

THE ECONOMIC DEVELOPMENT  
OF THE BLACK COMMUNITY

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Section (A): Problem Identification and Formulation

In 1968, when Richard Nixon was elected President of the United States, the concept of Black Capitalism was a major issue. The Small Business Administration was to be used as the major tool to bring this about.

It would appear, from this theme, that the resolution of racism in this country could be achieved by giving black people "a piece of the action." However, black businesses have been in existence in this country since, at least, the eighteenth century. This "piece of the action" has never been more than crumbs for most black people.

The theme of Black Capitalism has permeated much of the business conferences of the past for black people. At the Atlanta University conference on black business in 1898, the following is described by Ofari.

"The call was for greater support and participation of the black masses in business; this was to be the means for the economic vitalization of black America, in the same mode as white America... It notes the rise of U.S. Capitalism as an international force. The black elite then progresses, through an illogic generated by unreasoned analysis, that the black masses could do the same by encouraging the growth of a class of merchants. ...This came at a time when the American government had embarked on a policy of world imperialist expansion...The black elite viewed this marked military-economic aggression as a healthy sign of white America's strength and vitality. As today, they were engaged in a desperate search for some method of operation that would first ensure them a share in the wealth, and second, if possible, bridge the economic gap which separated the black masses from other workers. Capitalism seemed the logical means. The only problem with this was that white America's imperialist expansion depended on both foreign and domestic colonial subjugation, and the prime victim of the latter was black America, collectively."<sup>1</sup>

Therefore, it seems that the problem goes beyond the range of the SBA's ability.

The so called "black middle class" has gained some economic bene-

fits in recent years. The black masses, collectively, appear to have made some economic gains. Are these gains related to black business opportunities? Are they really gains or just misleading statistics? And, even if there are positive answers to these questions, do these economic gains really bring about power and unity to the black community?

These are basic questions that I will be dealing with in trying to come up with a model for resolving the economic condition of the black community. It can't be viewed as a completely separate entity from white America and the rest of the world. This is brought out quite clearly in Ofari's analysis of the Atlanta conference. Therefore, it is not a matter of integration or segregation. It is a matter of self-determination for a people. This paper will deal with the system as it relates to black people, as part of the American working community and as a separate group with a unique history of being oppressed and exploited.

#### Section (B): Significance of the Problem

American Capitalism has succeeded because it is flexible enough to change its face to serve its own interests. Socialism tried to bring about some basic reforms in the early part of this century. These platforms were transformed into reform enactments on a capitalistic level, and socialistic support dwindled. <sup>2</sup> Later, Norman Thomas, in his 1932 campaign for President, came out for such unheard of things as immediate relief, reforestation and slum clearance, unemployment insurance, old-age pensions, government aid to small homeowners, a five day week, minimum wage laws, and other measures. These all be-

came part of the New Deal. "And the Socialist Party could snap; T.V.A.- 'state capitalism'; N.I.R.A.- 'state paternalism'; C.C.C.- 'looks like force labor'..."

Of course, flexibility requires a great deal of capital and control. The government is, naturally, going to reflect the mood of the big businessman. The large corporation can afford to give up a little money and power in support of these kinds of programs because they can always take the power back. Later, I will show how this is accomplished by explaining some of the pacification programs of the 60's as described by Yette.<sup>4</sup> Statistics show the control that America's corporations have on our resources; thus our society. In 1904, less than 1% of business enterprises employed  $\frac{1}{3}$  of the labor force and controlled  $\frac{5}{8}$  of the output of all businesses. By 1909, 1.1% employed  $\frac{1}{3}$  of the labor force and controlled 43.5% of the output.<sup>5</sup> The trend is probably even greater today. An example of the banking industry is a case in point.

"Although the number of separate banking organization makes this country's banking structure unique, a surprisingly large percentage of the banking business is conducted in a relatively small number of institutions. The median bank in the country has something on the order of \$5,000,000 in deposits, but there are ten banks each of whose deposits are more than 1,00 times greater than this..."

The assets of all commercial banks were \$456,827,000,000 at the end of June 1968. Approximately 45% of those assets were in the hands of the fifty largest banks (out of 13,683 banks), and about 25% of the total assets were in the hands of the top ten banks."<sup>6</sup>

From these figures, it can be seen that black businesses, as well as many white businesses, are inconsequential. However, we must look further back in history to find out why black people are not represented proportionately in the big business world.

Before 1865, black businessmen were classified into two groups.

Pierce describes these two groups as free Negroes and slaves. The former saved money through the jobs they had. The latter was a much smaller group because it had to depend on white masters for much of its resources. Anyway, the customs of the southern white population prevented much of this business expertise and interest from blooming.<sup>7</sup> This is shown in the employment of blacks in white owned stores. The whites met the customer and received the money. In the meantime, the black man or woman did most of the work. This practice was limited further after slave insurrections. Some States passed laws prohibiting the use of blacks in businesses who could read or write. Despite these laws, many whites ignored them and continued to use blacks in their work.<sup>8</sup>

After 1865, black businesses did not markedly increase. When they were set up, many whites would not go to them and blacks had been instilled with the belief that white merchants could give them more for their money.<sup>9</sup> With today's chain store system, this practice continues to exist.

At this time, the Freedmen's Savings Bank was established. The Congressional Act that established the bank stated it as a depository of money to be used in behalf of persons, or their descendants, heretofore held in slavery.<sup>10</sup> It failed because of speculators, white hostility in the South, and other related reasons. Other banking establishments failed because of limited assets and the inability to expand beyond the segregated market.<sup>11</sup> More will be discussed about black business failures a little later.

What have been the main feature of black businesses during the last two centuries? In the nineteenth century, "profitable" black

businesses existed in cities with large black populations. These cities were mostly in the south (Charleston, New Orleans, Savannah, and Richmond). They dealt in businesses that whites did not want; such as barbers, mechanics, artisans, restaurant owners, and hotel operators. In the north, there was a problem of a more scattered population and the competition from immigrant groups. Here there was business development in lumber, tailoring, pickle making, sail manufacturing, coal, jewelry, catering, and bed manufacturing.<sup>12</sup>

During the twentieth century, black businesses have been confined to those services that, as previously stated, dealt in a segregated market. During the 1940's, the black businesses were still very small as statistics show. Type of ownership was described as follows:

85% single proprietorship, 9% partnership, 5% corporation, and .5% cooperative.<sup>13</sup>

Black businesses continue to be quite marginal. A 1964 study of black businesses in Philadelphia reveals that many could not survive at all if it wasn't for free family labor. The median sales for a sample of beauty shops was \$2500.00/year.<sup>14</sup>

Finally, the statistics of the President's Council on Minority businesses indicates the relative strength of black businesses today as compared to white businesses.<sup>15</sup>

	Minority	Non-Minority
businesses	322,000	7,728,000
gross sales	0.7%	99.3%
top 1000	0	1000
assets	0.5%	99.7%
banks & insurance	0.2%	99.8%
avg. minimum family assets	\$3,398.00	\$19,612.00

An important factor in the determination of whether a business remains small or is able to grow is its location. During the 1940's,

a study was done to see where black businesses were located. The three main areas are described by Pierce.

