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Big Business In a Changing Society

In economic terms, these are great times in America. The nation is experiencing one of the longest periods of sustained economic growth in its history. The five-year period marked by a soaring stock market, declining unemployment rates, and low inflation is a continuing surprise to even the most optimistic pundits and forecasters.

But our thriving economy represents only part of today's America. There are major problems which—if left unsolved—could undermine our present prosperity. For example, there is abundant evidence of widespread racial and ethnic intolerance, of corporate failures to provide equal opportunity, and of a general erosion of some of the policies and public attitudes that contributed to America's civil rights revolution. Furthermore, a distressingly large proportion of the society still remains impoverished, with few prospects of succeeding in an increasingly competitive economic environment.

Should big business help to solve these problems? I say the answer is a resounding "yes!" For the business community, dedicating serious leadership and resources to expand opportunities should not be viewed as philanthropy or charity, but as a sound business investment as much connected to their bottom line as investments in research and development, perhaps more.

Yet, corporate performance in the area of equal opportunity has been uneven, as recent well-publicized cases of failures in this regard show. Attacks on affirmative action by some segments of the public and by the courts suggest that government is likely to be less effective in promoting equal opportunity in the future than it has been in the past. The business community is the next best agent for ensuring equal opportunity, for its own well-being as well as that of the society. Corporations can help our society meet some of its greatest challenges by being equal opportunity employers and supporting the education of our youth.

Education is essential to an expanding economy. But many of the urban centers that are home to the nation's poor are inadequately served by public schools. Similarly, too many of our youth do not have access to programs that impart job skills that will enable them to secure good jobs at good wages. If we fail to tackle this dual challenge of education and job training, we will run the risk of creating a massive pool of displaced and obsolete workers without marketable skills or expertise. We cast these people aside at great risk to social peace and at great cost to the business community.

While business cannot foot the total bill for improving educational opportunity, it can lend its voice, its influence, its money, and its expertise to the efforts to improve educational opportunity. Business must be willing to use its considerable political muscle and technical know-how to help create a high performance educational system capable of preparing today's youth for tomorrow's opportunities.

Historically, American society has been held together and motivated by the captivating vision of economic opportunity for all—the American Dream. As the society marches forward across the bridge to the 21st century, this vision must continue to inspire all Americans to believe that opportunity is within their grasp. As one thoughtful observer noted recently, if the era of big government is indeed over, the need for big hearts and bold visions has arrived. I believe American business has the big heart, the bold vision, and the enlightened self-interest to preserve what is finest about America—the American dream accessible to all. ■



PRESIDENT

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Louis Martin: A Voice for Civil Rights

As the World Watched Police Dogs Attack Demonstrators in Birmingham, the Kennedy Administration Groped for a Way to Respond

The following excerpt from Walking With Presidents: Louis Martin and the Rise of Black Political Power, *is the second in a three-part series appearing in FOCUS. Under the sponsorship of the Joint Center,* Walking With Presidents *was written by former Ebony editor Alex Poinsett, with an introduction by Pulitzer prize-winning historian David J. Garrow. It was published this month as the first biography of the man called "The Godfather of Black Politics."*

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In the summer of 1960, domestic news was dominated by two events: Senator John F. Kennedy's ascendancy in the Democratic presidential primaries and the student lunch counter sit-ins gripping the South. On the verge of winning the presidential nomination, the Kennedy campaign staff sought an African American who could help them pull in the black vote in the upcoming general election. They called on Louis E. Martin, a politically astute newspaperman from Chicago, to join the staff of the campaign's new Civil Rights Section headed by Kennedy brother-in-law Sargent Shriver. Martin had created a very successful publicity campaign in the black media for Franklin Roosevelt's 1944 reelection bid. As a crusading journalist in Detroit, he had gained national prominence for his support of the United Auto Workers and his advocacy of equal opportunity in housing and jobs for blacks in the war industries.

Martin's experience, contacts, and political savvy were just what the campaign needed. He worked alongside white civil rights activist Harris Wofford and black attorneys Frank Reeves and Marjorie Lawson, and became, in Wofford's words, "our chief counselor, colleague, and coconspirator."

After the election, Shriver invited Martin to sit on the transition team that sifted through the candidates to staff the new administration. Armed with what he called his list of "700 Super Blacks," Martin took the opportunity to push for the inclusion of blacks at every level of the federal bureaucracy. Martin was officially named deputy chair of the Democratic National Committee, the first African American to hold this position. Working out of the DNC office but spending much of his time at the White House, Martin became the administration's unofficial civil rights liaison and advisor during the crucial struggle for racial equality of the early sixties. It was in this capacity that he pushed for stronger civil rights measures than Kennedy's cabinet had recommended in 1963 when it became incumbent upon the government to respond to the brutalization of freedom marchers in Birmingham, Alabama, and other places in the South.

From *Walking With Presidents: Louis Martin and the Rise of Black Political Power*, by Alex Poinsett (Madison Books, June 1997). Available in major bookstores.

Despite the highly successful Lincoln reception [in which more than 800 distinguished African Americans celebrated the centennial of the Emancipation Proclamation as White House guests], as of early 1963 Martin felt that in political terms, the president was more concerned about the condition of Germany than the condition of blacks. A few weeks before the reception he had warned the president that whatever his white advisors were telling him, blacks around the country were on the edge of revolt. It was time, Martin argued, for strong civil rights legislation. Martin had begun his own crusade to push the White House on the issue of desegregating public accommodations—hotels, restaurants, and the like.

