

## WHAT HAPPENED TO BLACK ECONOMIC DEVELOPMENT?

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In this article I want to look at what happened to community economic development and once again examine the “ghetto-as-colony” analogy. To anticipate conclusions, the community development programs were unable to successfully confront the issue of class and what Bowles and Gintis in another context have called the correspondence principle. Communalism, cooperation, replacing the criteria of narrowly measured profit with the broader conception of social rate of return, production for use, organization of production to maximize human development, and other criteria put forward by community development corporations conflicted with the basic principles of the American version of market capitalism. To survive in an increasingly hostile environment they had to be brought into “correspondence” with larger societal arrangements. The demands of reparations, equal preparation in education as a right for citizens quality of work issues—all of these were raised in the discussion of community development. It was impossible to make gains in these areas in the black community without undermining conflicting values in the larger society. The Black Freedom Movement had either to change white America or be forced to retreat.

The demand for a “black” economics rooted in African traditional society or only in a collective perception of needs was thus a challenge to basic capitalist values and practices; putting them forward reflected a major political gamble. The strategic orientation in raising these far-reaching demands was that given so many Blacks and progressive whites in motion, a momentum had been built up which would be hard to stop.

The crucial requirement was to maintain unity. Community economic development was a vehicle for this purpose and was itself a demand for basic restructuring.

At the same time it held within it, of necessity, a certain tension and ambiguity. The ideological issues of capitalism and socialism were dodged in order to avoid being open to red-baiting, and because most Blacks accept the ideology of individualism even as they simultaneously held to a sense of racial identity and kinship with other Blacks. These

tensions between ideals of individualism and group advancement need exploration.

The development perspective suggested that the different institutional and social setting of the black ghetto made traditional economics of questionable relevance for Blacks. The idea was that the laissez faire bias of traditional theory made it less than useful in a society based on cooperative forms of development. Wilfred David, in an article published in late 1973, argued that in fact there are "different types of economics—blacks, white, yellow, etc."<sup>1</sup>

As things turned out, respect for a "black economics" only lasted as long as the white power structure was threatened by a mass movement it could not contain without granting concessions. The legitimacy of racial discrimination had been undermined by the destruction of the plantation system in the post World War II period and by the crucial repositioning of the black population in northern cities and increasingly in basic industries. Dislocation in the South and the North undercut old forms of control and Blacks, many of whom had been fatalistic, "seized the times." In their defiance, Blacks challenged the old order in a two-stage movement.

The language of the early 1960s—"freedom now," "equality," "equal rights"—all accepted the achievement of parity with the white majority; juridical equality was the goal; implicit was the removal of the vestiges of caste status distinctions. The appeal to American values, the right of all citizens to life, liberty, and the pursuit of happiness without discrimination based on race, religion, or national origin was the great informing principle. An equal chance to make the most of one's talents in the U.S. had been promised through passage and attempted enforcement of antidiscrimination laws so that Blacks could eat at Woolworth counters, stay in the main waiting room in bus stations, and vote in public elections.

Midway through the decade, following the passage of voting rights and other civil rights-equal opportunity legislation, emphasis turned to economic rights and to a second stage for the movement.

For the brief period of the Vietnam War, a remarkable coincidence of views existed in the liberal wing of the "Establishment" and the Black Freedom Movement. In a labor shortage economy, induced by an accelerating if unpopular war, training programs and other efforts to reduce barriers to black labor mobility made sense to a wide range of important interests who thus were more willing to respond to black demands of this sort.

The Black Liberation Movement, especially the programmatic empha-

sis and constituency mobilization of black power groups, was a threat to the smooth controlled changes favored by these groups. The focus on the entire black community as the unit of importance—the collective solutions, the “inefficient” demands for neighborhood participation—was a central area of conflict. To the extent that such a focus allowed a forum for blowing off steam, for group therapy, it was applauded. To the extent coherent programs of economic and social development made demands for significant resources and changed structural relations in the wider society, they were resisted and efforts were made to rechannel them to more acceptable forms.

In assessing the dramatic loss of momentum in the spirit and unity of the movement it is crucial to understand the profound ambiguity of black struggles in the last quarter century. The ambiguity concerns class. Is the central determinant race? If so, all Blacks are in it together. “Buy Black” campaigns, the unity of black employers and workers, tenants and landlord, while not without tension, are the correct emphasis. Alliance with white capitalists may also be in order from this perspective since in the competition for jobs philanthropists and self-interested employers may be interested in actions which will help Blacks. On the other hand, Blacks are, as Martin Luther King, Jr. told an AFL-CIO convention in 1961, overwhelmingly a working people and so have a basic interest in the unity of all working people, black and white.

#### A CENTURY OF CLASS-RACE DEBATE

The history of the tension between race and class needs a serious recounting. Here, we can only convey a sense of this debate starting with Frederick Douglass’s profound insight:

The slaveholders . . . by encouraging the enmity of the poor, laboring white man against the blacks, succeeded in making the said white man almost as much a slave as the black man himself . . . Both are plundered, and by the same plunderers. The slave is robbed by his master of all his earnings above what is required for his physical necessities; and the white man is robbed by the slave system, of just results of his labor, because he is flung into competition with a class of laborers who work without wages. At present, the slaveholders blind them to this competition by keeping alive their prejudices against the slaves as *men*—not against them as *slaves*. They appeal to their pride, often denouncing emancipation, as

tending to place the white working man on an equal footing with Negroes, and, by this means they succeed in drawing off the minds of the poor whites from the real fact, that by the rich slave-master, they are already regarded as but a single remove from equality with the slave.<sup>2</sup>

His contemporary, Karl Marx, wrote:

Labor with a white skin cannot emancipate itself where labor with a black skin is branded.<sup>3</sup>

If creating race distinctions was an important tool to the white ruling class as Douglass believed, the division of class and relative privilege, status, and hierarchy among Blacks was also crucial.

