

For Release on Delivery
Friday, October 16, 1970
11 a.m. (E.D.T.)

AN ECONOMIC AGENDA FOR BLACK AMERICANS

Remarks by

Andrew F. Brimmer
Member
Board of Governors of the
Federal Reserve System

At the

Charter Day Convocation
Celebrating the
One Hundred and Fifth Anniversary
of
Atlanta University

Atlanta, Georgia

October 16, 1970

AN ECONOMIC AGENDA FOR BLACK AMERICANS

By

Andrew F. Brimmer*

I was flattered by the invitation to participate in this observance of the One Hundred and Fifth Anniversary of Atlanta University. I gladly accepted the invitation. By inviting me, you seem to be saying not only to the students in this institution but to young black people throughout the nation that it is worthwhile to strive for goals beyond their immediate horizons and to use whatever talents they may have to advance the welfare of the community at large. So, I am pleased that you have found my efforts in the public service of sufficient merit to warrant an invitation to speak at this convocation.

I am also pleased that you chose this occasion to dedicate the Richard R. Wright School of Business. By this act, you do more than mark the accomplishments of an outstanding alumnus, a member of the first college class at Atlanta University, who achieved so much in the world of business, banking, and education, and who contributed so much to the Negro community: you simultaneously demonstrate the determination of Atlanta University to anticipate and to respond in a timely fashion to the changing demands of higher education.

* Member, Board of Governors of the Federal Reserve System.

I am grateful to Mr. Henry Terrell and Miss Harriett Harper of the Board's staff for assistance in the preparation of these remarks.

Since you know my own background, I assume that you invited me to participate in these exercises because you thought I might have something to say of relevance to the economic condition of Negroes in the United States. On that assumption, I would like to share with you my assessment of the economic outlook for the black community over the decade of the 1970's. I will also suggest some of the steps I believe we must take if we are to achieve full participation in an open society within a reasonable length of time.

Most of what I have to say in these remarks is addressed primarily to the black community. However, I am not overlooking the fact that the most tenacious obstructions to racial equality in America are rooted in the attitudes and behavior of white people. Nevertheless, the black community will obviously need the cooperation and support of those whites who also abhor racism and are willing to work actively for its eradication. Expressed differently, the campaign for economic equality between blacks and whites is not a game for separatists and segregationists; it is an effort requiring all of the energy and imagination that can be found -- whatever the color or cultural heritage of those who want to help.

I have chosen to address most of these remarks to an economic agenda for black Americans. I must stress, however, that this agenda is by no means exhaustive. Other observers would undoubtedly erase one or more items and add others.

The main points on this agenda can be summarized briefly:

- Black people must concentrate on preparing themselves to share more fully in the expanding economic opportunities which the present decade will bring. These openings will require a much higher level of education, and many of them will occur in fields which Negroes traditionally have not entered. Consequently, young black people will have to acquire a wide range of new skills while striving simultaneously to narrow the educational gap between Negroes and whites. This changing demand for skills will also pose a serious challenge to predominantly Negro colleges.

- There is a pressing need to develop greater economic intelligence in the black community. Stated simply, the deprived environment in which Negroes have been forced to live has left them ill-equipped to understand and cope with the complex economic forces that play such a vital role in American society. Because of this handicap, many Negroes (particularly young black people) are in danger of being led astray by proponents of numerous exciting, but poorly conceived, schemes for the economic development of the black community.

- The overriding task ahead of us must be the provision of meaningful employment opportunities for the vast majority of the Negro labor force. However, we should also seek to enhance the future of Negroes in business. Hopefully, as the fallacy of "black capitalism" withers away, the emerging opportunities for genuine participation in business can be seen more clearly.

- In the meantime, however, a number of existing institutions -- including commercial banks, savings and loan associations, and life insurance companies -- need to be strengthened. Otherwise the black community may lose control over some of its proudest achievements.

- Finally, Negroes must take a much more active role in the effort to check the rising crime rate in the black community. While the rising incidence of crime has been a source of embarrassment to many Negro leaders, far too many have remained ambivalent toward the problem -- perhaps through fear of providing comfort to racists masquerading behind a mask of "law and order." The economic cost of crime in the black community may be as much as \$3 billion per year. This would represent almost 10 per cent of Negroes' aggregate family income in 1969, compared with 5 per cent for the economy as a whole. While Negroes constitute 11 per cent of the nation's population, they may be bearing about 12 per cent of the economic burden of crime. The impact of crimes committed by Negroes against other Negroes is especially heavy in the case of black businessmen attempting to pioneer in ghetto enterprises. So, I would assign a high priority to efforts to check crime in the Negro community.

