Black Capitalism: Does Policy Implementation Failure Explain The Gap Between Promise and Performance?

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ABSTRACT

In this paper I analyze black capitalism policy. I seek to understand the gap between Nixon's promises and what the policy delivered by 1974. I utilize two complementary theories of policy implementation (Pressman & Wildavsky, and Sabatier & Mazmanian) to understand whether the conditions for effective policy implementation did exist during the implementation of black capitalism. My analysis reveals that the implementation phase of black capitalism policy was fraught with issues, and that the model of black capitalism is not a viable one for black economic development.

INTRODUCTION

Racial inequality is a persistent social issue in the United States. As policy-makers grapple with how to close the racial wealth gap, Black entrepreneurship[1] has been touted as a possible solution. Wealth amongst business owners in the United States is tremendous - the ten percent of American workers who are self-employed hold almost forty percent of all wealth. Moreover, while white adults in general have thirteen times the median wealth of black adults, the multiple is much lower when comparing white business owners to blacks business owners; white business

[1] Black entrepreneurship in this paper refers to self-employment by African-Americans. It includes all business sizes and types. Entrepreneurship in this paper is also simply defined as self-employment of all types.

owners have three times the wealth of their black counterparts[2]. The idea of utilizing black entrepreneurship to reduce racial inequality is reminiscent of President Nixon's black capitalism policy of the late 1960s. Black capitalism, the first major orchestrated effort by government to support the creation and development of black businesses within the ghetto[3], was billed as the panacea for the economic problems of the African-American community. However, it was largely believed to have been a failure, and, a disappointment to the black community. It was said to be more an advertising campaign than an actual policy (Baradaran 180). But could the failure of Nixon's black capitalism have been the result of ineffective policy implementation? And, could black capitalism still be a model for black economic development if the policy is appropriately implemented? Or, is the idea that Black entrepreneurship could close the wealth gap between blacks and whites simply a myth (Darity et al. 31)?

I endeavor to answer these questions in this paper. I will first discuss the genesis of Nixon's black capitalism, the policy's goals and programs. I will then describe the three phases in which the policy unfolded from 1968 to 1974, and then evaluate the policy's achievements by 1974. My analysis focuses on policy implementation. . I will then conclude by discussing how the lessons learnt from black capitalism could inform future black enterprise development policy.

THE ORIGIN OF BLACK CAPITALISM

Black capitalism was initially promoted in 1966 by notable civil rights activist, Stokely Carmichael, as part of the black power movement. Carmichael argued that economic

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[2] Statistics obtained from the Association for Enterprise Opportunity's report entitled "The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success; released in April, 2017.

[3] Very (53) states that most often in America the term "ghetto" refers to a primarily black economically depressed, urban, residential area in which blacks are segregated from whites. The word "ghetto" used in this paper is based on this definition.

independence could lead to political power and help end racism. Nixon co-opted Black Power's rhetoric of economic self-determination. In a pair of radio addresses, titled "*Bridges to Human Dignity*", in April and May of 1968, presidential candidate Nixon introduced his black capitalism policy. It would be "a policy for the promotion of black ownership within the urban ghetto" (Boom & Wards 3). He proposed utilizing loan assistance, credit guarantees, and technical assistance to achieve his policy objective. The two key defining elements of black capitalism were black business ownership, and the location of these businesses within the ghetto. Black capitalism essentially promoted a form of de facto segregation of black businesses to the confines of the ghettos.

Nixon used the idea of black capitalism to win the support of both black and white voters, while fulfilling his own political agenda. He convinced blacks that his policy would provide them a path to economic advancement. By discouraging welfare dependency in the name of black enterprise, Nixon was also able to undermine blacks demands for economic redress and reparations. Also, by promoting the potential of black capitalism, he served to diminish black opposition to his dismantling of the Johnson's Great Society antipoverty programs. For white conservatives, a policy that stressed the pursuit of private enterprise amongst blacks instead of reliance on public expenditures, especially public welfare, was quite attractive. The period around Nixon's election was marred by great racial tension due to blacks' built-up frustrations over workplace discrimination, police brutality and immense poverty in ghettoes. Racial unrest was further exacerbated by the assassination of Martin Luther King Jr. Nationwide riots were commonplace, and whites had become even more fearful of blacks. Nixon felt that fostering black business ownership would also be a powerful strategy to help quell black urban unrest, and promoted (to whites) that black capitalism would accomplish such.

