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AUTHOR Ezeochà, Peter A.  
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ABSTRACT

Black capitalism that is well planned and run is a source of enumerable benefits to the American society in general and to blacks in particular. It generates opportunities for blacks to perform in occupations which for many years were closed to them. For hundreds of years blacks have been despised and often looked down upon on account of the fact that in the main they possess no property; most of them are poor amidst plenty. It is argued here that through black capitalism, all these anomalous treatments could be combated and alleviated. Since the rebirth of black business enterprises, black racial has reappeared because now some better opportunities exist for blacks. Blacks of the modern era are seen in high government offices, mercantile industries, institutions of higher learning, and private endeavors. The pace of black capitalism has been slow in realizing its goal of a total economic upgrading of the black community which requires the ownership and control of new capital and business opportunity by people within the black ghetto, but it has made some significant achievements. It is concluded that black capitalism is gradually generating new vitality in the black-ghetto inner cities. (Author/JM)

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Black Capitalism

Presented by  
Peter A. Ezeocha  
University of Maryland Baltimore County

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**BLACK CAPITALISM**

**Peter A. Ezeocha**

**University of Maryland**

## Introduction

Capitalism, without any attachment or qualifying words, is a term used to denote the economic system that has dominated the Western World, Europe and America to be precise since the break up of feudalism. Basic to any system called capitalist are the connection between private owners and nonpersonal means of production such as land, mines, industrial plants, which are collectively called capital and free but capital-less workers who sell their services to employers. In this economic system, decisions concerning production are made by private businessmen operating for private profit. Workers are free in the sense that they cannot be legally forced to work for the owners of the means of production. However since the workers do not have the means of production required for self-employment, they are bound to, of economic necessity, offer their services on some terms to employers who do control the means of production.

The English cloth industry had become the greatest by the Middle Ages. There were at the English proximity an abundance of raw wool and the innovation of simple mechanical filling mills. Because of these two factors, among others, the English rural cloth industry continued to grow at a rapid rate during the 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> centuries.<sup>1</sup> It was said that the woolen industry spearheaded capitalism as a social and economic system and rooted it for the first time in English soil.

Productive use of the social surplus was the special virtue that enabled capitalism to outstrip all prior economic systems. Instead of building pyramids and cathedrals, those in command of the social surplus chose to invest in ships, warehouses, raw materials, finished goods, and other material forms of wealth. The social surplus was in this way converted into enlarged productive capacity. There were three major factors among others that

influenced capital formation in Western Europe in the early stage of capitalism: 1) religious sanction for hard work and frugality, 2) the impact of precious metals from the new world on the relative shares of income going to wages, profits, and rents, and 3) the role of national states in fostering and directly providing capital formation in the form of general-purpose capital goods.<sup>2</sup>

Capitalist Spirit

The economic ethics taught by medieval Catholicism presented obstacles to capitalist ideology and development. Hostility to material wealth carried forward the teachings of the Christian fathers against mammonism. Saint Jerome said, "A rich man is either a thief or the son of a thief." Saint Augustine felt that trade was bad because it turned men away from the search for God. Down through the Middle Ages, commerce and banking were viewed, at best, as necessary evils. Money lending was for a time confined to non-Christians because it was considered unworthy of Christians. Interest on loans was unlawful under the anti-usury laws of both Church and secular authorities. Speculation and profiteering violated the central medieval economic doctrine of just price.

The Protestant Reformation of the 16<sup>th</sup> and 17<sup>th</sup> centuries developed alongside economic changes which resulted in the spread of capitalism in northern Europe, especially in the Netherlands and England.<sup>3</sup> This chronological and geographical correlation between the new religion and economic development has led to the suggestion that Protestantism had causal significance for the rise of modern capitalism without, in any sense, being the "cause" of capitalism which already existed on a wide and expanding horizon. The Protestant ethic proved a bracing stimulant to the new economic order. Doctrinal revision or interpretation seemed not only to



exonerate capitalists from the sin of avarice but even to give divine sanction to their way of life. In the ordinary conduct of life, a new type of worldly asceticism emerged, one that meant hard work, frugality, sobriety, and efficiency in one's calling in the market place similar to that of the monastery. Applied in the environment of expanding trade and industry, the Protestant creed taught that accumulated wealth should be used to produce more wealth.

