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Through Education & Economic Development

Earl G. Graves

Joshua Smith

Franklyn Jennifer

Jack Kemp

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ENTREPRENEURSHIP

*Through Education &
Economic Development*



EDITOR'S NOTE: *The following four articles were excerpted from presentations at a major conference on "Expanding Black Entrepreneurship: The Role of Historically Black Colleges and Universities," which was convened recently at Howard University. It was a two-day event, at the Blackburn Center and The Howard Inn, sponsored by the university and the U.S. Department of Housing and Urban Development. It brought together educators as well as business people and public officials.*

I. Securing Full Share In the Economic Bounty

4 By Earl G. Graves

In the 20 years that have elapsed since I began publishing *Black Enterprise*, I have constantly and consistently advocated and, perhaps some would say, preached that the simple doctrine that if African Americans are ever to secure a full measure of freedom and independence in this country, then they must secure a full and equitable share of its economic bounty.

To do this, they must not only be employees, they must become employers. They must not only collect paychecks, they must issue paychecks. They must not only buy products that they need or desire, they must produce those products. They must not only have the dollars to stay in hotels, they must have the megadollars or excess to own hotels.

Like so many of my generation, I am a beneficiary of the civil rights movement. Were it not for this social revolution, which owes much to the students from historically Black college campuses who, on innumerable instances, were the front-line troops, many of the things our young people so readily take for granted today would simply not be here.

However, the civil rights movement, despite its many achievements, did not complete the task of making the playing field level for African Americans. Today, more than 25 years after the passage of the landmark Civil Rights Acts of 1964 and the other civil rights legislation, we can be proud that indeed there are now over 7,000 Black elected officials, including the mayors of some of our largest cities. However, we account for only three percent of all the nation's businesses, and generate only one percent of the total business receipts.

Until African Americans penetrate the business arena much further than we have done before—and this has not been out of choice—we will remain in the position much like that of a child with his nose pressed against the baking shop window between himself and the goodies inside.



I am not painting a total picture of gloom and doom. Aided by some government policies and responsiveness from some segments of the nation's corporate community, and our own growing political strength, African Americans have made remarkable entrepreneurial strides over the past decades, bearing in mind how far back in the rear of the parade we were to begin with.

In June [1990], *Black Enterprise* published its 18th annual listing of the top 100 African American-owned firms. They were operating in an atmosphere of slow growth and a flat economy. Nevertheless, the BE-100 posted total revenues of \$6.8 billion, up .3 percent of the previous year.

Based on the latest government reports, the number of Black-owned firms increased almost 38 percent, from 308,000 firms in 1982 to about 425,000 in 1987. My guess would be, we're somewhere north of 500,000 about now. And in this same period that this has happened, the growth of all American firms only increased 14 percent.

When I began publishing *Black Enterprise*, there were some people who questioned whether such a magazine devoted to Black entrepreneurs, corporate executives, professional and economic issues, would

ever survive. Much of this, I'm certain, came from a misreading or ignorance of the history of African Americans, which reveals that almost from the very beginning of our experience in this country, whenever the opportunity arose, we engaged in business.

I believe it is important that we, as African Americans, especially for our young people, know and appreciate the fact that our involvement with entrepreneurship did not begin yesterday, but generations ago when most of our people were still in bondage. Entrepreneurship is as much a part of our culture as our literature, music and art, our struggle for emancipation, our role in America's wars, our education, and our religion.

In other societies, high status is conferred upon the pursuit of entrepreneurship. Young people are encouraged to follow that tradition. I would suggest we have the same historical basis to do the same thing within our community, and utilizing all of our institutions—colleges and universities included—we most assuredly can get our young people to have a sense that we can have a healthy African American entrepreneurial tradition that they can be a part of, starting in their youth.

As this century draws to a close, greater, not less pressure, is going to be exerted on our economic infrastructure, requiring us to adopt new strategies to meet changing conditions.

At *Black Enterprise*, we recognize this. In that June issue, on the front cover appeared the words "Black Business at the Crossroads". In the space reserved for the publisher, I explained the rationale for this declarative statement. Here is part of what I wrote: "The challenges to black business remains great. At this juncture we face one of our most critical hours. A place in time that calls for careful evaluation, extended decision-making, and swift action. All around us we see signs of threats to the progression of African American business development, billion dollar deficits, volatile

financial markets, and remnants of a decade of improvident and imprudent business decisions and fiscal irresponsibility. These have placed the American economy on a kamikaze course."

Those words were not written to alarm my fellow Black entrepreneurs but to send a clear warning that all is not well in our economic front. Since then, the horizon has been darkened by the economic implications of the bill for the war in the Persian Gulf, the size of continuing trouble in the banking industry, highlighted by the closing of Harlem's Freedom National Bank, and the continuing recession.

These circumstances argue persuasively that minority entrepreneurs must develop new strategies for the '90s or face the very real possibility of retrenchment in the gains they have made to date.

The possibility of an even deeper involvement of Historically Black Colleges and Universities in the promotion and enhancement of Black entrepreneurship could not have come at a more important juncture in our history.

Since their inception, these institutions have done a remarkable job in helping move African Americans from one plateau to another. Now they have the opportunity to help in conquering one of the last remaining frontiers, the economic frontier. Inherent in that opportunity is a challenge to the Historically Black Colleges and Universities to once again place themselves on the cutting edge of change.

This is not an unusual position for these schools. Throughout all of the important turning points of the African American experience, these institutions have played a major role in shaping our destiny. Our schools, in good and bad times, have been faithful to their mission of educating people, of encouraging scholarship, of persevering and passing on of our culture, of creating a cadre of the skill without which there could be no progress.

I know these things firsthand, for I am a graduate of Morgan State University, rich in the tradition of service to the African American community, sensitive to its dynamics, and an unfailing source of leadership.

I am just an average Morgan graduate who just happened to have gone through there. Now I am a business person, who on an every day basis deals with the pragmatic realities of the business world. It is from that perspective I'd like to propose some very practical things our schools might address their attention to.

