

**Southern Business and Public Accommodations:  
An Economic-Historical Paradox**

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With the aid of hindsight, the landmark Civil Rights legislation of 1964 and 1965, which shattered the system of racial segregation dating back to the nineteenth century in the southern states, is clearly identifiable as a positive stimulus to regional economic development. Although the South's convergence toward national per capita income standards began earlier, any number of economic indicators – personal income, business investment, retail sales – show a positive acceleration from the mid 1960s onward, after a hiatus during the previous decade. Surveying the record, journalist Peter Applebome marveled at “the utterly unexpected way the Civil Rights revolution turned out to be the best thing that ever happened to the white South, paving the way for the region's newfound prosperity” (*Dixie Rising*, p. 17).

But this observation poses a paradox for business and economic history. Normally we presume that business groups take political positions in order to promote their own economic interests, albeit at times shortsightedly. But here we have a case in which regional businesses and businessmen, with few exceptions, supported segregation and opposed state and national efforts at racial integration, a policy that subsequently emerged as “the best thing that ever happened to the white South.” In effect southern business had to be coerced by the federal government to act in its own economic self interest! Such a paradox in business behavior surely calls for explanation, yet the case has yet to be analyzed explicitly by business and economic historians.

The present paper concentrates on public accommodations, a surprisingly neglected topic in Civil Rights history. In retrospect, desegregation of restaurants, motels and movie theaters may seem to have been relatively easy and perhaps of secondary historical and economic significance. But such perceptions only hold with hindsight. In the early 1960s, denial of equal service by private firms catering to the public was the single most prominent source of racial protest in the South, and this part of the Civil Rights Act was “more passionately and extensively debated both in and out of Congress than any other section” (Muse, *American Negro Revolution*, p. 80.) So strong was the opposition, that early forecasts by knowledgeable observers gave Title II (Public Accommodations) virtually no chance of approval. Yet by the end of the decade, this once-burning issue had all but disappeared from the national agenda. Surely such a dramatic about-face, in apparent defiance of economic logic, cries out for interpretation.

## The Course of Economic Progress in the South

This section documents the positive economic impact of the Civil Rights revolution on the regional economy. The standard index of economic development is national income or product per capita. Adapting this measure to the regional level, we see that sustained convergence of the South towards the national average dates from World War II, possibly somewhat earlier in the South Atlantic (Figure 1). Since Jim Crow segregation was firmly in place at that time, it seems evident that accelerated economic growth was not tied in any direct or inherent way to racial liberalization. Proximate sources of this economic “take-off” include wartime expenditures within the region, mechanization of agriculture (especially cotton), and above all the inflow of investment capital and enterprises from elsewhere in the country. The last of these represented a distinct shift in economic policies, from an earlier isolationism towards vigorous efforts to attract business through tax breaks, municipal bonds for plant construction, industrial development corporations, research parks, and expenditures on publicity far beyond those in other regions. James C. Cobb calls this phenomenon the “selling of the South.” It was reflected not just in business recruitment but in aggressive competition for defense spending and federal transportation funding.<sup>1</sup>

One might expect that accelerated growth, industrialization, and urbanization would have gradually weakened the traditional constraints of segregation. If anything, the opposite held true. The formalized system of segregation first took shape as an urban phenomenon at the turn of the century, most aggressively pursued in the newer industrial cities such as Birmingham, Charlotte, Durham and Atlanta (Cell, *Highest Stage of White Supremacy*, pp. 131-135). According to historian David Chappell, the process of economic development in the twentieth century generated if anything a “more systematic commitment to racial subordination” on the part of white political and economic leaders (*Stone of Hope*, p. 86). This was true even in a city like Atlanta, proud of its tolerance and modernism. Founded on New South boosterism in the 19<sup>th</sup> century, Atlanta civic leaders were among the first to join the new bandwagon of courting conventions, tourism and industry. From its earliest days, the city was thought to be “untypical” of the South, perhaps even “unsouthern” in its hectic lifestyle and openness to outside forces. But in its racial order, Atlanta remained thoroughly southern. Hotels and convention facilities were

rigidly segregated. Black job opportunities were severely limited, and even in the 1950s, many Atlanta jobs in both public and private sectors were closed to blacks, such as firefighting, building inspection, truck driving, sales, and auto repairs.<sup>2</sup> Although in retrospect such policies seem not only indefensible but economically irrational, purely economic forces were evidently ineffective in fostering social change.

Not only did economic development seem to be unconstrained by racial segregation, but the growth process squeezed many blacks out of the region altogether. Low-income, poorly-educated southerners left the countryside for cities in both North and South, while professionals and retirees began to move southward, into fast-growing cities and Sun Belt areas. Regional outmigration was racially as well as economically selective. Four million black southerners left the region between 1940 and 1970, because few of the emerging economic opportunities were open to them. Surplus labor conditions made it relatively easy for employers to reserve newly created job openings for whites only. For example, in South Carolina, which had been a black-majority state as late as 1920, 90 percent of new manufacturing jobs went to whites between 1940 and 1965 (South Carolina Department of Labor, *Annual Reports*).

This discussion raises the question whether per capita income is a satisfactory index of regional economic progress, as seen from the perspective of its supporters. Because attracting capital and high-income migrants was central to the program, measures reflecting these objectives may be more informative from the standpoint of political economy. One possibility is the growth of total personal income within the region, a magnitude that incorporates both success in recruiting new population and the high average incomes of the immigrants relative to those migrating out. Figures 2-4 display this variable for the three census divisions of the South as a share of the US total, thus normalizing for changes in the price level as well as for economic growth in the country as a whole.<sup>3</sup> Rather than steady convergence toward a national norm, all three graphs suggest that the period between 1950 and the mid-1960s was a time of relative stagnation. In the East and West South Central regions, the decisive acceleration occurred only after the watershed Civil Rights breakthroughs of 1964-65, while in the South Atlantic the break may have happened somewhat earlier.

Because urban business firms were key players in the public accommodations issue, we might get still closer to their perspective by considering indices that relate to the volume of commercial activity. Figure 5 shows the real value of general merchandise sales for the South as a whole between 1953 and 1973. Again, it is evident that an acceleration occurred around the mid-1960s, roughly coincident with the Civil Rights revolution. In the contentious category of drug and proprietary stores, the data actually show a sharp decline during the turbulence of 1962-63, from which recovery to the previous peak was only reached in 1965 (Figure 6). It might be informative to examine these regional sales figures relative to the national totals, analogous to Figures 1-4. When we do so, the picture is even more striking (Figure 7). After keeping pace with national trends during the 1950s, Southern retail business suffered relative decline during the heyday of the Civil Rights movement, resuming its previous growth path only after 1965.

Whatever measures are chosen, aggregate regional data have limitations for interpreting business behavior, particularly on issues that played out in metropolitan areas across the South, such as public accommodations. At the regional level, some of the graphs point to a decisive break at or just after 1965, while others suggest a turning point somewhat earlier. This ostensibly minor deviation may be meaningful. The sections below present evidence that retail sales in metropolitan areas began to grow when local settlements put an end to sit-ins, boycotts and demonstrations, even before passage of strong federal legislation. This finding will lead back to the prior question: Why did Southern business require heavy-duty pressure in order to grasp a profit opportunity?

### **Southern Business and Desegregation**

The starting point for understanding conflict over public accommodations is the proposition that racial segregation was fundamentally a calculated business policy by profit-seeking firms. Segregation in such facilities as lunch counters, restaurants, and hotels was rarely required by law, and when statutes or municipal ordinances did exist, enforcement was generally at the discretion of proprietors. Indeed, as of the 1960s many municipal segregation laws had been repealed, since by that time federal courts firmly supported the principle that state-enforced racial discrimination was unconstitutional. The strongest legal defense of segregation in the 1960s was the argument that private establishments had the right to determine their own clientele.<sup>4</sup>

Nor for the most part were segregated restaurants and hotels intimidated by threats of violence or retaliation if they were to serve black customers. To be sure, issues could become politicized as the sit-in movement persisted, and at that stage business efforts at compromise were sometimes stymied by politics. During the 1961-62 boycott of white stores in Albany, Georgia, for example, when several businessmen expressed a willingness to negotiate with the boycotters, their reward was to be censured by a majority of the city commission. But these were tactical moves during moments of political crisis. In most times and places during the five-year struggle, from the sit-in at Greensboro, North Carolina in February 1960 to the passage of the Civil Rights Act in July 1964, firms and business groups were free to make their own decisions on race. Overwhelmingly, they chose segregation. Where segregation was practiced, there seem to be virtually no examples of voluntary desegregation initiated by business in the absence of economic pressures such as sit-ins or boycotts.

The business motivation for segregation was relatively straightforward: They feared that serving blacks, particularly in socially sensitive activities such as eating and sleeping, would result in the loss of white customers. From the beginning and throughout the controversy, this fear was repeatedly expressed. The chairman of a committee formed to resolve the sit-in crisis in Greensboro – where the mayor actively favored desegregation – reported, after weeks of consultation with affected businesses:

The managers are extremely sensitive to public reaction, and merchants engaged in general merchandising businesses who also have food departments are fearful that if they served all races on an integrated basis in the food department, they will lose a sufficient percentage of their present patronage to the nonintegrated eating establishments in our city to cause a presently profitable food department to operate at a loss. (Quoted in Wolff, *Lunch at the Five and Ten*, p. 122.)

Often the fear was couched as a prediction that patronage would quickly tip from all-white to all-black. One southern manager complained: “Managers are defenseless against this situation. We are being singled out as tyrants who are being unfair to Negroes, when our duty and that of all business firms is to do the best job they can for the majority, and whites comprise the majority of our trade. *Is it democratic for a minority to*

*rule a majority?*” (WWD, May 10, 1960, emphasis added). His clear assumption was that black customers would make his shop unacceptable to white patrons.

The complaint that particular establishments were being “singled out” may suggest that problem was essentially one of coordination, or incomplete coverage, arising because white customers could readily switch to “nonintegrated” alternatives. Eventually the issue did take this form in many municipalities. But from the perspective of 1960, fears of a “tipping” phenomenon operated at the level of the shopping district as well as the level of the individual firm. As recounted by urban historian Alison Isenberg, from the early twentieth century onward, the business strategy pursued by downtown merchant groups was to make their retail districts attractive to middle class shoppers, especially women (whose spending decisions accounted for the bulk of household discretionary income). From this perspective, the fear that a downtown area could become known as a “Negro Shopping District” was a mortal threat, not just to an individual establishment but to the merchant community as a group (*Downtown America*, pp. 188-192). According to Isenberg: “Before the 1960s, only the rare white investor or consultant challenged the prevailing dogma that the presence of African Americans or race mixing on Main Street brought property values down” (p. 207). Although the fear of “blight” prevailed nationwide, in northern as well as southern cities, the South settled on a system that could tolerate a black presence by keeping it at an acceptable social distance. If anything, downtown merchant groups in the South saw their “coordination problem” in terms of *maintaining* segregation collectively. Thus the owner of Martin’s Department Store in Greensboro predicted that desegregation would make “a kind of ghetto out of this section of the city” (quoted in Chafe, *Civilities and Civil Rights*, p. 136).