Acceptance of the Protestant ethic also eased the way to systematic organization of free labor. By definition, free laborers could not be compelled by force to work in the service of others. Moreover, the use of force would have violated the freedom of one's calling. Psychological compulsion, arising from religious belief, was the answer to the paradox. Every occupation was said to be noble in God's eyes. For those with limited talents, Christian conscience demanded unstinting labor even at low wages in the service of God and incidentally of employers. It was an easy step to justify economic inequality, because it would hasten the accumulation of wealth by placing it under the guardianship of the most virtuous, who were incidentally wealthiest, and remove temptation from weaker persons who could not withstand the allurements associated with wealth. After all, it did not much matter who held legal title to wealth, for it was not for enjoyment. The rich like the poor were to live frugally all the days of their lives. In this way, the capitalist system found a justification that was intended to make inequality tolerable to the working classes.

#### Origin and History of Black Capitalism

Former President Nixon's two speeches before and during his election campaign of 1968 perhaps gave the idea of what we labelled "black capitalism".

He said, "To have human rights, people need property rights, and never has this been more true than in the case of the Negro today. He must have the economic power that comes from property ownership, and the security and independence that come from economic power. More black jobs in white-owned enterprises are still needed, but it has to be accompanied by an expansion of black ownership, of black capitalism."<sup>4</sup> He continued to express how Americans need more black businesses and how important it was that private enterprises should be gotten into the black ghetto. At the same time, that people of the ghetto should get into private enterprise, as the ordinary workers, as business managers and as owners of businesses.

After those Nixon's speeches, some of the leading magazines, such as Time and Newsweek, set aside full pages for the word for word reproduction of their contents. A few of the U.S. conservative daily newspapers, like The Dallas Morning News, The New York Daily News, and Wall Street Journal, sang praises at the speeches. In fact, Roy Innis, the outspoken leader of Congress of Racial Equality reacted by saying, "Nixon made more sense on racial matters than anybody else aspiring to the Presidency, including Robert Kennedy."<sup>5</sup>

Capitalism - Definition

The term has been defined in various ways by different people. To former President Nixon, it means an expansion of black entrepreneurship. Before these campaigns of politicians like Nixon, some black organizations such as the former Negro Industrial and Economic Union (now called the Black Economic Union), and Interracial Council for Business Opportunity were already working hard on the promotion of minority business enterprise ownership. The Economic Opportunity Loan provision of the Economic Opportunity Act had already been in existence for over three years.

Elliott described it as ways that blacks can legitimately acquire a larger stake in American society. He goes further to elaborate by saying that it all means that black people must legitimately acquire and control more resources. The concept of private property is a major part and parcel of capitalism, offers no support for color prejudice or special advantage.

A New Jersey newspaper defined it as the creation of self-contained, self-supporting economics inside the black community.

Roy Innis, of CORE, describes black capitalism as a way for blacks "to get control over the institutions that we have to live with".<sup>6</sup>

Reverend Franklin Florence of Rochester's FISHTON, a black company in Rochester established with white business support, in emphasizing the demand for economic self-sufficiency of the black community stressed that the concept of black capitalism, he advocates, does not involve independent businessmen even if they are blacks. He stated, "Community organization is the important thing and FISHTON is owned by the community."<sup>7</sup>

To the author of this paper, black capitalism is a way by which black people can become property owners, business owners, employers, employees, managers of businesses; thousands of black people earning about \$90,000 a year serving on powerful executive committees of large corporations. Many black people are working as part of the executives who run over six hundred largest and profitable corporations in America. It denotes that black people are developing new high technology organizations as a main source of American innovation and penetration of foreign markets, rather than rural chicken coops and black ghetto-bound, fast-food operations. Black capitalism further concerns itself with black people negotiating sale and leasebacks, major mergers, spin-offs and split-ups, clipping bond coupons, paying mortgages on second and third houses. It means finally a group of



black people organizing a powerful entrepreneurial class of bankers, builders and controlling all the economic resources and institutions in their community.

Ways of Realizing Black Capitalism

Where there is a "will" there is a "way". America has the resources at its disposal to assist its black population to share in the abundance of its material wealth. If it determines and is willing, black capitalism will become a reality within a few years.

First and foremost, the blacks must be assisted one way or the other to acquire good formal education, which is the basic tool, a passport to entering into any sort of useful endeavors. This will open many doors to success for them; and not only that, it will be quite indispensable in functioning efficiently in whatever position that they happen to find themselves in the world of business.

