

Black Economic Development (William F. Haddad & G. Douglas Pugh, Editors)

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REVIEWS

BLACK ECONOMIC DEVELOPMENT. William F. Haddad and G. Douglas Pugh, Editors. Englewood Cliffs, New Jersey: Prentice Hall, Inc. (The American Assembly, Columbia University), 1969. Pp. x, 176. \$4.95.

This volume brings together a highly useful collection of papers, prepared by knowledgeable and perceptive writers, on the subject of black economic development in the United States.

The volume's usefulness resides in its topical nature, in the wealth of up-to-date information it provides, in the articulation of proposed policy directions it offers—some of which appear to stem as much from ideological as from analytical sources—and in its exposure of a lack of consensus among black leadership as to the appropriate road to follow. The volume is also significant for it reveals how far the principle of separation has been pushed, in thought at least, with respect to economic development for blacks.

The volume consists of twelve individual papers which cover topics relevant to black economic development. The authors include such well-known figures as Roy Innis, National Director, Congress of Racial Equality, Howard J. Samuels, former Administrator of the Small Business Administration and former Under Secretary of Commerce, and others.

The papers were first used as background reading for the Thirty-Fifth American Assembly which met at Arden House, Harriman, New York, April 24-27, 1969, to discuss black economic development. The American Assembly is a nonpartisan educational organization which takes no position on matters it presents for public discussion. Consequently, the views presented are those of the authors only. The American Assembly is to be commended for its public service in the planning, presentation and publication of these papers on this important topic.

In the Introduction to the volume, as well as in a paper on "The Problem [of Blacks]" by John Z. DeLorean, it is suggested that the thrust toward entrepreneurship among blacks may be as much the result of the failure of other approaches as it is of a decision that, on the merits, this path is the desirable one to follow. For example, the thrust is, in part, a reaction by black leaders to their finding that political power is often a function of economic power and that the latter resides in the ownership and control of business enterprise. The drive for black entrepreneurship is also, to some extent, a reaction to a perceived failure of the integration policy.

Other factors contributing to the drive include the discovery, or rather rediscovery, by blacks that the basic reason for their inability to get ahead in many cases is not the one so glibly provided by American conventional wisdom — that is, lack of self-reliance — but more frequently, discrimination. Blacks also discovered that certain programs whose purpose was to help them “break the chain of the ghetto” (the system of welfare is cited as an example) often resulted in institutionalizing the very deficiencies they were intended to correct. In other cases (manpower employment is cited) the achievements fell far short of realistic goals. These and other factors again exposed the disparity between the professions of whites and the actions they were prepared to support.

It is also pointed out in the introduction, prepared by the editors, G. Douglas Pugh, a program advisor with the Social Development Department of the Ford Foundation, and William F. Haddad, Board Chairman and Chief Executive Officer of the U.S. Research and Development Corporation, that in the course of preparing this volume it was discovered that the term “capitalism” was met with hostility among black leaders. Arguing, first, that capitalism had not eliminated poverty in the midst of affluence and, second, that even if it had worked successfully for whites, it had not for blacks, the editors conclude that the model for black economic development could not be the “capitalist” way of doing things but rather a comprehensive plan of economic development skewed to give the bypassed American minorities special assistance in establishing business, forming capital-accumulating instruments, building a managerial class, and in realizing from all this a substantial measure of social benefit in the ghettos.¹

In my judgment, it is crucial to assess properly the extent to which the current economic status of the black majority is due (a) to capitalism itself, pure and simple, or (b) to the historical circumstance that blacks were operating in a capitalistic system, at first as slaves, and then, after obtaining their formal freedom, as objects of heavy discrimination. What the economic status of blacks in capitalism would have been had they not suffered from these serious disabilities is crucial to an assessment of their future in a capitalistic system. Given the historical circumstances, it would be a brave man indeed who would assert that the status of blacks would have been the same, with or without the disabilities. One cannot look forward into the future with clear eyes if he looks back into the past with obscured and distorted vision. Other minority groups in the United States, unencumbered by these disabilities, have done tolerably well in the American system of economic life.