Perhaps the clearest indication that segregation was a business decision is the fact that, at least initially, none of the national chains took active steps to change the policy in their southern franchises, even when they came under pressure beginning in 1960. The executives of Woolworth, Kress, Kresge, W.T. Grant and other chains were not themselves subject to the social pressures of southern communities towards racial conformity. Yet virtually without exception, their initial response was to defer to the judgment of local managers. This April 1960 statement by a Woolworth vice president (in response to a letter from a Baptist minister) was typical:

Our company has always considered itself a guest in any community in which it is located. As such, we endeavor to be good neighbors and to abide by local customs established by local people for the conduct of business in their towns. As you undoubtedly know, the customs to which you take exception had been in vogue for many years before our stores were established. In our opinion, under these circumstances it is unrealistic to expect that Woolworth would take the initiative in endeavoring to change them. (*WWD*, April 14, 1960)

Although such policy statements were generally couched in terms of deference to local customs, one can hardly doubt that the response would have been different if the companies believed that segregation entailed a sacrifice of profits. Only when sit-ins and boycotts inflicted heavy losses on local franchises, and it became clear that these campaigns would continue indefinitely, did national chains reluctantly begin to encourage accommodation to pressures for change.<sup>5</sup>

### **The Dynamics of Quasi-Voluntary Social Change**

In almost every case, the initial response of both local managers and chain executives was to wait out the demonstrators, in the belief that their energies would soon fade. The only debate was whether to allow the sit-inners to remain in their places indefinitely (unserved), to close the lunch counters, or to request eviction by the police under trespass laws. All three tactics were deployed in cities throughout the South, often with remarkable success. Only in retrospect does the outcome appear inevitable.

Little Rock, Arkansas, is a case in point. Proud of its progressive, cosmopolitan image, the city voluntarily desegregated its libraries, public transportation and some parks in the 1950s (Kirk, *Redefining the Color Line*, pp. 63, 101). Badly burned by the school integration crisis of 1957, a moderate pro-business group took control of the school board and city government by 1959, engineering a compromise to re-open the high schools. Even so, when the first student sit-ins at downtown lunch counters took place in March 1960, Woolworth officials immediately called city police. Subsequent harsh fines and sentences “swiftly ground the movement to a standstill” (Kirk, p. 143). When sit-ins resumed the following year, downtown business leaders still refused to budge, apparently hoping to outlast the demonstrators through a combination of

intimidation and solidarity in resisting change. The white business attitude in 1961 was summarized by Everett Tucker, incoming school board president and director of industrial development for the Chamber of Commerce: “The best thing for Little Rock to do now is nothing” (quoted in Kirk, p. 140).

In his detailed micro-study of political dynamics in three Alabama cities, J. Mills Thornton reports that well into the early 1960s, segregationists felt they were winning the struggle, and they had good reason for this belief. In Birmingham, after negotiations over lunch counters and fitting rooms broke down, an Easter 1962 boycott of downtown stores was an utter failure (*Dividing Lines*, p. 268). As one prominent Birmingham moderate put it: “Most businessmen felt that the demonstrations would fizzle in time” (quoted in Thornton, p. 302). In Albany, Georgia, the boycott of white stores during 1961-62 attracted national attention, but ultimately failed. The Albany Movement quietly petered out the following year. In Durham, North Carolina, a 1961 campaign to integrate local movie theaters was successfully resisted, and died out (Chong, *Collective Action*, p. 174). A particularly chilling example is the campaign to desegregate public accommodations in Chapel Hill, North Carolina, a university town long considered an oasis of cosmopolitanism and tolerance. As late as 1964, three of Chapel Hill’s five motels did not accept Negro lodgers, and 32 percent of the local restaurants maintained discriminatory policies of some type. Local activists protested these policies through sit-ins and other forms of civil disobedience. But because the Chapel Hill story received little outside attention, and the presiding judge was ruthlessly harsh in prosecuting offenders, the movement achieved virtually none of its goals prior to the passage of the federal Civil Rights Act in 1964.<sup>6</sup>

If private-sector desegregation was up for grabs in the early 1960s, when did the tide turn, and what was the cause? A perusal of the pages of national retail trade periodicals such as *Women’s Wear Daily* tells a central part of the story: sit-ins and boycotts did real damage to retail businesses, especially in the downtown shopping districts of southern cities. The losses had at least two principal components: denial of black patronage for political reasons, and diversion of white customers deterred by disruption and turmoil. The Woolworth’s manager in Greensboro estimated that only

five percent of his trade was from black customers; yet sales fell by 20 percent in 1960, and profits by 50 percent (Chafe, *Civilities and Civil Rights*, p. 136; Wolff, pp. 173-74).

From those first sit-ins in February 1960, the business press seemed fixated on the threat; hardly a week went by without coverage of the issue, often with a series of brief updates on events in various cities. Precise quantification of the impact is beyond reach, but the major headlines speak for themselves: “Negro Protests Plague Chains, No End in Sight;” “Retail Losses Cited in Negro Sitdowns, Spread is Feared;” “Segregation Issue Still Disturbing Retail Scene;” “Boycott Hurts in Nashville.”<sup>7</sup> As one Washington source put it: “Merchants aren’t saying much about this, but they’re scared to death, because they are afraid they will lose business either way” (quoted in Isenberg, p. 210).

Although many dismissive statements were issued both by national and local spokesmen – indeed there is no evidence that southern protests had detectable effects on national chain-store profits, even when supplemented by pickets in northern cities -- their underlying apprehensiveness was not hard to detect. In one anonymous interview, the manager of a variety store “afflicted by the spreading sitdown controversy over segregated eating facilities” reported that sales fell between 20 and 30 percent during protests. The manager worried that the problem would hurt future expansion plans, because some will stay out “until this thing blows over – and the end doesn’t show the slightest inkling of being in sight” (*WWD*: May 10, 1960). More potent than current losses were fears for the future. According to *New York Times* interviews, the paramount concern voiced by urban merchants was “a fear that prolonged racial tensions might drive customers of both races into the suburban shopping centers never to return...Downtown stores in all [Southern cities] have felt the keen knife of competition from the suburbs” (*NYT*: May 15, 1960).<sup>8</sup>

Thus, when the demonstrators showed their persistence by returning for new rounds of protest, business and civic leaders in many cities were ready to reach accommodation, especially in the border states. The earliest major cities to announce plans to desegregate public accommodations were San Antonio and Galveston, Texas, and Baltimore Maryland, in March and April, 1960. In Dallas, lunch counters were desegregated in June 1960, and a committee of business and civic leaders coordinated full downtown integration as of July 26, 1961 (Fairbanks, *For the City as a Whole*, p. 238). In

the Norfolk-Portsmouth area of Virginia, four chain variety stores began serving white and black customers at the same counters in July, 1960 (*NYT*: July 26, 1960). In Richmond, Virginia, the two largest department stores desegregated their eating places in January, 1961, and a lengthy boycott ended in August of that year when agreement was reached with seven downtown stores (*NYT*: January 22, 1961; Randolph and Tate, *Rights for a Season*, pp. 180-185). All told, within a year of the first sit-ins in 1960, lunch counters in over a hundred cities had dropped race barriers, and that number continued to grow during the following year (Muse, *Ten Years of Prelude*, p. 206).

### *Effects of Desegregation on Sales*

Given the dire expectations of retailers, many southerners were surprised by the relative lack of adverse reaction on the part of white customers. A Winston-Salem woman with many years' experience at a food counter remarked: "I wouldn't have believed it. There's not been one word said between a white customer and a Negro in my hearing. Not one!" A manager who had absorbed heavy losses during four months of protest observed: "If I'd known it could have been done this easily, I'd have been for it right from the start" (*WWD*, September 9, 1960). In Charlotte, *Women's Wear Daily* reported that within a short time, "merchants and the public have come to take the presence of Negroes [at department and variety store lunch counters] as a matter of course" (*WWD*, May 16, 1963). The president of Harvey's Department Store in Nashville remarked: "The biggest surprise I ever had was the apparent 'so-what' attitude of white customers" (*WSJ*, July 15, 1963). In May 1961, the *New York Times* reported: "Almost without exception, desegregation of lunch counters has been accomplished peacefully and without any significant loss of white customers" (*NYT*, May 6, 1961). Two years later businessmen questioned by the *Wall Street Journal* reported "no grave economic dislocations from integration and they leave no doubt that desegregation of commercial facilities has been less painful than expected" (*WSJ*, July 15, 1963).

Such testimonials should not necessarily be taken at face value, because desegregation was often carried out under a blanket of non-publicity, by agreement with local newspapers. Having agreed to accept black customers, however grudgingly, business groups were determined to put the best possible face on the outcome, often

freely rewriting their own history in the process. Can the favorable impact of desegregation on commerce be confirmed by more objective evidence?

One of the few local economic indicators continuously monitored across the 1950s and 1960s is department store sales, tracked by the Federal Reserve since the 1920s and by the Census Bureau beginning in 1966. These figures are by no means a comprehensive index of economic activity, but department stores were central to downtown shopping areas, and it happens that they were also at the center of the early sit-ins and desegregation conflicts. The Federal Reserve data were in fact widely discussed during times of severe crisis, in debates over the cost of racial turmoil. Although coverage was far more limited in the 1950s than it later became, continuous series can be assembled from the early 1950s to the 1970s for about fifteen southern cities.<sup>9</sup>

It must be acknowledged at the outset that such sales data do not necessarily provide a clean before-and-after test of the hypothesis that desegregation was good for business. In some cities, such as Dallas and Little Rock, initial integration of lunch counters was extended relatively smoothly to hotels, restaurants and theaters. But in others, such as Nashville, Atlanta, and Memphis, a promising start on lunch counters was followed by continued demonstrations, directed at noncooperating merchants but very likely disruptive to downtown shopping nonetheless. Thus there is an unavoidable subjective element in the choice of a desegregation turning point in particular cities.

With this caveat in mind, the best available examples of early-desegregating cities seem to be Dallas, Texas, and Norfolk-Portsmouth, Virginia. In Dallas, civic leaders responded to picketing by arranging for blacks to be served at forty-nine downtown restaurants on July 26, 1961, followed by removal of white-only signs throughout the area (Fairbanks, *For the City as a Whole*, p. 238). Strong “no-nonsense” tactics were applied to foot-draggers.<sup>10</sup> In Norfolk, where a business-oriented “Committee of 100” had formed in 1958-59 in response to a school-closure crisis, chain-store lunch counters began serving black and white customers at the same counters in July, 1960 (*NYT* July 26, 1960). Norfolk hotels were desegregated the following summer (*NYT* July 13, 1961).

