Race and Economic Opportunity

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The true character of a nation can be judged in part by the way it treats its weakest or most vulnerable members. In the past decades, nowhere has this test been more evident than in the quest for civil rights by black Americans. Civil rights has also become the leading indicator of the moral health of the Nation.

With the passage of civil rights laws, one-third of black Americans—those prepared by family status, education, or economic circumstance—walked through the doors of opportunity once they were opened. For unprepared blacks, removing racial barriers did not enable them to join the mainstream of the American economy. Their problems were and remain economic, and continued attempts to apply race-specific solutions to their problems do nothing to advance economic progress for poor blacks.

The real question for black leaders, then, is the one they are rarely compelled to answer. Why have civil rights gains of the past twenty years bypassed poor blacks, even in those cities politically controlled by blacks? Traditional black leaders rarely challenge themselves with that question. Instead, they continue to appeal to white America for fairness. Fairness toward blacks, defense cuts, increased government spending on social programs for the poor, affirmative action, and job training are all summed up in the call for more "jobs, peace and freedom."[1]

Despite a lack of involvement in the framing of the effort, the black leadership embraced the war on poverty as an extension of the civil rights movement. The basic dichotomy, however, between promise and practice surfaced early. In the 1960s many of the programs of the Office of Economic Opportunity, inspired by the President's Commission on the Prevention of Juvenile Delinquency, attempted to prevent delinquency by removing social, educational, and economic barriers that prevented achievement among youth.[2] Through the creation of the Job Corps, the domestic Peace Corps, and local youth development projects,

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1. J. Jackson, Remarks in speeches during 1988 Presidential campaign.

2. R. Woodson, A Summons to Life: Mediating Structures and the Prevention of Youth Crime 20 (1981).

emphasis was placed on education and job training for inner city youth.[3] A key ingredient in the success of such community-based efforts was the active involvement of the populations affected. The cornerstone of this approach was the concept of local control. The seeds of the poverty programs' ineffectiveness to meet the legitimate needs of the poor took root with these early experiences as the interests of the poor and their leadership became competitive with the needs and interests of the newly energized service industry.

Kenneth Clark, then a leading spokesman for the Harlem community, characterized the power plays between politicians and social workers accordingly:

> The systems change theories, while espousing the need for the mobilization of community residents and for their active involvement in social change, resulted in political battles between Washington officials and local politicians over policies and money, competition among professional social work groups over control of the programs, and only selective cooperation of the indigenous leadership. The bulk of the money went not to the poor, but to the traditional social work agencies, with headquarters and policy-making apparatus outside of the targeted area.[4]

The late M. Carl Holman once told me that twenty-one liberal white men sat around the table on the eighth floor of the Justice Department and designed a poverty program that was supposed to deliver the poor from welfare dependency and end deprivation.

As the ominous footsteps of the twenty-first century become louder, a civil rights agenda that reached its zenith before the death of Martin Luther King, Jr., is still being pushed with a vigor that defies reality. Blacks are now suffering an astronomical youth unemployment rate, a crippling national family crisis with the large numbers of unwed teen mothers, a siphoning off of lifeblood with black on black crime and a forty percent national incarceration rate, a despairingly low educational level among youngsters, and a business formation rate palsied by lack of capital.[5] In short, black Americans are more socially, politically, and economically disenfranchised than they have been in more than a century. Despite this plight, marches, rallies, and protests that focus on issues no longer germane to black socioeconomic survival dominate civil rights strategy.

Voting rights, access to places of public accommodation, actionable discrimination, and integration still dominate the civil rights playbook. These outdated strategies need to be seriously re-examined because precious time and effort are being diverted from improving the lot of

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3. *Id.*
4. *Id.*
5. R. WOODSON, ON THE ROAD TO ECONOMIC FREEDOM: AN AGENDA FOR BLACK PROGRESS, at ix (1987).

millions now mired at the bottom of the country's socioeconomic scale. Preparing for the twenty-first century with its more specialized entry-level jobs, its new entrepreneurial opportunities, and a heated-up global trade competition that will place a premium on minority skills and educational attainment should now be at the top of any responsible civil rights agenda. Community empowerment, education, the family structure, economic development ventures, and government policies that crush individual initiative and stifle entrepreneurship with needless regulatory barriers while encouraging welfare dependency should be the target areas of concern.

The ultimate irony is that the benefits which did accrue from race-specific strategies went to middle-class blacks who had competitive resources such as steady incomes, education, and special talents.[6] The reality is that those who are best able to take advantage of a program such as affirmative action are those minorities in the top tier of the work force, including union members and professionals. Affirmative action does not help the black dishwasher or the untrained black youth. Vague cries for "jobs, peace, and freedom" are meaningless when a permanent (and growing) underclass of more than one-third of all black Americans, unskilled and undereducated, remains untouched by civil rights gains, the war on poverty, increased black political power, and a mammoth social welfare industry. In 1967 Kenneth Clark argued: "The masses of Negroes are now starkly aware of the fact that recent civil rights victories benefited a very small percentage of middle-class Negroes while their predicament remained the same or worsened."[7]

Despite these results, traditionalists continue to emphasize racism as the principal reason for black America's disenfranchisement. Eradication of racism, more government funding of social programs, and integration seem to form the main tools of their civil rights repair kit.

Spirited, soul-searching debate over issues—a hallowed tradition in the black community involving the likes of Henry Highland Garnet, Frederick Douglas, W.E.B. DuBois, Booker T. Washington, Martin Luther King, Jr., and Malcolm X—has been stifled over the last twenty years. Scorn and derision greet any dissent from the traditional orthodoxy. Challengers from within the black community are labeled "neoconservative," "Tom," or "pawn," while the label "racist" is still used with abandon whenever a white person questions traditional liberal motives, programs, or strategies. In commenting on this phenomenon, Clint Bolick has said of the civil rights traditionalists: "They have

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6. Kondracke, *The Two Black Americas*, NEW REPUBLIC, Feb. 6, 1989, at 17.
7. Wilson, *Rights Mean Little Without the Means To Enjoy Them All*, Chicago Tribune, Nov. 15, 1987, at A1, col. 5.

abandoned their role as statesmen and assumed the role of politicians; and, in so doing, they have tarnished the rich legacy they inherited. The civil rights mission has been cast adrift, its future agenda uncharted, and its moral leadership unclaimed."[8]

Some questions must be raised about the wisdom of continuing to commit the civil rights arsenal to areas of concern that have proven to be counterproductive and, in large measure, irrelevant to the goal of achieving socioeconomic parity for black Americans. For example, can racism be held wholly responsible for black America's social and economic distress? Can the pace of black progress be determined by the social and financial largess of white America? Is integration and all its attendant problems and antagonisms really a priority when black America is experiencing a severe internal crisis? How can more government funding be an answer to a problem that is worse after the billions of dollars spent during the war on poverty?

Although racism still taints the American character, the contention by many civil rights leaders that its eradication is the precondition to black advancement is, at best, a confession of impotence and, at worst, a retreat from responsibility. The problem with this approach is that it puts the remedies to black America's problems outside black America. It encourages the belief that to attack racism as the cause of our problems is the same thing as attacking our problems. And so we expend precious resources—time, energy, imagination, political capital—searching (always successfully) for evidence of racism, while our problems grow worse.

Before Civil Rights

When Jim Crow was practically the law of the land, black America saw the necessity of addressing its internal shortcomings. Historically, substantive gains have been achieved in spite of racial barriers—and by a black community that had to rely on its own resources to survive and prosper.

At that time, black advancement was inextricably linked to black self-determination. With a sassy and fearless newspaper published during the height of slavery, with entrepreneurs ready and willing to purchase a slave's freedom or guarantee his safety after escape, with the formation of all-black towns and the building of a self-sustaining support apparatus, black Americans exhibited backbone, resolve, energy, vitality, creativity, innovation, and intellect at a time when the country was generally indifferent or hostile to black interests.[9] Black communi-

8. C. Bolick, Changing Course: Civil Rights at the Crossroads 35 (1988).

9. R. Woodson, *supra* note 5, at 1.

ties, because of Jim Crow laws and practices, evolved into viable societies with their own hospitals, banks, restaurants, insurance companies, food and clothing stores, gas stations, moving companies, and other enterprises needed to maintain a community's independence. Black newspapers reported on the community's life, and black undertakers buried the community's dead. Black film theaters, inns, and hotels thrived at a time when racial segregation was a fact of life and the law.

