THE "BLACK ECONOMIC SELF-HELP" SOLUTION: ADVANCING A PRACTICABLE APPROACH TO COMMUNITY ECONOMIC DEVELOPMENT

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Hold fast to dreams, my son,
For if dreams die
Life is a broken-winged bird
that cannot fly . . .

Langston Hughes

Dreams

INTRODUCTION

For poor blacks, the American dream has turned out to be the American nightmare as many factors converge to make economic survival extremely difficult.1 Structural changes in the economy and technological automation have disproportionately affected blacks who are concentrated in low-skill jobs.2 For example, the smokestack industries (automobiles, steel, rubber) have been adversely affected by industrial economic changes resulting in massive layoffs of workers.3 Moreover, blacks seem only to be accommodated after whites have jobs and are the last hired and the first fired in times of economic dislocation.4 Concurrently, blacks continue to be largely excluded from many trades and occupations.5 Consequently, permanent unemployment and underemployment have become a way of life for many in black America.6 While the official unemployment rate of black people stands at 12%, more than twice the rate of white unemployment, many more go uncounted because they are "discouraged workers" who have stopped looking for work7 or have never looked for work. In order to support themselves many rely on public assistance and/or work in the underground economy. Others resort to criminal activity8 such as selling drugs or prostitution. William Julius Wilson uses the term "underclass" to describe this reality not captured by the standard designation, "lower class."9 This seemingly permanent underclass is the group left behind as most of the more economically stable middle and working class blacks have left the inner-city ghetto.10

The persistent problems of the poor black "underclass" and the failure of social programs to remedy these problems prompt the call for black economic self-help from across the political spectrum. "Black economic self-help" encompasses the somewhat amorphous concept of black people empowering themselves through economic means. Both liberal and conservative approaches to black poverty constitute the background of the contemporary black economic self-help

† B.A. 1990, University of Michigan; J.D. 1994, University of Pennsylvania. I thank Professor Regina Austin for the opportunity to work as her research assistant and a student in her classes, where I developed the ideas for this article. I also am most appreciative of the following editors: Cecil R. House, Esq., Jeff Richman, Erin Raccah, and all of the editors at Hybrid.

(43)
solution.

The liberal approach argues that restricted opportunities and social circumstances that reflect one's class position create cultural values and behavioral norms. Therefore, behavioral norms of the black poor are merely a symptom of class and racial inequality that would improve with increased economic opportunity. The liberal approach has dominated federal policy since the 1960s, including the War on Poverty that was designed to increase opportunity for poor people.

The conservative approach is based in the premise that interplay among culture, family, and individual character is the primary cause of poverty. This argument further claims that liberal social policies have exacerbated, not improved, inner-city problems. Conservatives argue that once poverty emerges it perpetuates itself through basic attitudes and values absorbed by the children. For example, children of welfare-dependant parents will tend to lack work ethic, ambition, and personal responsibility. According to this view, inner-city residents must engage in self-help efforts to change their self-destructive behavior patterns in order to advance in society.

The concept of self-help has emerged as the latest approach in dealing with the problems faced by the black poor in the 1990s. Self-help arguments, however, have been prominent in public discussion since the 1970s, when liberals were faced with increasingly catastrophic inner-city problems under their leadership. For instance, liberal welfare programs have been blamed for fostering dependence, out-of-wedlock births, and unemployment.

Although an apparent consensus has now been reached that black economic self-help is a viable solution to the problems of the black poor, no consensus has emerged as to what form this economic self-help should take. In this article I will argue that there are essentially three approaches to black economic self-help with greatly varying degrees of effectiveness. The approaches are the entrepreneurial approach, the behavioral modification approach, and the cooperative economic approach. After detailing these approaches, I will argue that the entrepreneurial approach and the behavior modification approach are inadequate on several grounds and that the cooperative economic approach is the most effective means for addressing the problems of the black poor. For the purposes of this Article, I consider primarily the urban poor black neighborhoods as a distinct community that shares common social, economic, geographic, and political constraints. This community lives, dies, survives, and pursues freedom through interaction and engagement among its members.

I. THE ENTREPRENEURIAL APPROACH

The most popular self-help concept is the entrepreneurial approach that envisions individual black entrepreneurs starting businesses in the black community within the capitalist economic structure. In theory, entrepreneurship enables black Americans to create wealth and to build institutions controlled by blacks that can
contribute to the welfare of the larger black community in several ways. For example, black entrepreneurs could help to revitalize deteriorating neighborhoods by investing in the area and supporting black institutions and organizations. Black entrepreneurs could also provide employment opportunities in black communities where there is a high rate of unemployment.

Indeed, entrepreneurship is the cornerstone of the American economy because small businesses create the majority of new jobs. In that connection, black entrepreneurship is widely hailed as a solution to the problems of the depressed inner-city; it presumably could create an economic/employment base in the increasingly depressed black neighborhoods. Under this theory, the scarcity of black-owned businesses contributes to black unemployment because few jobs are created in black neighborhoods. Jobs that are created by other ethnic groups operating small businesses in these neighborhoods generally go to the relatives of the owners. Entrepreneurial approach advocates view entrepreneurship as the most viable alternative for improving the desperate status of the black poor. John Silbey Butler in his comprehensive work, *Entrepreneurship and Self-Help Among Black Americans,* argues that small-scale enterprises within the black community prevent poor people from falling to the bottom despite lacking the skills and/or education required to compete in the mainstream economy. For example, in Tunica, Mississippi, Peggie Henderson’s family started a business involving videocassette duplication and chemical cleaner distribution. Henderson says that, "[t]he only way the conditions of black people will improve is for us to provide jobs for ourselves. I think it’s going to get worse as far as white people hiring blacks, unless we are super, super people." Professor Regina Austin takes the view that while small informal enterprises are not the general solution to poverty, because of difficulties with expanding and strengthening such enterprises, these enterprises should receive the financial and technical support that would enable them to overcome obstacles and grow into larger enterprises. The Henderson example of a black enterprise fulfilling the employment needs of the black community reflects the entrepreneurial advocates’ general belief that poorer blacks must look to entrepreneurship to provide their own opportunities.

