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SCHEDULE

THE WHITE HOUSE

WASHINGTON

January 14, 1985

MEETING WITH COUNCIL FOR A BLACK ECONOMIC AGENDA

DATE: January 15, 1985

LOCATION: Roosevelt Room

TIME: 10:45 a.m.

FROM: Bruce Chapman

I. PURPOSE

The Council will outline their major policy recommendations for Black economic progress for the remainder of the 1980s. The recommendations were released to the media on January 9.

II. BACKGROUND

January 15th is the first commemoration of the Reverend Dr. Martin Luther King's Birthday National Holiday. The Council represents a diverse group of organizations who concur that past strategies for the advancement of Black Americans are not working, and who recommend policy changes which are supportive of the Administration's tenets. Specifically, they endorse educational vouchers for disadvantaged children, increased encouragement of adoption, urban enterprise zones, housing reform, and major features of the proposed Treasury tax reforms.

III. PARTICIPANTS

Secretaries Regan, Baldrige, Pierce, Heckler, Secretary-Designate Bennett, SBA Administrator Sanders, Edwin Meese III, Bruce Chapman, other White House Senior Staff, Members of Council (list attached)

IV. PRESS PLAN

Official Photographer

V. SEQUENCE OF EVENTS

At 10:00 a.m. the Council will meet with Senior Staff and Cabinet Secretaries in the Roosevelt Room to present their policy recommendations and open a discussion. Following the presentation of their recommendations by Council Chairman Bob Woodson, the Counselor to the President will make brief remarks and moderate the discussion. At 10:30 the Vice President will join the group and receive a briefing on their recommendations.

At 10:45 you will arrive, be introduced to Council Chairman Bob Woodson, and make brief remarks (see attached talking points). Chairman Woodson will brief you on the recommended agenda for Black economic progress, and call on selected members of the Council to present recommendations falling within their policy expertise. You are not expected to endorse their recommendations. At 11:00 a.m. the meeting will conclude with your departure.

/ COUNCIL MEMBERSHIP

The Council for a Black Economic Agenda
January 9, 1985

Dr. William Allen
Professor
Claremont Graduate School
Claremont, CA

The Honorable Shirley Dennis
Secretary
Department of Community Affairs
Commonwealth of Pennsylvania
Harrisburg, PA

Mr. Arthur Fletcher
President
Arthur Fletcher Associates, Inc.
Washington, DC

Mr. Stephen Glaude
Executive Director
National Association of Neighborhoods
Washington, DC

Ms. Kimi Gray
Director
Kenilworth Parkside Resident Management Corp.
Washington, DC

Mrs. Liller Green
Founder and Principal
Ivy Leaf School
Philadelphia, PA

Mr. Wendel Gunn
Former Assistant to the President
Stamford, CT

Dr. Robert Hill
Senior Research Associate
Bureau of Social Science Research, Inc.
Washington, DC

Mr. William Keyes
Chairman Black Pac
McLean, VA

Ms. Gwen King
Director, Washington Office
Commonwealth of Pennsylvania
Washington, DC

Mr. Kujaatele Kweli
Booker T. Washington Foundation
Washington, DC

Dr. Glenn Loury
Professor of Public Policy
Harvard University
Cambridge, MA

Mr. Leon Moore
Executive Director
The Chad School
Newark, NJ

Mr. James Nuthall
Principal
Randall Hyland School
Washington, DC

Mr. Paul Pryde
Pryde, Roberts & Company
Washington, DC

Mr. Marc Randolph
Director, Corporate Development
Community Telecommunications
Development Foundation

Mr. John Shepherd
Entrepreneur and Businessman
Chicago, IL

Dr. Carl E. Singley
Temple University
Dean School of Law
Philadelphia, PA

Mr. Dan Smith
President
American+Plus Company
Former Senior Policy Advisor to President Reagan
Arlington, VA

Mr. Charles Tate
Chief Executive Officer,
Booker T. Washington Foundation
Washington, DC

Mr. Cicero Wilson
Director
Neighborhood Revitalization Project
American Enterprise Institute
Washington, DC