Before the American Revolution, before slavery, and indeed, before the Mayflower, blacks had entrenched themselves as workers and entrepreneurs determined to make good in this new land of opportunity. During the seventeenth and eighteenth centuries, free blacks owned inns, stables, construction firms, barber shops, tailoring and catering establishments, restaurants, and taverns. They ventured into shipbuilding, furniture and machinery manufacturing, real estate, and newspaper publishing. As a result, the total personal wealth of free blacks on the eve of the Civil War was about fifty million dollars—twenty-five million dollars in the South and twenty-five million dollars in the North and West.[10]

Why is it that black America would not allow slavery, Jim Crow, lynchings, or race-baiting politicians to kill the community's collective will and determination to leap over barriers to accomplish its goals? Seemingly, the more restrictive the political, social, and economic barriers, the more determined black America became in its resolve to overcome them. And progress, for the most part, came about because black America took matters into its own hands.

DOES RACISM REALLY MATTER?

Racism remains a problem in America. Racists have made life unnecessarily difficult for untold numbers of black Americans. Opportunities have been bludgeoned, hopes dashed and, in far, far too many instances, lives lost. But if racism vanished from the earth today, would the drug problem that is tearing black neighborhoods apart suddenly go away? Would the absence of racism solve the problem of unwed teen pregnancies, black on black crime, or the growing disparity between the income levels of middle-class blacks and low-income blacks? Will a suddenly vanished racism reverse the black student dropout rate? Will racism's demise ensure that black youngsters will be prepared for the work force of the future? If racial discrimination is the roadblock to economic success, why do second generation Caribbean people here in America have a median income nearly comparable to tbat of whites?[11]

10. R. YANCEY, FEDERAL GOVERNMENT POLICY AND BLACK BUSINESS ENTERPRISE 9 (1974).
11. Kotkin, *Blacks Blow It in Business*, Chicago Sun-Times, Sept. 30, 1986, at 39, col. 1.

Racism is like a neighbor whose grandfather stole some property from a peer he considered inferior to himself. It *is* important to get the property line right. But only a fool would stand at the fence screaming about property lines when his house is on fire.

INTEGRATION: A COUNTERPRODUCTIVE EXERCISE

Integration, the thought and the reality, has forever changed the lives of black people in these United States. In every sphere of black-white assimilation, problems have surfaced that could not have been contemplated before the historic 1954 Supreme Court decision in *Brown v. Board of Education*[12] or the landmark passage of the Civil Rights Act of 1964.[13] The black community, by and large, was jubilant over both occurrences, thinking that social parity had been achieved with whites. In moments, it now seems, illusion gave way to reality.

Education, elements of the family structure, and the economy of black America had the very life pumped out of them. Many self-sufficient components of black America's economic infrastructure eroded. Small black firms, the backbone of the racially localized black economy, could not compete with the newly integrated, low-priced, large volume department stores, supermarkets, fast-food chains, and shopping centers. Many black businesses became casualties of such racial progress.

The failure to distinguish between desegregation and integration also had some devastating effects on the collective condition of blacks. The very discussion of the subject among many middle-income blacks today often provokes a deeply emotional response. Yet, this preoccupation with integration not only represents an all-out assault on the collective self-esteem of blacks, but also fosters and supports the notion of white supremacy. It is critical that we accept the reality that integration is a personal choice; desegregation, on the other hand, is the right of all Americans to equal access and opportunity. We must never, as W.E.B. DuBois reminded us, convey the notion of disassociation from ourselves.[14]

Jim Crow public education, whether by statute in the South or de facto in the North, operated with an inspired cadre of black teachers. Many were frustrated engineers, doctors, lawyers, and architects who synthesized this emotion into positive classroom energy that willed, as well as taught, the academic discipline needed to succeed. Black teachers knew, by rote, how to fuse toughness with tenderness and concern

12. 347 U.S. 483 (1954).

13. Pub. L. No. 88-352, 78 Stat. 241 (1964) (codified at 42 U.S.C. §§ 1971, 1975a to 1975d, 2000a to 2000h-6 (1982)).

14. A. MEIER & E. RUDWICK, FROM PLANTATION TO GHETTO 247 (1976).

with objectivity, to shake and cajole the best out of their charges. These black teachers worked for ten to fifty percent less than their white counterparts[15] and often taught two different grades sitting side-by-side in one classroom. Their achievements in turning out black students capable of coping with every aspect of American life is legendary.

This teaching zeal was a mission of race; it was certainly not a mandate from a deliberately underfunded black public school system that offered the bare bones of dilapidated buildings, outdated textbooks, and leftover supplies from the white system. In many areas, blacks were double-taxed for schools because they wholly financed the purchase of school sites, school houses, and school furniture in order to secure a quality education for their children while still supporting their state's segregated system.

When integration became law, the general pattern was for the larger white school district to absorb the smaller black one. In the process, large numbers of black teachers who served as inspirational role models lost their jobs, depriving black youngsters of an important ingredient in their education. Over fifty years ago, noted black historian and educator Carter G. Woodson commented on "interracial" education in his *The Mis-education of the Negro*:

> [Some whites] take the position . . . that education is merely the process of imparting information. One who can . . . devise an easy plan for doing so, then, is an educator. In a sense this is true, but it accounts for most of the problems of the Negro. Real education means to inspire people to live more abundantly, to learn to begin with life as they find it and make it better, but the instruction so far given Negroes in colleges and universities has worked to the contrary. In most cases, such graduates have merely increased the number of malcontents who offer no program for changing the undesirable conditions about which they complain. This is not interracial cooperation. It is merely the ancient idea of calling on the "inferior" to carry out the orders of the "superior."[16]

In more recent times, Tony Brown wrote in his syndicated newspaper column that the "bright spots" for academic achievement among blacks have been in their own community. Brown compared the academic performance of the mostly black Washington, D.C. school system (under a black superintendent) with its counterpart in adjacent Montgomery County, Maryland, which is mostly white and integrated. District of Columbia school students surpassed national norms in five of six skill areas (including math), while two out of three black Montgomery County ninth graders failed the state math competency exam that is required for graduation. White and Asian pupils in the Montgomery County system doubled the pass rate of blacks in the math exam.[17]

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15. R. WOODSON, *supra* note 5, at 97.
16. C. WOODSON, THE MIS-EDUCATION OF THE NEGRO 29 (1933).
17. Brown, *Tony Brown's Comments*, N.Y. Voice, July 9, 1983, at 8, col. 1.

The actions of overzealous civil rights lawyers have also caused ripples of concern about integration as a panacea for quality education. Derrick A. Bell, Jr. has commented that new barriers have arisen since the *Brown* decision that mitigate against so-called racial balance. For example, "inflation makes the attainment of racial balance more expensive, the growth of black populations in urban areas renders it more difficult, [and] an increasing number of social science studies question the validity of its educational assumptions."[18] Bell, a Harvard professor of law, found that civil rights lawyers dismiss these new obstacles as legally irrelevant. "This stance involves great risk for clients whose educational interests may no longer accord with the integration ideals of their attorneys," he concluded.[19]

Indeed, many lawyers (and the media) have done such an effective job of denigrating black schools as cesspools of education that many white parents resort to any means necessary to keep their children out of such an environment.

The quest for integration, as opposed to desegregation, has also spawned a highly suspect course of action called "integration maintenance," a set of programs that regulate the percentage of blacks allowed in private communities and public housing projects. Integration maintenance policies, sanctioned by many local governments, are carried out by realtors and housing authority personnel in major cities and suburbs in states all across the Nation.[20] Under attack by both black and white organizations,[21] integration maintenance schemes have the effect of preventing concentrations of blacks in suburban communities and city housing complexes by adhering to strict racial quotas. Proponents of the concept, of course, contend that it is a fair way of ensuring racial balance.

