

AN OPEN APPLICATION FOR FUNDING GRANTS

for

CORE ENTERPRISE CORPORATION INC., CORENCO  
a non-profit economic research and educational corporation

CORE SPECIAL GUARANTEE FUND

BLACK LEAGUE OF AUTOMOBILE CONSUMERS INC., BLAC  
and other economic ventures suggested in this proposal

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AN INVITATION TO COOPERATE IN THE DEVELOPMENT OF A  
CONSORTIUM OF BLACK ECONOMIC INSTITUTIONS DESIGNED TO  
SIGNIFICANTLY BROADEN THE BASE OF OWNERSHIP BY THE  
BLACK COMMUNITY OF PRODUCTIVE CAPITAL INSTRUMENTS.

TO: THE MAYOR AND CITY COUNCIL OF  
THE CITY OF CLEVELAND

OTHER GOVERNMENTAL AGENCIES IN  
CLEVELAND AND THE STATE OF OHIO  
BOTH STATE AND MUNICIPAL

RELEVANT AGENCIES OF THE  
FEDERAL GOVERNMENT

INTERESTED CHARITABLE FOUNDATIONS

CORPORATIONS, FIRMS AND INDIVIDUALS  
IN THE BUSINESS ECONOMY OF THE  
CLEVELAND AREA

OTHER INTERESTED INDIVIDUALS

FROM: PHILIP W. CARTER, DIRECTOR  
CORE TARGET CITY - CLEVELAND PROJECT  
A Ford Foundation Funded Project

AND

ANTOINE PEROT, NATIONAL PROGRAM DIRECTOR  
CORE SPECIAL PURPOSE FUND

FOR: THE CONGRESS OF RACIAL EQUALITY, INC., CORE  
Floyd B. McKissick, National Director

"Our nation is moving toward two societies, one Black, one white - separate and unequal. "

"\*\*\*white society is deeply implicated in the ghetto. White institutions created it; white institutions maintain it and white society condones it. "

"In 1966, about 11.9 per cent of the nation's whites and 40.6 per cent of its nonwhites were below the 'poverty level' defined by the Social Security Administration \*\*\*. "

"The results of a three-city survey of various Federal programs -- manpower, education, housing, welfare and community action -- indicate that, despite substantial expenditures, the number of persons assisted constitute only a fraction of those in need. "

These quotations come from the Summary of Report of the President's National Advisory Commission on Civil Disorders. While a month has elapsed since this Report was issued, deafening silence and inaction have emanated from the White House and Congress.

- 1) The Proposal which follows is based upon the following premises:
- 2) 1. That many Black people in Cleveland are the victims of urban
- 3) colonialism and poverty.
- 4) 2. That the basic relief from such urban colonialism and its
- 5) subsequent poverty must come from the combined efforts
- 6) of Black people living in Cleveland, the business community,
- 7) as well as through massive Federal programs.
- 8) 3. That existing economic institutions for the relief of poverty
- 9) as it exists in Black communities throughout America are
- 10) not adequate and must be expanded or created anew.
- 11) 4. That a comprehensive consortium of economic institutions
- 12) which are owned and controlled by the Black community and
- 13) which operate to decolonialize the Black community must be
- 14) created.
- 15) 5. That white economic institutions can and must cooperate in
- 16) the creation of these institutions and the removal of existing
- 17) impediments to their creation.
- 18) 6. Work must begin now.
- 19) CORE invites Cleveland, through its Mayor and City Council and
- 20) public officials, through its business community and economic institu-
- 21) tions, and through its foundations and charities, to help create economic
- 22) prosperity through the new Black owned and controlled economic institu-
- 23) tions in the Black community of Cleveland proposed by CORE in this Proposal.
- 24) We are asking for money and cooperation to launch this program.
- 25) The sums of money we ask are not significant when weighed against the
- 26) present unproductiveness of the ghetto and the losses of civil disorders.
- 27) If our program is only moderately successful it will create a tax base
- 28) that will pay in taxes to the city many times the sums asked. Our intention



- 1) is not to establish a new welfare burden for present property owners and
- 2) wage earners. Our intention is to establish a series of economic institu-
- 3) tions whereby Black residents of Cleveland can be owners of capital instru-
- 4) ments and wage earners, rather than welfare recipients.

- 5) Our program starts in some simple economic premises which have
- 6) been set forth in some detail in the writings of Louis O. Kelso and others.

7)

#### 8) THE GENERAL CONCEPT

- 9) Because this Proposal by CORE represents a radical departure from
- 10) conventional anti-poverty programs, both existing and proposed, a few
- 11) words about the general concept behind our plan may be in order.

- 12) It may be wondered whether a radical departure from conventional
- 13) solutions is possible. Poverty in the American economy has been so
- 14) minutely scrutinized, so lengthily documented and so vividly described
- 15) by so many prestigious authorities, specialists, and experts serving on
- 16) such a variety of panels, boards and commissions that all possibilities
- 17) for economic innovation might appear to have been exhausted.

- 18) Our proposal begins by rejecting many of the assumptions and ex-
- 19) planations that these well-intended and unquestionably dedicated investi-
- 20) gators have offered. CORE does not believe that Black poverty in general
- 21) is caused by lack of a job, or lack of education, or lack of vocational
- 22) training; it does not believe that Black poverty in general is due to poor
- 23) health, malnutrition, or an unstable family environment. CORE does not
- 24) believe that Black poverty is due primarily to a Black skin any more than
- 25) white poverty is due to a white skin, or Indian poverty is due to a red skin.
- 26) It believes least of all that Black poverty is caused by residence in a
- 27) Black community.

28)



1) CORE further believes that the poverty of Black man and white man  
2) alike is easily curable; that its continuance so far into the second century  
3) of the Industrial Revolution is due to a fundamental misconception about  
4) how goods and services in an industrial economy are produced. Eliminat-  
5) ing that misconception, and its influence on our economic institutions,  
6) CORE believes, will unleash the productive potential of the American  
7) economy and will enable it to erase general impoverishment with a flood  
8) of high-quality goods and services sufficient to provide every family, of  
9) every color and ethnic and religious background, with material security  
10) and comfort.

11) CORE takes a pragmatic view of wealth. We define it as physical  
12) goods and services useful to man. Poverty is the lack of legitimately  
13) acquired purchasing power from secure and dependable sources with  
14) which to acquire, as one pleases, useful goods and services -- clothing,  
15) houses, furniture, beefsteak, eggs, toys, dental and medical services,  
16) airline tickets, and the thousands of other things, including luxuries --  
17) yes, luxuries! -- that go to make up an affluent standard of living. A  
18) story told by one of the leaders of the Community Boards in Harlem illus-  
19) trates our view of wealth. To fellow poverty workers who criticized her  
20) because she bought a modest new coat, she replied: "But a new coat is  
21) what fighting poverty is all about!" Indeed it is!

22) Black residents of Cleveland, then, lack legitimate, dependable,  
23) and ample sources of purchasing power. But this condition is hardly a  
24) matter of personal choice. We must go deeper. We must take a closer  
25) look at the economy -- at its production side, which is responsible for  
26) generating the physical goods and services that alleviate poverty, and at  
27) its institutional side, which controls the distribution of purchasing power  
28) to buy the goods and services produced. We may summarize these two  
sides under the general engineering concepts of input and outtake.



1) So long as our economy is organized upon the principles of double-  
2) entry bookkeeping, then the receipt of income must be a function of valuable  
3) productive input into the economy. Similarly, outtake from the business  
4) economy, or the receipt of purchasing power, is a reward for productive  
5) input under free market forces. How, then, does an individual make  
6) input?

7) Wealth -- useful goods and services -- is produced by two agents or  
8) factors. One is human. It includes labor in all of its forms -- intellec-  
9) tual, entrepreneurial, and managerial, as well as manual. The other is  
10) non-human. It includes physical productive capital in all its forms --  
11) land, structures, and machines. Each factor produces wealth in exactly  
12) the same physical, economic, political, and moral sense. Let us call this  
13) two-factor theory. It is a radical departure from existing economic con-  
14) cepts which falsely assume that the productiveness of labor is raised by  
15) capital instruments, irrespective of the non-ownership of the capital by  
16) the workers involved. It follows, then, that an individual may make economic  
17) input or a productive economic contribution in either of two ways -- through  
18) his labor, or through productive capital which he owns, or through both.

19) Distribution of the wealth produced by an economy, or its income  
20) equivalent, corresponds to outtake. Logically, there are only two possible  
21) patterns of distribution, and these differ as night from day.