Mr. Robert L. Woodson
President
National Center for Neighborhood Enterprise
Washington, DC

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ADMINISTRATION
PARTICIPANTS

ADMINISTRATION PARTICIPANTS

The President
The Vice President

Edwin Meese III
Richard Darman
John Svahn
Lee Verstandig
Faith Whittlesey
Bruce Chapman
Roger Porter
Joe Wright
James Cicconi
Melvin Bradley

Secretary Malcolm Baldrige
Secretary Samuel Pierce
Secretary Margaret Heckler
Deputy Secretary Timothy McNamar
Department of Treasury
Cheryl Nolan, Director of Business Affairs
Department of Treasury
Frank Swain, Chief Counsel for Advocacy
Small Business Administration

1

WILLIAM RASPBERRY
COLUMN

William Raspberry

The 'Alms Race'

They had been meeting for some time in small groups, discussing the plight of the black community, but also its strengths, searching for ways to move the black agenda from civil rights to economic development. This week these independent black leaders decided it was time to inject their generally conservative views into the national debate. They did it in Washington's time-honored fashion. They called a press conference.

The problem is clear enough, Robert L. Woodson, catalyst of the fledgling Council for a Black Economic Agenda, told reporters Wednesday. "Over the past 20 years, there has been a 25-fold increase in the amount of federal dollars being spent to address the needs of the poor, and yet we are told that the black community is in danger of having a third of its members become part of a permanent underclass." The "alms race," as he called it, clearly has not worked. What is needed, according to a 10-page statement outlining the group's major proposals, is an economic development approach to replace the traditional maintenance approach. "Creating greater wealth and ownership opportunities for blacks is a must and also necessary for the country's continued growth."

The two dozen council members in-

clude college professors, economists, social scientists, state government officials, community school principals, businessmen and a public housing manager. Their common link is their willingness to challenge traditional thinking and to focus on pragmatics.

Their propositions run from the philosophical ("The people experiencing the problem have to play a primary role in its solution") to the general ("We have to learn to look at the islands of excellence in the black community") to the specific.

One specific proposal, for instance, would allow immediate tax write-offs for equity investments in small businesses located in designated distressed areas. The reasoning: what blacks need most are jobs, and four-fifths of all new jobs are created by small, young businesses. But the business-formation rate among blacks lags far behind that of other ethnic groups, largely because of the dearth of risk capital. A tax write-off would encourage investment in new businesses, and eventually increase federal revenues.

Other proposals—many of which the Reagan administration might find attractive—include education vouchers, loosening of adoption requirements and tenant-association ownership of public housing.

But more important than the specific proposals are the principles out of which they arise: that the strength, resources and problem-solving abilities of poor black communities tend to be neglected in favor of programs "parachuted in" by outside experts, whose focus is more on problems and pathology than on solutions.

As Woodson, president of the Washington-based Center for Neighborhood Enterprise, puts it: "The experts will study mothers whose children are in prison and try to figure out how to prevent it. We are saying it makes more sense to look at the mothers in these same neighborhoods whose children are not in prison and learn from them what they did right."

Strikingly little of the discussion among council members deals with elective politics, a subject that has come to dominate the public discussions of the traditional black leadership. Their reasoning: economic enfranchisement enhances political strength, but not necessarily the other way around.

Not all the ideas advanced by council members will win broad acceptance; indeed, there is no unanimity among the members themselves—except on the urgency of broadening and "pragmatizing" the debate.

1

COUNCIL PRESS RELEASE
AND STATEMENT



National
Center for
Neighborhood
Enterprise

1367 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 331-1103

PRESS RELEASE

Contact:

Date:

Pam Taylor

January 9, 1985

After decades of progress in the United States, black American are politically, economically and socially alienated as they have been at any time in their history, according to An Agenda for Black Progress, released today by the Council for a Black Economic Agenda.

The Council, a group of independent black leaders, said that the plight of black Americans is especially grim in light of the billions of dollars and 20 years of federal expenditures on programs specifically targeted to help the country's poor and disenfranchised minorities.