Rodney Smolla, a professor of law at the University of Arkansas, has written that the broad application of integration maintenance programs would diffuse the black population, with the result that "black political power would be diluted, and the strength of the black economic, political, religious, and cultural institutions that facilitate cohesive group identity and consciousness would be diminished."[22] The Southern Christian Leadership Conference has called integration main-

18. Bell, *Serving Two Masters: Integration Ideals and Client Interests in School Desegregation Litigation*, 85 YALE L.J. 470, 471 (1976).

19. *Id.*

20. R. Smolla, *The Fair Housing Act, the Constitution and the Special Problems of Integration Maintenance and Benign Steering*, Testimony given before the U.S. Civil Rights Comm'n at 1 (Nov. 12-13, 1985) (source on file with Author).

21. *Id.* at 15. Several court cases are currently pending in New York, Ohio, and Illinois.

22. *Id.* at 21.

tenance programs a tool that reinforces the myth of "white supremacy" and "black inferiority."[23]

Clearly, so-called integration management programs represent a massive assault on the collective self-esteem of black America. These programs are Hitlerian in concept and Orwellian in execution. They constitute social reform segregation that limits individual choice.

The concept of pluralism (which worked for black America in the past and still does in many black communities) offers far more opportunities for empowerment and social peace. Although it embraces individual choice, pluralism is predicated on the notion that diverse ethnic, racial, religious, or social groups maintain an autonomous participation in and development of their traditional culture or special interest within the confines of a common civilization.

With the mediating structures of family, neighborhood, church, and voluntary associations—the people-sized institutions closest to the control and needs of the community—progress could be made on issues that relate directly to survival. In a public housing project in Brooklyn, for example, a deal has been struck between the leaders of a Hasidic Jewish community and a Hispanic community to rent apartments in a way that will concentrate both communities in a more or less intact manner. The deal is probably illegal, on grounds of both racial and religious discrimination. In this case, it is also eminently sensible and fair. No one is hurt, unless it be the "strict separationist" and "geometrical integrationist" who may be offended by the violations of their abstractions.[24]

The Social Welfare Industry

Another malady affects those people who reason that more government aid will correct the ills of black America: Amnesia. Since 1964, the federal government has poured billions of dollars into employment, housing, public welfare, and economic development programs designed to help the poor. The main beneficiary of this massive effort, it has now become clear, was the "social service industry" parachuted in from outside the community to administer aid programs at salaries and fees that consumed the lion's share of allocated monies. A recent study by the Community Services Society of New York revealed that the per capita value of all public and charitable dollars specifically designated for New York's population below 125 percent of the poverty line is 7000

23. Southern Christian Leadership Conference, Integration Maintenance/Management (1984) (unpublished position paper) (source on file with Author).

24. P. Berger & J. Neuhaus, To Empower People: The Role of Mediating Structures in Public Policy 33 (1977).

dollars, or 28,000 dollars for a family of four. The study finds, however, that only thirty-three percent of this allocation provides the poor with income. Sixty-seven percent is used for the provision of services.[25]

These vast bureaucratic and professional empires, with a state-enforced monopoly over social services, also exacted social and human costs. Those who receive services lose their autonomy as human beings by being converted into "clients" (which, in Latin legal terminology, means a dependent individual). This psychological dependency has perverted both public and private morality, fostering a climate of powerlessness, irresponsibility, and resentment.[26] As passive "clients," the poor and disadvantaged have been led by the hand into a limbo where a bare minimum cash payment subsidizes their poverty and saps individual initiative, making their dependence addictive.

John L. McKnight, associate director of the Center for Urban Affairs and Policy Research at Northwestern University, has made an accurate assessment of how our society views its poor: "What we have done for many poor people is to say to them you are sentenced to being a consumer and a client, you are denied the privileges to create, to solve problems, and to produce; you have the most degraded status our society will provide."[27] McKnight, recounting an experience he had in a low-income community during the 1960s, tells of "poverty experts" who came into a town of twenty thousand residents to conduct "needs surveys." All too predictably, they discovered there were severe problems in the areas of housing, education, jobs, crime, and health.

In his role as community organizer, McKnight took note of the "public policy experts" from both the public and the private sectors. They included public housing officials, land clearance experts, housing development counselors, daily living skills advisers, rodent removal experts, weatherization counselors, teacher aides, audio-visual specialists, urban curriculum developers, teacher trainers, school security advisers, civil rights consultants, job developers, job counselors, job classifiers, job location specialists, relocation program specialists, job trainees, small business advisers, police aides, correctional system designers, rehabilitation specialists, juvenile counselors, diversion specialists, social workers, psychologists, psychiatrists, health outreach workers, health educators, sex educators, environmental reform workers, caseworkers, home budget management trainers, lead paint inspectors, skills trainers, and administrators and managers to coordinate all these activities; in

25. CENTER FOR URBAN AFFAIRS AND POLICY RESEARCH, NORTHWESTERN UNIVERSITY, THE FUTURE OF LOW-INCOME NEIGHBORHOODS AND THE PEOPLE WHO RESIDE THERE (1987).

26. P. Berger, Paper presented at the Conference of the National Center for Neighborhood Enterprise (July 28, 1983) (source on file with Author).

27. R. WOODSON, *supra* note 5, at 114.

short, overkill. McKnight termed this situation an example of an "uneconomic development plan" for people who do not live in the neighborhood.

From the beginning, this profusion of misdirected and misinformed approaches did not address the problems of the poor with solutions that had the input of the poor. For example, complaints have been made around the country by citizens on public assistance who were forbidden to buy so-called "nonessential" items, such as typewriters, which might have been used in a business or educational context that could have helped break them out of the poverty cycle. Instead, a government-knows-best policy resulted in burdensome restrictions, rules, and policies that not only have depersonalized "clients" but discouraged the work ethic among them as well. Inflexible restrictions also have crippled many small entrepreneurs who may have managed to secure Small Business Administration loans only to be hamstrung with restrictive regulations.

The Poor Did Not Benefit

These counterproductive and misdirected programs cost both the taxpayers and most low-income citizens. As of 1984, the federal government had spent seventy-five billion dollars on housing initiatives, three hundred billion dollars on welfare programs, and another twenty-five billion dollars on economic development.[28] Despite this massive commitment of funds to fight poverty, the portion of blacks living in poverty in 1987 was thirty-three percent, three times the white rate and higher than in 1969. Middle and upper income blacks, however, have done well. Nearly ten percent of black families had incomes above fifty thousand dollars in both 1986 and 1987,[29] the highest percentage ever. The average black family in which both husband and wife work now makes eighty-eight percent of the income of the white family counterpart.[30]

It would be wrong—indeed criminal—to suggest that the civil rights movement was incorrect in pursuing its goals, but it must be understood that all classes of blacks did not benefit equally. Therefore, a distinction must be made between policies and programs of hoped-for social progress that mistakenly lump all blacks together. It is the "underground culture," the "dropouts," the "structurally unemployed,"

28. *Id.* at 20.
29. Kondracke, *supra* note 6, at 17.
30. *Id.*

and the "socially isolated" who need to be prepared now to enter the economic mainstream, to forestall a labor scarcity projected for the year 2000.[31]

FALSE NOTIONS

Before enumerating solutions, I must make the following assumptions. First, the litany of despair from traditionalists that constantly portrays black America as a group of helpless victims continually at the mercy of the whim and caprice of "Big Daddy" government must cease. Looking to others to solve black community problems sends a signal of emasculation and a lack of resolve that is insulting to those forebears who risked life and limb to achieve black progress. This attitude, droned on and on year after year, not only undercuts youthful initiative but affects the mind-set of those teetering on the brink of giving up all hope of ever becoming full-fledged members of an American democratic society.

