" on the darkened streets ("Fear" 1968). Retailers took countermeasures against riots—including hired guards, better lighting, iron bars, and locks—but those measures added to the cost of doing business ("Checklist for Stores" 1967, Quinn 1968).

The riots occurred in the midst of a crime wave that took a terrible toll on small business. The civil disorders contributed to the general breakdown in law and order, causing an "abrupt and permanent" increase in crime rates that lasted until the early 1990s (Walrath 1993, 138). Nationwide, property and violent crime rates doubled during the 1960s. In riot cities, merchants reported even greater increases in vandalism, shoplifting, and burglary (Walrath 1993; Thernstrom and Thernstrom 1997, 173; Gilbert 1968, 191–92; Rosenthal 1967, 15).[17] Urban shopkeepers were battered by a "rolling riot" of crime that endangered their lives and property. The skin color of the business owners made no difference in their vulnerability to crime. Indeed, a Howard University study concluded that crime was "one of the biggest problems" faced by black merchants, and they were more likely to be armed than white business owners in the ghetto (Brimmer and Terrell 1971, 297; Aldrich and Reiss 1970, 203–4).

Violent crime drove some merchants out of business, but the indirect effects of crime posed a greater threat to the survival of inner-city stores.[18] Merchants found it difficult to hire and retain workers; potential employees feared working in a high-risk environment. Crime and fire insurance were prohibitively expensive (Aldrich 1969; Caplovitz 1973, 78–79, 93–95).[19] Furthermore, these businesses were caught in a vicious cycle: in order to survive, they passed on the costs of crime to the consumer, but customers resented the higher prices and felt justified in shoplifting. Finally, crime scared away customers who feared that they, too, would become victims of crime (Skogan 1986, 219–20). In Detroit, for example, the police blared warnings to holiday shoppers: "Walk in twos after dark," "Keep your hands on your purses," "Stay away from alleys and have a merry Christmas" (Jacoby 1998, 252). Not surprisingly, many long-time customers avoided the older, crime-ridden business districts and headed for the suburbs to do their shopping.

The physical appearance of these commercial districts deteriorated rapidly. Marginal businesses could not afford to rebuild the storefront glass repeatedly broken by

17. For explanations of these increases in crime, see Wilson and Herrnstein 1985, and LaFree 1998.

18. See U.S. Senate Small Business Committee 1969 for an extended analysis and statistics of crime's impact on small business.

19. Congress enacted the Federal Crime Insurance Program in 1970, placing it in the Housing and Urban Development Administration and later the Federal Emergency Management Agency. The government "encountered difficulties in convincing insurance agents and brokers to sell these policies. . . . In addition, the crime program required rather strict safety and loss prevention measures in order to qualify for coverage. Thus this program covers a very small percentage of the needs" (Aharoni 1981, 95). The program was abolished in 1996 (Federal Emergency Management Agency 1997).

vandals; the shopkeepers operated from behind "walls of plywood," which offered protection from attacks but deterred shoppers. Those who could afford to rebuild encountered resistance from neighborhood groups and from the city bureaucrats in charge of granting building permits ("Fear" 1968; Rosenthal 1967, 17–18). Soon, business districts such as Detroit's Twelfth Street, once a "bustling, thriving community," became "bleak landscape[s] of public housing, vacant lots, and windowless 'party stores'" (Bray 1988, 36).

Adding to the merchants' woes was the perceived indifference of the government. The shopkeepers felt isolated and misunderstood by government officials, who seemed to accept any criticism hurled at them by ghetto residents. City officials were unfriendly and sometimes belligerent. Shortly after the Detroit riot, Mayor Jerome Cavanagh lashed out at the "profiteering" of merchants and asked the city council to pass an antigouging ordinance (Sauter and Hines 1968, 198–99). In Newark, the merchants met and listened to an antipoverty worker lecture them on their alleged lack of social responsibility: "Ask yourself if you've just opened at 9 and closed at 5 and have expressed no interest in community programs. Then you might begin to understand some of the animosity" ("Merchants Count" 1967).