Kennedy took a first step toward serious civil rights legislation, submitting on February 28 a narrowly tailored voting rights bill aimed at ending the widespread southern practice of so-called literacy tests for voter registrants. These tests, which sometimes amounted to graduate-level exams that the registrars themselves could not have passed, were selectively used to screen out blacks. Kennedy's bill required that literacy tests be limited to proof of sixth-grade reading ability. Expecting much more far-reaching legislation, civil rights advocates were so disappointed that they began to talk about abandoning Kennedy in the next election and throwing their support behind liberal Republican candidates. In any event, the bill was soon killed in Congress. Martin could be pleased, however, that in his lengthy written message introducing the bill, the president had made an unusual appeal to moral principle:

> Therefore, let it be clear … that it is not merely because of the Cold War, and not merely because of the economic waste of discrimination, that we are committed to achieving true equality of opportunity. The basic reason is because it is right.

The last four words of that statement were included at Martin's urging.

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By 1963, Birmingham, Alabama, a hard-bitten steel-mill town, had already earned a reputation as the most violently racist city in the South. In the previous fifteen years, white extremists had set off bombs at black churches and homes on more than 50 occasions. In January 1963, Rev. Fred Shuttlesworth, [Martin Luther] King, and others in the movement drafted plans for a major boycott and demonstration that, they hoped, would paralyze the city and draw the whole nation's attention to the problem.

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Louis Martin

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On April 12—Good Friday—King, his aide Ralph Abernathy, and others marched and were promptly arrested. King was put into solitary confinement and kept there for three days. After he was released on bail, he and the protest organizers opened phase two of their plan: 2,000 young black volunteers, ranging in age from six to sixteen, marched in waves toward downtown Birmingham in defiance of the city's ban on black marches. By the time 959 of them had been arrested and thrown in jail like King before them, [Birmingham Public Safety Commissioner] Bull Connor's police force had run out of paddy wagons.

Over the next several days, as more young people continued to march into town, Connor commanded his police and "irregular" recruits to beat back the children with truncheons, high-pressure fire hoses, and attack dogs. The pressure of the water hoses was calibrated to tear the bark off trees…. Photographs and televised images of the mayhem were shown around the world.

Meanwhile, King and others were meeting with the city's officials and leading businessmen, to negotiate the movement's demands. The attorney general [Robert Kennedy] sent Burke Marshall [his assistant for civil rights] down to participate in the talks. After about a week, an agreement was finally reached, including the promise of changes in Birmingham's segregation codes.

Two days later, [black entrepreneur] A.G. Gaston's motel, the unofficial headquarters of Birmingham's civil rights leaders, was bombed, as was the home of King's brother. A small riot ensued. Young blacks who were not attached to the nonviolent movement had had enough. In response Governor George Wallace sent in state troopers, who put down the riot in the style of Bull Connor. The day after the bombings, Louis Martin warned Robert Kennedy in an urgent note:

> The accelerated tempo of Negro restiveness, and the rivalry of some leaders for top billing, coupled with the resistance of segregationists, may soon create the most critical state of race relations since the Civil War.

During the weeks that followed, protesters in one southern town after another held mass events and were beaten, jailed, even tortured. On May 31, King sent a telegram to the president requesting a personal audience and immediate actions "to avert a national tragedy." A new sense of urgency had taken hold in the White House.

The next day, Louis Martin received an unexpected call asking him to come to the White House. The president was bringing together a cabinet-level group to orient him on what the administration ought to do next in response to the latest dispatches from the Negro revolution, as it was then called. When Martin entered the Cabinet Room, he found not only the vice president [Lyndon Johnson] and attorney general but also Health, Education and Welfare (HEW) Secretary Anthony Celebrezze and other high-ranking officials.

After the president took his seat, Bobby [Kennedy] motioned to Martin to sit next to him and his brother. Tense and unhappy about the heavily publicized disorders in Birmingham and elsewhere, the president asked officials around the table to interpret what was happening and to suggest how he might respond. After an exchange with Celebrezze, the president turned to Martin.

"We need dramatic action," Martin told the president, "action that will be understood by Negroes as clearly as the picture from Birmingham of Negroes being attacked by police dogs." The mood among blacks, he went on to say, was bad and getting worse by the moment. "It's infuriating Negroes who have local grievances," he pointed out, "and it is doubly infuriating when they find out about these bombings." He went on to warn of potential explosions in New York, Detroit, Chicago, and other northern cities.

As far as he was concerned, Martin told the group, the administration had not done very much to deal with segregation. Right in Washington, he said, several black employees in the administration were being kept out of white neighborhoods and couldn't find housing. "Apparently," Martin told the group, his anger rising, "we don't really want to get to the bottom of this and to demonstrate through action to the American Negro our real concern about all this. We have to do more than make speeches."

Urban unemployment was among the problems on his mind when he said, "I know all you latter-day liberals don't think much of the WPA [Works Progress Administration] and the programs of [President Franklin] Roosevelt, but I came up under Roosevelt, and I think that that prescription is needed right now for Negroes. As far as I'm concerned, we ought to figure on putting one billion dollars, some way, into this business of economic relief."

His little speech "caused quite a flurry," Martin recalled. "I kept repeating this 'billion dollars,' and Bobby was sitting next to me and punched me on the leg and whispered to me, 'Well, we might think about half a billion.' He tried to shut me up. But this was a high point of my fight because I was really upset."