Besides the political motivations for endorsing black capitalism, Nixon was also moved by philosophical and ideological considerations. His father owned a small grocery store and from an early age taught Nixon to value economic independence and distrust large corporations. Nixon also seemed to believe in racial preferences to promote the advancement of minorities. In the 1950s, he was the chair of the President's Committee on Government Contracts. In this role he advocated for some preferential hiring of minorities (Bean 63). Nixon viewed an uncontrolled Black Power Movement as a threat to the internal security of the country and the doctrine of free-enterprise. By offering African-Americans a 'piece of the pie', he believed he could thwart the spread of communism and contain the power of the Soviet Union and China (Weems & Randolph 57).

BLACK CAPITALISM POLICY AND PROGRAMS

Upon assuming the presidency, Nixon promised black leaders that he would do more for African-Americans than any president had ever done (Kotlowski 419). His administration immediately set about implementing black capitalism – they developed new programs, and expanded upon some existing ones. Pressman & Wildavsky differentiate between a policy and a program by stating that policy is "a broad statement of intention" while a "program consists of governmental action initiated to secure objective(s)" (xiv). Michael Howlett also states that 'policy instruments' is the "generic term provided to encompass the myriad techniques at the disposal of governments to implement their public policy objectives" (2). Comparing the definitions given by these scholars, the terms 'policy instruments' and 'programs' seem to be synonymous, and will be used interchangeably herein.

As previously mentioned, the stated objective of black capitalism (the policy) was to increase black business ownership within the ghettos. To fulfill the policy objective, several policy instruments (programs) were employed including the creation of the Office of Minority Business Enterprise (OMBE), and the expansion of the Small Business Administration's Economic Opportunity Loan (EOL) program which was targeted at economically and socially disadvantaged individuals. The Small Business Administration (SBA) also instituted the Section 8(a) set-aside procurement contracts program which allowed minority firms to bid for federal contracts on a non-competitive basis.

Contrary to theories of comprehensive rationality which suggest that policymakers search for the best possible means by which to solve problems, the choice of black capitalism programs supports the theory that policymakers may be boundedly rational, and policy instrument choice is a subjective process based on policymakers cognitive makeup, experience, and preferences (Linder & Peters 36). As Howlett & Ramesh argue,

> "(policy) instrument selection process cannot be described as rational in any objective sense. It is rather a typical case of muddling through in which the choice is shaped by the characteristics of the instruments, the nature of the problem at hand, past experiences of government dealing with the same or similar problems, the

> subjective preference of the decision-makers and the likely reaction of the choice by affected social groups" (13).

Indeed, Nixon's choice of policy instruments seemed to be based on his white, middle-class world view, and the attitude of his all-white team of advisors. Many of the programs implicitly assumed that the model that worked to develop successful white business enterprises could also be applied to black businesses. One of the greatest challenges faced by white business[4] owners had/has been lack of access to financial capital. Policymakers believed that by making financial capital more available through the expansion of loan programs, they would in turn make black businesses more successful. However, they failed to consider (and resolve) that even if loans were available, blacks still faced discrimination from banks in applying for loans. Policymakers overlooked the fact that banks required collateral for business loans above $25,000. Historical housing policies that favored whites had helped them acquire homes which served as collateral when applying for business loans. These same housing policies discriminated against blacks and hindered black home ownership. Most black business owners lacked substantial collateral and could not qualify for larger loan amounts. Believing that, with greater encouragement and money, black business owners could pull themselves up by the bootstraps (and with them the rest of the black community), policymakers ignored the impact of racism, and the effects of past discriminatory policies on black business owners. This oblivion to the impact that the white head start had on the success of white businesses, and the presumption that discrimination had been eliminated and equal opportunity had taken over, was obvious in the remarks of Nixon's advisors. Economist Alan Greenspan sent a memo to Nixon in which he advised shifting

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[4] This is true of all businesses but the Small Business Administration had helped the growth of white businesses through the provision of loans.

