Richard F. America, Jr.

'What do you people want?'

This reply to a question often posed to black persons is: economic power in the form of transfer of big companies to black control

Foreword

Housing, health, education, and employment programs are first priorities in our efforts to revitalize our cities, eliminate poverty, and restore social stability. But even when these tasks have been completed, and black per-capita income approaches that of whites, a fundamental cause of social instability will remain, the author says: a lack of institutional power, collective power, in the black community. Black-owned businesses, beginning in their present infant state, probably will not grow fast enough to provide the necessary power position in one generation. Major U.S. business will still be almost entirely white-controlled and white-managed. To avoid that outcome, and to achieve collective commercial and economic parity, the author proposes a systematic program of transferring a portion of our largest corporations to black ownership and operation.

Mr. America, who is black, has been associated since 1965 with the Stanford Research Institute, where he is a Development Economist in the Urban and Regional Economics Group specializing in urban systems studies. He has also worked for the Boston Redevelopment Authority, doing housing market analyses and development planning. Mr. America received a bachelor's degree in economics from Pennsylvania State University and is a Harvard Business School graduate.

In its November 19, 1967 issue *The New York Times* printed an editorial with the title "What Do the Negroes Want?" It said in part:

"Dr. Martin Luther King, Jr. . . . refers vaguely to [the Negroes' claim to] 'fulfillment of the rights to share in the ownership of property.' Mr. [James] Farmer declares that the Negro wants not merely jobs but 'jobs that bear his individual stamp and in industries where he commands power and a measure of ownership.' This is a hopelessly utopian claim that the United States has never honored for any other group. Impoverished Negroes, like all other poor Americans, past and present, will have to achieve success on an individual basis and by individual effort.

"American society is likely to accommodate Negro aspirations only as they express themselves in individual terms. It cannot be otherwise in a society that honors personal effort as its highest value and looks toward integration as its goal. Race, unlike poverty or the city, is a cultural or psychological concept, not one that can become a comprehensive basis for law or government policy."

Author's note: Dean Michael Winston of Howard University, Mr. Stephen Levy of the Stanford Research Institute, and Professor Edwin Epstein of the School of Business, University of California at Berkeley, offered very helpful critical comments on this proposal, for which I am grateful.

"This article is intended to be suggestive," the author remarked in a conversation with one of the editors. In publishing it, we share that intention. "Maybe it won't work out exactly this way," he explained, "but some program like this is necessary to redistribute economic power."

The editors hope that HBR readers, whether or not they agree with Mr. America, will be stimulated to participate in the dialogue that is increasingly being generated between whites and blacks on the critical twin problems of poverty and powerlessness. —*The Editors*

The belief in the myth of rugged individualism; the espousal of black individualism while forgetting the history of public support for whites' special economic interests; the general ignorance of U.S. history—these attitudes, as reflected in the editorial, are widely held by white Americans. Many of them seem to have a weakness for suspending judgment and retreating to such shibboleths when contemplating the changes necessary to sustain the nation's growth and realize its full potential.

What do black people want? Jobs, housing, and education, certainly. But, beyond that, the black community wants a secure economic base. Black people themselves, collectively and individually, must and can build much of that base, in profit-seeking and nonprofit forms.

Contrary to *The New York Times*, I maintain that race can indeed be made a basis for government economic policy explicitly favorable to black people, as it has long been favorable implicitly to whites. The fundamental inequities are collective and not individual, and must be dealt with collectively.

No program conceived to meet major domestic problems has been adequate. This is so because, among other reasons, none, not even the Freedom Budget and Domestic Marshall Plan, has sought to reallocate corporate power. No one has offered a program bold enough (however unsettling) to get at the fundamental inequities which even the most conservative voter and businessman, though he might deny it, must sense lie at the root of the country's present instability and disunity.