The Dallas graph clearly suggests an acceleration of sales after the sweeping desegregation of 1961 (Figure 8). Department store sales doubled over the next ten years. Post-desegregation growth in Norfolk-Portsmouth was not as strong

quantitatively, but the turning point was if anything even more clearcut (Figure 9).<sup>11</sup> A period of absolute decline in the late 1950s gave way to an era of virtually continuous growth thereafter. It is small wonder that so many southern businessmen began to change their tune on the race issue at this time.

Later entrants enjoyed a similar reward. An example is Little Rock, where a “secret committee” of leading merchants, bankers, and Chamber of Commerce representatives took charge, reversing the original resistance and quietly initiating a desegregation process beginning in January, 1963 (Jacoway, “Taken By Surprise,” p. 37; Kirk, pp. 157-58). By April James Foreman of SNCC called Little Rock “just about the most integrated city in the South” (*Jet*, April 4, 1963, p. 17). Figure 10 illustrates the dramatic results. To be sure, the decline of 1956-62 was related to the schools crisis and its discouragement to new industrial investment, rather than to disputes over public accommodations. But the same moderate businessmen played leading roles in resolving both crises, and the timing evidence points to desegregation as a turning point.

These relatively “progressive” examples contrast with the notorious case of Birmingham, Alabama, where in 1962 the City Commission closed all public parks in response to court-ordered desegregation, and Police Commissioner “Bull” Conner’s violent response to demonstrations in 1963 inflicted lasting damage on the city’s reputation. Figure 11 shows that department store sales in Birmingham hit bottom in 1964, after seven years of decline. Even in Birmingham, the belated desegregation agreement evidently reversed the downward slide, and growth resumed after passage of the Civil Rights Act of 1964.

### **Coordination Problems: From Quasi-Voluntary to Federal Legislation**

These apparent business success stories inspired an approach under the Kennedy and Johnson administrations to avoid centralized federal intervention by promoting and mediating voluntary local settlements. Advisors such as Robert Rankin and Benjamin Muse of the Southern Regional Council maintained extensive business contacts in the South, and favored an appeal to enlightened self-interest. Their “running tallies of progress” bolstered the case against a comprehensive federal policy (Chappell, *Inside Agitators*, pp. 166, 197-200).

As seen by business moderates, the resurgence of prosperity in cities that reached settlements on public accommodations served both as a model for emulation and as a form of business competition relative to cities in the deep South, while the 1963 breakdown of law and order in Birmingham vividly demonstrated the dangers of failure to compromise. But to suggest that from 1963 onward, the process of desegregation was driven by the enlightened self-interest of national chains and southern business elites, would be to drastically oversimplify the historical record. As the political leadership in Washington learned, voluntary desegregation agreements could only go so far, in the absence of mechanisms to enforce compliance, and in the presence (current or anticipated) of competition for white customers from still-segregated establishments.

Although the administration heard repeatedly from southern businessmen that voluntary agreements were much preferred over coercive legal measures, by the summer of 1963 it had become evident that the voluntary approach was sputtering to a standstill, well short of full desegregation. Figure 12 shows the running tallies through July of that year. By November, Louis Oberdorfer's memo to the Attorney General acknowledged: "Reports of progress in desegregation of privately owned public facilities show virtually no breakthroughs since the middle of October. We are receiving only occasional status reports from businessmen and our monthly reports from United States Attorneys show very little change is now taking place."<sup>12</sup>

Worse yet, partial desegregation often seemed only to make things worse. A followup memo noted the "curious patchwork pattern" that had emerged from the voluntary process, in which most lunch counters were integrated, but most restaurants were not. In a number of towns, four-wall theaters were desegregated but drive-ins were not. The unevenness of the outcomes generated strong feelings of inequity on the part of businesses and threatened to unravel existing agreements. Numerous reports appeared in late 1963 and early 1964 of firms that had reinstated segregation after initially signing to a quasi-voluntary agreement.<sup>13</sup> Perhaps worst of all from the administration's perspective, segregation holdouts perpetuated the sense of grievance on the part of blacks, and therefore failed to end demonstrations in southern cities.

Awareness of the uneven and uncertain record of the voluntary approach helps to account for the rapid, late-breaking shift in Washington towards a more comprehensive

public accommodations law. As late as 1963, the Kennedy administration favored a moderate, limited approach, applied only to interstate commerce in a strict sense. By the end of that year, however, Civil Rights Division head Burke Marshall had concluded that “[Southern] whites do not have the sense or courage to take sufficient steps to give the local negroes enough gains to enable them to oppose further demonstrations,” predicting: “The situation will get worse again” (quoted in Chappell, *Inside Agitators*, p. 204).

This scenario just sketched held true even for the best-known example of enlightened business-led desegregation: Atlanta, Georgia, famously self-styled as “the city too busy to hate.” True enough, Atlanta mayors openly appealed to economic self-interest in reforming racial policies. The Atlanta Chamber of Commerce was the only major business group in the state to speak out favor of desegregating the public schools, and the Chamber’s 1961 letter to the Governor to this effect was signed by prominent bankers, furniture dealers, and utility executives. Mayor Ivan Allen was the only prominent official from the South to testify in support of the public accommodations provisions of the Civil Rights Act. On closer inspection, however, one learns that Allen supported federal legislation only because he had been unsuccessful in persuading Atlanta hotels and restaurants to desegregate voluntarily. Alton Hornsby notes the irony that the same business leaders who were in the forefront of the schools issue were “steadfast in their opposition to desegregation of their own lunch counters.” Allen wrote:

Everything I had tried in those areas [hotels and restaurants] had failed. There had been endless meetings with the hotel and restaurant people over the past three or four years, and no matter what agreement was reached everyone involved would be split in every direction. The hotel and restaurant associations would not even respond to the pragmatic argument that unless they opened their doors to everyone, Atlanta’s convention and tourist business – not to mention its favorable national image – would plummet.

Allen’s testimony was reluctant, a response to a personal appeal from the President.<sup>14</sup>

Once the major chains decided to acquiesce in desegregation as the lesser evil, and as they were on their way to deciding that acquiescence was a positive good that they had secretly favored all along, the strategic situation changed dramatically. Although the early results were favorable in many places, both the chains and downtown merchant

groups still harbored fears of being undercut by still-segregated rivals in competition for affluent white customers. Hence, many formerly resistant firms became reformers themselves, calling not only for federal legislation, but for the most comprehensive coverage that was legally possible. The adjustment process was by no means smooth, however, and opinion within the business community was divided throughout the period.

Ironically, some rethinking was triggered by President Kennedy's moderate early 1963 Civil Rights message, which pledged only to "continue to encourage and support action by state and local communities, and private entrepreneurs, to assure all members of the public equal access to all public accommodations" (*NYT* March 1, 1963). As late as June, the plan was to limit coverage to "business establishments having significant interstate commerce, including chain stores, large department stores, restaurants and hotels along interstate highways, but not to the smaller local stores" (*NYT*, June 4, 1963). When the President invited about a hundred businessmen to the White House to promote the plan, one chain-store board chairman "had the distinct impression that few of those at the White House today desired a public accommodations law" (*NYT* June 5, 1963).

Behind the scenes, however, the administration was hearing much more cooperative sentiments from national drug and variety store chains.<sup>15</sup> A turning point of sorts was marked in July 1963, with the appearance of an editorial in the trade publication *Chain Store Age*. The key passage read:

That a federal law prohibiting racial discrimination in retail outlets would be helpful to retailers in localities where segregation is still required by local law or local custom would seem to be rather obvious...One possible feature of the proposed new legislation which the chains will have to oppose with the utmost vigor is a suggested provision limiting its coverage to large-scale retailers or those operating stores or restaurants in more than one State. Not only would any such ill-conceived limitation be basically unfair to those covered by the law, but it would to a large extent defeat the law's only purpose – to give all Americans equal service in all 'places of public accommodation whether privately or publicly owned.' To emancipate the Negro in some stores and restaurants but to permit discrimination against him in others would be to perpetuate what we must continue to regard as our national shame until it is wiped out altogether.

The editorial was quickly and eagerly circulated within the Justice Department. Later that month, the *Kiplinger Washington Letter* reported that although most businessmen are opposed to intrusion on the rights of private property, “more and more you hear this said: ‘May be better to have federal law to force everyone to drop the color bars and get it over with fast. Better than piecemeal, some doing it, others not.’ This feeling now is not widespread, but it’s gaining support gradually” (July 26, 1963).

This changing business sentiment undoubtedly contributed to the greatly strengthened public accommodations provisions of the bill submitted to Congress on June 19, 1963. The initial consensus among observers was that the section had been submitted as a gesture to the movement, but that it had little realistic chance of passage (*NYT*, June 20, 1963). For the better part of the subsequent year-long debate, this assessment was repeatedly heard, both by supporters (such as Adam Clayton Powell) and by opponents of the measure.<sup>16</sup> Even in January, 1964, observers doubted that the administration could gain passage without surrendering public accommodations (*NYT* January 12, 1964). Unexpectedly, however, the House fended off all attempts to water down the section. Contributing to the strength of supporters was, as reported by the *Wall Street Journal*, a virtual absence of organized business opposition to the bill. One conservative Midwestern Republican remarked: “There’s been a lot of talk about the bill infringing on property rights, but as far as I can tell the people who own the property don’t seem to think so” (*WSJ*, February 3, 1964).

In May, Republican Senate leader Everett Dirksen -- who had long harbored grave doubts about a mandatory public accommodations law -- announced his support for a modified but not fundamentally weakened version. Armed with Dirksen’s endorsement, the Senate voted cloture on June 10, and the bill itself was passed and signed by President Johnson on July 2, 1964. Although it would be a serious overstatement to say that a national chain-store coalition instigated and directed the entire legislative campaign, their relief at the bill’s passage was evident. A Woolworth official pledged immediate compliance, saying: “Woolworth will now be able to serve all its customers in all its stores on a desegregated basis,” adding that most of its stores had already been desegregated (*WSJ* July 2, 1964).

### **The Aftermath: Compliance Enforcement Under the Civil Rights Act**

This interpretation is consistent with the aftermath of the 1964 Act. In light of the history of vociferous debate over public accommodations, the Johnson administration anticipated massive backlash and perhaps violent resistance (Cortner, *Civil Rights and Public Accommodations*, pp. 6, 29). In the end, the results were anticlimactic. *Time* magazine reported that throughout the South, “from Charleston to Dallas, from Memphis to Tallahassee, segregation walls that had stood for several generations began to tumble in the first week under the new civil rights law” (quoted in Cortner, *Civil Rights*, p. 64). According to an October 1964 survey of 53 cities in 19 states that previously had no public accommodations laws, desegregation had been accomplished in more than two-thirds of the hotels, motels, chain restaurants, theaters, and sports facilities, as well as public parks and libraries (Muse, *Revolution*, pp. 156-7). A few well-publicized enforcement cases aroused intense interest for a relatively brief period. But then, as Muse reports, “as a matter of active national concern it receded into history” (p. 75).