These main points are amplified further in the rest of these remarks.

Economic Outlook for the American Negro

During the 1970's, the prospects for substantial economic advancement by Negroes appear to be particularly good. But for black people to take advantage of these emerging opportunities, a sizable investment in human resource development -- especially in education -- will be required.

These conclusions follow directly from an assessment of the economic outlook for the national economy during the current decade and the probable impact of prospective changes on the Negro's economic position. The latest official projection of the American

economy prepared by the Bureau of Labor Statistics (BLS) suggests that, by 1980, the nation may be producing goods and services at a \$1.4 trillion annual rate, measured in 1968 prices -- the base year of the projections.* Thus, GNP is projected to increase by 65 per cent from the level of \$865.7 billion achieved in 1968. By the end of the decade, the economy will be concentrating even more heavily than in recent years on the production of services, although the output of goods will also rise substantially. Reflecting this growth, there may be about 100 million workers in the nation's labor force, compared with 82 million in 1968 -- an increase of one-fifth. The proportion of workers employed in the service producing sectors will rise further -- from 6 in 10 in 1968 to 7 in 10 in 1980.

In the current decade, a sharp advance is anticipated in the level of skills required by both industry and government. White-collar occupations will continue to expand rapidly and may account for over half of all jobs in 1980. Blue-collar occupations will expand more slowly, and their share of total employment will shrink further. In general, job opportunities in the higher reaches of the occupational ladder will expand more rapidly than those at the lower end of the scale. The rate of growth of professional and technical employment will be particularly striking.

* See "The U. S. Economy in 1980: A Preview of BLS Projections," Monthly Labor Review, April 1970, pp. 4-34.

In contrast, the number of managers, officials, and proprietors will increase more slowly -- about in line with the rate of expansion in total employment. The number of clerical and sales workers will also advance only slightly more rapidly than the labor force as a whole. The number of craftsmen, foremen, and workers with similar skills is expected to increase more slowly than total employment; this is especially true of those skilled trades in which craft unions exercise such strong influence on entry. Employment of semiskilled workers (such as operatives in factories and truck drivers) may increase only half as fast as total employment. There may be virtually no growth in the number of laborers employed outside of agriculture, and the number of jobs in farming itself may register an actual decline. On the other hand, the number of workers in service occupations may rise about 1-1/2 times as fast as total employment.

This occupational upgrading will be sustained by substantial improvements in educational qualifications during the 1970's. In fact, by the end of the decade, it will be rare indeed to find among workers out of school anyone who has not received some high school education. These changing demands for labor -- and especially the growing emphasis on skills -- will have a significant bearing on the economic outlook for Negroes, as well as for other segments of American society.

By 1980, according to the U. S. Bureau of the Census, the Negro population should be about 27 million, compared with 22 million in 1968. The Bureau also projects the total population of the United States at approximately 228 million in 1980, versus 201 million in 1968. Consequently, the Negro population is expected to increase by 23 per cent, about twice as rapidly as the 13 per cent rate projected for the total population. So, black people are expected to constitute 11.8 per cent of the total in 1980, compared with 10.9 per cent in 1968.

There should be about 12 million Negroes in the labor force in 1980, an increase of 3 million from the 1968 level. This would represent an annual growth of 2.4 per cent, about 1-1/2 times as rapid as that for whites (1.6 per cent). So Negroes would account for 16-1/2 per cent of the growth in the total labor force between 1968 and 1980, and their share of the total would be 12 per cent by the end of the decade.

If Negroes can acquire the necessary skills, their strengthened economic position will be reflected in their expanded share of income. According to the Bureau of the Census, aggregate money income totaled \$543.6 billion. Of this amount, \$34.4 billion was earned by Negroes -- representing 6.3 per cent of the total. By 1980, the total may have risen to \$870 billion, and the amount accruing to Negroes may be approximately \$66.1 billion. Thus, the Negroes' share of the total may have climbed to 7.6 per cent.