The merchants rarely had an opportunity to express their own grievances. In his appearance before a congressional committee, Edward Deeb, representing Detroit grocers, conveyed the widespread sentiment that "the small businessman feels it unfair that only one side is being told, and that side is based on sensational charges designed to arouse and inflame a community." The charges of "gouging and profiteering" were simply untrue, argued Deeb and others. The critics failed to understand that ghetto merchants charged "high" prices because they operated in a high-cost, high-risk, high-crime environment (Deeb quoted in U.S. Senate Committee on Government Operations 1968, 1524–25). A Detroit druggist stated, "I'm not fair. . . . I'm not in a fair neighborhood. If you're looking for fairness, go to Grosse Pointe [an affluent suburb]" (Fine 1989, 42).

Inner-city business owners found a more sympathetic audience in Congress, where representatives were responsive to public pressure for a return to "law and order" ("Explosion" 1967). In April and May 1968, the U.S. Senate Committee on the District of Columbia and the D.C. City Council received testimony from merchants and their militant critics. The militants were represented by local activists, including Marion Barry, the future mayor of Washington, D.C. Barry declared that "the merchants prey upon us because we have bad credit." Furthermore, he claimed, white business owners did not belong in African American neighborhoods. He asserted that "there is a black culture and a white culture; there are black values and there are white values; there is a black psychology and there is a white psychology." The only solution to these irreconcilable differences was a "separate society" for blacks. Thus, Barry demanded that the SBA "stop processing all . . . disaster loans for businesses burned out in the recent ghetto rebellion"; the government should allow only blacks to build stores in the ghetto. Another activist, R.H. Booker, denied that the looting was criminal. "How can you steal from a crook?" he asked. According to Booker, the destruction was a form of political protest; "black people built this country," he declared, "and black people will burn it down" unless their demands were met (U.S. Senate Committee on the District of Columbia 1968, 149–50, 152, 313, 386).

Small-business owners voiced their outrage at the statements made by these "black racists" and "demagogs" [*sic*]. They objected to the negative stereotyping of merchants as unscrupulous exploiters of the poor. Above all, these businesspeople sought official recognition that they, too, were victims of the riots. Jerome Litvin, the president of a small grocery chain, argued that "silence is consent": by remaining indifferent to the plight of inner-city businesses, public officials were acting as silent accomplices of those who spread "prejudices and false rumors." Policymakers had a moral obligation to advocate the interests of small business and to assist riot victims by providing tax relief, a mortgage moratorium, and reimbursement of uninsured losses (merchants quoted in U.S. Senate Committee on the District of Columbia 1968, 369, 315–16, 375, 143, 300).

The issue of uninsured losses was intertwined with the business owners' anger at the police for failing to protect their property. Metropolitan police forces were ill-equipped to deal with large civil disturbances. Unlike their European counterparts, U.S. police departments lacked access to national riot forces specially trained in crowd control. In some of the early riots, the police overreacted by hastily dispersing crowds and attacking blacks indiscriminately, thus inciting further violence and destruction. By 1967, civil authorities were gripped by what one writer called the "Myth of the Monstrous Mob" (Methvin 1970, 481). Fearful of crowd reaction and unsure of police discipline, many big-city mayors decided that it was better to let the riots burn out than try to contain them by force. They hoped to minimize the loss of life by allowing rioters to engage in unrestrained looting. Police stood by and watched as ghetto residents pillaged neighborhood stores (Marx 1970; Wenger 1973; Feagin and Hahn 1973, 187–89; Methvin 1970, 470–89; Cohen and Murphy 1966, 134; Gilje 1996, 161; "Police Learn" 1968; Edwards 1968).

The experience of one Washington, D.C., merchant was typical. He reported getting a call from an employee notifying him that "the store was being looted and torn apart. . . . So, being very much upset, I got into my car with a gun and went down to my place of business. . . . [T]he doors had been busted down, the shelves were practically 100 per cent empty, and there were three policemen in the store with shotguns." The owner asked a policeman, "What are you going to do about these people? About that time there were twenty or thirty people in the store. And he said, 'We can't do a thing' " (Gilbert 1968, 185).