Second, we must challenge the elitist public policy notion that only people with formal training and professional degrees have legitimate answers to social ills. J.D. Gaskin, with only a fifth-grade education, became one of America's first black millionaires. He expressed this idea well when he said, "It is better to say 'I is rich,' than 'I am poor.'"[32] Rather than accept solutions parachuted in by middle-class professional service providers, efforts must be taken to recognize and expand what is already taking place in neighborhoods by indigenous organizations and grass-roots leaders. These groups have unique, firsthand knowledge about problems, experience, and resources within their communities.

Third, there should be an end to "failure studies" on the black community. These "failure merchants" have done enough surveys to satisfy researchers and scholars for an eternity. The only thing that can be learned from studying failure is how to create it. Likewise, the only thing that can be learned from analyzing poverty is how to create poverty. Those who wish to learn to play the piano do not go to people who have failed to master the instrument. To learn from success, one must study success. Instead of seeking out a black household headed by a single woman with two children on welfare, two in prison, and one child who is a prostitute, for example, why not go next door and find the single parent, also on welfare, who managed to send her five children to college. Another harmful dimension to this practice is policies that ignore success and reward failure. Drug pushers, prostitutes, delinquents,

31. Klein, *Managing Now For the 1990s*, FORTUNE, Sept. 26, 1988, at 46.

32. Woodson, *Self-Help, Not Big Daddy, Must Rescue the Black Underclass*, Wash. Post, May 12, 1985, at B19, col. 1.

and psychotics have programs especially created for them, but those who obey their parents and are drug-free, not pregnant, and motivated to learn, have few programs that offer escape to better lives.

Fourth, it is a mistaken equation that political power equals economic parity. This has, no doubt, confused many who have endured major traumas and hardships to secure the right to cast a ballot. That effort, in no way, was in vain. The purpose, resolve, and dedication directed toward the pursuit of the ballot represents one of the finest examples of black (and white) unity ever witnessed in this country. The confusion centers on the lack of power to make the system responsive to the needs and aspirations of the electorate. The reality is that no other ethnic group in American society—not Jews, Asians, Hispanics, nor Jamaicans—has achieved power through sheer plurality of numbers. Power comes from accumulated wealth through business ownership. Political clout hatches from this process, not the other way around. As a result, many black politicians, knowing where the power in their constituency resides, have succumbed to bribes, kickbacks, and "special favors" that have effectively put them in the position of "selling out" the black electorate. Developers have their way. Powerful lobbies have their way. For example, despite the millions of dollars spent for the downtown development of Washington, D.C., with a black-controlled city council and school board, and a black mayor, residents in this seventy-five percent black city are hard pressed to find a black-owned business.

Ironically, the reality of corruption does not prevent politicians who have been caught with their hands in the till from bringing out their civil rights credit cards. In Washington, D.C. alone, at least twenty black public officials have been indicted or charged with a crime while in office.[33] Inevitably, the cry of racism is shouted at those who blow the whistle—the result: Black constituents are often duped into inappropriate frivolities such as banquets and testimonials to lend support to officials who have been found guilty of offenses such as drunken driving, theft of food stamps, check fraud, and taking kickbacks. Black Americans cannot afford to idolize public figures who are guilty of public transgressions; when this occurs, they forfeit the right to demand responsible behavior from their elected officials.

Finally, the point must be made that no government or other outside source can do for blacks—or any other group—what they are unwilling to do for themselves.

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33. Woodson, *Building a New Base for Black Prosperity*, Atlanta Const., July 31, 1988, at B1, col. 1.

GETTING ON TRACK

The foundation for an economic turnaround lies in self-help. It is time to approach the needs of the black underclass from a different perspective, one that is cognizant of the existing strengths within the black community, that recognizes the abilities and ingenuity of individuals and groups in handling their own affairs, and that keeps government intervention to a minimum. As John McKnight and other community workers have stressed, those experiencing the problem should play a primary role in designing solutions to those problems—regardless of their educational or socioeconomic backgrounds.

The black community must disentangle itself from the welfare professionals whose objective is to maintain clients. With the ultimate goals of economic independence and self-sufficiency, a better strategy should concentrate on the three Es: Empowerment, economic development or entrepreneurship, and education. The role of redefined and more responsive public policies that encourage maximum private initiative and creativity will be an integral component of a workable solution.

EMPOWERMENT

The rules of the game need to be changed. Wherever possible, public policy should protect, foster, and empower community mediating structures—neighborhood, family, church, and voluntary associations—for the realization of social purposes. In the black community, these structures have, and still do, offer alternatives to people whose true values and needs generally are not reflected by "outsiders" such as the social welfare industry or large corporations that adopt uniform company rules as a condition for employment. In his famous all-fire-extinguishers-will-be-painted-red theory, Charles Schultze comments on the inadequacy of public policy to accommodate private incentive:

> [W]e usually tend to see only one way of intervening—namely, removing a set of decisions from the decentralized and incentive-oriented private market and transferring them to the command-and-control techniques of government bureaucracy. With some exceptions, modifying the incentives of the private market is not considered a relevant alternative. For a society that traditionally has boasted about the economic and social advantages of Adam Smith's invisible hand, ours has been strangely loath to employ the same techniques . . . . Instead of creating incentives so that public goals become private interests, private interests are left unchanged and obedience to the public goals is commanded.[34]

Private incentives have abounded in the black community since its inception—from secret "schoolrooms" during slavery, to mutual aid so-

34. C. SCHULTZE, THE PUBLIC USE OF PRIVATE INTEREST 6 (1977).

cieties developed by fraternal organizations and churches (eventually becoming banks and saving and loan companies), to Father Divine and Daddy Grace whose churches initiated economic development ventures in neighborhoods across the country, to the extended family network of aunts, uncles, grandparents, and cousins who provided jobs, food, and shelter to those in need.

Successful private initiative efforts, despite publicity to the contrary, flourish today in black neighborhoods, homes, churches, and fraternal organizations. The Elks, the Masons, and most college sororities and fraternities sponsor scholarship programs or job-training initiatives. Home tutorial programs exist in many cities where youngsters are assisted in their studies by adults from their own community. Blacks have started more than three hundred neighborhood-based, independent schools nationwide where some pupils are outperforming their public school counterparts. Neighborhood-based ventures run the gamut from adoption agencies to credit unions where the rules have been changed to reflect the real needs and values of the community.

For example, Sydney Duncan, president of Detroit's Homes for Black Children, has become an acknowledged pioneer in the field of foster care and adoption. Duncan has embellished the concept of the black extended family with such success that her young agency's minority placement record exceeds the combined total minority placement rate of all of Detroit's other adoption agencies.[35] Duncan has exploded the myth that black parents do not adopt by introducing innovative techniques. Although many agencies may charge as much as five thousand dollars for child placement, her agency does not charge a fee. She makes use of the black extended family concept by placing children in single-parent households with "aunt," "uncle," or "grandparent" figures. Duncan says her incentive is to release some of the 105,000 black children trapped in a two billion-dollar-a-year foster care system that spends some seventy percent of its budget on overhead and salaries.[36]

Neighborhood-friendly community credit unions are usually modeled after the type opened by Baltimore's Bethel AME Church. Leonidas Fowlkes, the credit union's manager explained the neighborhood perspective: "A minimum wage reduced by food and rent leaves very little for savings. Add this to the fact that banks turn away small depositors and you've got a problem."[37] Bethel responded to this dilemma in 1979 by forming a credit union that offered shares for a nominal

35. R. Woodson, *supra* note 5, at 89.
36. *Id.*
37. *Id.* at 67.

$5.25 to anyone in the community who wished to join. Capitalized at ninety-three thousand dollars by the church congregation, the six hundred-member Bethel Credit Union has set up a payroll deduction program at several area nursing homes, launched a mutual fund investment program, and sponsored workshops and courses on investing, planning, and budgeting.[38]

