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The Neglected Role of Economics in Racial Conflict

by

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Though libertarian in ideological orientation and Judo-Christian in ethos, American social, economic and political institutions are pragmatically racist in character. The net impact upon the Negro has been the relegation to second class participation in the "American Way of Life." This exile of the American Negro is most poignantly demonstrated in the realm of economic activity. In most other aspects of the American mainstream the Negro has made some rather significant inroads. The Negro's sparse participation in the economic mainstream gives credence to Gunnar Myrdal's contention in The American Dilemma that the entire basis of racial discrimination--the slavery surrogate has been economic exploitation. Myrdal viewed the dynamics of the race problem as this:

A primary change, induced or planned affecting any one of the three kinds of interdependent causative factor--(1) the economic level (of Negroes); (2) standards of intelligence, ambition, health, education, manners and morals; and (3) discrimination by whites, which would bring changes in the other two, and through mutual interaction move the system along in one direction or another.

The second World War did bring substantive improvements in each of Myrdal's causative factors. The improvement in the economic level, however, proved to be temporary. The inability of the improvement in the two other causative factors to sustain the change in the economic level, suggests that the Negro's economic level may be held in check by some other factor. Independent of the reason however the Negro's economic level did decline in the post World War II period. It may be argued, that it was the loss of this temporary economic gain which produced the intense manifestation of discontent which this country is presently experiencing in the Negro drive for civil rights. The position of this paper is that not only is this relationship between economic status and political agitation possible, but that there will be no resolution of this nation's race problem without rapid improvements in the Negro's relative economic status. Corollary to this premise is that behaviorally the Negro sector of the American economy is closely akin to that of lesser developed nations of this world, meaning that its development cannot occur without the acquisition of sizable capital inputs. It is further hypothesized that the Negro's process of capital accumulation will more closely resemble that of today's developing

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nations rather than the comparatively wasteful 250 year development path charted by the American economy. In terms of the impetus for economic development it will be argued that the Negro quest for greater political power necessitated by his civil rights objectives will be the driving force.

In terms of the discussion plan, the reader will first of all be provided with an overview of civil rights within an economic context. This, to be followed by an argument for economic development as an instrumentality for developing political power. A survey of the elements required for the Negroes development will then be presented. The discussion is concluded with an examination of strategic considerations for the implementation of the program.

A. The Economics of Racial Conflict

Great strides have been made toward the improvement of this nation's pattern of race relations. The areas of progress, however, have been limited primarily to non-economic activities. This does not mean that the Negro has experienced no absolute betterment in his economic status over time. Instead, it means that relative to the white population, the economic progress of the Negro has been nil, whether measured in terms of occupational distribution, unemployment or income. Numerous studies have documented this fact. One of the most outstanding documentations is that of Gary Becker in The Economics of Discrimination, where he demonstrates that between 1910 and 1950, little change occurred in the occupational distribution of Negroes relative to whites. Income differentials between the races have likewise remained fairly constant, with Negroes earning only about one-half as much as do whites. There does, however, occur cyclical fluctuations in this differential. International crises also tend to bring temporary improvement in the relative economic status of Negroes. In the long run, however, the income differential or gap between the races tends to remain fairly stable.

Recently, changes in the structure of the American economy induced by automation also appear to be working to the detriment of the Negro. A current study by the U.S. Department of Labor, points this out, while documenting the fact that since 1950, the economic gap between the races has widened.

This means that the war-time gains of the Negro during the preceding decade have been eroded away. This erosion of economic gain which was accompanied by an explosion of the Negro's expectations cannot be discounted as a factor having contributed to the frustration and bitterness at the base of the current Negro Revolt. The deepening of this nation's racial crisis and the evidence to suggest at least an indirect causality in the Negro's worsening economic conditions is an indication that the dynamics of the economic gap ought to be considered in greater detail.

