Affirmative Action:

Reagan and Black Business.

By Gerald C. Horne, Esquire

The word that Donald McMeans, one of the first blacks to control a television station, is on the verge of losing it, highlights once more the perilous position of blacks in business.

McMeans is president of the Renaissance Broadcasting Corporation which owns Channel 65 in Vineland, New Jersey. Recently word leaked out that the company is unable to make interest payments on $6.45 million in loans and that the Girard Bank of Philadlephia is cracking down. The station has been on the air less than five months.

The dilemma of Renaissance Broadcasting Corporation (RBC) also involves that seemingly eternal U.S. perennial — racism. The station's problems apparently stemmed from a refusal by most cable television companies to carry its signal.

McMeans has charged that twenty cable franchises serving 417,000 of the 460,000 households in WRBC'S primary signal area had failed to make room for his station in their systems. This despite a Federal Communications Commission (FCC) requirement that all cable companies serving customers within a 35-mile radius of a local station must carry that channel.

Not surprisingly, because of the station's narrow reach, 250 retail merchants had told RBC formally that they would not advertise on the station until it was included in the area's cable system. Lack of advertising revenue is the kiss of death for virtually any media enterprise in this country.

Yet, two other new ultra-high-frequency (UHF) stations in South Jersey had no problems whatsoever in getting hooked into cable systems or getting advertising.

McMeans has an explanation for this seeming puzzle. He insists that "the bottom line. . . .has been racism. . . .why is it that no cable company will carry our signal? People would have been overwhelmingly happy to see this station in South Jersey if we were white."

RBC's problem with the bank has led to 45 staffers being terminated, which naturally has meant a cutting of such programs as news. Already financial vultures are circling overhead just waiting to pounce on the carcass of RBC.

This lamentable tale points up once again that keeping blacks as "hewers of wood and drawers of water" is a prime aim of certain forces.

The evidence abounds. The rebellion in Maimi in 1980 caused some to see the light and one result was a federal program designed to provide blacks with the skill to start businesses and to grant them loans.

Thus, 41 blacks were roped into completing classes in accounting, marketing and federal regulations, then serving a three week internship. But after all was said and done, only one measly loan was granted, though most had requested start-up capital for a business.

"After the training, they literally dumped us out in the streets," said Billy Snipes, a 32 year old photographer, who was part of this so-called "Be Your Own Boss" training program. Said Jerrilyn Bilal, mother of two children after her loan application to open a gift shop was rejected, "It has been impossible. . . .They told me my collateral was not sufficient. The whole thing is a farce."

"Farce" is the word many are applying to the Reagan Administration's entire approach to black business. Unlike Nixon, he has not even gone so far as to give lip service to the concept of "black capitalism". Yet, his Administration has assailed the section 8(a) "set-aside" program of the Small Business Administration, which gave out $10 million in government contracts to minority business in 1968 and $1 biliion in 1979. At last count, about 2,200 companies had benefitted.

The attacks on Section 8(a) too reflect the perilous fate of black business. According to William J. Kennedy III, head of the North Carolina Mutual Life Insurance Company — the nation's largest and most successful black financial institution — the coming decade will provide a grim future for blacks.

"Black financial institutions, particularly banks, will have a difficult time surviving in the next few years. Of the 41 black banks in the nation, I doubt if more than ten will be left after 1990." A key factor here will be the banking monopolies' push for federal laws that will open the doors to interstate banking.

Small black insurance companies face an equally unappealing fate. A "death knell" sounding for these businesses is not out of the question. Here too legislation is important. Many state regulatory agencies are now outlawing industrial insurance. Many small firms depend on that type of coverage to remain alive.

"They (i.e. small insurance companies) do not have the resources to make the conversion from industrial lines," according to Kennedy.

Kennedy is in a good position to survey black business. His company is second only to Motown in its gross assets, as ranked by *Black Enterprise* Magazine's 100 top black businesses. Enjoying a $5.5 billion in total sales, the insurance giant's gross profits total $73 million, as compared to Motown's $90 million. Of the country's 2,000 insurance companies, North Carolina Mutual is ranked 125.

Though Kennedy's business may be in good shape, the same cannot be said about other leading black corporations. The auto industry generally is in trouble and black auto dealerships, which reached a peak at 37 in 1972, lost two more places on *Black Enterprise's* list of top businesses; while five new dealerships made the list, seven did not reach the cutoff point of $5.2 million in revenues, and three of those seven closed within the year.

Earl G. Graves, *Black Enterprise* publisher points to access to credit as a major problem for the growth of black business.