Financial education in a low-income area serves as a linkup to the larger society that stresses discipline and application; it is goal-oriented and it works. Fowlkes said Baltimore's black churches work together with a common goal in mind by pooling information and sharing resources for the betterment of the whole community.[39] With a six hundred thousand dollar budget, Bethel AME also operates a bookstore, a thrift shop, a library, an employment agency, a food co-op, a scholarship program for youths and adults, an in-school tutoring program, a full-scale adult education program, and the Henry McLauren Academy of Learning where regularly scheduled courses are held in financial planning and family budgeting.[40]

Black entrepreneurship gained its sea legs through this type of church-led process of aggressive self-determination. Insurance companies, banks, publishing houses, newspapers, and a host of small businesses owe their existence to the economic muscle of the black church. Black America's first organization today boasts a membership of twenty million people and weekly collections of ten million dollars. Its 65,000 churches represent a current total aggregate value of over 10.2 billion dollars.[41]

An explosion of black, church-inspired community development programs is now taking place around the country. Denominations are putting aside religious rivalries and joining forces to attack poverty, unemployment, housing shortages, and illiteracy. Black churches have escalated their commitment to the economically disenfranchised by targeting immediate needs and by crafting long-range programs to empower and incorporate their communities into energy-generating clusters of economic activity. The vast majority of these new programs, as per tradition, have been initiated solely with church resources. Many ministers automatically shy away from any fiscal arrangement with government agencies because of bad experiences. Bureaucratic red tape and loss of control are the two main reasons cited for avoiding collaborations with city, state, and federal agencies on community building.

38. *Id.*
39. *Id.*
40. *Id.* at 66.
41. *Id.* at 45.

Vinton R. Anderson, president of the African Methodist Episcopal Church Council of Bishops puts it succinctly: "We have sustained ourselves down through the years by pooling our nickels, dimes, and quarters at the corner church. It has served us well."[42]

Current examples of black church economic power and the determination to invest in black America's future include:

• The Congress of National Black Churches (CNBC), a coalition of the seven largest black denominations representing fourteen million members, has joined in a precedent-setting alliance to bring about black economic parity. With the potential to generate accounts totalling ninety-three million dollars a year, CNBC is establishing a nationwide collective banking and cash management program involving black banks and other minority firms. Six of the thirty-four planned church management service centers have already been set up by CNBC to generate new businesses and jobs through collaborative ventures with local business persons.

CNBC recently signed an historic agreement with the Aetna Life and Casualty Insurance Company creating a master insurance agency under the control of CNBC, the majority shareholder, which provides property, casualty, and liability coverage for more than sixty thousand church properties. Known as the Church Insurance Partnership Agency, it is now developing low-priced group life and health insurance and retirement annuity coverage for 250,000 CNBC church employees.[43]

• Leaders Energizing Community Development (LEND) was founded in 1983 by senior officers of the African Methodist Episcopal Church. Allied with the National Baptist Convention, U.S.A., this self-help organization has committed itself to minority economic development by starting up church credit unions in six cities. It has begun a security training program targeted for thirteen cities that will create employment and combat crime in low-income areas. LEND has encouraged entrepreneurship by offering three-to-one, interest-free matching funds and providing technical assistance and management training.

• The United House of Prayer for All People (the home of Daddy Grace toothpaste in the 1930s and 1940s), with 146 Pentecostal churches in 22 states, has launched a major low-income housing program that will soon expand to eleven states. The House of Prayer (as it is commonly known), by design, purchases choice inner city property that is adjacent to newly renovated areas of the city to stabilize gentrification. In Washington, D.C., the church bought a large parcel of land many years ago

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42. *Id.* at 46.
43. *Id.* at 47.

that had been devastated during the civil disturbances of the sixties. Today this area contains a still expanding (and wholly church-owned) development of neatly kept garden apartments and attached family housing units that are located near the city's new convention center and directly adjacent to a Metro subway line that is still under construction. Willingly subsidizing rents at one-half to one-third market value, the House of Prayer, in addition to the federal government, has invested millions for the construction of low and moderate income housing in Charlotte, North Carolina, and New Haven, Connecticut. Minority contractors, building managers, support personnel, and those seeking affordable housing all benefit from this building program. The House of Prayer also finances many of the small businesses that are located in the new developments.[44]

• Baltimore United in Leadership Development (BUILD) is an interdenominational group of thirty-two churches with a proven track record of bringing about inner-city community empowerment. BUILD-affiliated churches have galvanized the city by conducting a campaign of coordinated research and negotiation that successfully rolled back excessive inner-city automobile insurance rates for low-income residents by as much as five hundred dollars. BUILD is now negotiating for special rate renovation contracts for one thousand vacant homes in order to make them habitable for low-income families.[45]

Mediating structures, those people-sized institutions that stand between the individual in his private life and the large institutions of public life, like the church organization above, are essential for a vital democratic society.[46] Yet public policy is at odds with these institutions. The prickly issue of church and state separation is still engulfed in mossy rhetoric that has no pertinence to the times. The church and church-affiliated voluntary associations have traditionally provided nonsectarian relief and assistance to those individuals in our society who have fallen through the bureaucratic cracks. How can policymakers ever expect to understand the black community without comprehending the vital role of the black church as healer, influence molder, and dynamic purveyor of motivational self-help programs that impact directly on a community's well-being?

Peter Berger and Richard John Neuhaus argue persuasively that church and state questions are bogged down in conceptual confusions and practical contradictions that are long overdue for thorough

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44. *Id.*
45. *Id.*
46. *Id.* at 48.

rethinking:[47]

> The homogenizing consequences of present patterns of funding, licensing, and certification are intensified by tax policies that have a "chilling effect" upon the readiness of religious institutions to play their part in the public realm. The threatened loss of tax exemption because of excessive "political activity" is a case in point. . . . Most recently what bas been called tax reform bas aimed at driving a wedge between cburches as such and their church-related auxiliaries, making the latter subject to disclosure, accountability, and therefore greater control by the state. These directions, we believe, are fundamentally wrongheaded.[48]

This assessment would also apply to black fraternal organizations which have involved themselves in socioeconomic programs as independent agents with a personal stake in bringing about community betterment.

The black family, as well, is having motivation sucked from its marrow by government policies that deny its members freedom of choice or options to do better. The success of independent black schools points up the desire of low-income parents to escape neighborhood public schools that are incapable of giving their children the educational tools necessary to compete successfully in the job market. Many who send their children to the independent schools do so at considerable financial sacrifice to themselves and their households. Many others would like to pull their children out of inferior public schools in their district (perhaps just to transfer them to another district where the academic attainment level is higher), but cannot because of the costs involved.[49]

Educational vouchers and tuition tax credits are two immediate answers to helping bring about quality education in low-income households. Vouchers would assume the continued mandatory public financing of education, but at the school of the parent's choice. Tax credits would refund to parents who choose private schools some or all of their tax liability that otherwise would be designated for public school support.

THE RIGHT IDEA

When public policymakers do elect to join forces with private initiatives that clearly represent a better idea, the results are nothing

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47. P. BERGER & J. NEUHAUS, *supra* note 24, at 7.

48. *Id.* at 28-29.

49. C. BOLICK, *supra* note 8, at 109. Clint Bolick sees the dilemma clearly:

> [T]he solution, from a civil rights perspective, is to eliminate the government-created monopolistic stronghold of the public educational sector and restore freedom of choice so that individuals can make decisions in their own best interests . . . Again, the [civil rights] establishment is out of step with its constituency. Opinion polls show that while a majority of Americans support increased choice between public and private schools, support is highest among low-income and black parents.

Id.

short of startling. Two examples shine: the Reverend Leon Sullivan's Opportunities Industrialization Centers (OIC) and the successful Resident Management Corporations (RMC) that have sprung up in public housing developments across the country.

OIC and its investment arm, the Zion Investment Corporation (ZIC), were the brain children of a group of Philadelphia ministers headed by the Reverend Sullivan who, in 1964, convinced the five thousand members of his Zion Baptist Church of a need for a community-based employment and skills training program for black youth. His congregation, over a relatively short period of time, responded by raising two hundred thousand dollars for a local job training center that would provide services for youth from four hundred other city congregations. The idea took wing and both the public and private sectors began to emulate it in communities across the country.