Such retrospectively dismissive accounts may exaggerate the overall ease and inexorability of the process, and even the certainty of the outcome. In Arkansas as in other states, state officials fostered doubts that the law really meant what it said, or that it would be rigorously enforced. Arkansas Attorney General Bruce Bennett issued a statement on July 9, 1964, advising businesses to “continue their present policy” until the courts ruled on the meaning and constitutionality of the act. Even after the Supreme Court upheld the law, attempts at defiance and evasion were widespread. At the state capital itself, the cafeteria known as the Capitol Club denied service to a black group on March 11, 1965, and had them ejected by state troopers, subsequently claiming to have converted itself into a private club, exempt from the law. The same tactic was used in a protracted and controversial case at Whit’s Café in Little Rock, against which private suits were brought by local Civil Rights leaders Daisy Bates and Ometa Jewell.<sup>17</sup>

Ultimately, however, both Civil Rights forces and the Justice Department proved to be serious about enforcement, and within two or three years, the overwhelming majority of establishments were committed to compliance. Figure 13 displays the time line of complaints under the law in Alabama, and the dates on which the files were closed. After early peaks in the second half of 1964 and 1965, new allegations of

discrimination dwindled to a trickle by 1968. Only a handful of cases actually went to court, but the overwhelming majority of files were closed with pledges of compliance on the part of the proprietors. Although the largest absolute number of cases arose in cities (Birmingham, Mobile, and Montgomery), on a per capita basis the volume of litigation was far higher in smaller towns such as Marion, Prattville, Russellville, Selma and Thomasville (Figure 14). Most of these were small businesses – drug stores, gas stations, truck stops, drive-ins. On the argument of this paper, in most big cities the major issues had largely been settled earlier – if not yet comprehensively enforced – by negotiation.

The Supreme Court arguments on public accommodations were particularly interesting in light of this discussion. The Justice Department expected to initiate enforcement actions, but in fact the key test cases were brought by two businesses seeking injunctions against the Act: the Heart of Atlanta motel in Atlanta, and Ollie's Barbecue in Birmingham. Solicitor General Archibald Cox chose to argue the case on the basis of the Commerce Clause of the Constitution. Although this decision was probably made to avoid the need for outright reversal of the 1882 decision overturning the Civil Rights Act of 1875, Cox was able to present considerable evidence that discrimination was damaging to commerce, most immediately by discouraging interstate travel by blacks, but even more substantially by generating racial unrest and protest, thus curtailing business activities, tourism and the convention trade (Cortner, *Civil Rights*, p. 92). Furthermore, the court's majority opinion (drafted by Justice Clark) explicitly adopted the foregoing analysis of competitive externality, to justify the Act's application to smaller concerns with little direct involvement in interstate commerce, such as Ollie's Barbecue.<sup>18</sup> Citing testimony before Congressional committees, Clark wrote that

racial discrimination by one restaurant in a city encouraged the practice throughout the area because of the other proprietors' fear of the competitive advantage gained by the segregated restaurant in increased white trade. Thus if Congress had limited coverage of the Act to those large restaurants which clearly cater to interstate patrons there would have existed a very real danger of injury to interstate commerce resulting from this competitive disadvantage.

This is essentially the analysis advanced in this paper, providing a rare example of an academic thesis endorsed by the highest judicial authority in the land.

## Conclusion

Why was Southern business so slow and hesitant to recognize its own interest in desegregation? One possibility is that white southerners of all stripes simply cared more about racial supremacy than about economic progress – a trade-off that the economic theory of discrimination often posits. On the evidence of this paper, this interpretation must be rejected. Certainly Southern businessmen were members of their communities and hence subject to social and political pressures to conform to racial practices that by the 1950s were deeply entrenched. But businesses often found ways to bend and adapt these customs when financial interests were at stake, yet they showed little inclination to do so when the issue was desegregation of public accommodations. Debates and decisions in this arena revolved predominantly around economic interests.

A more plausible reading is that southern businessmen just did not understand the economic consequences of racial segregation for the regional economy and for their own profit opportunities. If so, it is not because an alternative vision had never been offered. The high economic cost to the South of racial oppression was a longstanding theme among southern writers – a dissenting minority to be sure – dating back at least as far as Lewis Blair’s 1989 book, *The Prosperity of the South Dependent upon the Elevation of the Negro*. Seventy years later, a remarkably similar analysis was presented by the distinguished southern economist William Nicholls, in *Southern Tradition and Regional Progress*. Throughout the 1950s, arguments on the basis of economic self-interest were standard features of Civil Rights rhetoric. David Chappell argues that the key to the movement’s success was that protesters consistently said and believed “that what they were doing was good for the white South” (*Inside Agitators*, p. xxv). If movement sources lacked credibility for white southerners, the spokesmen and literature of the Southern Regional Council were nothing if not respectable, always couched in terms calculated to convince local businessmen. The 1964 SRC-Anti-Defamation League pamphlet, “The Price We Pay,” was a systematic compilation of the costs of segregation to the regional economy. Evidently the “mere rhetoric” of public statements and economic analysis were not enough to persuade most southern businessmen, or at least to galvanize them into active support for desegregation.

The interpretation suggested here is that Southern businessmen were locked into a low-level equilibrium, in which their own perception of prejudice on the part of white customers was a crucial factor. Both as firms and as downtown collectivities, businesses balanced the loss of black consumer spending against anticipated losses of white patronage. When their hand was forced by economic pressures, Southern businesses learned in most cases that the adverse white reaction was not nearly as severe as they had expected. But white customers also learned, that desegregation was not as bad as they had feared, a process no doubt facilitated by the absence of alternatives when desegregation was in effect a public choice. Thus we have a remarkable example of collective co-evolutionary learning towards a better economic outcome. Ultimately the matter boiled down to a coordination problem in many places, but arriving at that point required extensive learning-by-doing on the part of both business and customers.

A window on the businessman's eye-view of this transition was offered by Julius Manger, Jr., the hotel chain owner recruited by the Johnson administration to help convert southern businessmen to the new outlook. Reflecting in September 1964 on the success of the campaign, Manger listed these as his most persuasive arguments:

“1) I was able to point out the experience of other public accommodations' owners in desegregating their facilities and show that when desegregation took place jointly, there was no economic loss and there was no trouble between the races.

2) I was able to say with conviction that Negroes did not crowd into public accommodations once they were given the right to use them but quite to the contrary used public accommodations much less than would be expected. I pointed out that the main reason for this was that the Negro just did not have the money necessary to pay the bill.

3) In Charlotte and Savannah we had a larger investment in our hotel and motel properties than anyone else. In both of those cities, therefore, I was able to say to other hotel and motel owners that I was not just asking them to do something and then going to walk away, but that actually we had a bigger investment to lose than they did...

4) The moral justice of allowing Negroes to use public accommodations facilities was always recognized by the thinking people in the communities I visited, and I am sure this played a large part in their decisions to comply with the new law.

5) In case everything else failed, I was always able to point out that trouble was almost inevitable if nothing was done. I found again and again, that the last thing people want in their communities is trouble.”

An issue not directly addressed here is how desegregation in public accommodations related to longer term change in racial attitudes. Survey evidence shows a trend towards increased tolerance of desegregation among whites dating from the 1940s, in the South as well as the North (Hyman and Sheatsley, “Attitudes,” Greeley and Sheatsley, “Attitudes”). It is difficult to believe, however, that the dramatic decline in Southern white support for “strict segregation” between 1961 and 1968 was unrelated to the observed correlation between desegregation and economic progress during those years (Black and Black, *Politics and Society*, pp. 111-112, 200).

As in many historical cases of unanticipated radical change, after the revolution almost everyone who has anything to say about the past recalls that they themselves were early advocates of reform. One black southerner remarked in an oral history interview: “When [segregation] ended, you can’t find a single white person who remembers it.” The process of retrospective historical revisionism applies to business history as well. In his case study of desegregation in Norfolk, Virginia, Carl Abbott commented astutely: “Indeed, the image of a mobilized business leadership which could take the city’s problems in hand was a sophisticated form of boosterism, as much as it was a description of political realities.” According to Abbott, Norfolk’s business-oriented Committee of 100 “did not serve as a major force for change in Norfolk,” but “by openly ratifying the inevitable, the city’s business leaders helped to make desegregation respectable.”<sup>19</sup> Perhaps the champion revisionist city was Greensboro, site of the first sit-in. Hal Sieber of the Greensboro Chamber of Commerce gave this account:

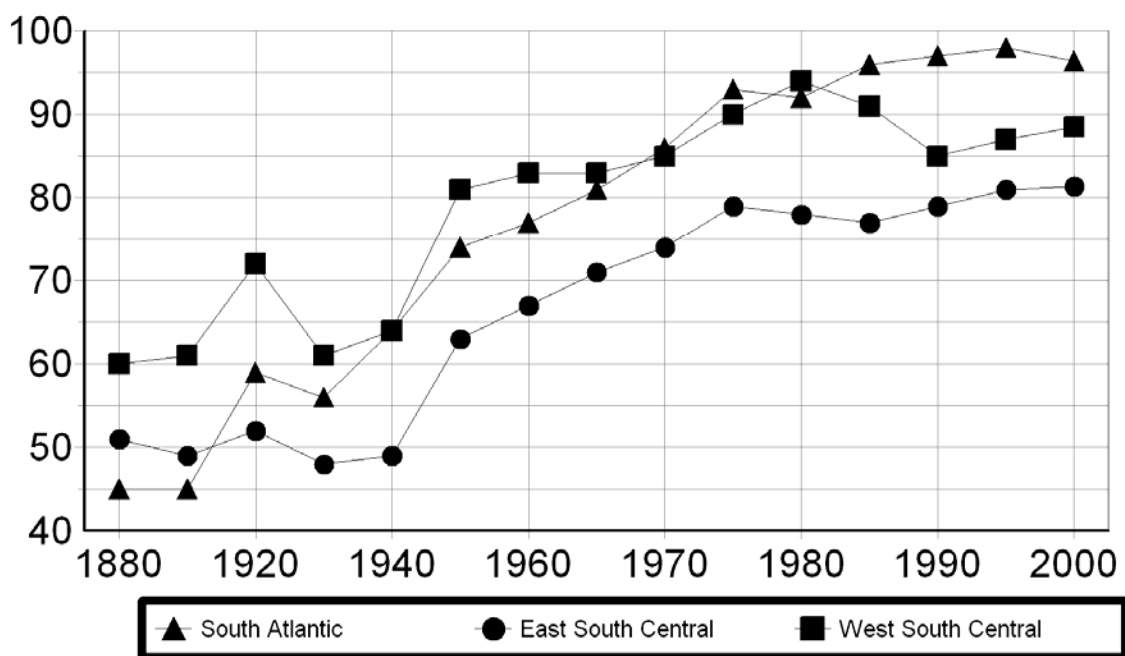
“When I first got to Greensboro I heard the white power structure condemning the sit-in demonstrators as if they were subversives...Five years later I heard the Mayor of the city brag about the fact that we were the home of the first sit-in, as if we had invented the electric light bulb.” (Quoted in Chafe, *Civilities*, p. 287).