Program rationale

Now, it will be argued in protest that some steps have been taken, and that is quite true. The movement to eliminate poverty and substandard health, housing, and education for 15 million black Americans seems destined to succeed if legislation already enacted is fully implemented. But the time elapsed between legislation, appropriation, and implementation of programs to full effect can be as long as a decade. If poverty is largely eliminated by, say, 1980, will the principal economic and political causes of urban unrest and racial conflict have been eliminated? Or are there other, currently secondary, considerations that will then assume primary importance?

There are many persons (Floyd McKissick and Senator Eugene McCarthy, for example) who define the black-white problem in the United States as a colonial problem. The colonial analogy is central and illumines a policy question that may prove even more intractable than the poverty question; indeed, in retrospect, by 1980 the latter may even appear relatively simple by contrast.

The colonial analogy permits perception of the black community as a "nation," systematically deprived of an opportunity to save and invest. It therefore can claim control of very little capital wealth. My basic assumption in this article is that, to treat the economics and politics of the race problem properly, this deficiency must be corrected.

The establishment and nurturing of small businesses, now being undertaken on an increasing scale, does not satisfy the need for significant economic independence and self-determination, which all emerging colonies require in order to prosper. Only large enterprises will satisfy that requirement, and they take a long time to develop.

All large businesses in the United States, with two or three exceptions, are owned and operated by whites. If relative economic parity is to be reached in one generation, some of these must be transferred to blacks. There are two additional elements in the rationale for corporate transfer:

1. *Influence in policy making*—It can be expected that black people will increasingly feel that white people, especially white businessmen, have had a disproportionate influence on the domestic and foreign affairs of this country. White businessmen have simply had too much to say about what goes on in this country. Domestic policy—including policy on problems in which the judgment of blacks is increasingly understood to be relevant, if not primary—is

directly related to foreign policy. An example is domestic segregation and South Africa. U.S. foreign policy has always been made by the white establishment.

Black people, with certain exceptions like Senator Edward Brooke, have had no direct line of communication with the decision-making echelon. No black leaders of large businesses have such access, since there are virtually no such leaders. And on many of the critical world issues facing this country, new views are badly needed.

One orderly way to change this situation is to accelerate the belated development of comparably powerful groups of black businessmen whose perspectives on foreign and domestic questions would in all likelihood be somewhat different simply because of the racial difference.

It is reasonable to assume that black corporate leaders will introduce new variables and place new weights on old variables in the decision equations of industry and government. That may strike some white businessmen as a terrible prospect, but thoughtful consideration should lead to the conclusion that the introduction of this new element would be in the pluralistic tradition with which many historians credit the relatively consistent stability of the American economic and political experiment.

In short, black corporate leaders may be able to make a valuable contribution to high policy councils in the last quarter of this turbulent century. The entire nation would benefit from their presence.

2. *A 'countervailing' force*—The black-white problem in the United States can be framed in terms of John Kenneth Galbraith's concept of countervailing force. It may be necessary and desirable public policy from the white viewpoint, as it is already implicit black "policy," to foster the development of black corporate power as a force against continued mistreatment of blacks by white corporate and labor power, and against the continued political, social, and economic instability which such mistreatment produces.

Massive mutual distrust is a factor between the races. Better economic and social conditions may reduce the level of distrust. But it is dangerous to assume that rising incomes and educational levels alone will be sufficient to dispel historic antipathies. On the contrary, they may just as easily inflame them, for we know that cultural, psychological, and political expectations will rise just as surely as economic expectations. A sense of relative collective political deprivation may persist when individual economic deprivation has been eliminated.

Secure and powerful black economic institutions, rather than simply mass individual affluence, would be the surest safeguard against feelings of collective powerlessness and against manifestations of continued white supremacy. Creating such institutions would be in the public interest.

For these reasons, a workable mechanism is required for the transfer of some major national corporations to black control.

Precedents for the proposal

U.S. history does not lack for examples of the use of public resources in support of private activities when the results were expected to be in the public interest. There are ample precedents of public encouragement leading to private wealth.