Why and by what instrumentality is white America able to maintain an impregnable economic distance between itself and the Negro? An explanation of the why is much simpler, of course, than the how. The why can be found in the interaction between this nation's economic philosophy and its ascription to the

principle of white superiority. The Jeffersonian libertarianism on balance, turns out to be a rationalization for the strong to exploit the weak because it is predicated upon the invalid assumption that all men are equally endowed with identical advantages and opportunities. This fostering of liberty among a group of competitors which includes those who are more equal than others means that such a system must be inherently exploitative.

Within this context occurred the historical accident choosing Western European culture for the Industrial Revolution. The temporary advantages afforded by the European culture was explained in terms of an inherent superiority of the white man, rather than a temporary economic advantage. Given then a philosophy encouraging exploitation, a belief in the inherent superiority of the white man, and a set of circumstances most conducive to the forced-use of black labor, Negroes became enslaved. This enslavement gave to the Negro a cultural, social and economic handicap which produced behavioral patterns reinforcing the belief in white superiority long after the abolition of slavery. At this point in our historical development, Negroes just happen to have a disadvantage. Our economic system is so structured, that once disadvantaged, exploitative forces tend to maintain that disadvantage.

The why of the Negro's economic disadvantage is a partial explanation of the how. One consequence of an economic disadvantage is the perpetuation of cultural patterns which are inimical to the development of characteristics and abilities required to compete effectively. For the Negro, discrimination is practiced in the market place to maintain them in a relatively disadvantaged condition. Though market discrimination against Negroes is most commonly thought of in terms of employment and housing, it has been most blatant in the denial of access to capital. This practice has occurred overtly and directly as well as indirectly, through the maintenance of Negro income at levels low enough to prevent the accumulation of a surplus. Employment discrimination and consumer exploitation have been the primary tools for this accomplishment.

On balance then, the aggregate income pattern of Negroes behaves as though the Negro were, in fact, an underdeveloped economy in which labor is a relatively abundant factor, while capital is scarce. The Negro economy engages in trade with a more advanced white economy having an abundance of capital. Each export their abundant factors. Since the Negro economy's demand for the export of the white economy is relatively greater than the latter's demand for Negro labor, the general price level of Negro labor remains too low to net an income surplus sufficient for the accumulation and development of Negro capital. As a result, the Negro economy does not expand of its own impetus, but only as induced by the white economy's demand for the import of Negro labor.

This situation is analogous to that of the developed and underdeveloped nations of the world. The recent Geneva meeting of the United Nations Conference on Trade and Development pointed to a widening trade gap between rich lands and poor lands. Raul Prebisch, UNTAD's Secretary-General, has suggested that the

developed countries which gain from the relative decline in the commodity prices of the lesser developed countries, extend a form of "compensatory financing" to the latter.

This recommendation bears a striking resemblance to the recommendations of "compensatory treatment" for Negroes embodied in the National Urban League's recently proposed Domestic Marshall Plan. An important distinction, however, is that "compensatory financing" was recommended for the purpose of financing the development plans of the less developed nations, while the Domestic Marshall Plan as counter-distinguished from its European namesake, was for a crash program to increase general welfare services for Negroes. Though such is needed and a watered down version is proposed in pending anti-poverty legislation, this effort does not address itself to the manner in which the income gap between the races is to be eliminated, though it is argued that such an effort would do so. The point which is missed is that one-fourth of the income received in this country accrues to the owners of capital. Negroes own no capital of any significance and in the absence of an effort to obtain capital, they will never be able to earn more than 75 cents for every dollar earned by whites-- assuming of course--that no radical form of socialism is introduced.

Most civil rights organizations mistakenly adopt policies which imply that the entire cause for the racial economic gap is current discrimination. The opponents of civil rights make the equally invalid argument that educational differences are the reason. Government compromises and argues that both are required for a full explanation. All are wrong, of course. Since 1950, the income difference for Negro and white families has averaged 45 cents. The absence of Negro income from capital (25 cents) accounts for more than the combined effect of education and discrimination.