The failure of the social programs of the past, says the Council, requires a new approach to the problems of the black community, one that focuses on economic development, the encouragement of entrepreneurship, the conditions of the black family and educational opportunity.

A set of recommendations prepared by the Council for the new Congress and the President center on economic development, housing, education and family policy.

- o Support the adoption of legislation allowing an immediate tax write-off for equity investments in small firms located in designated distressed areas.
- o Offer financing incentives for investment or development in areas with an abundance of vacant and underutilized property.

"Turning Problems Into Opportunities"

- o Give employers located in underdeveloped areas an incentive to hire and train workers. Congress should adopt the Reagan Administration's proposed tax credit for hiring disadvantaged workers.
- o Allow public assistance payments to be used to invest in a business or to purchase training or other support services needed to obtain employment.
- o Stop implementing wasteful and ineffective family programs that are "parachuted" into black communities without input from the families involved.
- o Support public housing resident organizations in efforts to restore and improve public housing through resident management and homeownership.
- o Reduce or end federal subsidies to local housing authorities for vacant units.
- o Adopt an education voucher program, similar to the GI Bill, for low income families to provide parents with options for quality education for their children.
- o Permit working parents to retain a greater percentage of their earned wages by increasing the earned income tax credit and the personal exemption for dependents.
- o Give organizations and institutions within the black community, such as the black church, the authority to recruit and approve potential black foster and adoptive families.
- o Provide traditional institutions of the black community such as the black church with authority to recruit and approve potential black foster and adoptive families.

Robert L. Woodson, president of the National Center for Neighborhood Enterprise, organized the Council, which includes a Harvard economist, a renowned sociologist, a public housing resident, independent school administrators, a development specialist and a former White House adviser.

"The Council members agree with most black leaders that the focus must be on the economy, the family, and the quality of education as the keys to reversing the current isolation and deprivation of black Americans," Woodson said. "However, we repudiate the notion that government wrought solutions are intrinsically better and more effective than the self-help entrepreneurial strategies and resources already in the black

community. The indigenous strengths of black Americans, indeed all Americans, have always served as catalysts for growth, development and prosperity," he said. "This Council's proposed policies build on these strengths."

Copies of the Council's statement, An Agenda for Black Progress, may be obtained by calling the National Center for Neighborhood Enterprise at 202/331-1103.

AN AGENDA FOR BLACK PROGRESS

**Prepared Statement by the
Council for a Black Economic Agenda *
January 9, 1985**

After decades of progress in the United States, black Americans are as socially, economically and politically alienated as they have been at any time in their history. More than 50 percent of all black babies are born to single mothers, many of whom are children themselves. Half of all convicted felons are black. Educational attainment among black children is despairingly low, only one in seven scores above the 50th percentile on college entrance exams. Black youth unemployment is at an all-time high, reaching 58.2 percent by the end of last year. And only 11 percent of black Americans voted for the most popular president in U.S. history.

This grim reality lies in the wake of billions of dollars and 20 years of federal expenditures on programs specifically targeted to help this country's poor and disenfranchised minorities.

It is all too obvious that past strategies are not working. Even the once-aggressive and innovative strategies of the sixties--culminating in landmark civil rights legislation--are no match for the development crisis that looms today and threatens to abandon as many as one-third of black Americans in a permanent underclass.

*NCNE President, Robert L. Woodson chairs this independent Council.

Yet, there is cause for some optimism.

The National Center for Neighborhood Enterprise (NCNE), a Washington, D.C.-based research and demonstration organization, has for the past year worked with black grassroots leaders, scholars and development strategists to identify a viable development program that not only gets more money into the hands of those who need it but simultaneously promotes an expanded economy.

Creating greater wealth and ownership opportunities for blacks is a must and necessary for this country's continued growth. Japanese Americans, for example, have a 30 percent new business formation rate compared to the only 8 percent business growth rate among black Americans. As a result, Japanese Americans have the highest median income and lowest unemployment rate of any group in society.