A. Problematic Assumptions of the Entrepreneurial Approach

The entrepreneurial approach makes several significant assumptions about black entrepreneurs, many of which are not supported by the facts. First, the assumption that entrepreneurship and business in a free market, capitalist system is the most effective alternative for empowering the black community is problematic initially because of the present status of blacks. Many blacks simply are not faring well under the capitalist system. Approximately 30% of black Americans continue to live below the poverty level. Underemployment, unemployment, crime and poverty have taken on a permanence in many black communities.
Manning Marable in *How Capitalism Underdeveloped Black America* argues that black Americans' reliance on capitalism is misguided because it operates on the assumption that American capitalism is not inherently racist and that a few black capitalists can improve the condition of black America. Marable contends that the few black capitalists instead serve to legitimize the capitalist system by demonstrating that blacks can succeed within it. Accordingly, the black entrepreneur operates only for the profits derived in part from the exploitation of the black community. Marable advocates a radical break with capitalism, which he views as the principle agency of black underdevelopment. Although Marable's characterization of black entrepreneurs as exploitative capitalists seems highly critical, its truth is exemplified in some cases.

For example, in Atlanta, twenty-one individual blacks have become millionaires in part through minority set-asides for city government sub-contracts. At the same time, black poor neighborhoods in Atlanta remain among the most impoverished and crime ridden in the nation. Atlanta and other cities that have considerable black business ownership demonstrate that even large-scale black entrepreneurial activity fails to affect the lives of the black poor. Entrepreneurial initiative, however, has benefitted middle and upper-middle class blacks, who because of education, skills, and greater access to capital are in the position to take advantage of business opportunities. The discriminatory allocation of capital and credit reinforces the marginal position of blacks within the capitalist system. This discrimination excludes many blacks from equal participation in the capitalist system via entrepreneurship. Many recent studies demonstrate that blacks are discriminated against when attempting to secure capital to engage in economic ventures. For example, the 1992 Report by the U.S. Commission on Minority Business Development concluded that lack of access to capital was one of the most difficult obstacles to minority economic development. Similarly, the Federal Reserve Board has announced that blacks' mortgage applications are rejected at twice the rate of whites' applications. Finally, the *Review of Black Political Economy* reported that while whites enjoy a 90% success rate in securing business loans from commercial banks, blacks with identical credentials had only a 66% success rate.

Discrimination also plays a significant role in precluding blacks from equal participation in the free market because of the view that black-owned businesses produce sub-standard goods and services. Two-thirds of 500 black business owners surveyed by the Roper Organization said that public attitudes about black business competency was a major concern. This negative perception significantly handicaps black business.

Like negative attitudes, institutional discrimination, as reflected by regulatory requirements, disproportionately hinders black entrepreneurial initiative. Although regulations in theory are applied evenly, they have a devastating effect on blacks who have been long excluded from many fields. Blacks were unable to influence regulations that favor existing businesses. Further, they...
also lack the experience of dealing with regulatory hurdles. For example, building codes and zoning laws add daunting costs to new black-owned enterprises that are usually located in less-expensive, older buildings. In addition, excessive paperwork, inspections, and guidelines frustrate entrepreneurial initiative.

Protectionist legislation results disproportionately in black exclusion from many fields. For instance, New York City tightly restricts the number of medallion cab licenses. These restrictions have driven the price of a license above $100,000, thereby excluding most blacks from this field. Similarly, the excessive requirement of a master's degree in education excludes the large numbers of black women who are capable of providing quality child care for children. Furthermore, public assistance recipients are discouraged from engaging in any business activity because their benefits would be reduced.

Another significant obstacle to the entrepreneurial approach is that well-educated and highly-skilled black people who could operate larger enterprises that would produce jobs are unlikely to choose an entrepreneurial career. Well-known entrepreneur Joshua Smith says that talented black business people tend to be corporate executives unlikely to take the risk that entrepreneurship requires. They are locked into their standard of living and do not want to lose the relatively secure living. Moreover, many black MBAs, lawyers, and others with education, experience, and access to capital view owning a small business as an undesirable option compared to the positions that can be found within corporate America or the government. Consequently, most blacks with education and experience work for corporate America or government and the vast majority of blacks who do start business ventures are those lacking education, access to capital, and business expertise. Their businesses are generally marginal. The perception that black-owned businesses are marginal becomes a reality as those potential entrepreneurs, who could secure access to capital and credit, are discouraged from economic ventures. Consider, however, that the negative view toward entrepreneurship by the black middle class may be changing, as a new generation of black professionals are facing the same "glass ceilings" faced by their predecessors. This group of capable dissatisfied professionals is where significant business ownership gains might be made in the future. Even if more able blacks do choose to pursue entrepreneurial ventures and can successfully compete in the capitalist system, there remains the question: what incentives do these entrepreneurs have to assist poor blacks?

B. Accountability Problem of the Entrepreneurial Approach

Entrepreneurial approach advocates fail to consider how and whether black entrepreneurs would be obligated to assist blacks who are less well off. An implicit assumption of those advocating the entrepreneurial approach is that black entrepreneurs will assist less affluent blacks through their businesses as part of a collective effort to advance the community.
However, there is simply no support for this assumption. To the contrary, in the capitalist system entrepreneurs are in business essentially to make a profit, not necessarily to advance their collective communities.\textsuperscript{55} Although black entrepreneurs may be supportive of their communities, there is no reason to believe that they are any different than other capitalists with respect to profit motivation. In the absence of some mechanism to secure the accountability of black entrepreneurs to the black community, the entrepreneurial approach will be ineffective as a means to improve the lives of the impoverished black community.

The entrepreneurial approach also assumes that black entrepreneurs’ enterprises would be large enough to employ people and that the entrepreneurs would be inclined to locate in black neighborhoods. This assumption fails to consider that over 80% of black businesses are marginal and employ no one.\textsuperscript{56} In fact, while blacks constitute approximately 12% of the population, blacks only own 2.4% of the businesses and receive only 1.5% of the gross receipts.\textsuperscript{57} To address this concern many economic self-help advocates urge more educated blacks with greater resources to start larger businesses.\textsuperscript{58} This suggestion ignores the additional concern that even highly-educated blacks who could possibly employ people are unlikely to start a business in a depressed area for many of the same reasons that other businesses will not invest: high crime rates and the high cost of security, inability to secure loans and insurance, an undereducated and unskilled labor force, and a relatively low-income market.\textsuperscript{59}

Entrepreneurial approach advocates also assume that black businesses would hire the unemployed people in the black community.\textsuperscript{60} In fact, many of those who are unemployed would probably not be hired by a new wave of black entrepreneurs starting larger businesses.\textsuperscript{61} The reason is that the new ventures that could employ people presumably would be skilled service providers and wholesale businesses.\textsuperscript{62} These types of enterprises, unlike small retail concerns that presently make up the bulk of black businesses, require a skilled work force in order to operate effectively.\textsuperscript{63} In fact, an estimated 25% of black unemployed workers have not completed high school.\textsuperscript{64} In many black urban neighborhoods the high school dropout rate approaches 50%. In addition, an estimated 44% of black seventeen year-olds are functionally illiterate, making them unprepared to pursue skilled employment.\textsuperscript{65} In short, black entrepreneurs are ill-suited to provide the comprehensive education, training, and development programs that under-educated and unskilled people require in order to become employable.