In conclusion, the Negro community is expected to share somewhat more fully in economic growth in the current decade than it did in the last. However, this projected result is based on the assumption (which may prove to be optimistic) that they will be able to acquire skills at an accelerated rate and that racial discrimination and other barriers to participation in an open economy will be appreciably lessened. But even if the most favorable outcome materializes, it will still be necessary to press on with the campaign for equal opportunity in 1980.

Development of Economic Intelligence

Today, Negroes are ill-equipped to formulate a strategy to accelerate the pace of economic progress in the black community. The reason for this handicap is easily understood: because of racial discrimination, Negroes have had little contact with the world of economics, business, and finance. With few exceptions, they have not had an opportunity to acquire the familiarity with production, financing, marketing, and other economic processes which determine the structure of the American economy and condition its performance. Thus, a serious effort should be made to remedy this deficiency.

I am not focusing exclusively on the small number of professional economists to be found in the black community. While no accurate census exists, there are no more than a few hundred professionally trained Negro economists and probably less than

1,000 with some formal training in economics and who are employed in jobs requiring them to perform some of the substantive tasks on which economists typically work. Since there are in total about 50,000 persons engaged in such tasks, Negroes probably constitute less than 2 per cent of the total.

There are, of course, a much larger number of Negroes who have received specialized training -- and are employed -- in fields such as accounting, business administration, and marketing. They are exposed to the world of business, but here also they constitute a small percentage of total employment in these professions. So, on the whole, black people are substantially cut off from contact with the mainsprings of economic ideas.

Moreover, it appears that even the informal exposure most Negroes get to the world of business is quite limited. This seems to be true of even the most alert and best informed members of the black community. The situation is illustrated clearly by the limited extent to which readers of Ebony (the largest of the black-oriented magazines) are also readers of business and financial publications. It is reported that, of Ebony's readers, 99.6 per cent do not read Duns Review; 99.5 per cent do not read Barron's; 98.6 per cent do not read Forbes; 98.2 per cent do not read Business Week; 97.2 per cent do not read Business Management; 96.2 per cent do not read Fortune. Furthermore, it seems that only 1.4 per cent of the households reading Nation's Business -- and

only 1.9 per cent of those reading The Wall Street Journal -- are black.*

The somewhat uncertain grasp which Negroes have with respect to economic information and the tools of economic analysis ought to be a matter of major concern. In one sense, the task which Negroes face today with respect to the quest for economic equality is roughly analogous to that which they confronted a few decades ago with respect to the civil rights movement. Yet, the black community is far less well equipped technically to cope with the barriers that obstruct progress. The drive against racial segregation and exclusion in education, public accommodations, housing, and voting undoubtedly required mastery of organizational skills and exceptional leadership qualities. But behind the ranks of restless civil rights activists, there was a small but vigorous band of legal scholars and social scientists who understood the American Constitution and how to fashion a strategy of attack on the legal and social underpinnings of segregation. While they were good as advocates, they were better as technicians. They knew how to research the law, how to draft briefs, and how to plead cases. They understood the workings of educational institutions and the ways in which segregated schools warped the minds of young people. They knew how to use the right to vote to democratize the political process. In short, they had the

* See "The Urban Crisis," a speech by William P. Grayson, Executive Vice President, Johnson Publishing Company, at the 14th Annual Seminar, Industrial Communication Council, Inc., Royal York Hotel, Toronto, Canada, September 15, 1970, pp. 10-11.

professional and technical competence to organize the civil rights movement and to harness its energies for the restructuring of the social and political life of the nation.

Sadly, however, this is not the case in the field of economics. Mainly, because of the legacy of discrimination and lack of opportunity, Negroes have had little incentive to master the economist's tool kit and to pursue a career in this highly specialized but critically important discipline. In my opinion, there is an urgent need to remedy this deficit in the economic intelligence of the black community. Of course, it will take time to expand the supply of black economists passing through our colleges and universities, but organized efforts are underway to accelerate the process.*

So far, however, among college students, the field of economics is attracting only a small number of young black people. This appears to be the case despite the fairly ample availability of financial support -- at least at the graduate level -- for the study of economics. Instead, I am told that numerous black students apparently do not see the relevance of economics to the kinds of issues which concern them most -- such as racism and the celebration of black culture. I personally believe strongly that students should pursue whatever field of study that appeals to them.