The president asked Martin one last time what he felt was needed to avert further violence. "Only action," Martin replied. Celebrezze pointed out that he'd just visited Cleveland and hadn't seen any racial unrest there, attributing this to an interracial committee that had been put together there to keep the peace. Martin interrupted him with this notice: "I've just toured ten cities, including Cleveland, and I want to assure you that Cleveland's going to blow just as quick as anyplace else."

The president intervened to cool off the debate, asking the vice president to add his thoughts. "Louis is right," Johnson told the meeting. Martin was shocked to hear the vice president back him up so strongly. Then again, he thought, this Texan had come up under the New Deal, as he had, and knew what poverty and unemployment were all about. As the turbulent meeting ended, most of the participants agreed with Martin that something had to be done to address drastic economic needs. The president,

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Acquisition Changes Hurt Minority Firms

The Defense Department Seeks to Continue to Do Business With Minorities Despite Recent Court Rulings and Changes in Procurement Practices

by Marcia Morgan

For two decades, small and socially and economically disadvantaged companies—mostly minority-owned—have been able to count on the Department of Defense (DOD) for a considerable amount of business through a variety of programs. These programs sought to ensure that at least 5 percent of defense contracts went to these types of companies. But major changes in acquisition policy now threaten this relationship. The massive changes, known collectively at DOD as the "acquisition revolution," have come about as a result of three major factors: (1) the end of the Cold War; (2) Supreme Court decisions limiting the use of race as a factor in awarding contracts; and (3) the Clinton administration's National Performance Review, also known as "Reinventing Government."

Unlike large businesses, small and disadvantaged firms are likely to depend heavily on government contracts for survival. In fiscal year 1996, 23 percent of prime contracts went to small businesses, with 6.3 percent awarded to disadvantaged businesses. Small and disadvantaged businesses have also benefitted from DOD programs that encourage large business prime contractors to use small disadvantaged businesses as subcontractors. In FY 1996, over 40 percent of these subcontracts went to small businesses. Of that, 5.8 percent went to small disadvantaged businesses. When these subcontracts are added to the totals, the percentage of the total budget that went to disadvantaged businesses rises to 8.9 percent.

As an agency of the federal government, the Department of Defense has a responsibility to ensure equitable treatment of citizens in its procurement practices. But its concern for small business goes beyond its social conscience. These businesses constitute a significant part of the industrial base that this country depends upon for its continued security and technological innovation. Historically, many new ideas and technological advances have sprung from small firms. Further, these businesses often pick up segments of defense contracts that have become too small to be profitable for larger businesses, such as the manufacture of replacement parts for equipment. So the fate of small business is of vital concern to DOD.

A New Approach to Procurement

In 1994 the Federal Acquisition Streamlining Act (FASA) was passed to reform the acquisition process. While the changes were instituted to benefit the government bottom line, they have enormous potential impact on small and disadvantaged businesses.

One key change was the creation of a new threshold of $2,500 for small purchases. For purchases totaling less than this figure, the government encourages its employees to use the International Merchant's Purchase Authorization Card (IMPAC), which operates like a credit card. Previously, purchases in this category were required to be from small businesses. Under the new rules, this category is no longer subject to any of the small business set-asides. In fact, these purchases are no longer tracked, so it is not possible to measure the policy's impact on small businesses. However, they must now compete for business in this category with larger companies that can offer lower prices. In FY 1996, DOD used government cards for purchases totaling $1.4 billion.

Another change put the upper limit for the use of simplified acquisition procedures at $100,000. Between $2,500 and $100,000, purchases are now set aside for small businesses. This new threshold improves opportunities for small and disadvantaged businesses by increasing the size of contracts for which they can compete. However, the Federal Acquisition Computer Network was established to facilitate processing of solicitations, proposals, awards, and payments for transactions that fall in this category. This means that in order to remain competitive in conducting business with the government, small businesses must have access to the computer network that carries the transactions.

The act also encourages the purchase of off-the-shelf commercial items rather than ones conforming to the more complicated military specifications (MILSPECS). In the past, when MILSPEC items were produced under government contract in limited quantities, large contractors did not necessarily have a price advantage based on economies of scale. Now large manufacturers can offer goods sold in large quantities on the commercial market, making it nearly impossible for small businesses to compete. These commercial products have the additional advantage of name recognition. A further disadvantage to small business is that in these cases the government cannot require the use of minority subcontractors since the products are not made under government contract. Already the General Services Administration predicts that it will have more than 6,000 vendors on its 130 multiple award schedules on GSA's "Advantage!" World Wide Web home page by October 1997. This catalog service permits agencies to order items without public disclosure of their plans or decisions.

A lesser problem for small and disadvantaged businesses is the increased emphasis on past performance in the evaluation process. Since many small businesses are only a

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U.S. Army Colonel Morgan is the 1996-97 Joint Center Senior Military Fellow.

DOD Procurement

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few years old, it is difficult for them to establish track records. Under the new rules, they will have to find ways to carve out their own niche and build a reputation. Participants in the Small Business Administration (SBA) section 8 (a) program are able to establish their performance under the protective umbrella of SBA. Section 8 (a) of the Small Business Act authorizes the SBA to contract with other federal agencies as the prime contractor and subcontract work to small disadvantaged business. Unfortunately, only a limited number of minority firms are included in the 8 (a) program.

