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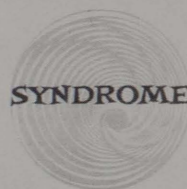
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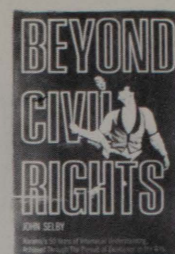
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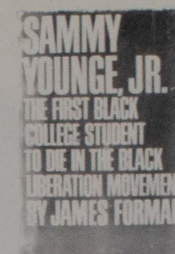
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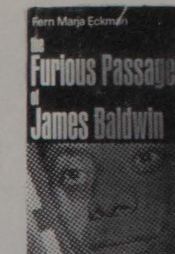
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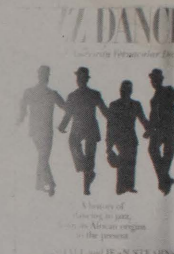
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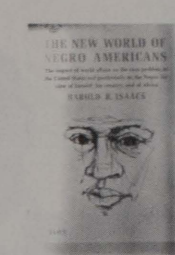
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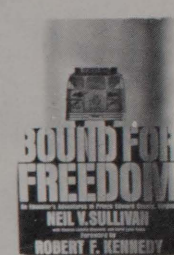
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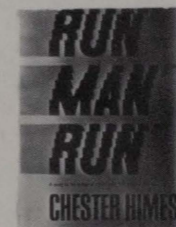
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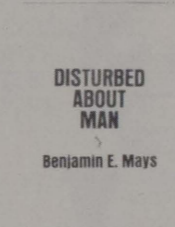
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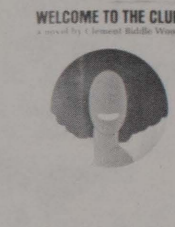
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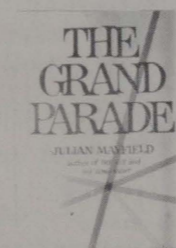
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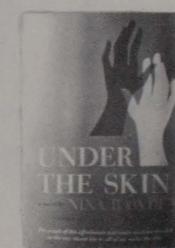
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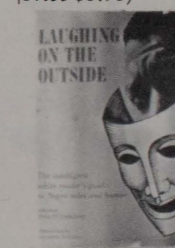
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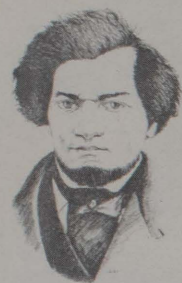
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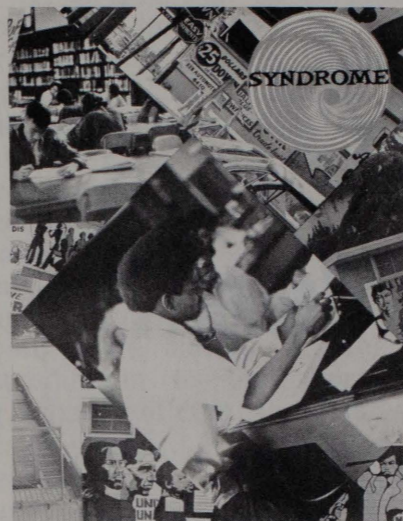
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OUR'S IS A NATION OF CONTRASTS. SYNDROME IS DEDICATED TO THE EVALUATION OF BOTH CAUSES AND EFFECTS OF THESE CONTRASTS IN PURSUIT OF A SOLUTION TO THE CRISIS WITHIN OUR CORE CITIES

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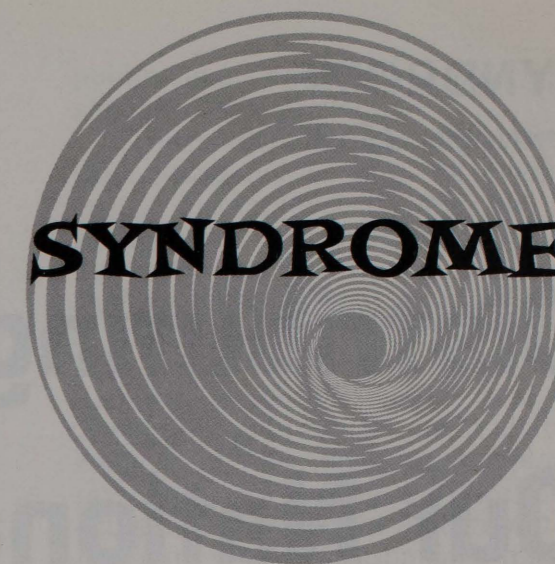
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Distributing Our National Wealth

by WALTER J. TAYLOR

One of America's strongest points is the wealth which has been created. This wealth, however, is owned by a few in very large amounts, by many in modest amounts and by too many others, not at all.

Few people argue that private property and private ownership of the equity that produces wealth should be abolished; that socialism, or state ownership, should supplant the essentially privately-owned economy that America has developed.

Private ownership of property is widely understood to be a primary base on which America has built its strength, its high standard of living, and its generally stable social order and political structure. Ownership, however, should not be only a theoretical right of every citizen. Practical steps should be taken to convert these rights into realities.

The disturbances in recent years, which have resulted in destruction of both property and human lives, find as their basic cause the failure of this

society to distribute its income and wealth opportunities to all its citizens. People who own property of their own seldom fail to respect the property of others. The broader the property ownership base, the stronger will be the social order.

How can the United States bring about a broader ownership of wealth by methods that are consistent with American conscience and tradition?

The first element of an answer should be the recognition by corporate and labor leaders that broadened ownership is a legitimate and necessary social goal, and that the time is ripe to move towards that goal. Furthermore, this is a task that can be and should be accomplished largely by businesses and labor rather than by government.

Though the maintenance of adequate aggregate purchasing power for an expanding gross national product should be a matter of strong corporate interest,

neither business nor labor has ever set as a major goal the distributing of national income on a wider basis through broader corporate ownership.

It is true that no corporation or labor group, however large, can solve the problem of purchasing power distribution for the economy as a whole. However, if the private sector does not provide the climate for a national, largely private redistribution of both wage and equity incomes, then governmental redistribution of purchasing power becomes the only alternative available for achieving this goal. In recent decades we already have had an ample and painful introduction to the shortcomings and drawbacks of centralized government redistribution, i.e., spiraling taxes necessitated by cost increases in welfare, unemployment, social security and medicare. The direct and indirect costs of civil disturbances, current congressional tax reform proposals, and the ultimate cost of any national income maintenance program make private income adjustment efforts even more necessary.

Broadening the ownership base of private property requires that attention be paid to the main source (apart from inheritance) by which property is acquired: by purchase with the aid of credit. Acquisition efforts involving new wealth opportunities should include all forms of income-producing and equity-producing property, including stocks, mutual funds, employee trusts, investment properties and homes: defined as **productive wealth**.

Business and labor leaders should explore additional arrangements facilitating employee acquisition of stock ownership in their employing corporations. If the stock were purchased with a small downpayment, and the balance financed by long-term credit, the stock could eventually be paid for by the earnings of the capital investment itself. Payments could be geared totally to projected dividend income or a combination of dividend and payroll deductions, depending on the amortization period. Employee trusts or use of pension funds to purchase stock or to guarantee private or

public loan pools for stock purchase should also be explored.

The result of broader employee ownership would not be only an eventual increase in employee income, but also an immediately favorable effect upon training costs due to turnover and employee work incentives would be experienced (as it seems difficult to think that employees would strike as readily against firms in which they have a significant ownership interest or profit-sharing arrangement). Obviously, such a plan would provide participating corporations with substantial new liquid investment capital for plant modernization and market expansion.

Of possible significance to both the government and the taxpayer would be a cost-benefit projection as to the affects of **horizontal corporate ownership** on social security and medicare needs as well as on payroll withholding needs. An employee retirement income projection would also be of interest in attempting to predict both the dividend and cash value of these corporate stocks after 10, 15 and 20 years of employment.

In the case of civil service, teachers, nurses and other non-profit or government employees such objectives as employee work incentives, lower turnover, less waste, fewer strikes and greater individual income could also be accomplished within context of the above proposal. A corporate stock ownership plan could be replaced by special employee mutual funds or higher yield government bonds—both being financed through use of pension trust funds, public or private loan pools. Efficiency bonuses paid out of savings in operating costs (rather than out of dividends from a higher net profit) can be a sense of new employee morale. The affect on retirement income would be similar to the corporate plan in that any loan facilitating acquisition would have been retired through bonus payments, payroll deductions or other methods.

Similar opportunities for ownership of new wealth should be extended to persons other than corporate employees—especially to those in poverty. Deliberate broad-

ening of ownership opportunities for those within the ghettos, like corporate employee profit sharing or stock ownership plans, can be financed likewise by methods through which dividends from production can amortize the initial investment.

Set Aside Contracts from both government and private corporations should be reserved on a negotiated basis for production outlets located within and substantially owned by members of the ghetto community itself. Such contracts should be for the production and/or distribution of specific products, and initially should be those items needed in large quantities presently not manufactured by the purchasing entity itself. The range of products could include paper clips, 3/8" nuts and bolts, plastic components or ABM missile parts.

The concept of a **protected market** is as American as baseball or apple pie, but heretofore has not been applied for the benefit of the **have-nots**. Use of vehicles such as protective tariffs and preferential taxing to facilitate development will be dealt with in future issues of **SYNDROME**, but suffice it to say here that these and other catalytic agents are very much a part of the American economic system.

Initial product selection should be those products whose demand reasonably can be projected over two to three years, and should be products not requiring a substantial investment per employee. Initial investment in fixed assets and in working capital can be financed easily, with or without government guarantees, against the credit of the institution (not that of the production unit itself) by assigning the contract to the lender. Management assistance, depending on the commitment of the contracting institution, could be either on loan to the ghetto production unit or included as a budget item. Ownership where possible should be built around existing ghetto-owned businesses, or acquisitions of businesses located within but not owned by members of the community itself. Stock ownership, profit sharing, as well as broad community ownership plans

should also be encouraged.

The above outlined social and economic benefits accruing from horizontal corporate ownership as would be experienced by the total community would be compounded further by direct efforts at establishing a balance of production and consumption within the low-income community. Manufacturing, distribution and service outlets located within, owned and manned by members of the target area, obviously, would provide an immediate source of jobs, community pride and responsibility—thus lessening chances of future civil disturbances. Moreover, if such outlets were established and financed against contracts from private industry and government, they can provide an **immediate** and **self-liquidating** means of privately developing the **other** America.

With the movement of major industries to the suburbs, a trend likely to continue, to reindustrialize portions of the core cities should be a national priority embraced by both government and private institutions. **Development partnerships** between major regional companies and the ghetto community should be established; similar partnerships between the ghetto and all levels of government should also be formed. Efforts directed at an immediate economic shot in the arm should involve:

1. an inward institutional budget analysis to determine products now purchased from outside companies, quantities, and annual expenditures for said items;
2. existing capability and experience located within the target area;
3. capital outlay required to expand an existing community facility, to establish a new production unit, or to acquire an existing but "foreign-owned" company;
4. necessary income and expense projections;
5. availability of existing financing, or creation of a financing

(continued on page 40)

"Of even greater importance, however, is the fact that this approach would broaden the involvement of Negroes and other minority group members in the totality of American life."

Opportunity Through Ownership

by JAMES M. HALL
California Superintendent of Banks

OPPORTUNITY THROUGH OWNERSHIP IS BASED ON AN ADDRESS DELIVERED BY JAMES M. HALL, CALIFORNIA SUPERINTENDENT OF BANKS, BEFORE THE BANKER'S DIVISION OF THE 73rd ANNUAL CREDIT CONGRESS OF THE NATIONAL ASSOCIATION OF CREDIT MANAGEMENT IN MAY OF THIS YEAR.

We hear a great deal these days about minority enterprise, or black capitalism, as some have labeled it. This morning I would like to undertake a critical review of some of the efforts made during the past few years, to try to gain some perspective of the present situation, and make some recommendations regarding future actions by Congress and the banking industry.

Let me say at the outset that I find the term **black capitalism** tends to mislead some people. I think it has accumulated overtones of black separatism and a separate but equal economy. Nothing could be further from what we are seeking. What we are attempting is to bring into the American enterprise system those within our population who have not as yet had the opportunity to participate fully in it. Some of you may find it in-

congruous that the Reagan administration, and particularly the Superintendent of Banks, would be interested in matters of this sort. I can vividly recall a meeting in Washington last year with a high official of the Small Business Administration, and his surprised reaction when I told him about the **California Job Development Corporation Law**. "Isn't it amazing," he said, "that something like this has come out of the Reagan administration!" He was surprised about what we are doing and I was surprised about what the SBA was not doing.

For a moment, let's try to reach back and recall the state of our ignorance six years ago. In 1963, most of us ignored the symptoms of frustration and despair that were becoming apparent in

Opportunity Through Ownership

'To every man the right to live, to work, to be himself, and to become whatever his manhood and his vision can combine to make him—this seeker, is the promise of America.'...Thomas Wolfe

OPPORTUNITY THROUGH OWNERSHIP seeks to provide this opportunity to the minority businessman.

In demonstrating that private enterprise and the banking industry have a role to play in rebuilding our core cities, the 1968 California Job Development Corporation Law was passed.

Loans, business advice, counseling and other forms of technical assist-

ance provide the ghetto entrepreneur an avenue to escape from the world of undercapitalized frustration.

Pride, self-reliance and confidence are nurtured through a program designed to draw new capital into the minority community, lessen the outward flow of dollars, add to the available services, develop needed business skills, provide new jobs, and create a community ownership base.

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our cities. If we read about demonstrations, we focused mainly on their civil rights aspects. In good faith, most of us believed that if the law were reshaped and enforced to give every individual an equal chance regardless of race, then those persons with talent and ability would naturally advance in our free enterprise system. With that self-satisfying conclusion, we turned to the financial page and our day-to-day business of making good loans to respectable, creditworthy people. We apparently failed to notice how infrequently we were approached for commercial credit by Negroes and how rarely we encountered a successful Negro merchant or businessman in our daily work.