* I am currently serving as Chairman of the Committee on the Education and Training of Minority Group Economists created by the American Economic Association in December 1969. The Committee is well along in formulating a program, and more than two dozen Universities have indicated a willingness to share in the effort to expand greatly the number of black economists.

However, a great many of the problems on which young black people apparently feel they should use their talents are economic problems -- for example, poverty, discrimination in employment, and the control and improvement of black enclaves in urban areas.

In my judgment, if one is to make a successful attack on this range of issues, he must acquire at least a good working knowledge of the economic roots from which many of these obstacles spring. In the absence of this appreciation, one can easily find himself adrift in a flood of glamorous -- but ill-conceived -- schemes advanced with a hopeful promise of improvement in the black community. Rather than accepting such schemes at face value, Negroes should insist that they be tested in the crucible of rigorous economic reasoning and made to pass muster when confronted with the realities of economic power and its use in the United States at this juncture in history. To accomplish this end, the black community must enhance its understanding of economic issues.

Educational Attainment and Employment Opportunities

As stressed at the outset, the most important item on our agenda must be the achievement of a significant widening of job opportunities for black people. After all, the vast majority of the 12 million Negroes who are expected to be in the labor force in 1980 will have to work for wages and salaries -- the same as their white counterparts. The evidence cited above suggests that the job outlook for black workers over the current decade will

brighten considerably -- if they can prepare themselves to take advantage of the emerging openings.

Thus, improvement in the educational attainment of the black community will be crucial. Sizable gains were achieved during the last decade, and the prospect for further advances is quite hopeful. For example, the proportion of Negro men in the age group 25-29 with four years of high school or more rose from 36 per cent in 1960 to 60 per cent in 1969; the corresponding increase for white men was from 63 per cent to 78 per cent. Advances made by Negro women were similar -- but less striking. Moreover, in the 1960's there was a major increase in the number of Negroes attending college, and in 1968 roughly 434,000 black students were enrolled in institutions of higher education. By 1980, this number may have risen to between 700,000 and 750,000, representing about 7 per cent of the total enrollment, compared with less than 6 per cent in 1968.

If recent trends in schooling of both whites and Negroes continue during the decade of the 1970's, the educational gap between the two will narrow considerably. On this assumption, by 1980, Negro women on the average may have completed about 12.1 years of schooling, compared with 12.6 years for white women. This would mean that the educational differential would have shrunk from 0.9 years in 1967 to only 0.5 years in favor of white women. Among Negro men, the median years of schooling may have risen to 11.4 years by 1980, compared with 12.8 years for white men -- further narrowing the gap to about 1.4 years, in contrast to a

differential of 1.9 years in 1967. Moreover, substantial improvement can also be expected in the quality of education received by Negroes over the next decade.

On the other hand, as indicated above, in the 1970's, there will be a sharp increase in the demand for highly trained people. But at the same time, we can also expect a dramatic shift in the types of skills required. This prospect will be of critical importance to black students -- and to the predominantly black colleges to which many of them will look for their education. As we know, Negro college graduates have traditionally concentrated heavily in the field of education (especially in elementary and secondary teaching). The social sciences, business, and English and literature have attracted most of the remaining graduates. Only a small percentage (much smaller than among college students generally) has selected majors in the scientific fields; among these, biology and mathematics accounted for a sizable share of the enrollment.

Over the current decade, the demand for college graduates is expected to run substantially counter to the typical pattern of Negro graduates. Even before the decade is very far advanced, elementary and secondary education -- long plagued by a shortage of classroom personnel -- will be faced with a surplus of teachers -- if recent entry patterns in this occupation continue. In scientific fields, there may also be a surplus of mathematicians and life scientists (especially of biologists) if students continue to concentrate in these areas in the same proportion as in the recent past.

In contrast, several other scientific and technical fields will continue to face shortages during the 1970's. These include chemistry, geology, geophysics, and engineering. Professional health occupations can also anticipate continued shortages. The short-fall in the supply of physicians and dentists may be especially serious, due to the limited capacity of existing medical and dental schools -- which may be relieved only slightly by institutions scheduled to be launched during the 1970's. Outside the scientific and medical fields, other areas of potential shortages include counseling, social work, urban planning, and a number of occupations involved in the planning and administration of State and local governments.