High Court Barriers

While DOD has continued to seek ways to do businesses with small and disadvantaged firms, the Supreme Court has sent a much less supportive message. In the 1995 *Adarand Constructors, Inc.*, v. *Peña* case, the Supreme Court applied the principle of strict scrutiny to federal affirmative action programs. This principle mandates that the government show a "compelling government interest" for using racial or ethnic criteria in awarding contracts. As a result, after consultation with the Justice Department, DOD suspended its small disadvantaged business set-aside program. However, DOD has continued its small disadvantaged business subcontracting program and increased its emphasis on granting awards to small disadvantaged businesses that submit bids that are within 10 percent of the lowest bid.

In April 1996, DOD announced new policies designed to facilitate awards to small disadvantaged businesses while taking into account the Supreme Court decision. These include placing greater weight on other factors for evaluating small disadvantaged businesses; considering the amount of subcontracting by prime contractors to small, small disadvantaged, and women-owned small businesses as one of the evaluation factors for awarding prime contracts; and relying more on enforceable commitments by prime contractors to use minority businesses and tracking any substitutions of other firms.

The Need for Small Business Programs

The amount of money going to small business contracts dropped from $26 billion in 1985 to $25.4 billion in 1996. But the total budget has also been declining, so the percentage of the budget going to small business actually rose during this period, from 18.7 percent to 23.2 percent. During the period, the percentages for small disadvantaged businesses rose even more dramatically, from 2.1 percent to 6.3 percent, the highest it has ever been.

Despite the fact that DOD is easily surpassing its legislated 5 percent goal for awards to small disadvantaged businesses, is there cause for concern? After a build-up of ten years, the percentage of growth is now decreasing. In particular, the drop in the small and disadvantaged business set-aside category shows the direct impact of the *Adarand* decision. This category dropped from nearly $1.2 billion to $874 million between 1995 and 1996. With the decision to end set-asides for small disadvantaged businesses, this amount should nearly disappear next year, representing a huge loss of revenue. However, to compensate, DOD has been aggressively pursuing other alternatives, such as encouraging large businesses to increase their subcontracts with small disadvantaged businesses.

Even though these minimal goals are being met, the question is still whether they are high enough to ensure that minority businesses receive a fair proportion of DOD contract dollars. In contrast to the Supreme Court's decision, the Justice Department has concluded that "racially discriminatory barriers hamper the ability of minority-owned businesses to compete with other firms on an equal footing in the nation's contracting market. In short, there is today a compelling interest to take remedial action in the federal government."

The evidence strongly suggests that without these programs, minority business will continue to fall behind. A recent study by the Washington, D.C.–based Urban Institute found that minority-owned businesses receive on average only 59 cents of every dollar of state and local expenditures that they would be expected to receive, based on their availability and capacity. In every category, minority-owned firms were underutilized by state and local governments. And as the Justice Department has pointed out, the same barriers that operate at the state and local levels exist at the federal level.

DOD has energetically pursued alternative ways to assure equity in its contracting programs and to continue its support of small and disadvantaged businesses. It has conducted a series of conferences around the country under the THRUST program to educate small business entrepreneurs and keep them abreast of changes in the Pentagon's procurement practices changes and federal technical assistance programs available to them. These include: (1) The Manufacturing Technology Program, which provides maximum dissemination of information on the latest technology for efficient and economical production of defense materials; (2) the Procurement Technical Assistance Centers located across the country, which gives advice and assistance on marketing opportunities and technical assistance; and (3) the Mentor-Protégé Program, which provides incentives for prime contractors to work with small disadvantaged businesses.

Although the acquisition revolution has generally hurt small businesses, it may also generate opportunities. As budget dollars dwindle, the Department of Defense will continue to look for functions to outsource to civilian businesses. Small and disadvantaged businesses will be strong candidates to pick up much of that business.

The Pentagon's procurement practices must be based on more than the narrow vision of cost per item. To respond to any national security challenge, DOD must be able to procure goods and services from a diverse pool of companies with a wide range of capabilities. Further, as part of the greater society, it should lead the way in ensuring equitable treatment of businesses regardless of the race or gender of their owners. ■

NEA Supports Artistic and Cultural Diversity

Congressional Conservatives' Calls to Shut Down the National Endowment for the Arts Threaten Black-Run Arts Programs Nationwide

by Mary K. Garber

Since winning a majority in Congress in 1994, GOP conservatives have targeted the National Endowment for the Arts (NEA) for extinction, backing up their argument with examples of funded projects that they consider bizarre, pornographic, or offensive on religious grounds. They charge that the agency, established under the Johnson administration in 1965, is an elitist bureaucracy and suggest that arts funding be left to the private sector. In 1995, the Republican leadership pledged to zero out the agency by 1998. As a first step toward that goal, Congress cut the agency's budget for fiscal year 1996 by a whopping 40 percent to $99.5 million and held it at the same level for 1997.

Supporters of the NEA, including most Democrats and some Senate Republicans, counter conservative arguments that the agency is precisely the opposite of elitist, that it supports a wide variety of arts programs enjoyed by Americans of every class and in communities across the country. Further, they point to the fact that the meager public dollars spent leverage much more substantial private spending.

Part of the agency's mission is to expand access to the arts to Americans of all ethnic backgrounds and in all regions of the country. Indeed, numerous black arts groups, ranging from the well-known Alvin Ailey American Dance Theater to the less famous Mosaic Youth Theatre of Detroit, depend upon NEA support to help them reach broader audiences and even to continue to operate. The abolishment of the NEA or further cuts in its funding would be detrimental to black arts organizations across the country.