emphasis from programs that seek to address “reparations for past exploitation to measures that help Negroes help themselves” (Kotlowski 413). Nixon’s speech writer Raymond K. Price proposed solving “the Negro habit of dependence” with “one of independence” and “personal responsibility” (Kotlowski 416). Policy instruments like loans that helped develop white entrepreneurs could not simply be employed in the black community without considering, and accounting for, their unique position and circumstances. With their own experiences and biases serving as guide in their choice of policy instruments, the Nixon administration failed to recognize that black business owners faced different challenges

1968-1974: THE THREE PHASES OF BLACK CAPITALISM DEVELOPMENT AND IMPLEMENTATION

Phase I: 1968 through March 1969 - Campaign Promises. Throughout his campaign Nixon promoted the idea that blacks needed a hand up and not a hand out (Baradaran 177). He maintained that Black Americans,

> “do not want more government programs which perpetuate dependency…they want pride, self-respect and the dignity that can only come if they have an equal chance to own their own businesses to be managers and executives as well as workers, to have a piece of the action in the exciting ventures of private enterprise” (Baradaran 178).

To further sell black capitalism and brand it as a continuation of black power, Nixon also needed the support of some key members of the Black Panther party. At that time, the party’s leaders themselves were split over the prospects of black capitalism. While the black panthers’ objective had always been the acquisition of political power, a faction of the party felt that the attainment of economic power would lead to political power and had thus begun to buy into the belief that capitalism could advance the black community. After Nixon's "*Bridges To Dignity*" speech, black power advocates Floyd McKissick and Roy Innis quietly offered their support to the Nixon campaign. Nixon kept secret his alliance with them since public knowledge of the alliance would have alienated a large portion of his political base. Similarly, McKissick and Innis also kept their affiliation with Nixon secret since they would have been vilified by several in the black community.

When Nixon unveiled his black capitalism policy proposal to the public, it was certainly not an original idea. As John Kingdon states, "wholly new ideas do not suddenly appear. Instead, people recombine familiar elements into a new structure or a new proposal…there is no new thing under the sun" (124). Although Nixon is the president most closely associated with black enterprise development, he was not the first twentieth century president to support or propose programs that were designed to further black business. Rather, his policy was an incremental adjustment to previous policies. In 1967, prior to the end of his presidency, President Johnson established Project OWN, which expanded programs designed to foster the growth and development of the minority business community (Bates, "Trends" 175). As a part of Project OWN, Johnson increased the SBA budget to $2.65 B and required the agency to funnel half of its loans to businesses in inner city areas. Nixon's black enterprise development proposal was, in many ways, simply a continuation of Project OWN. With regards to the SBA lending programs he proposed a few changes - loan approval procedures would be simplified, the proportion of equity financing required in borrowing would be lowered for minorities, and rules prohibiting loans to finance change in ownership of a business would be relaxed (Bates, "Government" 544). Even before Project OWN, governmental efforts to support black business could be traced back to the Coolidge adminsitration which, in 1927, established the Division of Negro Affairs. Part of the mandate of the Division of Negro Affairs was to provide information and advice to black businesspersons.

Phase II: 1969-1970 – Creation of OMBE and expansion of SBA programs. After his narrow victory in 1968, eager to demonstrate his commitment to the black community, Nixon chose to bypass Congress, and the legislative process, to establish the Office of Minority Business Enterprise (OMBE) as a policy prescription for issues of racial inequality and social justice. In March 1969, he signed Executive Order 11458 which directed the Secretary of Commerce to coordinate the federal government's plans, programs, and operations which affect or may contribute to the establishment, preservation and strengthening of minority business enterprise (Dingle 161). EO 11458 also established an advisory council on minority enterprise which was charged with advising and supporting the secretary of commerce on matters affecting the success of minority businesses. However, the OMBE was given no budget but was instead instructed to seek private business contributions and funds from other federal agencies. Hindered by the absence of dedicated funding, inexperienced staff, and organizational difficulties including the lack of cooperation from other cabinet level departments (most notably the SBA with which there was considerable overlap in function), the OMBE struggled during its first years of operations.

