

BLACK BUSINESS OWNERSHIP: AN ANALYSIS AND A PROPOSAL: 1971 AND 2021

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INTRODUCTION

- MY 1971 MINORITY BUSINESS DEVELOPMENT (MBD) COURSE AT PENN LAW SCHOOL
 - MY PROFESSOR: BOB MUNDHEIM
 - MY PAPER TOPIC: BLACK OWNERSHIP: AN ANALYSIS AND A PROPOSAL
 - THE PAPER WAS PUBLISHED BY: THE BLACK BUSINESS DIGEST, PART I, NOV/DEC 1971; PART II, DEC 1971; PART III, JAN 1972; PART IV, FEB 1972
- MY 2021 MBD COURSE AT PENN STATE LAW, EXACTLY 50 YEARS AFTER THE PENN COURSE:
 - I AM THE PROFESSOR FOR AN MBD COURSE, AND PROFESSOR MUNDHEIM PARTICIPATED IN A SPECIAL SESSION OF THE COURSE ON APRIL 20
 - IN THIS PRESENTATION, I TAKE A FIRST CUT AT COMPARING THE 1971 ECONOMIC STATE OF WHITES AND BLACKS WITH THE CURRENT STATE (I DO NOT HAVE THE 1971 INFO FOR HISPANICS OR ASIANS)
- ALSO, I PROVIDE A BRIEF OUTLINE OF MY 1971 PROPOSAL FOR A NATIONAL DEVELOPMENT CORPORATION (NDC) AND A NATIONAL DEVELOPMENT BANK (NDB).
 - I AM PLANNING ON EXPLORING THIS IDEA FURTHER.

COMPARING THE ECONOMIC POSITION OF BLACKS AND WHITES, 1971 AND 2021

1971 OBSERVATIONS IN SAM'S ARTICLE

- Unemployment among blacks was generally about twice that of whites.
- “[T]here is a 37 percent tax on the income of blacks – while they represented 11 percent of the labor force they only received 7 percent of the income.”
- The average balance in savings accounts of whites was \$4.4K; the average for blacks was \$824. Thus, for this indication of wealth, black wealth was 18% of white wealth.

2021 OBSERVATIONS

- Unemployment among blacks 10%, among whites 5.9%.
- The median household income of whites is \$65.9K and that of blacks is \$41.5K. Thus, “there is a 37 [YES 37] percent tax” on the income of blacks.
- The average balance in savings accounts of whites is \$51.6K; the average for blacks is \$13.3K. Thus, for this indication of wealth, black wealth is 25% of white wealth. Also, many fewer blacks have savings accounts than whites.

REV. LEON SULLIVAN'S 1971 "20 YARD ANALOGY" BETWEEN [1] FOOTBALL, AND [2] MINORITY ECONOMIC PROGRESS: QUOTE FROM MY 1971 ARTICLE

- *"As every football enthusiast knows, the game is won or lost between the twenty-yard lines. When the play is near midfield, it is not too difficult to make spectacular runs and complete ten-yard passes; the opposing line is loose, and the defending secondary is all spread out. But when the ball gets inside the twenty-yard line, the real game begins.*
- *"The opposing line stiffens. The defending secondary tightens itself and becomes more alert.*
- *"Down there is where it is hardest to move the ball-inside the twenty-yard line. That is the situation now, as far as the civil rights movement is concerned. The demonstrations, the sit-ins, the wade-ins, the selective patronage programs and the marches were the spectacular plays. They produced great results. We have come as far as we have as a result of them. The long runs have been made, and they have been spectacularly important.*
- *"Now, though, we have come to the twenty-yard line. Now we must move the ball economically."*
- Sullivan, L., Civil Rights Leader: *"Build Brother Build"* 1960, pp.162 and 163.

MY 1971 PROPOSAL FOR FORMATION BY BLACKS OF THE NATIONAL DEVELOPMENT CORPORATION [NDC]

- The purpose of the NDC would be to make a profit while helping a "brother".
- There would be two constraints on all investment decisions:
 - The investment must be profitable. (Profitability)
 - The investment must promote the welfare of disadvantaged people. (Benefitability)
- The first step in organizing the NDC is for 4,000 black leaders throughout the country to agree to become the initial shareholders.
- NDC would be organized with Class A and Class B stock, with Class A having voting control and Class B having a vote but not control
 - Only Black Churches and other religious organizations controlled by blacks could be holders of Class A.
 - The purchases of stock by the religious organizations would be funded by contributions from members.
 - Anyone, including white churches or individuals, could hold Class B.
 - The initial 4,000 black leaders who provided the funding for organizing the NDC would exchange their initial stock for Class B stock.
- It would not have been hard in 1971 to raise enough capital to have NDC become one of the top 500 firms when measured by shareholder's capital.

MY 1971 PROPOSAL FOR FORMATION BY BLACKS OF THE NATIONAL DEVELOPMENT BANK [NDB]

- Like the NDC, the purpose of the NDB would be to make a profit while helping a "brother".
- There would be two constraints on all bank lending decisions:
 - The investment must be profitable. (Profitability)
 - The investment must promote the welfare of disadvantaged people. (Benefitability)
- Like the organization of the NDC, the first step in organizing the NDB is for 4,000 black leaders throughout the country to agree to become the initial shareholders.
- Like the NDC, the NDB would be organized with Class A and Class B stock, with Class A having voting control and Class B having a vote but not control
 - Only Black Churches and other black religious organizations could be holders of Class A.
 - The purchases of stock by the religious organizations would be funded by contributions from members
 - Anyone, including white churches or individuals, could hold Class B.
 - The initial 4,000 black leaders who provided the funding would exchange their initial stock for Class B stock.
- It would not have been hard in 1971 to raise enough capital to have NDB become one of the top 50 banks when measured by shareholder's capital.

QUESTIONS COMMENTS IDEAS, PLEASE

Send Any Comments to My Email Address on the Cover Sheet

- Although this idea is clearly not a “silver bullet” for closing the wealth gap between whites and blacks, is it a viable proposal for helping to close that gap?
- What is the probability that black churches and other black religious organizations would be interested in the idea?
- If the proposal were successful, how would the wealth of the religious organizations through their stock ownership translate into wealth for members in the communities in which they are located.
- I have not figured out the federal income tax consequences of the proposal on the religious organizations and NDC and NDB.
 - Any thoughts on whether NDC and NDB could be structured to qualify as tax exempt organizations?
- If you have any ideas or suggestions, please send me a note at my email address, which is on the cover.
- THANKS MUCH, SAM