Contrary to public perception, most NEA grants support mainstream organizations and groups in their promotion of traditional types of art and require the groups to put up matching funds. Organizations apply for grants in one of four thematic categories: Heritage and Preservation, Education and Access, Creation and Presentation, and Planning and Stabilization. Recipients and funded activities include symphony orchestras, ballet troupes, opera companies, dance ensembles, museum exhibits, early exposure to art among elementary school children, programs at local libraries and television, movie, and radio productions. Of NEA's grant recipients, 21 percent identified themselves as serving communities of color. Another 18 percent said they served communities of mixed ethnicity. Aside from grants to organizations, the NEA also funds Leadership Initiatives that support projects of national importance and provides considerable funds to regional, state, and local arts agencies through its partnership agreements.

Ms. Garber is a contributing editor to *FOCUS*.

This year's grants focusing on African American culture cover all art forms in programs operating in every region of the United States. Within the Heritage and Preservation category, at least 15 percent of the grants go to projects which fund African American arts, culture, or heritage as part or all of the project. For example, a $15,000 grant to the Oakland California Youth Chorus supports its efforts to preserve and record choral works by American composers of color. A grant of $125,000 supports a traveling exhibit of art from historically black colleges and universities. The Institute for African American Folk Culture was awarded $15,000 to support a series of hip-hop concerts and panel discussions in Harlem showcasing local hip-hop artists. The African American Dance Ensemble in Durham, North Carolina, will use a grant of $50,000 to add the dances and music of Zimbabwe and South Africa to its repertoire. Other grants support larger folk-art preservation efforts that include African American artists, such as a collaboration with the Alabama State Council on the Arts to produce compact discs of traditional Alabama music. While these grants may seem small, they are representative of the great majority of grants made by the NEA. Within the Heritage and Preservation category, more than three-quarters of the FY 97 grants were for amounts of $50,000 or less. For Education and Access, grants of $50,000 or less accounted for more than two-thirds of the awards.

Education and Access grants also benefit the black community by supporting black artists and outreach programs to inner-city and at-risk youth. Many grants extend access to the arts to rural communities that would otherwise not be able to support these programs. One award in this category gave $119,000 to the Artists Collective in Hartford, Connecticut, so it can offer professional training in the arts to children and adults to deepen their appreciation of the arts of the African diaspora.

With the future of the agency in question, the chairman of the National Endowment for the Arts, Jane Alexander, is concerned that many worthwhile projects that "contribute to the quality of life for the American people" are threatened. For African Americans as well as other minorities, this means that many projects are in jeopardy that preserve their artistic heritage, give inner-city and rural at-risk youth new opportunities, and allow new artists to become established. As NEA supporters have been quick to point out, the end of the agency would not mean much to well-established recipient institutions that serve affluent urban audiences, like New York City's Lincoln Center. The likely victims would be small organizations and programs that serve less affluent, often minority audiences. ■

Louis Martin

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however, did not indicate one way or the other what he thought of Martin's suggestions.

Moments after the room emptied, Martin was asked into the Oval Office, where he found the president in a huddle with his brother and the vice president. Recording what transpired there in his office journal two weeks later, Martin wrote:

> Bobby and the president told me about the request from Martin Luther King for a private meeting. Both said they wanted to send the civil rights bill to Congress before they met with King. They did not want it to appear that King had told the president what to do.

After two years of hesitating, the president had decided to go forward with the comprehensive civil rights bill he had promised. Martin attended many of the numerous meetings that followed to hammer out elements of the bill and work through the political maneuvering necessary to get it through Congress.

One of the first meetings took place at the attorney general's office on a Saturday afternoon. Martin spoke out on the need to ban discrimination immediately in the nation's hotels, restaurants, and other public places. "I was taking the lead in being sure that we keep in this bill a provision on public accommodations," he later recounted. He insistently reminded those at the meeting that "blacks being turned down at these cafes and lunch counters and all was just so provocative that, in the end, it was going to cause more and more trouble."

Martin plainly told the lawyers and others at the attorney general's office that this kind of discrimination had to be acted on by the federal government, that they could no longer leave it up to the states. He was also worried, he said, that the White House might send insufficiently strong legislation to Congress. "I was very much disturbed by these proposals that would stir up hopes of people and not get anywhere with it," he recalled.

He told the group about an Italian restaurant in Silver Spring, Maryland, that barred blacks. "I live about three blocks from that place," he told them. Referring to the restaurant's owner, he went on: "If one of my daughters got turned down there, I'd shoot him. I'm an old man, and if I feel like shooting someone or throwing a rock, what do you think about Negroes who aren't educated?" He repeated, "That's exactly the way I feel about it, and I feel it every time I pass. I feel like throwing a rock at the damn place."

When he finished, someone asked him what he could possibly mean. "Bobby looked at me," Martin recalled, "and I said, 'Listen, do you think I'm kidding? I'm telling you, that public accommodations bill has got to get in there, or we're going to have one hell of a war in this country.' "

The civil rights bill that John Kennedy soon submitted to Congress did, after all, include strong measures mandating nondiscrimination in public accommodations, in what would become Title II of the bill. Five years later Ramsey Clark, who had been a Justice Department lawyer at the time and was later appointed attorney general, wrote Martin a long letter thanking him for the pressure he had applied toward making the bill a reality:

> Your contributions to equal justice these past eight years are immense. One of my most vivid memories is of your forceful argument on a Saturday afternoon in the spring of 1963 when the first meeting to consider a civil rights bill was held in Bobby's office. Inclusion of Title II was never in doubt after that. ■

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TRENDLETTER

POLITICAL REPORT

by Marland Buckner

A New Deal Tax for D.C. Residents

For decades, residents of Washington D.C. have endured one of the nation's highest tax burdens while suffering a decline in services—deteriorating infrastructure, inadequate emergency protection, and low educational attainment among the students in its public schools. At the same time, unlike most other Americans, citizens of the District are denied voting representation in Congress. Taxation without representation and substandard government services have led to a flight to the surrounding suburban counties by the middle class, particularly the black middle class, further shrinking the District's tax base to dangerously low levels.

