

1-1-1977

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Recommended Citation

Smith, Edward C. (1977) "Black Economic Development: Progress and Prospects," *New Directions*: Vol. 4: Iss. 2, Article 4.

Available at: <https://dh.howard.edu/newdirections/vol4/iss2/4>

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Black Economic Development

Progress and Prospects

10 By Edward C. Smith

Since the advent of the concept of "Black Capitalism," the term *minority economic development* has become a fashionable synonym for Black economic development. Such a restricted application of the term tends, however, to exclude the economic development of other minorities—American Indians, Mexican-Americans, and Oriental-Americans.

Furthermore, in many influential circles not only has the use of the term *minority economic development* been restricted to Blacks, but is even further restricted to those disadvantaged urban Blacks concentrated in the depressed areas of the inner cities of America.

Although the inner city communities have been economically depressed in the conventional sense, in the illegal or "extra-legal" sense, however, they have been the scene of a lucrative source of revenues through the trafficking in drugs, prostitution, numbers, gambling, bootleg liquor and the storage and sale of stolen merchandise. Generally, the monies accrued from these tax-free socially-debilitating enterprises are concentrated in the hands of a small minority of entrepreneurs and merchants who see themselves as "businessmen" rendering valuable services, many of whom also provide high interest loans to residents as another source of personal income and community subsidy.

Such enterprises are not immune to the daily traumas of any other type of business activity. Overhead expenses, particularly police payoffs, have to be punctually settled; inventories and budgets have to be frequent and accurate, and the personnel problems of employment, compensation and termination of staff are of a most delicate nature.

Despite the overall depressed condition of the economy in the inner city, one can still expect to encounter more affluent Black communities in cities like Washington, D. C., Atlanta, Los Angeles, Chicago, New York, Detroit, and a few others. Unfortunately, the people who traditionally

populate these lush urban islands of affluence, the so-called "Black bourgeoisie" have been known—with some exceptions—to divorce themselves from any connection with the plight of the less fortunate Blacks in the ghetto, except as they serve them professionally as doctors, lawyers, teachers and civil servants.

Today the crucial question facing Black economic development is whether Blacks should work within or outside of the economic mainstream of America; more poetically stated, to be or not to be "mainstream capitalists."

Traditionally, ethnic economics, like ethnic politics, tends to be tribal in outlook and conduct; rationalizing and inviting tenuous progress on the small scale. It is generally hostile to coalitions and too tolerant of mediocre performance and disastrous planning, both of which flourish in a climate of incestuous separatism. And in spite of all the popular romantic rhetoric which speaks to the contrary, a program of total ethnic self-sufficiency is as impractical and impossible an economic goal to pursue as is a program of total national self-sufficiency, as is seen plainly now that international scarcities are demanding global cooperation and interdependence. This is certainly not to imply that ethnicity and inefficiency are one and the same; it simply means that an open economic arena is a much more likely stimulus for economic growth than a closed one, as the Jews, the Mormons, the Black Muslims, and numerous other economic minorities have discovered.

"Splendid Tragedy"

During the Revolutionary War, the Black slaves found themselves faced with a political dilemma of enormous gravity: the choice of defending the program of the rebelling colonists, whose Declaration of Independence appeared at least rhetorically promising, or defending the colonial interests of the British king whose promises came in the more tangible form of land and liberty. Many of those who fought in the defense of the British crown

did, in fact, receive a measure of land and freedom, some of whom eventually returned to Africa by way of Nova Scotia and settled along the coast of Sierra Leone. However, those Blacks who upheld the cause of the colonists, who had signed the Declaration of Independence with their blood (assuming that only this kind of commitment would be the key to their salvation) were rudely shocked when in 1793 the American republic gave birth to nefarious twins—the cotton gin, a technological innovation which made slavery more profitable, and the Fugitive Slave Act, which provided the profitable industry with the legal protection of the Constitution.

The years between the Revolutionary War and the Civil War found Blacks eking out a living as best they could while suffering from disease, illiteracy, racial discrimination as well as the results of economic depression.

The political climate of America in the 1850s was tense and potentially explosive. The nation was steadily being torn asunder by volatile debates regarding the admission of new states into the Union, should they be free or slave? The Missouri Compromise of 1820 and the Compromise of 1850 provided an unsettling air and forecast much worse things to come. By 1860 the national divisions were clearly drawn and Southern secession seemed imminent. After all efforts toward reaching a negotiated settlement met with failure, the Civil War erupted, turning America upon itself in the most devastating war fought in the new world.

As they did in the Revolutionary War, thousands of Blacks bravely responded to the call of combat, fighting valiantly on both sides of the conflict. The South was soundly defeated, then painfully reconstructed. During the short-lived era of reconstruction, often referred to as the "splendid tragedy," many Blacks rose to unprecedented positions of prominence in politics, only to be swiftly dislodged

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from their seats of power in the famous "restoration revolution" brought about by the election of 1876.