II. THE BEHAVIOR MODIFICATION APPROACH

The behavior modification approach to economic self-help focuses on modifying the behavior of the black poor. This approach is based on a conservative view that blames self-destructive inner-city behavior, values, and attitudes for the problems of the black poor.\textsuperscript{66} Roy Brooks explains this view in his recent work, \textit{Rethinking the American...
Race Problem:

When one pulls this evidence together, it becomes clear that it is the force underlying these conditions—a proclivity toward a pattern of dysfunction and self-destruction, manifested in particular behaviors, value systems, and attitudes—that fundamentally distinguishes underclass African American communities from other poor communities in America.67

Brooks attributes dysfunctional black lifestyle to "racial sensibility," an insidious cultural disease that manifests itself through criminal behavior, dropping out of school, drug activity, welfare dependency, and a general inability to function within the white dominated society.68 Charles Murray's work, Losing Ground69 provides the philosophical basis of this approach. Murray argues that changing rewards and penalties for the poor will compel constructive changes in behavior.70 Murray theorizes that the high level of state Aid to Families with Dependant Children (AFDC) has created an incentive to be unemployed. Accordingly, a reduction in the level of AFDC payments would create a new incentive to become employed.71

Some black leaders concede that self-destructive behavior patterns are one of the problems affecting poor black communities. For instance, Eleanor Holmes Norton calls for restoring the traditional black family and laments the destructive, self-perpetuating, and predatory ghetto culture.72 Others such as Samuel Proctor, civil rights veteran and minister emeritus of Harlem's Abyssinian Baptist Church, believe that a poor and violent underclass will "grow like cancer," producing "losers who are destroying our schools . . . who are unprepared and whose communities are morally bankrupt."73 Even longtime self-help advocate Louis Farrakhan believes that "we as a people are sick" and that because of the degeneration of slavery, we consequently suffer from a "welfare mentality."74

Since behavior modification approach advocates generally believe that defective behavior and attitudes, more than lack of opportunity, are the cause of the problems of the black poor, they focus on promoting hard work and discipline. For instance, Shelby Steel's The Content of Our Character: A New Vision of Race in America, calls for blacks to stop assuming the role of victims and instead assume responsibility for improving their lives.75 He bases his position on the assumption that while racism is still a problem, blacks can overcome it through individual initiative and hard work. Similarly, Roy Brooks acknowledges that racial discrimination and lack of opportunity are problems but views black self-help as the only alternative as long as the government fails to use civil rights laws and policies to eliminate discrimination.76 Typical of behavior modification approach advocates, Brooks bases his proposed solution on transmitting the values of hard work and discipline through role models.77

A. The Brooks Plan

The Brooks plan envisions a voluntary, non-profit program in which middle-class
blacks serve as role models for poor blacks.\textsuperscript{78} It is essentially an adopt-a-family program that focuses on black middle-class coaching and instruction in three main areas: (1) behavior, values, and attitudes necessary for successful living; (2) information about educational and employment opportunities; and (3) teaching racial survival skills that can help poor blacks overcome psychological problems that lead to dysfunctional behavior.\textsuperscript{79}

According to Brooks, both middle-class blacks and poor blacks would be compelled to support such a program. Middle-class blacks would be motivated by self interest — protecting their neighborhoods from potential crime committed by poor blacks as well as changing the negative images of blacks associated with black crime.\textsuperscript{80} Most importantly, middle-class blacks would be motivated to assist poorer blacks by "racial kinship."\textsuperscript{81} In the same way, poor blacks would be willing to allow a "brother" or "sister" into their lives to "teach" them based on "racial kinship."\textsuperscript{82}

The Brooks approach relies on several problematic assumptions. First, it is unclear whether middle-class black people possess the skills necessary to successfully teach poor blacks positive values, proper budgeting, and job location skills. In fact, values do not necessarily correlate with class. Some middle class blacks may have difficulty budgeting properly and may have had difficulty finding employment themselves. In addition, poor blacks' immediate concerns for basic survival under adverse conditions may make middle-class values impractical. For instance, if poor black children cannot even attend school without concerns about their hunger and physical safety, then how are they supposed to concentrate on their studies and prepare for their middle-class futures? Poor blacks are more likely to have a better knowledge of how to survive in their situation than middle-class blacks who live under vastly different circumstances.

The second problematic assumption is that the black middle-class and poor blacks would participate in such a program.\textsuperscript{83} Middle-class blacks are unlikely to support such a difficult undertaking merely based on collective good or "racial kinship" as Brooks suggests. Middle-class blacks have career and family responsibilities that would make the demands of adopting a family unworkable for many. Further, middle-class blacks are unlikely to be motivated by either the poor image problem associated with black crime or the fear that poor blacks will commit crimes in their neighborhoods. Most middle-class blacks simply do not associate themselves with the negative images of black crime problems. In fact, the popular images may make some blacks resentful toward poor blacks for creating such a perception in the first place. Similarly, the fear that crime from poor black areas will spill over into middle-class areas is also unlikely to be a motivating factor because of the black middle-class exodus to suburbs.

The third problem with this approach is that poor blacks are unlikely to accept such assistance from their more affluent counterparts because of its inherent paternalism and their negative view of middle-class blacks.\textsuperscript{84} This program is based on middle-class parenting of other
adults, an arrangement that most poor people would probably find offensive. Moreover, poor blacks are sometimes suspicious and resentful of middle-class blacks whom they may view as having sold out to white America or as trying to be white. At best, poor blacks view middle-class blacks as being "out of touch" with the realities of the inner-city and unable to relate to their problems.