In his assessment of American racism in the 1940s, Gunnar Myrdal found that black churches on the whole had "remained conservative and accommodating." In visiting a Negro Baptist Church in one of the state capitals of the upper South, and listening to a "be meek, humble, and you'll get your reward in heaven" sermon, Myrdal asked the preacher if he should not instead try to instill more worldly ambition in his poor and disadvantaged group. The preacher began to explain to us, as foreigners, that this would not do at all in the South. The role of the Negro Church, he told us, was to make the poor Negroes satisfied with their lowly status. He finished by exclaiming: "We are the policemen of the Negroes. If we did not keep down their ambitions and divert them into religion, there would be upheaval in the South." This preacher is not typical, said Myrdal, "in his philosophy of extreme accommodation or in his intellectual charity. But it is significant that he exists."<sup>4</sup>

Cayton and Mitchell tell us that as early as 1850 the idea of a separatist black economy paralleling the white community's was championed by a Negro upper class which depended on racial solidarity to maintain and exploit the market for its services. This "advantage of the disadvantaged" would be threatened by integration and so a black upper class emerged which had meager resources by white standards but did quite well compared to other Blacks and had an interest in perpetuating racial separatism which provided them their living and accorded them the role of intermediary with the white power structure. The idea, as Cayton and Mitchell wrote, was the development of a "black economy" which would "furnish work for young Negroes and advance the race generally. No Negro employer was ever engaged in business for the sordid purpose

of making money. On the contrary, all were motivated solely by the desire to build race institutions and to create opportunities for youths. Towards this end, Negro consumers were supposed to patronize Negro business and professional men, even though the goods and services might be inferior to those of their white competitors and more expensive as well. On the other hand, Negro employees of colored businessmen in the name of race loyalty, were supposed to be willing to make sacrifices in the form of low wages, long hours, and poor working conditions.’<sup>5</sup>

In 1898 John Hope, who was to shape the training of Negro businessmen as president of Atlanta University, speaking at a conference on the Negro in business, declared that there was little chance for advancement as wage laborers. “We must take in some, if not all, of the wages, turn it into capital, hold it, increase it. This must be done as a means of employment for the thousands who cannot get work from old sources. Employment must be had, and this employment will have to come to Negroes from Negro sources. This phase of the Negroes’ condition is so easily seen that it needs no further consideration.”<sup>6</sup>

Booker T. Washington was the greatest influence in shaping this point of view. Speaking to the National Negro Business League, which he had founded with the help of his white capitalist friends, he said that wherever he had “seen a black man who was succeeding in business, who was a taxpayer, and who possessed intelligence and high character, that individual was treated with the highest respect by the member of the white race.”<sup>7</sup>

Needless to say, “model” Negro businessmen were celebrated in the white press as examples that initiative and hardwork would always be rewarded no matter how humble one’s origins. The reality of the mass of black folks was of less consequence in this perspective than the “fact” that if Blacks had drive they could advance themselves. In the 1930s there was a sharp division between those who were acting in the “Don’t Buy Where You Can’t Work” and the “Buy Black” campaigns and those active in trade unions and organizing among the unemployed. The nationalists favored the former, the communists the latter. In 1931 there was a Race Loyalty Parade sponsored by the Harlem Businessmen’s Club and the Abyssinian Baptist Church. The thrust of such an approach was felt by black communists to be antiwhite workers (since it called on local employers to hire Blacks or face boycott). Such a direction sabotaged black-white unity in the larger worker’s struggle for unemployment insurance and real relief. This, said black communists, was to narrow the struggle. While the Harlem Businessmen’s Club president, Ralph

Gothard, expressed the view in *Negro World* (August 22, 1931) that "I believe that *efficiency* on the part of the Negro businessman . . . coupled with *race loyalty* on the part of the public . . . will in a few years *create* sufficient jobs to *absorb* our unemployed group." Cyril Briggs wrote in the *Daily Worker* (April 7, 1931): "These fakers are attempting to narrow down the struggle against unemployment to a boycott movement against white merchants in Harlem, which would obtain at best a few thousand jobs for the tens of thousands of unemployed workers in Harlem. The boycott movement is offered as a complete solution for the tragic situation of the Negro unemployed and as a substitute for joint revolutionary mass action of Negro and white workers in the struggle for unemployment relief. It is in reality an attempt to utilize the misery of the masses for the strengthening of the Negro petty bourgeoisie under the old false slogan of race loyalty. . . ."

Black Marxists stressed class unity above racial loyalties to a black bourgeoisie. Labor unity was the key to real black emancipation and true equality. William Patterson, another black communist leader, wrote in the *Harlem Liberator* (March 17, 1933):

The revolutionary struggle of the Negro masses must be built along the line of indissoluble struggle with the white working class. There can be no wavering on this point, there can be no concessions to petty-bourgeois nationalism. The Negro masses cannot carry on a successful emancipation struggle along. . . . It must be recognized that every tendency which to the slightest degree disrupts the growing unity of Negro and white workers strengthens the forces of the enemy. Concessions are not won by Negroes at the expense of white workers. Concessions must and can only be won at the expense of the ruling class.<sup>8</sup>

Because many white workers failed to accept these principles, there was a strong appeal to nationalism, "Back to Africa" movements, and other separatist ideologies. Functionally, such sentiments were consistent with the separate ghetto economy favored by the black business class.

It is perhaps useful to try and schematize these diverse strands into a more limited set of beliefs. While we do some harm to historical accuracy we gain in terms of clarifying basic differences. I would suggest that there are two major positions on race within the black community, and for each of these there are two positions based on class analysis. Setting forth these positions will serve as an introduction to the discussion to follow. Posi-

tion I is separatist development. Position II is integration. The two major variants of separatism are black capitalism and community development. The first seeks to strengthen capitalism by including Blacks as full participants. The second suggests alternatives to market allocation dominance as the best strategy for Blacks to follow. The two variants of the integration position are alliance with white capitalists and alliance with white workers. The first variation sees the central problem as racism among white workers who exclude Blacks from unions, access to better jobs, advancement, etc. The second variation suggests all workers, black and white, have a central interest in class unity and this requires racial solidarity to forward working-class demands.