"The main business area is the downtown section of the city, which consists of several blocks devoted entirely to business. Secondary business areas are sections of the city devoted entirely, or almost entirely, to business, but smaller in extent than the main business areas and situated away from the downtown district. Most of these secondary areas are the result of the ecological process of succession...The sections which have originated and grown as Negro business centers generally present a better appearance than those which Negroes have inherited."<sup>16</sup>

With these definitions of the business areas, Pierce goes on to describe the results of the study. He indicates that 5.6% of the black businesses are in the main shopping area. Most numerous are barber shops, eating places, cleaning and pressing places, apparel stores, and food stores. The secondary business areas contain 55% of the black businesses. This is by far the most common area to find black businesses and large concentrations of black people. About 1/3 of the stores are beauty shops, eating places, barber shops, food stores, and cleaning places. Others are mostly of the service type as well. Residential areas contain 41.5% of the black businesses and have the same types of establishments as previously mentioned.<sup>17</sup>

Since many black businesses were marginal in the economic and geographical sense, it is not surprising that many of them have failed over the years. Many reasons have been stated for this failure. Pierce states some of the reasons for large business failures as lack of experience, managerial difficulties, depreciation of property values, lack of confidence on the part of investors, failure to gain new stockholders, and inefficient boards of directors.<sup>18</sup> An example of the black banking system is a case in point. The main reasons why they have failed are overexpansion of loans, tendency to accept



real estate and worthless or illiquid bonds as collateral, deposits too small, and incompetence and dishonesty. <sup>19</sup> It is no wonder that so many smaller black businesses have failed when the cards are stacked in favor of the bigger institutions. All these failures indicate that black businesses have tried to play the game like white businesses. However, they never have had all the pieces. As Venable states;

"A black business system simply does not exist,...There is only the white American business system. Whatever its spiritual shortcomings, the American way has been a spectacularly efficient and productive economic system, envied and emulated not only by poor societies but, somewhat resentfully, by the rich societies of Western Europe, white America's motherland, as well. The system not only exists, it permeates everything in the American economy. All the standards and procedures have been written down, clarified, expanded, formulized, packaged, tested and retested over the years so that everything from borrowing rates to the display of items on the shelf has been worked out in detail."<sup>20</sup>

Since the system is so well developed and complex, many black businessmen try desperately to stand completely outside of it. Instead, they are hurt by flying debris. They have learned to distrust government. Thus, many do not keep records for fear of these being used against them. <sup>21</sup> And they don't use accountants for fear they'll be cheated. The results have been catastrophic.

Black business schools have been in the process of educating men and women for careers since the nineteenth century. Basic differences in orientation have existed between black and white schools. In white schools, the enrollment is about 60% male. In black schools, the reverse has been true. This is the case because of the types of jobs that have been open to blacks and the economic condition of black people. Black business schools have been more inclined to emphasize technical courses which women would more readily be interested in. And there are more openings for these kinds of positions; thus, there

is less competition with whites.

Pierce also sites a study of employees of life insurance companies on their opinions of black business schools. A substantial group (31%) believed the school to be too theoretical. They advocated increased emphasis on employment opportunities and practical experience in business concerns. They also felt that the instruction was of a low

<sup>23</sup>

caliber. These schools reflect the general status of black business in this country. For instance, a study done in the 1940's of twenty

black school reveals not a single course in production or manufactur-

<sup>24</sup>

ing. Yet the majority of black students have been in these schools.

And the remaining black students have usually been enrolled in inferior

<sup>25</sup>

white establishments. In summary, Frazier concludes that the education received in a Black Graduate School of Business could just

<sup>26</sup>

as easily be received in a commercial business school.

What of the black bourgeoisie? How did they emerge and what has been their role? Frazier traces their beginning from slavery days.

He discusses the close relationship that existed between master and house slave as opposed to field slave.

"Some recognition has to be given the individual qualities of the slaves, and it was most often among the house servants that these differences were recognized. For example, there was a division of labor on the plantation in which the intelligence and talents of the slaves found expression. Generally, the son of a house servant was apprenticed to some artisan to learn a skilled trade. These skilled mechanics, who constituted a large section of the artisans in the South, formed with the house servants a sort of privileged class in the slave community."<sup>27</sup>

Hund traces the problem of group solidarity and mutual trust to this period. He states that field slaves were constantly being squealed on by house slaves. This has helped produce many individualistic attitudes and a basic distrust in both black and white which has had

effects on the black community's ability to organize viable economic enterprises.  
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The resultant effects of this separation house and field slaves brought about the black bourgeoisie. Frazier discusses some of the common characteristics of the black bourgeoisie around the turn of the century.

"The family heritage consisted of traditions of civilized behavior and economic efficiency. The member of light skin color was indicative not only of their white ancestry, but of their descent from the Negroes who were free before the Civil War, or those who had enjoyed the advantages of having served in the houses of their masters. This upper class constantly incorporated those Negroes who were able to acquire an education in the schools supported by northern philanthropy."29

Frazier continues to stress this heritage as showing the black bourgeoisie's inability to fit into either the white world or the black world. As a result, the black businessman has held a different position in his community compared to the white businessman in the white community. The white businessman has been able to influence the economic, social, and political activities in and around his business interests. The black businessman has been too busy trying to

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survive. Also, with the emotional separation that has been fostered between black masses and black bourgeoisie, leadership is not easy to achieve. Most of the black bourgeoisie have escaped into their own world. Three main aspects of this are presented by Frazier.

First, there is the delusion of full participation in American life. Since this does not exist, it gives the impression that what blacks have done is inconsequential. Irresponsibility has been fostered and an aura of make-believe surrounds the lives of the black bourgeoisie. Consequently, what is important in life has not been taken

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seriously by the black elite, either. Second, there is the delusion

of wealth. The homes are made very plush and give the appearance of a museum. Everything is always on display.<sup>32</sup> In fact, it has been a fairly common practice to put material possessions above vocational achievements in importance.<sup>33</sup> Third, there is the delusion of power. Although no real power exists, as the token of integration they feel that their words and actions are a part of the power structure.<sup>34</sup>

During the 60's and even now in the 70's these characteristics have some applicability. For instance, Hare discusses the fact that many blacks in government posts have learned to bend over backwards to please whites.<sup>35</sup>

#### Section (C): Review of the Literature

The United States has become an international power because it has bought into most of the systems in the world. It began by importing black and white labor to do much of its dirty work. True, some of these people have eventually become wealth themselves; thus, bringing about the legend of Horatio Alger and others. Nevertheless, America has remained a country where millions still live in want. And black America carries more than its share of this want.

In this section, I'll be looking at some of the proposals for changing this inequity. This will be followed by a discussion on the political ramifications of these action. This will be followed by a discussion on the social implications and the relationship of different key groups to one another.

The Protestant Ethic incorporates the idea of working hard in order to bring about economic advancement for oneself. On the other hand, we can imply that those who do not succeed did not try hard

enough and are to be blamed for their failure.<sup>56</sup> White America, consciously and unconsciously, has made this a self fulfilling prophecy.

Today, black America is being perceived by many as an underdeveloped nation. Incentives are a favorite cry of business and government simply because of this deep rooted belief in the Protestant Ethic. The emphasis, of course, is on the free enterprise system. McLaurin emphasizes a favorable balance of trade.