Then came Watts, and we began to realize the true dimensions of the problem. We began to see more clearly the economic penalties that decades of racial prejudice and segregation had exacted. Cut loose by the changing nature of agricultural production, migration from farm to city had concentrated the poor in northern and western urban neighborhoods, where they were victimized by earlier arrivals—merchants, politicians, loan sharks, many from the same ethnic stock. Then came August and Watts, the worst riot in the United States since the 1943 Detroit riot. The long summers of 1966 and 1967 followed: Cleveland, Chicago, Tampa, Cincinnati, Atlanta, Newark, Detroit. The problem became a national crisis.

We realized that welfare programs and federal giveaways were actually compounding and perpetuating the dependency of the poor. Those of us who had emphasized individual responsibility and initiative in the past were surprised to hear our philosophies articulated by Robert Kennedy. And we even found that we could agree with Patrick Moynihan about some things.

In the process, the problem became more clearly defined in economic terms—income levels, investment levels, underemployment, consumption overhead—and we found the composite generally revealed a member of an ethnic minority. Negro, Mexican-American, Puerto Rican,

suffering from the same symptoms of underachievement. Even though we winced at the harsh word **ghetto**, we came to realize that the walls of our urban ghettos were invisible economic walls.

When I was appointed Superintendent of Banks by Governor Reagan in 1967, the first problem that hit my desk involved a new Negro bank that had been too accommodating to the credit needs of the members of its own community. In the process of working out the recapitalization of the bank, I came face to face with a serious dilemma: by enforcing sound banking practices, as my statutory duty requires, I automatically cut off credit to a large segment of the community and its small businessmen. In effect, the market, reflected by traditional lending and regulatory policies, had decreed that no credit would be available to finance an active economy in this depressed community. As a bank supervisor, I could not encourage banks to make bad loans.

While Newark and Detroit were still smouldering, I determined that an effective solution to the absence of credit in our depressed neighborhoods would necessarily involve the banking system, and that government involvement should be kept to a minimum. Meetings with bankers turned into lively discussions of possible solutions. In some cases, I encountered what many would have predicted: the sound of steel trap minds snapping shut. Some bankers felt they had nothing to offer; the problem should be solved by police action and welfare agencies. Others responded with greater imagination, and I suggested that they work together to form organizations separate from their banks to extend credit to the noncreditworthy.

Especially, we sought to have an approach developed that would be designed by financial experts—a banking industry program not a government program. An indispensable factor in the American enterprise system is credit, and the primary resource for business credit is the banking system. The unavailability of credit to the small businessman in our depressed areas—whether or not

justifiable by ordinary market standards—was the target. Of even greater importance, however, was the fact that this approach would broaden the involvement of Negroes and other minority group members in the totality of American life.

There is nothing new in the approach, of course, Booker T. Washington emphasized self-help and the creation and support of Negro-owned businesses at the Council for Business Opportunity was formed in the early sixties in New York with the object of strengthening the Negro business establishment. Its initial activities centered on managerial assistance and counseling, which still represents a major part of ICBO activities in cities throughout the United States. But in the spring of 1967, it enlisted the assistance of major Manhattan banks in establishing a loan guarantee fund for minority businessmen.

Other efforts along similar lines began to spring up. In New Haven, 5 commercial banks, working with the Chamber of Commerce, set up a million dollar pool for high-risk loans. In Kalamazoo, local bankers—at first independently, then together—developed loan funds for low-cost home improvement loans to persons unable to meet traditional bank or finance company standards. In the process, they discovered numerous homeowners in the depressed neighborhoods who were eligible for regular bank credit, but who were too timid or too unsophisticated to approach the commercial banks.

In Cleveland, 5 banks put up \$50,000 each to form a non-profit corporation to rehabilitate slum housing in the Hough area. They realized that a healthier community in Hough would mean a healthier community at large, and ultimately a better economic climate for the whole Cleveland area. Perhaps the most impressive effort is the Job Loan Corporation formed last year by 8 Philadelphia banks. They committed \$2 million for minority enterprise loans to be partially guaranteed by the Corporation. Business advisory services and counseling are part of every loan package, with services provided by the local Bar and accounting associations. Similar efforts

have been started in many other cities.

During the fall of 1967, the American Bankers Association took its first careful steps toward an industry-wide approach to involving bankers in seeking the solutions to the urban crisis. At first it was considered strictly a big city problem, not requiring a full commitment by the entire industry, despite the fact that when the Bankers Committee on Urban Affairs was announced in April 1968, it was billed as **the most important program mounted by the banking industry in a generation, perhaps in its history.** The key function of the new committee was to act as an information center for ideas and programs being pursued by banks across the country in response to the urban challenge.

The role of the federal government in entrepreneurial effort has been confused. The original War on Poverty Program included provisions for helping minority entrepreneurs with management advice and assistance, but it had only limited success. The OEO apparently was not oriented toward helping to promote Negro ownership of slum businesses or in harnessing the profit motive in the anti-poverty effort. The program was switched to the Small Business Administration in 1966, where it began to wither away. An attempt of shift control to the Economic Development Agency of the Department of Commerce was killed by SBA lobbying and little more was done until the summer of 1968. Then in cooperation with the Bankers Committee on Urban Affairs, the SBA developed and promoted **Project Own.** Coming as it did during the height of a presidential campaign, many potential beneficiaries of the program looked upon it as part of "Whitey's game," reflecting election year paternalism. SBA's hard sell, after years of inaction, failed to impress many people, even though much of the red tape of the SBA guarantees had been eliminated. Coordination with local groups was minimal, and the whole effort seemed to slow down after November. It should be noted that SBA Administrator Hilary Sandoval has endorsed **Project Own** and has indicated that he will emphasize banker involvement in the future.

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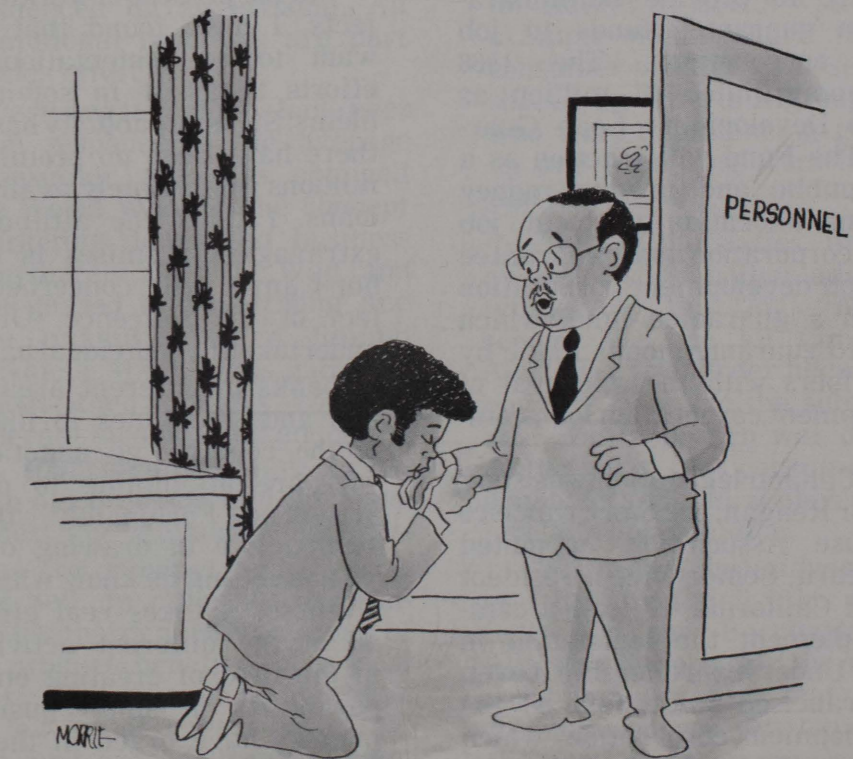
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While these efforts were getting under way in other parts of the country, we were actively seeking to build a framework in California for bank participation. Meetings with bankers had convinced me that regional non-profit corporations with lending and guaranteeing powers might provide a vehicle for involving our financial institutions. Three bills eventually were introduced in the 1968 session of the California Legislature with support from the entire political spectrum, including Governor Reagan, Lieutenant-Governor Bob Finch, Speaker Unruh, and Republican leader Bob Monagan. The key piece of legislation, authored by Republican Assemblyman Bill Campbell, enacted the **California Job Development Corporation Law**. Another bill, authored by Assemblyman Unruh, established a pilot technical assistance program to be supervised by the Superintendent of Banks. A third bill, by Assemblyman Monagan, permitted State funds to be placed in banks that become members of Cal-Job corporations. The Cal-Job concept is basically per-

missive. The Law authorized financial institutions, including banks, savings and loans, and insurance companies, to become members of local job development corporations and thereby provide financing to minority entrepreneurs unable to obtain credit through normal channels. In addition, businesses relocating into economically depressed areas may qualify for **employment incentive loans** if such loans will result in the additional employment of at least 15 persons who reside in the disadvantaged area. The development corporations may be formed to serve regions encompassing 500,000 or more persons and at least one economically disadvantaged area. Members of the local corporations commit financial or other resources to carry out its objectives. Each job development corporation must have a functioning loan committee made up of persons experienced in banking and lending operations to screen requests for financial assistance. The loan committee is required to determine the feasibility of the proposed transaction and the like-



"Just how long have you been unemployed?"

likelihood of successful use of the corporation's resources, and must certify that there is no probability that the loan would be granted through normal channels.

The Law establishes a California Job Development Corporation Law Executive Board, which has the duty of approving the formation of each job development corporation. The Executive Board is made up of nine businessmen, bankers and representatives of labor and the disadvantaged, chosen by the Governor, three members of the Executive branch of the State government, including the Superintendent of Banks, and two legislators. Each job development corporation is represented on the Executive Board by non-voting delegate.

At its first meeting on March 6, 1969, the Board elected as its Chairman, Harold E. Levitt, Vice-President of Dempsey-Tegeler & Co., Inc., of Los Angeles. The major function of the Cal-Job Executive Board will be to develop rules and regulations governing the allocation of funds appropriated by the Legislature to provide administrative and loan guarantee funds to job development corporations. The 1968 Legislature appropriated \$1 million as the State Job Development Loan Guarantee Fund. The Fund will function as a collector of public and private money for subsequent allocation to local job development corporation loan guarantee funds. Each job development corporation may establish a guarantee fund, which may be used to guarantee loans made by it or its members with the approval of the job development corporation loan committee.

When the Cal-Job legislation was signed by Governor Reagan, the San Francisco Clearing House Association appointed Robert L. Shearn, Senior Vice President of the Bank of California, to lead a committee to implement the legislation in the Bay Area. Under his leadership, seven major San Francisco banks formed the first job development corporation, which they called **Opportunity Through Ownership**. Founding members of **Opportunity Through Ownership** have committed \$1,100,

000 to the corporation and have indicated that they will cover all administrative costs without drawing on State funds. The full time staff is headed by Executive Director Melvin C. Yocum, formerly Vice President of Security Pacific Bank.

Even though they have only been in operation since March 6, the corporation has received 36 applications for financial assistance totaling \$1,436,000. Twenty-four applications are in various stages of processing, nine have been withdrawn or denied, and three loans, aggregating \$114,000 have been approved. **Opportunity Through Ownership** serves six counties bordering on San Francisco Bay. Discussions are now under way with the Los Angeles Clearing House Association and various other groups with the hope that one or more job development corporations will be formed in Southern California within the near future. I am convinced that we can overcome our problems if we can maintain the quality and depth of commitment that our California banks have demonstrated.

In the process of working on these projects, I have found that bankers don't want to be ostentatious about their efforts to assist in solving urban problems. Splashy publicity has been avoided; there have been no promises of making millions immediately available for ghetto loans. I think the attitude of avoiding extravagant promises is commendable, but I am a little concerned at a side effect of the reticence. Often, activities undertaken by individual banks and groups of banks in different areas of the country, and sometimes in the same region of the country, go unnoticed by others who are attempting to design similar activities. Fortunately, the press has been active in drawing out these stories and letting us know what's happening. Even so, it takes real effort to catalog all of the different activities of banks in the field of creating employment opportunities in small business development. I have urged in the past—I hope with some effect—that the California Bankers Association take the lead in

(continued on page 38)

Reaching the Low Income Consumer

by KELVIN A. WALL

Any discussion on selling to the black or the low income markets requires first a review of general trends in advertising. It is generally accepted that merchandising and sales promotion activities are really extensions of advertising, and it follows, therefore, that they are influenced by advertising. All of these promotional functions are part of the total sales effort.

Mass advertising techniques have been formulated in response to the average American consumer, who has changed greatly since World War II. The concept of mass marketing dominated business thinking immediately after the War, and industry was geared to advertising and selling large quantities of a limited variety of products. Many items had been scarce for years; then suddenly, consumers with moderate incomes and education and limited sophistication were re-acquainted with old products and introduced to new ones. The method of advertising used was the **Product Sell** . . . the old **Hard Sell**. In other words, consumers were bombarded with an array of facts about product benefits, both real and imaginary. This approach may have been, in a few cases, nerve-wracking, unglamorous, and even a little maddening, but it worked.

However, at the onset of the fifties,

as the average American consumer became more prosperous, more sophisticated, and better educated, marketing competition became keener. The marketers changed their strategy by shifting the emphasis from product benefit to product image. David Ogilvy's advertising campaign for Hathaway shirts was an outstanding example of marketers' response to new consumer attitudes. These attitudes were shared by a certain group of consumers who were experiencing greater prosperity and benefiting from better education and housing.

Toward the sixties, business became aware of still another advertising trend, typified by the Doyle Dane Bernback school. We are all familiar with the Avis' "We try harder because we're number two" ads, and the subtle Volkswagen ads. This approach was obviously based on the belief that consumers were better educated and had achieved a rather high level of sophistication.

All three of these advertising approaches—the Hard Sell, the Ogilvy Luxury Sell, and the Bernback Sophisticated Approach—were, for the most part, successful. Successful, that is in that profitable responses were experienced among the particular consumers at which these efforts were directed: the white, the middle class, and the middle and upper-



Kelvin A. Wall is vice president of the Market Development Department of Coca-Cola, U.S.A. Mr. Wall is also the author of "Communications to the Negro Market", "Interracial Communications In Business", (published in PROJECT Magazine, September/October '68), and "Reaching the Low Income Market Through Point-of-Sale and Sales Promotion Activities".

middle income family. If, however, one considers how these approaches worked on black and low-income groups, two of them would have to be judged generally ineffective.

