

Community Economic Development: It's Origins and Philosophy

By B. Kwaku Duren

B. Kwaku Duren is a founding member of the California Community Economic Development Association, founder and Executive Director of Community Services Unlimited Inc. and a founder and organizer of the Community Economic Development Unit of the Legal Aid Foundation of LA.

tradition, but most tended to separate political advocacy from development functions.

As CDC practitioners gained experience in development activities, and because the "civil unrest" of the mid-1960s made the country painfully aware of the shameful conditions in its urban areas, the conviction grew that something more had to be done. Local leaders felt that the "economic problems" in the ghettos

had to be addressed, and national leaders wanted to "quell" the riots. During the late 50s and early 60s, the Civil Rights Movement had also begun to demand "economic justice" for America's poorest, and as a result the U.S. Congress passed the *Economic Opportunities Act of 1964*. This was followed by the creation of the Office of Economic Opportunity (OEO).

Gradually the idea emerged of building a "community-based" institution, independent of government, which could bring the resources of the white business establishment to bear on the problems of the Black Ghetto. It would be a direct attempt to improve the neighborhoods by creating an economic institution that could make significant neighborhood investments, planned and directed by local residents. This was born the Bedford Stuyvesant Restoration Corporation (and its companion vehicle, the Development and Services Corporation, which would serve as a pipeline to the resources of the business establishment). To fund this new organization, senators Kennedy and Javits sponsored a national *Special Impact Program* as an amendment to the 1966 congressional renewal of the Equal Opportunity Act.

"Re-building our impoverished communities will require a substantial investment of capital and human resources."



The conceptual roots of "community-based economic development" (CED) emerged in a relatively hostile environment dominated by the private, market-driven, American capitalist economic system. Thus there was, and continues to be, very little or no political consensus to support the expansion of CED as a viable alternative economic activity.

Understandably, the first traces of the Modern CED Movement came into existence in low-income, "poor" communities of color - most notably in poorer African-American communities. Although "cooperatives" of all kinds, and publicly chartered "development corporations," have had a long history in the United States, there are many writer-historians who trace the "philosophical" roots of "community-based development corporations" to the post-Reconstruction efforts of Booker T. Washington and Marcus Garvey. The efforts of these men focused primarily on "improving the quality of life" within the "segregated" African-American communities; they placed much emphasis on development of business and/or trade skills and the establishment of various business enterprises. These private "self-help" efforts rarely achieved any degree of success in poor communities, and by the time of the Great Depression of the 1930s had all but ceased to exist.

The predominant model for the current concept of how to do community-based economic development has been the "community development corporation" (CDC). CDCs have been a particularly important experiment because they combined three critical elements: the principle of local control, a mandate to address the overall economic development of their areas; and the targeting of the poorest neighborhoods and regions. From their very inception in the 1950s and 60s, CDCs represented a vision of how to make an economic difference for poor and minority people in a given neighborhood area. CDCs have been funded through both private and federal sources. CED practitioners and activists have drawn many of their ideas about how to approach economic development from CDCs.

In the late 50s Paul Ylvisaker, working for the Ford Foundation at the time, was one of those who saw what federally-sponsored "urban renewal programs" were doing to Black inner-city residents. He proposed to the Ford Foundation that a Gray Areas Program was needed to serve the needs of inner-city residents, and that it should be operated with "private" money, outside of government. He saw the Gray Areas Program as an "incubator" in which creative people could experiment with human services programs for poor neighborhoods. Organizations were established in Boston, Philadelphia, Pittsburgh, Oakland, North Carolina, New Haven, and New York, among other places. They varied widely in design and effectiveness, but did indeed serve as a testing ground for innovation. Although Gray Areas Programs visibly demonstrated to policy-makers the potency of independent, private organizations working with City Hall to respond to the problems of ghetto residents, they were not seen as "economic development" efforts.