22) - One is input oriented. It automatically allocates the output  
23) of personal income from each productive process on the basis of  
24) productive input. It is the distributive principle of a private property  
25) business economy. It is the basis of double-entry bookkeeping.

26) - The other is non-input oriented. Under it, outtake is  
27) based not upon productive input, but upon the need of the recipient,  
28) as determined by central authority. This is the principle behind



1) such proposals as the negative income tax and the guaranteed annual  
2) income. It is the principle underlying all conventional welfare programs  
3) from the Elizabethan poor laws down to this moment. It is the principle  
4) underlying the bread-and-circus techniques of the late Roman empire,  
5) when concentration of land ownership in the provinces swelled the  
6) cities with displaced land-tillers, a phenomenon now being repeated  
7) in our own time. The need principle is foreign to, and incompatible  
8) with, double-entry bookkeeping. It is equally foreign to and incom-  
9) patible with human dignity, with economic motivation, and with the  
10) production of general affluence. It destroys civil liberties and political  
11) freedom. "There is no donation, however gaudy, that can fill the  
12) place of justice. The attempt of the ruling class to do this is the  
13) oldest trick in history. It was the opinion of a Roman emperor, 'mag-  
14) nificence in gifts may deceive even the gods.'" (John Graham Brooks,  
15) THE SOCIAL UNREST -- The MacMillan Company, N.Y. 1903, p. 203.)  
16) Private property has the same function in the economy as circuitry  
17) in electronics, or piping in hydraulics: it directly connects productive  
18) input with distributive outtake. Thus, under private property, the worker  
19) is entitled to the value of the wealth his labor produces, and the owner of  
20) capital is entitled to the value of the wealth his capital produces, value in  
21) each case being determined under conditions of workably competitive mar-  
22) kets.  
23) So long as we respect double-entry bookkeeping -- and CORE has no  
24) quarrel with either the justice or the wisdom of that practice -- then for  
25) any given time span, the aggregate market value of goods and services  
26) produced by a particular industry, or by the economy of the Cleveland area,  
27) or by the economy of the United States as a whole, is equal to the purchasing  
28) power received by the participants in production as the direct and automatic



- 1) result of the productive process. In other words, the market value of
- 2) economic goods is simply a cumulation of the costs and profits charged
- 3) or received by the producers.

4) This means that aggregate purchasing power in each case is always

5) adequate in quantity to enable the participants in production to buy in the

6) market the goods and services produced. But this does not mean that

7) the purchasing power, potentially sufficient in the aggregate, will be used

8) for this purpose.

9) - Those with consumer needs and desires in excess

10) of their purchasing power (i.e., their economic productive power) can clearly not satisfy those needs and desires.

11) - Those with purchasing power (i.e., economic productive

12) power) in excess of their consumer needs and desires have no

13) choice but to invest the excess in capital goods and thus further increase their excess purchasing power.

14) There are only two ways to correct this imbalance, popularly known

15) as poverty, on the one hand, and concentration of ownership of wealth or

16) productive power, on the other:

17) (1) Redistribution of purchasing power from those who produce

18) more, or have more than enough, to those who have less

19) than enough. This is done in accordance with "need" as de-

20) termined by central authority.

21) (2) Institutional changes which increase the productive power

22) of under-productive households and individuals so that they

23) may legitimately receive enough income to satisfy their

24) reasonable needs and desires. This method has yet to be

25) used in any economy. Although it is a method which would

26) tend to protect existing private property, highly concentrated

27) though it may be, it would also tend to build a "Second Economy"

28) in the Black community so financed that it becomes owned in



1) moderately sized holdings by the great majority of house-  
2) holds and individuals who own no productive capital in the  
3) existing economy. This is the corrective method implicit  
4) in two-factor theory.

5) The technical facts of life are such that each year, at an accelerat-  
6) ing rate since the inception of the industrial revolution, more and more  
7) of the productive input is by the non-human factor of production -- i.e.,  
8) improved land, structures, and machines -- while the productive input  
9) of the average worker has remained about the same, or has declined.

10) In the early days of America, the principal form of capital was land.  
11) We were an agrarian economy. At first, the open frontier, and later the  
12) Homestead Acts, made capital (land-capital) accessible to those born  
13) without it, provided they were courageous, ambitious -- and white.  
14) " . . . The slaves were freed in 1865, but the nation refused to give them  
15) land to make that emancipation meaningful. Simultaneously, the nation  
16) was giving away millions of acres in the Midwest and West -- a gift marked  
17) 'for whites only'. Thus, an economic floor was placed under the new  
18) peasants from Europe, but America's oldest peasantry was provided only  
19) abstract freedom." (Statement issued November 3, 1966, at the Statue of  
20) Liberty, the National Committee of Negro Churchmen.)

21) Although the Homestead Acts generated the bone and muscle of con-  
22) servative capitalist America, with the closing of the frontier -- perhaps  
23) around 1900 -- its rationale was never applied to industrial capital,  
24) despite the fact that today, fabricated capital is more than five times as  
25) significant as land in the United States economy, and produces the over-  
26) whelming bulk of its goods and services.

27) There are no known limits to the amount of additional fabricated  
28) capital that could be brought into existence in the U.S. economy if the



1) non-affluent masses had purchasing power. Wherever we look, we see  
2) evidence that the managers, the engineers, and the scientists, working  
3) with the productive capital of the economy and the labor force (or more  
4) accurately, part of the labor force), are able continuously to expand at  
5) annual rates of 20% or more the production of virtually all those goods and  
6) services that make for private and public affluence. In other words, we  
7) have the physical ability to replace conspicuous poverty with general  
8) affluence: the affluence of every family and individual. And this could  
9) be accomplished in only a few years, if we began now. The task is not  
10) only physically feasible, but the producers and vendors are eager to get  
11) on with it. The non-affluent 90% (our estimate) of the population, par-  
12) ticularly the bottom level of poverty, the Black population, is no less eager  
13) to increase their consumption.

14)       What then is preventing the producers of the Cleveland region from  
15) turning out the streams of goods and services that the non-affluent majority  
16) are longing to buy and consume, but cannot? That mystery is dispelled  
17) by the economics of reality, or two-factor theory, the brief essentials of  
18) which we have outlined above.

19)       The non-human factor that produces the great bulk of goods and  
20) services of the American economy is owned by a very few families -- no  
21) more than the top 5%. As new capital formation is financed now under  
22) conventional techniques, it becomes owned by the same families and indi-  
23) viduals who own the economy's existing capital. Corporate management,  
24) and financial experts, almost universally structure the financing of new  
25) capital formation so that its ownership is acquired by those whose consumer  
26) needs and wants are already saturated by secure streams of income that  
27) flow from their already substantial capital holdings. In other words, con-  
28) ventional finance perpetually works to fulfill the Biblical prophecy: Unto



- 1) everyone that hath shall be given, and he shall have abundance; but
- 2) from him that hath not shall be taken away even that which he hath.
- 3) "If you are a poor man now, Aemilianus, a poor man you will always be,"
- 4) said Martial in the first century A.D. "Nowadays, riches are bestowed
- 5) on no one but the rich."

6)       The average man, the individual who is not a member of the tiny  
7) capital-owning minority, has only his labor power to sell. The Black  
8) members of American society have an abundant ownership of one of the  
9) factors of production: labor power. In a free market, that labor power  
10) is not, with rare exceptions, worth enough to produce, in our double-  
11) entry bookkeeping economy, sufficient income to give the worker or his  
12) family even a paltry subsistence.

13)       New capital formation in the great corporations of our economy  
14) never comes into existence unless competent and highly qualified profes-  
15) sional management and financial experts are convinced that it will pay for  
16) itself, generally within three to five years.