B. General Problems with the Behavior Modification Approach

Generally the behavior modification approach is flawed on two grounds. First, this approach reflects a contempt for poor blacks that attributes poverty to moral degeneracy and lack of family values rather than structural, economic, and social causes. In fact, such an assessment of poor blacks as inherently defective people is closely akin to the traditionally racist assumptions about all black people.

A second flaw with the behavioral defect premise is that it conveniently allows the government to abdicate responsibility for improving the lives of its citizens. This approach dominated recent Republican administrations that relied on advocating behavior modification as the primary solution to combating unemployment and its byproducts — poverty, crime, and drugs — instead of focusing on real development programs. An economic self-help approach based on behavior modification has limited utility in combating these formidable social problems because it puts forth essentially paternalistic rhetoric in the place of real development initiatives. An effective black economic self-help approach must focus on tangible initiatives that can actively work to improve the lives of the black poor. A more workable behavioral model must move beyond traditional adult-centered, middle-class role modeling and take a new approach. For instance, peer role-modeling instead of middle-class role-modeling might be more effective. Peer role-modeling operates on the premise that most inner-city youth look to their peers rather than parents or middle-class adults for determining appropriate behavior. Because this approach focuses on peers it avoids most of the problems mentioned above which are associated with middle-class role-modeling.

III. TOWARD A COOPERATIVE ECONOMIC APPROACH TO BLACK SELF-HELP

The cooperative economic approach responds to this need for tangible initiatives
that can actively work to improve poor black communities. Cooperative economics generally involves black communities pooling their resources through community institutions to undertake economic initiatives that will benefit the larger community.91

A. The Kunjufu Approach

Jawanza Kunjufu’s work, *Black Economics: Solutions for Economic and Community Empowerment*, exemplifies a traditional socialist or nationalist cooperative economic approach. Kunjufu explores the pooling of economic resources for black economic empowerment and rejects the traditional capitalist organization in which the work is done cooperatively but the individual owner of the capital receives all profit.92 While Kunjufu acknowledges that black-owned businesses should work to make a profit in order to compel economic growth, he believes that the profit should be used for the collective good of the black community.93 Moreover, the primary focus of economic self-help should be to employ black people and eliminate the economic disparity within the black community, not for individuals to make profits.94 Consistent with this approach to cooperative economics, Kunjufu emphasizes collective efforts made by the black community.95 He supports a proposal to have black organizations save the $3 billion that is spent each year on white-owned hotels and use the money to build a network of black-owned hotels.96 Similarly, Kunjufu proposes that all blacks contribute one dollar to the Black United Front, that, in theory, would then invest the money back into black economic concerns.97 To enforce a collective economic approach Kunjufu proposes that black-owned banks, churches, and even entertainers be held accountable through disclosure to the black community detailing where they invest their money.98

Kunjufu’s proposal to hold black-owned banks, churches, and entertainers accountable is potentially feasible as there are currently in place mechanisms which could compel accountability. For example, the NAACP’s Operation Fair Share already targets specific firms and industries to achieve Fair Share goals for black access to jobs, set-aside and procurement programs, senior management positions, and board representation.99 Firms that resist Fair Share efforts are subject to a withdrawal of black patronage of their firms’ products.100 Similar mechanisms of accountability could be developed to target those black institutions and entertainers who derive significant support from the black community.

However, Kunjufu’s cooperative economic approach, as it relates to profits, is problematic because of its heavy reliance on black altruism. While black businesses may be compelled to give back to the black community in the form of financial assistance, scholarships, and employment, they are unlikely to support contributing all of their profits to the community. Profits are first and foremost what motivates people to engage in entrepreneurial ventures in a capitalist system.101 A removal of this incentive would mark a fundamental departure from capitalism and would
probably discourage most blacks from pursuing such ventures.\textsuperscript{102}

**B. The Organizational Approach to Cooperative Economics**

An organizational approach to cooperative economics relies on organizations designed and structured to advance the community.\textsuperscript{103} Accountability is more easily compelled in community institutions that are non-profit\textsuperscript{104} (e.g., churches), community owned, and/or government subsidized (e.g., community development corporations). The structure of community institutions enables the economic benefits of cooperative efforts to be spread throughout the community.\textsuperscript{105} Benefits are in the form of new services and opportunities such as job training or low-income housing, designed to improve the community.

Similarly, institutions such as community banks that are not specifically structured for community advancement,\textsuperscript{106} but hold themselves out as having that purpose, can be held accountable to the black community. This can be accomplished through accountability mechanisms such as the NAACP or new organizations designed specifically to monitor community institutions similar to the National Community Reinvestment Coalition, which effectively monitors banks’ lending rates to blacks as a group and to black neighborhoods.\textsuperscript{107} For example, in 1988, black churches in Atlanta, after discovering that white-owned banks were discriminating against blacks, launched an organized campaign among the churches to withdraw their money from these banks and redeposit the money into black-owned banks.\textsuperscript{108}

Besides having the advantage of compelling accountability to the community, the organizational approach affords black people, historically excluded from capitalist participation, the opportunity to utilize and work within the capitalist system to advance their communities. Where individual black initiatives are frequently frustrated by a system that requires substantial resources in order to advance economic interest, pooling resources (private and government) enables the community to initiate and implement collective economic ventures.\textsuperscript{109} While capitalism usually results in exploitation of the group by the individual capitalist, this approach focuses on group or community advancement.

The organizational approach to cooperative economics forgoes the enormous task of attempting to change the capitalist system. Instead, it accepts the system as it is and seeks to utilize the system to poor peoples’ advantage. Attempts to change the system quickly exhaust scarce resources that could be better spent facilitating development within the existing system. Moreover, because capitalism is the very foundation of American society, such radical efforts are virtually futile. Consequently, working within the system is the best way to utilize the scarce resources available for black community development.

In essence, the organizational approach is a community based approach that focuses directly on the problems of the black community and empowers the community...
members through direct involvement in efforts to improve their lives. This approach enables the community to make things happen instead of waiting for things to happen to it.\textsuperscript{110} For instance, black churches that community residents control and that respond to the social and economic problems of the community with affirmative planning and implementation of projects empower the community to take control of its destiny.