In the present paper I will discuss the two variations of Position I—black capitalism (Variant 1) and community development (Variant 2)—suggesting that this distinction captures much of the debate of the last decade or more since the black struggle moved north. In a related paper, I will deal with Position II and its variants, although some comments relevant to the emerging centrality of class will be made in concluding this presentation. Yet, something more must be said here as well.

The sense of underlying difference between black capitalism and community development is captured in the market orientation of the former and the embracing of communality in the latter. One way to get into this distinction is to look at the shifting language pattern of the movement. The semantics is worth some discussion for “black community development” implies a collective, participatory form in which good process is central to success—so integral that the ends are measured by means, process is a crucial success indicator. “Black capitalism” is the individualistic, competitive method, and this means implies a different set of class relations and interactive processes in the black community. So too “anti-discrimination” activities have meant case-by-case work with central attention paid to the attitudes and unfair practices by individuals or business units. The charge that Blacks are “oppressed” focuses on the larger process in which the sociopolitical system as a totality structurally conspires to hold Blacks as a group in subordinate positions. That Blacks are “exploited” means that their labor benefits others who appropriate value produced by Blacks as workers. This stance sees the productive power of black Americans as being important to the enrichment of others. Both oppression and exploitation imply a form of servitude. The former, however, has overtones of psychological and social subordination and enforced inequality. The latter focuses on economic benefit as the key payoff to the superordinate group or class. To say that Blacks are “super-

**TABLE 1**  
**The Four Alternative Perspectives**

<b>Position I:</b>	<b>Separatism</b>
	Variant 1. Black Capitalism
	Variant 2. Community Development
<b>Position II:</b>	<b>Integration</b>
	Variant 1. Alliance White Capitalists
	Variant 2. Alliance White Workers

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exploited'' sharpens the analysis and makes the distinction that all workers, no matter what their pay, are exploited, since some part of the value their labor creates is appropriated by capital; but Blacks face a double distinction of being overwhelmingly workers and also being forced to do the worst paying, most unpleasant tasks, and are thus doubly exploited. Superexploitation as a construct also acknowledges that some white workers within the context of their own exploitation and the dominance of capital may benefit from black subordination; competition for better jobs is limited, total wages in an area employing underpaid Blacks are kept down favoring growth and better compensation for whites, and so on. Yet the construct suggests that such advantages for whites only appear as benefits in a partial analysis. Once the entire system is inspected, the gains turn to losses for white workers.

If subordination is seen in these terms, then community-level solutions lose some of their salience. Real equality includes not only an end to black superexploitation based on racist stereotyping, but of "normal" exploitation—the inability to control the uses to which surplus labor is put.

Before turning to an examination of the origin of the Community Development Corporation concept and the evolution of the two conflicting strands of its development—black capitalism and collective community development—it is important to set the larger framework in perspective.

The opportunity for Blacks has always been conditioned by larger economic forces. It is in time of war and labor shortage that progress is made. In periods of slow growth worker competition for jobs and racism is revitalized. The 1970s were a period of severe economic dislocation and sustained high unemployment. This led to a loss of public (the white majority) endorsement of black demands and to a changed attitude: Blacks did not need special compensatory programs which in any case were unfair to whites. A second large contextual restructuring is the



declining significance of the central city vote of the major northeastern and industrial Midwest cities. The demographics came to favor a rural-suburban alliance against the big cities for governmental resources. As a result of these two factors, the old liberal-labor-minorities coalition is no longer able to win in Washington. In the context of rapid accumulation, redistribution was possible. In a period of slow growth, cuts in government programs and a replacement of incentives to corporations and tax cuts to the rich in the hope of stimulative investment have replaced social welfare expenditures.

### **THE POLITICS OF BLACK CAPITALISM**

During the presidential primaries in the Spring of 1968, Richard Nixon delivered a two-part nationwide address, "Bridges to Human Dignity," in which he suggested that only with proper incentives can we expect large corporations to commit resources to the problems of the cities. He offered the view that private enterprise is far more effective than government and can "offer the new opportunities which will produce progress—not promises—in solving the problems of America . . . we can get a bigger social return on a given level of investment and get some of the jobs done through the market system."

A second theme was direct participation by Blacks in ownership roles, or as he put it, "To have human rights, people need property rights."

There was nothing subtle in Nixon's recasting the demand for collective emancipation to a version of black pride through representation. "What most of the militants are asking," he declared, "is to be included as owners, as entrepreneurs, to have a share of the wealth and a piece of the action."

Tom Wicker was not the only commentator of the period to suggest that this speech "could prove to be more constructive than anything yet said by other presidential candidates on the crisis of the cities." By tapping into the belief that our large corporations (if they are paid enough) can solve any problem, and by drawing imagery of minority group access to capital, conjuring up Blacks in corporate board rooms, Nixon had in fact, finessed the liberals who, no matter how much they called for government programs, had a primary loyalty to free enterprise.

Just before his inauguration, President-elect Nixon had told black leaders in the obligatory meeting that he pledges "to do more for the underprivileged and more for the Negro than any other president had done."<sup>9</sup>

To drive a wedge into the black community and to isolate those groups

and individuals then building a mass base among the black ghetto dwellers, the Nixon administration enforced black capitalism. By extending a promise of money for black businesses, the Nixon administration undercut the vision of neighborhood community development corporations which would serve the people by offering jobs, goods, and services along cooperative lines. Nixon proposed, instead, giving a few black business people "a piece of the action." Thus, Nixon worked to isolate those who saw capitalism as the problems from those who would support capitalist social relations as the only legitimate means of helping Blacks.

The tension between a race unity perspective which viewed Blacks as excluded from the system can be contrasted with the class approach which says Blacks are included in the system, but that it is the manner of their inclusion (racial oppression and economic superexploitation) which is the problem.