Abandoned in a state of virtual anarchy, merchants armed themselves to deter looters. Widespread anecdotal evidence testifies to the deterrent effect of firearms in those situations. The presence of an armed merchant—or of friends sympathetic to the merchant—often prevented damage. Yet several factors limited the efficacy of this self-defense. Absentee owners were often unable or fearful of traveling to their stores. More important, the riots sparked a movement to restrict the carrying of firearms, especially during civil disorders. New gun-control measures made it a crime to carry a weapon without a license. Moreover, law enforcement authorities denounced as inhumane any call for shooting looters. Robbed of the legal and moral authority to act in defense of their property, many merchants undoubtedly hesitated to take such a fateful step (Fine 1989, 293, 347–48; Conot 1968, 296–303; Aldrich and Reiss 1970, 202–4; Cramer 1994).

Inner-city business owners, black and white, believed that the police were too lenient with rioters (Aldrich and Reiss 1970, 198–201; "Stores Are Sacrificed" 1968). They were not, however, merely reacting with a "backlash" against the Great Society; a survey of retailers found that they favored stricter law enforcement and increased social-welfare spending to deal with the unrest in the cities (Rosenthal 1967, 14–15). Nevertheless, they did believe that they were entitled to reimbursement of uninsured losses because the government deliberately withdrew police protection. Hilliard Schulberg, representing the Washington, D.C., Retail Liquor Dealers Association, maintained that the "rioters and burners" were "invited to help themselves to the property of others. . . . Now, however, it seems to us that the invitors [*sic*] should pick up the check" (U.S. Senate Committee on the District of Columbia 1968, 143).

The SBA Response to the Riots

If small businesses were expecting the Small Business Administration to "pick up the check," they were sorely disappointed. The agency responded slowly to the riots and defined its responsibilities narrowly. The SBA annual reports contain only one explicit mention of the civil disorders, a reference to the agency's efforts to create minority-owned firms in the ghetto (U.S. Small Business Administration 1968b, 2). Retrospectively, SBA administrators admit that they were "insensitive" to the needs of riot victims, but there "just wasn't any push" to come to their aid (Foley 1997; Boutin 1997). Top agency officials were imbued with the new orthodoxy, which defined African American rioters as innocent victims of the "white racism" that allegedly permeated American institutions, including business. The riot ideology thus placed blinders on those responsible for advocating the interests of small business.

The SBA was initially reluctant to declare Watts a disaster area because Administrator Eugene Foley feared that private insurers might renege on their policies (Horne 1995, 312–13). Subsequent experience demonstrated that this fear of mass reneging was unfounded. Nevertheless, many insurers refused to renew policies after paying claims, effectively redlining the inner city ("Rapping the Insurers" 1968). Critics chastised the insurance companies for abandoning the ghetto, and the insurers blamed the government for their withdrawal from that market. An industry spokesperson stated that "if the government is simply going to let them burn the whole damned country, there isn't enough money anywhere to insure it" ("Heat Is on Insurers" 1968). Meanwhile, the SBA offered only its conventional loans to the businesses that sustained uninsured losses; disaster loans, which offered longer maturities and a lower rate of interest, were not made available.

The massive Detroit riot of 1967 awakened the SBA. No longer could the agency ignore the destruction of small businesses in the inner city. SBA administrator Robert Moot toured the riot area and reported that "the devastation was almost unimaginable . . . . You could go through street after street where you could see the small retail shops were wiped out" (U.S. Senate Committee on Banking and Currency 1967, 33). Moot relied on the "other catastrophes" clause of the Small Business Act to declare Detroit a disaster area. Congress codified riots as a type of disaster one year later (Moot 1968).

Nonetheless, the agency was stingy with the aid it doled out to riot victims. The SBA made just twenty-six loans to companies damaged in the Watts riot. In the aftermath of the Detroit and Newark disorders (1967), the agency approved $3.4 million in disaster loans to businesses and homeowners, an amount that covered only a tiny percentage of the uninsured losses. Ability to repay remained the primary criterion in making loans. Riot victims had to deplete their liquid assets and available commercial credit before securing SBA assistance. Liquor stores and pawnshops, two of the most common targets during the riots, were ineligible for SBA loans. Uninsured businesses were also disqualified. Meanwhile, city governments imposed long delays on rebuilding as they devised redevelopment plans for the riot-torn areas. Under these conditions, few small-business owners were interested in or eligible for SBA assistance (U.S. House Small Business Committee 1968, 15; U.S. Senate Committee on the District of Columbia 1968, 73, 146; Fine 1989, 298; U.S. Small Business Administration 1969, 14; Bernard Boutin, testimony, U.S. Senate Small Business Committee 1967, 125–27; Rosenthal 1967, 18; Cohen and Murphy 1966, 308–9).