By the mid-60s, however, a number of community organizations around the country, primarily in Black neighborhoods, began to establish "development programs." They included the Hough Area Development Corporations in Cleveland, Ohio; Fighton in Rochester; Reverend Leon Sullivan's Zion Investment Associates in Philadelphia; the Woodlawn Organization in Chicago; and Ted Watkin's Watts Labor Community Action Committee in Los Angeles. Some of these organizations grew out of an organizing or political advocacy

tradition, but most tended to separate political advocacy from development functions.

Gradually the idea emerged of building a "community-based" institution, independent of government, which could bring the resources of the white business establishment to bear on the problems of the Black Ghetto. It would be a direct attempt to improve the neighborhoods by creating an economic institution that could make significant neighborhood investments, planned and directed by local residents. This was born the Bedford Stuyvesant Restoration Corporation (and its companion vehicle, the Development and Services Corporation, which would serve as a pipeline to the resources of the business establishment). To fund this new organization, senators Kennedy and Javits sponsored a national *Special Impact Program* as an amendment to the 1966 congressional renewal of the Equal Opportunity Act.

In 1969 the OEO staff who administered the *Special Impact Program* also began a modest effort to support community development corporations throughout the country. The goal was to build a politically and economically powerful "neighborhood institution" accountable to local residents. Both the Ford Foundation and the OEO Staff saw the CDC primarily as an "investment" vehicle, and both believed that any political initiatives should be the responsibility of other organizations in the community.

In retrospect it appears that many CDCs were too quick to narrow their focus simply to "investing"; they sought only to be evaluated by their success in creating jobs and brick-and-mortar projects. Several factors combined to inhibit creativity and reduce the tendency of CDCs to seek fundamental changes in mainstream economic institutions. First, the technical skills required to invest in business and real estate, and the role of an investment organization, are difficult to integrate with an "institutional change" strategy, this difference could and did lead to an organization opposing the same city or corporate officials needed as allies in development projects. Secondly, CDC programs never had strong support within the federal government, and were never funded at a level of more than \$75 million per year. This was a tiny fraction of the monies that it would take to adequately fund existing CDCs.

Therefore, as the political mood of the country grew more conservative (and President Nixon took office promoting a program of "minority capitalism"), the OEO staff de-emphasized any "institutional change" goals it might have had. In 1974 the Office of Economic Opportunity lost its independence and became part of the Community Services Administration (CSA). Many of the CDCs were then funded under Title VII (CSA companion legislation) and received ongoing "operational capital" to engage in CED activities, but efforts to effect institutional change became less and less a "priority."

The idea for a "minority entrepreneurship program" began as a national policy in the early 70s, with then President Nixon's proclamation of the merits of "Black Capitalism" as the new solution to the economic plight of America's low-income and minority communities. Taking its lead from the Nixon Administration, the federal government chose to initiate the "new" and less politically controversial economic development strategy based on expanding the

base of "Black Capitalism" through small business development. The end of the 1970s dramatically reinforced this conservatized trend as the "primary engine" of job generation.

President Nixon's prime concern was the political potential of "independently funded" community-based organizations (CBOs), including CDCs, who were often at odds with both local and state governments. To be sure, minority entrepreneurs eagerly sought to form "small business investment companies" or "MESBICS", but few were successful due to the lack of long-term working capital and on-going technical assistance. To the dismay of many fiscal conservatives like Nixon, no minority-owned enterprise was able to compete with any of the Fortune 500s. Many failed, and of the survivors, most remained relatively small "family-oriented businesses."

Also, during the middle 70s, a national debate ensued concerning the relative merits of a "cooperative" economic revitalization strategy (such as CED) versus an "individual business strategy" (such as "minority entrepreneurship"). As mentioned above, there was little or no political consensus to support the concept of CED. In fact, community-based economic development was often viewed as too "socialistic" and too "unrealistic" in view of the pervasive ideology of "individual" progress within the American "free enterprise" economic system.