To find out why the Luxury and Sophisticated advertising approaches were not, and still are not, effective among these groups, it is necessary to examine their basic group characteristics. An effective advertising or sales promotion program must be geared to the needs, wants, and aspirations of the black and low-income consumer. Organization of low-income neighborhoods is around needs: their needs being different from those of middle class communities. So great, in fact, are these needs that the struggle for them and the limited resources available to meet them are the most prominent aspects of low-income groups.

Needs determine the life style, which in turn determines the purchasing habits. To speak of life-style one, obviously, has reference to a number of habits and customs which add up to a distinct and

separate consumer behavior and motivation. Consider these facts about the low-income consumer: his pragmatism, his immediate environment, and his peers.

The low-income consumer is very pragmatic. His limited income demands that he seek the best value for his money. Thus, like the average post-war consumer, he must be convinced that he is buying something useful or something in agreement with his life-style.

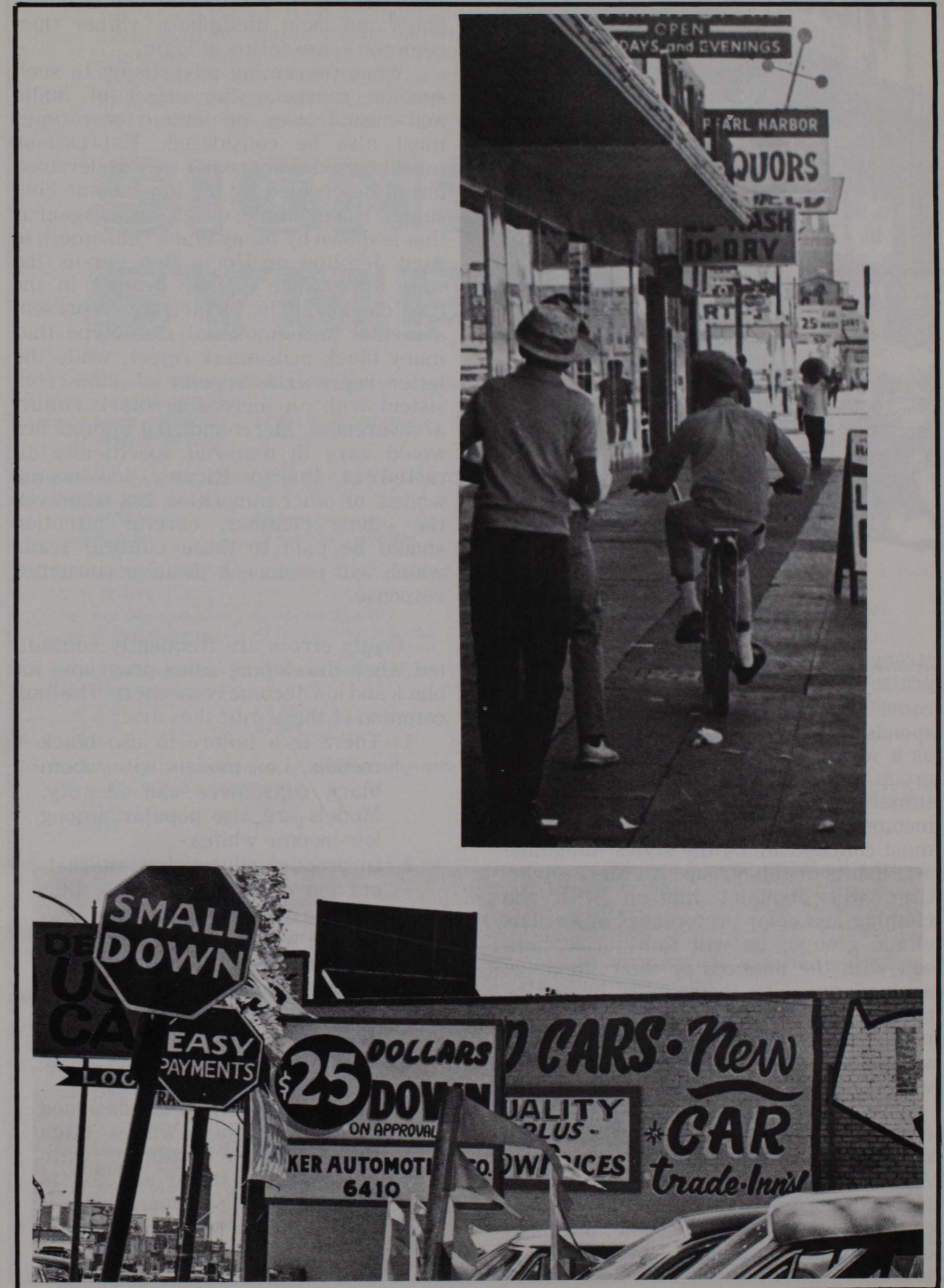
He lives in a restricted area on a restricted income, is almost totally concerned about his immediate environment and has only a casual, if any, interest in the world outside his neighborhood. He is a block dweller in the most basic sense, and strongly identifies with the things and people on his block.

His all-important peer group is there; his protective family is there; and seldom does he venture outside this environment to satisfy his needs. This means that the commercial establishment in the neighborhood have a totally different function and meaning to their patrons. These establishments are not simply places where purchases are made. They are meeting places, counseling centers, recreation areas, and check cashiers. They are everything which would make them an escape from the austere and harsh home life.

Yet, here is the paradox: while these stores and shops are escapes, they are also extensions of the life the consumer knows at home. It follows that any advertising material, if it is to be effective, must combine these two elements. This means that the store interior is only one part of the sales program.

Rejection will be the fate of products advertised only within the tight confines of a store. An effective low-income advertising program must also involve the world outside the store: transit cards, billboards, window signs, newspapers, magazines, and every other print advertising vehicle. These media must be made relevant to both product selection and to the total environment with which the low-income consumer identifies.

The low-income community exercises





strong control through criticism and praise over the behavior of the low income consumer. Quite naturally he responds to what is acceptable to the group as a whole. Since the experiences of the group, unlike those of middle class consumers, are limited by environment and income, all advertising directed to it must concentrate on the styles, language and habits of this group. An alert advertiser will acquaint himself with the clothing and color preferences of various ethnic groups; he will familiarize himself with the nuances of their language as his appeal to them must be in the terms they understand; his selection of models will center around those who physically and verbally can be identified with the target community.

Community self-expression to a large extent will dictate the content and structure of the advertising message. Among low-income groups, conversation and expression is used not to express concepts but to impress people, put them on, or to get something. How something is said is as important as what is said.

Argument proceeds by the use of anecdotes and local metaphors, rather than common sense forms of logic.

When presenting advertising to such specific markets, the affect of audio and visual uses on ethnic stereotypes must also be considered. Expressions must be used that are not only understood but also accepted by the low-income consumer. For example, weigh the antagonism that is shown by many black consumers to Aunt Jemima or Uncle Ben versus the wide acceptance of the "brother in the blue dashiki". The former two represent a mental and emotional stereotype that many black consumers reject, while the latter represents a point of view consistent with an increasing black cultural awareness. Merchandizing approaches would vary in material specifically directed at Puerto Ricans, low-income whites, or other minorities, but whatever the ethnic confines, careful attention should be paid to those cultural traits which will produce a positive consumer response.

Costly errors are frequently committed when developing sales programs for black and low-income consumers. The most common of these mistakes are:

1. There is a failure to use black models, i.e., models with whom black consumers can identify. Models are also popular among low-income whites.
2. In product advertising, marketers too often use symbols that have no meaning to black or low-income whites. Showing a group of **jet-setters** sipping Coca-Cola on the Riviera would instantly **turn them off**. Product benefits must be communicated in terms most relevant to the particular market.
3. Advertising material designed for middle class whites often hasn't enough flexibility within its format to be adapted to other population segments. It is not enough to take an ad designed for a suburban audience,

(continued on page 34)

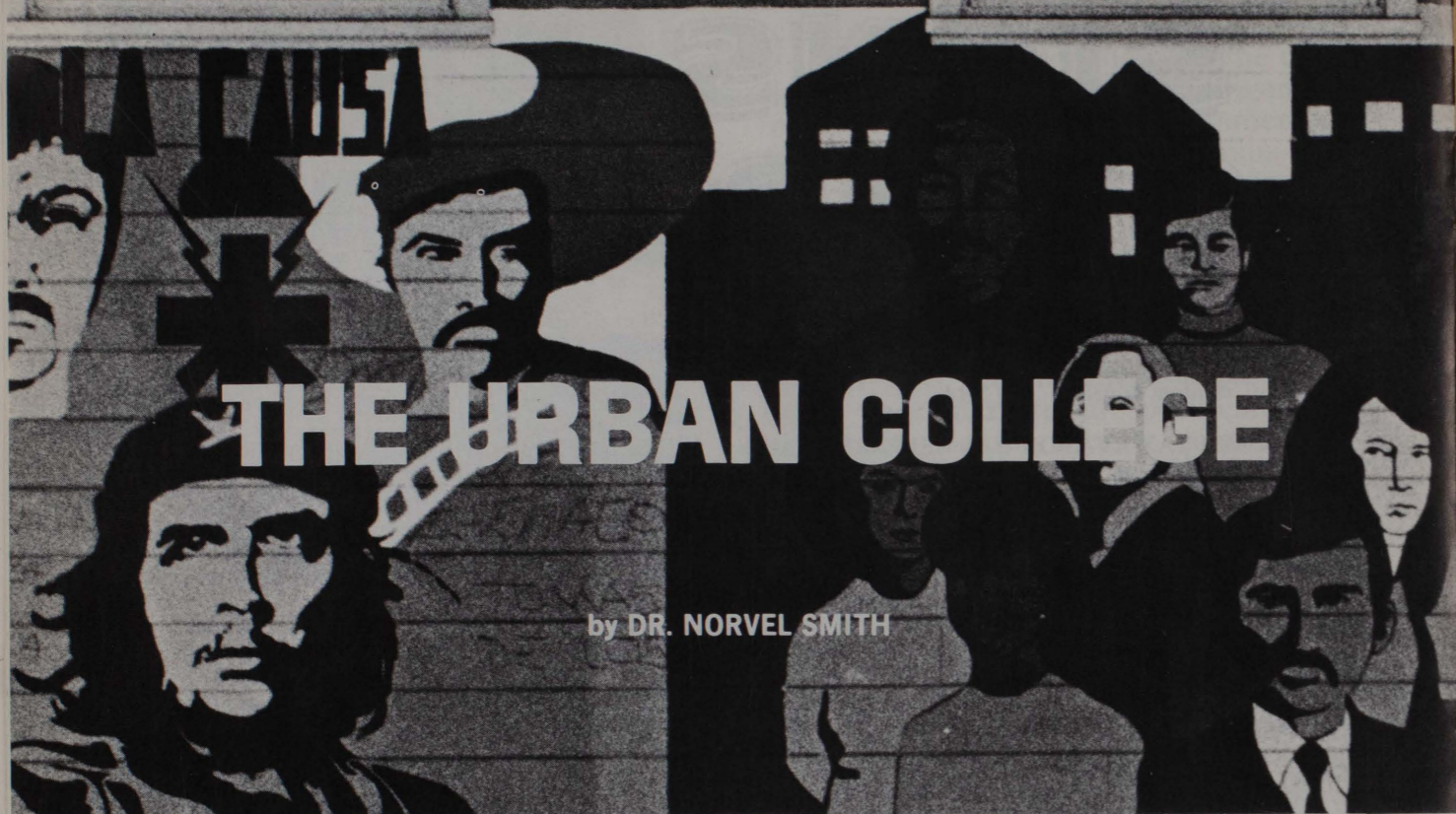
THE ACHIEVEMENT TEST—AN INCREASING DETERMINANT IN AMERICAN LIFE—HAS BEEN USED BY EDUCATIONAL INSTITUTIONS, PRIVATE INDUSTRY, GOVERNMENT AGENCIES, AND OTHERS TO ASCERTAIN A VARIETY OF DATA FOR VARYING PURPOSES. SIGNS AND SYMPTOMS IS AN ATTEMPT TO MEASURE ONE'S PERCEPTION OF OUR COMPLEX AND PLURALISTIC SOCIETY IN ORDER TO SEEK OUT THOSE PERSONS MOST QUALIFIED TO ASSIST IN SOLVING THE PROBLEMS OF OUR CENTRAL CITIES.

SIGNS AND SYMPTOMS

1. The Office of Minority Business Enterprise is most closely associated with...
 - a) black capitalism
 - b) economic integration
 - c) window dressing
 - d) SBA
2. INCOME TAX EVASION is to WELFARE FRAUD as DOLLARS are to...
 - a) millions
 - b) pennies
 - c) donuts
 - d) national priorities
3. The Community Self-Determination Act's most significant feature is its...
 - a) capital acquisition
 - b) impracticability
 - c) liberal philosophy
 - d) community initiative
4. Teenage unemployment constitutes what portion of the nation's unemployed...
 - a) 1/8
 - b) 1/4
 - c) 1/2
 - d) 3/4
5. Black teenage unemployment constitutes what portion of the nation's unemployed...
 - a) 1/8
 - b) 1/4
 - c) 1/2
 - d) 3/4
6. In 1910 there were 4,500 black doctors. How many were there in 1960...
 - a) 50,000
 - b) 25,000
 - c) 5,400
 - d) 9,000
7. The current involvement of major business in the ghetto results primarily from...
 - a) political pressure
 - b) search for new markets
 - c) seeking subsidized profits
 - d) all of these
8. The fastest rising area of influence in determining national priorities is...
 - a) New York
 - b) California
 - c) South Carolina
 - d) Texas
9. California's most significant new political figure is...
 - a) Ronald Reagan
 - b) Jesse Unruh
 - c) Joseph Alioto
 - d) S. I. Hayakawa
10. To what may this phenomenon be attributed...
 - a) bridging the generation gap
 - b) Hollywood
 - c) "law" and "order"
 - d) educational innovation
11. "Let down your buckets where you are" means most nearly the same as...
 - a) self help
 - b) individual initiative
 - c) economic independence
 - d) all of these
12. The most important reason for the Apollo voyages is..
 - a) American prestige
 - b) scientific discovery
 - c) Russians might reach the moon first
 - d) defense contractors need the money
13. The 1954 "...all deliberate speed" decision is most closely associated with...
 - a) national hypocrisy
 - b) Strom Thurmond
 - c) quality education
 - d) NAACP
14. The latest innovation for insuring equal educational opportunity for all citizens appears to be...
 - a) Voter Rights Act
 - b) housing integration
 - c) Justice Department suits
 - d) stacking the Supreme Court
15. The number one priority within black America is...
 - a) housing
 - b) jobs
 - c) education
 - d) other
16. The greatest benefit from the 1968 Housing Act will be received by the...
 - a) urban poor
 - b) home builders
 - c) lending institutions
 - d) land developers
17. The most significant mass movement within black America was headed by...
 - a) Martin Luther King
 - b) Roy Wilkins
 - c) Marcus Garvey
 - d) A. Phillip Randolph
18. The main consideration for closing the Job Corp Centers was...
 - a) budget considerations
 - b) shift in national priorities
 - c) inter-agency rivalry
 - d) land more suitable for other purposes
19. The newest method for diluting votes of the urban poor is...
 - a) gerrymandering
 - b) county housing authorities
 - c) regional government
 - d) housing integration

(answers on page 32)

"...we should set about the development of an experimental college that might be housed on our campus but which would operate administratively apart from the traditional college bureaucracy with student and community determination of the educational process and content—a place to try out new ideas that hopefully will find their way into the regular curriculum and college structures...."



