

**Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925-1985.**



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per year, a substantial sum but still less than 5 percent of the cost of Dole's proposed tax cut. The result is a policy package that deserves serious consideration.

One notable aspect of the book is the authors' measure of family income, which provides a clever way of dealing with family size. Finding neither income per household nor the income per person an adequate measure of family welfare, the authors devise a new measure—family income divided by the poverty line. Income per family is an insufficient measure of welfare because larger families require more income, but income per person is not an ideal measure either because there are economies of scale in the household. Danziger and Gottschalk's measure provides a compromise between these two options. By using the poverty line, which increases with family size but still allows for economies of scale, this measure accommodates differences in family size well. Another advantage of this measure is its intuitive appeal. The statement that median income in 1982 was 2.87 times the poverty line is easier to interpret than the statement that median income was \$32,037 in 1990 dollars, especially as 1990 draws farther away from the current experience of the reader.

In sum *America Unequal* provides a readable summary of recent trends in poverty and inequality, evaluates explanations for increasing inequality, and provides practical policy proposals for improving the situation.

JOYCE BURNETTE, *Wabash College*

*Black Business in the Black Metropolis: The Chicago Metropolitan Assurance Company, 1925–1985.* By Robert E. Weems Jr. Bloomington: Indiana University Press, 1996. Pp. xvii, 158. \$35.00.

The point of this book is best summarized in its concluding sentence, "The history of Chicago Metropolitan and other black insurance companies deserves respect and recognition." This book carefully documents the key individuals and events in the history of this once-prominent African-American-owned insurance company. It argues that the company made important contributions, both economically and culturally, to the African-American community of Chicago (and other Midwestern cities into which Chicago Metropolitan expanded). The company offered working class blacks commodities which most others refused to sell them—life and burial insurance. But its greatest economic contribution was, perhaps, to its employees. The firm provided employment opportunities in white-collar positions as insurance agents, managers, and, for women, clerical workers. For much of Chicago Metropolitan's life, white-owned firms did not even consider employing African-Americans in such positions. Chicago Metropolitan also followed a policy of promoting from within, giving talented and motivated African-Americans opportunities for upward mobility inconceivable in white-owned firms. This labor market discrimination, even more than discrimination against African-American consumers, seems to have been the source of the competitive advantage of this firm prior to the 1970s. It may also be where it was most hurt by desegregation.

Chicago Metropolitan was able to succeed because it was part of a network of firms which provided services to one another, sometimes through formal market exchange, but often in less obvious, but no less significant, ways. Robert A. Cole, the firm's longtime leader, owned a funeral parlor business that was an integral element of Chicago Metropolitan's marketing strategy in its early years. But there were other African-American businesses with which Chicago Metropolitan had no direct connection, but which provided the context for its success. For example, Chicago Metropolitan purchased legal advice from an African-American law firm, and then hired one of the lawyers as its own general

counsel. Thomas P. Harris served on Chicago Metropolitan's Board of Directors for over 40 years and eventually became its president. Harris's law firm had not only provided legal expertise, but also an experienced and polished leader. Similarly, Chicago Metropolitan hired a doctor from an African-American hospital and experienced agents from other African-American insurance companies. These connections to other firms, which might not attract notice in a white-owned firm, point to one of the important but invisible challenges which African-American firms have faced in this country. Firms do not operate in a vacuum but rely on the existence of other firms for information and skilled labor. A firm excluded from participation in such a network cannot succeed. Even if the market for the firm's product were there, many necessary inputs would not be.

Weems's discussion of Chicago Metropolitan's cultural contributions highlights an issue often missed by economists, namely the importance of firms as community institutions. In this respect, Chicago Metropolitan's construction of an elegant building on the neighborhood's main street—to house not only its own offices, but also a firm-owned, publicly accessible ballroom, fine restaurant, bowling alley, sauna, massage therapist, and billiard room—was a significant contribution to the community. It both increased the range of services available *and* created a more vibrant community and a sense of "race-pride" among African-Americans. It would have been useful to place these activities in the context of the corporate welfare movement (see, for example, Angel Kwolek-Folland's *Engendering Business: Men and Women in the Corporate Office, 1870–1930*. Baltimore: Johns Hopkins University Press, 1994).

The commonplace that desegregation harmed older African-American-owned businesses is challenged, or at least complicated, by the book's conclusion. Although competition from white-owned businesses eroded Chicago Metropolitan's customer base and attracted its experienced agents, the problem which led to its near bankruptcy, and subsequent purchase by Atlanta Life Insurance Company in 1991, was a decline in the value of its portfolio. The firm's portfolio apparently suffered from an increasing default rate on the mortgages it contained. Defaults increased as the incomes and opportunities of working class African-Americans declined with the 1980s stagnation in manufacturing jobs and government policy reversals.

The book, unfortunately, devotes little space to the investment policies of the firm, except to say that it invested a fair amount in mortgages to African-American home owners. This limits our understanding of Chicago Metropolitan's demise. It also, perhaps more importantly, limits our understanding of the firm's contribution to the African-America community. Chicago Metropolitan was one of the few sources of considerable African-American-controlled capital; it would be useful to know how the firm decided where to invest, to whom it would lend. Was it able to take advantage of its greater information and more receptive attitude to make loans to qualified African-American applicants who would have met white-owned firms' economic, if not racial, lending requirements? Was the firm able to use this to make a higher rate of return than white-owned companies? Did Chicago Metropolitan have very different lending requirements than white-owned firms, taking greater risks in order to invest in the African-America community, perhaps at the expense of the return on its portfolio? Did these policies change over time, either as a result of changes in management style after founder Robert Cole's death or as a result of competition from white lenders "skimming" the least risky African-American borrowers? This reader would have appreciated more attention paid to this side of the company's business.