Construction of the Western railroads, for example, was deemed so important to the development of both the Western region and the nation that private citizens were given extraordinary incentives to build the roads. Land was practically given away.

Examples of the transfer of technology from public to private hands are of course equally common. The development of commercial aviation benefited from publicly sponsored research and development. Currently, the government's aerospace research program is creating products and techniques for private exploitation, and the public is providing a substantial windfall to corporations in the process.

In each of these activities the public treasury has directly supported the development of large private enterprise; and, in the last two cases, the government has removed much of the development risk by turning over to corporations proven products and protected markets. The private benefits accrued after public subsidy of the substantial early costs.

The case of the aluminum industry is also pertinent. After World War II, the federal government concluded that the Aluminum Company of America was too big according to certain objective and subjective criteria. The federal approach, simply stated, was to force Alcoa to divest itself of some of its holdings or face direct competition from a corporation to be founded by the government. Alcoa chose to divest. The important point here is that the government considered the public interest to be sufficiently threatened by the monopolistic situation that it was determined to commit public resources to restore a measure of competition in the industry.

The white monopoly represented by *Fortune*'s 500 largest companies might be similarly viewed. The total absence of any large black corporations in the United States is, to some extent, due to a kind of restraint of trade and "collusive" behavior over the years by almost all white institutions, including the government and the legal system. This has resulted in a situation contrary to the public interest.

Urban renewal: Perhaps the most relevant precedent for a transfer mechanism exists in the federal urban renewal program. The power of eminent domain has been relied on to secure land for restoration of certain areas and for essential public projects. A series of court tests has established that eminent domain may further be used to change a land use while title to the property passes from one private party, through the government, to another. The courts have ruled that such changing uses are sufficiently in the public interest to justify the exercise of eminent domain.

The process normally proceeds after extensive public hearings and with numerous safeguards and checks against abuse, although abuses are not unknown. The mechanism essentially consists of three elements:

1. The owner is compensated at full appraised fair market value for his property. This payment is made from the public treasury.

2. The property thus acquired is prepared for transfer. The preparation in the case of a new use for the land usually consists of clearance of structures, preparation of the ground for new construction, and placement of infrastructure, such as utility lines, street realignments, and curbing.

3. The property is sold to the developer, who ordinarily agrees to certain tenure, use, and design controls which are imposed by the developing authority.

The total cost of acquisition and preparation usually greatly exceeds the final sale price to the developer; indeed, it is not uncommon for property to be disposed of for as little as 5% of that total cost. This price, of course, is an even smaller percentage of what a developer might have had to pay to assemble the parcels in the open market without benefit of the public intermediary, assuming that the assembly could have been accomplished at all. The "net project costs" amount to roughly the difference between total acquisition and the disposition price. The public treasury absorbs the net project cost.

I propose that a variation on the mechanism used in urban renewal be employed to accomplish the transfer of major corporations or portions of them from white to black management and control.

Alternative approaches

It might be argued that a better, or at least a somewhat less bureaucratic, approach to developing large black industrial institutions should be developed.

Why not, for example, simply give the full purchase price to a group of black capitalists and let them proceed on their own toward acquisition? The problems of developing safeguards with that approach might be overwhelming. Or why not let the government directly set up large corporations in selected industries and turn them over to a black management group? The problems of altering industry structures and distorting existing competitive situations would be formidable.

While both approaches, or others, might be made operable, my proposed solution appears to be applicable with the least departure from precedent and the minimum disruption of normal financial and production arrangements for all parties directly or indirectly concerned.

It might be argued that black control could be achieved simply by bringing in black managers and accelerating their movement to the top, without disturbing ownership. This approach would probably not work. It is unlikely that the relationship between black management and a board of directors representing white interests would remain as harmonious as that between black management and a black-dominated board. Normal conflicts between management and the board would over time become exacerbated in the former case, in which racially based conflicts of interest, policy differences, and social objectives would be always potentially present, to the probable eventual detriment of the enterprise.