I'm a firm believer in the principle of leveraging. You will probably recall being exposed in high school to Archimedes, the great Greek mathematician and inventor. He discovered the laws of the lever and pulleys and made the boast: "Give me a place to stand and I will move the universe."

The modern application of this is that we should use whatever leverage we have to move those obstacles that would impede our progress. In the instance of Historical-

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ly Black Colleges and Universities, that financial leverage is quite considerable.

As a beginning point in applying this leverage—and this would certainly send a strong message of encouragement to Black entrepreneurs and young people considering entering this arena—I would suggest that each of our institutions carefully reviews its own house to make certain it is fully utilizing all the entrepreneurial services available in the African American community.

If there are buildings to be constructed or renovated, why not make certain that a Black contractor gets the job? If there's maintenance work to be done, why not see to it that a Black maintenance firm receives the contract? If there are attorneys, accountants, or financial consultants to be employed, why shouldn't they be African Americans? If more campus meetings are to be scheduled, why not use a Black-operated facility?

What message would it send if we have an all-white accounting firm doing auditing on a campus where we have a Black university that has an accounting school?

This is the leverage that I am talking about. I'm not suggesting that standards be sacrificed in the process. But I am sug-

gesting that Black institutions have a responsibility to insure that as many of their dollars as possible be directed to the African American community.

The Historically Black Colleges and Universities are the only institutions of higher education controlled by African Americans. With the exception of the Black Church, there is no other entity within our community with such financial resources. Therefore, I do not believe it inappropriate and, certainly a number of these institutions are already doing it, to expect that they be especially supportive of Black entrepreneurs.

In some instances, these entrepreneurs will need help in coming up to the required standards. On these occasions, I would urge Black institutions to go that extra mile and provide that help in whatever way possible, perhaps through technical assistance from some of the experts on the faculty or by placing them in contact with some outside party who can help them develop their potential.

I would then ask this question: If the Black colleges and universities, which hold such honored places in our society, are not willing to walk this extra mile, who will? This process of conscientiously and consistently supporting Black entrepreneurship is essential, it seems to me, to the building of a strong economic basis.

I would like to share with you a personal experience that illustrates this principle. In July [1990], as some of you may know and have heard already, I and a young man whose name is a household word—Erving "Magic" Johnson—became partners in a \$60 million soft drink franchise, Pepsi-Cola of Washington, D.C. It serves the metropolitan District of Columbia, covering about 400 square miles, and a portion of the neighboring Prince Georges County.

This is the largest minority-controlled Pepsi-Cola franchise in the country and only one of two that Pepsi-Cola has sold in the last 20 years. I am the chief executive officer; Magic has the enviable post of inactive executive vice-president. His knees will start to hurt one day and he'll come and join me!

In any event, we are determined to use our economic leverage to help other African American vendors, professionals, and suppliers of services, to grow by directing our dollars towards them. We did this from day one when we ordered the flowers we were going to use at the reception in our facility. It becomes just that basic in terms of how

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II. Building Momentum Towards Success

6 By Joshua Smith

How do we go forward in a way that propels us through the obstacles that exist in the next decade?

Did you ever see the movie *Smokey and the Bandit*? I was always impressed how Smokey in that Trans Am would go across lakes, and always would build up the momentum before he hit obstacles. He would build up the speed and the inertia and that would carry him through.

I am concerned that we are not building up the momentum to carry us through the obstacles that face us. I am concerned that we have the conceptual notion of where we want to go, but the mechanics are not in order.

The reason I can point to that with some degree of trepidation is that, at one time we clearly understood capitalism.

I was in Tuskegee recently, the heart of Black capitalism, where we were talking long ago about what we had to do in order to sustain ourselves—Booker T. Washington and all that he did.

At some point we understood economics. We also understood the need for education and the need for social benefit. We understood it. We made it happen. That is what is so disturbing about where we are today and why the subject is so germane to our future.

Because we understood it, because our grandparents told us we had to save our money, told us that we lived in a segregated society where there were laws that prevented us even from learning. We understood those obstacles but more importantly we understood what we had to do to achieve our future, and the emphasis was on economics.

The emphasis was on what do we do in a capitalistic environment if there is no one there to help us. It is amazing to me that we made so much progress. But as we look at the statistics today, we see erosion. More importantly, we see other minorities



achieving at a far greater pace than we. We, who constructed the road, who paid for the road with our lives; we, who set the stage for human rights in this country; we, who have made it possible for others to benefit from being treated as citizens of this country; we, who are the construction engineers, are not the ones who are traveling that road.

I am disturbed that we understood that 100 years ago but we have lost something today. Because it doesn't matter whether you are an educator or a business person. It doesn't matter whether you are an entrepreneur or an engineer, or a doctor or just a good citizen who takes care of his or her family. It is critical that we understand the elements of capitalism in every way.

It is critical that we recognize what we have to do to assure our future. Isn't it amazing then that, in spite of all the obstacles we had, we had the greatest surge of education in history?

We understood the need for education, but we also had more businesses then than we have today. We contributed more to research and development than at any other period in time. What is it that we knew that doesn't exist today?

Yet there was no one there to help us. There was no support, no survival mechanisms, except us. We rallied together, we bought, we produced, we encouraged, and we had that great thing that we now talk about as being such a precious jewel—the family. We had the neighborhoods, we had the strength.

We had every reason to fall off the cliff, but we didn't because we knew there was nobody there to help us. We achieved the greatest period of entrepreneurship and capitalism than ever before.

Now here comes the freedom that we are looking for—the freedom to buy. And that freedom is just. It is right. It is moral. But does the freedom to buy mean that we lose the principles of economics that propel us through these obstacles? Did the freedom to buy from others and to go to the places that we couldn't heretofore go give us the right and the justification to literally abandon our businesses? Did that freedom include trying to be like others and denying us of ourselves? What did that freedom really mean?

I have said time and time again that it is unfortunate that Martin Luther King's life was cut short because he was the one civil rights leader who understood economics. He had a plan for economics. Many of his lieutenants, as proud as I am of their accomplishments, overlooked the most critical ingredient of freedom—economic strength.