THE URBAN COLLEGE

by DR. NORVEL SMITH

I speak to you today as the president of an urban community college in Oakland, California, one which is a prototype of what most open-door community colleges around the country will become within the next few years. Ours is a college of about 9,000 students that during the past six years has changed from being an institution primarily concerned with serving the needs of middle-class dropouts of the state university system and state colleges to being a college which serves the total community.

Let me briefly describe it. Last fall, we opened with 9,700 day and evening enrollment. Fifty-five percent were low-income as defined by anti-poverty program criteria; 60% were 21 years of age or older; 40% were married; and 17% were non-high school graduates. As is usually the case, about 2/3 of our students enter the institution interested in preparing them-

selves for transfer to a four-year institution. However, as is typical of such colleges, only about 25% of our full-time students have been transferring and only 5% of our black students have moved on to upper division work.

Ethnically, we have a very heterogeneous population, which reflects the total population of the six-city district that we serve as part of the Peralta Junior College system. Approximately 1/3 of our students are black and another 7% is made up of Mexican-American, American-Indian, and Oriental students, many of the latter from Hong Kong. Of the 60% white enrollment, approximately 1/2 is made up of what can loosely be described as activist, radically-oriented youth, many of whom transfer in and out of our institution from neighboring four-year colleges and universities. Less than a third, then, of the total student body

BLACK BUSINESS REPORT

by CLARENCE JACKSON
Business Editor

THE NEGRO IN SALES—COLOR HIM OUT. "Hiring Negro salesmen has always posed a problem for management, and its approach has been slow and cautious."

"If the government can find Negroes for the Cabinet and the Supreme Court, don't tell me you can't find a Negro salesman", snapped a Negro EEOC Chairman to a Doubleday Publishing Company witness.

"It is generally agreed among employment experts and government officials that only an astronaut in orbit can know the loneliness of the Negro trying to make contact with an industrial firm."

"The growing pressures of law and violence...have breached many of the battlements barring Negroes... Progress is still tortuously slow...Yet, even today, it is often easier for a Mack truck to pass through the eye of a needle than for a Negro to enter the sensitive kingdom of Sales."

This article also quotes John Johnson, publisher of **EBONY**: "This society cripples the Negro from birth, then penalizes him for limping. It is not so much the challenge that keeps the Negro out of sales, it's simply that Negroes cannot believe they'll get a fair shake from white society. After all, that's the message they've been getting for 300 years now".

Source: **SALES MANAGEMENT** Feb 15, '68

TRAINING FOR BLACK BANKERS NEEDED: Mature black males 25-35 years of age, preferably college graduates with some experience in finance. Trainees will receive salary of \$7,000 to \$9,000 during one year's intensive middle management training...to be hired by one of the participating banks when training is completed. Interested applicants write: National Bankers Association, 4310 Georgia Avenue, N.W., Washington, D.C. 20001.

Source: **BANKING**, Mar '69

THE \$30 BILLION NEGRO is the title of a new book by D. Parke Gibson, who is a leading consultant on the Negro market, and is founder and president of D. Parke Gibson Associates, Inc., publishers of "The Gibson Report", a monthly newsletter. In this book, Gibson discusses the do's and don'ts of introducing new products to the black market. He observes: "A need does exist within the Negro market for products having particular benefit for this market".

Source: **SALES MANAGEMENT** May 1, '69

WHY A COMPANY GETS INVOLVED is the title of an article by Bell Telephone Company President, James W. Cook. He tells of progress in meeting urban problems of housing, employment and education. Today there is a greater willingness to get involved because "we moved from the ideal of simply providing good telephone service to the broader concept of service to the community."

Source: **BELL TELEPHONE MAGAZINE**, Mar/Apr '69

BANKS & NEGRO CHURCH JOIN FORCES TO EASE RACIAL TENSIONS. This happened in Newburgh, New York, where last summer there were two full days of full scale rioting, looting, burning and the shooting. A \$2 million low-income housing project, sponsored by the A.M.E. Zion Church, was financed by three commercial banks, a savings bank and a savings and loan association. Said the city's mayor: "This is a landmark development that will go a long, long way toward easing racial tensions in this city".

Source: **BANKING**, Feb '69

FAMILIAR FORCES BRIDGE POLICE—GHETTO GAP is the title of an article by Joe B. Kirkbride, U.S. Department of Labor Information Officer in San Francisco. The author discusses Oakland's New Careers Training Program....15 men ages 20—39 receive training as law enforcement officers.

Source: **MANPOWER**, Apr '69. Vol. 1, No. 3

"THE LIMITS OF BLACK CAPITALISM" is the theme of an article by Frederick D. Studivant, in which he discusses the Community Self-Determination Bill which was drafted by the Congress of Racial Equality together with associates of the Harvard Institute of Politics.

Generally, the bill, to be considered by Congress, provides for a federally chartered community development corporation (CDC), which could be created by the residents of any disadvantaged community, where at least 10% of them have agreed to buy at least one share of \$5.00 par value stock. CDC would acquire, create and manage all businesses in its area. The author feels that "we are taking the wrong direction in our efforts to promote community self-help in the ghetto's economic development."

There are "three alternatives" in dealing with the problem of the black slums of the nation: (1) Try to disperse their population—that is, achieve total integration; (2) "Isolate" the ghettos from the rest of Society, with provision of certain resources and encouragement to develop into prosperous, peaceful, and semi-autonomous entities; and (3) Try to improve the social and economic welfare of ghettos and increase interaction with "outside" communities, with a view to eventual elimination of the conditions of deprivation prevailing in the ghetto."

Conclusions: About(1): cannot legislate this... too expensive—blacks do not want this; about (2): "The second alternative is the approach of the Community Self Determination Bill....creating separate, estranged communities....smacks of apartheid... runs counter to the dream that Martin Luther King had for the U.S." "Look", he further says, "at the fruitless and wasteful reservation system created for the American Indian....the third alternative holds the only promise for solving this domestic crisis."

Source: **HARVARD BUSINESS REVIEW** Jan/Feb '69

NEGRO BANKERS LOOK AHEAD. The question was asked Negro bankers: "Do you consider 1968 to have established a reasonably satisfactory upward trend in the economic status of the black community and its business and banking activities. What are the most essential steps to further this trend in 1969?" The article continues: "Generally, the answers indicated a fair degree of satisfaction with 1968, with anticipation of further progress in the year ahead." An exception to the view of the current year is expressed by N.B.A.'s President, E.E. Tillman, President of the Bank of Finance, Los Angeles, who says: "In my opinion, 1968 marked another year of tokenism by the mainstream of business and industry in America toward black Americans, and therefore 1968 did not mark a satisfactory upward trend in the economic status of the black community and its business and banking activities."

Source: **BANKING** Dec'68

TRAINING THE HARD-CORE—A COMMUNITY WIDE APPROACH describes a successful community training program in Ypsilanti, Michigan. They conclude in their summary that "the approach to training the hard-core unemployed should bring together all of the resources available in the community, and provide for much greater coordination than when a variety of programs, each sponsored by different organizations, is undertaken. Significantly, they add: "The hard-core unemployed are probably the most over-trained group in American society. Most of them have participated in a variety of training programs, many of which paid them token wages while being trained. In spite of all of this training, for most hard-core the "promised job" never materialized. It is no wonder that many of them evidence strong feelings of frustration and are extremely pessimistic about taking any further training. For these reasons, it is vital to have the pre-commitment of a job concept."

Source: **PERSONNEL JOURNAL** June'69

BLACK COLLEGE GRADUATES IN BUSINESS—HOW ARE THEY DOING is discussed by Dr. Daniel Seifer, former associate professor of business management at Tuskegee Institute.

"Only a few black college graduates are now employed in management-entry or management-training positions, and they have been so employed only a relatively short time, but already there is considerable interest in how they are doing."

"The reason is obvious: companies are hiring all the qualified college graduates they can find, and both white and black graduates are in short supply, but supply is shorter on the black side."

How well prepared for the corporate process is today's Negro college graduate—emotionally, academically, and socially?

Dr. Seifer observes: "At present, the average black college graduate does not know which management jobs are really open to him, nor does he know if he is as qualified to hold them as is his white counterpart. He does not know how to go about selecting the job that offers him the best fit, both as a man and as a future business manager. Further, he has heard a great deal about corporate management mobility and may be apprehensive on that score, since some geographical locations are closed to him, or, at least, do not welcome him".

The author concludes from his study: "...the majority of responding executives of 125 of the country's largest corporations are satisfied in a general way with the performance of the black college graduates employed by their firms in management-entry or management-training positions, and what is more, are actively seeking additional recruits".

Source: **PERSONNEL**, May/June '69

MINIMUM WAGE LAW BAR TO JOBLESS NEGRO TEENS is the title of an article which looks at the awesome problem of Negro teenage unemployment, which is fully 1/4 of the total nation's unemployed. The article quotes "Negro youngsters, less productive than whites, have a lower level of education, and a lower level of skill. Because of the minimum wage, black youth are denied the opportunity to discount their lower average skill level, and the prejudice against them by offering to work for less than whites." The article concludes that the minimum wage law should be abolished—that it is "a weapon being used in a war on poverty that is actually a war on the poor."

Source: **BARRONS**, Jan '69

STICKING IT OUT IN THE GHETTO

"American industry is determined to support ghetto-based training programs despite frequent controversy, embarrassment and financial stress." This was demonstrated by Corn Products Company when it stuck with an auto mechanics training project it designed and funded in the Roxbury section of Boston despite a triple murder and the withdrawal of government funds promised by the Labor Department.

CPC learned by bitter experience that public relations counsel is vital when a company is working in the super-sensitive social arena. It also "learned that a company working in the ghetto can't play it safe. If the project works, you may receive no thanks and the press might even be indifferent. If the project fails, however, the company can be sure of rough treatment all around."

Alexander McFarlane, the board chairman of CPC is "...convinced that our present domestic crisis will ease as more companies adapt their own learning systems to close the gap between advantaged and disadvantaged workers, and employ new men and women who want jobs but lack training".

Source: **PUBLIC RELATIONS JOURNAL** June'69

HELPING AN INFANT BLACK FIRM tells about volunteer public relations help given a new enterprise in the Watts area.

The organization assisted is Community Pride, Inc., a non-profit corporation formed in 1966 with the assistance of top Los Angeles businessmen. The organization's primary goal is to rehabilitate homes and build new ones in the blighted area and sell them to deserving, low-income families at prices they can afford. (Less than \$15,000).

Public relations were handled free, as a public service by Wolcott, Carlson Company, Inc. "Top notch public relations counsel is as vital to community action organizations as to any successful company". Public relations efforts claim much of the credit for the black firm's success to date: approximately 50 homes rehabilitated; jobs provided for nearly 100 blacks.

Source: **PUBLIC RELATIONS JOURNAL** June'69

SHOULD BLACKS IN THE GHETTO BE EXPECTED TO SAVE MONEY TO START A BUSINESS? If a man makes only enough money to barely provide for himself and family, saving money to go into business is out of the question. That is why the author says: "Would-be backers must make up their minds to relax or waive entirely traditional requirements that an entrepreneur contribute part of the equity himself."

"The tragedy of our citizens that live in the ghetto is that they have no chance to save...they barely subsist on their low incomes and pay high prices for what they get. Because of the expense and lack of mobility, they are effectively denied the opportunity of going elsewhere. Since saving is the basis for accumulating capital, they simply cannot be expected to be in a position to provide any but the smallest part of the financial resources needed to get into business."

The author of this article is Louis L. Allen, President of Chase Manhattan Capital Corporation, which has invested about one third of its portfolio in ghetto enterprises. The term **black capitalism** is misleading and confusing Mr. Allen believes. "Capitalism does not vary according to the color of those who practice it. Whether in Watts or on Wall Street, capitalism develops according to certain time-honored rules and principles. It is created out of know-how, hard work, and intelligent risk-taking—and it cannot be given ready-made to anyone, nor can it be legislated. At the same time, though, would-be capitalists in the ghetto urgently need the help of experienced white businessmen; they need financial assistance as well as managerial guidance...he needs individual advice and guidance, not a management course."

Source: **HARVARD BUSINESS REVIEW** May/June '69

FEDERALLY GUARANTEED CREDIT FOR GHETTO CONSUMERS will result if Sen. William Proxmire (D-Wis) wins passage for a bill setting up **National Development Banks**. Such institutions would make direct loans to low-income consumers at subsidized interest rates, with the government guaranteeing up to 80% of loan repayment obligations. Proxmire's own Senate Banking sub-committee hopes to hold hearings on the measure this year.

