THE CHANGING TIMES: UNDERSTANDING COMMUNITY ECONOMIC DEVELOPMENT FOR THE 90's

BY

MARCIA NOZICK

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Abstract

Community economic development has become a topic of special interest for city planning in a post-industrial society. The thesis explores the background, theory and current practice of community economic development with the aim of making this information more accessible, and hopefully influential, to city planners. The work is placed within the context of a societal paradigm shift in values and economics.

The history of CED is grounded in E.F. Schumacher's *Small is Beautiful* and the U.N study *Another Development.* This history, along with the contemporary literature, has led the author to identify five principles of CED. They are self-reliance, sustainability, human needs, self-management, and endogenous development. The substance of these principles is developed at length. The principles are illustrated through a separate examination of the practice of CED citing many specific examples. The practice section is a sort of workbook containing "how-to" material plus many concrete examples of CED under the organizational categories of small private businesses, cooperatives, community businesses, and ethical and ecological enterprises.

Finally the question of how community economic development relates to city planning is addressed. It is found that CED fits in with the current planning ideas of social learning and social mobilization; however, the general approach of CED does rub against certain long held traditions of planning. Hence there are some sticky questions still to be faced such as can planners overcome their land-use and growth fetishes?

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CONTENTS

What is Community Economic Development ?

"Community economic development is the process by which local people act collectively to improve their economic situation. It rests on the assumption that the development is not solely a matter for governments or private enterprise but is a matter for common concern and action by local people."

-Roger Clarke, *Our Own Resources*

"Community Economic Development is concerned with fostering the social, economic, and environmental well being of communities and regions through initiatives taken by citizens in collaboration with their governments, that strengthen local decision making and self-reliance, cooperative endeavor, and broad participation in community affairs."

-Spark Newsletter, B.C.

"Any community group that decides to organize and run its own project... rather than being dependent on the decisions of government bodies or large corporations. ...They use their own resources to develop a core of self-regulating funds. ...Community economic development projects, like private enterprise, use the "market place" as a source of revenue. They also use public money from government programmes as "seed money" - or for research and training purposes. However, unlike private enterprise or public programmes, c.e.d. projects organize themselves around the social, economic, and cultural problems of their respective communities."

Susan Wismar and David Pell, *Community Profit : Community-Based Economic Development in Canada.*

"CED is a new approach to economics from the viewpoint of local resources meeting local needs. The philosophy is that small, locally owned and managed businesses can create and sustain a healthy self-reliant economy. It speaks of recycling wealth within a community to get the greatest value out of each dollar. It speaks of social goals and choice for communities to decide what kind of development they want and for what purpose."

-Marcia Nozick, "Women Embrace their Own Development", *City Magazine*

Community economic development is the process by which local people take responsibility for the development of their own community, its people and its economy. They do this in a whole variety of different ways, ranging from setting up new companies and co-operatives to create new jobs and helping local people to start their own businesses, to drawing existing businesses together in new ways so that they can support each other and drawing local people together to think about the future of their own community."

Guy Dauncey

Community economic development is defined by the following principles:

- *an integrated approach to development, which encompasses social, cultural, and economic goals within the same organization;*
- *a not-for-profit status for CED organizations;*
- *a belief in the capacity of people to manage their own affairs;*
- *community control over the development process;*
- *democratic processes in internal decision-making and community mobilization;*
- *innovative development activities, which redefine social and economic problems and work toward alternative solutions;*
- *a broad definition of work, including paid employment, volunteering, subsistence activities, and work associated with the "household" or informal economy;*
- *community self-reliance;*
- *self-financing of operating and program development costs; and*
- *wise use of local resources, especially renewable resources.*

Wes Shera, "Community-based Economic Development", *After Bennett; a New Politics for British Columbia*

INTRODUCTION:
A READER'S GUIDE TO THE THESIS

The following paper was written as a master's thesis in city planning. The topic, "community economic development," attracted my interest because it presented an *alternative* holistic approach to traditional planning and economic development — one that fitted with my own personal/political values and beliefs. As I pursued the subject further, I discovered that community economic development, in a manner true to holism, could not be classified or pigeon holed by one discipline — be it planning, economics, or politics — but rather had to be understood as part of a wider pattern of alternative ideas cutting across all disciplines and emerging in response to a deepening world crisis in poverty, ecological destruction and alienation in industrialized society.