The failure of civil rights proponents to conceptualize a more valid understanding of the problem and to adopt policies accordingly, inhibits a resolution of the racial conflict. One reason for this, is that Negroes have permitted white America to define the problem for them. For the American society, the problem of the Negro is a dilemma--a moral conflict between the impractical ideological wedding of libertarianism and egalitarianism. For the Negro, the pragmatic question is simply how and when he can get more of what America has to offer in a manner somewhat approximating what the American Dream promises to him.

B. Economic Development to Satisfy the Negro Need for Political Power

A determination of which social groups get what, when and how in any society, historically speaking, was never a question of morality, but rather a matter of politics based on the distribution of power and influence among the social groups and/or classes. In American society the primary determinants of power distribution are the relative amounts of group political and economic influence, with the two being somewhat interchangeable. Political influence may be used as a means of enacting and enforcing legislative regulation of the distribution of economic influence

among competing economic groups. Since, however, economic influence is easily translatable into political influence vis-a-vis campaign contributions and/or the buying of votes, economic influence itself may be viewed as the primary instrumentality by which the existing distribution of economic influence is maintained or changed.

There is some evidence to suggest that during the last five years, civil rights organizations have begun to develop an elementary understanding of the role of power in American society. It may well be that within the next few months they will begin to develop an understanding of the sources of power and to develop greater sophistication in the use of power. If this does occur, then attention will have to be devoted to the accumulation of capital as a means of developing a greater source of power.

Albert O. Hirschman, one of the leading authorities on economic development strategy, contends that a will or determination to do so and a quest for political power are the most important factors to be considered in the process of economic development. He argues that the "...choices and decisions that need to be made to achieve development are far more germane to the pursuit of power and prestige than to that of increased welfare..."¹ On the basis of recent trends in the transition of the civil rights movement, it is safe to assume that a sophistication in the use of power is being developed rapidly. Consequently, the pre-conditions will soon exist for the consideration of the launching of a program for the economic development of Negroes. Before examining the components of an economic development program, however, it will be useful to consider some of the changes occurring in the civil rights movement. The reason for doing so, is that, to some extent, the nature of the proposed economic development program is related to the author's view of these trends.

In partial defense of the current strategy of civil rights organizations, it should be pointed out that for maximum impact, the strategy of a protesting minority should involve enjoining their issues within a context which meets the least resistance from their transgressors. This at least permits a day in court. To have initially defined the civil rights movement as a protest against economic exploitation would have permitted its dismissal as socialistic agitation. Since the nation considers civil rights as a moral issue, morality became the proper entree for the invocation of protest against the existing social order. Having obtained an entree around the issue of morality, Negroes are now swiftly creating a base of political power predicated on what Arthur I. Waskow refers to as creative disorder.

Creative disorder, however, can be disaggregated into what seems to be a three-stage process in the development of a political base. The first phase in retrospect, might be called an anti-

¹Hirschman, Albert O., The Strategy of Economic Development, New Haven, Yale University Press, 1958 (p. 10)

violent protest, where violence tended to be avoided. The second phase might be labeled a violent or passive resistance where the practitioners are totally indifferent as to whether or not their actions illicit violent reactions. The third phase is that of active aggression. This conceptual delineation is not to suggest any sharply definable progression exclusively demarcated by particular time periods, rather it is to point out the general characteristics of the movement during a particular time period. In terms of the present, it would appear as though we are now entering the third phase of this phenomenon. It is important to note that this transition is redefining the leadership structure of the civil rights movement. The Old Guard was scarcely able to make the first transition. The stringency of this final transition will probably be too great for most of them to keep up. Predictably, new and young leadership is emerging for the third and crucial phase.