The black group that would gain the most from Nixon's program was the black business class—E. Franklin Frazier's black bourgeoisie—that would have "the monopoly on the Negro market." As Franklin noted, while this group might gain "a privileged status within the isolated Negro community," would "a separate Negro economy" really be best for most Blacks in the long haul? Bayard Rustin, ever close to the labor movement perspective, wrote in 1970:

Nor are certain Negro businessmen the only ones who stand to gain from a black economy protected by the tariff of separatism. There are also those among the white upper class for whom such an arrangement is at least as beneficial. In the first place, self-help projects for the ghetto, of which black capitalism is but one variety, are inexpensive. They involve no large-scale redistribution of resources, no "inflationary" government expenditures, and above all, no responsibility on the part of whites. These same upper-class whites may have been major exploiters of black workers in the past, they may have been responsible for policies which helped to create ghetto poverty, but now, under the new dispensations of black separatism, they are being asked to do little more by way of reparation than provide a bit of seed money for a small ghetto enterprises.<sup>10</sup>

On the other hand, those working with the Republicans and the business community more generally are quite correct in many of their criticisms of the liberal approach which has been to train Blacks for menial jobs while keeping them out of apprenticeship programs leading to better

paying ones. Academic liberals, economists, the unions, and the Department of Labor have built a huge industry out of training programs, running them and studying them. They, like the social work industry, continue to see their work as a more important approach to the creation of a full employment people-oriented society, than direct attacks on the white-dominated power elite and class structures which produce and perpetuate barriers to black advancement. Such failings have led some Blacks to go to where the power is and make their deals.

In addition to working with Nixon, CORE collaborated with the National Right to Work Committee in setting up the Black Workers Alliance. This stance of antiunion/probusiness has been characteristic of other separatists who saw white workers as the enemy, realistic business people as friends. Marcus Garvey, for example, held that:

It seems strange and a paradox, but the only convenient friend the Negro worker or laborer has in America at the present time is the white capitalist. The capitalists being selfish—seeking only the largest profit out of labor—is willing and glad to use Negro labor wherever possible on a scale reasonably below the standard union wage . . . but if the Negro unionizes himself to the level of the white worker, the choice and preference of employment is given to the white worker.

Shortly after he took office, Nixon created the Office of Minority Business Enterprise (OMBE) within the Department of Commerce to foster black pride, “to involve them more fully in our private enterprise system,” and to open the route to individual minority group members to succeed as individuals in the great American tradition. Thus, by repressing militants who raised the specter of collective action while rewarding those Blacks who would participate in this individualistic orientation the Nixon administration sought to defuse the mass movement, buy off the more tractable leadership, isolate extremists, and leave the black masses directionless without leadership or support in the white community.

The OMBE, created in March 1969 by executive order, was the vehicle to fulfill Nixon’s black capitalism promise. The new agency was not given funds. Its function was merely to coordinate other agencies’ activities to promote minority enterprise and private sector involvement. The money to establish OMBE was not even new federal funding.

It was taken out of the Office of Economic Opportunity (OEO) budget. The OMBE had difficulties coordinating agencies which were jealous of

their traditional independence. It mostly offered technical advice when minority businesses needed cash. Money was forthcoming from two other avenues, a Republican innovation—the Minority Enterprise Small Business Investment Companies (MESBIC) and the Small Business Administration (SBA).

The MESBIC concept was based on a gimmick and an assumption. The gimmick was that MESBICs offered 15:1 leverage. A \$150,000 minimal investment could be matched 2:1 by the Small Business Administration which would also guarantee up to 90% as loans made by financial institutions on a 4:1 basis. The original funds were to come from major corporate sponsors who were given tax incentives. The MESBIC would not directly engage in production, but invested in minority businesses. It was limited to putting no more than 20% of its funds in any one company, and could hold no more than 50% of its stock. Like its predecessor SBIC (The Small Business Investment Company), established a decade earlier by the Eisenhower administration to leverage small companies, the outcome was failure. Earnings were not high enough to pay for the staffs that ran the MESBIC. The lack of sufficient equity capital could not be made up by heavy loan burdens. Debt financing could not be met. There was no cushion. When the MESBICs failed, government insurance and grants absorbed the loss, not private sector investors.

The hundreds of OMBE-funded minority business development organizations established to give advice have been widely criticized. The delinquency rate on SBA minority loans ran 50% over a three-year period. The perhaps \$5 billion spent to assist minority concerns has shown little results, and corruption and political patronage and kickbacks have been rampant in the programs. By fiscal 1975, SBAs total loan budget was down to \$40 million and President Gerald Ford denied requests for higher appropriations as part of the fight against inflation. President Jimmy Carter shows little interest in minority business.

Analysts from both the left and the right agree that the SBA approach is weak, not only in terms of its practice, but in its basic design as well. Bayard Rustin believes black capitalism programs to be based on two conservative premises. Speaking of the underlying rationale guiding those who support the approach, advocates made up of “an unusual coalition of black nationalists and white conservatives,” he writes: “On a pragmatic level they applauded anything that would divert attention and resources from broader social programs. They also saw black capitalism as compatible with the concepts of self-reliance and free enterprise.” Yet many of the right, for whom a vigorous model of competition is central, are

critical of the loan to small business approach for the very reason that it runs counter to the free enterprise principle. Thus, the *Wall Street Journal* editorially writes: "The fundamental problem with the SBA's basic mission is that as a champion of the weak, it also is sometimes a champion of the inept, or worse, and therefore a promoter of economic inefficiency." The *Journal* is willing to acknowledge that "the social gains to be derived from this might well outweigh the loss of efficiency," but only, they say, "if it is assumed that the small businesses helped by the SBA operate in isolation from all the other businesses, large and small, that the SBA does not help." This, however, is not the case when SBA helps with sizable loans, government contracts, and so on to inept firms which then compete with the better-managed firms. A free market economy is weakened by such interference. From the left, critics saw such marginal adjustment as not being significant and meaningful. Administration proponents skirted these issues, claiming to the minority groups that the programs could make a real difference, and reassuring conservatives that the nature of the program was to build black support for basic capitalist values at a very small real cost.<sup>11</sup>