In transferring ownership of corporations, eminent domain, while not confiscatory, would not be a preferred method even if legal objections could be overcome. The process would require a congenial atmosphere and a high level of cooperation on the part of the original white owners and managers. The potential for obstruction or even sabotage is obvious, so proper incentives, indeed very attractive incentives, must be provided.

A brief aside is in order here. The process of black community development has two facets, one internal and the other external. If the external aspect were completely satisfactory—that is, if the white community moved to reform itself and initiate the needed programs—much of the benefit would be lost unless the black community were unified and able to carry out its part in the process.

For black people, then, the solution of certain internal problems is crucial. One of them is the degree of separatism which they should practice. Few in the black community would dispute that black people—not the white world, governmental or corporate—have the responsibility for internal planning. But the proposal in this article will be viewed as a much too conservative, perhaps even dangerous, step by some significant black analysts and activists who are separatists.

The converse of my statement about internal and external facets is not so. If internal problems are resolved and a high degree of unification is achieved, much white resistance will be effectively countered and eventually overcome. Black progress will not end if my proposal, or even others less far-reaching, is not put into action. Black self-help will accelerate and succeed; it will not be allowed to depend on white approbation.

Transfer mechanism

The process of corporate transfer should, if possible, be initiated by the candidate. An agency of the federal government created to facilitate such conveyances would issue a standing invitation to divest. Let's call it ACT (Agency for Corporate Transfer). It could be established in the Department of Commerce or the Office of the President.

The program should begin with a trial run, with perhaps three large companies transferred, one a year for three years. After the last transfer, two years of demonstration operations would be undertaken. At the end of the five-year test period it should be clear what program modifications would be required to improve the chances of success with subsequent transfers.

Two assumptions are implicit here: (1) there is a sufficient number of black capitalists with access to \$1 million to \$10 million to accomplish the program; and (2) there is a sufficient quantity of black managerial talent to run the transferred concerns. These assumptions are sound, in my view; the money could be found, and the experience of personnel and management recruiting firms in the past five years suggests the existence of a sizable pool of unrecognized talent, particularly in government, education, and the military.

In each *Fortune* industry category (the 500 largest industrials, plus the 50 largest banks, utilities, and life insurance, merchandising, and transportation companies) might be set an ultimate target of 10% to come under black ownership and control by 1990. Adding 10% to the next 500 largest industrials makes a total of 125 companies to be transferred.

If there were no takers despite very attractive tax and other financial inducements, then, theoretically at least, criteria could be developed for identifying candidates for acquisition. Conglomerates, for example, might be approached to determine their interest in selling off portions. In the event of such an impasse, the initiative for opening discussions would fall to the government.

A climate in which no corporations would be interested in voluntary divestiture for purposes of simple liquidation or to take advantage of very attractive financial inducements would be a negative climate in any case. With such a total lack of interest prevailing, the necessary legislation for this program obviously never would be enacted in the first place.

So, discussion of a program requiring government initiative leads to a dead end for all practical purposes. Corporate transfer requires that the white business community understand its advantages, accept its premises, and concur in its objective. Otherwise, the program is dead. But in that direction, as I have tried to suggest, lies severe uncertainty and social instability.

Corporate candidates

A difficulty might arise if the only offers of transfer come from marginal corporations or those whose prospects are dimming. It might be very tempting for a company with top management problems, or severe and chronic financial or labor problems, or obsolescent plant and equipment, or grim marketing problems to seize the opportunity to unload, perhaps even at a premium price. If offers from such companies are abundant in the early rounds, negotiations on selling price could be difficult.

Rejection of a few companies because of unsoundness or low potential, however, would cause them considerable embarrassment and would probably discourage offers from seriously troubled companies.