From the beginning, black leaders, as well as many in the black community, felt that black capitalism was more an advertising campaign than policy (Baradaran 177), and the OMBE more symbolic than functional. This belief was underscored by the behavior of OMBE overseer Secretary of Commerce Maurice Stans "who made it clear that the most important objective of the OMBE was to manufacture and broadcast success stories which would create pride among the minority community which would in turn create further aspirations in the community" (Baradaran 178). Nixon's decision to have the OMBE coordinate and spearhead black capitalism policy created friction between the OMBE and SBA. Within his first 100 days, Nixon appointed Hilary Sandoval, a Mexican American businessman, as head of the SBA. It was alleged that Nixon chose Sandoval to appease his congressional backer, Senator John Tower (R-Tex), and also to reward Sandoval for helping garner the Mexican American vote (Bean 86). Sandoval was ill equipped as a leader, and the period under his leadership was described as one of the most agonizing in the history of the SBA. In 1968, the SBA had begun a specific focus on minority entrepreneurship in its lending programs - EOL program limits were increased to $25,000 and the period of repayment increased to 25 years. When Sandoval took over the stewardship of the SBA in 1969, the EOL program was already on an upswing. Despite the lack of strong leadership at the highest level, during Sandoval's tenure EOL loans increased by almost 300% (Bates, "Effectiveness" 324).

In 1969, the SBA also enacted the 8 (a) Program which provided for the use of federal contracts to companies owned by economically disadvantaged individuals. Under the 8 (a) program, agencies were allowed to reserve some contracts for non-competitive procurement from minority businesses. The SBA would act as the broker for these contracts, obtaining procurement requests from the agencies and contract requests from eligible firms, and then try to match contract and firm.

Phase III: 1971 to 1974 – Policy Maturation and Demise. In an effort to address and resolve the concerns raised during the initial years of the OMBE's operations, on October 3, 1971, Nixon signed EO 11625 prescribing additional arrangements for developing and coordinating a national program for minority business enterprise. This executive order was intended to clarify and strengthen the role of the OMBE. Nixon also allocated $40m and $60 m for the years 1972 and 1973 respectively to the OMBE. However, these funds were a reallocation from the Office of Economic Opportunity's anti-poverty programs and was certainly not an indication of his commitment to the OMBE.

To subdue inflation in the earlier part of the 1970s, Nixon reduced funding of domestic programs. By the first half of 1972, he "reversed his fiscal policies to boom the economy in time for the election… (and) urged all government agencies to get out and spend" (Bean 85). The SBA benefited from Nixon's proclivity for spending during election time. In 1972 the business loan volume increased 50% (Bean 86). However, as soon as he was re-elected, he became fiscally conservative and by 1974, business lending had declined by 25%.

By the early 1970s, the Section 8(a) had come under severe attack by many parties. Black businesses complained about low profitability of contracts, the SBA's inability to match requests to contracts, and delays in payment. White business owners and conservatives cried reverse discrimination. Some non-minority business owners even went as far as to establish fronts so that they could receive these government contracts. The 8 (a) program also drew heat from the Department of Defense (the largest provider of contracts) which viewed the agency as a detriment to efficient procurement practices[5]. As the 1972 election approached, the Nixon administration also broadened what had previously been termed black capitalism programs (since the target group as well as the majority of participants had been black) to include other minority groups. It was said that the changes were made to attract the growing Hispanic voting population after Republicans concluded that it was futile to go after the Black vote (Kotlowski 422). This change was harshly criticized by civil rights activists who felt that blacks were being slighted.

By 1974, criminal investigations were underway alleging there had been robbery, extortion and fraud in the Nixon administration's black capitalism programs (Tabb 404). It was revealed that minority business people had been told that federal assistance was dependent on their contributing to the president's re-election campaign efforts. With the focus on these scandals and on the Watergate affair, the administration began withdrawing support for black capitalism and minority enterprise development policy (Dingle 162).

BLACK CAPITALISM RESULTS BY 1974

For Nixon, black capitalism was a political success. It earned him both the Republican nomination and the White House. With the promises of black capitalism "Nixon took the sting out of the black radicals' demands, jettisoned Johnson's antipoverty programs, maintained his opposition to integration, and even won the support of many black leaders" (Baradaran 177). But the group that was supposed to benefit most from the policy, the black community, did not fare

[5] As an example, the SBA proposed a contract with a Dallas based company which would have required the DOD to pay 37% above the lowest bid (Kotlowski 432).

as well. A survey by the Black Economic Research Center indicated a 40.2% decline in black businesses between the periods 1972 and 1975, and a black business failure rate of 18% compared to less than 1% for small businesses in general. During this period thirteen of the one hundred largest black businesses had filed for bankruptcy (Tabb 411).