It is significant that Sullivan and his congregation were off and running with the OIC concept entirely on their own. Although many middle-class Zion members were able to place three hundred dollar and five hundred dollar checks in the collection plate, the enduring "nickels, dimes, and quarters" black church approach prevailed once again. It means, as it always has, snapping beans, preparing potato salad, and frying tons of chicken for the dinner fund-raisers, and baking home-made sweet potato pies and seven-layer chocolate and coconut cakes for the bake sales. It means, as it always has, black people, from mostly low-income backgrounds themselves, looking out for their own without fanfare or orchestrated publicity.

The Zion Investment Corporation, under Sullivan's stewardship, also became successful as a national, yet community-based, economic development project. Through a network of black churches and fraternal organizations, it offered individual shares for 360 dollars each. To attract low-income investors, ZIC devised the 10/36 plan whereby shareholders paid ten dollars a month for thirty-six months. Philadelphia-based ZIC invests 200 dollars and diverts 160 dollars of the share cost to development in the investor's home community. OIC, through ZIC, its investment arm, now owns shopping centers, housing developments, and an aerospace manufacturing plant.

While the Zion Baptist Church set off a prairie fire of public and private sector reaction, the black private sector, especially, responded wholeheartedly. The Prince Hall Masonic Temple of Maryland, for example, contributed seventy-five thousand dollars to ZIC.

Today, with its staff of some 5000, OIC has trained over 640,000 persons, of whom approximately seventy-nine percent are now employed. Its comprehensive employment training program now includes more than 160 different skilled areas, including banking, graphic arts, air conditioning and refrigeration, bookkeeping, brick masonry, computer operation, cosmetology, and auto body repair. By design, Sullivan's concept has expanded to include the unskilled, unemployed, and disadvantaged of any age, sex, or race. OIC now operates job training centers in more than two hundred communities in forty-two states, Washington, D.C., and the Virgin Islands. Its current one hundred million dollar operating fund comes from the Departments of Labor, Commerce, and Education; major corporations; local and state governments; and foundations and individuals. Because of the iron hand of the Reverend Sullivan and the solid base of support given him by his congregation, OIC hewed to its original intent and still stands as a model program of private and public sector collaboration.[50]

Rivalling Sullivan's efforts in forcing public policymakers to take a long, hard look at their bankrupt policies is the emergence of dynamic public housing RMCs in cities such as Washington, D.C., Boston, New Orleans, St. Louis, Louisville, Jersey City, Minneapolis, Chicago, Denver, Tulsa, Los Angeles, Kansas City, Baltimore, and Pittsburgh.

Resident management is an empowerment process that places the responsibility for improving the quality of life in public housing properties into the hands of those who live there. The residents and their duly elected officers and representatives run the show. Fiscal management, rent collections, maintenance, subcontracting, business development, job training programs, family counseling, health care, tutorial programs, coordination of recreational and cultural activities—the sum of day-today operations—all come under the control of those who live on the premises.

The holistic approach practiced by RMCs has transformed crime-ridden hellholes into model communities where scores of small businesses and hundreds of jobs have been created, crime and vandalism have decreased, teenage pregnancy statistics have been reversed, and fathers and husbands, newly employed, have returned to abandoned families. At the same time, administrative costs have been drastically reduced, vacant apartments repaired, and rent collections doubled and tripled.

In one instance, the Kenilworth-Parkside public housing development in Washington, D.C. will save the District of Columbia government 5.7 million dollars over a ten-year period.[51] Over two million dollars in savings accrued in the first four years of operation. Factors cited for the projected cost savings include a seventy-seven percent in-

50. R. Woodson, *supra* note 5, at 55-56.

51. Coopers & Lybrand, Independent Audit of the Kenilworth-Parkside Resident Management Corporation (May 1986) (source on file witb Author).

crease in rent collections, a decline in administrative costs, an increase in taxes paid by residents, and a major reduction in welfare expenditure demands because of the hiring of 132 residents in site-maintenance and small business activities.

The birth of RMCs can be attributed directly to the impetus for change generated by the civil rights movement in the late sixties and early seventies. Administrators and boards of directors of local housing agencies who generally lived in suburban communities far away from high-density, problem-ridden urban housing developments had nothing to lose and everything to gain by allowing the formation of RMCs. Aside from dynamiting the housing developments (which occurred in many cities), the policymakers had no solutions to problems they deemed unsolvable.

Their cries for more money and more housing units (still made today) did not begin to address the problems of communities turned by bureaucratic sanction into dumping grounds for the larger community's undesirables. The developments had become strictly regulated, anti-poor people environments that festered with resentment and despair. The police, emergency services, and consumer and delivery services all shunned these communities.

The country's oldest RMC, Bromley-Heath, in Jamaica Plain, Massachusetts (a part of Greater Boston), secured a management contract in 1973, three years after volunteering for a demonstration management program turned down by another development (which no longer exists). Bromley-Heath's counterpart in St. Louis, Cochran Gardens, was awarded a contract after, among other things, carrying out a successful year-long rent strike to protest conditions so sordid that the development was in danger of being demolished. Both communities, because of their tenacious agitation to come into being by instituting self-help measures long before RMCs were officially empowered, became solid examples of successful multimillion dollar enterprises run by low-income people.

The Ford Foundation, an early supporter of resident management and, in fact, a funder of demonstration programs in St. Louis immediately after the rent strikes, approached the Department of Housing and Urban Development (HUD) about the possibility of sponsoring these programs nationwide to test further the feasibility of RMCs. HUD agreed, and in 1975, in a joint effort with the Ford Foundation, the National Tenant Management Demonstration came into being. A demonstration plan involving seven public housing developments in six cities was put into effect. Over a three-year period, the six public housing authorities received 20.2 million dollars in HUD grants for physical improvements, management training, technical assistance, resident salaries, and social services. The RMC concept was off and running.[52]

Like its older counterparts, Kenilworth-Parkside (incorporated in 1982) initiated self-help resident council projects for years before it became an RMC. Its nationally famous "College Here We Come" program, begun in 1974 by Kimi Gray, its present RMC director, is still in operation. Over the years, it has been responsible for successfully placing some six hundred youngsters from the development in colleges around the country. Kenilworth-Parkside managers are now planning to build a senior citizens complex, a townhouse development, and a shopping mall. Their ultimate goal is to own the development outright.

Resident management has succeeded because it includes several key ingredients: (1) the neighborhood's regeneration began with an inventory of its resources, skills, and capacities through surveys and door-to-door interviews; (2) there was a focus on producing locally what the neighborhood had formerly imported from outsiders—food, clothing, maintenance, construction, health care; and (3) public dollars were converted from maintenance funds that preserved the status quo of decay and dependency to investment capital that revitalized the neighborhood with newly created jobs and businesses. The empowered community leaders, whose skills were recognized by their peers, used their authority and organization to re-mold a "client" neighborhood into a productive one.

Unfortunately, policymakers usually think of communities that have high unemployment, a large number of low-income residents, and poor housing only in terms of liabilities or hindrances to socioeconomic growth. This attitude, by concentrating on ways to reduce these liabilities, blocks out reasoning that could lead to the economic development of a poor community. Liabilities cannot be developed, only assets. This type of approach yields negative effects: (1) it undermines community development thinking by encouraging "client" passivity; (2) it produces high cost and low value programs—investing in a community's assets may be more cost-effective and productive than dollars spent to reduce liabilities; and (3) it represents lost opportunity—tight dollars earmarked for liability reduction may never be made available for asset investment.