In response, D.C. congressional delegate Eleanor Holmes Norton has crafted a bold and controversial tax proposal, the District of Columbia Economic Recovery Act (D.C.E.R.A.), to stem taxpayer flight and put the District on the road to recovery. The plan is based on a 15 percent flat tax but maintains deductions for mortgage interest and charitable donations, along with the earned income tax credit for the working poor. A single person filing in the District would not be taxed on the first $15,000 of income. The first $25,000 for heads of household would be exempt; married couples filing jointly would not be taxed on the first $30,000. In addition, Norton's plan calls for the elimination of capital gains taxes on investments made in Washington by D.C. residents, a move designed to raise home ownership rates.

Norton's plan has received widespread support. Both the *Washington Post* and the conservative *Washington Times* endorsed D.C.E.R.A. along with a number of prominent Republicans including Senate Majority Leader Trent Lott (R-Miss.) and House Speaker Newt Gingrich (R-Ga.). But Norton's proposal has been a cause for concern. Advocates for working Americans fear that eliminating capital gains taxes and establishing a flat tax in D.C. would give similar schemes, promoted by Republicans such as former presidential hopeful Malcolm "Steve" Forbes Jr. and House Majority leader Richard Armey (Tex.), undesirable momentum and undeserved legitimacy. Norton supporters argue that the District's situation is unique. Its government cannot impose a commuter tax on nonresidents who work in the District but live in the suburbs, or collect tax revenue on the vast tracts of land occupied by federal buildings. Further, the federal payment to D.C. fails to cover costs that, for all other American cities, are provided by state or county governments. Community leaders in the District complain that the payments have not been increased by Congress to keep pace with normal increases in operating costs.

The Clinton administration has proposed a revision in the arrangement between the federal government and D.C., suggesting that in exchange for a reduction or elimination of its payment, the federal government would take over functions normally handled by states, like corrections and Medicaid. This proposal, however, has been rejected by the D.C. city council.

House Ways and Means Committee Chairman Bill Archer (R-Tex.) announced that House Republicans have agreed on a compromise plan that incorporates many elements of both Norton's proposal and the Clinton administration plan. While the Archer plan has a smaller price tag and is less comprehensive than Norton's proposal, the Ways and Means chief asserts that it has a much better chance of becoming law. The Archer plan for the District calls for $325 million in tax breaks targeted mostly toward the more economically depressed neighborhoods of the city.

Under the Archer plan, residents of District neighborhoods with high poverty rates would have their federal income tax rate cut from 15 percent to 10 percent for the first $24,650 of income for individuals and $41,200 for

couples. Capital gains taxes in these areas would drop from 28 percent to zero. Businesses could receive a 20 percent tax credit for some of the wages they pay to city residents as well as special tax-exempt financing. A D.C. Economic Development Corporation would be set up to administer $75 million in tax breaks to businesses to create jobs for low- and middle-income District workers. Many elements of the plan, including the Economic Development Corporation, are included in the Clinton administration plan.

To improve the Archer plan's chances for becoming law, Republican House leaders have included it in the general federal tax-cut bill.

Affirmative Action and Declining Minority Enrollment

Evidence is beginning to pour in that in two of the nation's largest public university systems there has been a dramatic decline in the number of minority students accepted for the fall term. There has been a reported 80 percent drop in admissions of black students to UCLA's law school and a similarly sharp decline at UC Berkeley's law school. At the University of Texas at Austin, black and Hispanic undergraduate enrollments have declined 20 percent from last year. The university's law school has also reported that the number of incoming black law students has plummeted from 65 last year to 10.

Last year, the Board of Regents of the University of California nullified its affirmative action policies throughout its entire system, affecting admission policies at nine campuses with enrollments last year of 166,718. The nullification applies to admissions to graduate programs beginning this fall and undergraduate admissions the following year. The action taken by California's Regents was reinforced in November by the passage of a statewide ballot initiative, Proposition 209, outlawing the use of race as a factor for consideration in college admissions, public employment, and contract awards. A federal court recently upheld the initiative.

The University of Texas eliminated its minority inclusion program in response to a court order last year. In *Hopwood* v *The State of Texas*, the Federal 5th Circuit Court of Appeals ruled that the University of Texas Law School had violated the constitutional rights of applicants who were denied admission as a result of a policy that admitted some black and Hispanic applicants with lower combined college grades and Law School Admissions Test scores. The court further ruled that race could no longer be used in admissions to higher education institutions within its jurisdiction.

Many worry that these early results portend a return to racially segregated higher education. Affirmative action supporters argue that opportunities for minority students will be limited and college campuses will become less diverse without significant outreach to minorities. This is a special problem at public institutions that are supported by black and Latino taxpayers.