Black capitalism programs were charged with ineffectiveness, politicization and, corruption. Many blacks stated that they experienced discrimination in the loan procedure, and that they were treated disrespectfully by loan officers (Bean 87). Since many lacked the collateral and other requirements to qualify for large loans, they were oftentimes steered towards applying for EOL loans (80% of the loan recipients were minorities) which had less stringent requirements but capped the maximum amount of the loan at $25,000. Unfortunately, such low amounts prevented black business owners from pursuing business diversification and entering industries with higher returns (e.g. manufacturing). Black business owners continued to be relegated to the retail and services sectors which had lower job creation prospects, and greater competition within the black community. Interest rates on EOL loans were much higher than that of other SBA loans since EOL loans were considered riskier. The SBA reported high rates of delinquency and default amongst its minority loan customers; the EOL program, had an ‘in trouble’ rate triple that of the other SBA lending programs (Bates, “Effectiveness” 324).

Loans to minority firms leveled off at $300m by 1972, and then declined for several years thereafter (Bean 90). The percentage of minority loans from the SBA dropped from 41% in 1970 to 32% in 1972 (Dingle 162). The SBA reduced the number of EOL loans disbursed to minorities between 1972 and 1974 by almost half (Bates, “Effectiveness” 324) but Section 8(a) contract dollars increased from $68M in 1971 to $272 M in 1974 (Bean 91). Although the 8 (a) program showed considerable growth, 8 (a) contracts still only constituted 0.1% of total federal procurement (Singer 294). Moreover, it was subsequently found that non-minority firms transferred ownership to black "fronts" to qualify for the 8 (a) contracts, and that 20% of 8 (a) contracts had been awarded to non-minority firms (Bean 91).

After his re-election in 1972, Nixon proposed dissolving the OMBE altogether. His advisers talked him out of it, citing that it would be politically unwise to dismantle his own creation, especially in the throes of Watergate (Bates 92). What was sold as the solution to the issues of the black community, in some ways, left the black community even worse off. Andrew Brimmer, notable economist and first black governor of the Federal Reserve (1966) called black capitalism "a cruel hoax and one of the worst digressions that has attracted attention and pulled substantial numbers of people off course" (Baradaran 201). "Instead of providing an avenue of hope, most of the business experiments have only increased black frustrations. In some cases, a complete collapse of expectations and the loss of newly-found jobs deepened resentment into hostility" (Frankel 60).

BLACK CAPITALISM FAILURE AND THE THEORIES OF POLICY IMPLEMENTATION

As a group, blacks have been under-represented in business. In the 1970s blacks comprised 10% of the population but owned less than 1% of the five million private businesses in the country (Frankel 61). Several theories link increasing entrepreneurship with economic growth and development[6]. And, as was previously mentioned, wealth amongst the ranks of the self-employed

[6] E.g. Schumpeter

is tremendous. On the surface, the idea of utilizing public policy to develop black owned businesses, and in turn stimulate the economy of the ghettos, seems to not have been without merit. Why then was black capitalism not successful? Some have suggested that issues encountered during policy implementation led to the policy's failure. Reports from the 1970s included: "Black capitalism made it to the launching pad but it took off like a defective rocket" (Dingle 162); "the problem with minority enterprise prominent black executives and leaders of the National Urban League contended, lay in its implementation not its conception" (Kotlowski 423).

Howlett & Ramesh define implementation as the process whereby programs or policies are carried out, the translation of plans into practice (185). It involves a wide variety of actions such as issuing and enforcing directives, distributing funds, making loans, assigning and hiring personnel etc. (Makinde 63). It is often taken for granted that once a policy is adapted it will then be implemented, and the desired goals achieved. However, policy implementation can be quite intricate and its complexity oftentimes underestimated. Implementation of a policy is in many ways the most critical stage in the policy process. "There is a growing wave of analysts who state, either implicitly or explicitly, that if implementation is understood and is successfully designed then the policy will be a success" (Linder & Peters 459). Policy implementation success seems to occur when the acts necessary to achieve the policy's goals, are carried out in a way that allows for consistency between the end results and the intent of the policy. When execution does not allow for achievement of the policy's objectives, and policymakers' intentions seem to diverge from the actual results, it could be said that policy implementation failure has occurred. Whether policy implementation is a success or failure is often a matter of interpretation, complicated by the fact that policymakers' intentions are not always clear. Policies deemed successful by some may be considered unsuccessful by others. Oftentimes policies derail on their way to fruition, and, as Pressman & Wildavsky would argue, it is amazing that policy implementation is successful at all.

