

THE BROOKINGS INSTITUTION
BROOKINGS CAFETERIA PODCAST
HOW RACISM HURTS BUSINESSES IN BLACK COMMUNITIES

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PROCEEDINGS

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

My guest today is Andre Perry, a Fellow in the Metropolitan Policy Program here at Brookings. He is the co-author of a new report that shows that highly rated businesses in Black majority neighborhoods experience annual losses in business revenue of up to nearly \$4 billion when compared to highly rated businesses in other neighborhoods. And he is here in the Brookings Podcast Network studio to tell us more about the report's findings.

The report is titled "Five Star Reviews, One Star Profits: The Devaluation of Businesses in Black Communities." His co-authors are David Harshbarger, who is a research analyst at Brookings, and Gallup's principal economist Jonathan Rothwell.

Also on this episode, Senior Fellow Elaine Kamarck answers a student's question about the role of sexism in America's politics and whether we'll ever have a woman president. This is part of our ongoing Policy 2020 Ask an Expert feature.

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And, now, the interview. Andre, welcome back to the Brookings Cafeteria.

PERRY: Happy to be here. I'm glad to be here.

DEWS: All right. So, we're here to talk about a new report that you co-authored with Jonathan Rothwell and David Harshbarger. It's called "Five Star

Reviews, One Star Profits: The Devaluation of Businesses in Black Communities."

Can you give us sort of the top line findings from this research?

PERRY: Yeah, we know that racism impacts the productivity and profits and revenues of individuals and communities. The top line finding of this report is that businesses in Black neighborhoods are losing between \$1 billion and \$4 billion in profits simply because of location and simply because they are in a Black majority neighborhood.

DEWS: And that's whether or not they're a Black-owned business or just in the Black majority neighborhood?

PERRY: Yes, just being in a Black majority neighborhood, it has an impact on the revenues gained.

DEWS: This is pretty intense and fascinating research, so before we get into the actual findings, the implications, the policy solutions, let me talk about the methodology.

PERRY: Right.

DEWS: I think it's really interesting how you and your co-authors approached the research question, gathered data, analyzed the data. Talk about what that methodology is, how did you get the data, how did you use it.

PERRY: Yeah, there is this narrative in the Black community that the quality and conditions of the neighborhood are a result of the individual choices of people in the neighborhood. And in the business community that looks like people believing that business owners aren't of the same quality or their practices are not as good as

those businesses in white communities.

So, we looked at consumer ratings, more specifically Yelp data. So, we acquired Yelp data and then we also acquired data to look at revenue growth. So, we looked at the differences in revenue between businesses in Black neighborhoods and in white neighborhoods, looking at the quality of those businesses.

DEWS: So how do you get Yelp data? I mean any of us can go to our Yelp app and we can see one-star, four-star reviews, whatever, and all the comments, but how do you get Yelp data?

PERRY: Mainly the data scientists from Gallup essentially scrape the data, so we got those data that way, and then we purchased Dun and Bradstreet's data to get a sense of revenue and the race of the business owner.

DEWS: Okay. And obviously there are other data sets from which you can tell which neighborhoods are majority Black and which ones are not, right

PERRY: That's exactly right.

DEWS: Okay. That's kind of the bread and butter for the Metropolitan Policy Program.

PERRY: That's right. We live and die on census data, no question.

DEWS: Okay. So Yelp data. I think most of us - I certainly do—associate Yelp with restaurant reviews and coffee shops, that kind of thing. So what kinds of businesses are in your data set? Are they mostly restaurants or are they other kinds of businesses?

PERRY: Yeah, restaurants, retail businesses in the service industry. So

consumer facing businesses, the kinds of things that you would actually use Yelp for.

DEWS: You have some interesting findings about business revenue growth and their connection to Yelp ratings based on the number of stars, based on the number of reviews. Can you go through some of those findings?

PERRY: An essence that businesses would hire consumer ratings on Yelp or a larger number of reviews experience faster revenue growth. And so an increase in revenue growth at 1 to 2 percentage points over a 3 year period leads to much higher revenue over time. And so the more Yelp reviews you get, the better Yelp reviews you have, the more revenues you gain.

DEWS: Now, you draw some really interesting comparisons between businesses in majority white areas and majority Black areas based on these Yelp data and quality differences, where the quality doesn't seem to matter as much in the white areas, but it does in the Black areas. Or am I getting that kind of mixed up?

PERRY: Well, what we found—and this is what a lot of people may find surprising—when looking at Yelp reviews the businesses in Black communities, particularly those owned by people of color, they actually rate higher on Yelp. So that narrative that business owners aren't of quality, we have to take that off the table. They are just as good, if not better, in the aggregate, but when you look at businesses by their sector, there's no difference between businesses in white neighborhoods and Black neighborhoods. But we should take quality off the table. But those businesses in Black neighborhoods experience lower growth as well as fewer Yelp reviews.