Source: **SALES MANAGEMENT** June 1, '69

BLACKS AND THE WORLD OF BUSINESS is the heading given to a review of a book: **Business Leadership and the Negro Crisis**, edited by Eli Ginzberg, McGraw-Hill, 1968. The book is a collection of 12 articles that were presented as talks at a three-day conference on urban minority problems held by the Columbia Graduate School of Business. Observations by Kenneth B. Clark (Attitudes and Behavior), Nathan Wright (Black Power), Bayard Rustin (Class and Caste) and Vivian W. Anderson (Education and Training).

Source: **PERSONNEL**, Mar/Apr 69

A NEGRO SALESMAN'S SUCCESS: OUT OF MIND is the title of this article about "Milledge Mosby, a 47-year old Negro, ex-Air Force major, and salesman extraordinary who, last year sold \$1 million worth of business and in the process flattened many of the reasons against including black men in sales forces." "The fact that I am black makes a difference", says Mosby, "but for the most part I think its a positive difference. I've been as successful in the South as anywhere else."

Source: **SALES MANAGEMENT**, Feb'69

SUPREME LIFE: THE HISTORY OF A NEGRO LIFE INSURANCE COMPANY 1919—1962. "The history of Supreme Life Insurance Company, now the third largest black insurance firm in the United States, is representative of its industry as a whole. In this first study of an individual Negro life insurance firm, Professor Puth suggests that Supreme Life may also serve as a barometer of future trends as black firms compete with larger white companies now being drawn into the formerly segregated market by falling mortality rates and rising incomes among Negroes."

Source: **BUSINESS HISTORY REVIEW**, Spring'69

THE NEGRO IN BUSINESS is the title of a research project to "investigate the barriers to a fuller participation in business by Negroes, particularly as entrepreneurs, and to identify innovations designed to handle barriers." Heading this research: James Hurd, School of Business, Emory University, Atlanta Georgia 30322.

Source: **BUSINESS HORIZONS** April '69

NEGRO COSMETICS is the title of this article in which the author discusses improvements in products. Included are formulae for pressing oil, pomades, hair straightening cream, skin bleaches, shampoos, etc.

Source: **DRUG & COSMETIC INDUSTRY**, Dec'68

THE NEGRO IN TECHNOLOGY is the real title of this article but the editors suggest that some Negroes would title it **The Confessions of Uncle Tom.** The article concludes: "It may be a while before the black engineer or scientist can enjoy the fruits of his own labor in his own way—without facing any barriers at all—but he stands a better chance of getting equal recognition for equal ability than he does in any other field."

Source: **NAVAL ENGINEERS JOURNAL**, Apr'69

DEVELOPING INNER CITY LEADERS is the title of an article by Governor William G. Milliken, who replaced George Romney as governor of Michigan. He says: "The prospects are optimistic for developing the leadership potential in the inner city. The talent is there. Businessmen and corporations must use their energy and resourcefulness to tap this vital human resource."

Source: **PERSONNEL ADMINISTRATION** May/June '69

JOB LOSERS, LEAVERS, AND ENTRANTS: a report on the unemployed. Persons entering the labor force make up nearly half of the nation's unemployed. The Negro male is more likely to lose his job than his white counterpart—and is more likely to have his job permanently terminated instead of just being laid off.

Source: **MONTHLY LABOR REVIEW**, Apr'69

WHAT HAPPENS TO A BUSINESS THAT "GROWS OLD"? "In his essay on self-renewal, it was John Gardner's thesis that a society decays when its institutions and individuals lose their vitality.

"Rome falling to the barbarians and an old family firm going into bankruptcy and a government agency quietly strangling in its own red tape have more in common than one might suppose.

"When organizations and societies are young, they are flexible, fluid, not yet paralyzed by rigid specialization and willing to try anything once. As the organizational society ages, vitality diminishes, flexibility gives way to rigidity, creativity fades, and there is a loss of capacity to meet challenges from unexpected directions."

From **Self-Renewal—The Individual and the Innovative Society**, New York, Harper & Row, 1963.

Source: **HARVARD BUSINESS REVIEW** May/June'69

THE BLACK ACADEMY OF ARTS & LETTERS is discussed by Academy Chairman, Dr. C. Eric Lincoln, Professor of Religion at Union Theological Seminary: "A Black Academy of Arts and Letters is one way of coming to terms with a society that has not yet made up its mind about the role of color. We insist there is but one standard of excellence, but our behavior suggests that we are not equally certain of realizing excellence. The existence of a Black Academy of Arts and Letters does not imply that there are two standards of excellence. It does imply, however, that we do not have a comfortable assurance that the judgment of excellence may be taken for granted merely because a common standard exists. Quite the contrary."

"Declining to directly state that racism explains the absence of black names from the lists of honored Americans in other academies, Dr. Lincoln made the point more subtly: "The traditional distribution of accolades in American society has always tended to be drastically influenced by the same traditional social conceptualizations which have determined most of what we do and why we do it."

Source: **NEGRO DIGEST** May'69

PUTTING BLACKS IN THE BLACK tells what giant corporations and the U.S. government are doing to help black entrepreneurs. A main theme that runs through all effort: no handout must be given, rather minority entrepreneurs must be set up so they can compete for business with white-owned establishments.

Source: **NATIONS BUSINESS** Dec'68



would be typical of the majority of our students ten years ago: those who were solely interested in absorbing what we had to offer and moving on from our institution in the shortest possible time.

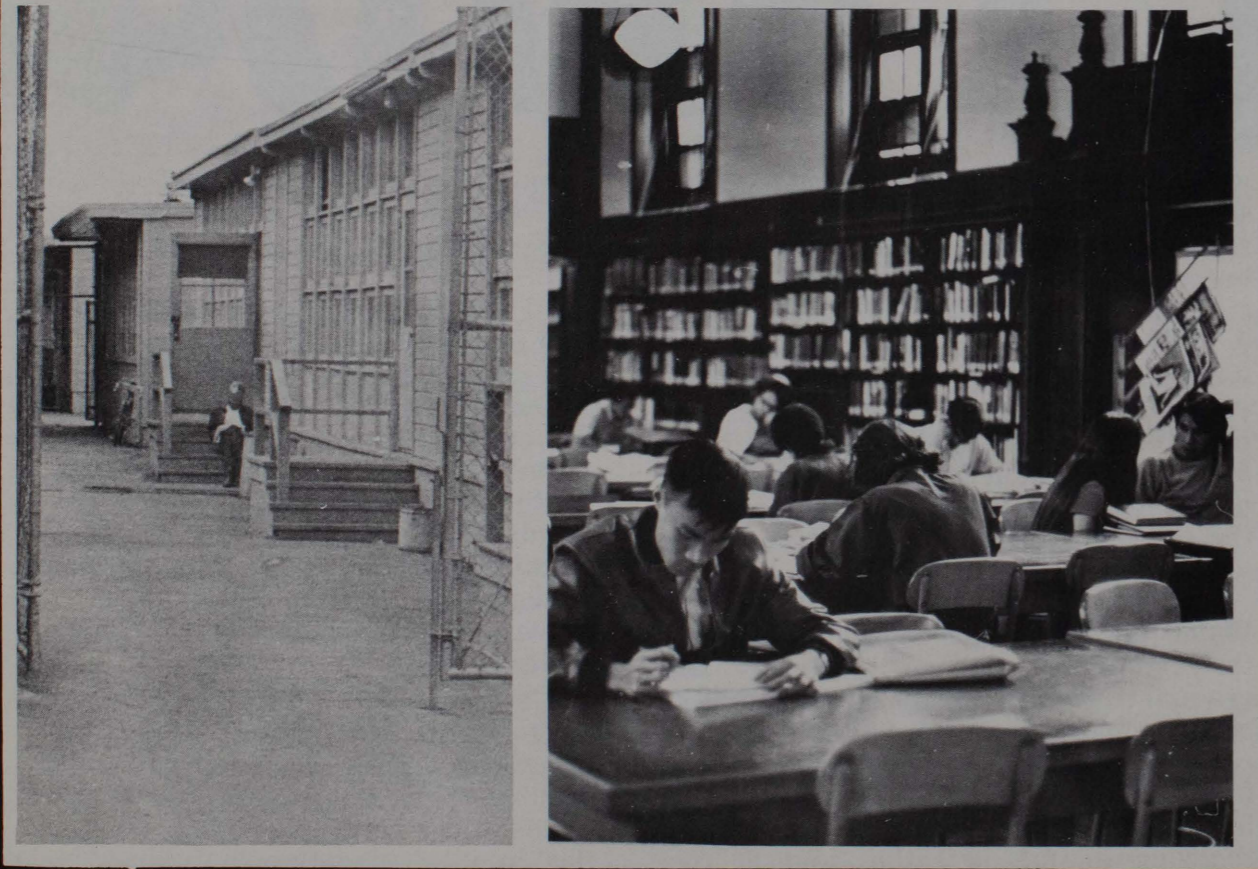
Finally, like most colleges of our type we are housed in highly inadequate, leased facilities, a 50-year old high school plant enlarged by more than 100 portables, and located on the fringe of one of the low-income black target areas of the city. We look forward to being in a new facility in two years.

What we have seen in the post-World War II period, at both the secondary and the community college levels, is the gradual movement of all of the peoples' children into high school, and now into college. This movement has great significance for the Nation, as it means that free public education is coming close to realizing its full potential, and at the

verge of being made available to everyone who can profit from it. Our college epitomizes that movement.

I would now like to review some issues and problems that are faced by the **Merits** around the country. As institutions like ours attempt to move in the direction of effecting changes that are necessary to deal with the needs and concerns of the new constituency and times, a number of issues emerge which will determine whether or not the **community college** can meet its new mandate, as it moves away from its former role as a **junior college**.

To begin with, there is the need for most of our institutions to aggressively seek the expansion of their low-income, disadvantaged, and minority group enrollments on the campus. For the most part, this implies an outreach program that

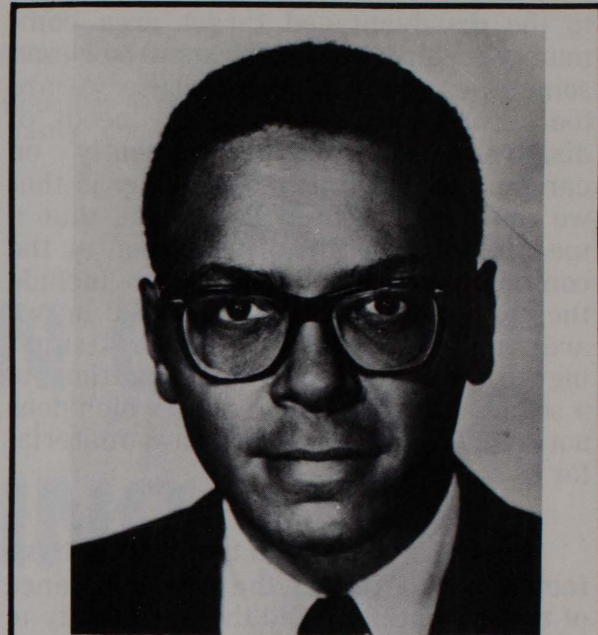


will acquaint eligible high school students and others capable of profiting from higher education with the offerings of the institution, as well as assisting them to cope with the bureaucratic structures involved in gaining admission to the college and beginning their college careers. Such a recruitment program requires the use of a different type of personnel, including the need to use faculty and other recruitment staff who reflect the ethnic and racial backgrounds of those to be recruited, because many minority students are hesitant to enroll in institutions where they do not find authority figures such as faculty and administrators to whom they can relate on a personal basis.

Many of our community colleges are still not prepared to really open their doors to the new constituency, partly because of hesitance to make the internal administrative changes in the structure of the institution and partly because of the hesitance of faculty to re-organize the learning process to deal with those handicapped by educational deficiencies.

Until we are prepared to accept the role of the community college as the last resort for a major segment of the eligible college population, we shall not be in a position to feel proud of our attempts to democratize higher education. This means that we should take a hard look at the number of middle-class, out-of-district students who are occupying spaces that could be filled by residents of our own districts who have never had access to higher education. It also means that we have to take a hard look at the many perpetual students who have completed numbers of units far exceeding lower division requirements, but who prefer continuing in our environment rather than moving on to a four-year institution, for which many of them are qualified. Part of this may reflect the lack of a career decision on behalf of the student, but some of it reflects oversights in college policy.

At a college like ours it is no great accomplishment to recruit and enroll large numbers of low-income and minority students, but it is an accomplishment to



Norvel Smith, Ed.D., is the first black president of Merritt College in Oakland, California. He delivered the following address before the American Association of Junior Colleges at its 49th Convention in Atlanta, Georgia in March of this year. Dr. Smith is former Deputy Director of the Western Region of the Office of Economic Opportunity, and for several years headed Oakland's War On Poverty program.

keep these new students enrolled throughout the first year. The crisis that we face is in strengthening our holding power, and the issues that we have to deal with are those that relate to the provision of necessary supportive services in the pupil-personnel area, including adequate and effective counseling, financial aids, tutoring, part-time employment, health services, etc.

Here again, the issue of resources is a major one, as well as the number of legal roadblocks which hinder our ability to do the job that is needed. Many of our institutions are not able to use local district funds to match federal funds for financial aids, and as a result, we find ourselves not tapping the full resources available from this source. Many of us are not able to provide meals for needy students because of legal restrictions of this activity to the elementary and secondary schools. Many of us are unable to expand our outreach

to the disadvantaged target area community because we lack the know-how (and sometimes the will) and because we are too occupied with meeting the needs of disadvantaged students presently on campus. What I am trying to say is that we must be prepared to assume that a meaningful program of education at the community college level has to include the essential supportive services, or we are simply spinning our wheels in attempting to provide relevant instruction to a segment of the student body which does not represent a suitable raw material for us to work with.

I referred earlier to the need to have faculties that reflect the ethnic balance of the student body and the community to be served. This presents real problems in most urban communities, where the number of well-trained and experienced minority faculty members is exceedingly limited and where the competition for their services is great. Part of this is a reflection of the fact that relatively few minority graduate students have gone into the field of higher education in recent years, having been lured away by the newly emerging opportunities in industry and in the private sector, generally. However, I am convinced that intensive recruitment, nation-wide if need be, can result in the acquisition of the necessary minority manpower, and we should begin by looking at the thousands of qualified and experienced secondary school teachers who would make fine instructors in many of our community colleges, considering the fact that the majority of our present white instructors have come to us by way of the secondary school field.