In seeking to develop black industry, the problem of competitiveness will be primary. There is little point in accomplishing the transfer of

corporations whose activities are in no-growth or declining areas. On the other hand, companies on the technological frontiers like aerospace, ocean exploitation, and nuclear energy are unlikely to offer themselves. The first rounds of negotiations with manufacturers therefore are likely to involve stable, moderate-growth producers of consumer and industrial goods.

ACT might want to concentrate on industries at both ends of the competitive spectrum. An industry that is relatively "competitive," such as paper products or petroleum, will suffer less dislocation from a transfer of one or two of its major companies. Similarly, utilities and other monopolies should be readily transferable, since they are already heavily regulated and not in such delicate competitive balance as more oligopolistic industries, like autos and aircraft.

The opportunity of acquiring large businesses, incidentally, should certainly be extended to other groups in the United States whose situation vis-à-vis the white business world is similar to that of blacks: Puerto Ricans, Mexican-Americans, American Indians, and, to a lesser extent, Orientals. The government would have to have assurance first that the associates seeking transfer are qualified and would put the corporation to good use. This is the same as my suggested procedure with black groups, which I take up next.

Bidding procedure

ACT would acquire a divesting corporation by paying a negotiated price for 51% of the common stock, after acceptance of a tender offer, with monies from the public treasury.

The availability of the corporation would then be made known to all interested parties through public media, and offers would be invited. In the case of a large manufacturer in which controlling interest could be purchased by ACT for $100 million, an offer of $1 million to $5 million should be sufficient to acquire that interest.

The net acquisition cost—the difference between what ACT paid for the 51% interest and the purchasing group's offer—would be absorbed by the government. The portion of the majority interest not held by these entrepreneurs would be assigned by ACT to a nonprofit organization, which I shall describe later.

Initially, the competition from groups of eager entrepreneurs would be keen, but as bidding continued, the field could be expected to dwindle. When a small number of bidders, say three, remained, a set of rigorous criteria would be applied to determine the winner.

The principal criterion would be the ability of the bidding group to produce a management cadre with the potential for successful management of the company. The groups would be required to put together a team of black businessmen with the requisite training, background, general and specialized experience, and potential to fill the key management positions within a reasonable period of time, say 5 to 10 years. This would mean a team of 20 to 100 men with expertise in functional areas including marketing, finance, production, personnel, and so on. A typical team might average 35 years of age, with 10 years of business or noncommercial experience per man.

Objective tests of the team's capacity to enter the divesting company and industry and to learn the business within ten years would be required. Perhaps more difficult, some subjective analysis would be necessary so that the interpersonal dynamics between the divesting management group and the acquiring group's managers could be anticipated.

Obviously, the introduction of a group of black "fair-haired boys," taking over from white managers during a period of years, has the potential for triggering a variety of generally bad vibrations. The organizational behavior specialists would have their work cut out for them. It must be assumed, however, that in this situation—with a willing buyer, a willing seller, and competent managers, both black and white—these problems can be overcome.

Administrative and legal safeguards of a high order of effectiveness would be required because of the very large sums of money involved. Particularly important is a procedure for restraining the level of bidding. It might be tempting for competing bidders to seek outside capital in support of their 1% to 5% bids. In the case of a corporation in which controlling interest can be acquired for $100 million, white entrepreneurs might find it worthwhile to provide $50 million, $75 million, or even more to a black bidding group. In short, the price could be driven up to a level near the market price.

In that event, the black capitalists would become hardly more than a front for the whites, which would defeat the purpose of the program. A technique for certifying the source of all money must be employed, and full disclosure would be essential.

Transfer safeguards

The mechanism will also have to protect the legitimate interests of minority stockholders who want to dispose of shares. ACT should stand ready to purchase their shares at the market price immediately before the announcement of the sale. On announcement, the stock market would probably discount the company's future earnings to take account of general uncertainty, the incoming and relatively inexperienced management, and similar factors. Small stockholders should not be penalized in this situation.