Theories of Policy Implementation. In their case study of the Economic Development Agency's project in Oakland during the 1960s, Pressman & Wildavsky conclude that, for policy implementation to succeed, certain conditions or critical factors, are necessary. These are:

1. The theory that underlies action must be carefully considered and be consistent with the goals of the policy. As Pressman & Wildavsky state, "policy is based on theories…if X then Y…implementation then is the ability to forge subsequent links in the causal chain so as to obtain the desired results" (xv). The choice of policy instruments should also be consistent with the policy's objective. Policy implementation failure may occur if there is a mismatch between the policy's goals and the policy instruments used.
2. Policymakers must consider direct means for achieving their objectives. The presence of several actors, intermediaries, hierarchies, and decision paths increases the probability of actor conflict, and increases the complexity of implementation.
3. Goals should not be ambiguous. In the case of the EDA Oakland project, there was a multitude of actors with divergent objectives. For example, "the port and World Airways saw federal funds as an aid in increasing their capital facilities while the EDA task force was primarily interested in the rapid development of jobs for unemployed minorities" (Pressman & Wildavsky 30). Divergent and ambiguous goals hinder the ability of all actors to work towards the same end.

4. Continuity of leadership is essential to successful policy implementation. Turnover in leadership could disrupt the implementation process.
5. Policy implementation should not be separated from policymaking. Policymakers should consider how the policy will be implemented at the time of policy formulation. They should spell out the policy instruments to be used, the funding necessary, and determine which actors will be responsible for carrying out the policy.

Pressman & Wildavsky's analysis of policy implementation focuses on how policy design, as well as how the actors, impact policy implementation. Policy implementation oftentimes is a lengthy process and takes place in a dynamic, changing environment. Thus, changes in the external environment also impact the success of policy implementation, and should be considered in implementation analysis. Sabatier & Mazmanian's theory of the conditions necessary for effective policy implementation provides an understanding of the external environmental conditions that affect policy implementation. They state, "one of our central theses is that many of the case studies which form the bulk of the implementation literature become so immersed within the details of the program that they lose sight of the macro-level and political variable which structure the entire process" (538). Sabatier & Mazmanian identify the following external conditions:

1. The changing priority of the policy. For policy implementation to be successful, the relative priority of statutory objectives should not be significantly undermined over time by the emergence of new or conflicting policies.
2. Changes over time in social, economic and technological conditions.

3. Variations over time and jurisdiction in public support of statutory objectives.

A FRAMEWORK FOR EVALUATING BLACK CAPITALISM POLICY IMPLEMENTATION

To conduct a comprehensive analysis of black capitalism policy implementation, I have developed a framework which combines both Pressman & Wildavsky's and Sabatier & Mazmanian's theories. This framework identifies three critical elements that affect policy implementation. These are the Policy, External Context, and Actor Capacity/Conflict. From this framework I have developed three hypotheses regarding black capitalism implementation which I will test.

H1: Black capitalism policy implementation was not successful because the underlying theory of the policy was not consistent with the policy objectives; the goals were ambiguous, and policy formulation and policy implementation were separated.

The underlying theory of black capitalism policy was not consistent with policy objectives. Black capitalism policy was based on the theory that black self-employment coupled with the segregation of black businesses to the ghettos (where the consumer base consisted only of local residents) would lead to the economic advancement of the entire black community. Policymakers reasoned that the businesses within the ghetto would create jobs for other blacks, and that the income generated by these businesses would have a multiplier effect within the ghetto, leading to economic growth. There are several flaws in this theory.

Firstly, the typical black firm was small, and in a stagnant industry with no full-time employees other than the owner. The probability of black businesses generating a large number of jobs was therefore quite low. Research conducted in the 1970s found that,

> "if black capitalism were even moderately successful over the next decade, it would lead to the creation of between 550,000-775,000 jobs. If it achieved even the most optimistic expectations the new jobs would account for only slightly more than half of the growth in the negro labor force. So, in 1980 black capitalists would be able to employ no more than 12% (and in actuality probably a much smaller proportion) of the jobs negroes would need" (Brimmer & Terrell 4).