This last phase requires the development of a comprehensive arsenal of alternative weapons for the success of the offense. The proposed stall-in at the World's Fair is but an example of this development, as is the organization of rifle clubs and their potential usage. The embarkment upon the active aggression phase of course, will cause the resistance to civil rights to stiffen. This resistance to integration will give greater credence to the preachings of the activists, thereby increasing both their following and their power. This, in turn, will make the demands of the movement more radical and increase the willingness to back up the demands of the movement with extreme forms of protest. These protests will begin to be concentrated in the area of economics with the boycott becoming a favorite weapon.

What will be most characteristic of the third phase, is the full and total commitment which Negroes will have to the achievement of their objectives. Their position will be stated in terms which demand a complete and immediate attention to the rights of Negroes or no American will be allowed the luxury of not having their rights infringed upon. There will, of course, be no uniformity of demands or approach among Negro leadership for some time to come. In terms of a complete strategy, however, a uniformity is not desirable because it might also unify the opposition. Fragmentation of approach is most desirable because this will keep the opposition divided and make possible the playing of one off against the other. For example, there will be some purposes for which elements of the civil rights movement will find useful, a temporary alliance with anti-integration right-wing opponents to civil rights. This is especially true in terms of specific tasks to be achieved in the process of economic development.

Certain development activities will require large sums of money. It may be useful to argue in an appeal to right wing elements that integration is wrong, and that Negroes want no part of it. Instead, what is needed is financial aid so that Negroes might help themselves in a totally separate manner. The segregationists for the protection of their own interests, would, of course, render assistance. For the purpose of economic develop-

ment, the only consideration is that the project for which aid is requested is capable of producing capital, either directly or otherwise. Before delving too far into the strategy required for development, it will be necessary to survey some of the basic ingredients required for the Negro's economic development.

C. The Components of Negro Economic Development

The Central thrust of a program for the economic development of Negroes must involve the creative use of consumer power as a means of developing a wedge into the capital accumulation process. Stated in its most succinct form, the following steps would be involved:

1. Creating consumer mail-order buying clubs, and credit unions among Negroes engaging in the boycott of Southern merchants.
2. Establishing wholesale distribution centers once the membership becomes large enough to justify them. This would permit direct purchasing from manufactures.
3. Establishing cooperative retail merchandising stores when warranted by local demand.
4. Using the cooperative savings as capital to match government funds (65%) in Area Redevelopment Agency designated depressed areas to initiate assembly-manufacturing of staple products in large demand by the co-op membership, and which require relatively small amounts of capital.
5. Extension of the co-op-credit union construct into the urban cores of the North so as to provide a large market for the infant industries.
6. Lobbying for sub-contracts to sell manufactured products to the Federal Government.
7. Extension of the co-op-credit union construct to include low-income whites.
8. Competing salary-wise with mainstream industry to lure their managerial talent to the cooperative movement in order to become competitive with mainstream industry; to extend the co-op construct to heavier manufacturing and to provide instruction for Negro management trainees.
9. Establishment of a National Planning Staff for the coordination of the program, and specifically:
 - a. to conduct research on areas for further expansion of the co-op construct.
 - b. to establish cooperative training exchange programs with African nations, and
 - c. to extend the market for cooperative produced goods to these nations.
10. Using co-op savings to purchase white-owned retail stores catering to Negroes in Urban cores after inducing their willingness to sell through the use of the boycott.
11. Imposing a voluntary form of temporary industrialization tax upon Negroes. This would simply be a deduction taken from the salaries of Negroes employed by the cooperatives for a minimum period of three years, in order to allow such individuals the opportunity to pool their savings for the creation of cooperative service trades.

12. Developing cooperative housing projects through pooled savings.

This list of development components is not exhaustive. It is simply intended to be illustrative of what could be done once the initiative has been created. There are of course numerous considerations which the strategy of implementation would have to deal with.