After the winning bidder has been selected, the stock would be immediately transferred. At this point, or perhaps even earlier, disgruntled minor stockholders might behave in such a way as to upset the management and the market. The government, through the Securities and Exchange Commission, would have to act to protect the corporation's securities from malevolent operators. Suspension of trading in case of panic selling or other abnormal market activities should be left to the judgment of the boards of the exchanges and the SEC.

The market's reassessment of the company's prospects is to be expected. Within a short time, if earnings hold up and operations continue normally, the market price should reflect the diminished uncertainty, and recovery should be complete.

Restrictions on the buyers

The purpose of this program is to contribute to the achievement of economic and political parity, not transform certain black capitalists into instant multimillionaires at public expense. But the purchase of, say, $100 million in stock for $1 million to $5 million would appear to have that effect. So the transfer mechanism must take care of that problem.

The safeguard likely to be most effective would take this form: members of the purchasing group would personally hold only that portion of stock which could have been acquired in the marketplace with the same amount of money as they actually expended. They would receive dividends only on those shares. The balance of the stock purchased by the government would reside in a nonprofit corporation with a community base, similar to the kind envisioned in several recent proposals advanced by black community groups, black spokesmen, and many politicians. It is commonly called a community development corporation (CDC).[1]

Dividends, if any, on these shares would be paid to that corporation and could be used to fund a variety of public benefit projects in housing, health, recreation, and so forth—much as The Ford Foundation does with its Ford Motor Company dividends. If, however, in management's judgment the interests of the corporation would be best served by retention of earnings, that judgment should not be subordinated to the CDC's desire for cash; funding local public projects must remain secondary to the goal of sustaining competitive businesses.

The location of these nonprofit corporations and the communities to be benefited would be jointly determined by the new controlling group, by expressions of interest and capacity from local organizations, and by relevant government departments, such as OEO, Commerce, HEW, and HUD. As the controlling group desired, it would be free to purchase stock from the CDC within certain limits designed to prevent abuse or price manipulation.

1. For one view of CDCs, see Frederick D. Sturdivant, "The Limits of Black Capitalism," HBR January-February 1969, p. 122.

Some provision would have to be devised either to make this large block of stock nonvoting for a period, to prevent interference from that quarter, or otherwise to restrict direct participation by the CDC in the direction of the company until a transitional period, perhaps two to three years, has been completed.

The entrepreneurial group should be allowed to exercise effective control through its shares at least until the success of the transfer is assured —probably five years in most cases. But the nonprofit corporation should have some representation on the company's board of directors at an early date.

It would be undesirable, however, to protect the directors of the corporation from any of their shareholders for any great length of time. Two or three years of nonvoting status might be suitable; but the CDC should be permitted to express its wishes prudently on some proportionate basis after that transitional period. Mutual respect between company and community corporation should ensure that no harm comes to the company's commercial interests from the CDC's pursuit of its noncommercial objectives. It can be predicted that the community group would not interfere unduly with the company's operations if interference threatened to harm its investment and dividend position.

Members of the acquiring group might be tempted to take advantage of market opportunities and withdraw at an early time. They should be permitted to do so, but since the overriding purpose of the program is social, it seems reasonable to impose some limits on their freedom to trade their shares. Perhaps a moratorium of three years would be sufficient to prevent any manipulations.

Operational questions

So far as the company's operations are concerned, the period of accomplishing the transfer could run, as suggested earlier, five to ten years. The transition will introduce numerous uncertainty factors for the old management, for original board members who are phasing out, and for minority stockholders. Some means of reducing this uncertainty must be provided.

It will be necessary to allow the company to maintain normal operations while the old management is training the new. So the government should guarantee a minimum rate of return for the corporation and some negotiated level of sales and net income. This can be done through a government offer to purchase some quantity of the company's product (if it is a manufacturer) or through tax concessions.