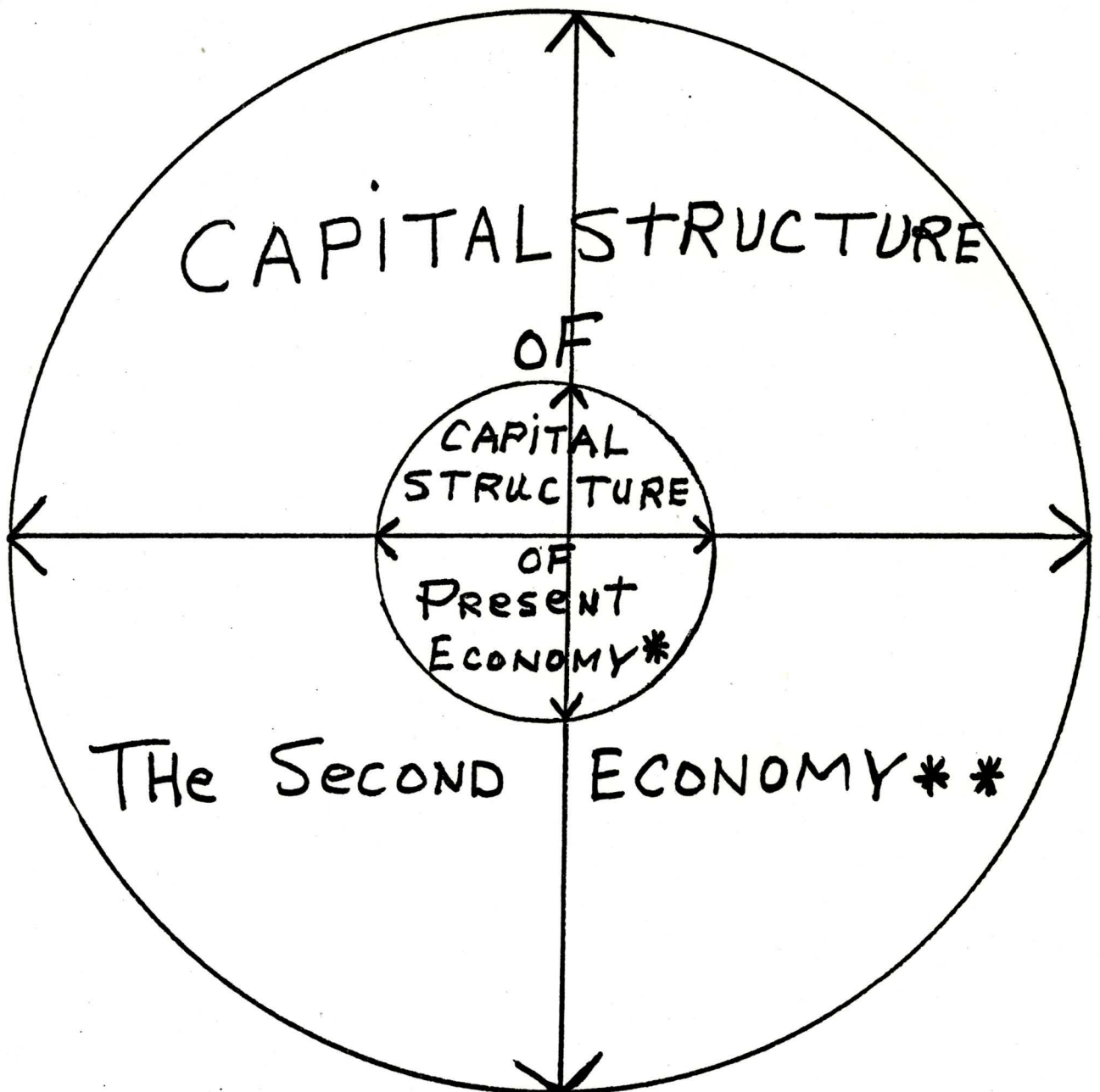
17)       -- So it is inherently financeable.

18)       -- New financing techniques can enable the man without capital to  
19) buy it, and to pay for it out of the wealth it produces, and there-  
20) after to enjoy a new stream of income. If there is also a demand  
21) for his employment (and the only full employment possible in this  
22) advanced industrial American economy must result from the  
23) building and operation of a second economy producing humanly  
24) useful and desirable goods), he will then have two sources of  
25) income with which, on the one hand, to erase his poverty and, on  
26) the other hand, to provide the market -- the effective market --  
27) for expanded output by industry and business.

28)



- 1) Thus the object of CORE's program for industry and business can
- 2) best be illustrated in the following manner:
- 3) Let the small circle below represent the capital structure of the
- 4) present economy of the Cleveland area, and let the larger circle surround-
- 5) ing it represent a second economy, to be built through expansion several
- 6) times over of the present one.



- 25) \* Representing the capital structure of the present economy, owned
- 26) by the wealthiest 5%.
- 27) \*\* Representing an expanded economy to be so financed that it will be-
- 28) come owned, in reasonable-sized and diversified equity holdings, by
- the 95% of families and individuals who own no part of the present
- economy's productive capital.



- 1) The functional objectives of this plan, and the techniques and
- 2) projects to be developed to implement it, are simple enough in their
- 3) general concept:

- 4) (1) To raise the power to produce wealth (and thus to receive in-
- 5) come) of Black residents of Cleveland of low or no economic
- 6) productive power by enabling them legitimately to buy, pay
- 7) for, and become the owners of productive capital.
- 8) (2) To so structure the financing of a Black community second
- 9) economy that its ownership can be legitimately acquired, in
- 10) moderate-sized and diversified holdings, by the great majority
- 11) of Black families and individuals in the Cleveland area, and
- 12) most urgently by the poverty-stricken Black families and in-
- 13) dividuals who live in Cleveland.
- 14) (3) To enable the smooth expansion of the production of useful
- 15) goods and services of the Cleveland area economy and the
- 16) commensurate expansion of the ability of all of its citizens to
- 17) consume, free of the distortion of prices, and the demotivating
- 18) influences of all the time-worn and discredited techniques of
- 19) attempting to distribute the income produced primarily by
- 20) capital through labor and welfare.

#### 21) THE PURITAN ETHIC

- 22) The moral principle that "if any would not work, neither shall he eat"
- 23) is often referred to as the Puritan ethic. But in the two-factor industrial
- 24) world in which we now live, production is not confined to labor alone. An
- 25) updated Puritan ethic must acknowledge the truth that man produces not
- 26) through toil alone, or even through toil mainly, but through his ownership
- 27) of the non-human factor of production. To insist that man continue to
- 28) legitimate his income through symbolic toil is to negate the achievements

- 1) of science, technology, management and labor itself in shifting the burden
- 2) of economic production from man to the forces of nature harnessed in the
- 3) non-human factor. It is a unique advantage of the CORE program that it
- 4) revises the Puritan ethic as a moral principle, by adapting it to the reali-
- 5) ties of an industrial age moulded by the contemporary affects of science,
- 6) technology, and management.

7) PHASING IN OF THE NEW PROGRAM

- 8) To be sure, CORE is well aware that these goals, even with the
- 9) finest of cooperation between the representatives of the Black community
- 10) and those of major business organizations, banks, insurance companies,
- 11) labor unions, and governments will require several years to accomplish.

12) THE IMPORTANCE OF EVERY MAN'S PRIVATE OWNERSHIP OF  
13) PRODUCTIVE CAPITAL

- 13) There are other important aspects to broad capital ownership. Some
- 14) of these are suggested by the following quotations:

- 15) "... property affords day-to-day protection in the ordinary
- 16) affairs of life. Indeed, in the final analysis the Bill of Rights
- 17) depends upon the existence of private property ... Civil liberties
- 18) must have a basis in property, or bills of rights will not preserve
- 19) them."

- 18) -Associate Professor of Law,  
Charles A. Reich, in the YALE  
LAW JOURNAL, April 1964.

- 19) "I can't be a man by you givin' things to me. I can't be a father
- 20) by you givin' to my kids. My kids have got to get from me, if
- 21) I'm to be their father."

- 21) -Negro ghetto dweller on CBS  
News Special: "Summer '67:  
22) What We Learned." September  
23) 19, 1967.

- 23) "Tiberius, maintaining an honorable and just cause, and possessed
- 24) of eloquence sufficient to have made a less creditable action appear
- 25) plausible, was no safe or easy antagonist, when, with the people
- 26) crowding around the hustings, he took his place and spoke in behalf
- 27) of the poor. 'The savage beasts,' said he, 'in Italy, have their
- 28) particular dens, they have their places of repose and refuge; but
- the men who bear arms, and expose their lives for the safety of
- their country, enjoy in the meantime nothing in it but the air and
- light; and, having no houses or settlements of their own, are con-
- strained to wander from place to place with their wives and children.'