Small wonder that the white South has experienced a loss of collective memory regarding the pre-Civil Rights years.

Figure 1

## PER CAPITA INCOME, South as % US

### 1880-2000



**Sources:** 1880-1950, U.S. Bureau of the Census, *Historical Statistics of the United States* (1975), series 287, 292, 293, 294 [1940 figure from Charles F. Schwartz and Robert E. Graham, Jr., "Personal Income by States since 1929," *Survey of Current Business* (September 1955)]; 1955-2000, *Statistical Abstract of the United States*, various issues.

Figure 2

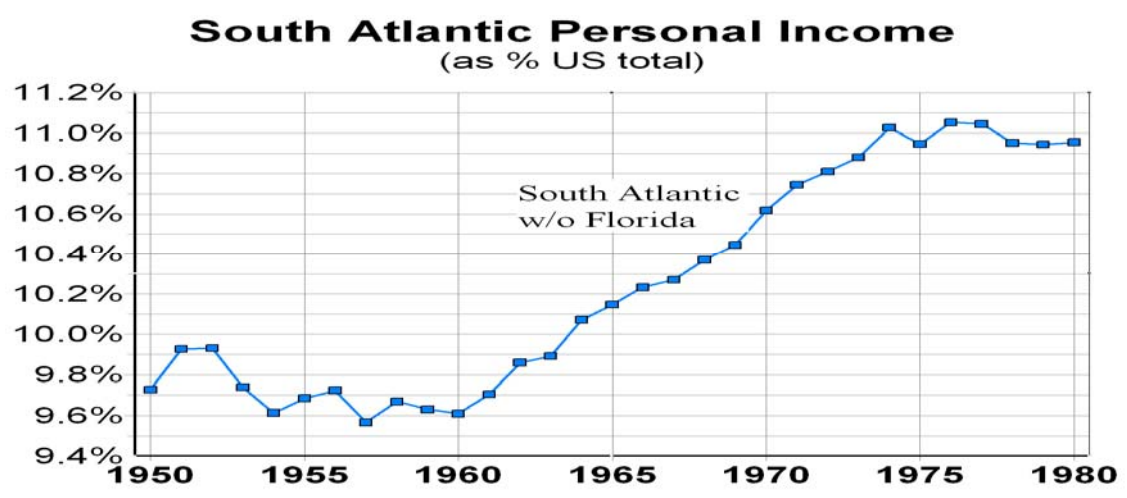


Figure 3

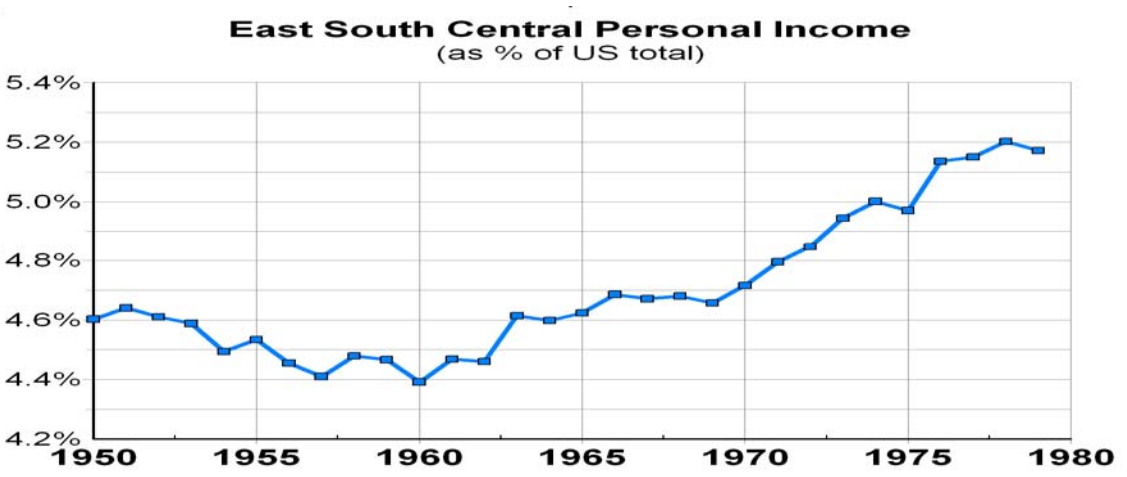
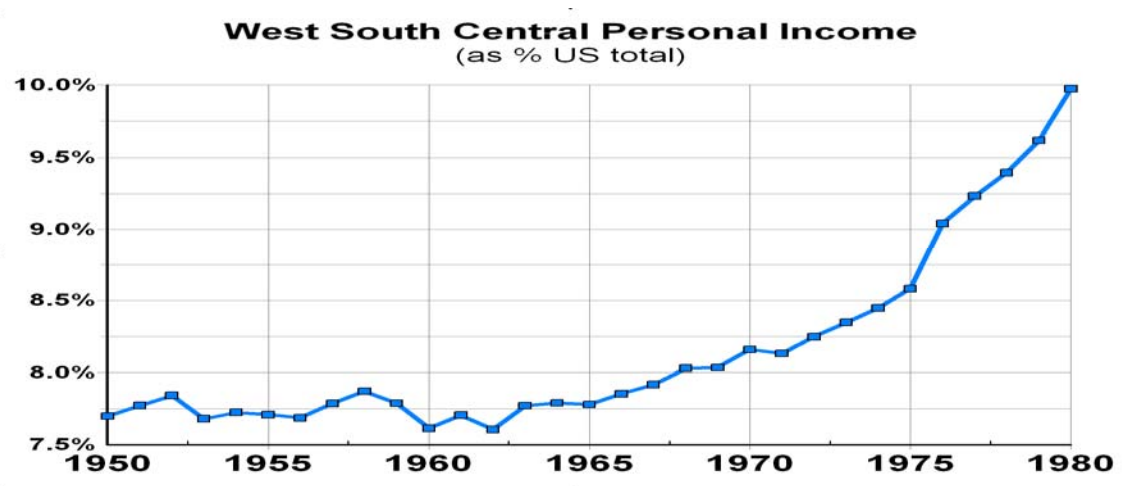