By late 1973 criminal investigations were under way alleging robbery, extortion, and fraud in the Nixon administration's black capitalism programs. At first it appeared that there was a substantial amount of bribes and kickbacks integrally connected with OMBE. Coming at a time when high officials of the Department of Housing and Urban Development were being charged with violations of law in appointing political favorites to career civil service positions, it soon became clear that minority business people were in fact not only being helped to fuller participation in our "free enterprise system" but were becoming part of the very process of our "free government" as well. That is, they were to be involved in a minor way (as befitted their status) in the complex of events and acts which have come to be subsumed under the heading "Watergate."

At first, it just looked like minority business people were being shaken down by expeditors (who saw proposals through to acceptance for a fee), but a pattern soon emerged leading to the Committee to Re-elect the President (CREP). Most prominently, someone "quite high up" in the White House itself had tried to get the Small Business Administration to burn its files on Dr. Thomas W. Matthew, one of President Nixon's most outspoken black supporters and an advocate of black capitalism, who had been convicted of 71 counts of illegal use of Medicaid funds, and had before then been pardoned by President Nixon while serving a tax evasion sentence. The president had personally also told the SBA to provide "all

assistance possible" to Matthew. Matthew had told federal investigators looking into his selling unregistered bonds that he would turn over no documents. He, in fact, told the Securities and Exchange Commission investigators: "You'll get those records only after you contact the White House staff." According to the Queens (New York) district attorney's office's Frauds Bureau, Matthews could be prosecuted for "at least \$800,000 in undisclosed income and probably more," but he was being protected by the White House.

Matthews was only the tip of the iceberg. Soon, reports from Watergate investigations showed a strategy in which government departments were turned into collection agencies for CREP. Minority business people were told that federal assistance would depend on their donations to the president's campaign effort. Here was real equality at work. Just as American Airlines and Shell Petroleum were told to kick in, so were humble Blacks and Chicano small business people—a true example of American democratic government.

But it is important to understand that black capitalism as a program did not fail because of such "abuses" or even because of the publicity of the abuses which curtailed some of the lending. Rather, when 70% of white-owned businesses fail within their first three years, it hardly seemed likely, given the economic obstacles faced by minority members, that they would do better.

While a quarter of the U.S. national income originates from returns on property or wealth holdings, very little of such income accrues to black Americans. The 2% of all businesses which are black-owned earned less than a third of 1% of total receipts in 1969. Since then things have gotten worse, not better. Henry Terrell's estimates for 1967 show black farm equity at \$1.9 billion and only \$1.3 billion in business equity. Blacks also owned stock in white corporations but only \$0.2 billion or 13 hundredths of 1%. Two-thirds of black wealth is in homes and other real estate, very little of it is income producing. Blacks have about 1% of the money in banks.

A 1972 U.S. census shows less than 200,000 black-owned businesses (less than 2% of the total). Ninety-four percent were single proprietorships and less than 20% had any paid employees. More than a hundred years after emancipation the black business is a barbershop or a dry cleaner, not a steel mill or even a department store.

Motown Industries and a few other black-owned firms, among them banks and insurance companies, go unnoticed in the world of big business.

In 1974 the black business failure rate was about 18% compared to less than 1% for small business generally. Thirteen of the nation's 100 largest black businesses went bankrupt between 1972 and 1975.<sup>12</sup>

Less than a fifth of the close to 195,000 black businesses in 1972 had paid employees, and the number of firms with paid employees has been decreasing (by 17% between 1969 and 1972 well before the mid-70s economic collapse). A survey by the Black Economic Research Center showed a 40.2% decline in black firms between 1972 and 1975. Only a 14% death rate was found among the top 100 black firms, but none of these was really big by white capital standards.

What happened? The number of minority-owned businesses has remained small and contribute perhaps 1% of total minority income. Federal programs are both underfunded and fail with the money they do spend. Corporate involvement is mostly public relations and has not made much of a difference. There is little hope that minority ownership can be expanded or even that it is really a desirable goal. Community development continues to be a goal commanding more mass support, but it is understood that CDCs cannot operate successfully under profit-making criteria. Community participation cannot be stimulated by individual calculation of potential return on equity since investors have little equity to risk even if profits were to be made. Today, in short, CDCs seem utopian, and inadequate as strategy to support black business. The statistics hardly support confidence in black entrepreneurship as a significant channel for black advancement. Blacks over the last hundred years have hardly built much of a base in capital ownership.

President Carter, following Nixon's example, cut social spending which would help the mass of disadvantaged Blacks while promising to expand by 50% in fiscal 1980 the loans made to minority-owned businesses by the SBA. He does this knowing that an ongoing three-year investigation by a 10-agency investigating team had by late 1978 found at least \$3.5 million in advances to a mere 35 firms in New York City "missing," and that up to \$50 million in federal funds for minority business nationwide were in "jeopardy."<sup>13</sup>

While the details of alleged abuse are fascinating (one unidentified contractor apparently spent \$200,000 of government funds to buy a thoroughbred race horse which died of a cold), the details of abuse are less important than the hypocrisy of those who after a decade of program failure are still claiming that small business is the best strategy for minority groups to make it in America.

The SBA on the one side is pushed by the White House to increase

loans to minority businesses. Since there are not all that many safe loans to make, the SBA starts violating its own rules. I would think a "what the hell" attitude could easily develop, and so the scant follow-up of the use of funds, the inadequate record keeping, the use of paper minority firms which don't do work for white-owned ones, kickback, graft, and corruption follow. That minority businesses frequently took advanced payment and put the money in certificates of deposit in a bank seems sensible; the return is higher and safer than the business venture. Frequently the advanced payments were collected and bankruptcy declared. I would think these are signs that minority group members have indeed learned business skills.