- 1) He told them that the commanders were guilty of a ridiculous error,
- 2) when, at the head of their armies, they exhorted the common soldiers
- 3) to fight for their sepulchers and altars; when not any amongst so
- 4) many Romans is possessed of either altar or monument, neither
- 5) have they any houses of their own, or hearths of their ancestors to
- 6) defend. They fought indeed and were slain, but it was to maintain
- 7) the luxury and the wealth of other men. They were styled the mas-
- 8) ters of the world, but had not one foot of ground they could call their
- 9) own. "
- 10) -TIBERIUS GRACCUS (Tribune of
- 11) the Roman People) by Plutarch
- 12) (Greek, A.D. 50-120).
- 13) "It is absurd to entrust the defense of a country to people who own
- 14) nothing in it. "
- 15) -Diodorus Siculus (speaking of
- 16) Egypt) quoted by C.M.J. Letourneau
- 17) in PROPERTY: ITS ORIGINS AND
- 18) DEVELOPMENT; cited p. 11 by
- 19) Reinhold Niebuhr, MORAL MAN AND
- 20) IMMORAL SOCIETY.
- 21) "Human slavery will not have been fully abolished until every
- 22) task now accomplished by human hands is turned out by some
- 23) machine. "
- 24) -Thomas A. Edison (quoted in
- 25) Temporary National Economic
- 26) Committee Hearings on the Con-
- 27) centration of Economic Power,
- 28) 1940, Part 30, p. 16919.
- 29) "How are we going to live if a few people own our natural resources
- 30) and a few other people own our machines and machines do all the
- 31) work or most of it? We will be living pretty largely by the grace
- 32) of a few owners. "
- 33) -Byrl Whitney, Director of
- 34) Education and Research of the
- 35) Brotherhood of Railroad Trainmen,
- 36) Cleveland, Ohio, Idem, p. 16899.
- 37) "When the machine displaces man and does most of the work, who
- 38) will own the machines and receive the rich dividends? "
- 39) -Justice William O. Douglas
- 40) in a pamphlet, "Freedom of the
- 41) Mind".
- 42) "Cibernations offspring, automation, is at once upon us also like
- 43) some fictional monster. It chews up jobs as we know them, each
- 44) day, by the thousands. Those jobs that are not eliminated, are
- 45) changed into much higher classifications. We as Black people find
- 46) ourselves in the situation where our labor progressively produces
- 47) less, and where capital progressively produces more of the GNP.
- 48) Therefore, a growing proportion of Black households should partici-
- 49) pate in production through our ownership of capital, but where instead,

- 1) a diminishing number of us will be able to depend upon the earnings  
2) of our labor. Indeed, the rich are getting richer and the poor are  
getting poorer."

- 3) -Wilfred T. Ussery  
4) in an article, "Preliminary  
Exploration No. 1 for a  
5) Revolution - Oriented Urban  
Design Philosophy".

6) THE NEED FOR A CORPORATE STRATEGY

- 7) In the course of each year, the boards of directors and the manage-  
8) ments of U.S. Corporations, and most importantly the boards of directors  
9) and managements of the largest corporations, make decisions that bring  
10) into existence anywhere from sixty to one hundred billion dollars (depend-  
11) ing on what the statistics include) of newly formed productive capital.

- 12) These boards and managements have a choice:

- 13) (1) They can so design the financing of each increment of  
14) productive capital so that as it pays for itself, it will  
15) become owned by the same small group, the top 5% or  
16) so of wealth holders, who previously owned virtually all  
17) the productive capital of the economy, whose consumer  
18) needs and desires are, and will continue to be, saturated;

- 19) or

- 20) (2) Each annual increment of productive capital can be so  
21) financed that, as it pays for itself, it becomes owned by  
22) families and individuals in the 95% majority of our popula-  
23) tion who own no productive capital, and whose unsatisfied  
24) economic needs and desires increase in severity as one  
25) descends to the economic level of most residents of the  
26) Black community.

- 27) Corporate management has traditionally employed a strategy under  
28) which it almost invariably connects by ownership the newly formed productive



- 1) capital to those who already own all existing capital, whose consumer
- 2) needs and desires will not increase with further income, only their de-
- 3) sire for further capital investment. Corporate strategy has traditionally
- 4) centered upon the maximization of production and sales, the minimiza-
- 5) tion of cost (normally by saving labor) and maintaining a good corporate
- 6) image.

- 7) We submit that the traditional corporate strategy is in fact but
- 8) half-strategy. For it is vain and self-defeating for the managers of the
- 9) corporate economy to seek to expand the productive power of great
- 10) business enterprises, without also seeking to raise the power of potential
- 11) customers to consume. The discipline of double-entry bookkeeping makes
- 12) it clear that the managers can neither legitimately nor effectively raise
- 13) the power of the masses to consume, except by building private capital
- 14) ownership into them.

- 15) It would seem that up to now, the problem is more easily perceived
- 16) by a poet than by a manager:

17) "Industrialists's Prayer

- 18) "Lord, make all men feel that they are suffering from the
- 19) lack of my commodity. Let them not really need it,
- 20) since I would be uncharitable in asking that. Let
- 21) them just think they need it -- and let them think so,
- 22) very very hard. And let them get the money some-
- 23) how to buy it.

- 24) "Not from the government, since that would increase my
- 25) taxes. Not from higher wages, since that would in-
- 26) crease my costs of production. And not as manna
- 27) from Heaven, since that would cause inflation.

- 28) "All that I ask of Thee -- Lord -- is just one more miracle,
- 29) that good business shall not perish from the earth."

-Kenneth Burke

- 30) It is contrary to the logic of business to "create" jobs, as the
- 31) popular demand is phrased today. Legitimate jobs must be a means,
- 32) not an end. In the course of building the Second Economy, we can un-
- 33) doubtedly achieve for two or more decades legitimate full employment;

1) full employment in building the capital structure large enough to produce  
2) general affluence, rather than present pinnacle affluence. Where legiti-  
3) mate demand for employment in the production of useful goods and  
4) services supported by effective consumer demand has existed, business  
5) has historically had no problem in getting employees, training employees,  
6) and motivating employees with adequate wages.

7) CORE invites the business community of the Cleveland area to work  
8) with it in devising ways to make effective a valid corporate strategy in  
9) which the Black residents of Cleveland will be enabled to become more  
10) economically productive, hence less poverty stricken, through buying,  
11) paying for, and owning productive capital instruments.

12) In summary, CORE's economic development proposal is conditioned  
13) by the following set of premises:

14) CORE's first premise is that poverty as it exists in the Black community  
15) of Cleveland is best alleviated by production. Our second premise is that  
16) production arises from the use of property (machines and structures) and  
17) by labor. Our third premise is that property assumes greater importance  
18) as that industry is automated, and industry is automating at a rapid pace.  
19) Accordingly, to alleviate poverty in the Black community of Cleveland,  
20) we need new economic institutions and relationships that permit Black  
21) people to own structures and machines that produce wealth and which use  
22) our labor in conjunction with those structures and machines to more  
23) effectively produce the goods and services that eliminate poverty as it  
24) exists in the Black community.

25) We believe that Black people will work to create new structures and  
26) machines, to more effectively use those presently available, and to pro-  
27) duce poverty eradicating goods and services, if we are provided the  
28) opportunity to own the instruments, to acquire ownership of property within  
the Black community, to receive the income produced by it, and to consume  
that income through a more affluent living standard.



1) We suggest that the affluent living standards of the wealthiest  
2) people in America, such as Paul Getty, H. L. Hunt, Howard Hughes,  
3) Henry Ford II, Cyrus Eaton, the Rockefellers, the Kennedys, and  
4) others, derive from property income rather than wage income. The  
5) Black community of Cleveland needs the opportunity to participate in  
6) production, the income therefrom, and the consumption of the fruits  
7) of production in the same manner.

8) If economic liberty in our presently automated industrial society  
9) requires ownership and use of property, ways must be devised for Black  
10) people to own and use property. CORE is proposing that we create new  
11) Black owned and controlled economic institutions as well as utilize the  
12) principles and institutions by which the affluent members of the white  
13) community attained their wealth. New institutions, as well as bringing  
14) the proven methods to the Black community, are required.

15) A popular author pictures our structures and machines as extensions  
16) of our bones and muscles, and pictures the media as extensions of our brain  
17) and nervous system. If this be a fair picture, a major part of industrialized  
18) man is as surely enslaved as the slaves of preindustrial society. CORE  
19) believes that Black people consider the American economy as colonialist  
20) in its relation to the Black communities throughout America. This is unde-  
21) niably correct, given the virtually absolute ownership of our great corpora-  
22) tions by a small part of the white segment of our population.

23) The Summary of Report of the President's National Advisory Com-  
24) mission on Civil Disorders states, "Race prejudice has shaped our history  
25) decisively; it now threatens to affect our future.