As a result, today we are looking at first-generation business people. Twenty-five, twenty-six years, we will have been here 400 years. I told a group the other day, we had better wake up and smell the chitterlings. Four hundred years and we are talking about first-generation business people.

Four hundred years and we are talking about government programs to help us. Four hundred years and we are talking about less accomplishment. Four hundred years and we are talking about the literal

denigration, emasculation of our young Black males.

There is something that is missing that we knew. It is up to us to not only put it together but to do it in such a form and a fashion, and with such momentum, we make up ground.

As chairman of the Commission on Minority Business Development, at our first hearing in Chicago, we learned a lot about Chicago. Thirty-five percent of Chicago is African American, with 50 percent of the businesses. Thirteen percent of Chicago is Hispanic, with 25 percent of the businesses. Three percent of Chicago is Asian, with 25 percent of the business.

I was in Miami a while ago addressing the Black Chamber of Commerce. Nelson Mandela had just been there. You know what happened? He made some laudatory statements about Fidel Castro and the Cubans were very upset, emotionally upset. Anyone from Florida knows that you do not say something nice about Fidel if you want to live and tell about it. Anyway, it got to be a problem. I told some people, the one person who was clear was Nelson Mandela. He went to Miami to pick up a check. But someone in the Black community said, "They offended Nelson. Let's boycott."

I was there before the boycott took root, but I asked one question for which I got no answer. "What is the plan?" They said, "What do you mean? We're boycotting."

I said, "I'm not asking what you're doing. What is the end result?" They looked at me. I told them, "You know if you can't replace the thing you're objecting to, you'd better learn it to the extent that you can."

So many times we have used the emotional debt with the end result to make someone feel bad, and they do, and they will march with you and they will cry with you, but I do not know of one instance where they will share their bank account with you.

We have to start looking in cold hard terms about capitalism, about economics, about business, about entrepreneurship. We have to understand the fundamentals.

We have confused the issues. We have to start looking in cold hard terms about capitalism, about economics, about business, about entrepreneurship. We have got to understand the fundamentals. It is not an academic exercise. This is for real.

Surely, the three percent who represent the 25 percent Asians in Chicago understand economics. I was in Los Angeles, driving through the neighborhoods, through the Black neighborhoods. I did not see a sign in English.

We get angry in Brooklyn and we say, "throw the Koreans out." Is that really the issue? Is it the Koreans that are the problem? Or are the Koreans not being entrepreneurs and seeing an opportunity and going for it? It seems to me the issue is not what the Koreans are doing, because I applaud what they are doing, it is what we are not doing.

We have got to be very clear about what we have to do. More importantly, we have got to become supersensitive, if not frightened, about the window in which to do it. Because the window is getting narrow. We are not the strongest minority of the minorities, economically. We are indeed the weakest and we are indeed the

one that is eroding the most. Yet I look around at what affirmative action has done—and it has done great things.

It has produced decision-makers. Do you know how much money we control of other peoples'? Corporate institutional dollars that we control? Minorities and women, for some reason, were put into two categories. They weren't put in line operations. But they were put in procurement and human resources—used to be personnel—I like to call it human capital, the most vital links to the survival of a company.

What more power can you have than to control the purchasing of an organization? If you couple that with the \$250 to \$300 billion in income, earnings, you have real economic power.

But it means nothing if on the other side we do not have the wherewithal to produce, to own, to operate, to grow businesses which can then address the very social problems that we look at. It means nothing to be in power if you cannot implement it. It means nothing to achieve if you cannot perpetuate.

We face a very serious problem of not only being unable to replicate what we have done but not being able to improve on what we have done.

We are talking about some of the problems we see at the Commission on Minority Business Development. We have gone around the country, we have talked to over 300 people, have been to 36 states, 62 cities. I have addressed over 100,000 people, or 150,000 people.

The most critical problem of all is the lack of perception, positive perception of minorities in business. That is not really a true statement because all minorities do not have a negative perception. African Americans have a negative perception.

People come up to me and say, "You really did it." "What did I do?" "I mean, you made it." "Was I not supposed to make it? Why are you complimenting me? What have

8 I done when you look at 15 million businesses in this country, what have I done?" The answer is, "I didn't expect you to make it." That would be bad if it existed only on one side. But the truth is, it exists among us.

We do not expect us to make it in business. As a matter of fact, there is a resentment of people with wealth. You know what I am talking about.

I am tired of people saying that the only thing that we need is another government program. I am tired of people not understanding or recognizing the role that economics and capitalism play in our future.

It is time that we change. There is not a person out there who is going to look out for what we have to do.

In the Black business community, there is not one instance that I now of where two Black business people have merged. Can we not overcome our egos?

In basketball, if the other team is gaining momentum you have got a problem. It is not just where you are or who has Big Mo on their side. Big Mo was missing since the first quarter. This is what we are faced with—in 1991.

Others have seen how it works. You give me wealth and I have all the civil rights I need. I don't care if you don't like me. That is a non-issue because I feel good about me. I am busy moving ahead. There is not a white person in this country sitting up worrying about keeping people back. They are worried about moving ahead themselves.

It is not the impediments that are there, it is that people focus on their futures. Some way we must understand the thing that we have not recognized. Someone told me, "I really admire what you did, Josh." I said, "Why do you?"

"You took a risk." "What do you mean?" "You put up everything you had and you went for it." It could have been a failure. I said, "No, I didn't take a risk. I really didn't." I knew when I started a business,

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after all the things that I had observed in my career, have seen more people get better jobs from failures than from successes. Because they learn, they go through a fire that makes them hard and strong and perceptive, and sensitive to those issues that may bring them down in the future.

There are headhunting firms out there looking for people who have failed. I remember when I was with a publishing company and they down-sized. They "down-sized"? In other words, they were in and I was not. That wasn't really that bad. But I was in development and they had cut off all those activities. So I said, well you know I'm pretty bad. So let me take myself over to McGraw-Hill. I had never been turned down for a job. The interview went well. I learned one thing about interviews. Anytime you are interviewed and you are doing the talking, write the job off. Anytime you are making a sale and you are doing the talking, write the sale off. Just keep in mind who is conducting the conversation. So I always learned to get the interviewer to talk. It is amazing how when people talk they like you so much better. Amazing! They love your ideas because they are doing the talking. It worked to a tee.