The former approach is similar in intent to agricultural price supports, which are designed to maintain and protect certain economic activities in the belief that their continuation is in the public interest. Guaranteed markets or returns are also an element in U.S. government attempts to stimulate industrial development or investment in developing countries.

Tax concessions have been suggested recently by almost every nationally prominent politician as a means of inducing the participation of white private corporations in the solution of urban racial problems. Such a policy is undesirable because it would perpetuate the power imbalances that are at the root of these problems. Some kind of tax concessions are probably unavoidable, however, since private industry does have a role to play in treating physical and economic deterioration.

Tax incentives, if used at all, should be applied at least as extensively to the power problem as to the poverty or material deprivation problem. Indeed, the use of tax or other economic incentives to provide only housing, jobs, and so on, without using them to transfer corporate power, rewards white corporations for their past and current economic exploitation.

Black & white managers

The terms of transfer will provide for the recruitment and employment of a potential senior management cadre of blacks. I do not envision that the important lower- and middle-management levels would be entirely black. Even if that were desirable, it would be virtually impossible in a complex, multidivision corporation. But the recruitment of management trainees and young accountants, engineers, and technicians should focus on black candidates having the potential for quick development. Many will be found in MBA programs at black and white universities.

Young whites should also be recruited. They would, of course, have to be men and women with special social orientations, but such persons are increasing in number.[2] They of course would have to understand that, for good reason, the presidency and most other top management jobs would be filled by blacks after five to ten

2. See Harold J. Leavitt, "The Company President is a Berkeley Student," HBR November-December 1967, p. 152.

years and for the foreseeable future beyond that. This is not unlike the unspoken understanding that black MBAs and engineers have when entering large white corporations, and with less justification.

The problem with recruiting is not likely to be the absence of good white candidates. On the contrary, the problem is likely to be the attraction of droves of candidates with strong social motivations who anticipate an exciting five or ten years in an unusual, and therefore more interesting, industrial situation before making their normal career moves. Some screening out of young candidates with missionary motives may be necessary. There may be more of a problem with headhunting for white middle managers, because of their perceptions of risk; but, again, at this early conceptual stage we must rely on the organizational behavior specialists to work that problem out.

Since the program is designed to produce large corporations that are black-controlled and led, some whites (perhaps many) will find these circumstances uncongenial and leave. The effort will be better off without them. The policy of the program, however, must be that whites are welcome to participate in the operation of black economic institutions.

Sources of opposition

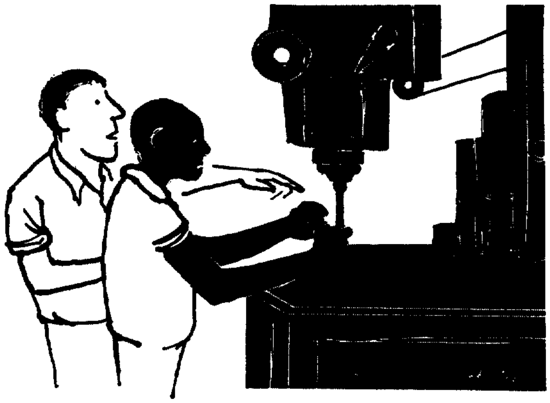
Employee relations will obviously be a delicate area, but success here could make the companies models of innovative human relations programs. And, as I mentioned previously, passage of the enabling legislation presupposes a national climate favorable to the transfer program. Resistance in the white business and labor communities would be assumed to be moderate.

Even so, the first corporations transferred are likely to encounter displays of displeasure by employees, by the general public, or in the market. Boycotts, work slowdowns, strikes, even sabotage are possible.

Negotiations with unions and with all employees in candidate companies should precede transfer, and these groups should have a voice in the decision to transfer. The same should be true for other affected parties, such as financial counselors and bankers, manufacturers' representatives, dealers, suppliers, and principal customers. The involvement of all relevant groups would reduce the risk of direct resistance everywhere, except perhaps in the marketplace.