What finally evolved is a rather unconventional but colorful weaving of various strands of subject materials related to community economic development including an exploration into paradigm shift, global and local economic forces, the meaning of community, alienation of humans from nature, the impact of industrial development, human needs, self-reliance, sustainability, primitive and modern cultures, the philosophy of social ecology, E. F. Schumacher's life and ideas, and examples of community economic development in practice. Perspectives stretch from the general to the specific, the concrete to the visionary, the historic to current day, the personal to the political, and theory to practice.

Because of the holistic, expansive nature of the subject, it was necessary to develop a coherent framework or outline for discussion that would give form and boundaries to the sometimes slippery ideas. Thus, the thesis is divided into six chapters beginning with a general discussion of the changing times (Chapter 1 and 2) progressing through a discussion of the roots of community economic development (Chapter 3) and the principles (Chapter 4), to a

description of the current practice of community economic development with particular examples (Chapter 5). In otherwords, the inquiry moves from the most general to the most particular within a set framework for discussion. The last chapter, "CED and Planning," is intended to bring the wide ranging discussion of community economic development into the more specific focus of planning thought and explore the implications of this community-based approach to development for planners.

In helping to guide the reader through the thesis certain pieces of background information may be useful to keep in mind. Below are the answers to some pertinant questions on the thesis topic and the study approach:

1. What is community economic development and its general orientation?

Answer: Community economic development (CED) is an alternative, decentralized, small-scale approach to economic development that consciously attempts to integrate social, cultural and ecological concerns, as well as economic, into its organizational structures, processes, and goals. The orientation is toward self-help, democratic processes, ecologically sound development, and community empowerment. Examples include such things as small local businesses, non-profit enterprises, worker co-ops, community development corporations and experiments in appropriate technology.

2. Are there any underlying assumptions in the thesis?

Answer: Yes. The main assumption is that an alternative approach to economic development is necessary because traditional structures, private and public, are no longer adequate to solve the problems of unemployment, environmental destruction, and alienation in the world today. In fact, the hierarchical institutions of industrial society have become part of the problem itself and one of the assumptions of the thesis is that a complete break from past structures is needed — a new paradigm to replace the old patterns of perception — if we are to restore the world back to a state of psychic and ecological health and balance. As Alvin Toffler put it, "The most urgent

problems of the world — food, energy, arms control, population, poverty, resources, ecology, climate, the problems of the aged, the breakdown of urban community, the need for productive, rewarding work — can no longer be resolved within the framework of the industrial order."[1]

3. Why is this a city planning thesis?

Answer: This is a city planning thesis because planning legislation calls for the inclusion of physical, social, environmental, and economic conditions to be taken into account in planning. In addition, its regular appearance as a topic for discussion at planning conferences since the mid-80's, shows an interest by the profession in exploring community economic development as a new field of study. (It was a main stage focus at the Canadian Institute of Planners Conference in Sudbury, 1985). As well, it is now being taught as part of the planning school curriculum at the University of British Columbia.

Why the special interest by planners? Aside from the obvious interest on the part of social planners, advocacy planners, neighborhood planners and community activists working at the community level, community economic development has an important message for traditional land-use planners who are creatures of the development process. That message is that a decentralized, environmentally safe, community-based approach to development may help reduce the negative effects and increase the positive benefits of development to a community.

4. What is the purpose, style, and structure of the thesis?

Answer: The purpose of the thesis is to bring together the ideas, experiences and literature of an emerging alternative economic approach to community development. These matters are now quite scattered and to bring them together will give a greater coherence and strength to the praxis. The thesis does four things:

1. It provides a background to community economic development in the context of post-industrial societal change and the influences of Schumacher's "new economics";

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[1]Alvin Toffler, *The Third Wave,* (Bantam: New York, 1980), p. 17.

2. It identifies the guiding principles for a community approach to development;

3. It explores various applications of community economic development in practice; and

4. It looks at the implications of community economic development for planning. The thesis is written in the style of a general inquiry or synthesis of ideas rather than as a hypothesis or argument to be proved or disproved. In the end, if the thesis helps to name and describe a new paradigm for planning and economic development, if it sheds light on new opportunities and processes for community building, if it brings together in a meaningful way the literature on alternative community-based economics, social transformation and community empowerment, it will have achieved its purpose.