So, at the final discussion, after I had gone and met all the V.P.s and passed all the acid tests, this vice president said something to me that really pissed me off. I know you don't like that language, but entrepreneurs are mavericks too. They just do things to kind of tease you.

He said, "Mr. Smith, you have a phenomenal background. There is nothing, absolutely nothing wrong." And I said, "Oh! I don't like the way this is starting." Something—you know, you get the gut feeling about what is going to happen and you are waiting for the but? And the but came.

He said, "but there is one thing missing from all that you have done." I said, "Hey, it can't be missing from me, I am the kid." He said, "You haven't failed." I said, "Say what?"

I said, "Please explain that to me?" He said, "Well, everything you have done seems to have worked out just fine. But the kind of person I need, I want them to have been in an experience that they didn't land on their feet."

Of course, I got very upset. I said this man is prejudiced and it is personal, this, that and the other. I mean, I didn't say all that, it's just how I felt.

It took me a few years to appreciate what that person meant. That, through failure comes all the learning that I have ever done. I am truly qualified now. Because you go through an experience where you have to dig down deep to resolve some problems that are facing you in ways that you never thought possible. The pressure, the peer pressure, the credit pressure. Something happens during the process that is hard to explain.

When you are out of that process, the one result is that you have grown exponentially. But you have also developed a sensitivity that you never had before. Today I understand what that man meant.

I don't admit to failure, but I will admit to a learning experience, negative experience.

Because the risk that we have—the one risk, is when somebody else controls our destiny. The risk is when we look to others to accomplish what we need. More importantly, when we depend on others.

We are at that point where we must minimize the risk. We are a great people. But there is something missing from the formula. It is entrepreneurship. It is economics. It is the culture that produces that spirit.

We had a meeting the other day talking about empowerment. Empowerment is from within. It is the will, it is the spirit, it's the desire, the commitment to achieve. It is not something that someone else does for you or to you.

Economic empowerment is a drive that each of us must have. Collectively, we are able to make things happen. We are at a very serious time. We are at a time unequal to any other period in our history. Because we cannot single out our problems as being America's problems.

America has problems that it has never seen before. We are faced with a situation where we have a financial crisis that is unequalled. We don't understand it. We don't know the depth and we don't know the nature. We are faced with a situation where other countries are stronger than ever before.

Isn't it amazing that we are the ones that saved the crisis in the Middle East, and these countries not only did not send human capital, they have not even sent real capital? They have sent pledges.

We cannot continue to be what we used to be. One thing is sure. We are now faced with an America that, ironically, with all the things that I said are problems, may provide the greatest opportunity we've ever had before.

For the first time America truly need its citizens. For the first time we cannot put the time, energy and effort into impeding others as we have done in this country. It

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is an embarrassment how America has done such an excellent job of keeping its citizens down, women and minorities in particular.

But now we are faced with a population where 50 million Americans are not productive, skilled or educated. There is no way that America can compete on an international scale with 20 percent of its population not participating.

America does not have the dollars for subsistence programs and to keep people alive. The only way this is going to change is that we must take that step forward economically.

Our people are America's people. For the first time we have an opportunity that, with preparation, we can become strong as entrepreneurs, and as business people, and we can participate.

I have always been a student and practitioner of Pareto's law, where 20 percent of most things control 80 percent of the rest. It works. You talk to anybody in marketing and they will tell you. You don't go for 100 percent, you go for the 20 percent that is the core and you will capture 80 percent of the market. It is amazing.

I say to you that if we focus on economics,

on business, on entrepreneurship and the culture of economics, we will solve 80 percent of our problems. I submit to you that we have got to transform our agendas in such a way that this becomes a commitment.

A commitment on the part of all of us in each way, in every way that we can participate. A commitment that translates to our children, to our neighbors, to our churches and our schools. A commitment that, not only advocates wealth, but practices wealth. A commitment to participate in a capitalistic society as players, not as part of the audience.

It is going to take every one of us. We are at that stage of our progress where we are now at the economic river and that river is deep and it is wide, and it has great velocity. We have got to swim that river. All the things that worked to get us to the river will not cause us to get over the river.

There is something very simple about swimming. If I am drowning and you cannot swim, leave me the hell alone. We have got to learn how to swim. We have got to take the license and teach others to swim. But we have got to cross that river. That river is critical to our future and the path that we must take. □

Joshua Smith is president of Maxima, Inc., a computer information management services business.

III. HBCUs as Catalysts For Entrepreneurship

10 By Franklyn G. Jenifer

I firmly believe that without economic empowerment, people of African descent will never achieve full equality in this or any other nation. I also firmly believe that entrepreneurship can provide us with one of the most visible routes to that empowerment. And I firmly believe that the nation's Historically Black Colleges and Universities [HBCU] represent a vast, still largely untapped, source of entrepreneurial knowledge and talent.

These beliefs are not just my personal beliefs. They are shared by many other men and women who are concerned not only with the political emancipation of African Americans, but with their economic emancipation as well.

As Shirley Chisholm, the nation's first elected Black congresswoman, reminded us recently: "Our bondage and our battle [today] is economic. We're not slaves, but servants. We have to spend more time at economic conferences, be producers, and provide jobs."

How can Historically Black Colleges and Universities serve as catalysts for economic development and entrepreneurship? I believe there are three major ways in which our institutions can do this.

- They can help change the mind-set of Black America about economic development and entrepreneurship. That's the *psychological* part of the equation.
- They can serve as models for economic development and entrepreneurship themselves by becoming significant economic players within their own communities. That's the *outreach* part of the equation.
- They can provide their students with the exposure, experience, knowledge, and skills that can help them chart their own economic destinies by becoming owners and managers of successful businesses. That's the *academic* part of the equation.