26) White racism is essentially responsible for the explosive mixture which  
27) has been accumulating in our cities since the end of World War II. "  
28) Racism has thus been officially identified as the most important revolution-  
inducing factor in the United States.

- 1) Wilfred T. Ussery, National Chairman of CORE has stated in an
- 2) article, Preliminary Exploration No. 1 for a Revolution-Oriented Urban Design Philosophy, that
- 3) "The axiomatic product of racism, capitalism, and technology
- 4) dooms Black people and poor whites to a steadily worsening
- 5) existence in this country. Without significant structural change
- 6) in the ownership pattern of American capital instruments, Black
- 7) people are destined to become simply a more educated slave or
- 8) sophisticated drone in the new technologically-oriented industrial
- 9) American society. This phenomenon is the second most important
- 10) revolution-inducing factor in the United States."
- 11) 7)
- 12) We therefore suggest to the holders of great wealth an intelligently
- 13) selfish as well as moral duty to assist others in creating new wealth and through
- 14) lifetime or testamentary gifts to make productive property available to the
- 15) widest possible number of people. The essence of this proposal is to suggest
- 16) an alternative to the present practice of concentrating wealth in a few indivi-
- 17) duals or permanently removing it from individual ownership by placing it
- 18) in the hands of great foundations.
- 19) 14)
- 20) PROPOSED TYPES OF ECONOMIC ACTIVITY
- 21) 15)
- 22) CORE proposed to work within four types of economic activity:
- 23) 16)
- 24) Type I includes those areas of economic activity where major funds
- 25) leave the Black community through the purchase of goods and services not
- 26) produced, owned or controlled by the Black community, or where significant
- 27) participation in production, distribution and sale, could either bring funds
- 28) back into or cause funds to remain in the Black community. Attention will
- 29) be centered on increased Black ownership and employment in the institutions
- 30) that distribute and make automobiles, appliances, furniture, food, clothing,
- 31) and building materials. Black involvement in this area is now exceedingly
- 32) low or nonexistent.
- 33) 25)
- 34) Type II includes those areas of economic activities where major funds
- 35) are exchanged for various kinds of services within the Black community
- 36) through the purchase of goods and services which can be produced, owned



- 1) or controlled by the Black community. Type II thus becomes the area
- 2) of business enterprise where there is the potential to develop an intra-
- 3) Black community economic structure.

- 4) Type III includes those areas of economic activity which would combine
- 5) the economic activity of an intra-Black community economic structure
- 6) with foreign economies, principally African economies. This may include
- 7) an African Cultural Center, import-export and distribution firms for
- 8) African clothing, art objects, and other products, a travel agency, a
- 9) socio-environmental multi-disciplinary design concept team, an entertain-
- 10) ment booking agency, and a film and communication enterprise designed
- 11) to acquaint Black America and Black Africa.

- 12) Type IV includes those areas of economic activity which would combine
- 13) the economic potentials of an intra-Black community economic structure
- 14) and Black Africa with the technological base of Japan or the industrial
- 15) capability of other foreign countries. For example, Japanese television
- 16) sets and automobiles are already available in the American market. These
- 17) and other products might be utilized in multi-national corporate arrange-
- 18) ments.

- 19) Specific application of the program will require time, money and
- 20) effort. The following are not completed proposals, but are inserted for
- 21) illustrative purposes.

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1) TYPE I CONNECTING AN INTRA-BLACK COMMUNITY  
2) ECONOMIC STRUCTURE WITH THE PRODUCTIVE  
3) CAPABILITY OF AMERICAN INDUSTRY

4) Each year industrial corporations headquartered in Cleveland con-  
5) ceive and build new plants, equip them with the latest of automated  
6) machinery, and utilize the latest in technology, organization and mana-  
7) gerial skills, to produce more and more wealth. Under existing financing  
8) methods ownership of those new plants and that new automated equipment,  
9) and the goods produced through the technology and modern organizational  
10) methods by which they are used, is owned by the 2.3 per cent of American  
11) families who already own over 80 per cent of its industrial wealth. The  
12) Black community will have no ownership interest whatever. The impact  
13) will be negative, since it tends to supplant the central city plant that is  
14) older, which uses more labor because it is not as automated, and is less  
15) efficient.

16) If broader capital ownership is recognized as a desirable goal of the  
17) Cleveland headquartered industrial companies, countless financing methods  
18) can be devised within existing laws to help CORE attain this goal.

19) The following are suggestions:

20) A. Cooperation between Cleveland's corporations and CORE.

21) 1. Programs to promote ownership of land and equipment.

22) The need to provide new plants and equipment in the Black community is  
23) recognized in the Federal guarantee of \$1 billion of insurance company  
24) loans and in the legislation introduced by Senator Javits and other Republi-  
25) cans, providing tax incentives to businesses located in the ghettos, or pro-  
26) viding jobs for residents of the ghetto. These programs will result in  
27) further "colonialization" of the Black community unless ways are found for  
28) Black people to own such plants and equipment to be located in their



1) community. In fact we question whether the Federal subsidy involved  
2) in the guarantee and in the tax inducements will ever benefit Black  
3) people nearly as much as they benefit the already affluent white share-  
4) holders of the corporations getting the guarantees and the tax induce-  
5) ments.

6) (a) Plant location and industry selection partnership.

7) We suggest that a Cleveland corporation, for example Warner &  
8) Swasey, or a group of corporations, join with CORE in several plant  
9) location and industry selection partnerships. In such a partnership the  
10) corporate representatives and the CORE representatives would have  
11) equal voice in the management. The partnership agreement would pro-  
12) vide for a contribution of partnership capital by the corporate participant  
13) pursuant to an agreed time schedule and subject to maximum limitations.  
14) The corporation partner would, through information available to it, locate  
15) a corporation which wishes to build a new plant or expand. Such a corpora-  
16) tion might be a supplier or a customer, or it might be an out-of-town  
17) corporation which wishes to build a new plant or expand. Such a corpora-  
18) tion might be a supplier or a customer, or it might be an out-of-town  
19) corporation which comes through chamber of commerce channels. The  
20) partnership would determine their space and plant requirements and  
21) negotiate terms for a long-term lease. The partnership would then nego-  
22) tiate the government guaranteed insurance company loan, acquire the site,  
23) and build the plant. The partnership agreement would provide that all  
24) tax losses and deductions during the development stage would be distributa-  
25) ble to the corporation partner. All the rental income would be applied to  
26) repay indebtedness, to return to the business partner his capital contribu-  
27) tion plus interest at the prime rate. After such return the corporate  
28) partner's interest would terminate.

1) The CORE partnership interest would be held by a community de-  
2) velopment corporation, the membership interests or stock of which would  
3) be owned by persons meeting certain qualifications established by CORE.  
4) These qualifications would be designed to achieve a broad base of Black  
5) participation and would, of course, be limited to ghetto residents whose  
6) net worth was below some specified minimum. Thus, as rental payments  
7) exceed debt service and return to the corporate partner of its equity in-  
8) vestment, the remaining cash flow plus the equity built up through the prin-  
9) cipal payments of the loan would accrue to ghetto residents. The risk  
10) to the corporation, in which it retains an equal voice in control until it  
11) has recouped its money with interest. It would have the tax advantages  
12) of deductions to the extent allowable to the partnership with an ultimate  
13) possibility of capital gains treatment upon retirement of its partnership  
14) interest.

15) (b) Equity ownership in operating enterprises.

16) Rather than merely leasing the plant site to the business enter-  
17) prise, it could require as a condition to the long-term lease that the  
18) business enterprise be a separate subsidiary and that some percentage,  
19) say 20 per cent, or perhaps 50 per cent, of its stock be set aside for con-  
20) tribution to a stock bonus trust for employees. Thus, each year for some  
21) period of years the corporation would contribute stock to a stock bonus trust,  
22) which would be allocated to local employees. The corporation would obtain a  
23) deduction for tax purposes equal to the fair market value of the stock so con-  
24) tributed. Thus, the corporation would recoup approximately 50 to 52 per cent  
25) of the cost of such stock in reduced corporate income taxes. The remainder  
26) of the value of the stock would constitute additional labor costs but would  
27)  
28)



- 1) serve as an incentive device to the employees, which might more than
- 2) compensate existing shareholders through more efficient operations of
- 3) the corporation.

4)                   2. Illustrative Project - Automobile Supermarket.