Following the acquisition of formal education is the acquisition of skills in all the functional areas of business, such as accounting, marketing, advertising, production, and management. How could they acquire such skills as above, one might ask. If every corporation, of any size and stature, could recruit and hire some blacks in the executive level, or in any other management position, not for merely prominent display, we might be on our way to alleviating the huge problem. But if the black executives are just hired as a showcase on the bank loan offices capacity or in the executive suite and are not hired to realize a productive position, the problems of the society are not being solved. The American society will not be curing the entrepreneurial weaknesses of the ghetto if the black executives are just a subject for public relations releases employed in a showcase job. The author submits that for every black who is hired and placed into a

managerial post on Wall Street, reducts from the ghetto; a man who might eventually develop an insurance agency, a new bank, or another wealth-producing business in the heartland of the large black ghetto. Suppose the black grows in wealth and affluence downtown, an important step has been realized in the economic integration of blacks and whites. On the other hand, the author argues that if the black becomes merely "windowdressing" in a white collar job, he or she is just a useless appendage of the underdeveloped black ghetto community.

As all of us know, that for many years philanthropic organizations have doled out millions of dollars to the poor. All those gifts of money and clothing or even food have not really achieved any good record for assisting the unskilled poor man to acquire incentive, risk capital, credit and wealth producing skills. All these gifts, and other cooling rioting in the ghetto programs, are good as far as they go; but they have not gotten into the root of solving the economic plights of the black community one bit. Helping blacks to acquire skills is perhaps the one and most single constructive effort any corporation, government or civic organization can undertake. Cross, one of the writers on the subject of black capitalism, has pointed out that the weaknesses of the programs put out by businesses and government to correct the wrong perpetrated on the economy of the ghetto by saying, "I do not deprecate job programs of ghetto hiring, which involve agonizing efforts to train the unemployable and offer him new avenues for economic progress and enrichment. Yet, I do suggest that business must change the direction of its efforts. It must focus on the specific economic need of the blacks. It must direct attention away from our needs, away from how we can benefit from helping the black man. It must identify and correct the precise weaknesses and needs of the black economy, the specific conditions which have permitted the ghetto system to abolish the creation of any vestige of wealth."<sup>8</sup>



Training for Entrepreneurs

Entrepreneurs are made and not born. A lack of knowledge of business systems and procedures is certainly the main problem at the grass-root level, but it is a deficiency. Planners, governmental or other organizational ones, should plan, instigate and furnish or sponsor training programs and facilities for blacks for general entrepreneurial motivation and skills, for specific technical skills, for business development techniques and for sensitivity orientation.

According to Lee of Rutgers University, College of Business Administration, the determination of many blacks to make the effort toward economic power a successful one is very impressive.<sup>9</sup> One problem, though, lies in how large a group of trained people can be assembled for this task. This problem is equally important for both capitalist programs and communal economic systems. The author feels that whether a new economic system based on group ownership or on integrationist approach to economic development is preferred becomes irrelevant, because both systems require highly trained and experienced managers and technicians. Blacks have not made a special effort towards achieving training in business and there are many reasons for this. In any event, movements, such as black business development, are faced with a serious drawback, the present nonorientation of blacks to business.

When we talk of black nonorientation to business, one must be aware that this does not mean there are too few black entrepreneurs. This is quite far from the truth. American society has placed many formidable road blocks in the path of black Americans that limit, first, preparation for the business world and second, opportunities to obtain the financial, and other physical resources essential for establishing and operating a business. Parren Mitchell, a congressman from the 7<sup>th</sup> District in Baltimore, said that what



is lacking is not the entrepreneur but the large mass of highly skilled and trained personnel needed to run a business.<sup>10</sup> He further stated that a successful entrepreneur does not run his business. He is the catalyst that brings to fruition the efforts and skills of his managers and other employees. The common complaint of all black entrepreneurs is their inability to get good employees, especially managers. White businessmen have this problem too, but not to the extent experienced by blacks.

According to my findings, entrepreneurs represent a very insignificant proportion of business people. In fact, rigorous training in business is not even essential for them. The managers and specialists whom they must employ, however, are the ones who should be oriented toward business training and experience. There is a very serious drawback among our black people for a few are oriented toward business education, training and all that it takes to be successful in economic activities.