Secondly, as noted economist Andrew Brimmer also concluded, for most blacks, salaried positions in the diverse national economy, as opposed to self-employment, was more viable since the rewards in salaried positions were higher and risks lower. Thus, blacks preferred pursuing salaried jobs over self-employment. Thirdly, since blacks had higher unemployment rates and lower incomes than the national average, there purchasing power was also low. A business model where black businesses relied solely on black consumers would not be viable. What black capitalism policy essentially aimed to accomplish was to have a separate black economy exist side by side the strongest economy in the world - this was unrealistic (Gunther et al. 521).

Black capitalism policy goals were varied and ambiguous. The existence of ambiguous goals, (some of which may have been conflicting) seems to have complicated the implementation of black capitalism. While the overall goal of black capitalism was the development of black business it was unclear whether this meant the creation of more black enterprises, or the creation of successful black businesses (quantity, quality or both). The two agencies supporting black capitalism programs seemed to differ in terms of what they perceived to be the goal. The OMBE seemed to care more about the impact programs would have on the black community[7] while the SBA was driven by numbers. SBA employees were encouraged to emphasize loan volume regardless of the quality or legality of the loan applications. One former SBA official recalled the word was to "go out and scare up as many loans as you can. If they're bad, don't worry…" (Bean 88).

Policy formulation and implementation were not connected. In formulating black capitalism, the Nixon administration seemed more interested in using the policy as a ploy to mollify black activists, and to assure whites that racial tension would soon end, rather than a genuine effort to increase the economic growth of the black community. Thus, there seemed to be little consideration given to how the policy could be made successful. In formulating the policy Nixon allocated no funds for black capitalism programs, executing agencies were not staffed with effective leaders, and as discussed above, the goals were vague and not clearly articulated.

H2: Black capitalism policy implementation was not successful because of adverse effects created by changes in the outlying socio-economic conditions, changes in the priority of the policy for government, and changing public support for the policy.

[7] The OMBE instituted management services and technical assistance programs stating that it considered these to be a key factor in the success of minority firms (Scott & Jensin 49).

Changes in outlying socio-economic conditions did not favor small black businesses. By 1970, the United States was in a recession. Small businesses were the most vulnerable and least likely to succeed in an economic downturn.

> "Small business was no way to grow wealth in the 1970s. Large multinational firms were making more profits and using economies of scales to reduce costs and they were already squeezing out small businesses, a trend that was just beginning. As Walmart was building its profitable empire, other were being told they should focus small and local" (Baradaran 181).

Desegregation coupled with rising income for some blacks also provided blacks with greater consumption options. As economist Brinner noted, there was a tendency for the more affluent blacks to shop in the more diverse national economy and outside of the confines of the black communities.

Black capitalism ceased to be a priority for policymakers. Shortly after the 1968 election, the commerce secretary and other cabinet members persuaded Nixon to "drop the narrow black capitalism slogan and rally Hispanics and Indians under the banner minority business enterprise" (Kotlowski 422). By the early 1970s, 'black capitalism' policy was expanded to 'minority enterprise' policy. Programs went from targeting blacks to including other minority groups, especially Hispanics, as the administration sought to garner votes from the growing Hispanic population.

Declining public support for black capitalism derailed successful implementation. When Nixon first introduced black capitalism in his campaign, the idea received much public support. Nixon enlisted prominent black leaders to tout the virtues of his policy, and whites (initially) supported the policy, since they were sold that segregating blacks in the ghettos would help to abate racial unrest. “The Wall Street Journal and Time magazine embraced Nixon’s black capitalism rhetoric calling it ‘thoughtful’ and ‘promising’. Even the Democratic-leaning New York Times…endorsed black capitalism” (Baradaran 179). By the time the riots had subsided, and black capitalism programs intensified, whites had started to criticize the policy, and became irritated at the thought of special advantages being offered to black people (Strang 121). Many charged the SBA’s 8(a) program with reverse discrimination. At the same time support from the black community also started to wane with the general sentiment that the policy had failed to improve the lives of blacks. Amidst criticism, after 1974, the SBA found it difficult to obtain additional funding for the 8 (a) program.