- 5) Assume for the moment the financial feasibility of the development of
- 6) several square blocks of city land, either in the Cleveland Model Cities
- 7) program area or within the existing Urban Renewal area, as an auto-
- 8) mobile supermarket. Assume that ownership of the land is possible
- 9) through conventional purchase or through the redevelopment process.
- 10) The automobile supermarket would be designed to contain dealerships
- 11) of all makes of American manufacturers and the more prominent import
- 12) models. It would also contain such supporting facilities as tire and
- 13) accessory retail outlets, servicing and repair facilities, restaurants,
- 14) banks, insurance agencies, and finance companies. The acquisition of
- 15) land and construction of the principal structures could be financed as
- 16) described above for plant location and industry selection partnerships.
- 17) Dealerships and other lessees would be financed as described above,
- 18) with the assistance of the major automobile companies or with the
- 19) assistance of existing Cleveland dealerships. Preference would be
- 20) extended to those willing to commit major portions of equity ownership
- 21) to employees (or to others as hereafter described). Of course such
- 22) businesses would utilize subsidies available under present law through
- 23) the Manpower Development Training Act and similar legislation.
- 24) Patronage and employment of Black people would be encouraged by CORE.

25)               B. Cooperation between wealthy individuals, charities or  
26)               corporations and CORE.

- 26) The Homestead Act helped to build America by giving people without
- 27) farm land the opportunity to acquire and use it. The Federal Housing Act
- 28) (FHA), through its loan guarantee program, helped build America by

1) making it possible for primarily white people who did not own homes to  
2) own them in thousands of suburban and metropolitan areas around the  
3) country. As these programs were new in their time, America now  
4) needs a new institution for the technologically-oriented industrial American  
5) society. This institution should give to Black people who own no interest  
6) in the structures and equipment of this society the opportunity to build an  
7) interest in them. CORE proposes to establish the CORE Special Guarantee  
8) Fund. The purpose of this Fund will be to provide guarantees of loans to  
9) qualifying individuals or corporations in the various corporate entities  
10) formed in the Black community to expedite Type I and Type II economic  
11) activity as a result of this Proposal.

12) The experience of the Federal Housing Administration insurance pro-  
13) gram in connection with the financing of houses -- a consumer item since  
14) houses produce no income usable to defray their purchase price -- should  
15) be developed to facilitate loans made to enable the purchase of direct or  
16) equity capital ownership. No logical reason appears why such insurance  
17) cannot be more effectively used to finance those things which are income  
18) producing, and therefore, self-liquidating, than in the case of financing  
19) mere consumer goods.

20) 1. Categories of loans to be guaranteed.

21) The CORE Special Guarantee Fund will be conservatively administered  
22) in order to protect the integrity of its guarantee. Like the FHA home  
23) guarantee or the AID extended risk guarantee of foreign investments, a  
24) fee will be charged to the borrower for the service. Consideration will  
25) be given to the guarantee of loans in the following areas:

26) (a) Stock acquisition loans. The well-managed corpora-  
27) tions of America earn considerably more than the prevailing interest rates.  
28) These earnings are reflected either in dividends or in increased value



1) of the stock resulting from reinvestment of earnings. The CORE Special  
2) Guarantee Fund might guarantee a bank loan to an individual, with the  
3) proceeds of the loan being invested in common stocks of the major  
4) American corporations, the shares of which would be held as pledged  
5) security for the loan. It is expected that over a period of years dividend  
6) and capital appreciation will repay the loan, with ownership then being in  
7) the hands of the individual. The CORE Special Guarantee Fund would  
8) guarantee the bank against default resulting from declines in value. CORE  
9) recognizes that changes or exemptions in banking and insurance laws  
10) and regulations will be required before such a program could function.  
11) It would also anticipate asking Congress to credit the individual with the  
12) Federal income tax paid by the corporation with respect to each share of  
13) stock held in such a fund, with such credited amounts applied in reduction  
14) of the loan.

15) (b) Direct loans for modern equipment or expansion of Type  
16) II enterprises. The Type II enterprises hereafter discussed are hampered  
17) in their growth because financing is not available on reasonable terms. It  
18) is hoped that banks and savings and loan associations or insurance companies  
19) will make loans at rates available to similar white community businesses  
20) where the backing of the CORE Special Guarantee Fund is available as a  
21) guarantee.

22) (c) Loans for equity participation in Type I enterprises.  
23) Where equity is necessary for an auto dealership or for acquisition of  
24) an interest in a plant or equipment under projects sponsored or assisted  
25) by CORE, loan guarantees might be made available.

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1)                   2. Financing of the CORE Special Guarantee Fund.

2) Of course the CORE Special Guarantee Fund will need some direct con-  
3) tributions. CORE hopes to provide some financing for this Fund from  
4) its own economic development affiliate. In time it is hoped that the fees  
5) paid by the borrowers will cover operating expenses and contribute to  
6) the Fund. However, to attain the size necessary for major accomplish-  
7) ments, it must also have grants from foundations or corporations. Where  
8) special interests coincide, participations in guarantees might also be  
9) solicited. For example, charitable foundations might take some part of  
10) the risk on any particular loan or a corporation having some particular  
11) interest in the success of a project might participate in the guarantee to  
12) some extent. Lifetime gifts and bequests or guarantees by individuals  
13) will also be solicited. For example, wealthy individuals who recognize  
14) their moral obligation to help others attain some minimum level of wealth  
15) might "endow" one or more individual loan programs to worthy borrowers  
16) through earmarked contributions, or they might participate in guarantees of  
17) projects which have their support.

18)       CORE proposes to explore the feasibility of using some portion of the  
19) proposed billion dollars of insurance company financing for the benefit of  
20) residents of the Black community for this purpose. Should it appear that  
21) institutional or regulatory impediments exist which prevent insurance  
22) companies from undertaking this type of insurance. CORE will seek op-  
23) portunities to collaborate with the life insurance industry, and perhaps  
24) the casualty insurance industry, to eliminate those impediments.

25)       Similarly, CORE proposes to explore the possible use by foundations,  
26) charitable institutions, and others, of a portion of their assets to effect  
27) such guarantees or insurance, thus bringing about a broader and intensi-  
28) fied social use of such assets to achieve the objective of significantly  
broadening the base of Black community ownership of productive capital.



- 1) CORE will also explore all available federal and state government
- 2) legislation to determine whether programs exist that can be used to
- 3) effect loan insurance, where loans are made to facilitate the acquisition
- 4) of capital ownership by Black people.

- 5) If necessary, CORE, with the approval of foundations and others
- 6) granting funds to it, may establish an affiliated capital-acquisition loan
- 7) insurance program for use in instances where conventional feasibility
- 8) tests establish the wisdom and soundness of such an insurance program.

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1)           TYPE II    INTRA-BLACK COMMUNITY ECONOMIC ACTIVITY

- 2)   There are many service and retail type businesses operating in the Black  
3)   community which, if more effectively grouped and run, could expand service  
4)   to local residents and provide more and better employment opportunities.

5)           Examples are:

6)           RETAIL

7)           1.   Appliances

- 8)                   a.   Discount houses which require large capital outlay.  
9)                   b.   Catalog sales from a sample showroom using the  
10)                           drop-shipment method.  
11)                           1.   A local credit union can be used to finance  
                                  large purchases.

12)           2.   Furniture

- 13)                   a.   Discount houses which require large capital outlay.  
14)                   b.   Catalog sales from a sample showroom using the  
15)                           drop-shipment method.  
                                  1.   Financing by a credit union.

16)           3.   Pharmaceuticals

- 17)                   a.   This is an area of extremely high costs. A  
18)                           successful model is available in another city  
                                  that can be used.

19)           4.   Beverages - alcoholic and nonalcoholic.

20)           5.   School supplies and records.

21)           6.   Clothing

- 22)                   a.   This area permits the sale and production of  
23)                           special clothing items which cater to the needs  
                                  and tastes of the Black community.

24)                           1.   Women's clothing.

25)                           2.   Afro attire, etc.

26)           7.   Food items

- 27)                   a.   This area permits the marketing of products  
28)                           which have an origin in the Black community  
                                  and are a part of the experience and culture  
                                  of Black people.



1) SERVICE AREAS

2) An area of great abuse in the Black community falls in  
3) the service area. Abuses affect low, middle and upper  
income brackets. Some of the major areas of proposed  
activity are as follows:

4) 1. Home maintenance and modernization.