Post-reconstruction America, especially in the vindictive South, was a time of great troubles for Blacks. Without economic or political power and with only a handful of friends and sympathizers in Washington, their fortunes were extremely bleak. All the while America's territorial expansion continued. Between 1867 and 1916 America acquired, through purchase and war, such distant lands as Alaska, the Hawaiian Islands, Puerto Rico and the Virgin Islands.

In 1914 war erupted in Europe. The crowned heads of the Continent were locked in mortal combat. America, in the latter stages of the conflict, decided to intervene and make its contribution to the "War to end all wars," and fought to "make the world safe for democracy." During this period, the great majority of Blacks resided in the South and were in desperate straits politically and economically. But again, to prove their loyalty and faith in America, they joined the war effort by the thousands.

The Postwar Era

Although the Allies were victorious, the Blacks' wartime strategy backfired. Postwar America tended to swing to the right. The wartime emotions of group loyalty and hatred found a new outlet in the persecution of those persons or parties held to be un-American. The spirit of intolerance took hold of many, particularly those who were frightened and who feared a changing America. The strong distrust of socialists and communists frequently spilled over to include those who espoused the cause of the Blacks.

The intervening years between the two wars were perplexing years for most of the North Atlantic world. Class conflicts dominated much of Europe, while the social landscape of America was perforated by

the escapist frivolity of the roaring Twenties and the rampant gangsterism of the Thirties. In this setting, the upwardly mobile aspirations of Blacks did not fare well.

Enormous numbers of Blacks were migrating from Southern cities and rural districts to the cities of the North. The timing of this exodus could not have been worse. They came looking for jobs, security, and equality. They were greeted by unemployment (largely due to the demobilization of 4,500,000 soldiers), rat-infested ghettos, and a covert but pervasive style of institutionalized racism. Disillusioned by their harsh experiences, many decided to go "back home," while others, like Marcus Garvey, wanted to escape to Africa—an Africa, ironically enough, still under colonial rule. Most of the migrants, however, simply accepted their plight as God's will and stayed and prayed. And quite suddenly their prayers were answered by way of a catastrophe: the cataclysm of the great depression.

The depression years represent an extremely important pivotal period for Blacks, essentially because it placed in the White House Franklin D. Roosevelt. Although Roosevelt had no fixed policy toward Black-Americans, he vigorously opposed any attempts at racial discrimination in the implementation of federal programs. Thus the "New Deal" generated economic recovery opportunities for the nation, which had the effect of improving the status of Blacks, although more noticeably on paper than in practice.

But as Blacks were slowly improving their condition at home, international political developments were rapidly taking a dramatic turn for the worse—World War II.

America entered the war in 1941, and Black soldiers fought in both theaters, Pacific and Atlantic—separately from whites.

The postwar years, with very few exceptions, were bitter and disappointing for Blacks. There were more riots and protests, passionate outbursts of violence

deeply rooted in centuries of despair and frustration.

Two great powers emerged from the war, Russia and America—cautious allies during the conflict, enemies afterwards. In this tense postwar climate, America began to see itself as the "policeman of the world," self-assigned to arrest revolutions and to contain the expansion of the Soviets, who, on the other hand, began to see themselves as the munificent benefactors of national liberation movements throughout the globe.

Crucial to this American foreign policy of containment was the immediate political and economic reconstruction of Europe and Asia, both severely weakened by the war and ripe for communist and American propaganda. Consequently, in America's new role of custodian of global equilibrium, the economic and political problems of Blacks were placed very low on the list of national priorities and commitments. President Truman became the unchallenged spokesman of this new era. In his March 1947 speech before a joint session of Congress he spelled out the policy that was to become known as the "Truman Doctrine." In it he emphasized that America could survive only in a world in which freedom flourished. And we would not realize this objective

"... unless we are willing to help free peoples to maintain their institutions and their national integrity against aggressive movements that seek to impose upon them totalitarian regimes. This is no more than a frank recognition that totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States . . . I believe it must be the policy of the United States to support free peoples who are resisting attempted subjugations by armed minorities or by outside pressure. I believe that we must assist free peoples to work out their own destinies in their own way. I believe that

36 *our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."*

Little did Mr. Truman know then that in the administration of his successor, President Eisenhower, the Blacks would launch the first wave of many assaults designed to force the Federal Government to apply this grandiose international commitment to the domestic scene as well. In the first five years following the war, America provided nearly \$20 billion to the ravaged nations of Europe and Asia.

Although President Eisenhower is not remembered as a great friend of Black people, he supported the 1954 landmark Supreme Court decision which outlawed segregation in the nation's public schools. He sent federal troops to Little Rock, Arkansas to enforce it. This act was seen by many Blacks as an unprecedented triumph; it was the first ripple of the mounting wave of social protest and civil disobedience under the banner of the civil rights movement. A great deal was accomplished under very difficult conditions by the early pioneers of the movement.