Why Blacks are not Oriented toward the Business World

The United States History can provide us with an adequate answer to this question. After the failure of Reconstruction in the southern states, racist reaction put an end to the participation of blacks in the total American economy. That reaction, coupled with the large capital requirements of the New Industrial Revolution, showed the black American out of the economic arena. Before that, those blacks who were in business did not serve an essentially segregated clientele; and, contrary to popular belief, there was a fair degree of representation in the business of America, much more so than today. The field of catering illustrates this point. Before the failure of the Reconstruction, the proportion of black businessmen in catering was greater than the population of blacks in the overall population. Today, only a few blacks are in this field of business.



My research showed that although the heritage of most blacks was in a setting where business success was not one of the more prestigious vocations, it really had little, if any, impact since blacks were outside of a system that merely tolerated their presence. Any system that permits only the unusually gifted to secure only a minimum of success cannot really produce many successes and few, if any, of outstanding stature. The low level of achievement of the black American is not due to nonorientation to work. Their relative absence from the board rooms and the higher level occupations, as well as their origins in the south, does not signify a lack of positive orientation to work. As a matter of fact, the typical view of the black American as lazy and disinterested in work is far from the truth. The black poor for instance, in the nation as a whole, are more likely to work than the other ethnic groups. The black female head of a family is more likely to work than not, notwithstanding the fact that about sixty percent are poor. This positive orientation to work has been noted by Tausky and Wilson.

There were many black owned enterprises in operation before and after slavery. They failed to make the transition to the industrial age, largely because of the changed business requirements of the new age. The modernization necessary for more efficient operation, as well as the adjustment for structural changes in the economy, was not achieved.

The popular opinion in America was that the blacks did not possess business acumen, but before 1900 blacks were engaged in many areas of business during the period of slavery. Most of these businesses were in such skilled trades as wheelwrighting, blacksmithing, plumbing, painting, and shoemaking. Selling of personal services were in hairdressing, catering, barbering, hotel and restaurant management.

It should be noted that the first black businessmen operated within the framework of the total economy. Anthony Johnson, who was perhaps the first

black capitalist, came to America before the Pilgrims. Within a few years, he accumulated property in Jamestown. Another prominent capitalist, Jean Baptise DuSable was the first wholesaler, the first merchant prince and the first settler in Chicago. During that time, many black businessmen participated in the general economy. The building trade, according to Pierce and Catering, were two areas where blacks were dominant. Some of the outstanding men of that period were Thomas B. Dalton who operated one of Boston's largest clothing stores; John Jones of Chicago who made a million dollars as a tailor; James Foster, a sail manufacturer in Philadelphia who employed 40 black and white artisans. Stephen Smith and William Whipper were prominent Philadelphia businessmen engaged in the wood and coal business. Many other successful black businessmen were found in Baltimore, Boston, Savannah and Washington, D.C.. Those in the south could not make any substantial headway during that period.

By 1890 the black businessmen had penetrated the banking business. The Freedman's Savings Bank was the first to be operated for Black people, although the real fault lay with white government officials and financiers.

The bank was deliberately misused by other banks as a dumping ground for doubtful financing and dubious loans. Jay Cooke and Company, large financiers who practically controlled the bank in its later years, used it for purposes that today would be considered questionable and unethical if not fraudulent.<sup>11</sup>

Oak had estimated that there were about 31,000 businessmen in various business enterprises by 1890.<sup>12</sup> Customers of black businesses were mainly whites. A list of some of the successful businesses is very impressive and few of them were:

Isaiah T. Montgomery, who founded the town of Mound Mayon, Bolivia County, Mississippi; William V. Browne, who founded a bank in Virginia; H. C. Haynes, the inventor of the Haynes Razor Shop in Chicago; A. C. Howard, who manufactured about 7200 boxes of shoe polish each day; Z. T. Evans, a mattress-maker of New Orleans; Wiley Jones, a real-estate dealer; and John S. Hicks, the owner of a bakery and candy factory in Erie, Pennsylvania.<sup>13</sup> There were many more of them, but these

should give an idea of the variety of businesses operated by blacks near the end of the 19th century.

In these days Fraser has noted the missionary zeal with which many black leaders were exhorting their people to forge ahead with efforts to develop a strong business base. He recalled some early successes that Booker T. Washington recounted in one of his addresses to the National Negro Business League. Most of these small businesses failed, both black and white owned. Fraser reported, "if Washington were here today he would probably be saddened by the fact that there are no black banks in the State of Mississippi and that there are only 11 black banks in the United States."<sup>14</sup> The level of black business ownership is extremely low today.