The Legacy of the "Urban Crisis"

The civil unrest of the 1960s illustrates how crisis and ideology shape government action during a period of state activism.[20] Coming on the heels of the civil rights movement, the riots were considered a response to racial oppression, thus justifying a "soft" response by the authorities. Mesmerized by violence that they could not control and adhering to a riot ideology, policymakers responded sympathetically and paternalistically to the perceived demands of the rioters.

The "riot ideology" of the 1960s partly explains why the SBA reacted so slowly to the plight of inner-city business owners. Some agency officials were intoxicated by

20. For more on this general explanation of government growth, see Higgs 1987.

the potential for riot-driven change. When Howard Samuels, a long-time civil rights advocate, took over the agency in 1968, he announced, "I want SBA to become known as the Federal Agency that made the greatest contribution to social change" (U.S. Small Business Administration 1968a, 266). Excited about black capitalism, Samuels declared that the SBA was writing "a new page in world history. . . . We've got a new religion, a new motivation, a new commitment" (Samuels 1968, 1, 7). Other administrators were skeptical but relented to the ever-increasing demands from African American activists.[21] Consequently, the SBA's chief response to the urban crisis was to provide loans and government contracts to minority entrepreneurs. In that area, agency officials interpreted their statutory authority broadly. Riot victims, on the other hand, received little financial or moral solace from the SBA. Here, the agency strictly construed its mandate. It was not a matter of hostility toward inner-city business owners, but of neglect.

By the end of the 1960s, conservative critics of the riot ideology garnered support from a few individuals such as Daniel Patrick Moynihan, who told his liberal confreres that they should stop romanticizing rebellion and excusing the behavior of African Americans, "however outrageous" (quoted in Nash 1996, 303). Yet, in the coming decades, the ideology cast a long shadow over urban policymaking. At the local level, some African American mayors exploited the "rage and grievance" inherent in the ideology, whereas others sought, with varying degrees of success, to bridge the racial divide (Jacoby 1998, 145). Meanwhile, the SBA institutionalized its black capitalism programs and expanded them to include other ethnic minorities.

During the 1970s and 1980s, new immigrant entrepreneurs replaced the white business owners who retired or sold out. The newcomers operated in the same hostile, crime-ridden environment. In Detroit, Chaldeans (Iraqi Christians) "worked like demons to save money" and bought businesses at "fire sale rates" after the riots. Despite taking extreme precautions, the Chaldeans were constantly victimized by criminals, who took the lives of more than one hundred merchants in a twenty-year period. The bloodshed was so great that a local cathedral held an annual mass commemorating the fallen shopkeepers. Detroit officials had little sympathy for the Chaldeans; one African American official claimed that "they operate on pure greed" and that "if there's another riot . . . it will be against the Chaldeans" (Chafets 1991, 32–34). In other cities, Korean merchants felt the brunt of crime. African American activists, the heirs of Stokely Carmichael, organized boycotts and demonstrations against Korean shopkeepers, holding up signs that said "GET OUT OF OUR COMMUNITY!" (Freer 1994, 191). Such xenophobia entered the popular culture with the 1991 release of rap

21. Stokely Carmichael and Charles Hamilton denounced the SBA as a representative of the "white power structure" interested only in the "economic serfdom" of African Americans. By denying African American businesses a fair share of loans, the SBA embodied "institutional racism" and perpetuated "economic colonialism" (1967, 22). Black business leaders pressured the SBA by echoing this militant rhetoric (Berkeley Burrell, testimony before U.S. House Small Business Committee 1966, 216–21; "Black Capitalism" 1968).

artist Ice Cube's song "Black-Korea," the lyrics of which say, "pay respect to the black fist, or we'll burn your store right down to a crisp" (Freer 1994, Cho 1993).[22]