1. Today’s Black Churches

Since the finances of black churches are tied to the class of the members, many black churches are not significant economic institutions.\textsuperscript{111} However, many large black churches are a viable source of economic initiative and capital in the black community.\textsuperscript{112} For example, Baltimore’s Bethel A.M.E. Church functions as a sort of multifaceted economic institution typical of many large black churches.\textsuperscript{113} Bethel, with a $600,000 budget, operates a bookstore, a thrift shop, a library, a food co-op, a scholarship program, an in-school tutoring program, and an employment agency.\textsuperscript{114} Moreover, Bethel operates a credit union typical of many credit unions that thrive today in black communities.\textsuperscript{115} Bethel’s credit union has 600 members, operates a payroll deduction program for savings, runs a mutual fund program, and offers classes focusing on investing, planning and budgeting.\textsuperscript{116} Similarly, the United House of Prayer for All People has launched a major low-to-moderate income housing development program and also has provided capital for small businesses located in the new developments.\textsuperscript{117} This church, in partnership with the federal government, has invested millions to build housing developments in Charlotte and New Haven.\textsuperscript{118} Black managers, contractors, support personnel, and blacks who require affordable housing all benefit from this initiative.\textsuperscript{119} Many other black churches also focus investment in real estate. For instance, Reverend Willie Wilson’s 900-member Union Temple Baptist Church has accumulated real estate valued at over $3 million over the last ten years.\textsuperscript{120}

The data strongly indicates that black churches are the most important economic institutions in the black community.\textsuperscript{121} Black churches have a membership of 20 million, weekly collections of $10 million, and an aggregate value of about $10.2 billion.\textsuperscript{122} An alliance of the seven largest black denominations formed the Congress of National Black Churches (CNBC) to facilitate black economic parity.\textsuperscript{123} The CNBC has established a national banking and cash management collective that works with black banks and other black businesses.\textsuperscript{124} Six of the thirty-four planned management centers have already opened to facilitate new businesses and employment through cooperative efforts with local entrepreneurs.\textsuperscript{125} Another cooperative church-based venture, Leaders Energizing Community Development (LEND), was founded in 1983 with similar economic self-help goals and has established church-based credit unions in six metropolitan areas.\textsuperscript{126} LEND further facilitates economic self-help by offering interest-free matching funds, management training, and technical assistance.\textsuperscript{127}
2. Other Cooperative Government Partnerships

Reverend Leon Sullivan's Opportunities Industrialization Centers (OICs) and its investment subsidiary, Zion Investment Corporation (ZIC), were established in 1964 to facilitate job training and community economic development.\(^{28}\) To date, OIC has trained over 640,000 workers (79% now employed) and has a staff of 5,000 operating a comprehensive training program.\(^{129}\) OIC's $100 million dollar operating budget is funded by state and local governments, the Department of Labor, Commerce and Education, as well as foundations and individual contributors.\(^{130}\) ZIC has also become a national force by selling shares for capital and investing in entrepreneurial ventures.\(^{131}\) ZIC now owns shopping centers, large real estate developments, and an aerospace plant.\(^{132}\) Like the job training centers and investment companies, Resident Management Corporations (RMCs) have proven to be fruitful public and private partnerships. The RMC model is based on the empowerment of residents to improve the quality of life in their development. Elected resident representatives manage fiscal issues, rent collection, job training programs, family counseling, health care, tutoring programs, and other day-to-day operations. RMC's have transformed crime ridden neighborhoods by creating jobs, facilitating entrepreneurial ventures, and reducing crime. According to Professor Woodson the key ingredients for RMC success are: (1) the residents accurately assess their resources and capacities; (2) residents focus on producing what was formerly imported such as food, clothing, maintenance, construction and health care; (3) public money is converted from maintaining decay to investment capital; and (4) residents move from a client perspective to a productive one.\(^{133}\)

3. Community Banks

Community development banks are cooperative institutions that assist in facilitating black economic self-help efforts by providing capital.\(^{134}\) The evidence suggests that newer black banks, started after 1963, are active in community economic development,\(^{135}\) while older black banks tend to be less likely to finance community economic development efforts. Unfortunately, many black-owned banks do not invest in the community, opting instead to focus their black depositors' money outside the community in mutual funds and other investments. These banks are not community development banks according to my analysis because they do not facilitate community development.

South Shore Bank demonstrates the preeminent importance of neighborhood access to capital to the revitalization of urban neighborhoods.\(^{135}\) South Shore Bank is a committed community development bank which has intervened to save Chicago's declining South Shore neighborhood by facilitating entrepreneurial efforts ranging from the rehabilitation of thousands of apartments to the establishment of shopping centers.\(^{137}\) South Shore was founded by a group interested in salvaging the deteriorating neighborhood.\(^{135}\) It acquired the bank from its owners who were
fleeing the neighborhood during "white flight." To facilitate direct investment, South Shore Bank set up a holding company which invested in real estate and established a neighborhood institute to secure government grants for development projects. Their strategy has been to rehabilitate the largest building on the block while encouraging others to rehabilitate smaller structures with bank loans. The bank carefully chooses projects which it knows can succeed, then it works closely with borrowers to insure that ventures do succeed.

In fact, South Shore Bank has become a model for President Clinton's proposal to establish a national network of community development banks to provide capital to depressed neighborhoods underserved by traditional banks. This type of public and private partnership in community banks is the most feasible initiative for expansion of the community banking concept throughout urban America. Carefully directed government involvement can provide the capital base and structure for banks that will facilitate economic growth in these areas. The Community Reinvestment Act (CRA), which had largely been ineffective in facilitating lending in black neighborhoods, is rapidly become a potent weapon. Recent mortgage studies demonstrating racial disparities regardless of income give community groups evidence to support their claim of discrimination. In addition, new banking provisions require grading and review of banks' lending practices, including CRA ratings, before mergers and acquisitions can be approved. Community groups can threaten to hold up a merger if banks fail to make lending commitments. The CRA represents an important weapon for black cooperative economic efforts in their quest for capital.

4. Community Development Credit Unions (CDCUs)

Like community banks, community development credit unions (CDCUs) are cooperative institutions that actively facilitate neighborhood economic development. CDCUs are initially funded either exclusively by member deposits or by soliciting non-member deposits (from churches, government, and foundations). The boards of directors of CDCUs generally are controlled by their neighborhood-based members. The members' (depositors') money is reinvested in the community in various forms, including real estate loans, educational loans, home improvement loans, lines of credit, and organizational loans. For instance, Union Settlement Federal Credit Union in East Harlem has invested approximately 90% of its assets in loans within East Harlem. Presently, there are some 400 CDCUs across the country.