Fraser was not the only person who feels that Black capitalism is a myth. Many people have started to echo the same thing. Dr. Brimmer of the Federal Reserve System has called it "the trouble with Black Capitalism." Boggs discussed this under the name of "the Myth and Irrationality of Black Capitalism." Ofari denounced capitalism as a myth and Drake and Cayton seek to distinguish between its myths and its facts. To the late Whitney Young of the Urban League black capitalism was a slogan and to Dr. Clark a separate society. It seems to the author that these individuals who oppose the idea of Black capitalism seem to be misconstruing the term. If they were not, they would not have been opposed to it. What is wrong in making the black people share the advantage of what benefits that the American Economic System - Capitalism has to offer. They are the greatest minority group who have helped to build America to a state of affluence. They fought wars upon wars and died in the battlefields alongside the dominant ethnic groups who have been for centuries reaping the benefits of the Capitalistic System. This is the Economic System that has made the United States the most affluent and powerful nation in the world, but unfortunately the blacks have been unjustly excluded from it.

As has been indicated above, there is no problem which money can solve which is too difficult for America provided that it determines and decides to do so. The black community has been for over four hundred years subjected to economic and political deprivation. If there is any time in man's history when all these should be corrected; and a 'new leaf turned' is now. Despite some views on entrepreneurship among blacks, there has always been and still is an extremely high degree of interest in the business world. The author may say that even though reports have shown instances of misinformation or misrepresentation relating to the degree of black business ownership, and the ability of black-owned business to correct the blacks' underclass status, there is still that pervasive hope for "a piece of the action."

A high degree of national interest on the part of blacks entering the nation's business arena in about five different periods since around the 19th century. The Freedman's Savings Bank was established in 1865; to many blacks this was the symbol of a new bright future. The bank failed in 1874, but as Harris has noted the bank did help to implant in the blacks a very strong enthusiasm for business endeavors.<sup>15</sup>

Through the 1880's efforts were made by blacks to enter into business. The hostility of the whites in the North and South systematically destroyed long-standing black owned business but it was at that time that the seeds of the black owned life insurance companies were sown.

Second period saw the black businessman contained solely within a segregated market and began around the turn of the last century. The principal man then was Booker T. Washington. The third was after the World War I with Marcus Garvey as the principal black on the scene. It was marked by success up till the economic disaster of 1929. The next move towards black capitalism was evident toward the end of the second world war when some of the black-owned businesses of today were started. The fifth period toward black capitalism and economic

development is at present. Now the new intellectual elite is questioning the role of capitalism in the blacks' quest for economic development. Some seriously question the efficacy of individual entrepreneurship and call for new tools to move blacks quickly along the path of success. Some frown at any attempt to move blacks into the mainstream of society. They seek, instead, a new economic system. What is the new system one might ask that might alleviate the problem much better than black capitalism:

A poor man who does not have any property, in short a poor man, in the sight of his peers and others has no respect, no dignity, the law works against him and he has no confidence in himself. Lacking purchasing power and information concerning the quality of available merchandise, and being restricted shopping in the ghetto markets the poor end up with inferior merchandise at higher prices. The absentee owners of ghetto business always want to maximize profit adjusts his sales to the nature of his customers who are characterized as having low incomes and relatively limited education. Shady business practices are often reported in ghetto areas: use of bait advertizing of goods which are sold out when the black customer arrives; the switch sale, where the customer comes in to look at a special and is told that the special is not of good quality, and what he really wants is some more expensive item; the refusal to return deposits; the misrepresentative sales contract; and used furniture sold as new; the coercive pressures on buyers; the attempt to collect non-existent debts. All these practices so often complained of have their roots in the powerlessness, and the lack of educational and financial resources of the poor blacks. For these reasons I strongly advocate black capitalism as one of the means of alleviating these problems.