This assault on affirmative action takes place against a backdrop of declining minority college enrollments. In May, the American Council on Education reported that between 1994 and 1995, minority college enrollments increased only 2.9 percent, compared to 4.6 percent between 1993 and 1994. Many civil rights advocates fear that the publicity surrounding these attacks on affirmative action will further deter black and Latino would-be college applicants. Declining numbers of minority college students and the initiation of new court challenges to programs designed to include minorities nationwide indicate that the attack against affirmative action is just heating up.

Clinton, Powell, and Gore Rate High

According to the Joint Center's 1997 National Opinion Survey, President **BILL CLINTON** continues to enjoy high ratings among both African Americans and the general population. A total of 89 percent of black Americans have either "favorable" or "very favorable" feelings toward the President, compared with 60.3 percent among the mostly white general population. The survey, carried out in April, registered opinions on national leaders, race relations, politics, economic issues, and social concerns.

Among other public figures, former chairman of the Joint Chiefs of Staff **COLIN POWELL** scores positively (favorable or very favorable) among both African Americans (69.7%) and the general population (76.4%). Vice President **AL GORE** has a positive rating of 67.8 percent among blacks, but only 53.2 percent among the general population. The two men are often mentioned as likely presidential candidates in the 2000 election.

Among congressional leaders, House Speaker **NEWT GINGRICH** (R-Ga.) suffers a 32.5 percent positive rating among the general population, which plummets to 7.7 percent among African Americans. A large portion of the public (42.4 percent of blacks and 47.7 percent of the general population) has never heard of Senate Majority Leader **TRENT LOTT** (R-Miss.).

A more comprehensive summary of the survey will appear in the next issue of *FOCUS*. ■

ECONOMIC REPORT

By Margaret Simms and Malinda Lindquist

Record Economic Growth, But Why No Inflation?

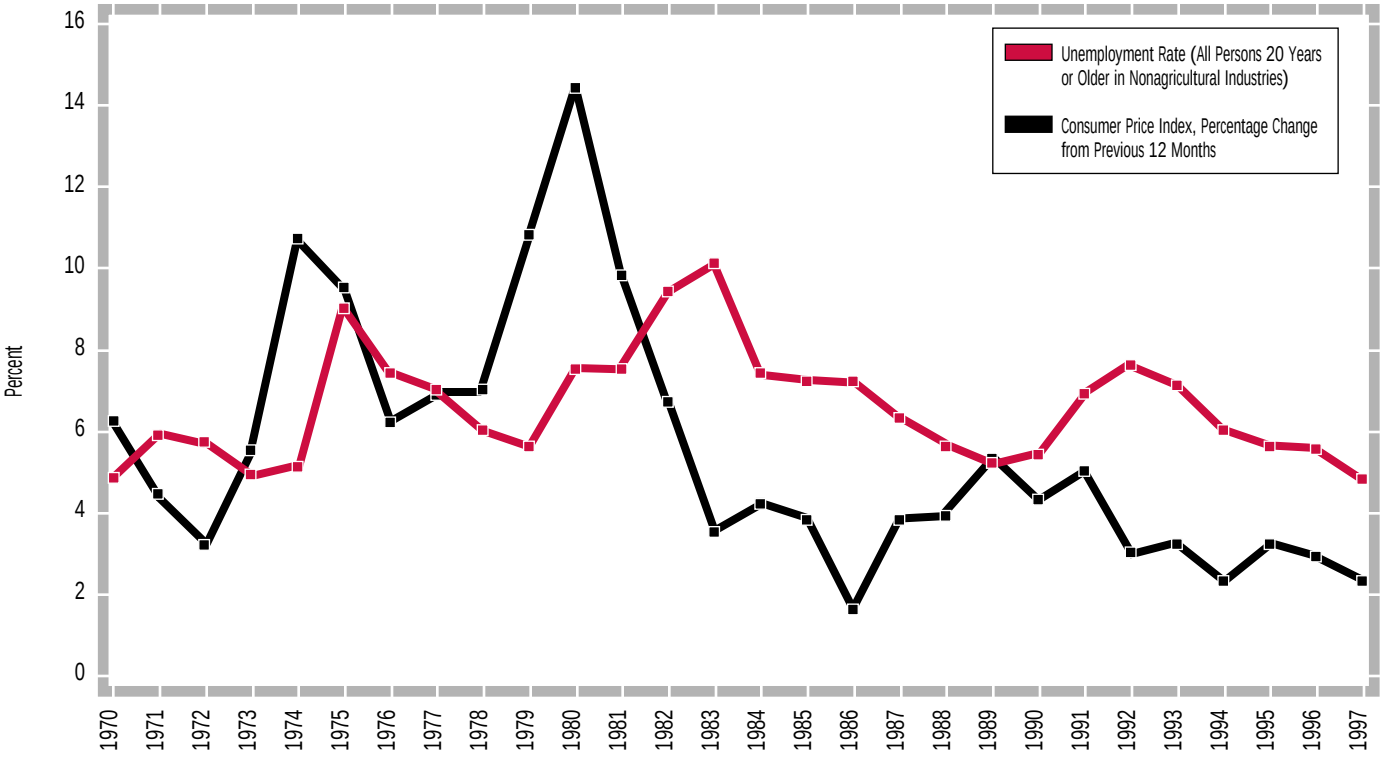
In March, **ALAN GREENSPAN**, Chair of the Board of Governors of the Federal Reserve (Fed), which serves as the central bank of the United States, announced that the Fed had decided to raise the federal funds rate (the rate at which banks can borrow from each other) by a quarter of a percentage point. Greenspan hoped the rate increase would stave off what he believed were signs of inflation. Since this initial increase in interest rates, there has been an ongoing debate about the Fed's decision, as well as continuing speculation about inflationary trends and the ripple effect on other interest rates. Even more important from the standpoint of African Americans is the negative effect that rising interest rates—and slower growth in the money supply—could have on economic growth.