- 5) a. Plumbing and heating  
6) b. Carpentry  
7) c. Electrical installation, maintenance and repair  
d. Other areas

8) NOTE: There is a model for a cooperatively owned  
9) home maintenance and modernization company that  
can provide quality service at fair prices.

10) 2. Home appliance repair.

- 11) a. Large appliances such as refrigerators,  
freezers, TVs, HiFis, etc.  
12) b. Small appliances such as irons, lamps,  
toasters, vacuum cleaners, etc.

13) This is an area which can provide employment for  
14) many senior citizens, handicapped, and young people  
as well.

15) 3. Automotive service.

- 16) a. Auto body repair  
17) b. Mechanical repair  
c. Tune-ups  
18) d. Accessories  
e. Gas and oil

19) 4. Medical, dental and eye care centers.

20) NOTE: There is a model for a cooperative service  
21) which provides quality care at reasonable prices.

22) 5. Day care nurseries.

23) This is a service which would give many mothers  
24) who would like to work an opportunity to enter the  
labor market with the knowledge that their children  
are being well cared for at a reasonable fee.

25) 6. Employment service.

26) This service would go beyond just putting a person  
27) on a job. This service would provide financial and  
consumer counseling and other supportive services.

28)

- 1) 7. Funeral and memorial societies.
- 2) This is an area which has come under very close
- 3) scrutiny in several states over the past few years.
- 4) This is an area of substantial cost in the Black
- 5) Community that can be reduced.
- 6) There are successful cooperative models which
- 7) demonstrate how this problem can be met.
- 8) 8. Group Insurance Plans
- 9) a. Life
- 10) b. Health and Accident
- 11) c. Other
- 12) 9. Hotel restaurant and entertainment centers.
- 13) There is a severe lack in the Black Community of
- 14) quality establishments in this area for meetings,
- 15) dances, conventions and entertainment. Where the
- 16) physical entities are present the service is below
- 17) par. This would seem to point to a need for action
- 18) in this area. It is also possible to use the Type I
- 19) partnership model with such firms as Hilton, Chock
- 20) Full of Nuts, etc.
- 21) 10. Community development and land holding company.
- 22) This is an entity which could do much to improve the
- 23) structures and land use in the Black Community.
- 24) Many projects could be conducted in the private sector
- 25) to provide housing for low and middle income people.
- 26) At the same time, shopping areas to service and new
- 27) residents could be made a part of a coordinated pack-
- 28) age to insure that an area will be livable, and that a
- community is more than apartment buildings. There
- are successful models in this area.
11. Trucking and moving service.

22) FINANCE AND THE NEED FOR FINANCIAL INSTITUTIONS

- 23) 1. Financial institutions.
- 24) a. Banks
- 25) b. Savings and Loans
- 26) c. Credit Unions
- 27) 2. Insurance companies stressing service to Black
- 28) people can be encouraged and financial institutions
- having ties with African governments can be
- established.



1)                    COMMUNICATION

2)                    1.   Mass Media

- 3)                    a. Radio  
4)                    b. TV  
5)                    c. Newspaper

6)   TYPE III   CREATING ENTERPRISES WHICH COMBINE THE ECONOMIC  
7)                    ACTIVITY OF INTRA-BLACK COMMUNITY ECONOMIC  
8)                    STRUCTURES WITH AFRICAN ECONOMIES

9)                    Economic development within the Black community of America is de-  
10)                    pendent on success in the two previous categories discussed, but this suc-  
11)                    cess can be reinforced through imaginative economic programs connected  
12)                    with African countries. For example, under the Model Cities Program  
13)                    an African Cultural Center could be constructed which would contain shops  
14)                    specializing in products imported from African countries and which would  
15)                    contain significant cultural amenities and other elements which would  
16)                    operate to improve the Black self image of the Black residents of Cleveland  
17)                    as well as providing profitable economic activity. A Black travel agency,  
18)                    an entertainer booking agency, and export-import operation, and other  
19)                    types of business, could be centered in such a cultural center. Hotels,  
20)                    restaurants and other services would serve the Black community but could  
21)                    also draw from the white and tourist communities in such a way as to pro-  
22)                    vide a new flow of funds into the Black community as well as jobs for  
23)                    Black people connected with the operation of such centers.

24)   TYPE IV   ENTERPRISES COMBINING JAPANESE TECHNICAL  
25)                    PRODUCTIVE CAPACITY WITH ECONOMIC POTENTIALS  
26)                    OF BLACK AMERICA AND BLACK AFRICA

27)                    In the event opportunities arise or, if effort with American concerns  
28)                    proves unproductive, emphasis must be placed on enterprises which com-  
29)                    bine the technical productive capacity of Japan and the potentialities of

- 1) Black America and Black Africa. Radios, television sets, and other
- 2) electronic gear manufactured in Japan might be marketed under joint
- 3) arrangements sponsored by CORE and Black African governments.
- 4) License arrangements and technical assistance might be used to as-
- 5) semble, distribute and sell under a label designated by CORE, products
- 6) of Japanese design. Full potentialities of such multi-national corpora-
- 7) tions are unknown, but present markets, methods of construction, and
- 8) transportation make it a program that is entirely possible.
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1)        CORE ENTERPRISE CORPORATION, INC., CORENCO

2)        For the purpose of raising ten million dollars of funding for a two-  
3) year operational budget, and to provide an organization to work with the  
4) Mayor and City Council of the City of Cleveland, appropriate governmental  
5) agencies of the State of Ohio and of the United States, interested charitable  
6) foundations, industrial and business corporations, and other firms and  
7) individuals in the business economy of the Cleveland area, CORE proposes  
8) immediately to establish as a charitable non-profit economic research  
9) and educational corporation, "CORE ENTERPRISE CORPORATION, INC."  
10) "CORENCO."

11)       It is proposed that CORENCO will function as a membership corpora-  
12) tion affiliated with the Congress of Racial Equality, drawing its members  
13) from the Black community and providing a vehicle through which their  
14) contributions can assist in carrying out the objectives of CORENCO.  
15) CORENCO will strive for the widest possible active memberships, parti-  
16) cipation and involvement of Black people in Black communities, throughout  
17) America, including the members of CORE itself and others not presently  
18) associated with CORE.

19)       A majority of the governing board would be appointed by the parent  
20) organization and the remaining members would be elected from the  
21) membership. The principal purpose of this corporation would be to  
22) promote the economic well-being of black people through direct involve-  
23) ment in production, both through ownership of capital instruments and  
24) through employment, and through full utilization of existing financial  
25) institutions and methods, augmented by new institutions and methods,  
26) and to promote the more effective use and greater conservation of in-  
27) come and property of Black people. A Board of Trustees composed of  
28) professionals and technicians from the fields of economics, business

- 1) administration and industry, shall be formed for CORE ENTERPRISE
- 2) CORPORATION, INC. CORENCO.

- 3) The full prestige and influence of the National Director and National
- 4) Chairman should be used in the recruiting of trustees for CORENCO in
- 5) the following countries:

- 6) 1. United States
- 7) 2. Tanzania
- 8) 3. Zambia
- 9) 4. Nigeria
- 10) 5. Ghana
- 11) 6. Ethiopia
- 12) 7. Uganda
- 13) 8. Congo
- 14) 9. Guinea
- 15) 10. Mali
- 16) 11. Senegal
- 17) 12. Japan

- 18) CORENCO will be staffed with the most competent personnel that
- 19) CORE can find, and will devote its best efforts to the accomplishment
- 20) of the following principal functions:

- 21) (1) Conferring with and working with managements of the prin-
- 22) cipal industrial, financial, and trade corporations in the Cleveland area
- 23) for the purpose of selecting, structuring, financing, and launching
- 24) projects to broaden the Black corporate constituencies of those business
- 25) enterprises, both through the employment of Black people and through
- 26) programs designed to enable Black people to buy and pay for shares in
- 27) those and other enterprises, such payment to be made out of the wealth
- 28) produced by resulting newly formed capital.