Figure 4



**Figure 5**

## Retail Sales in the South: General Merchandise, 1953-1973

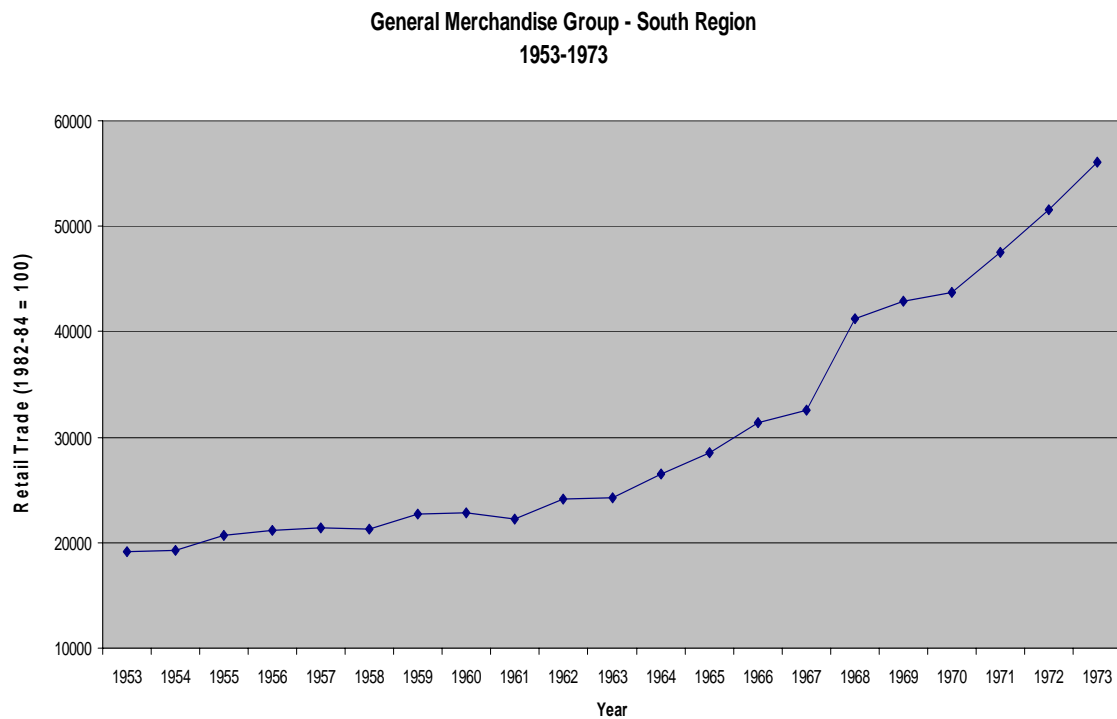


Figure 6

# Retail Sales in the South: Drug Stores, 1953-1976

Drug and Proprietary Stores - South Region  
1953-1976

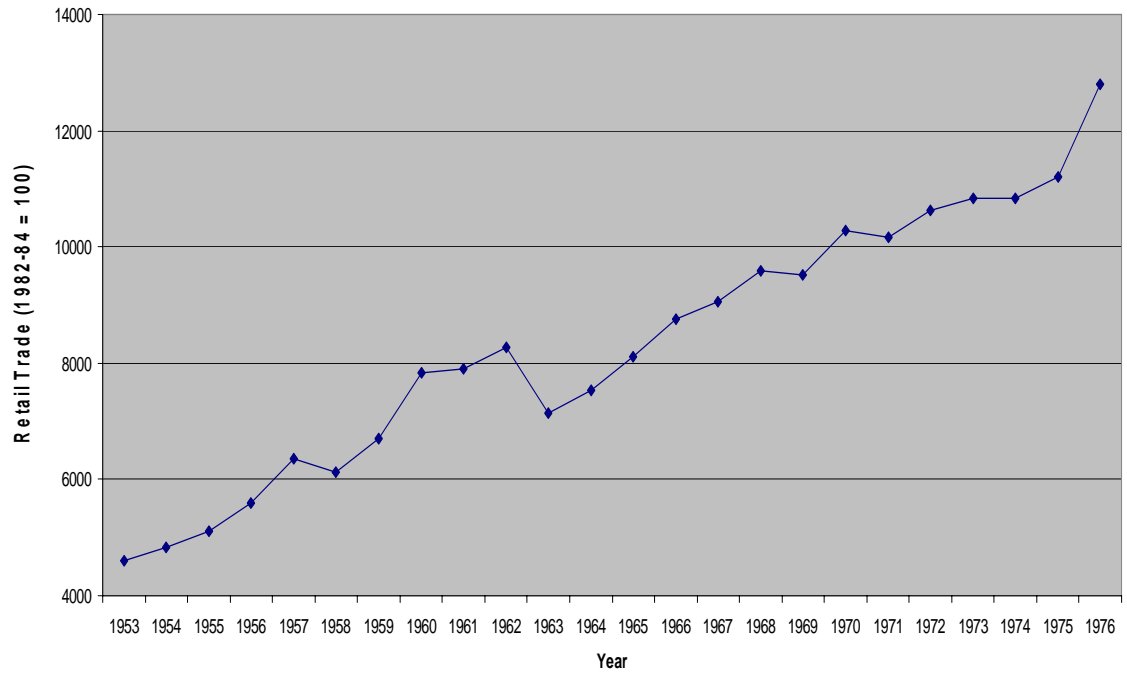


Figure 7

**Retail Sales in the South:  
General Merchandise as Share of US Total,  
1953-1976**

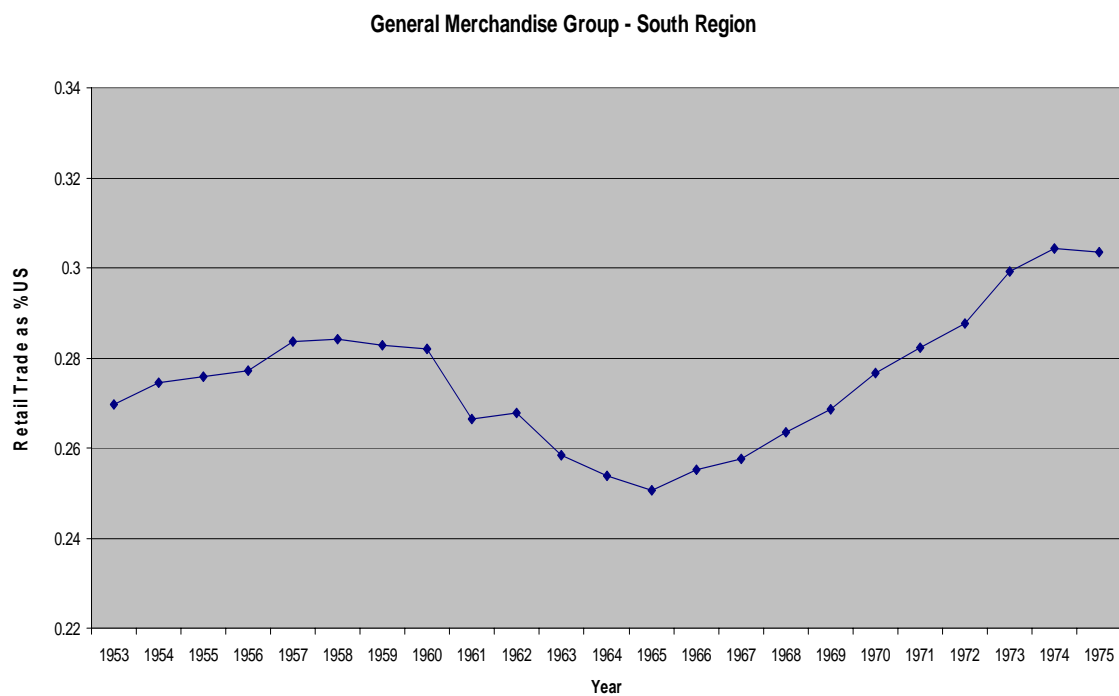


Figure 8

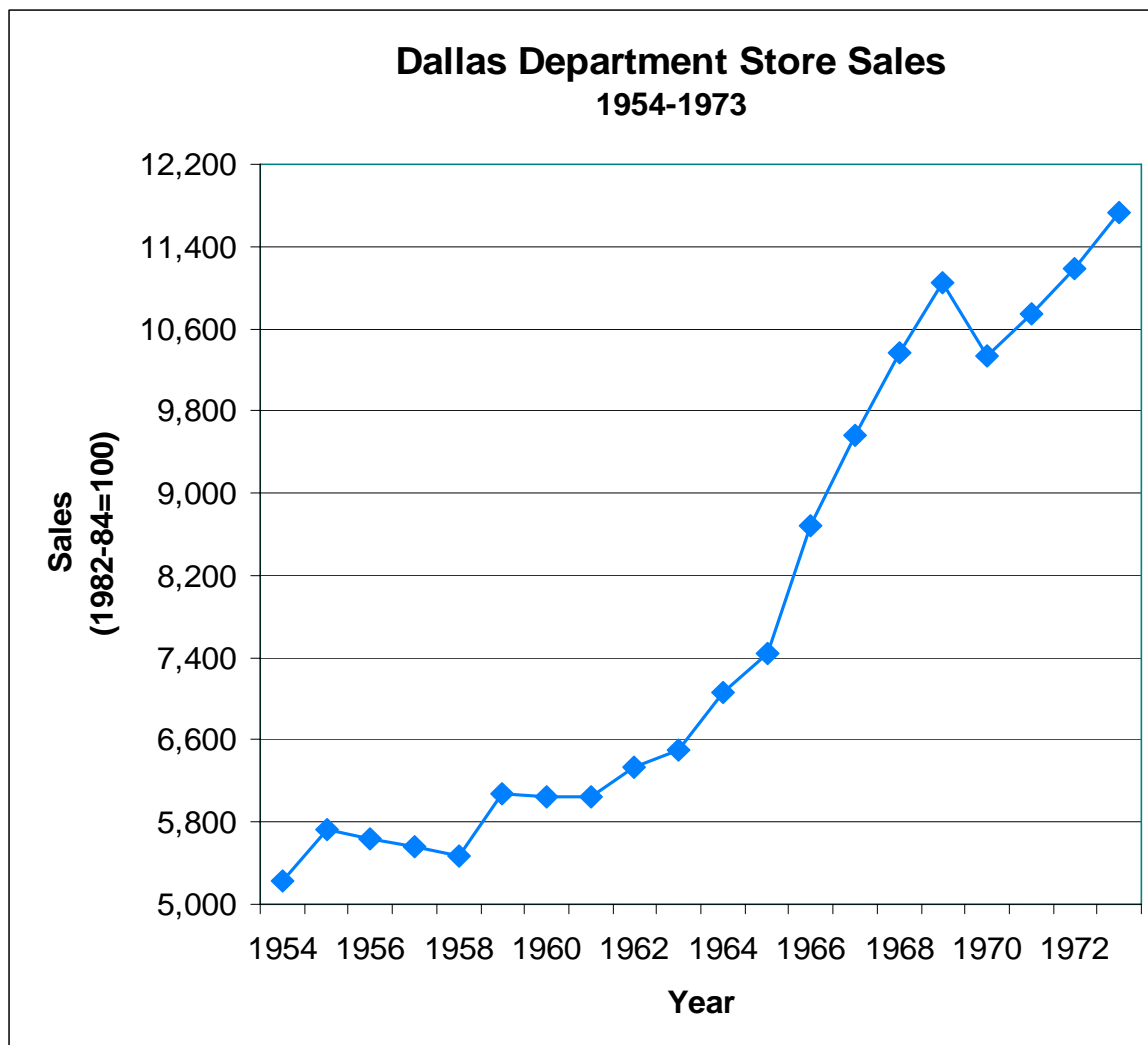


Figure 9

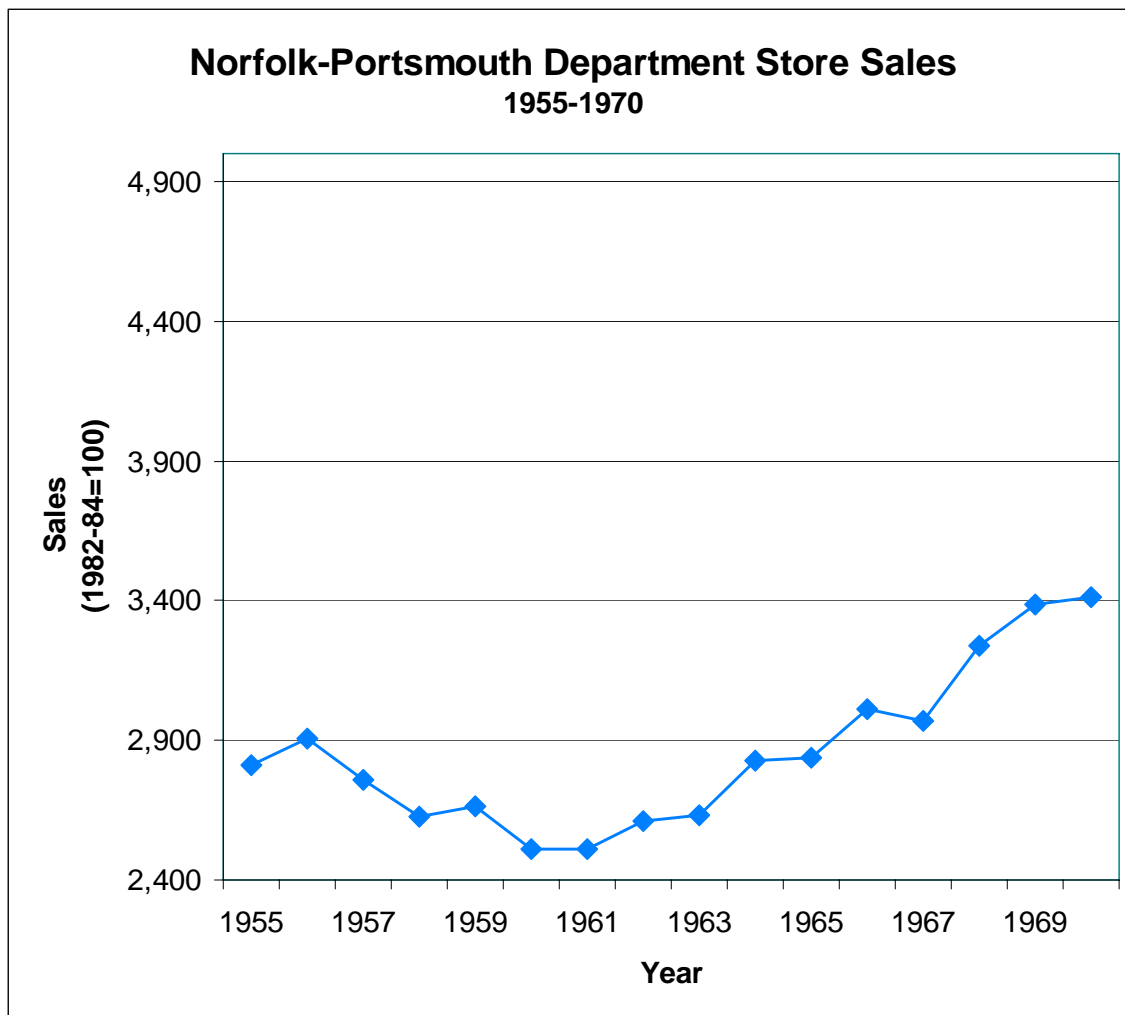


Figure 10

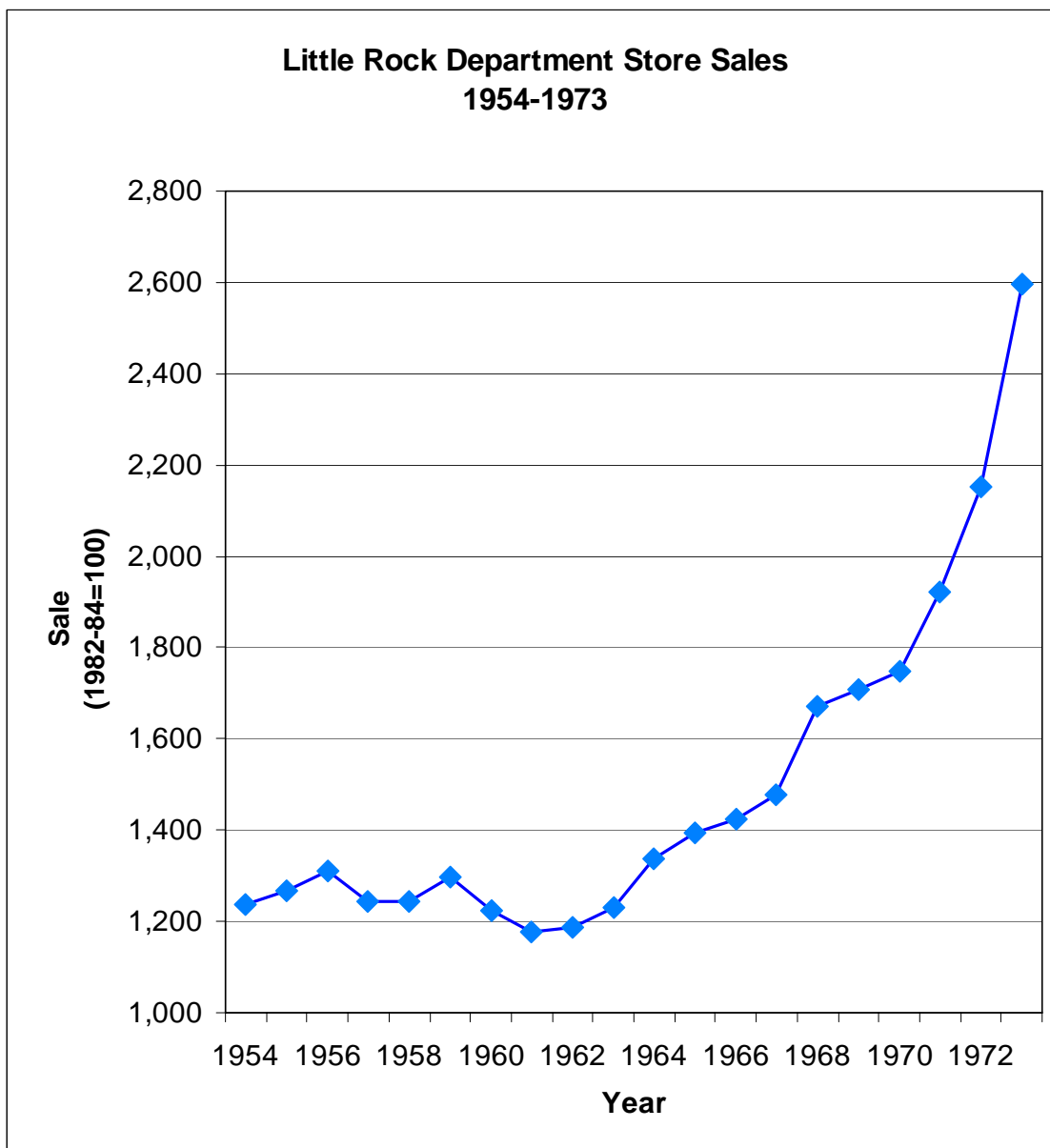


Figure 11

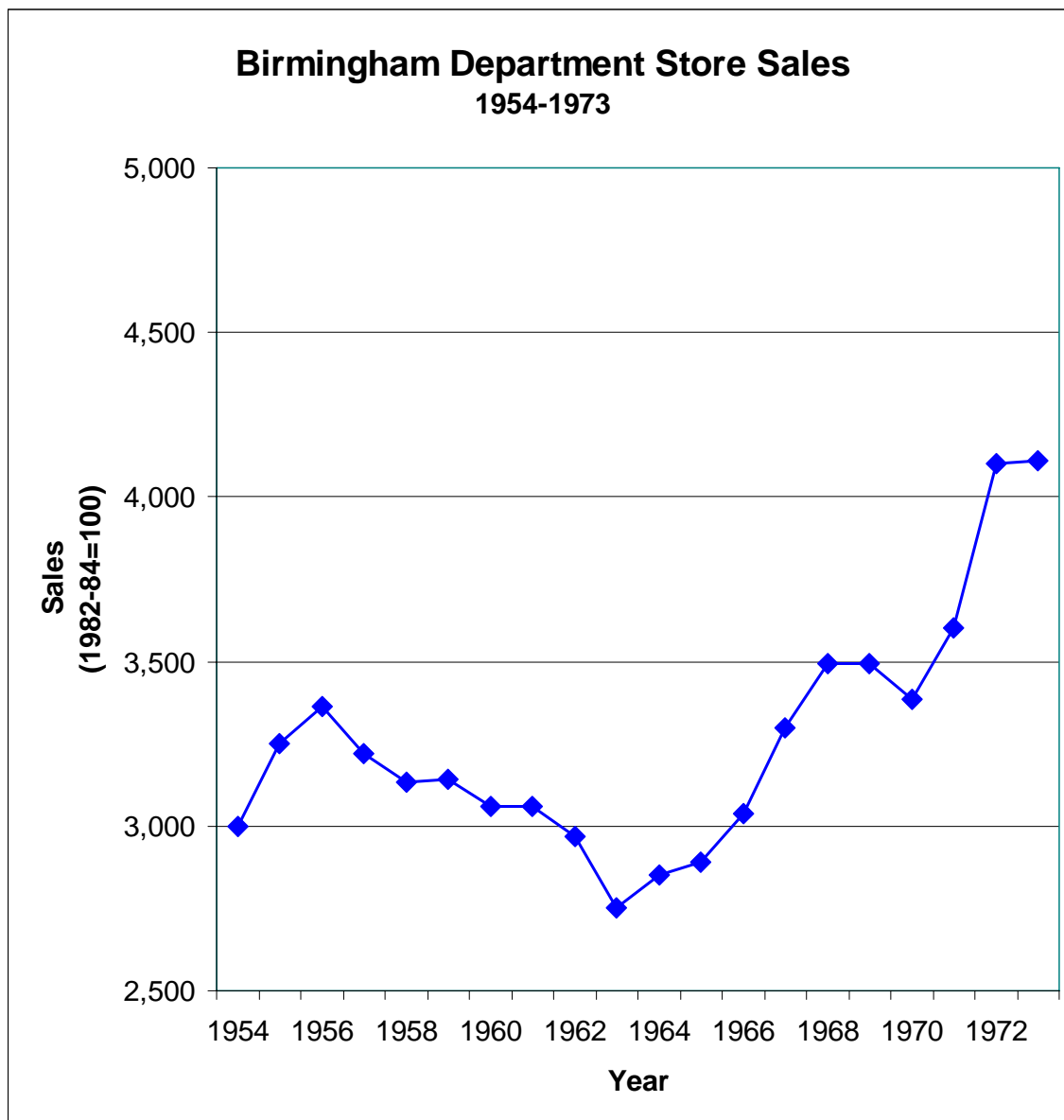


Figure 12

# Cities Desegregated

## 5/22/63-7/2/64

### Of 566 Southern Cities Monitored

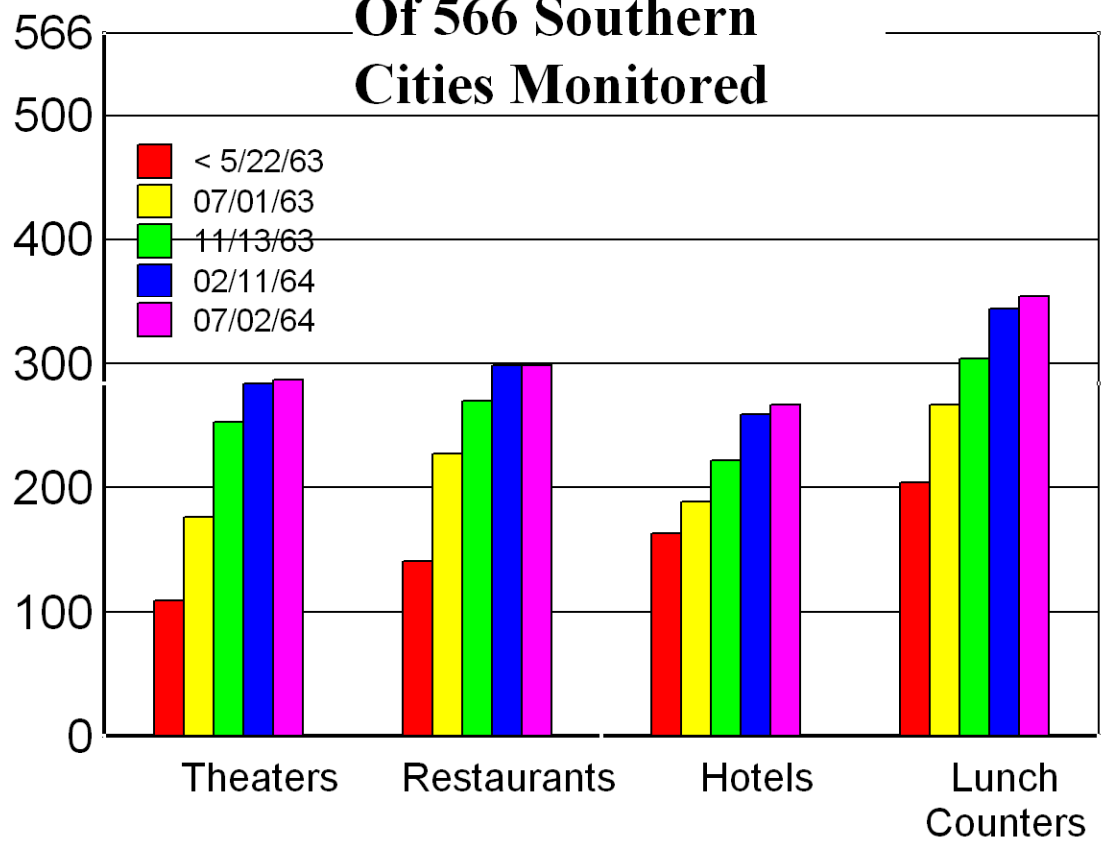


Figure 13

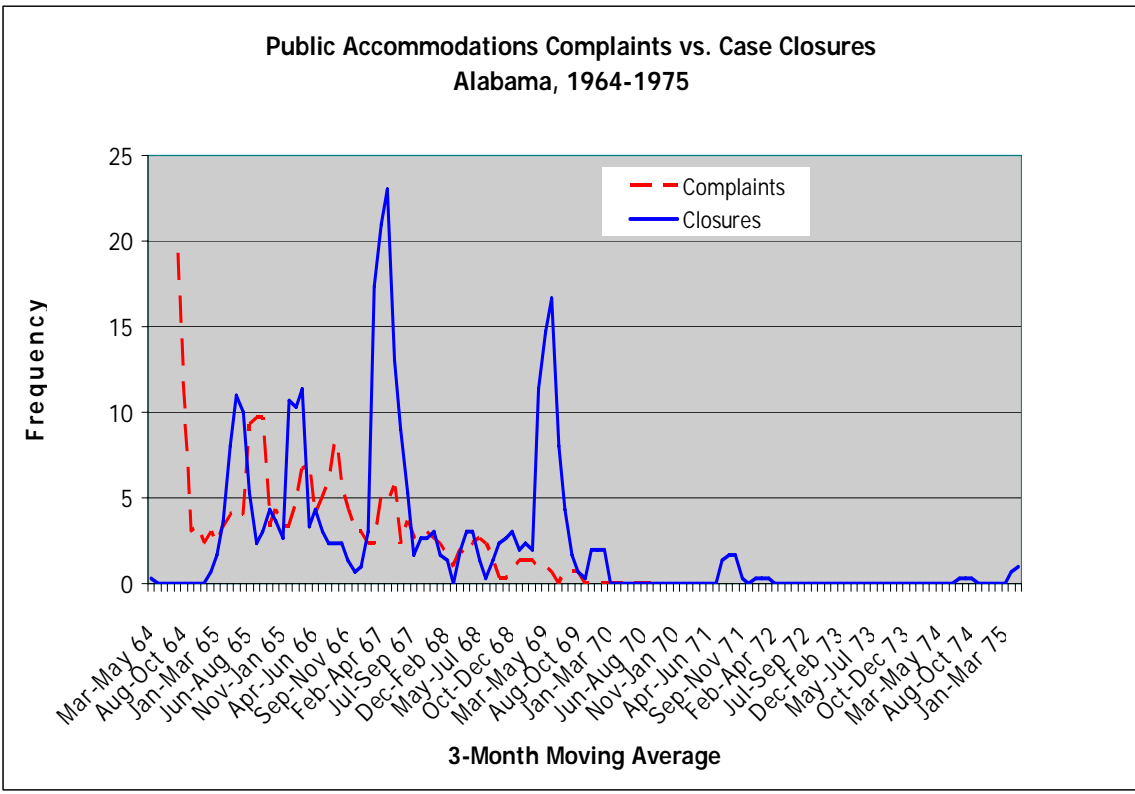
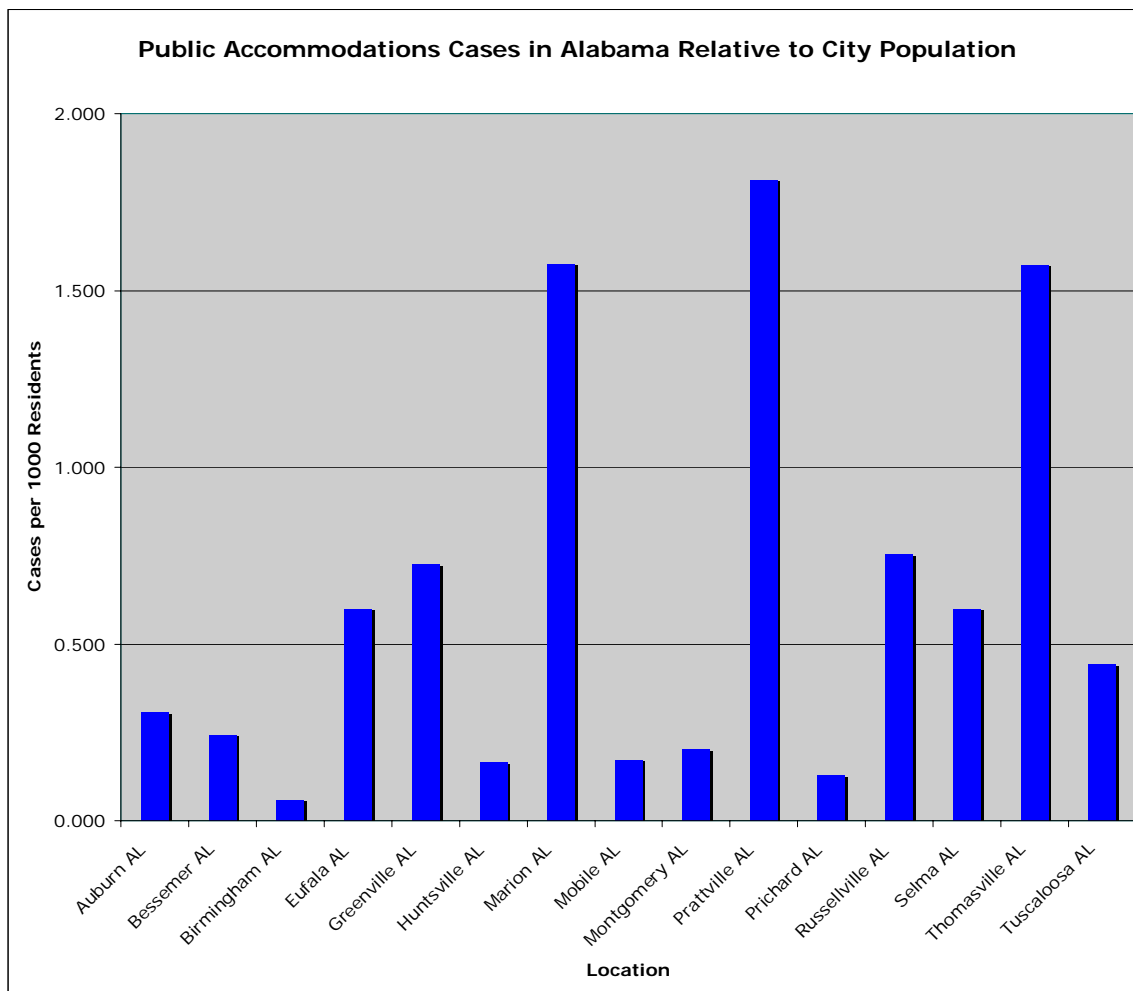


Figure 14



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## Notes

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<sup>1</sup> Twelve of thirteen southern states adopted industrial programs between 1935 and 1941 (Barnett, *State Industrial Development Programs*, p. 6). On defense and transportation funds, see Schulman, *From Cotton Belt to Sunbelt*, pp. 114-16, 140-42.

<sup>2</sup> This discussion draws upon Bayor, *Race and the Shaping of Twentieth-Century Atlanta*, pp. 93, 108-13; Newman, *Southern Hospitality*, pp. 47, 95, 103.

<sup>3</sup> Florida has been excluded from the South Atlantic totals, because the timing of Florida's growth was quite different from that of the rest of the region, for reasons largely unrelated to Civil Rights issues.