In view of these shifting supply and demand conditions in the market for college graduates, the Negro colleges will have to make major adaptations in their curricula and programs -- if they are to remain viable. In general, the areas of new opportunity will call for a heavy investment in highly qualified faculty and instructional equipment. On the basis of recent trends, many of the Negro colleges (particularly among those privately supported) would find it difficult to generate the resources needed to upgrade their educational efforts along the required lines.

The Challenge to Negroes in Business

Since I believe that our primary task should be the expansion of job opportunities for the vast majority of black people who will have to work for wages and salaries, I also believe that is the

direction in which we should be expending most of our energy. However, we should also seek to enhance the future of those Negroes who would like to try their luck in the business world -- and who show some capacity for risk taking.

But let me say immediately, however, that I am not confusing such opportunities with the illusions of "black capitalism." These remarks obviously are not the vehicle for a continuation of the debate as to whether black capitalism is the best strategy for the economic development of the Negro community in the United States.*

On the other hand, the participation of Negroes in business enterprise generally is quite a different matter. For instance, Negroes may well own and operate businesses outside the ghetto, competing with others in the same lines, taking advantage of profit opportunities (while running the same risk of loss),

* My views on this subject have been spelled out fully in a paper prepared with Henry S. Terrell entitled "The Economic Potential of Black Capitalism," and presented at the 82nd Annual Meeting of the American Economic Association, in New York, N. Y., December 29, 1969.

without regard to the race of the participants. Moreover, Negroes could join with white businessmen -- either inside or outside the ghetto -- to launch or expand a profit-seeking venture. But clearly such an approach simply amounts to capitalism -- neither black nor white.

In the meantime, however, while so much attention is focused on new opportunities for Negroes to participate in business, a number of existing institutions need to be strengthened. Included among these are commercial banks, savings and loan associations, and life insurance companies. Otherwise, Negroes may lose control over some of their proudest achievements.

It would clearly be inappropriate for me to cite specific instances, but I think the situation is sufficiently serious to warrant a discussion of the general nature of the problem. Essentially, the difficulties arise from the thinness of capital and managerial resources in the black community. For example, in several Negro-owned institutions, the controlling stockholders are quite advanced in age, and the problem of managerial succession is far from resolved. The circumstances from which the present

uncertainties arose can be readily understood. In the typical case, a few men (frequently a single individual) had the vision to see the need for financial services in the black community. With a venturesome spirit -- but with little capital -- they took the risk and nurtured the enterprise through many years of slow growth and modest progress. In a sizable proportion of the cases, accumulated losses exceeded the gains, and the institution fell by the wayside. But in other instances, the fragile plant took root in an economic soil that was far from hospitable.

Because of these survivals, we have a small -- but strategically important -- network of black-owned financial institutions today. There are 26 black-owned commercial banks, 43 savings and loan associations, and 50 life insurance companies. In 1963, there were 11 black-owned banks, so almost three-fifths of the existing number have been started in the last six years. The movement to launch savings and loan associations and life insurance companies in recent years has been less pronounced than in the case of banks.

As I survey the scene, I think a much greater effort must be made to ensure that the existing institutions can survive and prosper. In several cases, one or more important stockholders may find it necessary (because of age, family, or other reasons) to sell their holdings before many more years have passed. If this prospect materializes any time soon, it is my impression that few buyers could be found in the Negro community. Thus, there is a real risk that ownership and control of some of the most prized of the existing businesses might pass from the black community.

On the other hand, while I consider the matter to be serious, it certainly has not reached a crisis stage, and the opportunity still exists to rescue the situation. If this is to be done, Negroes must be willing to save more -- and consume less -- out of their rising incomes, and they must be willing to entrust the management of their funds to Negro businessmen. The latter (and especially the younger people just beginning their careers) must be willing to go through the training and apprenticeship without which expertise in financial management cannot be acquired. And without such demonstrated capacity, there is no reason why members of the black community should entrust their savings to them.

Finally, the present leadership of these institutions must realize that the question of management succession is one requiring the highest priority. In a substantial number of cases, young people have been added in recent years and are now working their way up the occupational ladder. Moreover, given the progress

being made in several of the training programs designed to increase the number of black bankers, the supply of personnel should expand appreciably in the next few years. In contrast, the senior management ranks are extremely thin, and there appears to be considerable reluctance in a number of institutions to take in new people. Admittedly, the middle management levels are also thin, so few mature and experienced people can readily assume overall responsibility for direction of the institutions' affairs.