- 1)           (2)       Conferring and working with owners and managers of suc-  
2)       cessful or potentially successful smaller business enterprises located  
3)       in or near the areas primarily populated by Black people to seek op-  
4)       portunities for the purchase of those enterprises by new shareholders  
5)       from the Black community. The methods contemplated for achieving  
6)       this purpose are employee Second Income financing techniques and  
7)       other programs discussed below, as well as techniques which CORE  
8)       confidently expects to be developed through its collaboration with the  
9)       business and financial community.
- 10)          (3)       Conferring with managements of principal industrial, finan-  
11)       cial, and trade corporations for the purpose of identifying opportunities  
12)       for the establishment of new enterprises, or new affiliates of existing  
13)       major enterprises, so structured and contractually managed by major  
14)       existing business organizations that they may in due course become  
15)       managed and owned by Black employees.
- 16)
- 17)          (4)       Instituting programs for improving job skills and labor dili-  
18)       gence and facilitating advancement of Black employees to higher employ-  
19)       ment and management positions.
- 20)          (5)       Facilitating the establishment and/or expansion of small  
21)       businesses owned by Black people where careful study shows that such  
22)       businesses can be successful.
- 23)          (6)       Carrying on programs of consumer education, designed to  
24)       enable members to make more effective use of buying power.
- 25)          (7)       Facilitating development of employment opportunities through  
26)       education and training programs, placement services and the like.
- 27)          (8)       Engaging in such other activities as may facilitate Black  
28)       people becoming the legitimate constituents -- that is, employees and/or

- 1) shareholders, and preferably both -- of the business community of the
- 2) Cleveland area.

- 3) CORENCO, it is contemplated, will develop several categories of
- 4) membership for the purpose of enabling it to more effectively accom-
- 5) plish its objectives. These will include special memberships such as
- 6) consumer memberships, youth memberships, business stockholder
- 7) memberships, etc. General memberships in CORENCO will include
- 8) classifications of grand members for contributions of \$1,000 or more,
- 9) life members for contributions of \$500 or more, and sustaining members
- 10) for contributions of \$10 or more. Consideration will be given to the
- 11) development of a class of honorary membership for business corpora-
- 12) tions, other firms, and businessmen whose efforts effectively advance
- 13) the cause of enabling Black people to become constituents, through jobs
- 14) and share ownership, in the business community.

- 15) CORENCO will strive to set standards of excellence in the administra-
- 16) tion of its own affairs. Its financial operations will be audited annually
- 17) by independent certified public accountants, and full and adequate reports
- 18) of its activities and financial affairs will be made to its board of directors,
- 19) its members, and the public.

- 20) Each program of CORENCO will operate under a specific budget and
- 21) with strict budgetary controls.

- 22) Foundation donors to CORENCO will receive full periodic audit re-
- 23) ports on the handling and expenditure of funds, and CORENCO'S records
- 24) will be made available to them and to members and contributors in all
- 25) reasonable circumstances.

- 26) CORENCO is seeking pledges of funds from foundations, corporations,
- 27) and individuals aggregating ten million dollars to finance its operational
- 28) program for a period of two years along the lines proposed herein. A  
preliminary budget for those operations is attached hereto as an appendix.



1) POSSIBLE METHODS FOR CREATING BLACK CONSTITUENTS, BOTH  
2) EMPLOYEES AND SHAREHOLDERS, OF CORPORATIONS OF THE  
3) CLEVELAND AREA

4) ILLUSTRATIVE PROPOSALS

5) CORE is confident of the technical ability of management personnel  
6) in the business, industrial, and financial corporations of the Cleveland  
7) area to develop and design the ideal method in each particular instance  
8) to make Black people constituents, either shareholder constituents, or  
9) employee constituents, or both, once the goal of making every consumer  
10) such a constituent is recognized. The problem, it appear to us, has not  
11) been lack of know-how, but a simple historical error of "know-what".  
12) It is the defectiveness of attempting to solve our purchasing power prob-  
13) lem through employment alone in an economy where most of the goods  
14) and services are the result of capital input that has frustrated the  
15) economy's ability to produce what it desires to consume. Given a sound  
16) goal, and we are confident this proposal embodies such a sound goal, the  
17) techniques for its accomplishment will be devised.

18) The following "constituent-building techniques" are outlined for il-  
19) lustrative purposes only. Obviously, the potential variety of methods is  
20) large indeed:

21) A. Techniques for Making Black People Constituents of  
22) Major Cleveland Area Corporations:

23) (1) Encourage major corporations to hire competent Black people,  
24) and to advance them without discrimination on the basis of their merit.

25) (2) The use of employee Second Income Trust financing techniques  
26) to facilitate the financing of new capital formation on pre-tax dollars, and  
27) to build equity ownership into corporate employees -- both Black and white  
28) -- without impairing their wage and salary incomes. (See Diagram I, Appendix.)

- 1)       (3)     Work with corporations to identify expansion operations
- 2)     that can be transferred to or established as separate corporations,
- 3)     managed through comprehensive management contracts by the sponsoring
- 4)     corporation, staffed to the largest possible degree by Black people, and
- 5)     financed in such manner through employee Second Income Trust financing
- 6)     techniques, as to enable the employees to acquire all or significant por-
- 7)     tions of the equity ownership. Ideally, such management contracts would
- 8)     provide that in due course, some or all key managerial posts would be
- 9)     filled by Black people. It is of particular significance that such methods,
- 10)    designed for corporations staffed primarily or wholly from Black ghetto
- 11)    residents, tested and perfected within the Cleveland economy, may
- 12)    furnish prototypes for use in the developing economies, where the critical
- 13)    impediment to economic development lies in the failure, under traditional
- 14)    techniques, to raise the economic power of citizens of the host country to
- 15)    consume, as industrialization increases the power of its economy to
- 16)    produce.
- 17)    B.   Techniques for Enabling Black People to Purchase, Pay for
- 18)        and Own and Staff Operating Businesses in or near the
- 19)        Black Communities and Elsewhere:
- 20)       Where employee deferred compensation trusts, qualified under the
- 21)       Internal Revenue Code and corresponding state laws are applicable, and
- 22)       this is a question which must be answered by applying the tests set forth
- 23)       in the statutes or regulations to particular businesses, it is possible for
- 24)       employees, or potential employees of a business, to purchase its stock
- 25)       or assets and going-concern value through application of the pre-tax
- 26)       earnings of the business. Where this is feasible, and where present
- 27)       owners are willing to sell such businesses, such methods would be far
- 28)       more effective in enabling Black people both to buy the ownership of
- 29)       businesses and employment opportunities than would other conventional



- 1) techniques. Furthermore, it is reasonable to suppose that the rising
- 2) interest within the Black communities to patronize businesses which
- 3) are at least partially owned and staffed by Black people may further
- 4) facilitate such acquisitions.

- 5) C. Use of Joint Ventures between Corporations with
- 6) Black Shareholders and Other Business Corporations
- 7) to Operate Various Enterprises:

- 8) One device, deserving careful study for application in particular
- 9) situations, is the use of joint ventures (which are legally partnerships)
- 10) between existing business corporations and corporations organized with
- 11) Black shareholders. Such joint venture agreements can provide for the
- 12) contribution of partnership capital by the business partner pursuant to
- 13) an agreed time schedule and subject to proper limitations. The Black
- 14) shareholders of the other corporation could be the employees potentially
- 15) needed to operate the enterprise. Such joint venture agreements can
- 16) provide that all tax losses and deductions during the development stage
- 17) would be distributable to the business corporation partner, and income,
- 18) after labor costs and other agreed deductions, would be used to repay
- 19) loans made or arranged to the enterprise by the business partner. Such
- 20) enterprises can be designed so that upon the paying off of indebtedness
- 21) and the return of investment and a suitable capital gain, the interest of
- 22) the business partner could diminish or terminate, as the circumstances
- 23) may call for. Such joint venture might also be entered into between
- 24) CORENCO and a business corporation.

- 25) The summary of the report by the National Advisory Commission on
- 26) Civil Disorders also states the following:

- 27) "Our recommendations embrace three basic
- 28) principles: To mount programs on a scale
- equal to the dimensions of the problems.
- To aim these programs for high impact in
- the immediate future in order to close the

- 1) gap between promise and performance.  
To undertake new initiatives and experiments  
2) that can change the system of failure and  
frustration that now dominates the ghetto and  
3) weakens our society.

- 4) These programs will require unprecedented  
levels of funding and performance, but they  
5) neither probe deeper nor demand more than  
the problems which called them forth."

6)

- 7) CORE believes this set of principles is equally applicable to the  
8) development of any serious proposals of economic development for the  
9) Black community of Cleveland.

10)

11) CONCLUSION

- 12) CORE hereby requests pledges of funds to begin implementation of  
13) this program. A goal of \$10,000,000 is set to finance a program of  
14) prototype projects along the lines of this proposal.

15)

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28)



**DIAGRAM I**  
**SECOND INCOME PLAN FINANCING**  
 [How to Promote Corporate Growth by Making Your Employees Capital Owners]