Let me discuss these briefly one by one. African Americans have learned to play the political game; we are playing it well; and we, assuredly, will play it even better in the future. At present, there are 7,370 Black elected officials, including more than 300 mayors, more than 400 state legislators, and more than 20 members of Congress.

But there is another game in town, or more precisely, in this nation. It is a game in which very, very few African Americans have sought to play, and in which even fewer African Americans have been winners, real winners. The name of that game is economic empowerment.

It is true that the number of Black-owned firms in the U.S. has shown a rapid increase in recent years. The Census Bureau reports that between 1982 and 1987, the number of these businesses increased 37.6 percent—from 308,260 to 424,165. Yet these firms accounted for only 3.1 percent of all businesses in the nation in 1987, and only 1 percent of total gross receipts. Further evidence of how far away we are from being major economic players is the fact that African Americans owned only a minuscule 0.8 percent of businesses with annual gross receipts of \$1 million or more.

There is no question racism has held us back from being major economic players. There is no question racism remains a formidable obstacle. We all know the horror stories told by minority business owners and prospective business owners about their experiences with lending institutions. There is no question we should fight any attempts at racial exclusion with all the vigor we can muster. Access to capital is critical to business creation, growth, and expansion. We certainly know that. That is why we must continue to pressure our political leaders to, in turn, pressure those government agencies that regulate financial institutions. They must do so to ensure that the lending policies of these institutions are free of anything that could be interpreted as racism.

Still, when all this is said and done, I think we must recognize that the inability and unwillingness of significant numbers of African Americans to play the economic game cannot be blamed solely on the ugly head of racism. This inability and unwillingness also reflect our seduction with a notion some have begun to call "non-economic liberalism." By that, it is meant our belief that our complete liberation will come at the hands of elected officials and the laws and programs they produce, and through appeals to the moral conscience of white America.

Such an approach goes against the very heart of the principles of capitalism on which this nation is based. And that, to put it colloquially, is that "money talks."

We all know about the searing expanses of poverty on the African American landscape. We all know, too, that there is no excuse for such poverty in the richest nation on Earth. But what we often don't pause to contemplate is the economic clout of African Americans collectively. In 1989, the most recent year for which information is available, African Americans spent approximately \$186 billion in the U.S. economy,

according to the Enterprise Branch of the Census Bureau. That is about the same amount as the GNP of Mexico, Sweden, or Korea.

Most of this money leaves our communities and goes to make jobs and wealth for those outside our communities. Little of this money is earmarked for savings or investment of any kind. The stereotype of the Black professional hurrying over to the Mercedes-Benz dealership the day after he gets a big raise has a ring of truth to it. Far too many African Americans have been content to be consumers—not producers—of wealth. There are, of course, notable exceptions.

We must marshal the collective economic strength of African Americans and make it work for us and for our communities. We must do this not to prove our worth to white Americans. We already know we are a worthy people, and more so. We must do this for ourselves. African Americans have labored long to help build this nation's wealth; it is time we also had an equitable share of it.

By investing in our communities through creating, developing, and expanding businesses, we can provide services and employment; we can foster community stability, vitality, and progress; and we can contribute to the tax base of the nation's economy. Through all this, we can achieve economic empowerment.

That is why I say we must change the mind-set of African Americans from one concerned exclusively with political and social empowerment to one of political, social *and* economic empowerment.

Our Historically Black Colleges and Universities can furnish a visible platform from which to raise this issue.

- We have the numbers. Our 106 institutions enroll approximately 200,000 African American students.
- We have the talent. Our institutions constitute the largest conglomerate of

We must marshal the collective economic strength of African Americans and make it work for us and for our communities.

Black intellectual wealth on Earth.

□ We have the environment. For surely *nurturing* is the hallmark of the Historically Black College or University experience. And that naturally can include nurturing an awareness of the necessity for Black entrepreneurship.

□ We also have the precedent. As far back as 1895, for instance, Tuskegee Institute founder Booker T. Washington, in his speech at the Atlanta Exposition, outlined a program for the uplift of those we now call African Americans. He specifically called for the development of Black craftsmen and businessmen as the basis of Black progress. For a long while, Washington was dismissed as an "Uncle Tom" because of his accommodationist stance toward racial segregation. But his self-help ideas have brought him back into vogue among advocates of Black economic empowerment.

That brings me to the second part of the equation: We must not only be strong advocates for economic development, but we must demonstrate it. Even though our primary identity is as institutions of higher education, we are also economic entities with considerable economic assets. These assets, if carefully channeled, can make a

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difference in the quality of life in our surrounding communities.

Howard University has a yearly budget of almost \$450 million, making it the second largest economic enterprise in the nation owned and operated by Black people. Its buildings and equipment have a replacement cost in excess of \$812 million. It owns 241 acres of land and other important real estate. It has major pension holdings. And so forth.

The challenge for Howard is to utilize this considerable economic clout in a way that will benefit the larger community to a greater degree than we have in the past. That, indeed, is the challenge for all our Historically Black Colleges and Universities, even those with far smaller budgets than Howard's.

I come, finally, to the third part of the equation: How we, as academic institutions, can produce the entrepreneurs of the future. For this, we certainly have the most important ingredient: willing students. At Howard, I know, there is a genuine thirst for the knowledge and skills that can lead to business ownership and management. Again and again, students tell me, "I don't want to be just an employee. I want to be an employer."

Recently, the Howard Board of Trustees held an all-day retreat to discuss a report in which I set forth my recommendations for strengthening Howard University and repositioning it to face the challenges of the 21st century. During the retreat, faculty and student representatives expressed their views on Howard's future needs. In one presentation, Toni Blackman, one of the student representatives, eloquently urged the trustees to expand Howard's training in entrepreneurship. More specifically, she called on the university to establish an entrepreneurial institute to serve, in her words, "as a resource for our people."

She would have been pleased to know that the report our board was considering

12 on that very day included my recommendation that Howard establish just such an institute, to be called the Institute for Entrepreneurial Studies. At the close of the meeting, the board unanimously endorsed the report.