D. The Strategy of Negro Economic Development

The most crucial element in all that has been presented thus far, is how could such an effort be introduced, given the fact that white America would be most unhappy about losing its present benefits being derived from the Negro exploitation. It seems most likely that retaliation would be in order if and when such an effort becomes significant. Before addressing ourselves to some of the more obvious considerations, it should be pointed out that the nation as a whole (as well as Negroes) is more likely to be receptive to the Negro's improving his own economic status once the seemingly inevitable violent clashes have occurred around the issue of the Negro's demands. This proposal for Negro development is not however wholly dependent upon a period of prolonged violence.

If the proper symbol could be developed for Negroes to create fervent belief in the need for economic development, these proposals could still be carried out under a form of voluntary consumption abstinence in favor of saving for investments. There is one such scheme presently on the drawing board. This program calls for the creation of an Afro-American Shrine and Cultural Institute at the site where the first Negro slaves landed. The planners envision a period of ten to fifteen years to complete the project so that it may truly symbolize the Negro's effort to pick himself up by his bootstraps. It would be financed in a manner similar to the World's Fair. Each of the states would be asked to submit a permanent exhibit to honor their famous Negroes. In a similar manner African nations would be asked to provide exhibits to memorialize the Negro's cultural roots. The planners are of the opinion that this effort would strengthen the Negro's sense of racial pride which would be so crucial in the pursuit of a cooperative program of economic development.

In this connection, it should be pointed out that the Negro's sense of racial consciousness has experienced a definite resurgence in the last few years. It has not reached the point where Black Nationalism could be considered in vogue, however. It presently manifests itself in a growing preference for Negroes to be referred to as black rather than colored; a growing identification with Africa; a shifting standard of beauty which no longer rejects the dark complexion and kinky hair, and a preoccupation with Negro history--demanding that it be taught in the public schools.

To return to the question of strategy, it should be observed that no total strategy can be developed until the extent of the Negro's growing extremism is known. This notwithstanding, it is possible to make some rather general observations about strategy.

1. In general, it would be best for any grandiose scheme for the Negro's development to not be publicly articulated in any finite detail.
2. Any publicly stated plans for development should be addressed to a so-called anti-poverty effort; a "self-help program," to get Negroes off the welfare rolls; or to reduce crime. (Private industry seems willing at this time to respond whole-heartedly to the symbol of self-help as demonstrated by a program called Opportunities Industrialization, launched by a group of Negro ministers in Philadelphia. Plans are now underway to extend this program which is essentially one of job training, throughout the country. This will cost private industry nothing since it simply becomes a tax deduction. The father of this scheme, L. H. Cahuvet, a Haitian industrial engineer, intended that it provide the basis for the Negro's industrialization. It could, with proper attention to strategy.)
3. Public statements should indicate that any such programs are open to all regardless of race.
4. Perhaps the most important consideration of strategy would be that those implementing the program be able to disguise it long enough as simply a self-help operation until it can sustain itself.
5. Direct action organizations would have to be prepared to threaten acts of violence if the Government seemed reluctant to squelch any attempts at retaliation such as a refusal of the teamsters to move Negro manufactured products.
6. There are numerous governmental programs which would be complementary to the development effort. The chief among these is the proposed anti-poverty programs--once they are adequately financed. Since these programs are to be implemented by local community organizations, it will be necessary for Negroes to exert strong pressure on the appointing authorities to have Negroes direct such efforts. These programs will afford an excellent structure for developing cooperatives.

Quite obviously, there are many other considerations. The important point however is that the growing nationalism among Negroes and the need for greater political leverage to achieve their civil rights demands create the vital preconditions for economic development. A control over productive resources would increase the Negro's bargaining power. With the creation of an effective political base, Negroes will then be able to initiate economic development, which in turn will increase the Negro's political influence. This in turn will enhance the prospect for development. Through the interaction of economic and political influence, the Negro will then be able to enforce his demands and win the respect that power affords. Given respect, socio-economic integration can occur at the discretion of Negroes themselves, rather than by having to prove themselves worthy of whites.