5. Community Development Corporations

Community Development Corporations (CDCs), like community CDCUs, are effective community-based institutions. They serve as the institutional base for coordinating and facilitating community economic revitalization efforts. CDCs have become prominent over the last two
decades as a comprehensive way of enabling low-income communities to invest in their own development. Between 1960 and 1975, 100 CDCs were formed. After 1975, 500-700 CDCs were formed; presently there are between 1000 and 2000 CDCs operating. CDCs integrate comprehensive economic development planning with actual implementation and project development. They are run by a board of directors comprised primarily of community residents, but the local participation is supplemented by organizations and individuals with special expertise. CDCs offer community residents the opportunity to develop business and leadership skills and to actively participate in the collective economic development of their communities. Funding sources of CDCs are diverse and include the federal and state governments, foundations, private industry, and community organizations.

CDCs are involved in a wide range of development efforts including: housing development, commercial development, business financing and technical assistance, child care centers, job training and placement, and facilitating the development of other institutions such as credit unions and loan funds. For example, Eastside Community Investment has developed an industrial park and small-business development center in Indianapolis that provides 310 jobs. Similarly, the Community Development Corporation of Kansas City is developing a 150,000 square foot shopping center that will not only provide greatly needed services, but also an estimated 150 jobs for local residents.

CDCs are also actively involved in advocating for improved infrastructure (water, sewer and business space), housing, social services, health care, and access to capital and credit.

C. Disadvantages of The Organizational Approach

Like the behavior modification approach and the entrepreneurial approach, the organizational approach has potential disadvantages as an approach to black self-help. One primary criticism of the organizational approach is that it is based on the collective efforts of poor people who lack the business acumen, knowledge, and discipline required to be effective community development leaders. However, the success of the development banks, CDCUs, CDCs and black churches that utilize the organizational approach contradicts this view. Community residents empowered through cooperative institutions have effectively implemented change in their communities. In fact, cooperative institutions seek out business and technical expertise by either supplementing their boards, by appointing those with technical expertise, or by taking advantage of government and private technical assistance programs.

Another major criticism is that cooperative institutions do not possess sufficient capital to effectuate substantive economic change in the black community. While it is true that some cooperative institutions are not economically significant, such as poor black churches, many cooperative institutions are quite significant.
and are effectively developing communities. As discussed above, the larger black churches are economically significant institutions with $10 million in weekly contributions and aggregate value of $10.2 billion. Moreover, the impressive record of development by churches, especially in the area of low-income housing, strongly supports the proposition that black churches are effective economic institutions. As black churches become increasingly involved in revitalization efforts, their positive influence on poor communities will continue to grow.

Community development banks have also proven to be both economically significant and effective for financing development efforts in low-income communities, such as South Shore. Community development banks offer great potential given the church and government initiatives to establish networks of these banks across the nation.

Likewise, CDCs have demonstrated their ability to secure diverse sources of capital which enable them to carry out their comprehensive role as the coordinator and facilitator of community development. CDCs have an impressive record of effectively facilitating development in black poor communities. Like the other cooperative institutions discussed above, CDCs have great potential for future development because of their effectiveness and rapidly increasing numbers.

Regulatory hurdles create a third potential difficulty with cooperative ventures. Professional, administrative, and technical resources that cooperative institutions already utilize, however, can effectively deal with such problems. Cooperative institutions’ access to such varied resources is essential to overcoming regulatory obstacles.

A fourth potential criticism is that class divisions within the black community are an impediment to an organizational approach based on cooperative efforts. Since organizational institutions are necessarily community-based, class divisions should not be an insurmountable factor because everyone involved has a common interest in improving the community in which they live. If there are class differences with concerned outsiders who come into the community to assist in these efforts, such differences can probably be overcome. The outsiders will be working as voluntary partners with community-controlled institutions. Concerned outsiders should not be serving as social workers to dependent clients.

A fifth criticism is that there is a high potential for corruption because of the lack of effective controls of cooperative institutions. However, corruption should not be a problem if accountability mechanisms are effectively developed and utilized. For example, the NAACP and other community organizations can continue and expand their accountability efforts, including threats of boycotts and the use of legal remedies. Additionally, advocates can lobby for enforcement of the "white collar" criminal laws already on the books.

Many may find the inherently cooperative nature of the organizational approach to be contrary to the focus on individualism that characterizes the American socioeconomic system. The
organizational approach does nothing to stifle individual initiative. Instead, the organizational approach utilizes individuals collectively to work toward a common goal of community advancement. Alone, individuals can do little to advance an entire community, but when individuals are united and organized through a community economic institution they can be effective agents of change. Such cooperative efforts were the essence of black survival during reconstruction, Jim Crow, and the Civil Rights eras. It must be recaptured for the economic struggle that faces black America in the 1990s.

CONCLUSION

A consensus is emerging that in order to effectively address poverty, unemployment, and crime in poor communities, community institutions must be restored and reinforced. The organizational approach to cooperative economics is based on the assumption that people can improve their lives through tangible community institutions. The organizational approach recognizes that impoverished communities require a comprehensive approach to rebuilding the local economic base. To that end, this approach enables poor communities to work effectively toward building such a base in their communities.

The organizational approach to cooperative economics is the most viable black economic self-help approach. This approach avoids most of the problems that prevent the entrepreneurial approach or behavior modification approach from being truly effective black economic self-help mechanisms. The entrepreneurial approach relies on the assumption that entrepreneurship is a viable option for poor blacks. It is not. The behavior approach relies on middle-class altruistic efforts to help poor people change their presumably defective inner-city values. These approaches are impracticable because they are based on faulty assumptions and therefore offer limited prospects for improving the lives of the black poor.