We should not assume, however, that the mere presence of minority faculty members on our campuses will solve the basic problem of communicating with minority students, as many black faculty members bring with them the same lack of idealism and empathy that characterize some white faculty members. It will be necessary for effective administrators to work with minority faculty to instill in them a special sense of responsi-

lity for meeting the needs of minority students, as well as for assisting white faculty to relate to minority students through sensitivity and other related training that involves students as participants, if not instructors.

To begin with, we are plagued in this country with a myth that says we are over-taxed in relationship to our income and wealth. This is a myth which we must not allow to go unchallenged if we are to find the will as well as the way for providing the solution to the problem of offering a quality higher education to all of the peoples' children. Our real income is at its highest level in the history of the nation, and the relationship between personal income and debts is more favorable than it has ever been. Compared with Western European nations, the tax load in this country is certainly not repressive for most middle and upper-income families.

The problem as voiced by Walter Lippmann several years ago is that the affluent 80% in this country do not care to make the sacrifice necessary to bring the non-affluent 20% into the system. (The percentage of affluent or **comfortable** has since risen to 85%). I recognize the fact that not all of the low-income population is capable of becoming productive and independent, but my experience with the Anti-Poverty program would suggest that at least 80% of the poor and low-income families in the country are headed by persons who want to improve their economic status, and who work every day, but simply don't make enough money to make ends meet, or to provide a stimulating and wholesome home environment for their children.

I should also point out that many taxpayers do not feel that educators have the ability to cope with the problems of providing relevant education for all people, and we are going to have to make sure that our technology and our pedagogy are refined to the point where we have a suitable product to sell. Some taxpayers are also raising the issue of whether or not they should be continuing to

(continued on page 36)

"Hidden in the ghetto is a wealth of underdeveloped human resources—talent, ambition and leadership ability. As a market, it has grown substantially in recent years, but the latent potential is tremendous. Its capacity for business development is vastly under utilized."

THE URBAN CRISIS FOR BANKING

by NAT S. ROGERS

As Americans, we have every right to be proud of the economic achievements of our country. We enjoy a degree of prosperity almost unprecedented in history. We are better fed, better clothed, better housed and better paid than any other nation on earth. The most sophisticated technology is ours to command. We are served by the most productive economy the world has ever known. Insofar as it exists on earth today, gentlemen, we have the good life.

This record is not without blemish, however. While the majority of Americans have enjoyed a continuously rising living standard, many others have shared little in the economic growth of our country. One such group is the urban poor, and one of their most pressing needs is decent housing. Today, I'd like to discuss these two closely related problems—how can banks best contribute to solving the urban crisis and what actions must be taken to alleviate the nation's increasingly serious shortage of housing.

It is of little consolation to the people of the slums that their lot has

improved over what it was in the past. This fact is overshadowed by the growing realization that the gap between their present position and that of the rest of the country has widened rather than narrowed. In recent years, we have witnessed the results of this growing awareness—frustration, bitterness, protest, and finally, sweeping riots and civil disorder across the nation.

Clearly, the complex array of inter-related problems which make up the urban crisis are not open to simplistic solutions. They involve a tangle of cause-effect relationships between rundown housing, social environment, human behavior and the generally disadvantaged life of the poor. Interwoven through the whole fabric of urban poverty are serious deficiencies in health care, education and skills training, and underneath it all is a pervasive hopelessness that destroys individual motivation for self-betterment.

Governmental efforts to solve the problems of the ghetto have been far from satisfactory in their results. The fact

transportation and the like, are viewed as foundation stones for the economic revival of their cities.

Banker involvement in revitalizing the inner city cuts across a wide spectrum of activities. One such area is developing the ghetto's human resources. A large number of banks participate in the National Alliance of Businessmen's program to train and employ the "hard-core" disadvantaged.

The problem of encouraging ghetto businesses has also received special attention. During the past 12 months, we have seen numerous institutions initiate inner city lending programs specifically designed to increase both the capacity and number of minority group entrepreneurs. Such efforts to shore up the economic base of the ghetto have met with some initial success, but I should caution that the record is too short to judge the ultimate success of these programs. However, a substantial portfolio of such business loans has been developed under Project OWN, a joint program of the banking industry and the Small Business Administration. More than 2,500 loans totaling over \$70 million were made during the first eight months of this program's operation.

To improve educational opportunities in the ghetto, several major banks have "adopted" inner city schools and are bringing their corporate strength to bear on upgrading the educational structure of ghetto school systems.

In the area of housing, a large number of banks have introduced special mortgage lending and counseling programs to assist low-income families in obtaining improved housing, both within and outside the inner city.

Within our own industry, several banks are engaged in programs to assist the black banking institutions of their communities, many of which came into existence only recently. Established banks provided assistance to these inner city black banks during their formation and early development. Now, under a program initiated by the A.B.A.'s Bankers Committee on Urban Affairs and the National Bankers Association, a pro-

gram is under way to provide increased opportunities for training in order to raise the level of management potential of these institutions.

All of these activities demonstrate that the banking industry is fully aware of the crisis confronting our cities, and such demonstrations are of the utmost importance. However, it is equally important that we avoid scattering our efforts beyond the specialized areas in which we can make the most effective contributions. These areas should be clearly delineated. Once this has been done, we should concentrate on "doing our thing" and doing it well.

Obviously, it would be a mistake for bankers to rush into urban development projects without due regard for the soundness of their institutions and the safety of the public funds they administer.

It is also essential that any effort by business to inject itself into urban problem solving avoid the danger of fostering expectations which outrun the ability to produce. Bankers must pay particular heed to this danger, for many of our inner city critics are convinced that financial institutions possess a unique capability to transform the ghetto overnight, simply because they have command over a substantial share of the nation's financial resources. Should we foster this unwarranted belief, it would be tantamount to perpetrating a cruel hoax on the urban poor.

Our industry can contribute most by confining its activities to the allocation of capital, credit financing and lending. If these contributions are to be effective, however, we must be prepared to depart from traditional practices, to re-examine narrow functional concepts, and to exercise a great deal more innovative thinking.

The stark fact is that making capital available to rebuild our inner cities can't always be fully justified on the basis of immediate, pure economics. However, it is absolutely essential to the long-run stability and prosperity of our communities and our nation. For this reason, we must begin to include social benefit in our lending criteria,

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to evaluate the potential trade-offs between economic and social costs and benefits.

One of the most severe social problems confronting both the inner city and the nation is housing. The dimensions of this problem are outlined in the Report of the President's Committee on Urban Housing submitted last December. This is the most comprehensive analysis of our national housing problems ever compiled and its revelations are startling.

One out of eight American families rank so far down the economic scale that 20 per cent of their income isn't sufficient to pay the market price for standard housing. Half of these families are surviving on less than \$3,000 per year.

Furthermore, the situation is unlikely to improve a great deal if we simply wait for the results of economic growth to trickle down to these people. Assuming no marked changes in economic trends, national policies and priorities, one in 10 families will still be unable to afford standard housing by 1978. The

bearing this has on the urban crisis is apparent when you consider that 56 per cent of these house-poor families live in urban areas.

Up to now, I have been speaking of the ability to pay for standard housing, but there are also problems concerning the availability of standard housing. Our nation's housing inventory consists of roughly 66 million units to shelter 60 million households, a paper vacancy rate of six million units. Of these six million, however, only about two million are in standard condition and available for occupancy. This is the lowest available vacancy rate since 1958.

In addition, an estimated 6.7 million occupied units are in sub-standard condition, and 6.1 million units are overcrowded. All of these figures point to a serious and growing shortage of decent housing, not only for low-income families, but for the entire population.

The Kaiser Committee estimates that in order to provide enough standard housing for the entire population by 1978, the American economy will have to meet

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the following goals:

1. Build 13.4 million units for new families that will be formed during the next decade;
2. Replace or rehabilitate 8.7 million units that will deteriorate into substandard condition;
3. Replace three million occupiable units that will either be accidentally destroyed or intentionally demolished to make way for non-residential use of the land;
4. Build another 1.6 million units to allow for an adequate vacancy level to meet the needs of our increasingly mobile population.

In terms of housing starts, this series of goals calls for a level of construction nearly double that of the past 10 years. In terms of capital, it would mean more than double the dollar volume that went into housing during the same 10-year period.

Quite obviously, such an ambitious program would be seriously jeopardized by a

continued inflationary trend. Even today, most economists are projecting a significant decline in housing starts unless inflation is curbed.

The effect of inflation on the housing industry goes beyond a tightening in mortgage money. In a booming, overheated economy, competition for a limited supply of materials and labor drives prices higher. All industries suffer from this, but in housing, the effect has been intensified by other factors.

Due to the lumber shortage, for instance, the wholesale cost of softwood plywood has more than doubled over the past two years. In the labor market, the relatively low rate of unemployment in the building trades has had the effect of pushing up wages. Add to this the steady rise in land costs and you have the three-way combination of pressures behind rising construction costs.

Suffice it to say that even the most compelling financing incentives will serve little purpose unless effective solutions to these sticky problems are devised.

To increase the productive capacity of the construction labor force, unions should be encouraged to open their rolls to more minority group workers. Naturally, this would require widespread training programs which could be organized only with the full cooperation of the building trades unions. However, it would have the important advantage of providing jobs where they are most sorely needed, since many of these potential workers live in the inner city.

Similarly, realistic steps must be taken to relieve the shortage of building materials, both on an immediate and long-term basis. Also, consideration should be given to applying federal subsidies to bridge the gap between soaring urban land costs and the pressing need for low-cost urban housing.

Achieving the goal of 2.6 million housing units per year recommended by the Kaiser Committee will become possible only through a drastic alteration in present conditions. To this end, we must have not only a major reordering of national priorities, but major renovations

in mortgage credit institutions.

First, inflation must be brought under control. In a healthy economy growing at a sustainable pace, mortgage funds will flow freely at reasonable rates. The new Administration has repeatedly demonstrated its commitment to cooling inflation, and while the results have been slow to emerge, I am confident that this goal will be realized without any irreparable disruption in the economy.

Recognizing the urgent priority of the nation's housing problem, the A.B.A. has made strong recommendations for the development of incentive programs that would encourage the flow of money into residential housing. Our position is that a positive incentive approach will be far more effective than narrow regulatory legislation in achieving the desired results.

For this reason, the A.B.A. has opposed any move that would require all financial institutions active in mortgage lending to direct a certain percentage of their new loanable funds into mortgages. Such a move would be arbitrary indeed.

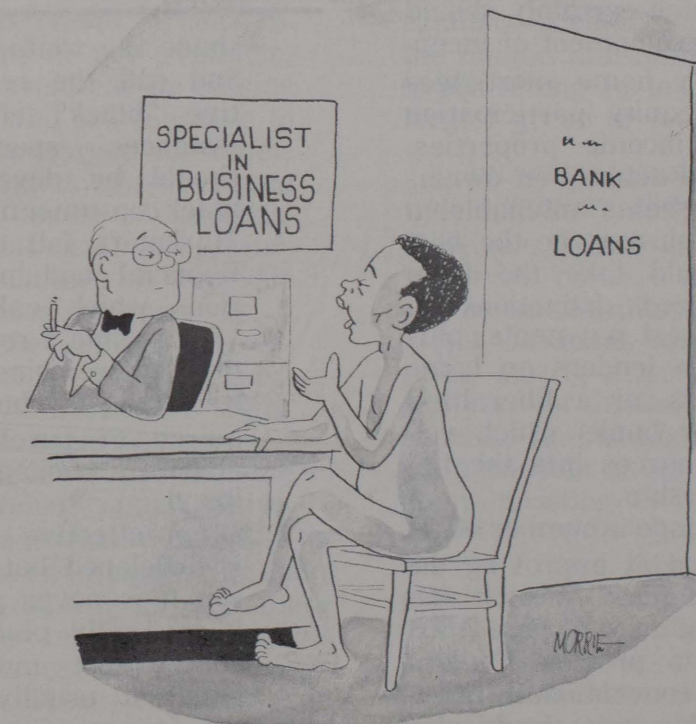
ANSWERS

SIGNS AND SYMPTOMS

- 1) window dressing
- 2) pennies
- 3) impracticability
- 4) 1/2
- 5) 1/4
- 6) 5,400
- 7) all of these
- 8) South Carolina
- 9) S. I. Hayakawa
- 10) "law" and "order"
- 11) all of these
- 12) Russians might reach the moon first
- 13) national hypocrisy
- 14) stacking the Supreme Court
- 15) other
- 16) home builders; lending institutions; land developers.
- 17) Marcus Garvey
- 18) land more suitable for other purposes
- 19) regional government

SIGNS AND SYMPTOMS
(Answers from previous issue)

- | | |
|------------------------------------|------------------------------------|
| 1) a modern gospel group | 20) Afro-American |
| 2) keep getting up | 21) process |
| 3) Billy | 22) drop-outs |
| 4) a news and gossip magazine | 23) pride, dignity, respect |
| 5) T. C. B. | 24) Impressions |
| 6) a down home singer | 25) Great Society |
| 7) 2 hours | 26) corporation |
| 8) Lift every voice and sing | 27) none of these |
| 9) \$5.00 | 28) Democrat |
| 10) a unique art form | 29) rap |
| 11) 1st & 16th of the month | 30) Miss America |
| 12) the slaves were fired in Texas | 31) jive |
| 13) Watts | 32) vested self-interest |
| 14) Turner | 33) a piece of the action |
| 15) hip | 34) riot |
| 16) preacher | 35) all of these |
| 17) \$35.00 | 36) none of these |
| 18) grey | 37) all of these, or none of these |
| 19) Hank Ballard | |



"You see, sir—what assets I have are already pledged!"

Thrift institutions are already required to invest heavily in residential mortgages to justify their special tax privileges. Commercial banks, on the other hand, should not be forced to increase greatly their mortgage lending to the detriment of other pressing community requirements: commerce and industry, schools, hospitals, pollution control and renewal.

What is required is a massive and creative effort to produce the conditions which will induce the desired high level of residential construction. The problem is not susceptible to a simple solution; a series of variable but coordinated programs will be indispensable. One possibility for multi-unit housing is the introduction of variable conventional mortgage rates which would continuously reflect the conditions in the money markets. The flexibility possible under such a "cost of money" clause would benefit both the borrower and the lender. The borrower would avoid the burden of high interest costs when rates decreased, while the lender wouldn't be saddled with low-yield mortgages during periods of high rates.