¹ BLACK ECONOMIC DEVELOPMENT 4-5 (W. Haddad & G. Pugh eds. 1969) [hereinafter HADDAD & PUGH].

The volume directs attention to a serious dilemma: if black economic development is to proceed successfully, the experience and wealth of the white community appear to be a *sine qua non* in obtaining capital, in locating, training and supporting black managers, in identifying markets to be entered by black entrepreneurs, etc. Black leaders emphasize, though, that in no case can the relationship between the two communities be such as to subvert black leadership or control. The dilemma is aggravated by the current of distrust between white businessmen and black leaders.

The volume under review is concerned with these major approaches to the development of black entrepreneurs:

- a. branch operations of big industry in the inner city;
- b. indigenous inner city industries assisted by partnership arrangements or by technical and managerial support from outside corporations;
- c. individually operated inner city enterprises made possible through compensatory devices such as Small Business Administration loans, managerial and technical training programs, and sheltered markets; and
- d. community owned corporations financing local enterprise and social services.

In his paper Mr. DeLorean indicates that ownership and control of business by blacks is equated with their ability to control their own destiny. Ownership would permit blacks to generate their own jobs, their own capital and their own social programs. Mr. DeLorean likens the position of black Americans in relation to this country to that of underdeveloped sovereign nations:

The Negro wants the right to determine his own destiny. That is the right we promote in Latin America, in Eastern Europe, in Africa. It is ostensibly the right we have been fighting for in Vietnam, and for whose defense we continue to build missile systems and to stockpile nuclear weaponry.

At the very least, then, we owe this right of self-determination to the fellow Americans in our own ghettos.²

Several of the authors develop the implications of this position in relation to economic development. Most troubling about the position, in my view, is its apparent encouragement of separatism, of a turning away from the conscious effort by whites and blacks to live together, of its choice of coexistence rather than unified existence as the appropriate posture.

² DeLorean, *The Problem*, in HADDAD & PUGH 7, 19.

The Community Self-Determination Act

Perhaps the most extreme statement of the above position is reflected in the proposed Community Self-Determination Act developed by the Congress of Racial Equality (CORE), with a wide spectrum of expert assistance, and in the point of view which nurtured it. The proposed Act, described by John McClaughry in a paper on "Black Ownership and National Politics," was introduced in Congress in July 1968 with an imposing list of sponsors. The proposal provides for the formation of a corporation in an area defined through a referendum by the people living there. Within the community area thus defined, the corporation would have far-reaching authority. It would own a family of businesses located within as well as without the community area and with the profits earned would finance community service projects of the people's own choice. The corporation and its subsidiaries would pay little or no taxes and the profit flow thus augmented would be applied only to community services. The corporation could enter into an agreement with a major company to create a factory which, when viable, could be sold to the corporation.

"Separatist Economics: A New Social Contract"

The ideas which underlie the proposed Act are explained by Roy Innis, who suggests that a very striking similarity exists between underdeveloped countries and underdeveloped black communities. There is also one difference — the people in every underdeveloped country have a greater measure of sovereignty than blacks have here. This is the missing ingredient for blacks here, "sovereignty, or at least a greater degree of autonomy and self-determination."³ Larger black areas, especially in urban centers, would become political subdivisions of the State and would be lifted from their current status of "subcolonial appendages of the cities" with which fundamental conflicts of interest exist. Blacks suffer from a further weakness in that they do not control the institutions that surround them, which impose their values on them and which control the flow of goods and services. Blacks must seek "liberation from the dominance and control of white society" because only when this has been accomplished will black people be enabled to determine their own destiny. Blacks must, therefore, manage and control the institutions that service their area. "Separation," Mr. Innis says, "is a more equitable way of organizing the society."⁴ The Community Self-Determination Act can serve as a means for achieving

³ Innis, *Separatist Economics: A New Social Contract*, in HADDAD & PUGH 50, 54.