The Sixties

The decade of the 1960s began with a youthful President Kennedy, the spirit of the Peace Corps working abroad, and the promise of a better life for all Americans at home. That brief administration was a confrontation with a new breed of international crises. First there was the Bay of Pigs fiasco, then the rise of the Berlin Wall and the Cuban missile crisis. Foreign affairs were the foremost concern of the Kennedy administration. However, it did keep an interested eye on the domestic scene as well.

It was during the Kennedy administration that the civil rights drama played out its final act on a stage set by the administration's concern—the August 1963 "March on Washington."

A few months later, on November 22, the Kennedy administration came to an abrupt end.

The period from 1964 to 1968 was indeed a peculiar one. It proudly bore the title of "The Great Society." For the Blacks at least, it almost was; it ushered in major legislative progress for Blacks. The Civil Rights Act, the Voting Rights Act, and the Economic Opportunity Act represent only a few of its many accomplishments. Black Americans had, in the person of Lyndon Johnson, a good friend in the White House. Oddly enough, it was as if the liberalism of Johnson's administration was an advertisement of its vulnerability; for not only was this the short-lived era of "Black Power," militant campus unrest and riots in American cities, but was also the tragic era of Viet Nam.

The Nixon era followed—the era of "law and order," "benign neglect," and "detente." Largely to appease those enraged in the Black community, the Nixon administration set its domestic economic sights on outdoing the liberal promises and performances of OEO (Office of Economic Opportunity) by sponsoring the Family Assistance Plan, which would have provided a marginal guaranteed income to low-income citizens, and attempting to create what the President himself called a class of "Black capitalists." Black capitalism, of course, was not designed to produce Black captains for industry. Its essential mission was to provide Black people with something they have had very little of in the past: extended ownership of small scale means of production and greater participation in the distribution of goods and services.

For the most part, the Black community, traditionally anti-Nixon, was suspicious of this particular move. Many people were fearful of the intent of the program (mainly because of their dislike for its author) and saw it as a covert system of suppression and white control of their community. Many Black leaders felt that by appealing to a profit-minded class of people, the President's program would create a capitalist class (whose values and formation—seen only in a negative light—would be no different from those of the white capi-

talist class) which would serve as the buffer between the Federal Government, big business, and the Black community. Those who advanced this argument further felt that any Black working in the service of the Nixon administration was a sell-out to the establishment.

Although there is perhaps some truth to this observation, it would be unfair to write off this period as a total loss.

The so-called policy of "benign neglect" did what it was supposed to do which was to serve notice to Blacks that if they were going to continue to advance economically and politically, they were going to have to do it largely without presidential assistance. This meant that in the absence of a "friend" in the White House and with the steady demise of the protest movement, Black people were going to have to set their minds to learning how to operate the American economic machine with the same degree of success and finesse they employed in acquiring their expertise in handling the American political machine.

Economic Assimilation

The focus of Black economic growth and development should not be in terms of creating a new American economy, but in gaining more mastery over the one that already exists. Economic assimilation can be successfully accomplished without a loss in racial identity and pride.

For example, Blacks should increase and expand their efforts in trying to establish community-controlled franchises of established national and international firms, i.e., car and camera dealerships, parts distributorships, hotel and fast food management, etc.

In some cities, Black bankers and financiers working in concert with business and government, should diligently work toward the establishment of holding companies that would purchase and restore those central-city neighborhoods which have become popular among many affluent consumers willing to pay handsome fees for the convenience of their location.

structural soundness and pleasing design of many of the homes, and combine these efforts (and profits) to provide low cost high quality housing for lower income consumers.

In spite of a few failures, largely due to production reduction, Blacks should continue to form corporations which provide fabrication, calibration, packaging, distribution, and maintenance services for nationally and internationally known industries.

Black bankers could work more actively to encourage large corporations to deposit their surplus funds, such as employee withholding taxes. For example, General Motors Corporation annually deposits approximately \$7-million in Black banks across the country. This practice can help alleviate the shortage of capital in the inner city by increasing the liquidity of the loan funds of the Black-operated banks.

Perhaps the most promising form of Black economic development on a grand scale would be the formation of a Black Bank Consortium (conceivably operating in league with the World Bank, the International Monetary Fund, the Agency for International Development, and interested private firms) which would invest in African nations.

In spite of the existence of many individual pockets of poverty, Black Americans now command the economic resources to embark on such far-reaching enterprises, because they represent a staggering \$50-billion American market per annum. Only 15 nations' gross national products match that sum. Consequently, the Black "nation" must learn to discipline its use of this great resource, to become confident enough of the future so it can afford to abstain from the appetite of conspicuous consumption. This behavior, of course, is the result of persistent racism which has instilled in many individuals an acceptance of a lifestyle of existential fatalism, characterized by a philosophy of

may die, and if tomorrow should come, I'll live it as if it were yesterday."

The past is gone. And as one bemoans parts of the present, it is essential for Black people to look to the future with certain optimism in formulating plans for viable economic development. □

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