Another area which certainly should be explored is the development of incentives in single-family home mortgages comparable to the equity participation now employed for income properties. Since a "piece of the action" on owner-occupied residences seems untenable, a tax incentive approach may be the best alternative. This could take the form of granting liberalized deductions to homeowners for interest payments, partial tax exemption to lenders on home mortgage investments, or a liberalized bad debt reserve for banks which voluntarily channel resources into the financing of home ownership.

The A.B.A. has made a number of recommendations aimed at improving the mortgage credit situation. One such suggestion is passage of a Mortgage Market Facilities Bill to provide Federal "coinsurance" of conventional mortgages. Any bill of this type should also allow national banks and Federal savings and loan associations to purchase stock

in mortgage trading corporations.

Another recommendation now under consideration by the Association is a possible revision of Section 24 of the Federal Reserve Act which governs mortgage lending by national banks. The aim here would be to modernize terms and generally permit a more active role in mortgage lending for these institutions.

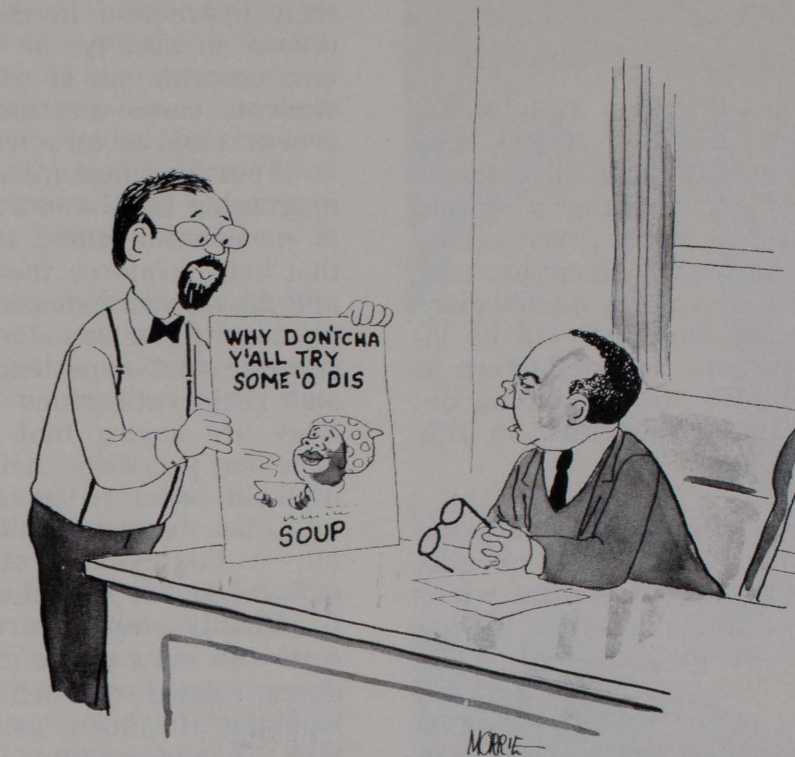
An important contribution to the total the Government National Mortgage Association's new authority to insure mortgage backed bonds issued by institutions seeking to raise new mortgage funds. The authorizing legislation provided a considerable degree of latitude as to the type of obligations that are eligible for this guarantee, and it is hoped that the implementing regulations will be equally flexible. To bring this about, the A.B.A. has suggested that a task force of experts from private industry be established to assist in the drafting of the regulations, and also that a definite timetable be established for both hearings and final

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REACHING THE LOW-INCOME CONSUMER

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- shade the white models brown, and call the results an effective "black" effort. In these instances specific material should be developed for the black consumer market.
4. Marketers fail to consider the financial and physical limitations which call for package variety, and a review of product mix requirements. Those on limited budgets should not be required to purchase the most elaborate package or expensive blend.
5. Often effective sales material is developed but for some reason it is never placed. And, if it is finally placed, the material is not maintained. This situation usually arises from the failure of sales promotion planners to rely on the judgment of sales personnel. These



"You have completely missed the point!"

resource people should be used not so much as sources for ideas, but as critics. When "in-house" talent is not available, marketers should call on outside consultants who are sensitive to the particular target consumer.

6. Poor coordination exists between the various levels of advertising and local sales programs. There is a failure to consider the total sales program as it relates to the selling environment, including in-store merchandising, outdoor store signs, newspaper, magazines, transit cards, and other advertising and promotional opportunities.

Major food chains should be aided by product manufacturers in upgrading their ghetto relations program through more creative and relevant contests, sales promotion, advertising material and merchandising tools. These retailers can help themselves by initiating community relations programs of sales promotion orientation aimed at giving the low-

income consumer assurance that his patronage is welcome. Manufacturers and retailers should also begin to consider the unique marketing problem of effectively selling to low-income whites—the largest group of low-income consumers.

According to a study done by the Coca-Cola Company and Harvard University, there are no fundamental differences in life-styles between white and non-white low-income families. There are of course, slight variations between the groups, but these mostly affect the communication process—for instance, nobody is going to make the mistake of advertising with white models in Harlem. But, the basic characteristics of the poor society in America are the same for white, blacks, Puerto Ricans, Mexicans, or any other ethnic group with a substantial number of low-income members. Once advertisers have grasped this fact; once they have bothered to adapt their message to this fact, they will eventually realize the vast profit potential of the 90 billion low-income market. ■

THE URBAN COLLEGE

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support a higher education system that develops critics for our society and foments revolution. I think these largely upper middle-class citizens should take a hard look at where most of the money is going in higher education, e.g., for the education of a white middle-class elite, which means that they will be injuring their own sons and daughters in any attempt to stifle the continuing development of higher education in this country.

Certainly the most significant issue related to my topic is that which concerns the whole student protest movement, which is in many ways an expansion of the social revolution in this country. Let's start by briefly looking at what appears to be the nature of the student concerns which have resulted in the present campus disorders.

To begin with, students are demanding **respect** from faculty members and administrators, along with serious concern for their opinions and feelings as the clients of the colleges' and universities' services.

Secondly, they are asking for more meaningful involvement in **decision-making**, beyond the perfunctory level of advice. They are asking administrators and faculties to **share power** with them.

Thirdly, they are expressing concern for the lack of **relevance** in the instructional program, by which most of them mean the inability of faculty to relate

their instruction to contemporary conditions in society, or to relate to the environments out of which many of the students come, particularly in the liberal arts and social science fields.

Fourthly, most minority students are expressing great concern about the lack of meaningful **ethnic studies** programs, that both reinforce their cultural image and provide an extension of general education to include the historical perspective and experience of the ethnic and racial minorities of this country. They are saying that they should not have to sacrifice their cultural identities in order to integrate themselves into the majority culture. This, after all, is the essence of what a multi-cultural society should allow.

Finally, students are expressing concern with some of the mechanical procedures related to such matters as the handling of student **grievances** and the lack of **accessibility** to faculty, both physical accessibility and psychological accessibility.

I would like to close my remarks by offering a few suggestions concerning changes that need to be made regarding the last and most crucial issue to which I have addressed my remarks. The student protest movement should be understood as being fundamentally valuable, in that it makes everyone question his own complacency. While I recognize that there is a difference between the broadly based protest movement which is concerned with liberalizing the educational system through a radical shake-up of the educational bureaucracy and through greater

student participation, I also recognize the presence of another smaller and narrower movement which is based on revolutionary politics. Nevertheless, in my experience, the leadership of both movements are basically raising issues that are of great concern to the broad student constituency and to society as a whole.

To be specific with reference to changes, I think that we should start by making the **students**, rather than the faculty and administration, the **primary unit of education**.

We should then mobilize our efforts to have the educational process include both **action** and reflection, both on and off the campus.

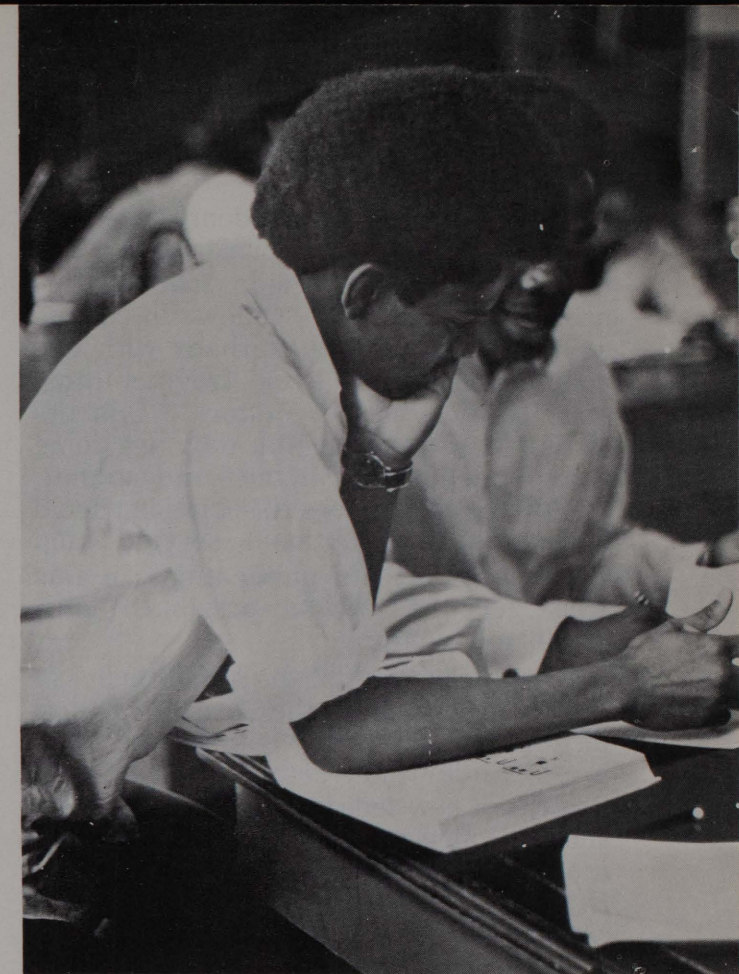
We at the community college level in particular should be seriously engaged in expanding our **services to our total community**, in terms of reaching the unreached and in terms of providing technical assistance for the solution of the community's basic social and economic problems.

We should be formally involving students in the selection of faculty and administrators, as well as in evaluation of the performance of these staff members.

We should make much more use of **students as teaching assistants** at the community college level, based upon the good experience that we have had at the four-year college and university levels. This one action alone would do more to facilitate relevance than anything else, not to mention improving communication and bridging the generation gap.

We should involve students more directly in the administration and operation of **student enterprises**, opening up career opportunities through the valuable experience that could be gained by students on the campus in such fields as business administration and food services management.

Finally, we should set about the development of **experimental colleges** that might be housed on our campus but which would operate administratively apart from the traditional college bureaucracy, with student and community determination of the educational process and



content, in order that we might have a place to try out new ideas that will hopefully find their way into the regular curriculum and college structure.

The most significant thing about today's student revolution is the fact that most of the activist students are intensely **interested in education**. We should recognize this fact, and accept student power as a legitimate force to be dealt with and capitalized upon. When we administrators and faculty learn to be more empathetic toward student concerns and develop the same feeling of urgency about filling unmet needs that students are overwhelmed with, and when we succeed in providing the setting for friendly dialogue, we will have brought about changes in the way we do business that will provide lasting benefits for all of us. We possess power, but we lack idealism and compassion. Students are saying that we must share that power with them or we won't enjoy ours without disruption. We who have it must make the first move toward reconciliation. ■



this difficult job of identifying the various efforts of California banks and making available a guide that will be useful for others to follow in developing their programs. Perhaps with this kind of tool we can avoid fragmentation and duplication of effort. Bankers must reveal the work that they are doing and spread the word. In the same manner, the American Bankers Association should expand its informational services and make sure that its publications in this area get the widest possible distribution and exposure.

Another aspect of the small businessman's problems is the scarcity of equity capital. I believe that the Congress, rather than contemplating establishment of new federal financing agencies should concentrate on refining the operations of the Small Business Administration. The announcement that the Nixon administration has set up the Office of Minority Business Enterprise in the Department of Commerce to coordinate the multitude of federal programs dealing with small business ownership by minority groups is very encouraging.

A program that should be strengthened, in my opinion, is the **Small Business Investment Company Program**, which is intended to provide capital for small businesses. Currently, federal law prevents a national bank from investing more than 5% of its capital and surplus in the stock of an SBIC. We have sponsored legislation, which is currently pending in the California Legislature that will permit state-chartered banks in California to invest up to 10% of their capital and surplus in SBIC's. With this higher limit, which is equal to the normal unsecured lending limit, we think our medium sized banks will be able to participate more significantly in this program.

Federal law also prevents banks from owning more than 50% of the outstanding stock of an SBIC, which obviously discourages banks from participating. I think the record is clear that the

banks have been the most responsible promoters of SBIC's, and I believe they should be encouraged to enter this field through wholly owned subsidiaries. I would therefore strongly urge that the Congress repeal this ownership limitation, and at the same time double the permissible level of investment in SBIC's by national banks.

With the advances that have been made by the banking industry during the past two years, it is disturbing to find Congress and the Administration seriously considering turning in other directions. I have in mind in particular Senator Proxmire's **Community Credit Expansion Act**, which is intended to increase the flow of credit to urban and rural poverty areas. The proposal would create a new banking system for the United States, made up of National Development Banks chartered as commercial banks by the Comptroller of the Currency. It is discouraging to me to learn that some bankers are encouraging the enactment of this kind of legislation. Even if the more obnoxious provisions of the Act were removed, such as a provision that permits the establishment of branches regardless of state law, I can see no justification whatsoever for the establishment of another banking system in the United States. I can only assume that the bankers who are supporting the legislation want to avoid the challenge and responsibilities of meeting the urban crisis themselves.