"The goal is to create businesses and industries that will use local resources most productively. A central banking system, insurance networks, and other instruments of capital accumulation are established. Favorable tariff rates are set so they can trade with us, and production machinery as well as consumer items are sold."<sup>57</sup>

On the other hand, Green and Faux do not feel that the black community can be defined in the same terms as underdeveloped nations. They advocate a redistribution of income, employment opportunities, ownership of businesses, etc. instead of imports and exports.<sup>58</sup>

So, government and big business have been looking at the problem of developing this "nation within a nation" without destroying the American system.

One of the "answers" that has been proposed is the idea of Community Development Corporations. The Harvard Law Review describes the goals as follows:

"First, as a political institution, it provides a mechanism through which the poor can achieve meaningful participation in the control of significant aspects of their community life. Second, the CDC as a service organization provides needed services to the community while avoiding the handout syndrome surrounding public welfare. Third, as an economic institution, the CDC promotes the economic development of the community through investment in community business."<sup>59</sup>

Tax incentives would be made to big business in order to erect buildings, establish a money making operation, train community people, and

then sell to the CDC with the idea of using the profits to start another CDC project in another community.<sup>40</sup> In turn, the community residents would buy shares in the CDC. They would have only one vote (thus, it would be democratic). However, more votes could be allowed for fractional shares as well as doing other necessary things.<sup>41</sup> The author feels the CDC could take on many different forms.

"For example, the model might be a municipal corporation where all would have the right to vote in general elections for officials responsible for everyday operations...Or perhaps a cooperative form might be appropriate, in which residents could view themselves as joining together to achieve the economic advantages accompanying large-scale operations. Corporate procedure for management could be maintained, but the initial sum paid in would be characterized as membership dues and not as an investment entitling the investor to dividends. Similar to this would be a labor union characterization where residents would join together to gain a better bargaining position, against established outside interests in the community."<sup>42</sup>

Through the SBA, OMBE (Office of Minority Business Enterprise), and other government organizations the individual black person is being helped to join the economic mainstream of American society. The SBA guarantees loans that banks make to Business Development Organizations. The money is then given to community people to start businesses. Counseling is provided in order to better the chances of a successful business venture being realized.<sup>43</sup> Of course, this is not exactly realized because of the complex bureaucratic structure. This is no accidental mechanism as Yette describes. He states there are three main ingredients to any solution- authority, responsibility, and funds and/or personnel. Several agencies are brought into the picture to administer each component. None is ever given absolute authority to deal with the problem.<sup>44</sup>

Many other proposals, plans, projects, etc. have been tried, and are being tried. It would not help much to go into each of these now.

Instead, it is important to look at some of the key concepts being formulated. Two general groups can be distinguished. First, there are those plans with a major goal of community development. The CDC comes under this category. Second, there are those plans with a major goal of individual development. Actually, they are not that much different. For instance, the CDC and SBA work closely together. The real difference of opinion rests with the view of which (individual or community) should be helped first in order that this would help the other.

Whitney Young is a prime advocate of individual development. His view is of an integrationist.

"While the white radical is full of fine-sounding statements about the dehumanization of work patterns in America and is contemptuous of jobs such as assembly-line work in a factory, the black worker desperately wants those very jobs so that he can feed his family. While a black man might agree that there are elements of our present system that are thoroughly evil, he realizes that in order to change them he must first take his place within the system. You can't opt out of anything you aren't part of, and you can't effectively work to change it from the outside, either."<sup>45</sup>

In other words, Young seems to be saying that all you need to do is give black people jobs, and they will work to change the system.

A proposal for bringing about more economic equity is one described by Galbraith.<sup>46</sup> His plan would require all firms with 5,000 or more people to submit a plan indicating the distribution of all minority groups in the firm to be the same as the operating community at large. They would be given ten years to comply. (Smaller firms more than ten years). Money would be supplied by the government for training.

Another proposal for individual economic betterment is the franchise system. You have less risk in this because it is already proved

to have some success. You have an already tried product or service, and you get a standardized way of business procedure. Money may still be a problem. However, special consideration can be given by the government or the franchise company can use its access to loans to help individuals. Another point is the possibility of black franchise companies.<sup>47</sup>

If black America cannot reach economic equity in Capitalistic America, then why not Socialistic America? This is not a new thought. It's one that's been on the scene since the nineteenth century. In this system, there would be no unemployment because everyone would be guaranteed a job. Thus, time spent now on survival methods could be used to enable man to grow in other ways. Yet, if it was all that simple, Socialism would have come on the scene a long time ago. In fact, the way it has evolved has prevented it from doing any more than contributing to the direction of Capitalism. In other words, its ideas have been transformed into Capitalistic economics. It gives a little push but no direction.<sup>48</sup> In order to further explore the problem of changing this governmental system we must look at the political aspects effecting black economic development.

In the President's Council on Minority Enterprise a few years ago, the plan was criticized in these words by W.P. Gullander (President of the National Association Manufacturers).

"We feel there is undue emphasis on government financial support and guarantees, and inadequate emphasis on those things which will help identify and develop those members of the minority groups who have the talent, inclination, and motivation to be successful entrepreneurs in our free economic society. The number one requirement is the development of the proper individuals, and second to that is the financing and other aspects of assistance they may require."<sup>49</sup>

Mr. Gullander also stated very strongly that government aid negates a



person's ability to stand on his own feet.

Although Mr. Gullander's statements seemed to be a minority viewpoint, the fact is that businessmen are listened to and heeded. The Council he was a member of was lacking in blacks and other minorities, especially in the beginning. <sup>50</sup> It is obvious that without too cor-

porate and government jobs, economic power will not be realized. Policies will be made that are not beneficial to black people because black leadership (with clout) is not there to correct the situation.

For example, look at the maze of government agencies that purport to help the poor. Lack of adequate funds is one problem, but having other constituencies is even more devastating a problem. Young points this out when he shows that the Agricultural Department administers food stamps while really being a tool of the big farmers; HUD deals with the mayors; the Labor Department deals with the unions; and Com-<sup>52</sup>merce deals with big business. Even when programs are implemented

they often need to be refunded periodically. This keeps the government under control of the situation and prevents creative ideas from being <sup>53</sup> tried.

Yette speaks directly to this when he discusses programs like the Job Corps. First of all, he points out that the private sector ran most of the centers and made a nice profit. He describes the Job Corps as a place to enhance the economic and military well being of the country. Many boys ended up in Vietnam. The second point he makes is one that was previously mentioned. It was an effective pac-<sup>54</sup>ification measure.

What can be done to change the power balance? Black America is fighting with fewer resources at its disposal. One of those resources that came on the national scene in the 60's was the demonstration.

Young seems to place heavy emphasis on this potential tool. Once again he shows integrationist feelings.

"The business community, especially, knows that its survival is tied to the development of a responsible black electorate that shares equally in the rewards and responsibility of our society. In this context, profit takes on a new meaning for enlightened businessmen, who know that unless today's profits are used for important social ends, there may not be any profits tomorrow."<sup>55</sup>

This is a sticky situation because businessmen and government are working toward maintaining order and the status quo. Yet they realize some change is needed to save their own skins. Young further states that whites should not fear for their jobs because there are really enough to go around. He sites the building trades as an example.