If black capitalism has always been the favored program of black and white conservatives (the former because of the advantages it offered the black ghetto-based bourgeoisie, the latter because it kept alive the ideology of equal opportunity and the fairness of competitive capitalism), liberals have always preferred programs of uplift, social work, and improving the attitudes of the poor which are thought to stand in the way of their advancing themselves. Under the pressure of the black liberation struggle of the 1960s, the liberal Democrats had expanded their thinking to include community development as a means of channeling protest into constructive forms which would build institutions in low-income minority neighborhoods.

It is necessary, given our mode of presentation to be chronologically inconsistent here, or at least to go back two decades to recapitulate the evolution of the thinking tied to our second variant—community development.

## CDC

Community economic development can be looked at as a Stage 3 social intervention program. Stage 1 is the traditional social work administered to the poor, offering advice and modest income supplements to worthy cases. Stage 2 began in 1964 with the initiation of a war on poverty and a change in focus represented most dramatically by the Community Action Program. As defined in Title II of the Economic Opportunity Act of that year, community action programs were to be "developed, conducted, and administered with the maximum feasible participation of residents of the areas and members of the groups served. "This requirement of maximum feasible participation was to be the center of much discussion; and yet even more basic is the question of what was the strategy of the program



beyond participation by the community in drawing up its own program which was to provide services, assistance, and other activities of sufficient scope and size to give promise of progress toward elimination of poverty or a cause or causes of poverty through developing employment opportunities, improving human performance, motivation, and productivity, or bettering conditions under which people live, learn, and work. For a community-wide program which was to be funded on what could only be called in historic terms "lavish," was only funded generously in terms of past parsimony. In terms of need, the programs dictated only an extended social work approach. Indeed, even if funding had been three, four, five times as generous, the Community Action Program strategy had at best only half the answer. It calls for a change in attitude of area residents, not a rupturing of the inequality structured into societal institutions. In one sense the program seemed a dramatic breakthrough. As Michael Brooks writes:

A well-conceived community action program is, in a very real sense, a social movement with far-reaching implications for existing patterns of community life. It solicits the involvement of all segments of the community—and, regardless of the manner in which these segments respond, it threatens to alter the social political, and economic environments which surround them. It calls for new voices in the processes whereby community decisions are made; it proclaims the need for more equitable means of allocating community resources.<sup>14</sup>

The case for locally controlled community economic development was originally made most strongly by the advocates of a position which can be characterized as the subjective factors school. While the approach has many variants, its main thrust was that the poor remained in their unenviable position because they are excluded from participation in the economic and social advantages to be enjoyed in the U.S. Since those more privileged could hardly be expected to extend much more than token charity to the poor, a promising approach to solving the problem would be to build up the bargaining power of the poor institutions and organizations encouraged by the government. Such vehicles could build up the self-image of the poor, on the one hand, and create vehicles for self-expression, on the other. "Let the people decide," "participatory democracy," and "Black Power" were thus just as much tools of the progressive technocrats in the poverty program as they were of the excluded

minority groups themselves. Attention to the needs of the black poor was not acknowledged to be because that group was the most vocal and politically advanced, but rather because the culture of poverty had most incidi-ously destroyed black "manhood," the black family, and black self-respect. The theory was based on the idea that if apathy, alienation, and despair could be overcome, Blacks could work their way out of poverty by the fruits of enhanced group bargaining power and individually through greater personal self-confidence, and so the ability to hold a job. While not explicitly blaming the poor, black or white, for their situation, the strategy called for changing the poor first, implying that if they could be brought together in viable community groups, much would then be possible.

The impetus for CDCs came from efforts in the Fall of 1967 at the Office of Economic Opportunity to develop an agency response to the then soon-to-be-issued Kerner Commission report. CDCs were justified primarily on social and psychological grounds. Self-determination was stressed. Economics was to be a vehicle of the black identity movement. It built on the multipurpose, comprehensive development approach of the Special Impact Program (Title I-D of the Economic Opportunity Act of 1964) sponsored by Senators Robert Kennedy and Jacob Javits and implemented in New York's Bedford-Stuyvesant areas.<sup>15</sup>

The definition of the goals of the Self-Determination Act of 1967 were stated in Section 4(a) of the proposed legislation.

The term "community development corporation" means a corporation established by the people of an urban or rural community to expand their economic and educational opportunities, increase their ownership of productive capital and property, improve their living conditions, enhance their personal dignity and independence, expand their opportunities for meaningful decision making, and secure the economic development, social well-being, and stability of their community, and which has been certified as a community development corporation by the Community Corporation Certification Board pursuant to Title I of this Act.<sup>16</sup>

Both liberals and radicals in the 1960s believed that minority development was about undermining the structures which created the perpetuated black poverty. Fostering self-determination was not only making democracy work for black Americans where it counted at the local community level around substantive issues which affected their lives, but this cohe-

sion strengthened their ability to make further demands. Radicals saw a great potential in this approach to undermine “The System” (capitalism). Robert Allen, for example, wrote:

If the community as a whole is to benefit, then *the community as a whole must be organized to manage collectively* its internal economy and its business relations with white America. Black business firms must be treated and operated as *social property*, belonging to the general black community, not as the private property of individual or limited groups or individuals. This necessitates the dismantling of capitalist property relations in the black community and their replacement with a planned communal economy.<sup>17</sup>

Other Blacks on the left saw potential in black community development for just the opposite reason. Community development to Robert Browne, writing in 1970, could succeed because it did not take on the power elite. Indeed, local development projects and other community programs made sense precisely because they didn’t threaten the superestablishment.<sup>18</sup>

In the end, whether CDCs were an ideological threat was a matter of what the alternatives were. During the Johnson era of rioting, urban rebellion, and an ascendant militance, they were small payment for channeling black political power. In the early Nixon years when the pressure was off, they were discarded by Washington. At no point did they ever make much economic sense. The ghetto is not the place an honest business or a community development corporation can be conventionally profitable. As a vehicle to meet social need, CDCs make lots of sense but they undermine traditional power relations and require either revolutionary change in the larger society or a powerful political base in the community which has widespread support in broader arenas.