DEWS: Even if they get say 4 or 5 star on average ratings, they experience slower growth?

PERRY: That's exactly right.

DEWS: And what are some of the explanations for that?

PERRY: Well, we were careful to control for many other factors, and the reason why we look at neighborhoods in places where the share of the Black population is greater than 50 percent is to really get at the perception of race. And so clearly from our study, that the perception of the neighborhood has a lot to do with whether or not customers go to those highly rated businesses

DEWS: So it's a finding that says people are choosing just to not go into majority Black neighborhoods because of racist ideas no matter what the quality of the businesses in that neighborhood may be?

PERRY: More or less, yes, that the percent Black of a neighborhood seemingly detracts folks from going there. So you can have a hamburger on one side of the railroad tracks and a hamburger shop on the other and folks are choosing to go to the white hamburger shop, avoiding the quality that's in the Black neighborhood.

DEWS: I'll also mention that you note the underrepresentation of Black business owners as compared to the percentage of Black Americans and the overall population. Can you discuss that finding?

PERRY: Black folks represent about 13 percent of the population, but only 4 percent of business owners of the Nation's 20 million business owners. And so that's staggering. And we also know that it has nothing to do with folks not meeting a

profile type. Gallup psychologists created a builder profile so they could essentially see what kind of people live in specific neighborhoods. And those profiles that predict for a business owner, there's no difference between those in white neighborhoods and those in Black neighborhoods or Latino neighborhoods. And so we know that there are potential business owners everywhere, but they don't have the capital, they're not being financed, they're not receiving the loans, they're not being invested in in general. And so you see fewer Black business owners.

DEWS: So that just goes back to all the other questions about racism in accumulating capital, of accumulating wealth that disproportionately and negatively impact the Black community versus other communities?

PERRY: I talk about devaluation in housing and businesses, but it's a mindset. Folks do not hold Black people and Black communities in high regard, and it's impacting our ability to get investment, to start businesses, to own a home, to walk safely in the streets. This devaluation is impacting all aspects of our lives.

DEWS: Well, I think that's a great segue to your new book that's about to come out from the Brookings Press, *Know Your Price*. Can you tell listeners about the book? You just posed some photos of receive the galley copies today.

PERRY: Yeah, I'm excited. My book *Know Your Price* comes out May 19. You can preorder it now. But it is part memoir, it's data rich, it's an examination or tour of six Black majority cities, and I examine different assets in each of those places. So sometimes I talk about education, sometimes I talk about housing, I talk about economic development, health, and other issues—voting, for instance. But all

of which I just want to make the statement—and this is what the research shows—is that the assets in Black majority cities are quality, they're not broken. I say this all the time, there's nothing wrong with Black people that ending racism can't solve, that this narrative that Black people are broken and they need fixing is false. The data bears that.

And so the problem is when we see Black people's deficits we never invest in them. And so I wanted to highlight the assets in Black majority cities so we can then invest and benefit from the quality in those places.

DEWS: Now, I will tell listeners—and you already know this—but you will be back on this podcast in May or so to discuss your book in some more detail. But I do want to ask you now, can you tell our listeners what the title means, *Know Your Price*?

PERRY: Yeah, my favorite play in the whole wide world is "Two Trains Running" by August Wilson. In the play the main character, Memphis, is about to have his property seized through eminent domain by the City of Pittsburgh, where I'm from. The City offers Memphis \$15,000. The main character, Memphis, says no, I'm not selling my property for \$15,000, I know my price—I'm paraphrasing. And that's a refrain throughout the play, I know my price, I got my price.

There's another character, Hambone, who paints a fence for a proprietor for a ham. He paints the fence, he never gets his ham. Throughout the play, there's a refrain, give me my ham, give me my ham. And it's not known if he had mental illness before he painted the fence, but he eventually goes crazy and dies. But there's

actually a happy ending to the story, the main character Memphis gets \$35,000. And it's assumed he's getting market rate.

But the moral of the story is one, you've got to know you have worth, you've got to know your worth. But I hope this book gives people a sense of the price they need to stand on. You've got to stand. Folks in power have no incentive to change. A lot of my research certainly makes a head case for diversity and inclusion, but things aren't going to change because we put a bunch of fancy charts—which are in the book—and show people a lot of data—which is in the book. But I want people to take the book to understand that they have to stand on a price in order to excite the change they want to see, even if risks going crazy and dying. We have to move, we have to mobilize, and we have to get the kind of policies that will bring value to the devalued assets in Black majority cities.

DEWS: Well, I look forward to having you back on the podcast to talk about your book, *Know Your Price*, when it comes out.