They have slack seasons, and if the resources were used to build all the homes and schools that are needed this slack season wouldn't exist. Of course, this does exist and there is little chance of it changing. It would produce inflation far beyond the balance considered acceptable. The inflation vs. unemployment dilemma seems to be an integral part of Capitalism. The only time unemployment wins out (is lower) is during times of war. After wars, the reverse is true in order to produce price stability. This curve (The Phillips curve) is not as true in Germany, Japan, and Sweden.<sup>57</sup> So, it would seem that it is somewhat connected to our system.

The social aspects of the problem need also to be considered in order to put things in the proper perspective. The relationship of the black worker has been one of being exploited, tossed aside when no longer needed, and then exploited again. The recycling process is endless. Mechanization is a prime cause of this discarding today. It has worked because the combination of small welfare grants and few jobs have forced northern migration.<sup>58</sup> I wonder how much of this

is due to the previously high percentage of blacks in the south. Now that the northern cities are swelling with blacks, the migration seems to be going the other way. And the government is right in the middle of it. For example, in 1967 cotton planters received \$935 million in subsidies. This was more than half of OEO's budget. During a two year period they received \$1.8 billion. Much of this went toward machinery in order to use less workers.

When blacks did remain, they found themselves having to cope with the same customs that have existed since the nineteenth century. The Paper Industry is a prime example. The south was the only area where a significant number of blacks were employed. The industry exists in small towns, and in the north, few blacks live in small towns. As a result the industry and the community were firmly interrelated. Company rules were made to conform to the customs of the area. Therefore, Jim Crow laws made it dangerous and economically unfeasible to hire blacks in the same positions as whites. The seniority system prevented employees from keeping seniority once they entered a new line of work. It's a very effective way of keeping the caste system. Even with the demonstration of the 60's, little could be changed. Now, the reaction was if they could pass the test, they could get the job. Since the test was geared toward those with more education, many blacks still could not get promoted.

The black bourgeoisie fares no better in their role in the American corporate structure. In the Insurance and Banking Industries (two white collar structures), blacks have been noticeably absent in the past. And the future doesn't look bright either. For example, the insurance companies are deemphasizing the insuring of black people.

One can speculate that this is the result of economic factors having to do with the increased likelihood of having to pay off claims (i.e. rising crime statistics, higher mortality rates, etc.). And there is much pessimism among insurance companies about the possibility of black agents catering to white clients. They seem to feel the only black who could succeed at this would be a celebrity.<sup>64</sup> The same fear is presented by Allen regarding the possibility of transferring large corporations to blacks. How many consumers would not buy because it was black owned?<sup>65</sup>

The black bourgeoisie, as a result of this fear and others, has resorted to exploitation as well to keep their position. A case in point is the development of the skin and hair creams by Madame Walker. She had come to the realization that black people wanted to look white. The end result was a profitable operation for many of the black bourgeoisie and accounted for more than 1/3 of the manufacturing owned by this group by 1938.<sup>66</sup>

The organized black church is probably the most successful of all black businesses. It reflects the status of other "successes" in the black community. That is, it is segregated from other religious communities. And it is segregated from the white business structure. It has posed no threat to either organization. Yet, the black bourgeoisie's need for power has given rise to exploitative practices.

"As a result, the black church, after passing through the phase of formal organization, came to the point where its very existence was based on conflicting purposes. It served a function in providing comfort and temporary refuge for black people. But at the same time, the black church's leadership became increasingly preoccupied with the idea of securing for themselves an interest in the fortunes of black business...In many black churches, the minister lived for the Sunday collections and always kept watchful lookout for the chance to increase the size of the donations he received. Obviously then, it was no accident that the

black minister grew to be, as a matter of tradition, one of the wealthiest and hence most respected members of the black community."<sup>67</sup>

As a result, black businessmen have been influential in their community, though not very influential out of it. Like white businessmen, they have served on boards and committees that don't necessarily have anything to do with their business operations.<sup>68</sup> Yet, their influence in the wider community has been noticeably limited. For example, Trazier feels that the breaking down of some racial segregation has lessened the power and racial solidarity that the black bourgeoisie has felt with the black masses.<sup>69</sup> If the black bourgeoisie had real power this would not necessarily be the case.

#### Section (D): Influence of Literature on Problem Statement

The government has reacted to the problem of black economic development only when faced with serious threat of violence, change of the status quo, or social image. For instance, during the Civil War, Union troops invaded the Sea Islands off the South Carolina coast. With this takeover, the Union realized it had a large slave population on its hands that could not remain idle. Since missionaries and black settlements were fairly common at the time, the area was given over for this type of development. After the war, the land was sold and the missionary zeal was lessened. What happened was this. White owners returned and the black population either worked for them as a plantation hand, became a common laborer, or went into the military.<sup>70</sup>

During this century the government has continued to act only when forced to by these conditions and how they effect their own economic and political well being. In the 30's and 40's, Midwestern

farmer cooperatives became rather powerful and began to influence the government. This resulted in a law that enabled cooperatives with exclusive farmer membership to be tax exempt. However, the moment that urban dwellers joined the cooperative the tax exemption was lost.<sup>71</sup> This law and others shows the strong interrelationship between politics and economics in this country. I'm not condemning cooperatives in this context. They have merely been playing the game that big business has been playing for years. But, as Boggs states, "Before politics can be put in command of economics, power must be taken away from those living, breathing Americans who have governed and continue to govern this country according to the system of economic expansion by all means necessary."<sup>72</sup>

Instead, the government continues to go by the rules of preserving image and the vested interests of the minority in our society. The Manpower Development and Training Program is a prime example. The jobs that blacks were trained for rarely competed with whites. They were in areas where there was a labor shortage. The effect was that firms were content because they did not pay for the training. Unions did not object because their rank and file were not endangered. Finally, few of the trainees found employment because of the policies of these two groups anyway.<sup>73</sup> The key in this program and all that has gone before it is the fact that no real risks are involved. When opportunities became a common cry of the early 60's, few people paid much attention to the fact that there were more jobs available anyway and profits were very good. The banking industry was typical in this respect. The increased mobility and higher turnover rates forced them to look for new employees. Consequently, the job market became

very tight and blacks were readily available to fill vacancies. Few adverse white reactions were reported from this hiring. This was due to the slow and deliberate rate in hiring of blacks so that whites did not feel threatened with job displacement.

So what really has been the outcome of economic programs in the black community? We can go back to the early settlements in the nineteenth century for some of the roots. These communities differed in one major respect from other communities. European communities were and are communal in structure and outlook according to traditions of socialism and communism. Black communities took on the social, political, and economic philosophy of America's middle class. They were dedicated to training in self-reliance, individualism, and independence. "Economically they operated almost without exception upon the basis of profit making capitalism. The Negro communities appeared communal only in the joining of hands in mutual aid the better to develop the individual; it was not the permanent fusing of individuals into a truly communal society." A main emphasis then, as now, was the helping of black people to adjust to white society. It never crossed their mind that white society must adjust itself in order to solve the problem.