<sup>4</sup> Pauli Murray's exhaustive compilation of state laws on race and color as of 1950 includes no example of state laws mandating segregation in restaurants or hotels. Murray does present municipal ordinances covering restaurants in Birmingham (1944) and Atlanta (1942). A 1908 Louisiana law required separate bars for white and colored patrons (Mangum, *Legal Status of the Negro*, p. 55). A thorough review of legal issues pertaining to the sit-ins as of 1960 is Pollitt, "Dime Store Demonstrations." See also Wright, "Public Accommodations," and DeJarmon, "Public Accommodations."

<sup>5</sup> For additional corporate reiterations of hands-off policies, see *WWD*: March 21, 1960; April 27, 1960; May 10, 1960; May 18, 1960; *NYT*: February 11, 1960; March 15, 1960; April 27, 1960; May 18, 1960.

<sup>6</sup> This account is drawn from John Ehle, *The Free Men*.

<sup>7</sup> *Women's Wear Daily*: March 21, 1960; March 26, 1960; April 11, 1960; April 15, 1960.

<sup>8</sup> For additional reports of retail losses in the South, see *WSJ*: May 16, 1960; November 18, 1960; December 20, 1960; January 16, 1962; September 6, 1962; March 11, 1963; May 16, 1963.

<sup>9</sup> Most of the Federal Reserve department store figures were published by the Census Bureau in its *Monthly Retail Trade Report*. But there were unaccountable omissions. I thank Janet Swan of the Minneapolis Federal Reserve Library, for locating a complete microfilm copy. Because seasonality problems are severe in this type of data, no attempt has been made to interpret monthly fluctuations. All the figures in the graphs represent annual totals for calendar years.

<sup>10</sup> For example: When it was reported that a state fair concessionaire had denied service to a Negro family, the mayor himself called the party in question and told him that his license would be revoked immediately if it happened again (Jones and Long, *The Negotiation of Desegregation*, pp. 19-20).

<sup>11</sup> I have scaled the vertical axes so that the extent of growth may be compared across Figures 8-11.

<sup>12</sup> Burke Marshall Papers, Kennedy Library, Box 30: "Oberdorfer File on Southern Business".