Then, as now, CED advocates continued to point out the fact that the private, market-driven, economy of the US is, at best, blind to the notion of equitable distribution of economic benefits and actually fosters concentration of wealth in the hands of individuals and families. For this reason it was argued that government should and must play a pivotal role in stimulating economic activity in areas characterized by economic and social deterioration and where the poorest of the population resided. It was also argued that the idea that government should adjust how economic benefits are distributed is well integrated in the political history of the US. Threads of this idea survive today in provisions of the tax code and "new deal" social programs (social security, welfare, Medicare, government-assisted housing, farm subsidies, etc.).

Unfortunately, the reality is that the national commitment to improve conditions in urban ghettos and rural areas like Appalachia, Native American Indian Reservations, the South and the Southwest, has always been temporary and shallow. Today's CED movement attempts to bridge the gap involved in this ongoing debate by encouraging "partnerships" between both the private and public sector, individual entrepreneurs, CDCs and CBOs seeking to promote economic development throughout the entire community.

Today, CED activists and advocates understand clearly that "community-based development" is a political task, mainly because they recognize that the traditional flow of economic benefits must be fundamentally transformed in order for these benefits to reach minority and poorer communities. More significantly, they understand that fundamental economic changes will not occur absent a grassroots and mass-based political challenge to existing national public policies on economic issues.

Research of CDCs, sponsored by the US Department of HUD, conducted by the Urban Institute in 1983, revealed that in many instances, despite limited technical expertise, community-based development organizations were engaged in a diversity of development activities and had a moderately high project success rate. Furthermore, this research demonstrated that during the 60s and 70s, CBOs successfully

provided new housing construction, rehabilitated thousands of low-income housing units, created permanent jobs, and sponsored or played significant roles in initiating community-based economic development activities - from neighborhood revitalization to state legislative initiatives providing some measure of CED support through "low cost working capital" and technical assistance to Community-based Organizations (CBO's) and Community Development Corporations (CDC's) operating in low-income communities.

Today, as a direct result of the "new federalism" (established in part and popularized by the Reagan Administration) and its massive "divestment" of federal funding (and also in response to the 1992 massive "civil unrest" in Los Angeles, many minority and poor community advocates have developed a newly found interest in CED. Their primary objective is often to develop local (and state assisted) revenue-generating enterprises to compensate for the loss of federal funding. After having consolidated a base of support in their communities through various advocacy methods, CDC's and CBO's are getting a better hearing from local governments when they suggest that the economic revitalization of poorer communities might well be synonymous with "good public policy."

It is beyond debate that the "new CED movement" offers a timely mechanism to address the immediate economic problems of minority youth, AFDC recipients, public housing residents, seniors, the unemployed, and other citizens who have been traditionally excluded from the benefits of economic activity. Because CED is based on a "social purpose" it contributes a more humanistic perspective to economic development issues. CED is not predicated on the supply-side/ demand-side arguments of macro-economic policy planners and professionals; it actually transcends such arguments and asks simply: What works best for minorities and the poor in terms of consumers becoming producers, users becoming providers, workers (sometimes) becoming owners; and how can the massive outflow of "profits" and "capital" from poor communities be retained and leveraged for the benefit of the poor community as a whole?

In order to assist low-income neighborhoods in becoming productive actors in the economic process rather than passive consumers, CED argues for "decentralization" of economic planning and activities. Through neighborhood and community-based development organizations, CED offers an institutionalized mechanism for planning and implementing economic decisions affecting minorities and the poor.