As envisioned by its proponents, the institute will foster business ownership goals and values among Howard students and interested D.C. residents through several means. It will offer credit courses leading to a degree in entrepreneurship, and non-credit courses designed to enhance entrepreneurial and management skills. It will function as a think tank by undertaking research to develop strategies and

mechanisms aimed at creating or expanding existing businesses. And it will serve as a repository for information on African American and other minority-owned businesses.

While the institute is still in the planning stages, we believe it will be an essential addition to the university's academic programs. At present, for instance, the School of Business includes in its curriculum one course titled "Entrepreneurship," and another titled "Management of Small Business." Based at the school, also, is a thriving chapter of the Association of Collegiate Entrepreneurs.

The new institute also will fit in well with the goals of Howard's Small Business Development Center, which has been a division of our School of Business since 1979. Supported in large part by the U.S. Small Business Administration, the center has provided management and technical assistance to more than 30,000 clients, and

has sponsored numerous projects aimed at encouraging entrepreneurship. It is one of 12 SBA-funded Small Business Development Centers at Historically Black Colleges and Universities, and is the only one of the 12 in the continental U.S. to bear the designation as a "lead center." As such, it has responsibility for the operation of five subcenters in the Washington metropolitan area.

Both the proposed Institute for Entrepreneurial Studies and the existing Small Business Development Center on Howard's campus are tangible symbols of the increasing recognition on the part of Howard and the nation's other Historically Black Colleges and Universities that we must broaden our mission and academic programs. We must do so to facilitate the creation and expansion of Black-owned and operated businesses as vehicles for the "uplift" of our people, to use Booker T.'s terminology.

Let me briefly highlight a few examples of entrepreneurial-related activities on other campuses:

- Morgan State operates a Small Business Institute that offers consulting services and training to minority small business owners, and a Procurement Center that aims to increase the number of minority businesses that secure contracts from the federal government.

□ Texas Southern operates an Economic Development Center that, among other activities, sponsors basic and advanced seminars on techniques of business and small community planning.

□ Morehouse operates a U.S. Department of Transportation-funded program that provides technical assistance and training to disadvantaged minority businesses in the transportation industry.

□ Hampton operates a Business Assistance Center, funded through the Chamber of Commerce, that sponsors a variety of activities aimed at facilitating communication among local entrepreneurs.

There are other examples out there. As important as these ventures are, though, Historically Black Colleges and Universities still have a long way to go if they are to reach their full potential as catalysts for entrepreneurship. Through a strong partnership among our institutions, government, and industry, I believe we can reach that potential. Indeed, we *must* reach that potential. We must do so not only for our students and our institutions, but for our nation as well.

The future vitality of the U.S. depends, in large part, on the continued growth and expansion of businesses. If 12 percent of the nation is effectively locked out of

business development, if Black communities continue to languish in an economic wasteland, then the entire nation suffers.

So the nation must resolve to support and promote African American entrepreneurship, not because it is the "nice" thing to do, or even because it is the "right" thing to do, but because it is in the nation's long-term economic self-interest to do so. And if there is one thing capitalist America understands, it is economic self-interest.

Some may be thinking that this is the worst possible time to launch a national drive to increase Black business ownership. After all, the nation is in a recession. And that means that Black America is in a depression. Unemployment is up. Bankruptcies are up. Consumer spending is down.

Even as we recognize this, we must also recognize that the U.S. economy always has had its ups and downs. Just because it is in apparently bad shape today does not mean it will be in bad shape tomorrow.

Moreover, we simply cannot afford to hold off our drive to increase Black entrepreneurship any longer. The nation needs every tax dollar it can get and every job it can add. It needs people and enterprises that can boost the economy, not help drag it down. Pure and simple, as I said before: *America needs Black business.* And, as I've also said before: *Black America needs Black business.*

Some Black-owned businesses will fail, just as some of all businesses will fail. But we, as a people, would never have experienced any of our triumphs throughout history if we had been afraid to try. □

Franklyn G. Jenifer, Ph.D., is president of Howard University.

IV. The Government As a Collaborator

14 By Jack Kemp

I love the word "entrepreneur." It is a word that has no color to it. I have not met any man or woman who is critical of the entrepreneur. They know intuitively that the entrepreneur is a man or a woman with an idea burning in their belly, or in their heart, and lodged in their mind, that want to go out into the marketplace and establish a new product, establish a new service, establish a new technology. It is goal-oriented. It is future-oriented. As soon as you begin to think about that entrepreneurial enterprise, you lengthen your horizons. You think about the future.

That is an essential ingredient of fighting poverty, to get people to think not just about today or tomorrow, but to think about next week, next year, the family, the children, education, property, home, estate, and assets.

How specifically can we help advance this cause?

As the secretary of the Department of Housing and Urban Development in the Bush Administration, in a Republican Administration, I want to say, that system only works for some. It has yet to work for everyone. There are too many people who have been shut out of that system.

If democracy means driving a truck the rest of one's life, I can understand why people look down on democratic capitalism, because true democracy, true entrepreneurial capitalism is not the freedom to drive a truck but to own it. And not just to own it, but to own a trucking company and hire others to drive. There is nothing wrong in being a truck driver, but he or she should have the opportunity to be owner.

Why do I say it with such passion? Because my papa was a truck driver. I grew up in Los Angeles. I was born in the Depression. My papa and mama had four children, couldn't find a way to put them through college, and he took his motorcycle and started driving around the City of



Los Angeles, particularly down South Central Avenue into Watts, delivering packages.

Some guy said, "Mr. Kemp, you do a good job delivering those packages. We want you to deliver more tomorrow and if you do, I will pay you more." So he went home to his wife and they did something radical.

But that was easy to do in 1935 because there was no Federal Trade Commission, there was no Interstate Commerce Commission, there was no tax law that prevented my papa from getting the type of capital, seed corn, savings, property, assets that he could plow into buying his first truck.

He sold his Harley-Davidson, bought a truck and drove it for two years and made a profit. He didn't put the profit under his pillow, didn't put it into a sock. He didn't put it into buying just current consumption. He saved it and bought a second truck.