There may be another explanation, however. As the momentum of minority entrepreneurship has increased, men such as John Kenneth Galbraith and Bayard Rustin have reacted in the tradition of W.E.B. DuBois. They sneer at the likelihood of anything substantial growing out of the movement. Their answer is government action on a massive scale: government planning and government control. The AFL-CIO Executive Council has taken up the cry, calling black capitalism "anti-democratic nonsense" and "an illusion". For some reason, these people don't seem to want to see anything labeled capitalism succeed. We are talking about problems

that have been with mankind for centuries—and not limited by race. There are no no panaceas, no federal pills that can be popped to solve them.

Essentially, we are talking about the fundamentals of economics, and as some begin to realize that black capitalism and minority enterprise are really extensions of the American enterprise system, the counter attack has been swift. The collectivists will claim that the efforts are puny and we cannot solve all the problems at once. Nevertheless, the personal involvement and interchange of experience must continue. And as Peter Drucker has pointed out, there is one thing government cannot provide: that is the individual's sense of achievement.

In effect, what we are pursuing is an educational process: one involving actual experience—actual gain and loss, but with the assistance of knowledgeable people (teachers of business, if you will). Not all students receive diplomas and not all minority entrepreneurs will become rich. Some will succeed, and some,

inevitably, will fail. The process will be slow, with no magic involved. But it is also as sure a way as can be conceived.

If we approach the elimination of poverty as a challenge to the educational process, we will have to ask whether our conventional educational techniques are adequate to the challenge. I have given you my answer: We will not teach business enterprise in school; we must teach it in action, on the scene.

The need to rebuild and restore our cities—physically, aesthetically, socially—will be the challenge of the final third of this century. The opportunity presented to the banking industry by this circumstance should not be allowed to slip away because of apathy and fear on the part of bankers. The long-term goal must be to assure each one an equal chance to succeed or fail. In the words of Thomas Wolfe, "To every man the right to live, to work, to be himself, and to become whatever his manhood and his vision can combine to make him—this, seeker, is the promise of America." ■



"I can take 110 words a minute—how many can you dish out?"

issuance of the standards.

Consideration should be given to expanding the Federal National Mortgage Association's secondary market to include conventional mortgages as well as Federally insured mortgages. Another action that would benefit the whole housing industry would be the adoption of a Uniform Real Estate Transaction Code.

All of these recommendations have the ultimate purpose of creating the kind of economic and business environment in which a goal of 2.6 million housing units per year becomes realistic. Implicit in this goal is a concentrated effort to provide decent housing for inner city residents. This is an essential step toward curing the problems of the slums, but it is only one step. To be effective, it must be reinforced by matching efforts in other areas aimed at equipping the urban poor to enter the mainstream of American economic life.

The challenge of rebuilding the nation's cities and providing decent housing for every American family requires a deeper commitment on the part of banks and other financial institutions. However, banks alone cannot accomplish the task. Government at all levels must be fully committed to the same goals. It goes without saying that some sort of Federal subsidies will have to be made available. Hopefully, Congress will place the necessary priority on the problem and appropriate adequate funds.

If private enterprise doesn't commit itself fully to meeting the urban crisis, the alternative is clear. Government always stands ready to fill the vacuum left by private inaction. I doubt that any of us would welcome the restrictions and loss of private initiative inherent in any massive Federal program to rebuild the nation's inner cities. Thus, I am confident that banks will face this challenge as they have others in the past. The cost of failure would be far too great, economically, socially and morally. The future of our industry, and of our nation, demands nothing less than total success. ■

vehicle.

Such questions as ownership structure, unit price negotiations, etc., should be tailored to fit the local situation and would vary according to size of contract, financing vehicle, type of product, etc.

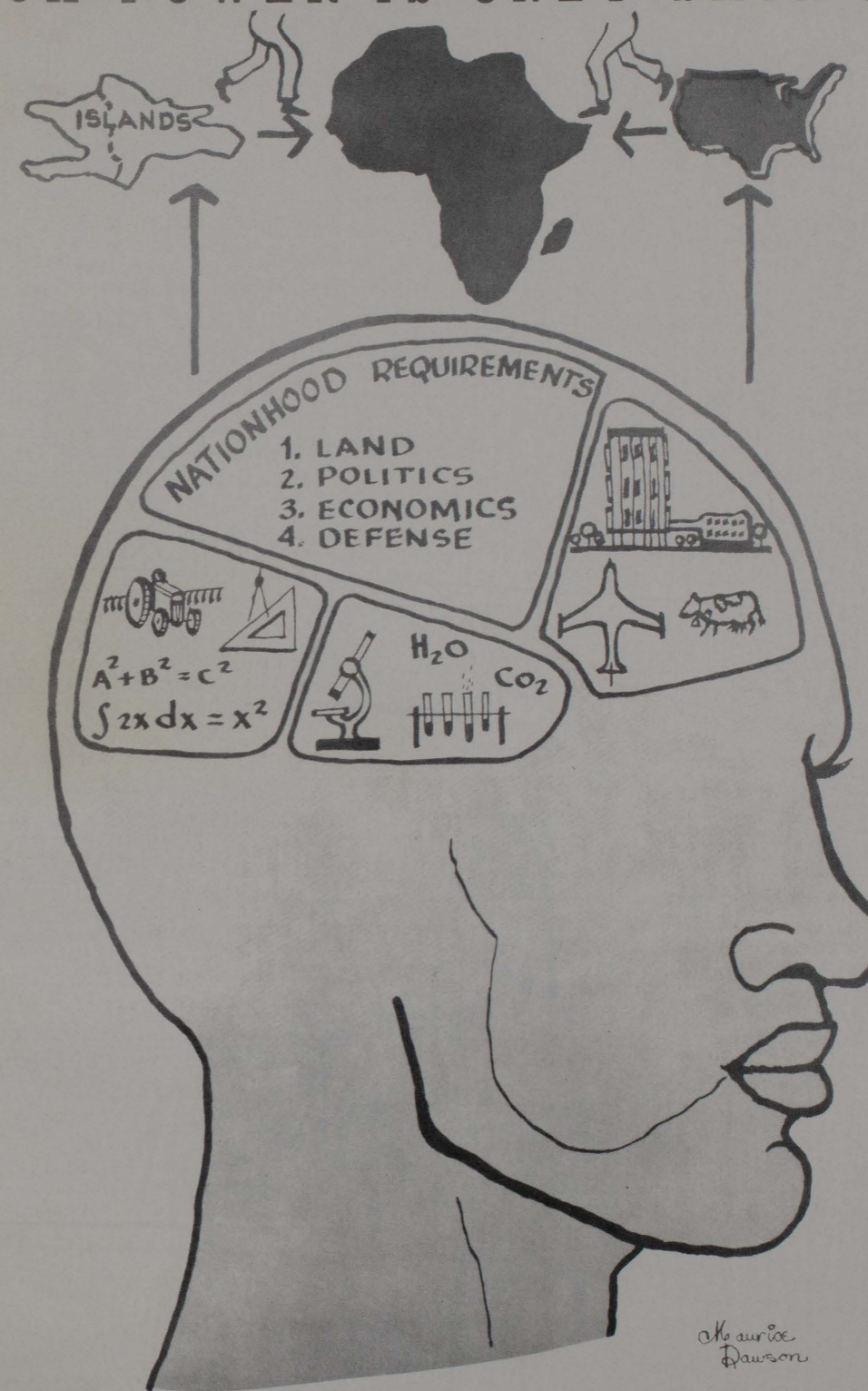
The increase in local property and business taxes, resulting from development partnership efforts, should be reserved exclusively for use within the inner city school system. Such reservations should result either from agreements between local government agencies or from legislation at the appropriate level.

The economic benefits of such a program, obviously, accrue not only to the target area residents in new jobs and equity, but to their children, to the local property taxpayer, county taxpayer, and if done on a sufficiently wide basis ultimately to the state and federal taxpayers. Immediate direct savings in health and welfare expenditures would be observed, accompanied by numerous more indirect tax savings in police, school and other public service costs. Moreover, the pyramiding affects of a ghetto economic development program in expanding the national economic pie are its best case for action.

The where-with-all to more equitably redistribute national income through means other than increased taxation and government spending lie well within our grasp. The methods of providing the American worker with a higher income, privately financed retirement income, and a broad based ownership of the means of production are also available. Likewise exist the means of transforming of the **have-nots** into the **haves**.

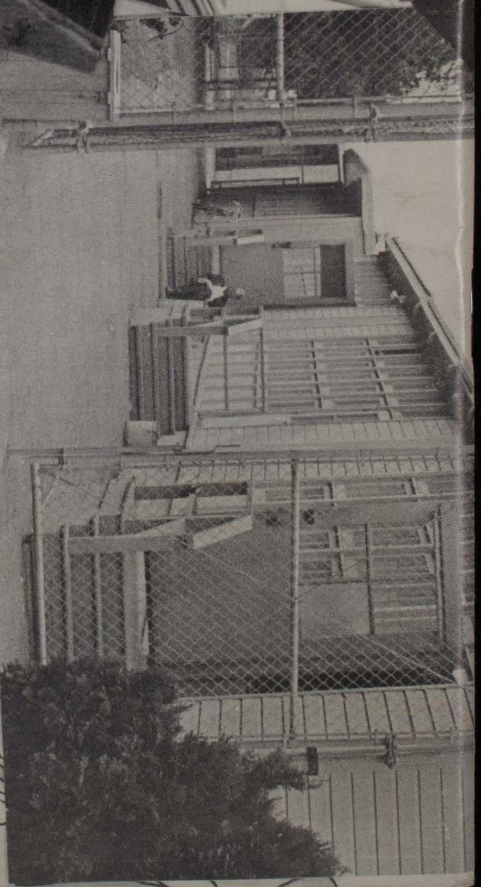
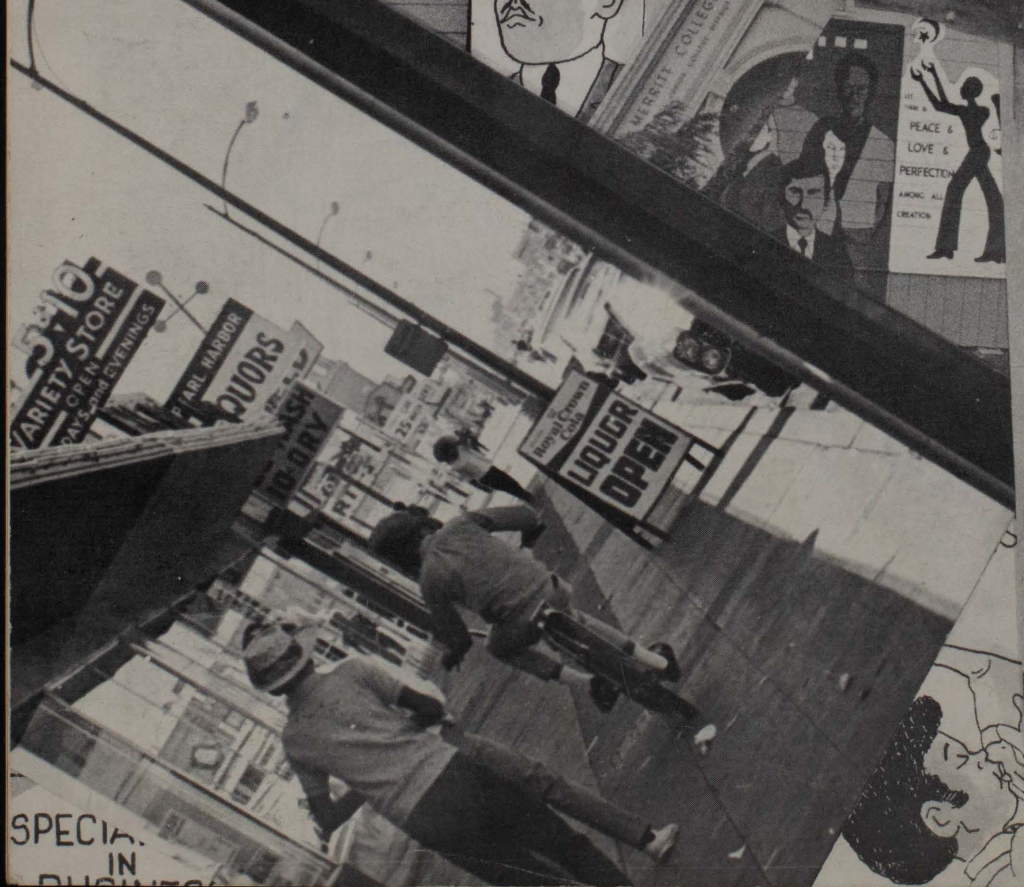
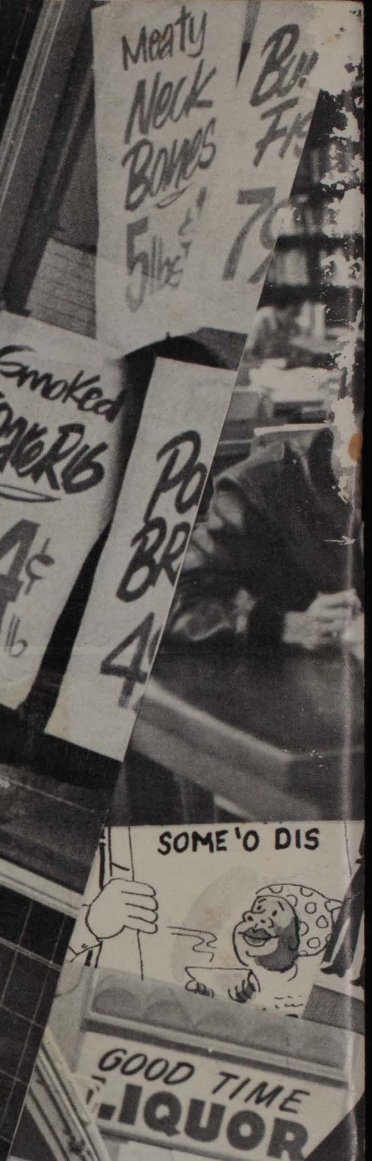
Within the existing social structure, all may participate in the mainstream of American economic life. Or, are increasing numbers of majority-group youth and minority-group poor correct in saying only revolutionary change can save America? The pathway is clear: it is we who must act. ■

WITHOUT BRAIN POWER BLACK POWER IS ONLY SKIN DEEP



IN DEFENSE OF BLACK STUDIES

See November Issue of SYNDROME



SPECIAL IN...