The structure of the thesis has already been described. There are six chapters. Chapters 1 and 2 set the context for CED by looking at shifting social and economic trends emerging in response to a global ecological and economic crisis brought on by the forces of industrial growth. Chapter 3 examines the roots and emergence of CED as an approach to third world development and traces its transfer to the industrialized world. Chapter 4 identifies and explores the meaning of five principles of community economic development: 1. self-reliance, 2. sustainability, 3. human needs, 4. community empowerment, 5. endogenous development. Chapter 5 describes case examples and organizational models to implement CED. And finally, Chapter 6 examines the relationship of CED to planning.

Chapter One

The Stirrings of a Paradigm Shift: a Context for Community Economic Development

In 1968, Thomas Kuhn published a landmark book entitled *The Structure of Scientific Revolutions* — a philosophical inquiry into the advancement of knowledge in science. He argued that every period in history is underpinned by a perceptual model or deep underlying thought pattern which he called a "paradigm" from the Greek word meaning "pattern." Scientific progress, for the most part, advances incrementally along a path directed and shaped by the established paradigm, whose values and assumptions are accepted as "truth" and incorporated into a system of societal beliefs. Examples of paradigms would include the pre-Copernican perception of the earth as the centre of the universe around which the sun revolved or Newtonian physics which perceived motion and matter as predictable mechanical forces governed by the universal laws of gravity. In time, both belief systems were superceded by new paradigm models, i.e., the earth revolves around the sun and Einstein's discovery of the theory of relativity.

Kuhn refers to the periodic emergence of new paradigms in history as scientific "revolutions" because, rather than building on previous knowledge, they pose a complete break or shift in perception from the *status quo* beliefs held by the general scientific community. In order for new paradigms to gain acceptance, old perceptions must be let go. Inevitably, new paradigms meet with resistance. Galileo was discredited, banned and arrested by the state for his revolutionary teachings of Copernicus's theories before society could adjust to the idea of the sun, not the earth, as centre of the solar system.

Old paradigms begin to lose their hold as a reference for explaining reality when, in Kuhn's words, "violations of expectation attract the increasing attention of the ....community", that is, when anomalies can no longer be made to conform and the model fails to predict with any validity.[1] Persistent anomalies in the system evoke a state of crisis out of which new paradigms emerge. The process of transforming social consciousness from one paradigm to another Kuhn describes as a "paradigm shift" which usually occurs over a generation or more. The shift begins with the introduction of a new concept that seems to spring from an unconscious creative source outside the established system of beliefs. Initially, the ideas are met with mockery and disbelief but gradually gain a popular acceptance *outside the status quo* and, only much later after great resistance, by the general scientific community.

Since publication of Kuhn's *The Structure of Scientific Revolutions,* the concept of "paradigm shift"' has been popularized and adapted to fit a broader analysis of the transformations occurring on all levels of society, including politics, culture, health, economics, science, technology, and city planning. These new patterns of perception are gaining popularity outside the established system — outside the universities, bureaucracies, corporations and professions — in what is sometimes referred to as an "alternatives" or "citizens" movement. For example, there is a group of people who gather each year alongside the World Economic Summit to discuss what **isn't** being discussed by the world's leaders — alternative solutions to the destructive effects of industrial economic development on the natural environment, threat to world peace, world poverty and increasing Third World debt. This group of concerned citizens and economists call themselves "The Other Economic Summit" and their theme is the "new" or "alternative" economics.

The following thesis on community economic development draws upon many of the ideas expressed in the literature on "alternative economics" urging a shift from a system of global dependency on large scale development and

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[1]Thomas Kuhn, *The Structure of Scientific Revolutions,* (University of Chicago: 1970), pp. vii - ix.

international free trade toward a decentralized system of local self-reliance and small scale development among communities. But the "new economics" of which community economic development is a part can itself only be fully understood within a wider context of changes taking place in the deeper structures and processes of society — in the changing nature of work and technology, in the changing consciousness, ethics and perceptions of our age, and in the changing patterns in social relationships that shape our understanding of "community".

Therefore, in order to give a broad philosophical, social and economic context to the ideas of community economic development, the first two chapters of the thesis are devoted to a general overview of the transformations or paradigm shift occurring in society today — from a socio/cultural perspective in Chapter 1 followed by a global vs local economic perspective in Chapter 2.