On the other hand, there appears to be an excellent opportunity for some of the businesses to attract mature, professional men and women who have acquired experience in other fields on which they could build the specific skills needed in financial management. For example, a substantial number of Negroes were appointed to senior positions in the Federal Government in the 1960's. While only a few of them occupied the top policy posts, quite a few were involved in policymaking at a high enough level to give them good exposure and familiarity with the range of issues with which financial managers must deal. Some of these appointees are still in the Federal Government, but most of them have moved on to other jobs. With the appropriate inducements -- and after a reasonably short period of specialized preparation -- a number of them could be attracted to the black-owned financial institutions. Undoubtedly, persons who have not been in Government but who have acquired similar experiences could be included as well.

But whatever the method used, most of the Negro-owned financial institutions should lose no time in trying to strengthen

themselves at the senior management level. By enhancing their own chances of survival, they would also enable the black community to build further on the economic foundations already developed.

The Economic Impact of Crime in the Negro Community

As I stressed at the outset, I think Negroes must take a much more active role in the effort to check the rising crime rate in the black community. Although I will concentrate my remarks on the economic costs of crime, I am by no means overlooking the desirability of stopping the completely senseless toll of pain, suffering, and fear which increased criminal activities are levying on our citizens -- black and white -- and especially in urban areas. Moreover, in urging black people to be more forthcoming in their efforts to protect the community, I am not neglecting the weighty evidence which sociologists and others expert in the field have accumulated pointing to the origins of much of the observed criminal activity in poverty, deprivation, and discrimination. I can agree with them that a genuinely successful attack on crime must be a by-product of a fundamental attack on these underlying causes. But one need not become entangled in that debate among scholars, law enforcement officials, and public commentators generally to have a clear view of the adverse economic impact of crime -- and the pressing need to limit it.

The accelerating crime rates in the Negro community have been discussed widely in recent years, and there is no need here to cite the detailed evidence. The latest -- and perhaps most extensive -- documentation was provided by the National Commission on Causes and

Prevention of Violence. In broad outline, the Commission reported that, while Negroes constitute about 12 per cent of the population, in 1967 they were involved in almost three-fifths of the arrests for murder, and over one-half of the victims were black. Nearly one-half of those arrested for aggravated assault were Negroes -- and other black people were the primary victims. Just under one-half of all persons arrested for rape were Negroes -- and again the victims were mainly black women. About three-fifths of the total number of people arrested for robbery were black. However, less than one-third of the persons arrested in connection with crimes involving property were Negroes. In citing these statistics, I am aware of the differences among arrests, indictments, and convictions. However, whatever the shortcomings of the statistical information (and I am willing to believe that there are many such shortcomings), the figures obviously reflect a sharply rising propensity for Negroes (especially black youths) to inflict pain, suffering, and economic loss on other Negroes.

Just how heavy an economic impact crime is having in the Negro community cannot be measured with any precision -- just as it cannot be done for the nation at large. However, a rough indication can be gotten on the basis of estimates prepared in 1967 under the auspices of the President's Commission on Law Enforcement and Administration of Justice. Essentially, the task is to estimate the proportion of the costs of particular categories of crime that should be allocated to the black community. An effort was made to do this, and the results are shown in the attached table.

On the basis of this exercise, I estimated that the six main categories of crimes listed cost Negroes about \$2.3 billion in 1965 (the year on which the Law Enforcement Commission's studies were based). This represented about 11 per cent of the total cost of \$21 billion estimated by the Commission. In 1965, Negroes constituted around 10 per cent of the nation's population.

In deriving these estimates, I tried to make a logical assessment of the probable occurrence and economic effects of each category of crime among Negroes. For example, using 10 per cent as a benchmark, a higher than proportionate share (15 per cent) of the cost of crimes against persons was assigned to Negroes. The reason was the substantially higher victimization rates among nonwhites than among whites. The Commission reported that these rates for nonwhites were 3.72 times as high for rape, 3.52 times as high for robbery, and 1.87 times as high for aggravated assault -- as for whites.* These figures probably understate the differences in the true rates because of statistical underreporting; Negroes would be less likely to report a crime. The key economic factor associated with crimes against persons is the loss of earnings. Since Negroes' average level of earnings is below that for whites, this differential partly offsets the economic impact of the higher victimization rates among Negroes. Thus, 15 per cent (and not a larger proportion) of the costs of crimes against persons was attributed to the black community. Since the total was estimated by the Commission at \$815 million, the cost to Negroes was about \$122 million in 1965.