For this reason, it may be prudent to select, as the first companies transferred, manufacturers of producers' goods with relatively few customers and those with heavy government contracts.

After five or six years of experience beyond the demonstration stage, and with 25 or 30 large companies in the transfer pipeline, a manufacturer of cars, soaps and cosmetics, or household appliances might be chosen. When the housewife is ready to choose Brand X (Brand Black over Brand White) on its merits (or for whatever reasons housewives make those decisions), then



the entire program may be considered to be a success.

Opposition from organized labor, particularly from craft unions, might pose serious problems if the transfer process were allowed to look like an attempt to break union power. A number of craft unions have been targets recently of black displeasure because of union resistance to entrance and upgrading of blacks. General union reaction would probably depend largely on which industries appeared to offer the earliest opportunities for corporate transfer.

Conclusion

After about eight corporations have been transferred to black control each year for 15 years, the procedure would be discontinued, since by then blacks will have achieved economic parity roughly equivalent to their proportion of the population.

At an average purchase price of $100 million each, the total annual cost of the program, including administration and profit supports, should not run above $2 billion. In some years, however, it would exceed $2.5 billion if a giant or two should be transferred. A program with an annual cost of $2 billion that has the potential to contribute greatly to economic and social equality and stability is an effective program indeed.

Quantifiable benefits would presumably include most of those usually cited in assessing traditional social programs in housing, welfare, transportation, education, employment, and so forth. Such benefits are often realized from savings in public and private expenditures, and such savings might be realized from this program in a variety of ways.

But when the budget analysts have concluded with the cost-benefit arguments, the value of the program should rest on the political judgment that social progress depends on a reallocation of existing institutions—hence a redistribution of power—not merely on reallocation of resources in the form of educational dollars, or guaranteed income checks, or even job opportunities.

Only in this way can anything approaching economic parity be achieved in a satisfactory time—that is, in one generation. All other approaches are based implicitly on a policy of gradualism, which has been rejected by black people. Such a policy includes efforts of private enterprise to stimulate the growth of small, black-owned businesses in the black communities, which President Nixon (it appears at this time of writing) intends to concentrate on.

Would conservative and liberal politicians today support a plan going beyond the limited objectives of legislation promoting self-development, and designed to provide a measure of countervailing power to the black community? The answer is probably *no*, but in time the wisdom of such a course will, I think, become clear.

Meanwhile, the search for low-cost, supposedly nonthreatening solutions will continue with the implicit hope that somehow white economic supremacy can be maintained and no one will notice that the gross power imbalance remains despite the proliferation of new, small, black-controlled businesses.

A recent report by the Institute for Social Research at the University of Michigan contained the finding (according to a newspaper editorial) that "most black Americans are seeking reform, not revolution," and the "changes they have in mind are essentially conservative in nature." [3] It may be true that the changes most black people seek are conservative in principle.

But from the point of view of apprehensive white taxpayers and business leaders, the changes sought apparently are seen as very radical. Initially, the corporate transfer proposal may also be regarded as too radical by some, but its fundamentally conservative thrust should be obvious in light of the strong precedents.

In the 1930's much of the white business leadership, following the basically conservative direction of Franklin D. Roosevelt, supported stabilizing public and private policies that yielded a measure of power and wealth to labor. Though the circumstances are fundamentally different now (race rather than class being the basis of conflict), with enlightened conservatism a measure of institutional power will be yielded in order to secure for the nation the benefits of continuity and stability.

3. *Palo Alto Times*, August 11, 1968.

'Start small'

Benjamin Goldstein, "Enterprise," *City*, July-August 1968, p. 3.

It seems to me that Negroes still have to start small, in ways a lot of other minorities started. Certainly there is still room in this society for a lot of small- and medium-size businesses. Witness the Jewish population of this country . . . they're still not running General Motors, the oil companies, or the utilities. They still don't control too many of *Fortune's* 500 . . . I think the same goes for the Irish or the Italians or any other minority.