A Social/Cultural Perspective of the Paradigm Shift

"The centre cannot hold."
- W.B. Yeats

"Something is happening and we don't know what it is", wrote Bob Dylan. What we do know is that the old traditions are not holding as they used to. Traditional family structures — mother stays at home and looks after children, father goes to work and brings home money — are more and more the exception, while two income families, single parent families, children in daycare, unemployment, and mixed family households are becoming more and more the norm. We cannot even agree anymore on such basics as the definition of a mother, as demonstrated by the raging debate over surrogate motherhood and its legitimation by the courts. Is a mother the woman who supplies the egg, the woman who supplies the womb, or the woman who brings up the child? Or perhaps, as Marge Piercy suggests in her futuristic novel *Woman On the Edge of Time,* a mother need not be a woman at all.

We are living in disturbed times, times of crisis. Wealth abounds like never before (look at our shopping malls, the cars we drive, the consumer ads); at the same time it is conservatively estimated that 4.1 million Canadians (i.e., one in six), are living below the poverty line.[2] Stagflation — a contradiction in terms used to describe a conflicting state of permanent high unemployment and inflated prices — is a modern reality, unpredicted, uncontrolled, and unexplained by conventional economic theory. There is a hole in the ozone layer of the atmosphere that nobody knows how it got there or how it can be repaired. More and more we are asked to accept the unreasonable as reasonable, as in the recent case of the U. S. government's selling arms to Iran, an enemy country of the U.S., in exchange for hostages and large amounts of money to finance a war in Nicaragua — all against the country's own stated foreign policies. At the same time, as Margaret Lawrence succinctly pointed out, people working to promote world peace are often viewed as subversives helping out the enemy. "If peace is subversive, in God's name, what is war?"[3]

It's as if the pieces don't fit into a coherent and understandable pattern. There are too many anomalies; not enough solutions. According to Thomas Kuhn's theory of transformation what we are probably experiencing is a paradigm in crisis. Contradictions gape at us from all angles and can no longer be passed off as merely incidental — they are *endemic to the system.* The economic and political structures, rather than helping to solve our problems, seem only to compound them.

Spiritually and psychologically, this crisis manifests itself in feelings of meaninglessness, discomfort and stress. Stress is coming to be seen my many as a uniquely modern disease (dis-ease) which Fritjof Capra defines as "an imbalance of the organism in response to environmental influences."[4]

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[2]Grahem Riches, *Food Banks and the Welfare Crisis,*1986, p. 88. Information is based on1984 statistics using "low income cut-off" of Statistics Canada and accounting inter-provincial comparisons.

[3]Margret Lawrence in an interview in *Speaking Our Peace,* a National Film Board film, 1985.

[4]Capra, *Turning Point,* p. 324.

Although temporary stress is an essential part of life's adapting to new situations, persistent high levels of stress, created by excessive, accelerating and unpredictable change in the external environment, *prevents* natural adaption from happening and leads to breakdown in the system and, eventually, physical illness such as ulcers, heart disease, and cancer.[5] The irrationalities of the current industrial system create a culture of stress in which there is no period for restoration and readjustment. Instead there is a vague sense that things are not right but we're not sure why because we're doing all the "right" things — making money, getting ahead, amassing material comforts, helping to maintain the system — all the "right" things according to an old paradigm.

We need a new paradigm, not just to find solutions, but to redefine our problems. For example, in business the "problem" of "efficiency" is defined by profit. Thus, under our current paradigm, it is often more economically efficient, i.e., profitable, to waste energy than to recycle it: more economic to import products from thousands of miles away than to produce them locally, even when the resources are available. In North America "the average commuter travels twenty miles to work, the average kilowatt travels 200 miles to perform its useful work, the average food molecule travels over 1000 miles."[6] This paradox of 'waste/efficiency' has other repercussions. A by-product of wasted energy is pollution and pollution costs society dearly in terms of real dollars spent on health, clean up, and environmental reconstruction. If the problem of efficiency were redefined from an *ecological* paradigm then current practices of business would plainly be regarded as "*inefficient*".

Kuhn's theory of paradigm shift is useful in explaining many of the irrationalities we perceive in the modern world such as those described above

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[5]Capra, in *TheTurning Point,* pp. 352-58, discusses Carl and Stephanie Simontons' holistic therapy for cancer based on seeing the disease as part of the whole person and not just a physical disease. The Simonton theory is that cancer is often a result of accumulated social, psychological and spiritual stress.