Americans today must either agree to the continuation of current social programs and policies as they are or accept the opportunity to modify and redirect those programs and policies to empower beneficiaries more fully. The outcome of either approach is uncertain; but, given the documented failures of current social policies, the creation of a class of citizens permanently dependent on social programs, and the economic realities of current budget cuts, we must adopt a new social policy. A new policy would maximize the freedom of choice and the independence of those receiving government-funded services while

not excluding the need for maintenance programs like Aid to Families with Dependent Children and food stamps.

Such a shift in government emphasis in no way condones the abandonment of programs that alleviate the problems of the poor. Arguments made in favor of a policy shift do, however, emphasize the need to empower the people "protected" by social programs and support the necessity of removing inherent barriers that inhibit individuals, indigenous groups, institutions, and other mediating structures from providing the services needed.

The Council believes that

- o those most affected by the problems must be active participants in the solutions to those problems;
- o strategies should be solution as opposed to problem oriented;
- o development should replace maintenance;
- o strategies should represent positive sum as opposed to zero sum solutions;
- o strategies should be based on the strengths and self-help resources in the black community, not on perceived cesspools of pathology and passivity; and
- o cost-effective strategies should replace massive infusions of federal funds.

The Council's recommendations center on economic development, housing, education and family development.

Economic Development

Most development analysts agree that a community's economic growth is directly tied to the rate at which businesses are formed and expanded to replace those that fail. In addition, researchers at MIT found that between 60 and 80 percent of all

4

new jobs are created by small, young companies, not by the Fortune 500 corporations.

The Administration should take a leadership role in pushing for a package of economic incentives designed to increase the number of businesses formed and expanding in areas of high black unemployment. The availability of risk capital is generally regarded as critical to the development and growth of new firms.

First, the Administration should support the adoption of legislation allowing an immediate tax write-off for equity investments in small firms located in designated distressed areas. If this incentive were successful in attracting only 1 percent of the money invested annually in current tax-avoidance schemes, \$100 million annually in badly needed investment would flow into job-generating firms in poor inner-city areas, for example.

Second, in order to increase the likelihood that residents of these areas--both the working and non-working poor--obtain jobs so created, employers hiring disadvantaged workers should be given a tax credit equalling a percentage of the worker's wages. This proposal was included in the Administration's most recent Urban Enterprise Zone bill, and we urge that it receive full support.

Among other things, tax savings realized by employers could be used to pay for recruitment, screening and support services provided by local community organizations, further reducing the risks associated with hiring disadvantaged workers.

Housing

There are approximately 1.3 million public housing units in the United States that cost the federal government over \$4 billion annually in subsidies to local housing authorities. While thousands of poor people are on waiting lists for these units, more than 70,000 units remain vacant, often in a state of disrepair. Crime and vandalism run rampant and make many public housing projects some of the country's worst slums. Yet, the federal government continues to subsidize public housing authorities for units even when they are unoccupied, thereby providing no incentive for cities to make the units habitable.

The losers are the residents, local businesses, the community and ultimately all Americans.

These hostile conditions exist while the cities and so-called allies of the poor demand that the federal government build more public housing. Such conditions can no longer be permitted to exist. Subsidies for vacant units should be reduced or cut. The money saved should be used to support public housing resident organizations that have demonstrated an ability to restore public housing and create healthy environments.

The Reagan Administration should support these and other low-income housing groups by assisting their efforts toward homeownership. A campaign to empower resident organizations to manage their own public housing properties would assist this effort nationwide. Policies and legislation that would give resident groups the authority to give first consideration to

qualified residents for major property repair and renovation contracts, for example, would not only expedite the work but would decrease the high unemployment rates that characterize most public housing developments. A national effort would also highlight the accomplishments of resident organizations and encourage other low-income public housing resident groups to take control of their housing and assume greater responsibility for their own destinies.

Education

Poor black families who are struggling to educate their children must be given an opportunity to expand options in education outside the public school system--even though there is some effort finally to improve the quality of public education.

Many inner-city children are trapped in inferior public schools and for many this means a life of functional illiteracy, unemployability and poverty. Having a choice gives families dignity and self-worth.