* Task Force Report, Table 12, p. 80.

About 15 per cent of the costs of crimes against property was also allocated to Negroes. The reasons were the higher victimization rate among black people in some categories partly offset by a lower incidence of property ownership. For example, victimization rates for nonwhites were 1.74 times as high for motor vehicle theft and 1.59 times as high for burglary -- as for whites. However, the nonwhite rate for larceny was only 0.60 times that for whites. Victimization rates among Negroes are even lower for other types of crimes against property -- such as embezzlement, business fraud, and forgery. On the other hand, crimes against small businesses -- particularly in ghetto areas -- have a devastating impact on black businessmen -- many of whom are increasingly taking over retail outlets previously owned by whites. On balance, setting the proportion at 15 per cent suggests that, in 1965, crimes against property cost the black community about \$590 million -- out of total costs of \$3.9 billion.

Three other crimes (driving under the influence of alcohol, tax fraud, and abortion) probably had the same relative burden in the black community as in the nation as a whole. For this reason, \$204 million, 10 per cent of the total costs of \$2,036 million, were assigned to Negroes for these crimes.

Crimes involving the sale of illegal goods and services include gambling, narcotics, loan sharking, alcohol, and prostitution. In gambling, as is widely known, betting on numbers is

highly concentrated in the ghetto. These are typically very small bets, but in the aggregate the amounts involved may be fairly large. However, by far the largest sums are associated with other forms of gambling -- such as illegal offtrack betting and football pools; neither of these forms is prevalent in the ghetto. For this reason, the economic costs of gambling are probably distributed proportionately between the black and white population. So \$700 million of the total costs of \$7 billion were allocated to the black community.

For other types of illegal goods and services -- narcotics, loan sharking, and prostitution -- the impact on Negroes in the ghetto is undoubtedly much higher than for the nation as a whole. For this reason, a 20 per cent cost factor (double the Negro's share of the population) was assigned to the black community. Thus, it is estimated that crimes of this type cost the nation about \$1,075 million in 1965, of which \$215 million was borne by Negroes. In the aggregate, sales of illegal goods and services probably cost the country approximately \$8 billion, and the share of the black community was probably in the neighborhood of \$915 million.

The costs of supporting law enforcement and criminal justice was estimated at \$4.2 billion in 1965. These are essentially part of the costs of general government and are probably roughly proportional to income. Since nonwhites have 7.0 per cent of the total family income, it was assumed that they paid 7.0 per cent of these costs -- or about \$295 million.

The private costs related to crime include such items as prevention devices and services, insurance, and bail. On balance, it seems that the bulk of spending on prevention devices and services is being done in the white community, while a disproportionate share of the expenses for bail and counsel is being borne by nonwhites. Since prevention services make up the largest part of this category and were purchased relatively less by nonwhites, it was assumed that nonwhites bore about 8 per cent of the total cost of \$1.9 billion -- or \$153 million.

So, in the aggregate, the costs of the above crimes to the black community were about 11 per cent of the total -- or \$2.3 billion in 1965. Today, these costs would be much higher -- because of the substantial rise in prices in the last five years. Since consumer prices rose about 16 per cent between 1965 and 1969, it was estimated that the total cost of these crimes was approximately \$25 billion in 1969, and for Negroes it was assumed to have amounted to close to \$3 billion. This would represent almost 10 per cent of the \$33 billion Negroes received in aggregate family income in 1969, compared with less than 5 per cent of the \$542 billion received by all families.

In presenting these estimates of the costs of crime, I am attempting to sketch a broad overview; the impact of crime on individuals and families certainly cannot be captured in statistics. Nevertheless, I think it is important to emphasize that a significant share of the hard-earned income and a sizable proportion of the wealth that the black community has struggled to accumulate are being dissipated through the wastage of criminal offenses. Moreover, the cost of

crime is by no means evenly distributed in the Negro community -- just as it is not evenly distributed in the nation at large. Instead, the poorest members are far more likely to be victims -- especially in cases of personal violence. Thus, the segment of the black population which can least bear the costs of crime are most often forced to carry a disproportionate share of what amounts to a criminally imposed levy.