Let's finish this conversation with a return to focus on your new research on the devaluation of Black-owned businesses. And I'll just ask you, Andre, what kinds of policy solutions are you and your co-authors thinking about?

PERRY: Yeah, we want to take quality off the table because what we found is these businesses are not needing of capacity building and a sense that they need technical assistance in order to improve. The quality is there. But the neighborhoods they're in do deserve investment. In a related report on housing devaluation, we showed how devalued housing reduces municipalities' ability to fix roads, to build

better schools, to improve infrastructure. And that certainly impacts a business owner's ability to attract customers.

So we're recommending, hey, let's invest in the areas around the businesses. There's a story in the book, a vignette in the book of a business owner who talks about his business—it's a 4.5 star rated business on Yelp, it's been in existence for 10 years in the Hill District. It's Grandma B's—that's the name of the restaurant. Again, it's in Pittsburg where I'm from. And 10 years ago it was 99 percent Black according to census data. Today, it's about 80 percent Black, so rapidly gentrifying. And along that period they're starting to fix the streets now, they're starting to put garbage cans outside, they're fixing the lights. White folks moving in shouldn't necessitate those changes. It was a quality business before, it deserves all the neighborhood improvements as any other quality business.

So my goal is to say, hey, let's first of all invest in businesses that are quality with our spending power, but also in terms of receiving loans and private investment. But also, just remember to fix up the neighborhoods around the business to help drive customers to quality services.

DEWS: Well, Andre, I want to thank you very much for coming over here today and taking some time to talk about your new research and your new book.

PERRY: Hey, thanks for having me.

DEWS: You can find the research on the devaluation of businesses in Black communities by Andre Perry, Jonathan Rothwell, and David Harshbarger on our website, Brookings.edu and pre-order *Know Your Price*. It comes out on May 19.

And now here's another Policy 2020 Ask an Expert.

SPEAKER: Hi, my name is Tamari. I'm a fourth-year political science student at UC Santa Barbara, and my question is what role does sexism play in elections and will America ever elect a female president?

KAMARCK: Tamari, thank you for that question. My name is Elaine Kamarck. I'm a Senior Fellow here at the Brookings Institution and the author of *Primary Politics: Everything You Need to Know About How America Nominates Its Presidential Candidates*.

I think sexism does play a role in American politics and elections. I think there has been over the years a lot of reluctance to see women in the roles of political leaders. But there has also been an enormous amount of progress.

We tend to forget that Hillary Clinton won the most votes in 2016. She lost in the Electoral College, but she won a significant margin of votes over Donald Trump. So that indicates to me that, yes, people are willing to vote for women.

I think also the broader changes in society are helping us to imagine a woman president. And, in fact, I think you heard both from Senator Amy Klobuchar and from Senator Elizabeth Warren—I think you heard from Senators Warren and Klobuchar as they spoke following the New Hampshire primary about how important it was to be able to visualize women as presidents and how important it was to have women in the contest.

These last two years have been very good for women in politics, particularly on the Democratic side. There were a record number of women running for

Congress, a record number of women winning both their primaries and the general election. If you watched the State of the Union, you see there's a group there all dressed in white, those are the women members of Congress, all of them Democrats. And there's a lot of progress going on and a lot of awareness.

The other thing to think about here is that the more women who are in the House, the Senate, and the Governorships, the more likely it is we will get not just one woman president in your lifetime, but maybe several. And the reason is that presidents don't come out of nowhere. I mean you don't run for student council president and then run for President of the United States, right. I mean most of our presidents have come from significant other political offices. And women have not been in those offices. So every time you elect a woman to a governorship, you elect a woman to a House seat or a Senate seat, you've got a potential future president there. And we're doing a lot more of that, and therefore I think that we are going to overcome this in a very short amount of time, perhaps even in 2020.

Are there elements of sexism? Absolutely. Okay, I mean listen to Hillary Clinton talk about people's obsession with her hair. Every time she changed her hairdo there was a vast amount of commentary on her hair. So we'll have to just get used to that and we'll have to learn, as women politicians, as women voters, we'll have to learn just to kind of take that in stride and get onto the more important issues. And I think we will see a woman president certainly in your lifetime, if not in mine.

DEWS: You can find more on our SoundCloud channel or visit

Brookings.edu/policy2020.

The Brookings Cafeteria Podcast is the product of an amazing team of colleagues, starting with audio engineer, Gaston Reboredo, and producer Chris McKenna. Bill Finan, director of the Brookings Institution Press, does the book interviews and Lisette Baylor and Eric Abalahin provide design and web support. Our intern this semester is Amelia Haymes. Finally, my thanks to Camilo Ramirez and Emily Horne for their guidance and support.

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Until next time, I'm Fred Dews.

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