<sup>13</sup> On June 4, 1963, the *New York Times* reported: "All three Savannah movie houses, which racially integrated their facilities yesterday, resumed segregation today" (*NYT* June 5, 1963). In Jacksonville, Florida, local civil rights leaders reported in March 1964 that some restaurants "promised to serve Negroes and then backed out," while theaters returned to segregation after a trial period" (*NYT* March 26, 1964).

<sup>14</sup> Hornsby's case study of Atlanta, "A City That Was Too Busy To Hate," is in Jacoway and Colburn, pp. 120-50. Allen's memoir is quoted in Cortner, *Civil Rights and Public Accommodations*, p. 31.

<sup>15</sup> See for example the DOJ file memo from Frank I. Michelman dated June 17, 1963, reporting a telephone conversation with Mr. Merritt of the National Association of Chain Drug Stores. Merritt noted the forthcoming editorial in *Chain Store Age* and similar commentary in *American Druggist*, a magazine for independents. Merritt also reported that chain-wide desegregation instructions had been issued by Liggetts, Walgreens and Eckards. Marshall Papers, Box 29.

<sup>16</sup> On June 28, Powell said: "Idealistically, I'd have liked to have seen a public accommodations bill yesterday, but knowing the political realities, I'd have to say that, as it looks now, it doesn't have a chance" (*NYT* June 29, 1963).

<sup>17</sup> These accounts are drawn from the Department of Justice litigation case files, now at the National Archives in College Park, MD (Record Group 60, Class 168).

<sup>18</sup> Cortner refutes the common belief that the Ollie's Barbecue case turned on interstate meat shipments.

<sup>19</sup> The oral history quote is from Kenneth Young, in Chafe (ed.), *Remembering Jim Crow*. Abbott's account of Norfolk is in Jacoway and Colburn (eds.), *Southern Businessmen*, pp. 98-119.