When the Rodney King riot erupted in south central Los Angeles in 1992, the policymaking response was "vintage 1960s in replay" (Gale 1996, 112). The police retreated and let rioters rampage for three days, leaving business owners to fend for themselves in the "looter's playground." Some armed merchants successfully defended their stores; yet, perversely, the police later arrested them for not having the proper weapon permits (Abelmann and Lie 1995, 38–40; Cannon 1997, 320–24; Cho 1993, 201). The total damage was enormous—one billion dollars, or five times the damage sustained during the Watts riot in constant 1992 dollars (Grover 1992). More than sixteen hundred businesses were severely damaged or destroyed; many were Korean owned, but African American–owned and Hispanic-owned businesses also suffered. Local residents lost five thousand permanent jobs and no longer had nearby places to shop for goods and services (Johnson 1994, 21).

The ideological fault lines were also a redux of the sixties experience. Liberals blamed the riot on white racism and structural inequality. They argued that African Americans and Hispanics were protesting their exclusion from the mainstream economy. Liberals also revived the "danger of violence" justification for urban aid: unless the federal government increased its assistance to the poor, the cities would burn again (Gale 1996, 112–16). Conservatives denounced the lawlessness and sought to deny federal assistance to "rioters, looters, arsonists, and murderers." They blamed the civil disorder on the Great Society, which had allegedly undermined the social fabric of the inner city (Gale 1996, 6, 111–13, 119–24).[23]

The media generally echoed the protest interpretation of the riots. However, a few writers challenged the sixties legacy of the riot ideology. In the journal *Commentary,* Midge Decter wrote that "the very heart of the matter, staring everyone in the face, has been evaded and obscured." She argued that "the great losers in 1992 are the Koreans, about whom very little has been said." She traced the media's silence to the 1960s, when liberals first excused black lawlessness by calling it a form of political protest (1992, 21). On the other end of the ideological spectrum, the self-described African American progressive Jerry G. Watts urged left-wingers to abandon their "romantic notions of the black poor." Watts wrote that "rioting is not a democratic act. The arsonists and rioters did not take the pulse of their local communities before setting fire to stores. . . . Had the rioters polled their neighbors they may have discovered that the majority of the local residents, who were not participants in the rioting, did not want their neighborhood burned down" (1993, 247, 245).

22. On the rise in the number of Korean American merchants in U.S. cities, see Schifrin 1988, and Abelmann and Lie (1995, 119–47).

23. See, for example, Murray 1992.

The debate over the cause of the riots receded when it became clear that this incident was to be an isolated one. Eventually, the Democratic Congress passed a $1.1 billion emergency aid bill, which included SBA disaster relief, additional spending on social services, and the creation of tax-favored "enterprise zones." The SBA resurrected its sixties-era "economic opportunity" loans (now dubbed "microloans"), a failed program that Congress had cut in the early 1980s. A variety of factors defeated the agency's efforts at rebuilding business in south central Los Angeles, including a complicated loan process, language barriers, poor record keeping by riot victims, and the "underground" nature of many enterprises. Private efforts to make a success of the "Rebuild L.A." campaign also foundered when investors realized the dim prospects of new businesses in the crime-ridden neighborhoods (Gale 1996, 125–37; Weinstein and McMillan 1992; Glover 1992; Emshwiller 1996).

The persistent failure of such policymaking responses suggests the need for new approaches to riot control. First, policymakers must delegitimize "political" violence by refusing to romanticize the actions of a lawless mob. Second, the police have historically proven themselves unwilling or unable to contain large riots. City governments might consider establishing civilian auxiliaries, volunteer police reservists who can quickly respond to civil disturbances (National Center for Policy Analysis 1995). Finally, greater generosity in disaster aid is warranted when governments have abdicated their responsibility to preserve law and order.

We also need a scholarly reappraisal of the "urban crisis." Earlier studies of the riots were marred by an ideological reading of the evidence that did not accurately reflect the available data.[24] Most important, we need to examine further the role of the inner-city business owner in urban environments. In recent years, historians have given voice to the voiceless, illuminating their subaltern pasts. Yet by ignoring this important element of the urban scene, they have failed to present a complete and accurate picture of our recent past.

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24. For a methodological critique of the riot literature, see Miller and Halligan 1976.

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