There was a great deal of naiveté in the early discussions of CDCs in the optimistic hopes that their profits could be used to fund daycare centers, legal aid, and other community services. Large chain stores were moving out of ghetto areas; small “mom and pop” stores were not turning much of a profit; how were the CDC businesses to reverse the realities of doing business in these neighborhoods? With the defusing of the Black Power Movement and a splintering of the old liberal-labor-minorities alliance, these vehicles appeared fragile vehicles indeed.

The community development model has the same problem as the individualist entrepreneurial model in that successful Blacks who show leadership ability and managerial skills are offered far greater remuneration

and opportunity for advancement by government agencies and private corporations. For this reason political commitments, internal education, and consciousness raising have to be central to such efforts. To tone down politics to be acceptable to funding agencies and local politicians, to fit into the system, is to undercut those elements that sustain broad participation and a sense of commitment on the part of those who have broader opportunities. The difficulties faced lead to a loss of idealism and promote a "realistic" attitude of "I've served my time now I want my share of the good life." Communal groups cannot be sustained in the face of such structured defection.

By the late 1960s the war on poverty and related programs had come up against the constraints of the basic workings of the U.S. political economy with its structured inequality, inability, and unwillingness to promote full employment or to invest beyond token programs in changing life chance prospects for the majority of its low-income citizens. People had to make it within the system as it existed. The poor were to be given training in attitudes and skills but had to find their way in existing structures. It was the individual deficiencies of the poor which were declared the problem. In their analysis, as Blaustein and Faux write, the liberals and conservatives did not differ fundamentally. "The conservatives said the poor were lazy and didn't want to work. The liberals said that they were untrained and had negative attitudes toward society. Liberals might agree that the basic cause was the environment, *but the solution had to rest with individual blacks.*"<sup>19</sup>

Concessions to Blacks were structured to bring their demands into ideological conformity with the rules of the status quo and of market relations. Those Blacks most accepting of such an approach were given advisory or staff positions. The programs seemed to meet the demands of the movement but actually undercut its unity, strengthened the most conservative strands of the movement and denied legitimacy to the militants, gave the former a stake in the system and prepared them to accept arbitrary action and police violence against "extremists."<sup>21</sup>

## CONCLUSION

What lessons do we learn from this history, the intertwined development of black capitalism and community economic development, the lack of success of both, and now the abandonment of the minority poor because of more pressing concerns over cutting the inflation rate by reducing

government spending and promoting growth by giving incentives to big capital?

With hindsight it appears that the response of the Establishment to black demands would be, as it always is, to channel them into status quo-oriented forms calculated to create disunity, undermine momentum, and minimize disruption of existing power relations. At the same time the experience points in a positive direction. Respect for cultural pluralism, divisions based on race and ethnicity, require group solidarity but also program opportunities must be available to all people in similar situations. The demand for inclusiveness, of expanding programs to universal coverage, are necessary. To the objection that there isn't enough money the reply must be that programs to bring about greater equality must have primary importance. Tokenism looked good to people who had received little or nothing but they undercut the wider support needed for the success of programs unless a broad enough basis of political support can be created. There is an unavoidable tension between building solidarity within an oppressed group and formulating demands in ways which unite and build a wider solidarity. Particularistic demands must be made in the context of universally perceived needs. Minorities will in practice gain more because their deprivation is greater and also because such an approach builds sympathy and support and neutralizes to some degree the sense of completion and "unfair" special pleading. All of this is easier said than done. Our social system is based on individual and group competition. The demand for inclusiveness, the refusal to go it alone, to sell out others, the refusal of special deals is antithetical to the way the system works. Like it or not the only way the demands of the oppressed can be really met is to end the systemic oppression of the economic system. We end up having to confront issues of class analysis and the structured inequality of capitalism. I believe this awareness is more widely shared than at any point in our history and accounts for the malaise generally felt. Theoretical inconsistency plagues major civil rights groups and class division undermines black community. We await a formulation which goes well beyond the Freedom Budget redistribution out of the growth dividend thinking of the 1960s and rejects the market constraints of the 1970s. Where and how it will come is not easy to see. But that it must come is certain. History is not static and out of growth of global corporations, disinvestment from the northeast, abandonment of central cities, and cuts in government social spending must come a new resistance movement which by the nature of the problems must be broader and more inclusive than any up to now.