Hundreds of neighborhood-based independent schools started by black teachers and parents exist nationwide. More than 250 independent schools have been identified by the National Center for Neighborhood Enterprise. Supported almost exclusively by tuition and modest fundraising efforts, they are defying the notion that inner-city black youngsters cannot learn. In fact, students attending these institutions often outperform their public school counterparts.

Some form of voucher should be given to eligible parents so quality education can be purchased from schools of their choice. In other words, a voucher program much like the GI Bill for low-income families would provide these parents the same kinds of options as middle-income and wealthy parents have to choose quality education for their children.

In addition, there should be more public recognition by the Reagan Administration that independent schools are a rich, vital new resource in the effort to educate all children.

The black community has few if any programs that teach its youth to become producers of goods and services. There is no counterpart to 4H, Junior Achievers, or Future Business Leaders of America. Because entrepreneurial values and experiences are learned at an early age it is recommended that support be given a national effort to teach black youth entrepreneurship.

Family Development

Despite the myriad of problems facing the black family it continues to be the primary vehicle for the survival of the black community. Many of the programs intended to assist black families are in fact undermining them. One such program is foster care.

There are nearly 300,000 children trapped in the repressive conditions of the current child welfare system. More than half of these children are black. Only 33,000 are legally free for adoption.

Yet, there are 25,000 to 50,000 children who could be freed for adoption if aggressive efforts were made. The cost of maintaining youngsters in foster care is approximately \$2 billion annually. Recent evidence suggests that children who remain in the foster care system have a mortality rate twice that of the national average, and approximately 30 percent of incarcerated felons were in foster care. In other words, **we are incubating tomorrow's criminals at public expense.**

The black community has developed solutions that could reduce the number in foster care substantially. An assessment of the extended family concept as it applies to black neighborhoods as well as replication of innovative neighborhood-based adoption programs for special needs children would assist in the application of many of these successful approaches nationwide.

The Council recommends that the Administration take action to

- o increase work incentives for low-income families by
 - increasing the earned income tax credit;
 - increasing the personal tax exemption for dependents;
 - expanding availability of affordable quality day care for working parents;
 - adopting European models of allowing unemployment compensation and other income transfer payments to be used for personal development such as skills training, education, and/or the creation of self-employment.

The French and British have innovative options. For example, in France, any citizen who is entitled to unemployment compensation can elect to collect six months of benefits at a lump sum to invest in a business. Great Britain's "enterprise

allowance" program allocates eligible unemployed people an allowance of \$60 a week in exchange for working at least 36 hours per week to establish a business. Participants must, however, invest the equivalent of \$1,500 (from any source) into the business.

Technically, transfer payments for starting new businesses in the United States are illegal. Instead of penalizing entrepreneurship and self-sufficiency, however, we should look at ways to encourage it. We should, for example, allow unemployment compensation or aid to dependent family payments to be used to purchase training or other support services needed to obtain employment.

To his credit, the President himself has cited the problem of tax exemptions and the Treasury Department's recent tax reform plan takes the important first step of proposing to double the personal exemption. Whatever tax reform plan emerges from Congress, this provision must be retained as vital to working families, with another increase proposed in later years.

The Council also supports action to

- o reduce and prevent inappropriate placement of black children in foster care by
 - greater utilization of traditional family networks in the black community;
 - providing traditional institutions such as the black church with authority to recruit and approve potential black foster and adoptive families.

In the 1983 publication, A Policy Framework for Racial Justice, a number of black scholars and members of the Black Leadership Forum argued that "the most urgent problems facing excluded blacks can best be addressed by focusing on three areas: the progress of the economy, the condition of the black family, and educational opportunity.... [T]hey provide a framework for constructing solutions to the real, structural failures in society and not just the superficial cracks and tears." They went on to say "that Americans must face the likelihood that greater--not less--government intervention and planning are required to revitalize the national economy."

The Council members agree with the focus on the economy, the family, and the quality of education as the keys to reversing the current isolation and deprivation of black Americans, but repudiate the notion that government wrought solutions are intrinsically better and more effective than the self-help entrepreneurial strategies and resources already in the black community. The indigenous strengths of black Americans, indeed all Americans, have always served as catalysts for growth, development and prosperity. This Council's proposed policies build on these strengths.