Community organizations and their supporters must move quickly to have cooperative institutions introduced, expanded, and supported throughout Urban America. In addition, the focus should now shift to encompass large-scale economic empowerment programs. Advocates should focus on largely ignored legislation, already on the books, designed to promote community economic development. For instance, Section 3 of the federal Housing and Community Development Act of 1968 (Section 3) specifically targets low-income communities for millions of dollars in training, employment, and contracting opportunities. Since 1976, HUD has been authorized to spend $31 million for public housing modernization. This modernization program, along with HUD’s other community development programs should have facilitated hundreds of thousands of training, employment, and business opportunities for low-income people — but did not. With the 1992 Amendments, and vigorous advocacy, Section 3 can become a major generator of employment in poor communities. In the 24 years since Section 3 was enacted,
HUD and state and local housing authorities have generally ignored the law, using this money for other purposes. An amendment introduced in 1992 seeks to study obstacles and facilitate implementation of these provisions.

The next step is to advocate for new economic development initiatives. For example, the National Urban League’s bold initiative for an urban Marshall Plan that would invest in the nation’s human and physical infrastructure should be vigorously pursued. The following urban Marshall Plan proposals involve sustained collaboration between government, private sector, and community organizations and contain rigorous accountability and monitoring mechanisms: (1) quality education in public schools for disadvantaged children; (2) restructuring and expanding the nation’s employment and training programs; (3) the development of a world-class transportation system; (4) the development and implementation of advanced telecommunications technology. In strategizing to implement cooperative institutions with government assistance, advocates must learn from the last major urban initiative, the Great Society. The Great Society institutions circumvented state and local governments forcing them to be more responsive to black citizens. Poorer black citizens now have access to government programs such as social security and welfare. Since that time, the competing Great Society institutions have floundered. The next wave of community institutions must move beyond the role of securing basic services to the arena of coordinating and implementing sustainable economic development in poor communities. If these steps are taken, there is good reason to hope that poorer black communities can become increasingly mobilized through the introduction and expansion of cooperative institutions.
ENDNOTES

1. The black American poverty rate stands at about 32%, which is more than double the white poverty rate of 13%. NATIONAL URBAN LEAGUE, STATE OF BLACK AMERICA 2 (1992). Blacks are also disproportionately affected by "hyper poverty," which is defined as the condition of those living on incomes below one-half the official poverty level. See id. at 2-4.

2. See id. at 203; see also SYDNEY WILHELM, WHO NEEDS THE NEGRO? (1971) (arguing that there is a population of blacks that is becoming obsolete in the American economy because they lack the skills and education required to compete successfully).


5. See id. at 104.

6. See generally NATIONAL URBAN LEAGUE, supra note 1 (detailing unemployment statistics for black Americans).

7. HACKER, supra note 4 at 105. The National Urban League's Hidden Unemployment Index, which adds involuntary part-time and discouraged workers to the official definition of the unemployed, finds unemployment levels of 22% for blacks and 11% for whites. See NATIONAL URBAN LEAGUE, supra note 1, at 3.

8. See HACKER, supra note 4, at 105.

9. WILSON, supra note 3, at 8.

10. See id.


15. Liberals respond to conservatives who blame liberal social policy for continued poverty by pointing to the economic downturn as the reason poverty did not decrease in the 1970s. See Robert Kuttner, A Flawed Case for Scrapping What's Left of the Great Society, WASH. POST, Dec. 17, 1984 (Book World), at 34.

16. The conservative view of the poor is generally based on the work of Oscar Lewis including the following: Culture of Poverty, in On Understanding Poverty: Perspectives From the Social Sciences 187 (1968); The Children of Sanchez (1961); Five Families: Mexican Case Studies in the Culture of Poverty (1959).

17. See generally Edward Banfield, The Unhealthy City (1970) (suggesting that inner city poor have to be rehabilitated culturally before they can advance in society).

18. See id. at 16.

19. See id.

20. It is beyond the scope of this paper to explore the specific roles desirable for federal, state, and local government to compel the accountability of community institutions.

21. See Regina Austin, The Black Community: Its Lawbreakers, and a Politics of Identification, 65 S. CAL. L. REV. 1769, 1802 (1992). While there may be no single unified geographic black community, the problems associated with racism unify black people of different classes who do not necessarily share the same social, economic and political constraints.

22. See Hacker, supra note 4, at 108; see generally Jawanza Kunjufu, Black Economics: Solutions for Economic and Community Empowerment (1992) (addressing the importance of black economic development).

23. See Michael J. Piore, United States of America, in The Re-Emergence of Small Enterprises: Industrial Restructuring in Industrialised Countries 261 (W. Sengenberger et al. trans., 1991) (demonstrating the increasing share of total employment held by small business).


26. See id. at 329.

27. Id.

28. Austin, supra note 21, at 1806.

29. See National Urban League, supra note 1, at 1-2.
30. See id. at 1-3.


32. See id.

33. See id.

34. See id. at 256. The most pronounced example of blacks not questioning the racist assumptions of capitalism can be seen in the Antebellum South in Louisiana. In 1836, approximately 855 free blacks owned real estate worth over $2.5 million and blacks also owned 620 slaves. See id. at 141.

35. See id. at 235.

36. See id.

37. See id. Other state and federal government minority business assistance programs, such as Small Business Administration loans and state assistance programs, also favor middle-class blacks, who are in the position to take advantage of the programs.


42. Joshua Smith, a nationally recognized businessman who owns a computer services company, views the negative attitudes towards black business and the lack of incumbent rights as the main problems facing black businesses. See Lois Benjamin, Black Elite: Facing the Color Line in the Twilight of the Twentieth Century 114-15 (1991). According to Smith, the incumbent businesses have a huge advantage when new opportunities present themselves by virtue of established relationships with companies and government. See id.


44. See id.

45. See id. at 1042.

46. See id.
47. See id. When President Clinton was the governor of Arkansas he changed the regulations and set up programs to train public assistance recipients to work in child care.

48. If public assistance recipients do engage in entrepreneurship it tends to be small-scale informal activity that produces somewhat marginal economic benefits. See Austin, supra note 21, at 1802, 1805.

