

Developing the Afro-American Economy

Richard F. America



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Building on Strength

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Introduction

Over the next fifty years the focus of energy and attention in Afro America is going to be on development processes that will bring it into a condition of economic parity with the general American system.

Similar income and wealth distributions and a similar median income are objective targets. The organizations that have, up until now, been thought of primarily as civil rights, or social service, or activist organizations are going to evolve into developmental instruments. Their leadership will more and more adopt a managerial and developmental point of view, and will be drawn from backgrounds in policy analysis and management rather than the more traditional legal, religious, journalistic, social science and social service orientations of the past seventy-five years.

This book is a discussion of strategies and specific concerns that can be attended to by these organizations and by these leaders and managers. Much can be learned from traditional development processes that can be carefully applied in the developing Afro-American system with due regard for the obvious differences in circumstances and political setting.

An important element in this effort will be the determination, discipline, and esprit de corps of the population in the system. Also of importance, however, will be the degree of support from the general American system. Managing this relationship in a harmonious and effective manner will be a major task of the development leadership. One of the ongoing processes between the systems will be the redistribution of income and wealth based on the rationale of the social debt. This concept receives some attention in the middle portions of the book.

The following sections introduce specific proposals and techniques for managing the redistributive process with emphasis on the creation and sustenance of institutions and going concerns.

Finally, the development process will tend to bog down unless three special problems are successfully managed. The first is the problem of crime and misbehavior. Adequate standards of personal and collective conduct can be a major concern of leadership. Ways can be found to manage the problem of deterioration in behavior and for restoring high levels of respect for law and for justice in

personal dealings by persons in all the population groups within the system.

The second problem is the management of the internal funding process for the many noncommercial activities that require continuing, financially reliable, and prudent support. The National Fund is the mechanism that can make possible many worthwhile projects and experimental efforts.

Finally, the management of the research and contract consulting process of public agencies at federal, state, and local levels is important. Careful attention can be paid to these activities, as they greatly affect public policy toward overall development efforts as well as the details of many minor components.

The adoption of the managerial and developmental point of view is timely as Afro America enters the last quarter of the twentieth century.

About the Author

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1

Managing General Development

Successful management of the development of Afro America requires that those institutions, communities, and individuals that are so frequently spoken of as “the black community” be viewed as a developing social, political, and economic system.

The Afro-American system includes all persons who the U.S. Census would enumerate as Negro or black, as well as a sizeable number missed by the Census. The system is comprehensive, encompassing suburban, urban, and rural activities and the rich as well as the middle class and the poor. It includes much more than the inner city “ghetto.”

It may be worthwhile to anticipate immediately a reaction of some economists to a proposed public policy of encouraging development. They would ask whether the kind of development proposed is socially efficient.

There are two principal bases from which to argue for such development. The first is on grounds of economic efficiency, and the second derives from considerations of equity, fairness, and social stability. The policy prescription for development relies heavily, but not exclusively, on equity rationales for support.

Efficiency rationales assume that the general American system, i.e., the nation as a whole, would benefit from this development—which up to now has been viewed by most policy analysts and economists as primarily a process of job creation—because it would be efficient. Government expenditures on many job-creating aspects of business and community development could, of course, be justified on economic grounds. Large successful business and cooperative enterprises in inner city communities could help reduce unemployment, reduce welfare dependency, boost and refresh deteriorating areas, diminish criminal activity, and increase economic and social stability. But unlike some other analyses, the managerial view here views job creation as only a very important part of the development process, not the end in itself.

A reliance on efficiency rationales and on overriding concern for employment also tends to be associated with a high sensitivity to possible adverse political reactions to development proposals. Sensitivity to political reality is wise, and an attempt to manage proposals in such a way that they can appeal to a wide range of potential political support is prudent. But in the development process there will inevitably be resistance because success will mean reallocation of public and private resources. It is worthwhile attempting to manage the process in a politically realistic manner, but the development leadership cannot hope to avoid all conflict with established interest groups.

A case for many aspects of development can be made on grounds of allocative efficiency. But there seem to be some business leaders, professional economists, journalists, and political leaders who are open only to such arguments. They will probably tend to resist those aspects of what is proposed that can be clearly labeled redistributive.

The second basis on which to rest development proposals—equity and social stability—is also strong, and it has important historical precedents.

Comprehensive public policies to revitalize cities and reduce general poverty and related social dysfunction rest on both equity and efficiency bases. It is a matter of equity when government policy seeks to correct housing, employment, health, and capital ownership deficiencies, and in most cases ways can be found to do these things efficiently. Furthermore, doing them successfully is presumed to have as one payoff increased general social efficiency.

Suffice to say that natural development has been hindered over several generations by socially and economically motivated opposition. Credit has been restricted, and government policy has been indifferent or hostile. Education and especially on-the-job training in high skill and managerial categories has been for the most part unavailable. So equity now calls for accelerated opportunities to acquire capital and training. These can be provided most effectively if private and public sector policy makers view the entire process as one of system development rather than merely the running of isolated and unrelated programs.