⁴ *Id.* at 52.

these ends. "Separatist" economics, Mr. Innis continues, is no different than developmental economics:

It [separatist economics] is the manipulation of the economy of black areas in a preferential way to obtain an edge and protect the interests of the community; to place a membrane around the community that allows full commercial intercourse with outside business interests while setting pre-conditions and guidelines advantageous to the community for those who may seek to operate within the community. This principle is known by many names, one of the more familiar being *tariff*.⁵

There are two closely related matters which black leaders might wish to consider. The first is what are the long-range national implications of a goal of establishing independent self-governing communities on the order of independent sovereign states. The second is whether it is beneficial to the cause of black entrepreneurship to link it with this goal. Admittedly, there is considerable ambiguity as to what the concept of black, independent, self-governing communities really means and the forms it will take. However, the language in which the idea is couched raises very serious questions in the American context. There is no argument about the importance of applying unremitting pressure to open up every opportunity to make it possible for blacks to share in the goodness of American economic life. Nor should we stop there. The real goal, after all, is participation by blacks and other minority groups in all aspects of economic life without regard to race, color or national origin. However, the goal of independent, self-governing communities goes far beyond these statements and implies that the presence of such communities is a *sine qua non* for achieving economic parity between the races. American history provides many illustrations of the march of minority groups up the economic ladder without such support. Beyond this, we need to bear in mind that the development of black independent communities could be at the cost of sundering the social fabric of American society in ways that are unknown to us today. The reason is that blacks would be provided the opportunity to close themselves off at will from the rest of America, and are likely to be encouraged to act upon it.

The second point is this: the detailed discussion in this volume clearly attests to the difficulties in achieving large-scale entrepreneurship. However, these difficulties are not insurmountable, and, given an environment in which they can be dealt with, the goal can be achieved. But to tie this goal to the achievement of independent, self-governing

⁵ *Id.* at 58.

communities might well make the task an impossible one and lead to the very state of acute frustration among blacks which we must seek to avoid. This reviewer is in full accord with the plea by A. Wright Elliott, in his paper on " 'Black Capitalism' and the Business Community," for integration as the ultimate goal. In his judgment, a unified and not a divided society is required:

[S]eparation of the races in this country *cannot* be the ultimate goal toward which these efforts [to close the gap between white and black America] are directed. This is not to say that there is anything, whatsoever, wrong with the development of black-owned and black-managed enterprise; nor does it imply that American industry should not participate in the implementation of such efforts. But it must be stated forthrightly that the development of black-owned and black-managed enterprise is quite a different thing from the development of independent black communities.⁶

"The Ghediplan for Economic Development"

A far-reaching proposal is also presented by Dunbar S. McLaurin and Cyril D. Tyson. It is their view that, to raise the productivity of blacks, a complete restructuring of the ghetto economy is required. Here, too, the ghetto is viewed as if it were an underdeveloped nation, the goals being to attain capital and profits under local control and to redress the adverse balance of payments between the ghetto and the white world — that is, to build a balanced, self-supporting economy.

It is easy to be misled concerning the role that sharply stated principles actually play in inhibiting blacks and whites from cooperating in the area of economic development. An important impression left by this collection of papers is the substantial number of cooperative endeavors currently underway, which are not waiting for the "big" changes the principles would require — that is, independent self-governing black communities, thoroughgoing restructuring of the ghetto economy, etc. Many of these endeavors are small, but it is significant that both blacks and whites involved believe they are of sufficient merit to warrant immediate cooperative effort without conditions. In a wider perspective, the many instances of cooperation provide support for the hope that, given the need for incremental improvements and the capability for providing them, a sufficient number of practical minded blacks and whites will cooperate to effectuate them. The practice of cooperative effort by the races can then provide the basis for the emergence of that unified society, both peaceful and cooperative, which we all seek.