49. See BENJAMIN, supra note 42, at 115.

50. See id. at 115-16.

51. See id.

52. See HACKER, supra note 4, at 108, 116.

53. See id. at 108.


55. See MARABLE, supra note 31, at 138.

56. See HACKER, supra note 4, at 108.

57. See id.

58. See KUNJUFU, supra note 22, at 107.

59. See generally id.


61. See id.

62. See KUNJUFU, supra note 22, at 6.

63. See Naïk, supra note 60, at R20.


66. See generally WILSON, supra note 3, at 12.


68. See id. at 110-11.
69. MURRAY, supra note 14, at 15.

70. See id. at 16.

71. See id. at 17.

72. See Eleanor Holmes Norton, Restoring the Traditional Black Family, N.Y. TIMES, June 2, 1985, §6 (Magazine) at 42.

73. Samuel D. Proctor, To the Rescue: A National Youth Academy, N.Y. TIMES, Sept. 16, 1986, §1 at 27.

74. Adolph Reed, Jr., All for One and None for All, NATION, Jan. 28, 1991, at 86.


76. See id.

77. See BROOKS, supra note 67, at 128.

78. See id. at 132.

79. See id. at 133.

80. See id. at 142.

81. Id.

82. Id. at 143.

83. See generally COSE, supra note 54 (considering professional class blacks’ assistance to poorer blacks).

84. For a compelling criticism of the emphasis on role models, see Regina Austin, Sapphire Bound! 1989 WIS. L. REV. 539, 574-76 (1989).

85. See ROBERT WOODSON, ON THE ROAD TO ECONOMIC FREEDOM: AN AGENDA FOR BLACK PROGRESS 23 (1987).

86. See generally Austin, supra note 84 (discussing poor blacks’ attitudes toward middle-class blacks).

87. See Reed, supra note 74, at 86.

88. See, e.g., Nathan Glazer, The Social Policy of the Reagan Administration, PUBLIC INTEREST, Spr. 1984, at 97 (considering how the Reagan Administration failed to approve an urban initiative as it gutted existing urban/community grant programs).

89. See id.


92. See Kunjufu, supra note 22.

93. See id. at 23.

94. See id.

95. See id. at 111.

96. See id.

97. See id.

98. See id. at 110-12.


100. See id.

101. See Marable, supra note 31, at 138.

102. One way Kunjufu’s approach of giving profits to the black community could work is for community residents to be shareholders in the enterprises. See, e.g., Charles Turner, Worker Cooperatives and Community Development, in Beyond the Market and the State, supra note 91, at 64. In this case, the black community would be entitled to profits via dividends. Otherwise, business people operating in this system are extremely unlikely to start companies that give all of their profits away.

103. See David Stoesz & Howard Karger, Reconstructing the American Welfare State 119 (1992) (considering proposed community development agencies designed to provide economic and social bases).


105. The accountability aspect of cooperative economics is essential to its effectiveness as a method of improving the black community instead of enriching a few entrepreneurs. See generally Peter Berger & Richard Neihus, To Empower People: The Role of Mediating Structures in Public Policy (1977).

106. See Curtis Lang & Timothy O’Brien, The Final Days of Freedom: A Board Realizes It Must Destroy Harlem’s Bank in Order To Save It—for Themselves, Village Voice, May 7, 1991, at 32. Freedom Bank of Harlem held itself out as a community-based bank and received support on that basis, but was mismanaged by a self-dealing board that failed to reinvest depositors’ money back into the black community. See id.

107. See Pae, supra note 39, at 14.


110. See generally BEYOND THE MARKET AND THE STATE, supra note 91 (detailing cooperative, community-based approaches to economic advancement).

111. Only 15% of churches surveyed reported any financial investments, while 78.5% replied that they had none. See LINCOLN & MAMIYA, supra note 108, at 255. It is estimated that 85% of the budget in Baptist churches goes for pastor salaries and building maintenance. Note that research also indicates that black churches generally have a problem with financial and membership record-keeping, which causes conflict and makes the economic impact of black churches difficult to calculate accurately. See id.

112. See id. at 260-61.

113. See Woodson, supra note 43, at 1032.

114. See id.

115. See id.

116. See id.

117. See id. at 1033-34.

118. See id.

119. See id.


121. See LINCOLN & MAMIYA, supra note 108, at 260-61.

122. See Woodson, supra note 43, at 1032.

123. See id. at 1033.

124. See id.

125. See id.

126. See id.

127. See id.

128. See id. at 1036.

129. See id.

130. See id. at 1037.

131. See id. at 1036.
132. See id. at 1037.

133. See id. at 1039.

134. According to the Roper Poll, about 73% of Black business owners get capital from banks, 14% from private investors, and 9% from the Small Business Administration. See Carlson, supra note 41, at 5.

135. See TIMOTHY BATES, FINANCING BLACK ECONOMIC DEVELOPMENT 105-07 (1979).


137. See id. at B2.

138. See id.

139. See id.

140. See id.

141. See id.

142. See id.

143. President Clinton requested $354 million for a network of community development banks over the next four years. See David Wessel, White House Gives Details of President’s 5-Year Plan, WALL ST. J., Feb. 19, 1993, at A8.

144. See Pae, supra note 39, at R14.

145. See id.

146. See Michael Swack, Community Finance Institutions, in BEYOND THE MARKET AND THE STATE, supra note 91, at 91.

147. See id. at 92.

148. See id.

149. See id. at 93.

150. See id. at 91.

151. See id.

152. See BEYOND THE MARKET AND THE STATE, supra note 91, at 113.

153. See id.

154. See id. at 116.
155. See id.
156. See id. at 115, 121.
157. See id. at 115.
158. See id. at 121.
159. See id.
160. See id. at 117, 123.

161. For example, Eastside Community Investment has worked in partnership with a local church to rehabilitate 575 homes in the community. See id. at 118.

162. See id. at 116.

163. The Dade County Institute, which is a partnership among Dade-Metro Counties, several area universities, private businesses, private foundations, and a large network of black and white business organizations, is one example of such an organization. See Philip Mann, Nontraditional Business Education for Black Entrepreneurs: Observations from a Successful Program, J. SMALL BUS. MGMT., Apr. 1990, at 30. The Institute provides specially designed business training courses and extensive ongoing technical assistance. The County and three seed capital funds supply start-up capital for the new ventures. See id.

164. See Woodson, supra note 43, at 1032.
165. See Wiseman, supra note 136, at B1.
166. See BEYOND THE MARKET AND THE STATE, supra note 91, at 115.
167. See generally id. (detailing support mechanisms used by cooperative institutions).
168. STOESZ & KARGER, supra note 103, at 115.


170. See id.
171. See NATIONAL URBAN LEAGUE, supra note 1, at 305.


173. See PIVEN & CLOWARD, supra note 172, at 266-67.
174. See id. at 330. A major consequence of the Great Society was to double the number of welfare recipients many of whom have become trapped in a cycle of dependency. See id.