## NOTES

1. Wilfred L. David, "Black America in Development Perspective, Part I," *Review of Black Political Economy*, Winter 1973.
2. Cited by Phillip Foner, *Blacks and Organized Labor*, (New York: Praeger, 1972) p. 8.
3. *Ibid.*, p. 11.
4. Gunnar Myrdal, *An American Dilemma: The Negro Problem and Modern Democracy* (New York: Harper and Row, 1944), Volume II, p. 876n.
5. Horace R. Cayton and George S. Mitchell, *Black Workers and the New Unions* (Chapel Hill: University of North Carolina Press, 1939) p. 377.
6. Abram L. Harris, *The Negro as Capitalist* (Philadelphia: The American Academy of Political and Social Sciences, 1936), pp. 49-50; cited by E. Franklin Frazier, *Black Bourgeois* (New York: Macmillan, 1957) p. 129.
7. *Proceedings of The National Negro Business League*, August 23-24, 1900, p. 26; cited by Frazier, *Ibid.*
8. These quotations are drawn from a work in progress by Mark Nasson.
9. See Arthur I. Blaustein and Geoffrey Faux, "Campaign Politics and Black Capitalism," in *The Star-Spangled Hustle: The Story of a Nixon Promise* (Garden City, N.Y.: Anchor Books, 1973).
10. Bayard Rustin, "The Failure of Black Separatism," *Harper's Magazine*, January 1970.
11. See Bayard Rustin, "Nixon-Style Black Capitalism Can't Provide Social Justice," *AFL-CIO News*, January 5, 1974; "SBA's Troubles" Review and Outlook, *Wall Street Journal* December 13, 1973; Paul Delaney, "Bribe Inquiry Under Way on Minority Business Aid," *New York Times*, November 11, 1973; Mary Breasted, Pressure is cited in Matther Case, The White House is Accused of Trying to Foil Inquiry on Prominent Black Doctor, *New York Times*, November 29, 1973; "'All Assistance Possible' to Matthews Reported Ordered Personally by Nixon," *New York Times*, December 11, 1973; Paul Delaney, "Minorities and Fear for Capitalism Program," *New York Times*, December 1, 1973.
12. The first figure is from a survey by the Black Economic Research Center. The second is from Dunn and Bradstreet. The figures on black "big" business come from Earl G. Graves, publisher of *Black Enterprise*. Also see Joann S. Lublin "Black Firms' Blues," *Wall Street Journal*, April 1, 1975, p. 1; Lloyd Hogan, "The Impact of the Current Economic Crisis on Black Owned Businesses," *Review of Black Political Economy*, Spring 1975; and Bureau of the Census, *Minority Owned Business—Black MB 72-1*. Perhaps one can do no better than to quote Robert Browne's 1970 summary on the matter which has equal relevance a decade later: "Black entrepreneurship, as the term is presently used, is important to the black community principally for psychological reasons. From an economic point of view, most of the 'black capitalism' presently being pursued is not capable of aiding more than an infinitesimal number of black people and therefore may be absorbing resources far out of proportion to the economic benefits which it bestows." Robert S. Browne, "Barriers to Black Participation in the American Economy," *Review of Black Political Economy* Vol. 1, No. 2., Autumn 1970, p. 63.
13. Terence Smith, "Millions in U.S. Loans Squandered in Minority Program, Inquiry Finds," *New York Times*, November 9, 1978, pp. 1 and 16.
14. Michael P. Brooks, "The Community Action Program as a Setting for Applied Research," *Journal of Social Economy*, January 1965, p. 31.
15. Stewart E. Perry, "Federal Support for CDCs: Some of the History and Issues of Community Control," *Review of Black Political Economy*.

16. In almost all the period, ownership and control by residents promoting substantial participation by area residents and institution buildings were stressed. "Minority development is a complex process with economic, social, psychological, and political ramifications. Its economic objectives are the easiest to state: higher income, better jobs and more jobs, and ownership and control of productive assets—money, jobs, status, and a piece of the action. Political objectives include control of community-level functions such as education, police, and local government in general, and power to advance minority interests on the national level. Social and personal goals relate to self-esteem, the respect of others, and meaningful lives without discriminatory restrictions." Joel Bergsman and Melvin Jones, "Modeling Minority Economic Development," *Review of Black Political Economy*, Fall 1973, Vol. 4 No. 1, p. 42. Thaddeus Spratlen in 1973 offered a comprehensive discussion of the range of meanings for the term Community Economic Development. They seem to range from applied urban economics to various descriptions of (or prescriptions for) the inner-city portion of urban areas. Business development, black capitalism, black liberation and self-determination, and other terms have been equated with community economic development. "Community" tends to refer primarily to urban black ghettos, clusters of low-income neighborhoods or poverty areas, and other sections of metropolitan regions which have severe problems of underinvestment, unemployment, and other forms of economic stagnation and decline. "Economic" content includes resources, markets, and relationships involved in meeting the material needs of community residents. Although emphasis tends to be focused on income-generation and capital accumulation, "development" is viewed as a coherent and comprehensive description of a discipline (or subfield of some larger discipline), community economic development can be defined in the following way: "The comprehensive, coordinated and planned use of private and government resources, organizations, and people in efforts designed to reverse the stagnation and decline of a community, and contribute to its growth, prosperity, and capacity to meet the economic needs of those associated with the community." Thaddeus H. Spratlen, "Classroom and Community Needs in Community Economic Development: Some Basic Questions for Exploration and Evaluation," a paper presented to the Union for Radical Political Economics Session. "What is Community Economic Development and How Do We Teach It?" December 28, 1973, New York City.

17. Also see Arthur I. Blaustein, "What is Community Economic Development?" *Urban Affairs Quarterly*, September 1970. William Haddad and G. Douglas Pugh, (ed.), *Black Economic Development* (Englewood Cliffs, New Jersey: Prentice Hall, 1969). The bill was S. 3876, 90th Congress, 2nd Session.

18. "Achieving these limited goals may require expropriating some local landlords and businessmen, it may undermine some petty white racketeers and party hacks, it may deny some government-salaried jobs to some white middle-class professionals, and it may weaken some racist union locals. But none of these groups are part of the national power structure anyway. The superestablishment recognizing that Blacks must be placated in some way, will be prepared to sacrifice the small fry local white exploiters so that it may continue uninterrupted with its global strategies." Robert S. Browne, "Toward An Overall Assessment of Our Alternatives," *Review of Black Political Economy*. Spring/Summer 1970, p. 23.

19. Blaustein and Faux, op. cit., p. 35.

20. Piven and Cloward write of poor people's movements generally: "In each case, elites responded to discontent by proposing reforms with which they had experience, and which consisted mainly of extending established procedures to new groups or to new institutional arenas. . . . At the same time that government makes efforts to reintegrate disaffected groups, and to guide them into less politically disturbing forms of behavior, it also moves to isolate them from potential supporters and, by doing so, diminishes the

morale of the movement.” Francis Fox Piven and Richard Cloward, *Poor People's Movements* (New York: Vintage, 1978), p. 33.

21. Nelson Blackstock, *COINTELPRO* (New York: Vintage Books, 1976), especially Chapters 3-5.