The situation of the average Negro businessman is equally distressing. Typically, he is a small-scale operator engaged in the provision of personal services or in low-margin retailing in the ghetto. The direct losses suffered by many of these merchants are extremely heavy. This is especially true of the retail field in which many black businessmen are concentrated. For example, the President's Commission estimated that losses in the retail field associated with crimes (such as shoplifting, employee theft, etc.) may amount to as much as 2 per cent of the value of all retail sales.* Since after-tax profit margins tend to be thin in these lines (frequently in the range of 4-6 per cent), this means that the crime toll may be eroding more than one-third of the net earnings of many black businessmen. Moreover, these figures do not include losses due to robbery -- which are known to inflict a staggering tariff on ghetto businessmen. With Negroes taking over from whites more and more ghetto establishments, they are bearing an increasing share of the

* Ibid, p. 48.

costs of crime. In fact, a significant proportion of failures -- particularly among recently launched black businesses -- can be traced to some extent to the adverse impact of crimes against them.

In my opinion, the time is long since past when voices in the black community should be raised against this rising tide of violence and aggression. I can understand the reluctance of some Negro leaders -- who are otherwise quick to champion the welfare of black people -- to speak out against the rising crime rates among Negroes. After all, many implacable opponents of any progress on behalf of black people would like nothing better than to use such criticism as ammunition for their own regressive purposes. In the same vein, I can anticipate that many advocates of "law and order" -- without concern for the achievement of an open and just society -- may also misrepresent the aims of such remarks. I recognize these risks.

But I also recognize an even greater risk. This is the risk that Negroes themselves may confuse the right of black people to protest their unsatisfactory condition in the United States with the opportunity for criminals to prey on exposed citizens. All of us must be strong in our defense of the former -- and we must be equally strong in our condemnation of the latter!

Concluding Remarks

The main conclusions of this discussion were expressed at the outset. However, I do want to make a few concluding observations.

As I look ahead through the 1970's, I am optimistic about the economic future of black people in the United States. Despite the persistence of discrimination and the obvious lags in virtually every economic indicator affecting them, the American Negro at the present time is poised on the threshold of a significant advance toward economic equality. Although the pace has been shamefully slow, and the path is still slippery, the black community has accumulated a considerable endowment of skills and a sizable stock of economic resources on which marked progress can be built. Of course, they will need the vigorous support of the white community -- and I am not fully confident that this will be forthcoming to the extent required. Nevertheless, there is an inescapable need for cooperation, and the black separatists and white segregationists must not be allowed to obstruct the effort. I sincerely hope that the black community -- particularly the young people -- will not allow its vision to be obscured by the anger and frustration that seem to be the natural yield of past disappointments.

At this juncture in our history, Negroes are no longer completely powerless. We have the basic laws of the land on our side (although they may be enforced with reticence), we have the vote, and we have a sizable and growing amount of purchasing power. These are weapons that can be used to enhance and underwrite a sustained drive for economic equality in the current decade. Hopefully, we will keep a clear head, recognize this opportunity, and settle down to the taxing task that is ahead of us.

Estimated Costs of Crime to the Black Community, 1965

(Millions of Dollars)

Type of Crime	Estimated Cost to Nation as a Whole (Total)	Estimated Share of the Black Community	
		Per Cent of Total	Amount
Crimes against persons (Loss of income, etc.)	815	15	122
Crimes against property (Transfers and losses)	3,932	15	590
Other Crimes (Driving under influence of alcohol, tax fraud, abortion)	2,036	10	204
Illegal goods and services	8,075	11	915
Gambling	7,000	10	700
Others (narcotics, loan-sharking, etc.)	1,075	20	215
Public law enforcement and criminal justice	4,212	7	295
Private costs related to Crime (Prevention devices, etc.)	1,910	8	153
Total	20,980	11	2,279

Source: Estimates for total from the President's Commission on Law Enforcement and Administration of Justice, Task Force on Assessment, Report: Crime and Its Impact: An Assessment, "The Economic Impact of Crime," Chapter 3, pp. 42-59 (1967). Percentage of Costs allocated to Negro community estimated on basis of assumptions explained in text.