



**“A Commercial
Emancipation”
for the Negro**

*Financing Black Business
in the 1920s*

By Shennette Garrett-Scott

MAGGIE LENA WALKER probably was no longer surprised that she was the lone woman among the 50 or so African American business, banking and insurance leaders attending a banquet in late 1924 in New York City. The banquet had been called “to stabilize, strengthen, and protect Negro business.” As president of the St. Luke Bank and secretary-treasurer of the Independent Order of St. Luke (IOSL) in Richmond, Virginia, Walker stood as the most powerful Black woman in the financial industry. She had worked most of her life to prove that women could excel in the financial world, and her presence lent legitimacy to, if not full acknowledgment of, women’s critical roles in the financial industry. She surely wondered whether her lifelong efforts counted for much, because here she was again: the only woman in a room full of Black men who were charting, as they imagined, the economic future of the race.

The select group of business leaders outlined plans for the National Negro Finance Corporation (NNFC), a million-dollar corporation that would launch Black business into a new financial age. Walker took advantage of the novelty of her presence. She offered the St. Luke Bank as a model to emulate for the young finance company. She told the austere group, “We shall not stop, but put our moneys and brains together and achieve a commercial emancipation.” Walker echoed her call to IOSL members two decades earlier, when she had first shared her vision for a bank that was largely owned and run by women for women.

The NNFC shared ambitious goals with another Black-owned finance company launched in the early 1920s: the Allied Industrial Finance Corporation (AIFC). Bitter rivalries for control over the vision for the future of Black business, however, soon emerged between the two companies. The finance companies differed in their opinions about the role that

capital and expertise from White investors should play. Black investors responded in complex ways to the heightened appeals of Black-owned finance companies to race pride, racial uplift and risk. Finally, internal difficulties undermined the finance companies and highlighted the difficulties in achieving a true economic emancipation for Black communities.

Origins of the Allied Industrial and National Negro Finance Corporations

Both the AIFC and the NNFC companies grew out of the National Negro Business League (NNBL). Formed in 1900 by Booker T. Washington, the NNBL was the largest association of Black businesspeople and professionals in the country. Washington served as president of the NNBL until his death in 1915. For some years, even before Washington’s death, Emmet J. Scott, Washington’s personal secretary for nearly two decades and secretary of the NNBL, had longed to see the NNBL evolve. Scott imagined an organization that provided critical services to Black-owned businesses. Once out from under the long and formidable shadow of Washington, Scott attempted to shift the NNBL’s center of gravity from Tuskegee, Alabama, to more cosmopolitan climes in Washington, DC or New York City. He also wanted to reconstitute the executive committee and leadership to tap into the dynamism of a younger generation of self-made men.

Stymied in his efforts to remake the NNBL, in late 1920 Scott organized the Allied Industrial Finance Corporation (AIFC) to provide capital to Black businesses. Initially, Scott planned to raise the majority of the \$3.75 million of capital from leading White financiers such as the Rockefellers, Julius Rosenwald, George Foster Peabody and others who had been longtime financial supporters of the NNBL. Scott also dug into his deep contact list of Black business leaders to constitute the AIFC board. The AIFC made its headquarters in the sparkling new Southern Aid Building in Washington, DC.

Fearful that Scott’s AIFC might actually succeed and best the NNBL, in early 1924 Charles C. Spaulding arranged a secret

meeting in Durham with a select group of businessmen and then an open organizational meeting in early June. Spaulding, co-founder of the North Carolina Mutual Insurance Company and president of the Mechanics and Farmers Bank in Durham, was arguably the most well-known and respected Black businessman in the country. At the banquet in New York City in November, where Maggie Lena Walker had declared “a commercial emancipation,” Spaulding officially announced the launch of the NNFC.