The encouragement of black entrepreneurship not only raises the income of blacks who manage the new businesses, but changes or reinforces their attitudes toward the proper methods of achieving social change. A counselor who evidently learned "a good deal from his experience in helping a black man enter the

business world" described in the following terms the enlightened attitude of his pupil toward black development: "As a black Howard has not been fully able to accept the rebellious nature of the present civil rights movement. Certainly he resents the forces that have limited the Blacks' development but in many ways he rises above this. He sees himself not only as a Black but as a member of the society of man. As the movement advances and the Blacks become more educated, Howard's values may be accepted. As he said, "Education without civilization is a disaster." He expressed his indebtedness to society when he said "Let me be recognized, let me contribute."<sup>16</sup>

What it takes to make a successful businessman

A strong desire to accumulate money, more than someone might cater to working for others is one of the ingredients. The need to be independent is often said to be another. A high degree of tenacity is needed in order to weather the rough periods that will surely come. There is no ethnic group that will boast of monopolizing these motives and characteristics. They are human traits possessed by people of all races. The family, relatives, or friends also serve as sources of advice, finance, contact or even offer places where one can serve out an internship while learning. Such resources have been unavailable to black people attempting to enter the world of business. More than perhaps yet any other set of variables, these are really the external keys to success: (a) The ability to learn a business without taking a high capital risk; (b) The opportunity to seek advice from someone who has had experience; (c) The ability to borrow money without the necessity of becoming an instant success in order to feed one's family or to start the repayment of a loan; (d) The ability to face friendly markets that will trade with you if your goods or services are competitive.<sup>17</sup> All these factors are seen by business practitioners and theorists as the main things that make for a successful businessman among others.

As everyone knows what the politician realities are in this country under

which a black businessman operates. There is no clear-cut distinction between the economic, political, and cultural aspects of black man's role in the United States. In talking about the components of the U.S. System, people attempt to make the distinction between business development and economic development. A definition of these may run thus: economic is that which results in a certain standard of living, whereas business refers to the means of producing that standard of living. Our black people generate purchasing power many times larger than the output of black owned businesses. One may wonder the reason why this is the case. The reason is because the blacks in the main work for others.

Some of the business theorists and practitioners would argue that the cultural, political, and economic development of blacks should only progress hand in hand. Others do not argue that they should be separated, but there are differing opinions regarding the degree to which they are closely linked.

Richard America's approach calls for government financing of the take-over of about 125 of the nation's 1000 largest firms and for turning over their control to blacks through a specially designed financing mechanism.

Dr. McLaurin, the author of the Ghesi Plan, said that much of the plight of the black community can be chalked up to economic racism. The plan basically calls for a guaranteed market and guaranteed financing.

Theodore Cross dealt with the pathology of the ghetto and maintained that the conditions there tend to maintain themselves and to further deterioration. He presented some corrective incentives to counteract the disincentives inherent in the ghetto economics.

For a successful black capitalism to be achieved, the black entrepreneur should be assisted in investigating where business opportunities are to be located and should not be chained to the ghetto. The black entrepreneur must not confuse his business endeavor with a social mission, and any program for

black capitalism must provide for control of community businesses by black opportunities to enter the larger business market. The community economic development programs usually limit themselves to black areas. Many of these organizations have done some good and are of tremendous benefit to their communities. While they are primarily concerned with the economic development of their areas, they must also be supported by attempts to participate in the larger business community.

The President's Advisory Council on Minority Business Enterprise realized that the problem of minority business development must be viewed from a systems approach.<sup>20</sup> The development of poor rural areas, the training and education of minorities in the American business colleges, and the removal of the limitations placed on the geographic location of investments, if this would benefit future development of the investors were some of the requirements the advisory council saw as part of the overall effort to give minorities a piece of the pie. Its approach was to provide opportunities for the people living in the ghetto and not just for the ghetto.

There are many who call for the overthrow of our barbarous capitalist system with its integral relation of racism and capitalism. Others merely wish to create a new black society totally separated from white America. Others want only economic, social and political enclaves but still a part of the American System. All of them have identical purpose in common. They see a need for a new economic system among blacks. They dispose of private ownership and call for a cooperative system of cultural, political, and economic variables of life, and they will seek the development of their people at all levels. In the capitalist system dominated by a hostile white majority, this goal would remain forever in the realm of myths, just as black capitalism would, they reason.

Allen was aware of the time factor involved in such a program if the

white system does not fall. He stressed the need to design programs for each phase of development but this is only one problem. I question if the new system provides what the present system does not offer. Furthermore, I wonder if it can solve the problem of unemployment. This statement is not meant as a criticism of the proponents of this type of system, but is meant merely to bring to the surface certain points of fact that will have to be reckoned with. The question is who will run this program. Will the leaders know that in the operation of cooperative systems, if these systems are going to be successful, they will have to adapt business techniques. Should they fail to recognize the fact as Garvey so unfortunately did, that there is a difference between a social mission and the running of a business organization, they will woefully fail. There is nothing inherently wrong with profits; some people merely consider it exploitation when they go to the few. A cooperative system, to be successful must be able to accumulate capital in order to provide a continuing increase in the standard of living via economically, culturally, and politically. Only the most committed members would maintain their relation with such a system if it continually falls behind the one from which they fled. Thus there are three crucial points such systems would have to take into consideration: I. being aware that the criteria for decision-making in a social mission are different from those used in business decision; II. highly skilled managerial and technical help will be needed; III. no such program will succeed unless the leadership can blend the black proletariat with the trained and skilled bourgeoisie.