The black communities of this period had a multiplicity of problems. First, leadership was not always adequate. And quite often both black and white leaders were corrupt. For instance, Pease discusses the Ontario settlement of the 1830's. The leaders of this community went abroad with much of the settlement's money. One never returned. The other stayed in England four years and collected \$8,000 for the settlement. However, he spent most of it on living expenses

and returned with almost nothing for the community. <sup>78</sup> The Dawn and  
Wilberforce communities had the same kinds of problems. <sup>79</sup> Second,  
the settlements were not necessarily outgrowths of the previous ex-  
periences of black people. For instance, the blacks who settled On-  
tario were urban blacks from Cincinnati. They knew little of farming  
and wilderness life. Finally, the communities were really run by the  
white philanthropists. And this system has continued to the present  
time. <sup>80</sup>

Today, black political leaders continue to be an extension of  
the white philanthropist, businessman, etc; just as he was in the  
early settlements. He must depend on the economic and political power  
outside the black community to achieve anything for his people. <sup>81</sup>

Richard Hatcher comments on this.

"There is much talk about black control of the ghetto. What does  
that mean? I am mayor of a city of roughly 90,000 black people,  
but we do not control the possibilities of jobs for them, of  
money for their schools, or state-funded social services. These  
things are in the hands of the United States Steel Corporation  
and the County Department of Welfare of the State of Indiana." <sup>82</sup>

The major difference in the evolution of the black bourgeoisie  
as opposed to their white counterpart is, as Frazier states, the lack  
of an economic base. <sup>83</sup> As a result, the black leadership has lived  
off of what they could get from the white leadership. They have been  
forced to play the referee in a battle between black and white, in-  
stead of an advocate for the former. "They attempt to accomodate  
the demands of Negroes for better economic and social conditions to  
their personal interests which are tied up with the political machines,  
which in turn are geared to the interests of the white propertied  
classes." <sup>84</sup> This has proved to be quite a strain on the black lead-  
ership. Frazier has been quite critical of them. However, his anal-



ysis of their failure to make significant contributions in science, art, and other professions is somewhat understandable, though not completely excusable.<sup>85</sup> Instead, the concern with social life, of pivotal importance to the black elite, has probably been needed to relieve the stress of really being powerless in white society.

#### Section (E): Key Concepts

Whitney Young describes a conversation he had with a white businessman a few years ago.

"I recall once, after making a speech to a business group, a man came up to me and told me how much sympath he had for your people. But I'm losing sympath very quickly; he said. The riots and violence are making me think I was wrong to support civil rights. That's too bad; I answered. But while we had your sympathy, could you tell me what you did? How many Negroes did you hire? How many homes did your company build that were opened up to Negroes? How much support did you give the civil rights groups? Did you desegregate your club or your children's school? I'd like to know what we lost when we lost your sympathy. He could only stammer. Well...I didn't do any of those things. Then we haven't lost anything; I said. Nothing from nothing leaves nothing."<sup>86</sup>

There are two major points that can be seen from this conversation. First, the paternalism of the white businessman. He's saying, "Since you haven't been a good boy, I don't like you anymore." Second, as I have discussed in other sections; there is the dependency that the black community has for all kinds of support from the wider society. Throughout black America's history, their "progress" has been invariably tied to the willingness of white America to deal with the situation. Frazier shows how this pattern has manifested since the Civil War. He claims that the northern capitalists were not interested in making men. After the war, millions of dollars were given by these northern capitalists for industrial education. On the other

hand, very little was given to institutions of higher learning.

This is a very critical problem today. Programs are tied to the establishment. Even if they are functionally sound, the black community cannot fully benefit. They cannot even make their own mistakes. Green and Faux comment on the federal programs like the Small Business Administration. Like other bureaucracies, it is run with much arbitrary power by the administrator. They feel it would be better to just give the community the technical assistance and let them decide how the resources are going to be spent. <sup>88</sup> Instead, government

and business have continued to have this need for control. Schuchter discusses the corporate invasion of the black community as if it were a new phenomenon. It is not. It's just dressed in much cleaner looking clothes. He feels the black community would be better off economically but at the expense of political self-determination. "Stating the problem somewhat differently; how do you put together enough white power to do anything in slum ghettos without putting together too much white power to do too much?" <sup>89</sup> Well, this is part of the debate to-

day between integration and separation. In the former, the concept <sup>90</sup> can be used to continue to keep power from black America. In the latter, the concept can't be realized at the present time. In fact, I have doubts about its feasibility for quite some time. For example, Ofari rejects the idea of land reparations, at the present, because black America could not survive independently. He cites the African and Asian countries as examples. They are very much influenced by <sup>91</sup> America's international dominance. Therefore, the key to bringing about economic autonomy is not dependent on deciding which is needed- independence or dependence. The key is in bringing about interdepen-

dence. When I present alternative solutions this point will be of prime consideration.

Another important concept that helps identify the cause of the present economic situation is exploitation. All during slavery times many commodities were established as revenue makers. Some of these, like cotton, sugar, and tobacco, would not have been so successfully delivered to the world if it were not for cheap labor. And we all know that this labor was mostly black and mostly slave. The black bourgeoisie could not fight against this trend. Instead, they tried to emulate white America's success through capitalistic expansion. Ofari states that this striving by the black elite was maintained at the expense of the black masses. It laid the ground work for much of the co-optation that has taken place in this century. 92

The system is refined today so that almost every move we make to better ourself has the potential to exploit others. Take, for example, the idea of owning stock. Fowler points out how this could eventually be used against the stockholder. He states that the bigger the company gets, the larger your dividend becomes. However, the company is then able to wield more power and eventually charge you more for the things you need to buy. 93

So we see that economic development, especially on an individual basis, will not bring about the end of exploitation. Real power must be inherent in that development as well. Even cooperatives (which will be discussed later on) cannot presently escape corporate capitalism's dominance. As Ofari states, "A black cooperative enterprise, under capitalism, would still be subject to all the pressure- price levels, competition, acquisition of capital, maintenance of credit bases, etc." 94

Finally, there is the key concept of communalism as opposed to individualism. This has been discussed in terms of the early black settlements described previously. Since blacks have had few resources to bring about an economic communalism with the power of other American groups, they have chosen other avenues for creating solidarity. The churches and fraternal societies are quite numerous in the black community. They have provided a sense of belonging and a way to assist their members. But most of all, these organizations are important because they have been able to function more independently of white control than other organizations. <sup>95</sup> Perhaps, this is another explanation for the black bourgeoisie's emphasis on play as described by Frazier.

The Black Muslim movement has been trying to incorporate these strengths into a structure that can deal with the larger society. Essien-Udom states the values needed to foster communalism. First, he discusses Muhammed's emphasis on saving as a way of developing responsibility for economic self-improvement. Second, there is the collective owning of the business enterprises of the Temple. And, finally, there is incorporated a sense of responsibility for the welfare of the Muslim community. <sup>96</sup> This last part is accomplished by <sup>97</sup> the voluntary giving of part of one's salary to the community. These are sound ideas that will also be considered later when alternative solutions are discussed.

The Gikuyu tribe of Africa has many characteristics of communal living in their every day life. Kenyatta shows how they mix play and work in a communal atmosphere. When a family wants to build a home, they will enlist the help of neighbors. All get together at a feast

to decide what materials are needed and when it will be built. It is this and other African traditions that have been stripped of black people since they came to this country.