Over the past forty years this "new community-based economic development (CED) movement" has grown phenomenally throughout the United States. Responding to the decreasing role of federal financing for local community development needs, coupled with



Members of the Southern California Coalition for Responsive Philanthropy in 1996: Left to Right: Curmin Price, former Inglewood City Councilman; Bea Stotzer, Pres. of the New Economics for Women Corp.; Shirley Quarmyne, Pres. Que-Up, Inc.; Bill Watanabi, Exec. Dir., Little Tokyo Service Center; B. Kwaku Duren, Exec. Dir., Community Services Unlimited, Inc.

increasing levels of unemployment throughout the population, growing numbers of homeless, and a general increase in the incidence of poverty in poorer communities, advocates and activists for CED have organized local, state and national associations to challenge existing barriers for developing low-income housing, promoting "cooperative small business development" opportunities, and increasing the quality and quantity of delivery of social services to poorer communities. One such statewide association exists in the State of California, the California Community Economic Development Association (CCEDA).

Overall, the CED Movement has been able to improve neighborhood infrastructure, housing, and services, but has seldom been effective in making the economy of a city work better for poor people. Thus, clearly there is a need for "political" based organizations to come together in "political coalitions" so as to affect the necessary, fundamental changes in the economic priorities and policies of government. Economic development is a political task because the normal flow of economic benefits must be changed to reach low-income and unemployed people. It follows, therefore, that if a project does not contribute to fundamental "institutional change" in either the public or

private sectors, then it is likely to function more as a "symbolic gesture" than as a tangible contribution to development.

Now it is possible to look back and see that the practical effect of doing development projects without a political component is to limit the potential of CDC's and CBO's to cause the kind of "institutional changes" needed in order to carry out "community economic development" on a significant scale.

Ultimately, the idea of "CED" cannot be realized absent a significant infusion of "capital" into poor communities. Thus, ideally, coalitions of CDC's must formulate political strategies that are integrated with investment oriented projects with the goal of achieving tangible short-term results as well as incremental change in the mainstream economy of the area. Because the federal government has greatly diminished its financial commitment to low-income CDC's, the extent to which new and expanded opportunities for CED organizations are created will depend on whether local and state governments can be convinced to generate, legislatively, significant additional resources to assist in formulating a comprehensive plan to support community-based economic development.

Community Services Unlimited Inc.

Community Services Unlimited (CSU) Inc. was set up 20 years ago as the non-profit arm of the Southern California Chapter of the Black Panther Party. Over the years it has continued to provide tax-exempt services to various community-based organizations (e.g., CAPA, Police Watch, and the Community in Support of the Gang Truce). CSU also provides non-profit status to the NPVM's community programs. Two of these are our **Computer Literacy and Medical Screening Programs.**

To continue, improve and expand the free services provided by these programs, we need **your** help. Please send tax-exempt financial contributions by check or money order to the address on the back page. We are also in need of all types of educational equipment, including quality hardware, software and technician skills. If you are based in the Los Angeles area and have computer or other professional skills which you are willing to pass on to others

call (323) 296-4383
or E-Mail lapanthur@AOL.com

**Serving the People
Body and Soul!**

THE CSU PRISON LITIGATION FUND NEEDS YOUR DONATIONS AND SUPPORT

Dear NPVM,

Please help us. Most of us never had violence on our record. Many of us have lost our families, friends, jobs and homes over very petty non-violent crimes. We need prevention, not detention. We need rehabilitation not detention. We're people who committed minor crimes with LIFE sentences, away from our loving/hurting children and families. Please do what's right. Thank you!

Mike B. - Possession of 0.01 Grams
George Lane - R.S.P. 30 dollars jewelry
Mark W. - Walk away Min. Security
Dale - Reckless driving
Ed - Shoplifting a blanket
Hector - Auto Theft
John - Dumpster diving
David D. - Failure to Appear!
Please help us!

The NPVM's Prison Correspondence Program receives literally dozens of letters a month from prisons across the USA desperately seeking legal assistance related to the conditions of imprisonment, including blatant and persistent denials of civil and constitutional rights. We are planning to establish a Prison Litigation Fund which will be used to provide legal assistance in response to specific requests.

Send donations to:
CSU/Prison Litigation Fund
P.O. Box 3161
Compton, Ca. 90223