Garvey's movement was perhaps one of the greatest movements in the spiritual history of Americans. Perhaps up to a million people were his followers at the height of his glory, but he failed miserably. A movement like his without the skill and knowledge of the technocrats has very little chance of success. Let us not assume that the method of production and income distribution adopted by

Garvey was the cause of his failure. Had he chosen the communal system, he would have failed just as miserably. Emotion does not make success of a movement; it is just the drawing force for the people. The cold, hard facts of life have to be faced and dealt with by the trained and disciplined minds of the educated elite.

Today a similar situation exists. Black Americans are still in conflict asking: Which way do we go to liberation, integration, or separation? Dr. Brimmer suggested that chances of success are limited to small neighborhood enterprise. He assumed that these businesses would limit their markets to the ghetto community. Ghetto areas are too poor consequently they cannot pay higher prices to a businessman on account of his being a black. He argues that the only really rosey path to equal opportunity for blacks in business as in other areas of economic endeavor is in full participation in an integrated national economy.<sup>18</sup> It cannot be found in any other forms such as in a separatist and segregated economy. Tate showed that Brimmer's proposal would benefit a small number of fortunate blacks who could acquire the knowledge and skills necessary for that type of white-collar occupation.

Many people writing about how to alleviate and finally solve the economic condition of the ghetto have given their own models such as Arnold Schuchter whose program includes the following: (a) "Creating a viable ghetto-based economy with tax credit, and subsidiaries restricted to firms with majority black ownership; (b) the creation of a national development bank along with one at the state level to permit the financing of a broad range of economic and industrial development activities; (c) a Community Development Corporation to prepare a plan for its area. These costs are to be born by grants from federal and state sources; (d) cities would set aside a portion of their expenditures for goods and services and channel these to black-owned businesses which in turn would hire the hard-core unemployed as their additional employees to work on these

contracts; (e) the late Robert Kennedy's tax credit program would be expanded to provide greater benefits for investors in the ghetto areas; (f) the approaches of underdeveloped countries would be applied to stimulate economic growth. These approaches include special training of managerial talent, tax incentives, and credits to loan institutions to encourage and protect their debt instruments."<sup>19</sup> There are three distinctive weaknesses in this program, (1) the dysfunctionality of separatist capitalistic economy enclaves; (2) the general lack of assistance to black entrepreneurs who are capable of taking advantage of business opportunities outside the ghetto areas, (3) the failure to distinguish between a business undertaking and a social mission.

Sturdivant in his writing on the limits of black capitalism presented these four point plan: (1) that there should be incentives for all business operating new facilities in the ghetto areas; (2) that there should be conduits for example community development banks to channel investment capital to entrepreneurs; and (4) a national coordinating body for these programs.

To my mind, there is only one way to go, and that is toward liberation. By the way, where is liberation? Or better still, what is it, what is its content?

It seems black Americans have no choice but to fall back on what is functional and essential for them. Capitalist ownership alongside communal-type systems should be the orientation of any plan for developing black businesses.

Dr. Brimmer's approach and that of the separatists are extreme positions when pursued exclusively.

It is undeniable that black businessmen are discriminated against. The big troubles a black businessman must go through in order to obtain the consideration other businessmen take for granted have severely restricted the growth of a black middle class. Programs to expand credit availability, to provide technical assistance, to liberalize bonding and insurance standards and to provide easier.

access to markets for black entrepreneurs should be intensified so that the blacks will be on a good position to enjoy what American capitalist system has to offer. The blacks want to share the great deal of power, that exists over the control of the flow of capital, the amount of goods produced, and the means of production in American Capitalistic economic system. Most blacks want to have among them a very heavy concentration of producers, manufactures, and consumers who possess real purchasing power.