H3: Black capitalism policy implementation was unsuccessful because there was conflict amongst the actors and lack of commitment and consistency by those in leadership roles.

There was conflict and tension between the OMBE and SBA. Interagency competition and conflict appear to have had a detrimental impact on the implementation of black capitalism programs. The SBA and OMBE had considerable overlap of function but had different visions and goals. As previously stated, the OMBE’s seemed to focus more on social involvement and providing assistance to minorities, while the SBA’s focus was on the number of loans made. The OMBE was primarily headed by African Americans. The OMBE urged more aid to blacks while the SBA’s target of its minority programs was broader. Interagency conflict impeded coordination and cooperation resulting in the duplication of functions. For example, OMBE centers provided management and technical assistance to EOL (an SBA program) applicants in the loan packaging stage but critics complained that OMBE could not provide adequate information on the impact of its assistance on EOL borrowers. (Scott & Jensin 52). Turf fights between the two agencies continued through 1974, with the rivalry growing furious, other agencies taking sides, and minority enterprise policy ultimately being hindered. (Kotlowski 426)

There was lack of consistent and committed leadership at the two major agencies. There were revolving doors of leadership at both the SBA and OMBE. The SBA's first overseer under Nixon, Hilary Sandoval, lacked leadership skills and was prone to mood swings and irrational behavior. Under his leadership employee morale at the SBA was low, and there was an incoherent organizational culture. It was later revealed that during Sandoval's tenure the SBA, lack of sufficient controls, resulted in loans being made to mobsters (Bean 86). At the OMBE, leadership changed hands four times in three years. These comings and goings took their toll on the OMBE.

Nixon himself seemed to lack commitment for, and belief in, his black capitalism policy. He was quoted as having said to Howard Stans, the then Commerce Secretary and head of OMBE, "any small business has a 75% chance of failing and a minority small business has a 90% chance of failing – good luck!" For Nixon and his adminsitration black capitalism seemed "more about business myth-making and platitudes than it was an outcome-oriented effort to help the black community accumulate business power" (Baradaran 185).

CONCLUSION: LESSONS LEARNT AND THE FUTURE OF BLACK ENTERRPRISE POLICY

As the preceding analysis has demonstrated, the implementation phase of black capitalism policy was fraught with issues. The policy directives were ambiguous, there was no dedicated budget, there was infighting between the executing agencies, and there was a paucity of consistent, high quality leadership. The Nixon administration seemed to lack commitment, and the public enthusiasm and support for black capitalism had waned by the early 1970s. At a time when the changing economic and retail landscape was not favorable to small black businesses, black business owners were being encouraged to take out small business loans. As loan delinquency rates increased, black capitalism ceased to be a priority for the Nixon administration, which, in an attempt to increase its political base, expanded the policy's beneficiaries. Black capitalism was predicated on the assumption that black businesses, operating within a segregated community, patronized solely by black consumers, could not only be profitable but be profitable enough to uplift the entire black community. The reality was that black businesses were not job creators, and the low income and high debt levels of blacks prevented sufficient demand to sustain profitable businesses. It certainly does seem that policy implementation failure explains the gap between Nixon's promise, and what black capitalism policy delivered.

This analysis also reveals that the model of black capitalism is not a viable one for black economic development. Black capitalism delegates the responsibility to solve the racial wealth gap to the black community without sufficient assistance from the white political establishment who have always had the money and power. Black business success cannot be found in a segregated black economy. The only promising path to success for blacks in business lies in full participation in an integrated, national economy.

Since the 1970s, each presidential administration has continued, in some form, with black capitalism/minority enterprise development policy but with very limited success. Today, black businesses are still stuck in low profit sectors, and the disparity between the success of black and white owned businesses continues to grow. Black entrepreneurs need the assistance of government to be successful. Supported by well-designed, thoughtful policies, which acknowledge discrimination and systemic injustices, black entrepreneurship could develop a vibrant black middle-class. However, black entrepreneurship cannot elevate the entire black community. Black entrepreneurship is not a panacea for racial inequality; it cannot unilaterally resolve economic and social injustices. It is no substitute for eliminating discrimination in hiring, training and promoting, or the improvement of education and housing for blacks, all of which are necessary to elevate the black community, and ultimately reduce racial inequality.

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