I learned my most significant lesson in economics when my papa bought that truck and hired a truck driver. That driver, too, made money and left my papa, bought a truck and hired a driver. He was no fool; he wasn't going to spend his life working for my dad.

I had a papa who was incredibly socially conscious and believed that he could not succeed and make a profit in his business unless he made sure that there was success both for the customer and the truck driver.

But my papa built up that little company and four boys went to college. Do you know why? Because his daddy never went to college and that was his dream. I imagine that is pretty much universal.

It is nearly impossible to gain capital and get seed corn and access to property on wages alone. You have got to be able to earn, save, invest, make a profit, and then invest it again, and maybe someday take that idea out of your head or out of your breast and turn it into a big, risky enterprise.

John Jacob, president of the National Urban League, talking on the state of Black America, suggested that there are somewhere around 435,000 to 475,000 Black-owned businesses, less than 2 percent of all the businesses. Do you know how many businesses there are in the United States of America? There are 13 million, and only less than 2 percent owned by Black men and women. What a tragedy.

It is a tragedy for the country, this missing out on expanding the number of entrepreneurs in the minority community. It staggers the mind to think that in this country, the richest nation on Earth, and we are about half of our potential. Does anybody doubt it?

We are about half of our potential because we have left too many people out, too many people behind, too many people in despair, too many people in poverty, too many people living in conditions in which they do not have the opportunity to gain access to the base of capital. I am using capital in the small "c" sense.

I am not talking about an ideology. I am talking about capital in terms of savings, capital in terms of venture capital, capital in terms of seed corn, capital in terms of

property, capital in terms of equity, capital in terms of stock, capital in terms of a home, capital in terms of an education. What is an education but building capital?

Twenty-nine trillion dollars is the total capital stock of America. Our GNP is about 5.5 trillion, our total capital stock, all the wealth of our nation is around 29 to 30 trillion.

Black Americans, who represent 12 percent of the American population, own less than one half of one percent of the total capital stock.

The doors of the economy had been shut, and the capital stock from which assets and seed corn and venture capital can flow into new businesses, and moms and pops, and new entrepreneurs with new products and services to create the new jobs and to create the new employees for America, particularly in our center cities, has been locked up by a tax system.

Franklin Roosevelt had an empowerment scheme in 1936. It was called FHA. But FHA, which the Department of Housing and Urban Development is responsible for administrating, works for low and moderate income people. Basically, it works more in the suburbs because the inner cities have been red-lined. It's time to green-line them.

They have been red-lined for poverty. They have been red-lined for not enough credit, not enough capital, not enough seed corn, not enough ownership. It is time to green-line them and change the inner city from one of despair and poverty, to opportunity and access, to home ownership, access to capital.

The roots of America are not in being dependent upon someone else but being independent. Our welfare system is basically a trap in which people become perpetually dependent upon a stream of income, instead of giving them an opportunity to get access to the asset, the property, the capital and the seed corn that will allow peo-

The highest tax in America is paid by the inner city poor mothers and fathers on welfare or unemployment.

ple to move out of the poverty stream and up onto the ladder of opportunity.

You know, there is a law against saving if you are poor. That is right. Women on welfare, with children or a papa on the unemployment rolls, are prevented from saving. Congress recently passed a resolution on IRAs, tax free IRAs for education and first-time homes. I support that. It is a good idea. But an IRA works much better at the higher income level. It basically is for the middle class and upper middle class and rich people.

When you are poor, we have a law that says don't save. If you do, we will tax you 100 percent. On AFDC there is a law that says you cannot have more than a thousand dollars in the bank at any one time. If you do, you are ipso facto guilty of welfare fraud.

Grace Caputio, a Chicano woman from Milwaukee, Wisconsin, was jailed for fraud. Do you know what her crime was? She saved \$3,000 and she was on AFDC. The welfare worker, with noble intentions, I am sure, came in and said, "Grace Caputio, how dare you save money above the \$1,000 asset lid."

The government took her to court. She was given, out of the munificence of the

judge's decision, a suspended sentence. But do you know what they did? They fined her \$15,000. Now she didn't have \$15,000. She had no way of getting \$15,000 so they took the whole \$3,000.

I asked a group of wealthy Republican fundraisers recently: "Who do you think is the highest taxed person in the United States of America?" They all put their hands up. I said, "you are wrong, dead wrong."

The highest tax in America is paid by the inner city poor mothers and fathers on welfare or unemployment. Do you know what the tax is on the inner city poor? One hundred percent if they save, and 190 percent if they go to work.

A woman on welfare takes a job at McDonalds, or McDonnell Douglas, or at Oliver Carr Construction in D.C., or at The Howard University Inn. Her income goes down. What kind of a country is it that says, (a) don't save, (b) don't work, (c) don't ever start a business?

I know there is a big debate over cutting the capital gains tax to 15 percent. I am for it.

We should eliminate it in Harlem and South Bronx and all the inner cities in the country. Just green-line that area and say to any man, or woman who invests in an enterprise that hires one person off the welfare rolls or one person off the unemployment lines, no capital gains tax. And no tax to anyone who takes a job.

The ladder of opportunity out of poverty should not have any tax on it for the first four, or five or six rungs of the ladder. We are slowly seeing this in Washington, but it is still taking time.

One might say, "I don't even have access to capital, where do I get the seed corn to start an *Ebony* or a *Jet*, or a *Black Enterprise* or any business?" Anybody that would invest in the debenture, or the equity or the stock of an inner city enterprise zone minority enterprise [thanks to Rep.

16 Charles Rangel, D-N.Y.], could write off his or her investment in any good idea up to \$100,000 the year in which the investment is made.

That is the most radical pro-investment policy. Because if you've got a good mouse trap or can build a better mouse trap, you are going to find, not white money, brown money, black money, yellow money, Japanese money, British money, Canadian money, or U.S. money, but green money.

I don't think there is an entrepreneur in America who cares who puts money into his or her operation. The question is what can we do in the tax code to make it easier for people to fund these start-up ventures. And they create 90 percent of all the new jobs. Ninety-one percent of all the new jobs created in the United States of America in the last eight years have been created in businesses less than 125 employees.