Section (F): Description of Methodology

Most of the research done on this paper was through library books. The main topics looked at were black businesses, black capitalism, cooperatives, black nationalism, taxation, socialism, and poverty.

There was also the use of magazines, newspapers, and journals in the original research. The main ones under these categories were Black Scholar, New York Times Magazine, Ebony, and Contact.

Finally, some research was done through government agencies and private organizations. The main ones here were The Boston Business Resource Center and The Small Business Administration. Since I was not in a large city during most of the time that research was being done, these were the only agencies successfully contacted. Other agencies in the Boston area could not help. And other government agencies contacted by mail never bothered to answer.

Section (G): Analysis- variables that affect the problem

What exactly are we dealing with in attempting to bring about a solution to the economic situation in the black community? There is the historical nature of business in America. First, I'll look briefly at some of its highlights from the past. Second, I'll discuss how and why it has dealt with black labor the way it has. Third, I'll discuss how and why it has dealt with black business the way it has. Finally, I'll take a look at some of the variables that will effect

the future.

Big business has had the power to influence many people in this country. But big business is made up of individuals; individuals who will respond to a problem when the right person speaks the right words. This type of cooperation has existed between the white community and business for some time. Admittedly, whites have little influence. And its diminishing daily. However, it is still more power than blacks, who don't have the tradition of men in power. For example, Pierce discusses the problem of getting a bank loan during the 1940's. He felt the problem existed because this would increase competition on the fringes of southern black communities by black businessmen with their white counterparts. The banks did not want to alienate their majority and more powerful white customers.

Of course, banks are powerful institutions. Black banks are dwarfed in size to all of the major white banks. But insurance companies are just as powerful in their white-black ratio. For example, in 1945, the total insurance in force of forty-one black companies was \$725,225,311.00. It was estimated in the same year that one non-black company had more than twice as much insurance in force on black lives as all these forty-one black companies combined.

Another powerful company is the coal industry. Although this industry has dominated more white people than black, its goals were the same- profit and control. Seligman discusses the exploitation of the people of Appalachia.

"As early as the 1870's attempts were made to bring out the area's bituminous wealth. Coal corporations organized by northern speculators bought acres of mountains for pennies to capture that wealth. The veins of coal ran deep, and a burgeoning economy needed it all. The exploitation of coal brought railroads and company towns, where the lives of the miners were scrutinized

from birth to death with no less care than if they had been living in a twentieth century totalitarian state. Periodically, the towns would turn sick as depression hit the economy. The coal barons would leave, but their return was assured with the next boom. As the native mountaineer was uninterested in mining or unbending to a boss, immigrants from Poland, Czechoslovakia, and Italy were brought in to supplement the existing supply of labor."101

Black labor, of course, has been exploited more than its share of the time. In the case of Appalachia, immigrants probably would have never been needed if black people were the mountaineers. Even where conditions were right to hire blacks in good positions, whites were imported. Take the paper industry as an example. When southern mills first start, they were bigger, newer, and more productive than northern mills. They needed skilled workers and attracted them from the north with these advantages, plus higher wages. Nevertheless, black workers in the south, in mostly unskilled positions, received a lower pay scale than their northern counterpart. 102

The banking industry has not quite had this same problem. First, most positions are considered white collar (though clerical and low paying). Second, there are few people on either end of the pay scale (officers and maintenance crew). As a result, black employment in this industry is more female because most of the positions are becoming female. 103 This began to occur during the 1960's after much "social change". Since banks have been the epitome of conservatism, they have been very slow to espouse any new ideas that might hurt their image with depositors. 104 This is reflected in the very low percentage of blacks in the industry until very recently.

The insurance companies did not fair much better in the employment figures. For instance, the overall employment was about 3% for blacks in 1967 and is also more female. The percentage is even lower

when you consider that most blacks are in blue collar work and most of the white collar work is, like banking, clerical work that is mostly female.<sup>105</sup>

The concern for black labor appears to be on the rise since the percentage of employed has risen. But as we can see, these figures are misleading. The real concern of businessmen can be partly seen from a study by social scientist at Johns Hopkins of the largest employers in fifteen northern cities. First, the study indicates that these businessmen were more concerned with problems of air pollution and traffic than of unemployment. This is most probably because they feel these indices effect them more. Second, their criteria for hiring showed a distinct, though subtle, bias. An acceptable applicant was judged on the basis of previous work experience and recommendations. Their rationale for this was in avoiding bad risks. They believed that the lack of these qualifications on the part of black people was due mainly to historical and environmental causes.<sup>106</sup> Thus, it appeared they were blaming the victim.

So if blacks can't get decent jobs in the white world, they can always turn to opening their own business. Of course, from the discussions in previous sections, it can be seen that this is no real solution to exploitation and powerlessness. Factors that effect black business are rooted in the American business structure.

First, there is the competitive nature of the free enterprise system. As Wood states, "A minority enterprise will have to survive competition. Viable minority enterprise cannot be provided or assured through legislation or administrative action."<sup>107</sup> This seems strange when we think of all the big businesses past and present who have been



helped tremendously by government. But they had some influence to wield in getting aid.

Second, there is the segregated impact of black business in relation to white business. This was discussed in section (B). The point here is that black businesses have been on the decline in recent years. Integration has come about more in terms of where blacks can spend their money; not where they can sell their service or product. The chain store industry has a lot to do with this decline. <sup>108</sup>

Finally, there is an important factor of money. Banks don't lend money to just anyone. I stated previously that few blacks are in management positions in banks. This is an important factor. However, another point is the new role that banks have played in building up shopping centers "owned and operated" by black people. Progress Plaza in Philadelphia is one example. <sup>109</sup> It is interesting to note that First Pennsylvania Bank and Citizens and Southern are more involved than others in their area. They happen to be the largest banks where they operate. In terms of their economic condition, the aid they give is not very much. Yet, I wonder how much they really get in return for this aid?

What does the future hold for black people in the American economic system? The answer to this may lie in the one factor that may influence all people- automation. Seligman discusses the nature of work as he sees it under automation.

"New rhythms were established, severing man from a genuinely close relationship to his environment. Production no longer displayed a communal base: In fact, as man was being exiled from that sphere, he was somehow expected to consume its output, even if he had to mortgage his precarious future to do so. Skill disappeared as an end and virtue in itself. It had been merged into the machine, leaving man bottomless in a world he

could barely comprehend."<sup>110</sup>

This is a rather bleak picture of what seems to be evolving. For black America it is just a new force with a total effect not much different from other forces- powerlessness and economic exploitation.