The goals of the NNFC were even more ambitious than the AIFC’s. In addition to providing capital for new Black businesses, the NNFC wanted to maintain a corps of industry experts to advise business people. The NNFC planned to create a stock exchange that would sell stock in and securitize assets backed by Black businesses. The corporation’s prospectus and publicity documents dangled the possibility that the NNFC would invest in non-Black-owned businesses but made clear that the NNFC, unlike the AIFC, would not court capital investment from White businessmen and philanthropists. The NNFC wanted to put Blacks’ assets to work in the larger US financial market, blurring and perhaps even erasing the color line in high finance while compounding the assets of Black investors. Future plans included establishing a credit information clearinghouse, similar to Dun and Bradstreet, for Black businesses.

Competing for the Hearts and Minds of Black Investors

The organizers of both finance corporations also hoped to woo investors away from the charismatic Marcus Garvey, leader of the Universal Negro Improvement Association (UNIA) headquartered in Harlem, New York. Garvey’s assertive calls for Black pride had helped him raise millions of dollars to support UNIA programs, ancillary businesses and development projects. In January 1920, Garvey organized the short-lived Negro Factories Corporation (NFC). Capitalized for \$1 million, working-class Blacks gobbled up shares at \$5 each. The NFC eventually operated a laundry, a millinery store, a small chain of grocery stores, a restaurant

Studio portrait of Maggie Lena Walker, president of the St. Luke Bank and secretary-treasurer of the Independent Order of St. Luke (IOSL) in Richmond, Virginia.



Independent Order of St. Luke staff, with Maggie Walker pictured near the center.

and a publishing house. The NFC planned to open factories to manufacture clothing, toiletries, canned goods and other items. These factories would employ thousands of Black workers to produce goods for Black consumers in the United States and to ship goods overseas on the Black Star Line, the UNIA's shipping company. Garvey openly refused White investment capital in the NFC, boasting, "The world is looking to see what the New Negro will achieve in the field of commerce." He believed large-scale investment and finance by and among Blacks to be essential to the broader dream of racial uplift and self-help.

Garvey's message found support among some women members of the Black entrepreneurial elite. Both Maggie Lena Walker and beauty culture products mogul Madam C.J. Walker—reputed to be the first Black woman millionaire—admired Garvey. Garvey's photograph and his famous editorial, "African Fundamentalism," hung

prominently in Maggie Lena Walker's parlor. Scholars consistently cite Booker T. Washington as a critical influence on Garvey, but Garvey also drew inspiration from female contemporaries such as Maggie Lena Walker. The IOSL's social activities and its business model; Walker's strong support of independent, black economic self-help; and her focus on the needs of working-class people represented foundational models for Garvey and the UNIA.

Both the AIFC and the NNFC hoped to siphon some of the largess from Garvey's coffers into their own and relied on appeals to manhood to buttress their efforts. Despite past clandestine efforts to secure assistance from White investors, both the NNFC and the AIFC advocated—at least publicly—self-help efforts that were independent of White assistance as a cornerstone of manly enterprise. The AIFC and the NNFC worked hard to win small, individual investors to raise their

multimillion-dollar capital requirements.

Black business had long solicited and depended on Black investment dollars. Working- and middle-class Blacks responded to rhetoric that stressed stock purchase not merely for personal gain, but for racial uplift and collective prosperity. In the 1920s, links between race pride and manhood made full-throated endorsements of stock investment as a civic duty and a demonstration of citizenship. For example, the AIFC promoted investing as a "privilege and a right" and as an experiment in "Financial Democracy." The NNFC's prospectus also connected a desire for wealth with the desires of any true citizen, as stressed in a string of superlatives that deserves extended quotation:

Every progressive, thrifty, red blooded, clear headed, liberty loving, property seeking American with grit in his craw and iron in his bones cherishes lofty

and laudable ideas; among which are: to live a Christian life; to serve his fellowmen; to acquire sufficient wealth to gratify all normal desires; [and] to create eventually an estate for later years which shall inure to the benefit of those most immediately dear to him.

The prospectuses of both finance companies made explicit links between financial and civil responsibilities and rights.