Our blacks want to have black owned and operated banks if black capitalism will be a reality since such banks will loan the funds which some others will not be willing to do for black businessmen. On the positive side, black capitalism seems to offer many individuals an otherwise unavailable opportunity. In it the blacks have made-to-order business laboratory. The number of managerial executive and directorate opportunities is increased significantly. While the casualty rate is very high, the opportunity incidence is even higher. Many a black person has through black capitalism at least a first chance to perform at a job level he probably would never reach otherwise. In a sense, even in the casualty cases, this is a high order, management decision simulation experience.

According to Dr. Brimmer, at Freedom National Bank, many young blacks have been adequately trained in the skills of and then were offered jobs by predominantly white banking institutions.<sup>21</sup> They got good opportunities because of the existence of Freedom National Bank, and there are other examples of this. At least such examples indicate that if blacks participate in the ownership and control of means of production and institutions in their community, it does not mean that they are perpetuating segregation. The author believes that black owned and controlled businesses can generate new vitality in the black ghetto. The desire of the blacks to have the chance to develop and control economic institutions in the black community appears to cause

separateness. In the short run this may be true but I believe that in the long run it can be a significant step toward a genuine integrated American society.

### Conclusion

Black capitalism that is well planned and run is a source of enumerable benefits to the American society in general and to the Blacks in particular. It generates opportunities to the blacks to perform in occupations which for many years were closed for them. For hundreds of years the blacks have been despised and often looked down upon on account of the fact that in the main they possess no property, most of them are poor amidst plenty. It seems to the author of this paper that through Black capitalism, all these anomalous treatments could be combated and alleviated.

Since the rebirth of Black business enterprise, Black capitalism we have seen black racial pride, and the fundamental human dignity because he now has some better opportunities which for many decades had been closed to him. This can be attested by seeing blacks of modern era in high offices of the American government, mercantile industries, institutions of higher learning and private endeavors. According to the February issue of the Chronicle of Higher Education, there has been fantastic increase in the number of blacks in institutions of higher learning because the door to equal opportunity is open to them. The author believes that Black capitalism has a hand in this improvement in this direction of human endeavor.

The pace of Black capitalism has been slow in realizing its goal of a total economic upgrading of the black community which requires the ownership and control of new capital and business opportunity by people within the black ghetto, but it has made some significant achievements. On the basis of the above the author concludes that Black capitalism is gradually generating new vitality in the black ghetto-inner cities.

FOOTNOTES

<sup>1</sup>Charles K. Wilber, The Political Economy of Development and Underdevelopment, New York: Random House, 1973, p. 63.

<sup>2</sup>Ibid., p. 62.

<sup>3</sup>Ibid., p. 64.

<sup>4</sup>Ibid., p. 65.

<sup>5</sup>Edward D. Irons, "Black Banking Problems and Prospects," The Journal of Finance, 1971, p. 408.

<sup>6</sup>Ibid., p. 410.

<sup>7</sup>Brimmer, "Negro in the National Economy," p. 296.

<sup>8</sup>Ibid., p. 298.

<sup>9</sup>U.S. Department of Commerce, Bureau of the Census, Minority-Owned Business: 1969, MBI, August, 1971.

<sup>10</sup>Saville, David R., Enterprise and the Urban Crisis, Washington, D.C.: The American University, p. 68.

<sup>11</sup>Wright Mills, The Power Elite, New York: Oxford University Press, 1956, p. 257.

<sup>12</sup>"The Negro in Business," Ebony, pp. 215-216.

<sup>13</sup>Kinser and Sagarin, Negro in American Business.

<sup>14</sup>Pierce, Negro Business and Business Education, p. 7.

<sup>15</sup>Abraham Harris, The Negro as Capitalist, Philadelphia: American Academy of Political and Social Science, 1936, p. 60.

<sup>16</sup>McKerse, "Vitalize Black Enterprise," p. 98.

<sup>17</sup>William K. Tabb, The Political Economy of the Black Ghetto, New York: Norton and Co., Inc., 1970, p. 53.

<sup>18</sup>Andrew F. Brimmer, "Trouble With Black Capitalism," p. 78-79.

<sup>19</sup>Bailey, "Conjoining Black Revolution and Private Enterprise," Black Business Enterprise, pp. 216-218.

<sup>20</sup>The President's Advisory Council on Minority Business Enterprise, Minority Enterprise and Expanded Ownership: Blue Prints for the '70's, Washington, D.C.: Government Printing Office, 1971, p. 33.

<sup>21</sup>Brimmer, Black Business Digest, January, 1972, p. 31.

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