To underscore these lost opportunities and highlight the fact that neighborhoods represent the battleground for economic change, it is only necessary to cite a recent report by the National Alliance of Business, which offers a glimpse of our domestic work force in the year 2000:

> Over the next 10 to 15 years, the workforce is expected to undergo major changes in composition. Most striking will be the growth of less well-educated segments of the

52. D. Caprara & B. Alexander, Empowering Residents of Public Housing 13 (1989).

population that have been typically less prepared for work. The number of minority youths will increase while the total number of working youths will decline. The number of high school dropouts will rise as will the number of teen mothers. At the same time, entry level jobs will increasingly require basic, analytical, and interpersonal skills. From five to 15 million manufacturing jobs will be restructured and an equal number of service jobs will become obsolete.[53]

In a decade or so, jobs that the black community has traditionally relied on will vanish; now is the time to understand that the creation of community wealth, higher business formation rates, and an escalated recirculation of community dollars will lead to the economic stabilization and development that black America needs to survive.

The black community should emphasize business ownership, as opposed to participation in the economy via employment. Civil rights strategists and public policymakers should make a clear distinction between jobs and a solid local economic base that generates and perpetuates community wealth. No matter how good one's job, a job cannot, in most instances, be passed on to children in the household. By contrast, a community's wealth can be passed on to future generations when it owns its homes, forms its own businesses, and creates other capital assets to spark economic development.

The recirculation of income in a community is the heart of its economic life. In 1982, blacks accounted for about twelve percent of the United States population but owned only two percent of American businesses.[54] In that year, most firms were individual proprietorships (ninety-five percent), had no paid employees (eighty-nine percent), and earned less than ten thousand dollars in receipts (sixty-three percent).[55] Today, in Harlem, over half of the 160 businesses on the main commercial section of 125th Street are owned by Asians, while the bulk of the rest are owned by Jewish and Italian absentee landlords.[56] In major cities with black majority populations, such as Washington, D. C. and Atlanta, once-thriving black business districts are now either ragged islands in a sea of affluence or, as in Harlem, under new management. Vivid illustrations abound that show how most dollars earned by blacks are not passed on to other blacks even once. Asian-Americans, on the other hand, recirculate a dollar at least four times before it leaves their community.[57]

It is critical before laying out a specific agenda that the black com-

53. Woodson, *Civil Rights and Economic Power*, THINK, April 1987, at 2.

54. Fratoe, *Social Capital of Black Business Owners*, REV. BLACK POL. ECON., Spring 1988, at 34.

55. *Id.*

56. Kwong & Lum, *From Soul to Seoul, Koreans on 125th Street*, Village Voice, July 12, 1988, at 10, col. 1.

57. *Id.*

munity acquaint itself with the rules of the marketplace that restrict black entrepreneurship. Clint Bolick has pointed out how the "black codes" adopted throughout the South between 1865 and 1867 severely limited black entrepreneurial opportunities through excessive licensing and apprenticeship requirements.[58] The offspring of some of these barriers exist today, and they continue to restrict black entry into lucrative areas of the economy.

As an example, the taxicab industries in most major cities have successfully engineered protectionist legislation that effectively prevents thousands of potential entrepreneurs from starting businesses and making a living. In New York City, for instance, a "medallion" is necessary to operate a taxicab, and none have been issued since World War II. The market value of a transferable medallion is now one hundred thousand dollars or more, a price too steep for fledgling minority entrepreneurs.[59]

The exception to the taxicab industry rule, Washington, D. C., makes the point in an even stronger way. There the taxicab market provides open entry to all who can pass safety and insurance requirements and pay a twenty-five dollar annual fee. As a result, the industry provides substantial entry-level business opportunities for blacks and immigrants. Approximately ninety percent of all Wasbington cabs are owner-operated, seventy percent are owned by blacks, and fifty percent are operated by college students or those who have other employment.[60]

The day-care provider industry represents another market opportunity for low-income blacks that is not being fully realized because of regulatory excess. In many jurisdictions, a mother cannot set up a day-care center as a business unless she has a master's degree in early childhood education—no matter how many children of her own she has raised successfully.

Rules and regulations also penalize low-income people who are on public assistance but are struggling for independence. Welfare benefits are reduced dollar for dollar by the amount of any income they get from businesses they operate, yet they are not allowed to write off associated expenses.[61] Myriad restrictions also prevent welfare recipients from accumulating any assets. In some jurisdictions, benefits may be cut off entirely if the recipient is given an item valued at more than one thousand dollars.[62]

Building codes, zoning, and institutional certification provide other

58. C. BOLICK, *supra* note 8, at 99.
59. *Id.*
60. R. WOODSON, *supra* note 5, at 42.
61. *Id.*
62. *Id.*

examples of barriers to self-help. Thomas Dewar, a noted policy expert, has cited building codes and zoning laws as primary obstacles to neighborhood enterprise development. Dewar believes that the combination of the two have added more costs onto neighborhood enterprises than any other factor.[63] Developed primarily for new structures, these laws and codes do not easily accommodate adaptation of existing structures to new uses. Home-based enterprises, cottage industries, child care services, and community alternatives to institutionalized maintenance fall victim to these regulatory restrictions far too often. Community groups become overwhelmed with paper work, changing guidelines, and a parade of inspectors and various "officials." The resulting frustration, anger, and fatigue saps energy and deflates the enthusiasm so vital to self-help efforts.

The rules of the marketplace must be changed. France and England have changed their rules and achieved remarkable results. Both countries use maintenance funds, such as unemployment compensation, to attack unemployment directly by urging recipients to invest in job-creating businesses. France allows any citizen who is entitled to unemployment compensation to collect six months of benefits in a lump sum to invest in a business. This program, begun in October 1980, was responsible for some seventy-five thousand persons starting new companies. As of March 1983, between sixty to eighty percent of these businesses still survived. A pilot "Enterprise Allowance" program launched in England in 1982 proved to be equally successful in motivating individuals. Under this program, eligible unemployed persons may receive an allowance of sixty dollars a week while working at least thirty-six hours per week to establish a business. In addition, participants must invest the equivalent of 1500 dollars of their own money (it may be borrowed) in the new business.[64] The French and British approach to launching small, independent businesses fits snugly into a black community economic development agenda geared to creating new economic opportunities that take advantage of technology breakthroughs, fresh ideas, and expanded economic growth environments.

Massachusetts Institute of Technology economist David Birch has found that most new jobs are created by small, young firms and not by large, established corporations. Specifically, he found that from 1969 through 1976, eighty percent of new employment came from the creation of and expansion of businesses with fewer than five hundred employees and that independent businesses accounted for half of all

63. T. Dewar, Barriers to Self-Development, Paper presented at an American Enterprise Institute Conference (Dec. 1981) (source on file with Author).
64. R. Woodson, *supra* note 5, at 42.

employment.[65] These findings relate directly to the plan of action that should be followed to attack black underemployment. Under this plan, an increased rate of business formation within the black community would be a top priority.

The small firms that generate the most jobs are the most difficult to finance through conventional sources. Banks feel uncomfortable about them. The very spirit that gives them their vitality and job-creating powers is the same spirit that also makes them seemingly unpromising partners for public programs that place stringent limits on how much can be lent, who can be a borrower, and how the monies can be spent.

If the formation and expansion of new firms and new economic activity is the key to job creation in a community, then it follows that a development agenda must be designed to correct whatever depresses business start-up and expansion rates. The key, though not the only solution, is the availability of capital and, more particularly, risk capital. Risk capital is what an entrepreneur needs to meet payroll and operating expenses during the early life of the company. Risk capital, in short, can be used wisely or foolishly in the pursuit of dreams.

Limited amounts of capital for rigidly defined purposes funneled through people whose jobs depend on the avoidance of controversy is not the appropriate system for financing thousands of new, risky enterprises that eventually may pay off substantially. A system where a few public officials make blanket investment decisions is not needed. What is needed to finance these young firms is a system of private sector individuals, each possessing a different appetite for risk and reward, who will make entirely independent economic decisions. What is needed, in other words, is not an agency—but a market. The forces needed to create this kind of "risk capital market" are entrepreneurs willing to locate in areas of high unemployment and profit-seeking investors undaunted by the prospect of financing potentially risky companies. In these United States, there is an abundance of both.