The fact that neither the AIFC nor the NNFC traded its stock on an exchange represented a glaring barrier for Black investors and the companies seeking their dollars. The various stock exchanges barred Black businesses' participation. Thus, the AIFC and NNFC relied heavily on direct marketing to consumers and on personal and professional networks. To put the privilege and right in reach of their potential investors, the firms allowed buying on the margins like most other financial institutions in the period. Borrowers purchased stocks with borrowed money and on borrowed time.

Even if subscribers fulfilled their stock subscriptions, there was no guarantee that they would ever see the promised windfalls. Any investment represented a risk for loss. The NNFC, however, recklessly dismissed the financial risks. Its prospectus read, "There has never been a better opportunity or a better reason offered to members of the race for investment. Every safeguard has been thrown around the organization to protect and conserve the funds and insure the safety of the investment." The NNFC was hardly alone in promising great riches for a small investment and limited risk. It joined other "blue-sky promoters" who endorsed all kinds of money-making schemes. The promise of a commercial emancipation increased the appeal of stock investment but downplayed the associated risks of any speculation. Gambling on the race was no gamble at all, promoters enthused, but rather an informed, rational and selfless decision. Charged racial appeals combined with the practice of buying on the margins reflected the reckless overconfidence that made the 1920s roar.

Mismanagement and the inability to raise adequate capital spelled the demise of the AIFC in 1925. The NNFC followed closely behind. Stock subscriptions dried



Drawing of the officers of the National Negro Business League (NNBL). Formed in 1900 by Booker T. Washington, the NNBL was the largest association of Black businesspeople and professionals in the country.

up, and stockholders demanded not just dividends, but a return of their capital investment. A 1927 financial statement showed assets of a little more than \$4,100 cash on hand, three mortgage bonds totaling nearly \$10,000, a bond for the Virginia Theological Seminary and College in Richmond (present-day Virginia Union University) and a few stocks in other Black businesses. By 1928, the NNFC ceased any pretense of operation.

The Allied Industrial Finance Corporation and the National Negro Finance Corporation failed to effect a commercial emancipation for the race. Rhetoric about manhood and citizenship resonated with Black investors, who invested for complex reasons. They were not dupes who fell for questionable schemes, but rather calculating and strategic economic actors trying to bend capitalism to their needs. Both ventures failed to raise sufficient capital to fund their ambitious schemes, but they should not be judged complete failures. They reveal the efforts of the Black financial industry to boldly tackle the limitations of racial segregation and the continued commitment to communal-focused approaches to economic development and wealth building. 💰

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A Note on Sources

Find news stories about the AIFC and NNFC in early- to mid-1920's newspapers, especially Black newspapers including the *Pittsburgh Courier*, *Chicago Defender*, *New York Age*, the UNIA's *Negro World* and the IOSL's *St. Luke Herald*. Some digitized AIFC papers held by the Amherst Libraries, University of Massachusetts are available online from Digital Commonwealth: Massachusetts Collections Online at <https://www.digitalcommonwealth.org>. A few remnants of the NNFC's papers can be found in the C.C. Spaulding Papers in the Rubenstein Library, Duke University, and in the Albon L. Holsey Papers and the Robert R. Moton Papers in Special Collections, Tuskegee University. On the NNBL's history, see John H. Burrows, *The Necessity of Myth: A History of the National Negro Business League, 1900-1945* (Hickory Hill Press, 1988) and Shennette Monique Garrett, "‘He Ran His Business like a White Man’: Race, Entrepreneurship, and the Early National Negro Business League in the New South" (M.A. Thesis, University of Texas at Austin, 2006). For sources on Marcus Garvey and the UNIA, see the 13-volume *The Marcus Garvey and Universal Negro Improvement Association Papers*, edited by Robert A. Hill and published by Duke University Press and *Marcus Garvey: Life and Lessons, a Centennial Companion to the Marcus Garvey and Universal Negro Improvement Association Papers*, edited by Robert A. Hill and Barbara Bair (University of California Press, 1987).