As last reported (April *FOCUS*), black unemployment rates are at their lowest levels in a quarter of a century. Much of the decline in unemployment has been due to the strength of the economy. Any weakening in the economy will hurt blacks, since their unemployment rates are more than twice those of whites and they still suffer from the reality of "last hired, first fired." Given their vulnerability to an economic downturn, African Americans should be paying attention to the current discussions on possible actions to ward off inflation.

Why Was Alan Greenspan Worried?

Economic theory, conventional wisdom, and actual experience all support Greenspan's concern that the nation's rapid, uninterrupted economic growth could trigger inflation. As demand for goods and services increases, demand for labor grows, which usually creates higher wages, either through union pressure or labor shortages. Increased labor costs, in turn, tend to push prices up. Over the past three decades, the assumption among many economists and others was that these inflationary forces were triggered when the unemployment rate dropped below a certain level, referred to by some as the "natural rate of unemployment." In the 1960s that rate, known then as "full employment," was about 4 percent unemployment. But the inflationary experiences of the late

Unemployment Rate, and Percent Change in the Consumer Price Index from May 1970 to May 1997



Source: Federal Reserve and the Bureau of Labor Statistics

1960s and 1970s led to an upward adjustment of the noninflationary unemployment rate to 6 percent. The fact that unemployment has been below 6 percent for over two years has made Greenspan nervous about inflation. (Figure 1)

In spite of a record six years of uninterrupted economic growth and a surprising first quarter annualized growth rate of 5.8 percent, most indicators of inflation remain low. The three indicators usually followed by analysts are the Gross Domestic Product deflator (GDP), the Producers Price Index (PPI), and the Consumer Price Index (CPI). The only one of the three to increase in recent months has been the CPI. Known as the cost of living index, the CPI is a weighted average of the price of goods purchased by urban households. During the month of April, the overall CPI edged up slightly (0.1 percent), while the core CPI rate (which excludes food and energy prices due to their volatility) rose only 0.3 percent, primarily due to substantial increases in tobacco and apparel prices. Since inflation is a time during which general prices continue to increase over a substantial period, the relatively flat CPI indicates that we are still in non-inflationary times.

Why No Inflation Yet?

The failure of the economy to respond as expected has puzzled economists. **BARRY BLUESTONE** of the Massachusetts Institute of Technology and **STEPHEN ROSE** of the Educational Testing Service have offered one possible explanation. They have documented a growth in the portion of the workforce holding more than one job. They believe this multiple job-holding creates a slight distortion in the employment growth figures, thereby overestimating the increase in the number of persons holding jobs. Holding more than one job reflects worker insecurity, they assert, which tends to keep down demands for wage increases.

But wages have, in fact, increased. As recently reported in the *New York Times*, the wages of the lowest paid workers— a group that is disproportionately black—have increased over the past year and a half. These higher wages have attracted more people into the ranks of the labor force. Moreover, the wage increases have assisted in the economic rebound of the poorest workers (the bottom 10 percent) whose wages, adjusted for inflation, had fallen by nearly one-fifth since the mid-1970s.

Higher wages, however, do not always result in higher prices. If workers become more productive, through increases in skill level or use of better equipment, they produce more goods in the same amount of time. As a result, unit labor costs remain constant or sometimes decrease, and prices remain stable. In fact, some producers are being forced to improve worker productivity because they are unable to pass along price increases. Joint Center economic policy advisor and auto parts manufacturer **CARLTON GUTHRIE** of Trumark, Inc., has recently remarked in the *Wall Street Journal* on the squeeze his company is experiencing. With auto clients refusing to pay higher prices, Trumark, Guthrie said, "has had to do more work with fewer people."

The pressure to increase productivity and hold down wages has led to the use of some interesting strategies, particularly by Midwestern companies. These businesses have limited wage growth to between 3 percent and 4 percent each year by offering educational loans to potential employees, half of which will be forgiven if the individual chooses to work for the company for a predetermined period of time. The resulting increase in skill levels contributes to productivity since it is tied to remaining with the company. Other companies are increasing productivity by providing cross training for their workforce or paying for outside training. The end result is that employers are able to hold down prices, which benefits consumers, while workers are able to get more training, which enhances their skill levels and future employability.

Why Should African Americans Be Worried Anyway?

Since the Federal Reserve's slight increase in the federal funds rate, there have been no major signs of an economic downturn, and other interest rates have remained low by recent standards. With relatively low unemployment, modestly rising wages, and low interest rates, black households would appear to be beneficiaries of good economic policy. However, the specter of inflation has not been laid to rest by the unusual economic performance of the past year. The Fed could decide to tighten interest rates again to hold inflationary tendencies in check. The result would be especially harmful for blacks. As economist **PETER PASSELL** noted in *The New York Times* in April, even one-tenth of a percentage point increase in unemployment could result in the loss of 130,000 jobs throughout the economy. At the same time, welfare reform will be pushing more and more low-skilled workers into the paid labor force. If we slow the growth of the economy, we will ensure that many of these people never have a fighting chance. ■