The cries of management that automation is nothing more than a means to provide efficiency in a competitive society are nothing new.<sup>111</sup>

The work force has not changed much as a result. However, this is mainly because the white collar jobs increased tremendously between the 40's and the 60's. "It is unlikely that a displaced clerk can become a draftsman or an engineer."<sup>112</sup>

In fact, Seligman feels that this white collar increase may have been more novelty than need. He foresees the future as being bleak for this group too.<sup>113</sup>

Furthermore, he sites the steel mills as an example of automation's effect on wages, salaries, and fringe benefits. It has helped the industry to decrease these expenditures, while their profits have gone up markedly.<sup>114</sup>

Another example of these variables can be seen, once again, from the Coal Mining Industry. In the 1940's, this industry was in bad shape. John I. Lewis, then head of the United Mine Worker's union, decided to work on getting his men good wages. He allowed the companies to automate and lay off thousands of workers so the remainder could become more competitive. The result has been mass unemployment while the mines are once again profitable. Today, the companies think very highly of Lewis.<sup>115</sup>

This whole system seems to take on the character of a game. A game that demands that someone lose. And black people, along with other defeated groups, have fit in this category for a long time.<sup>116</sup>

Section (H): Summary and Strategy for Action

One of the possible solutions to help bring about black economic growth and foster solidarity is consumer cooperatives. The Rochdale Principles for cooperatives was developed in 1844. It has proven to be successful with many cooperatives here and abroad. The basic rules are as follows:

1. Open membership. None excluded because of race, religion, etc.
2. One member, one vote. No proxy voting.
3. Share capital to be paid a moderate, fixed return.
4. Surplus returned to member in ratio to his purchases.
5. Neutrality of coop in religion and politics. Belief in eventual world wide movement.
6. Trading on cash basis.
7. Education in consumer cooperative principles.

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The first point to bring out in relation to the consumer cooperative is its non-competitive nature. This is very important in terms of strengthening black solidarity. The purpose is to help other individuals and other groups because this strengthen you and them.

Thus, coops will invariably help one another because the competitive profit motive is not a goal. However, a distinction must be made

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here between consumer and producer cooperatives. The latter is used to get the best possible price. They usually function more along traditional business lines. Fowler states that the most important characteristic of these producer cooperatives is that they can provide a good or service to an individual better than he can provide it for himself. Therefore, there is rarely any semblance of membership in the organization; thus, communalism.

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A second factor is the power that can be developed from large consumer cooperatives in strategic situations. This is by far the most important factor because it governs all others. For instance, Fowler discusses the Indiana and Ohio Farm Coops a few years back. They were doing between 15% and 20% of the fertilizer business. Yet, this was enough to control the price over most of the country. Of course, eventually, coops must look beyond wholesaling to the actual production of the product if they are going to be successful. And it is also important that they know some basic business principles in order to know what products need to be nationalized.

So we're not dealing with a small operation, though it can and should start this way in each major city, smaller cities, and rural areas. It is important that the latter be associated with one or the other of the formers. The city stores and the farming products are two important links in the operation. Urban and rural blacks must begin to realize their interdependence, instead of migrating back and forth.

Coops must also diversify their operations into areas that link community life to business activities. One important function is the area of finance. Fowler describes the case of a consumer run credit union in Nova Scotia and one man's experience with it.

"Roddy borrowed from the Credit Union to buy a truck and go into the trucking business. His one-man business prospered. His standard of living rose and he faithfully kept up his payments to the Credit Union. Then disaster struck. Roddy became so seriously ill that he was taken to the hospital. Ordinarily it would have meant the end of his little business. But Roddy now belonged to a new kind of community. The directors of the Credit Union met to study Roddy's case. After some discussion they took action. The Credit Union took over Roddy's business temporarily. They hired a man to drive the truck. After his wages were paid and the Credit Union payments made, the balance was placed in Roddy's account. As a

result, Roddy came out of the hospital to find himself not only with a bank balance, but with a business still going and a home that was not saddled with debt."<sup>126</sup>

But even more important in this story is the feeling that Roddy must have had about being helped this way. A community run with these kinds of principles can be highly contagious.

Another source of social and business links could be land. I referred to this in the discussion on the Gikuyu tribe previously. Ulmer feels that coops should compete for federal contracts and subsidies. This, he feels, could prevent another Homestead fiasco by utilizing technical assistance, jobs, and credit. Also, he refers to providing a mechanism by which the land would revert to the community if a member was forced to sell.<sup>127</sup>

However, there are some problems in forming coops that must be considered. Fowler points out that coops got a pretty good start in the 1930's because of an important factor that does not exist today: Production was low and so manufacturers were glad to sell to anyone.<sup>128</sup> It is unfortunate, but nevertheless true, that cooperatives are still subject to much control by industry. Whether they can weather the storm during their infancy is the real key to their success.

Kent deals with some of the reasons why coops are not as strong in this country as they are abroad.<sup>129</sup> First, many coops have been geographically isolated. This is because many have been rural. Social and business links are hard to actualize in this situation. Second, Rochdale Principles have not always been followed. Third, a heterogeneous population has caused ethnic rivalries. In terms of black people, a cooperative must deal around the concept of solidarity without incorporating rivalry and competition, with other ethnic groups,

within its structure. As previously stated, one coop helping another strengthens both, even though they're different groups. Fourth, coops have been linked with labor, and thus, the goals are not totally understood. Fifth, there is a high standard of living and high mobility in this country. The former is not as true for black people. And the latter is often caused by the former in reverse fashion for blacks. Therefore, it seems coops may work better for blacks than other Americans. Finally, there is no strong nation organization. This will be needed in order to strengthen the coops both individually and collectively.

A second, possible solution is that of redistribution of income. This is a much more widely discussed alternative than is coops.

One of the most widely known that is used today is the welfare system. The author makes some recommendation to improve upon this system. <sup>130</sup> These are not necessarily inclusive, nor do they deal completely with the causes. In addition, many are being used in various states in the country.

First, he recommends broadening or eliminating certain categories so as to reach more people. All states have some eligibility requirements pertaining to this point. The only way this would make a difference is to eliminate the basic premise for these requirements; that is, the Protestant Ethic. People need to be granted their basic needs as a prerequisite to growing in other ways.

Second, he recommends increased federal financing. This is a highly political issue. Its goal is to make programs more objective and more equitable throughout the country. The Social Security Supplement is a step in this direction.

Third, he recommends reducing assistance payments at a rate substantially less than a dollar for each dollar earned. Many states already do this. But the real problem around this is the shortage of jobs, not the so called incentive to work problem.

Fourth, he recommends improving the client-worker relationship. This cannot be done without improving the system-individual relationship.

The problem with this plan is that it still doesn't deal with all the people. There is an inherent bias in its implementation; that is, the factor of how poor you are considered to be.

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The discussion today centers around the negative income tax plans. Let's look at some of the proposals around this.

First, there is the plan to guarantee a minimum income equal to 50% of the family's poverty line. This can be divided into two concepts. The first would be a flat tax rate on 50% of a family's poverty income gap. The second would be a regressive tax schedule with a 75% tax rate on first third of income and marginal rates on the rest.

Second, there is the plan to use the value of the present tax exemptions and minimum standard deductions as breakeven lines and guarantee minimum income equal to 50% of this.

Third, there is the plan to allow a 0% rate on first half of family income up to the poverty line and 50% on second half.

Finally, there is the plan of negative taxation and social dividend taxation as proposed by Tobin. He would allow \$400.00 for each family member up to six and \$150.00 for the seventh and eighth, with no further allowances. The tax unit would be subject to a 35.5% tax on income up to the level where the net tax liability equaled the tax

liability of the present positive tax system.