Here too racism enters the picture, as the case of Renaissance Broadcasting amply demonstrates. While U.S. Steel, which has chalked up some of the biggest losses in economic history, has no problem lining up billions of dollars in credit to purchase Marathon Oil, black businesses, e.g. RBC, are being cracked down on daily.

Publisher Graves has predicted also that if programs, e.g. Section 8(a), are abolished, "it would raise havoc" with the balance sheets of about ten per cent of the companies listed in this survey. The energy companies, e.g. Wallace and Wallace Enterprises — number two behind Motown — have benefitted from such programs.

This would have ripple effect in the black community at large. The top 100 black companies and black-owned financial institutions employ an estimated 25,000 blacks — which is only three-tenths of 1% of the total number of working blacks — but their impact is much greater than the numbers would suggest.

Many of these companies place contracts with smaller black businesses; many contribute to black charities and colleges. If they sink, for better or worse, many blacks will sink with them.

All of this apparently has not dawned on President Reagan. His admission at a recent press conference that he had not even heard of the *Weber* decision on affirmative action, revealed for all to see his cavalier lack of regard for black affairs.

His proposed rules on affirmative action requirements for government contractors would be a disaster for both black businesses and workers.

This is why many black leaders have called for a massive letter-writing campaign to be launched, demanding that the White House strengthen — not weaken — affirmative action requirements and "set-asides".

If such a mass protest does not ensue then the presently depressed black economy should be expected to plummet even further.

Business In The Black

Utilities Undervalued for Retirement

Dividends From Tax Law

By Charles E. Belle

Never look a gift horse in the mouth, he might bite you! A word to the wise should be sufficient, say smarter folk than me. The U.S. Congress has already got it through its mind and body for that matter, to make investing in electric utilities common stock a success.

Such be the faith of life. Don't knock it, grab it if you can, by socking away some savings under the government's gift saving plan for utilifies common stock.

President Ronald Reagan belives that profit is not a dirty word. The Economic Recovery Tax Act of 1981, sponsored by him and his administration makes the same statement.

If you have not decided to fight them, here, for the third time, are some strategies and ideas to deal with them profitably for a few years.

There are Ten Commandments of the Economic Recovery Tax Act of 1981 which if followed after consultation with an accountant or attorney familiar with the tax law should guide you through the remainder of President Reagan's term of office.

First, defer income into future years.

Second, accelerate deductions into earlier years.

Third, avoid short-term gains in 1981.

Fourth, buy fully-taxable dividend public utility company common stocks and reinvest their stock dividend back into the company common stock.

Fifth, 1981 is the year to swap municipal bonds.

Sixth, discount bonds, those selling below their face value, have become much more attractive from high-grade corporate bonds to low-grade corporate bonds.

Seventh, review and reassess tax-exempt versus taxable investments.

Eighth, tax shelters generating large write-offs in 1981 are particularly attractive.

Ninth, the new capital gains rate is extremely favorable for the stock market.

Tenth, Individual Retirement Accounts (IRA's) are for everyone.

And everyone who plans on putting any money in an investment should seriously consider the Fourth Commandment of the Economic Recovery Act of 1981.

Namely, buy fully-taxable divident public utility company common stocks and reinvest their stock dividends back into the company common stock.

Starting in 1982, individuals may exclude from their federal incomes $750 ($1500 on a joint return) of stock dividends received from U.S. public utilities companies even though they have the option of receiving the dividend in cash.

There is an exclusion of $750 ($1500 for joint returns) for stock dividends that are reinvested in newly issued common stock shares. The amount of these dividends (up to the permissable limits, of course) will be a reduction of the cost basis of the purchased stock, which naturally will result in a capital gains tax on the reinvested dividends when you finally get around to selling the stock.

What happened was that you converted what would have been ordinary income (the dividends) which could be taxed a high as fifty per cent in 1982, to the lower maximum tax of twenty per cent, if the stock is held for twelve months. A neat trick that could make you up to $450 tax free without half trying.

Urban Zones

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property values are low, property acquisitions prior to or during the early stages can be detrimental to the economic interests of blacks, without more safeguards to prevent exploitation by speculators.

Needless to say, if the nation's black leadership does not move quickly to protect black concerns in the final form of enterprise zone plans, this landmark program might well be another "black removal" program similar to the old urban renewal schemes which wiped out entire black communities and decimated black business districts.

Let's hope that those enlightened black organizations who have already endorsed enterprise zones will act promptly to prevent injustices of the past from being repeated against blacks this time around.