Raising Risk Capital

In order to create the supply of risk capital needed by firms in areas of high unemployment, upper income citizens should be encouraged to invest their capital in people. One inducement sure to find favor would be to allow individuals who invest in these firms an income tax deduction equal to the amount of the investment in the same year the investment was made.

To ensure that this incentive is used to encourage investment in

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65. *Id.* at 34.

small new firms, rather than large ones, investors should be restricted to capitalizing firms with less than two million dollars in total net worth. The taxpayer should be limited to an annual deduction of one hundred thousand dollars. Thus, an investor who puts one hundred thousand dollars in a new health care company located in an appropriately designated community would be allowed a one hundred thousand dollar deduction on his tax return for the year. Depending on the tax bracket, the investor would reap a benefit over and above the potential profit from the investment. If only half of the estimated 145,000 black households whose annual earnings exceed 80,000 dollars were to take advantage of such a tax break by investing 5000 dollars in eligible companies, over 100 million dollars would flow into job-creating firms in inner-city areas.

Another source of capital would be the millions of dollars invested in the pension funds of predominantly black unions. A high-yield investment (though risky) coupled with a tax benefit might appeal to those who now invest in Florida orange groves and California boat marinas—businesses that do not promote black development.

Yet another source would be a portion of the three billion dollars that more than 150 black civic, religious, fraternal, and political organizations spend on conferences and conventions each year. If a goal was set to hold these annual meetings in black-run facilities, seed capital could be diverted to firms that could bring about the realization of more black-owned hotels, conference centers, attendant industries, and business support services.

Business Development Districts

The availability of risk capital, a scarce resource, would undoubtedly motivate many entrepreneurs to open businesses in nontraditional locations. Money alone, however, will not persuade the head of a promising new computer company to build a plant where crime and vandalism are rampant, employees are assaulted, and inventory is stolen. By the same token, a community will not be friendly to a new business activity that encroaches on residents and other businesses. The answer to this twin dilemma is the creation of an environment that allows businesses to flourish without disrupting community life.

In order to qualify for tax-favored financing, firms should be located in specially designated areas or business development districts similar to the enterprise zones proposed by the Reagan Administration and already adopted by several states. The districts should be located where there is an abundance of vacant and unused property (warehouse and industrial districts would meet this criterion). A ready work force is usually available because these areas are often located near neighborhoods where large numbers of unemployed people live.

With an increase in the supply of risk capital and the availability of safe and relatively inexpensive sites for plant location, new businesses should be attracted to areas that are now avoided. As the market for space in old industrial areas begins to grow, developers could convert old structures into "incubator facilities" to be shared by several growing companies. Within a few years, fifty to one hundred companies could be housed in centrally located structures within each business development district.

Many of the new firms, of course, would either fail or grow slowly. A few, however, would experience explosive growth and create hundreds of jobs. At the end of a three-year period, it is conceivable that thousands of new jobs might exist where once there had been none. Some of these new jobs would, undoubtedly, go to technicians and managers who live outside the immediate area. For entry-level workers, however, many companies could avail themselves of a "disadvantaged workers" tax credit to hire employees from the surrounding neighborhoods.

Nearby residential and commercial areas would benefit. Jobs in housing renovation and construction would increase because some workers would want to live near their jobs. Retail and service businesses (some started by low-income people with income maintenance funds) could capitalize on the purchasing power of employees of the business development district. A run-down area would start to take on new stability. New shops, improved housing, and other amenities would revitalize the district to the extent that other companies would be attracted to the area.

The existence of business development districts in cities throughout the country would encourage the start-up of thousands of new businesses. Many firms that would have failed from undercapitalization would now succeed, and many other companies that would have formerly located in suburban communities would now move to inner-city areas. The change would be small, perhaps as little as one percent of the six hundred thousand new firms formed in the United States each year. But in absolute terms, the shift would be enormous. Year in and year out, firms that might not have been formed, might have failed, or might have located elsewhere, would now be a part of organized business development districts. Money pouring into risk capital pools geared to finance these firms could reach two hundred million dollars annually, a mere two percent of the total now diverted solely for tax avoidance schemes.[66] Some new firms, many black, would grow rapidly.

66. *Id.* at 40.

At the end of ten years, more than sixty thousand firms and three million workers could be located in these development districts.

Hiring and Training Workers

Residents of neighborhoods adjacent to business development districts would be the immediate beneficiaries of such a surge in economic activity. To ensure this goal, incentives that would make it attractive for growing firms to hire and train inexperienced workers should be implemented.

One segment of the population that should be targeted is the large pool of untrained, young black workers—a powerhouse of untapped labor. Despite the fact that most workers are trained on the job, many employers refuse to hire unskilled black youths because they are perceived as too great an investment risk. This prevailing attitude is underscored by the staggeringly high percentage of willing-to-work black youths who have not been assimilated into the country's labor market.

Too many employers (black and white) believe that black youngsters from inner-city neighborhoods are poor investment risks because (it is perceived) their work habits, attitudes, and inadequate education make it unlikely that a training investment will pay off. In many cases, this thinking represents pure racism. Unless an employer's fears can be overcome, however, black youngsters will have great difficulty securing jobs that have been created, literally, in their own backyards.

Recent enterprise zone proposals contained incentives that would be useful in overcoming this problem. The proposals would have given employers a tax credit for hiring disadvantaged workers that starts at fifty percent and declines to zero at the end of seven years. An employer who paid an eligible worker ten thousand dollars the first year of employment would be able to reduce his federal tax by five thousand dollars.[67] For many new small companies, this approach has obvious benefits. This incentive would also prove beneficial to struggling young companies if the tax credit could be sold or carried forward and applied to a later tax liability.

Companies could use the tax credit in yet another way. Savings resulting from the tax credit could be used to buy the recruitment, screening, and support services of local community organizations that, demonstrably, can reduce hiring mistakes, and supply disadvantaged workers with much needed support. These strategies should both increase the number of growth-oriented firms in underdeveloped cities and swell the number of young, undereducated employees in the Nation's work force.

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67. *Id.* at 41.

The adoption of these proposals would trigger a series of events that could set in motion the mechanisms needed to make this plan successful. Accounting, law, and investment banking firms would begin to devise ways in which their high-income clients could invest in business development districts in order to take advantage of the new tax deduction. Investment partnerships would be formed to attract capital to finance companies that investment banking firms and venture capital firms found attractive. Companies such as Merrill Lynch would send a prospectus to investors showing them how they might reduce taxes, profit from investment, and, at the same time, help decrease unemployment. Mayors and other city officials could act quickly in designating business development districts because there would be a significant outlay of public monies. Entrepreneurial risks and exploited opportunities will make this plan work.

Public schools also fit into this economic development equation. In most inner-city areas, these schools are the only remaining institution representing substantial public investment. Judging by the undereducated product, the "client" mentality they foster, and the boredom and despair that are all too evident in their hallways, it would seem that local schools could renew themselves by developing their capacities to renew community productivity.

I agree with John McKnight when he writes that the central defect of our schools is "the disconnection between the world of education and the world of work." The schools could become a powerful resource as development centers for regenerating neighborhood economies—teacher, staff, and student capacities could be primarily directed at neighborhood revitalization in all its aspects. The time for this kind of experimentation is now. Helping the poor help themselves has been my general theme. The poor have needs beyond food, clothing, and shelter. They must overcome the crises of spirit brought on by institutional representatives who, in so many words, constantly shout at them: "You are too downtrodden and beleagnered to institute anything on your behalf, and, therefore, you must be saved from yourself."

The truth is that people are motivated to improve their lives based on images of victories that are possible. The irony is that community people outside the welfare bureaucracy have conceived and run successful self-help programs that would represent these images. These programs are either unknown or rejected by professional people "responsible" for developing programs for the poor. The restrictive "you can't do this, you can't do that" public policies of today are resounding failures that have exacerbated the problem—not solved it.

Economic development, social development, political development, and yes, human development, all begin with a belief that it is possible.