Do you want to create a lot of employees? I have a radical idea. Create a lot of entrepreneurs. Do you want to create a lot of jobs for Blacks, a lot of new jobs for the inner city youth of America? You have got to create a lot of enterprising men and women who are willing to think, not of the street, but of legitimate enterprise.

Washington Mayor Sharon Pratt Dixon said the biggest challenge in D.C. is to bring the underground economy above ground, legitimize the underground economy. Not drugs, crime, or pimping or prostitution, but legitimize the efforts of people. The underground economy is not a symptom of the evil in nature of mankind, the underground economy is there because the above-ground economy is smothered by a tax system and a welfare system that prevents low and moderate income people from getting access to capital seed corn, property, and even education in many instances.

According to *The New York Times*, 70 percent of the kids who are dropping out are in the first two years of college. I believe

The ladder of opportunity out of poverty should not have any tax on it for the first four, or five or six rungs of the ladder.

it is time to say in this country any child anywhere in America, irrespective of income, if they have the stick-to-itiveness, if they have the tenacity, if they have the audacity, if they make the grade, then we want them to qualify and stay drug-free. No child in America, irrespective of income, should be prevented from going to college in the United States of America. This is time to declare that type of democracy for our inner cities.

Let me suggest one other thing.

People on welfare ought to be able to say, people who take jobs ought to be able to keep income up to 190 or 200 percent above the poverty level. We have got to do something to help families raise those children. They ought to get an exemption for four or five or six thousand dollars for each child so families that stay together are more highly rewarded than families that break up.

I cannot begin to tell you what a tragedy it is in public housing to think that our welfare laws work exactly the reverse of human nature. Rents go down for a family that breaks up. For a family that sticks together, rents go up.

New York City public housing charges \$600 a month for a family that remains intact. But the family that breaks up pays only \$60 a month. That is absolutely counterintuitive, counterproductive and counter to everything we have learned in our Judeo-Christian system.

The family should come first. Every policy, every thought, should be given to preserving, promoting, protecting and helping the family.

We are committed in this Administration to create one million homeowners. We started in 1990, and we are up to 475,000 already. By the end of 1992, we expect to have well over a million new homeowners among the ranks of low and moderate income people.

My final point is this. We have got to do something to unlock the capital that is mature in America and is locked up in the Fortune 500.

There are a lot of well-meaning men and women among the Fortune 500. But basically, big business is already by definition big. They are not particularly interested at IBM—and I give IBM high marks for social conscience—but they are not particularly excited about Sun Microsystems, and Apple and Compaq Computer, and men and women leaving the mother company to go out and start a competitor. It is just human nature.

The guy who is rich by definition is more interested in preserving his wealth than providing the seed corn and the venture capital to start a competing company, or to let other people get rich or wealthy, or to climb.

So I am not ascribing to my opponents bad motives, but I am suggesting that you will not hear these things said by corporate America.

You won't find the National Association of Manufacturers talking about enterprise zones. You won't find the Business Roundtable talking about changing the welfare

system. You won't find this coming from mature wealth. It is new wealth. Unfortunately our tax code and our real estate code is geared to protecting and preserving the maturity of wealth, instead of launching the entrepreneurial wealth.

We want people to have equity in America. How are they going to get it if we leave the tax system geared to preserving wealth, instead of creating it. And rich people, by definition, are already rich. They don't care about unlocking it. They are not going to pay any capital gains tax because by definition it is a voluntary tax. You don't sell anything, therefore you don't pay any tax.

I have got a radical idea for taxing the rich. Set the rate at which other people can get rich. Set the rate at which it would encourage people to unlock their assets and get venture capital and at risk capital set into new businesses, new entrepreneurs and new enterprises.

That is why the President wants the capital gains rate to come down to 15 percent. That is why it should be eliminated altogether on any asset held longer than three years. That is why we should do it in the inner city—not for the people who are already rich but for the people who someday want to get rich.

I close with this thought: The richness of America is not in what we have done, it is in what we have yet to do. The talent of [the college educated] is not in the books that they read, it is in the books that they are going to write. It is not in the research they have already done, it is in the research that will lead to progress in medicine and education, and engineering and the expansion of technology and information that is liberating the rest of the world. We need to take advantage of it. □

Jack Kemp is secretary of the U.S. Department of Housing and Urban Development.

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you think about it, and how you do it, and what you do.

We reflect back in our business the fact that as Black business enterprises flourish, there is a positive rippling effect in the Black community. Jobs are created, new business opportunities are developed, and there's a shoring up of the African American base, thus helping to assure that those who follow will have an easier time.

The enhanced support of Black entrepreneurs would thus not occur in isolation, but would have a tremendous and positive effect and impact on the African American community-at-large.

The potential is there for an enhanced relationship between the Historically Black Colleges and Universities and the Black business community. These schools have already trained many of our business people. Now they have the opportunity to make a further contribution to the progress of the total Black community by helping to further strengthen the position of Black entrepreneurs.

Finally, as one who knows first hand how difficult the problem in the business arena can be, let me give a fair warning. There will be headaches, problems and frustrations. I remind you, however, of a lesson most of us learned early in life: nothing worthwhile comes easy. The history of our Black colleges and universities attests to that. They had to struggle for survival and many of them are still struggling.

Nevertheless, they persevered true to these words of one of the truly great educators, Dr. Benjamin Eliza Mays of Morehouse College. He said:

"It may be borne in mind that the tragedy in life doesn't lie in not reaching your goal. The tragedy is in having no goal to reach. It isn't a calamity to die with dreams unfulfilled, but it is a calamity not to dream. It is not a disaster to be unable to capture your ideal, but it is a disaster to be unable

to have no ideal to capture. It is not a disgrace not to reach for the stars, but it is a disgrace to have no stars to reach for. Not failure, but low aim is a sin." □

Earl G. Graves is president and chairman of Earl G. Graves, Ltd., publisher of Black Enterprise magazine.