⁶ Elliott, "Black Capitalism" and the Business Community, in HADDAD & PUGH 74, 81.

"Compensatory Capitalism"

The remaining papers in the collection are of substantial interest but provide fewer far-reaching proposals than those already described. For example, Howard J. Samuels views his proposal for "Compensatory Capitalism" essentially as providing basic support for private enterprise. The goal is proportional business participation for minorities. Mr. Samuels finds the doctrine of equal opportunity inadequate because minorities have handicaps which preclude their participation on the same terms as the majority. Special programs, originating from and supported by the government, are needed to counteract the handicaps.

"Where Does the Money Come From?"

The imagination displayed in the current effort to widen entrepreneurship opportunities for blacks is impressive. A particularly striking example is described by Peter F. McNeish. The basic idea is to tie the deposit of public funds in commercial banks with certain social goals. In Illinois, the state treasurer set aside a portion of state funds for deposit in banks which make a commitment to invest a like amount in programs for low-income housing or minority business development. If adopted by the federal government, by other states, especially those with sizeable minority populations, and by county and city governments, the potential of this device is substantial.

Conclusions

One defect of the volume is the absence of a systematic effort to review the experience of black economic development in its various aspects and derive balanced conclusions as to the results. Questions need to be posed and answered as to whether and to what extent progress, retrogression or stagnation has occurred over an appropriate period of time. The large volume of useful detail in the various papers makes it difficult for the reader to sum up the experience in relation to the achievement of particular goals. Yet, it is essential that this be done in order to determine whether the path we are traveling is the right one and, if so, whether we are traveling fast enough.

What should be emphasized is that America stands today at a crossroads. On the one hand, this nation is dedicated to the proposition that all men are created equal and are endowed by their Creator with certain inalienable rights of life, liberty and the pursuit of happiness. On the other hand, despite great progress as the result of actions by the legislative, executive and judicial branches of our Government in the last decade and a half, for many millions of Americans the promise of

our Constitution and our Bill of Rights has yet to become a reality. The dream remains. The task that faces us is to make it come true.

The volume under review provides a number of approaches to black entrepreneurship and black economic development. Some readers may disagree with the diagnoses and recommendations offered and, in fact, with the comments made in relation to them. The volume, nonetheless, is a challenge to all thoughtful and concerned Americans. The delivery of equality of opportunity in entrepreneurship and economic development is of such national importance that further analysis and discussion of these and other approaches are warranted. Equally important, they must be followed by action.

We need new, creative and imaginative answers so that we can deliver the rights we profess to all Americans, not in rhetoric but in reality. Only then can our promise be fulfilled, to be one nation, indivisible, with liberty and justice for all.

Theodore M. Hesburgh, C.S.C.*

THE STATES AND THE URBAN CRISIS. Alan K. Campbell, Editor. Englewood Cliffs, New Jersey: Prentice-Hall, Inc. (The American Assembly, Columbia University), 1970. Pp. vi, 215. \$5.95.

It is common practice these days to link the urban crisis with almost anything, and books with titles like "The ————— and the Urban Crisis" can be found in abundance. Apparently, it is permissible to fill in the blank with the word of your choice, depending on what you pick as your favorite whipping boy. You can then urge with some conviction and satisfaction that whatever it is you have used to fill in the blank ought to be changed, or reformed, or restructured, or whatever you think is needed to bring on the millennium. This book has some of these qualities, for state governments have long been a favorite scapegoat, and we are often told that the crisis we find in our cities would disappear if only the states would "do something." We are then given a shopping list of programs and actions which, if only the states would adopt them and plunge ahead to bold endeavor, would cure or at least alleviate the problems of our cities.

There is something of the evangelist quality in this collection of essays, but not too much, for the contributors — who prepared these

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