Economic development in the domestic situation is a process that can be heavily concerned with the attainment of important non-economic, social, and political objectives. Political strength, as has often been observed, can extract economic concessions from an

adversary. This new economic clout in turn can then be used to produce additional political leverage, leading to still further economic benefit. In the view of some observers, this boils down to basic politics and to a set of political economic notions about bargaining behavior and about how public resources are actually allocated through the political process in a society like the United States. Those observers and analysts who put heavy emphasis on efficiency considerations are tending to overlook these political aspects of the process. In managing development, it can be prudent to put appropriate emphasis on just such aspects.

The managerial point of view rests on the premise that for the majority of all Americans, the development of this system is desirable, and it is probably substantially technically achievable by the year 2020.

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Building the System: Analogies to Traditional Development

In the middle 1960s interest in business development began to rise. During the decade following, federal programs and private corporate and foundation experiments helped stimulate that interest, and significant business benefits have been derived from these efforts.

During the presidential election campaign in 1968, Richard Nixon suggested that his administration would pay attention to supporting the development of “minority business enterprise.” And the administration did follow through to some extent. Federal attention was focused on aiding entrepreneurial activities. An important rationale was that this would generate jobs. Business development was viewed by politicians, federal officers, business leaders, and many journalists and academicians as desirable, primarily because of its expected value as an employment technique. But by 1970 it was becoming apparent that, relative to the need for jobs, little employment generation could realistically be expected from this source in the near term. The workforce impact was generally agreed to have been disappointing.

Not only was the focus during 1969–1970 on small business and the hope for more jobs to be thereby created, but the primary geographic locus for business creation was in the inner city. As it turned out, programs and policies based on these three concepts—inner city location, small-scale business, and job creating—proved to be inadequate responses to the widely expressed desire for the creation of competitive businesses.

These programs lacked adequate funding, some of their sponsors in the Administration and in Congress were ambivalent about how much success they really wished to see in these activities, and some of the administrators in the agencies, including SBA and others, were privately hostile to business development programs on a large and significant scale that would truly accelerate the progress of the developing systems. They were willing to provide modest support to small efforts often located in the inner city, and rationalized on the

basis of employment potential, but were not enthusiastic about programs that would transfer resources from the general to the developing systems on a large scale or that would produce serious competition for firms in the general system. A good deal of cynicism pervaded the administration of many of these programs. Lastly Afro America's leadership had not carefully thought through the significance of business development to overall development, and some important established figures were opposed to committing sizeable resources to these efforts seeing in them conservative Republican political biases favoring small business over employment and training and especially public sector employment.

Lastly there really was a short supply of adequately trained and experienced managers and entrepreneurs ready to establish or take over and run successful and fully competitive businesses. "We can't find many who are qualified" has been a song of the opposition in many spheres for many years. But in business development for many reasons there really has been a short supply. This condition is being corrected, but it was a contributing factor to the lack of acceleration and partial failure of the business development programs of the 1968-1976 period.

There has been ample discussion of other factors that limited the potential in those programs; their general operating environment, weaknesses in their markets, problems with their products, capitalization, strategies, planning, structures, and so on. Further amplification would be redundant. Suffice to say that small business creation of that kind is only a worthwhile component of a much more ambitious comprehensive development program, not a development strategy in itself.

As a consequence, the notion of economic development in something approaching its classic form, while allowing for obvious differences in setting, and in legal and political realities, has emerged to capture the attention of many serious participants.

An Alternative Conception

During the early 1970s a substantial number of business people, government officials, analysts, and legislators were coming to agree that development should be something considerably more comprehensive than simply a process of inner city small-business creation. The concept that has been emerging calls for the development of a

system of small, medium, and large businesses and cooperatives located wherever it makes economic and political sense. This includes, of course, agricultural and industrial development in the rural North and South. The concern is for the establishment of a vigorous economic community—a nationwide system of institutions developed, so far as is practicable, according to at least a suggestive set of plans. This concept recognizes the very high degree of interdependence such a system would have with the general American economy. There is also an element of self-conscious self-interest about such an idea that may provoke opposition. It can, however, readily accommodate itself to political and social realities through the rest of the twentieth century.

The Range of Development Preferences

A number of thoughtful observers in Afro America might find it difficult to embrace this development concept, feeling that it is too moderate. The spectrum of opinion there on economics, as in politics and social and cultural affairs, can be arranged into roughly five groupings: separatist, radical reformist, moderate reformist, assimilationist, and, fifth, a number of groups who express a desire or intention to see some sort of large-scale change in American society through what is commonly, and often imprecisely, called “revolution.” Such an easy sketchy outline is, of course, open to probing question, and it is obviously vulnerable to fair-minded criticism from all sides. It is useful here only to provide a way to identify what may be judged to be the majority of those actively working in development. They seem to be interested in moderate reforms, with a few important exceptions who are working for what would generally be seen as a more radical program. Those business people, on the other hand, whose only apparent concern is entrepreneurial activity, can be fairly placed between moderate reform and assimilation. And, generally speaking, those who oppose any approach that relies at all on “free enterprise capitalism,” even if substantially mixed with community-based efforts, can probably be classified, and would most often identify themselves, as radical or “revolutionary” in some sense.

Those working in economic development range along the philosophical spectrum but seem to be concentrated in the moderate middle not unexpectedly. It is a good guess, however, that they are