Unfortunately, the author proposes that the negative tax program be financed by things like a sale's tax, payroll tax, and increasing the National debt. He does not mention changing the tax structure from top to bottom.<sup>132</sup> The participants in the conference on taxation that he reports on have similar viewpoints. They felt it was a device to meet the needs of the poor. But they didn't look on the proposals as a means to change the distribution of income.<sup>133</sup>

Some of the positive points, as stated in this conference, on the negative income tax are as follow:

1. "It is universal rather than categorical, applying to all low income units.
2. The rate at which benefits are reduced as income rises can be held well below 100%, thereby reducing adverse effects on incentives to work.
3. Considerably less stigma would be involved than with the present public assistance programs.
4. The rules of the income tax would be substituted for the discretion of welfare worker."<sup>134</sup>

On the other hand, three basic problems are associated with this system. First, what is to be used as the common denominator- income guarantee, tax rate, or break even level of income? The author elaborates.

"For example, the arithmetic indicates that the objective of a high guaranteed minimum income combined with a tax rate that keeps disincentives to work low is not compatible with the objective of confining allowances to the poor. Conversely, a low breakeven level of income and a reasonable low negative tax rate is not compatible with a high guaranteed minimum... Since the conferees generally agreed that a schedule of rates averaging much above 50% would not be acceptable, either the guarantee would be too low or the breakeven level of income would be too high."<sup>135</sup>

The other two problems discussed were more administrative (how to give out the money, enforcement, etc.), and how to define income and tax unit (just earned income or income in kind, etc.).



The issue of redistribution of income is a point upon which black people have always been united on. In the context presented here, the proposal falls short of dealing with causes. For a redistribution system to work, it would have to be guaranteed and permanent. It would have to deal with redistribution of resources (both monetary and non-monetary) for entire communities. This could start with the use of subsidies like the railroads, farmers, and oil industries get. It can't just think in terms of individual eligibility, but of basic rights of people to their share of what life is all about.

A third, possible solution is the setting up of separate black states. As Frazier states, this was formulated during the latter part of the nineteenth century by a group of black leaders and intellectuals who felt it was the only solution to the race problem. 137

Today, the Nation of Islam is a major proponent of this philosophy. O'fari describes the major points in Mr. Muhammad's program as stressing unity in the building of a black economy. 138 This is partly achieved through the many activities in which they are involved. For instance, they insure every member a job if he or she needs one. They believe this works as an effective therapy to help the black man or woman make the transition. It is also makes them feel needed. 139

Those who join the Nation do so for many reasons. Essien-Udom feels that it is the upwardly mobile black person, from poor economic surroundings, who is most inclined to join. 140 A second type he describes is those who find a spiritual-social affinity within the Nation.

"Their need was simple and inarticulate- they wanted to reach outside themselves for an undefined answer to their life situation. These join partly because of their dissatisfaction with the Negro middle-class social exclusiveness and leadership. The third group are those who have reacted to their own emptiness-

their lack of identity- and their seemingly fixed position- and have consciously searched for a political-religious outlet. The elite core of Muhammad's followers belong to this group."141

The problems around getting converts are related to the religious and social aspects of the movement. <sup>142</sup> Those looking for the old time religion will not be satisfied with the more subdued way it is handled. Those looking for genuine Islam will not be satisfied because it is tied up with nationalism. And those looking for racial identity will not find it because of Muhammad's emphasis on black people as Asiatics. Nevertheless, the Nation does provide unity for a section of black America that feels comfortable in it. Yet, if Nationalism is going to work for the black masses, it must emphasize political and economic goals. Religion and social life must be subordinate to this. The Nation, at least in their rhetoric, seems to emphasize these factors the other way around.

For black people to build a separate black nation, they must be in control of the land and the institutions affecting them. <sup>143</sup> The Nation has been able to control some land. And it does coverseely control its own institutions. But it really can't make significant progress toward total control of what is important to black people by using the white man's methods. It must develop its own, like China's Dr. Sun Yat Sen in 1911. His philosophy was comprised of three major issues. First, Nationalism meant the end of imperialism. Second, it meant a special kind of Socialism to fit the social and economic condition of his people. Third, Nationalism meant a new form of democracy to fit his people's needs. <sup>144</sup> For black people, and the Muslim movement, the emphasis must be in the same direction. It appears that the Nation of Islam is a weapon that could be used in forming a se-

parate black state. However, it and other religious groups within the black community, must become more adaptable to the peoples's needs for identity, economic development, and political power outside of the "state" in order to achieve this reality.

A fourth, possible solution could be the development of skilled professionals within the black community. The point here is to develop a class of people who can negotiate with the white power structure for their services.<sup>145</sup> Schuchter believes this can be accomplished by developing linkages between the black community, as a supplier, and the large industries outside the black community. He feels the two can work together to produce a school of entrepreneurship that can feed into the rest of society.<sup>146</sup> Boggs emphasizes that this education must be for the jobs of the future such as aerospace engineering, recreation directing, dentistry, computer programming, mass media production, communications equipment, medical technology, operations research, teaching and quality control.<sup>147</sup> Wright goes a bit further. He states that these talents should be used to develop specific institutions geared toward survival, development, and preparation for an inevitable race-class war. His recommendations are:

1. Black cooperatively controlled communications system.
2. Black urban infrastructure of cooperatives linked with a rural one forming a separate economy.
3. Land reform and redevelopment, and collective ownership of land resources.
4. Black controlled research institutes and/or university dealing with cultural, economic and technologic, and political fronts.<sup>148</sup>

This emphasis on skill is not really new. During slavery times, blacks were taught almost all crafts.<sup>149</sup> Then, during the mass migration to the north after World War I, his education was changed to fit changing needs. The point was that in both cases, the black man

was taught only what the white man really didn't need to know. Frazier describes this during the migration. He points out that the industrialization of the South coincided with a change in the educational structure of black schools from vocational courses to the more classical courses. There was also a change in the attitudes of the southern whites toward college education for black people, but black institutions of higher education continued to receive only a small fraction of the state appropriation for higher education. <sup>150</sup>

So the emphasis on building expertise must be prefaced with the building of some other system as well. This could be incorporated in a cooperative system, a separatist system, or a combination of all three. However, by itself, all the expertise in the world will do little to bring about economic survival. For instance, the age of automation has produced a battle between the scientist and the businessman. But, in the end, it is the businessman who wins because he is paying <sup>151</sup> for the product.

None of these alternatives is a panacea for the social, economic, and political exploitation of black people. Even a combination of all four will not bring about instant success. Revolution may be the only answer. I just don't know. Nevertheless, black people can become more united if certain steps are taken. First, Wright's emphasis on acquiring land and institutions would be of prime importance. Second, the cooperative form of development should be updated and then implemented in building these institutions. Third, black people should continue to work towards receiving individual expertise from the established white institutions of this country.

The first of these suggestions is the most difficult. I am not

naive as to think that this would be a totally uncoerced, no strings attached enterprise. It would not. But if the black participants were aware of this, people wouldn't be so easily sold out. The Black Muslims are an example of this form of development. My suggestion is similar to theirs in terms of direction. We differ only in terms of the cultural niche they emphasize.

In conclusion, economic development is the most important aspect in terms of black solidarity. It is, in my opinion, the prerequisite for all other development.

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