[6]David Morris, "A Global Village . . . or a Globe of Villages," *City Magazine,* Vol. 9, #2, Summer 1987.

— as the result of an old paradigm breaking down under the stress of an emerging new paradigm. For example, it is argued according to an old paradigm, that to *prevent* war we must arm ourselves — outbuild the other side in our nuclear destruction capabilities as a deterrent to keep the other side from striking first. From the standpoint of self protection (old paradigm: competition) this has a kind of internal logic, but from the standpoint of preserving world peace (new paradigm: cooperation), it makes no sense to go about it by threatening world war. In this case, the "solution", building up arms, **is** the "problem" when seen from another perspective.

Similarly, the debate over surrogate motherhood appears as an absurdity. The problem, "to whom does the child belong," presupposes a model of possessive relationships based on a paradigm perception that objectifies other humans. Perhaps it is the underlying model itself that poses the problem.

According to Kuhn, old paradigms and new paradigms by necessity always conflict. Reality is perceived either one way or the other. As in Gestalt theory of perception where the hidden picture in the background suddenly leaps out as the main subject in the foreground, so new paradigms hidden within the structures of the old, are "seen" all at once in their totality, while in hindsight they are perceived to have existed all along.

Many of these "new" perceptions are finding expression today outside the established system in the alternative movement, in experiments with work, technology, community, and lifestyle. Forming in the background are new patterns of social relationships that are non-hierarchical and holistic in outlook. Perhaps the best word to describe the new paradigm is "ecology," meaning more than just a concern for the environment; rather, ecology as a philosophy and an ethics, a perceptual model underlain by social values and beliefs. An ecological paradigm sees the world as a dynamic system of *interdependent* relationships in which each part is an autonomous whole in itself, yet still a part in relation to the greater whole. In contrast, the mechanistic paradigm of industrial society sees the world in terms of static forces acting upon segregated

parts or fragments of the whole (like the zoning of cities) — each to be managed, organized, and manipulated to fit a hierarchical structure reinforced by our social institutions.

An image of a holistic, ecological paradigm rising up from the ruins to restore unity and balance to a fragmented and divided world may sound to the reader at this point as too presumptuous a theory, and one that bears no connection to community economic development, but it is hoped that as the thesis progresses a more complete picture will emerge.

The general paradigm shift is the subject of three books which are reviewed in the following section. They are Marilyn Ferguson's *The Aquarian Conspiracy,* Fritjof Capra's *The Turning Point,* and Alvin Toffler's *The Third Wave.* All three books present an overview of the changing trends and structures of society that will form a background for later discussions about the principles and practice of community economic development (Chapters 4 and 5). Each author addresses the paradigm shift from a different perspective: Ferguson from transformations in personal and social consciousness, Capra from transformations in knowledge, and Toffler from transformations in technology and social organization. Each pulls together a common theme or pattern from the emerging new structures which seem to be sprouting in the gaps of the present system, like the seedling undergrowth of an overgrown forest ready to take over when the time has come for a new order.

The Aquarian Conspiracy - by Marilyn Ferguson

The Aquarian Conspiracy, by Marilyn Furguson, looks at the paradigm shift manifesting in the changing personal consciousness of North American society in the 1980's. The title of the book, *The Aquarian Conspiracy,* refers to an anonymous popular movement conspiring *behind the scenes* to transform consciousness. The "conspiracy" (from the Greek meaning "to breathe together"), involves an intimate network of many diverse and autonomous groups toward a common but undefined vision or direction. Ferguson writes:

> This *network* is the Aquarian Conspiracy. It is a conspiracy without a political doctrine. Without a manifesto. With conspirators who seek power only to disperse it, and whose strategies are pragmatic, even scientific, but whose perspective sounds so mystical that they hesitate to discuss it. Activists asking different kinds of questions, challenging the establishment from within. Broader than reform, deeper than revolution, this benign conspiracy for a new human agenda has triggered the most rapid cultural realignment in history. The great shuddering, or irrevocable shift overtaking us is not a new political, religious, or philosophical system. **It is a new mind.**[7]

The "new mind" is ecological in its widest meaning. She writes:

> The paradigm of the Aquarian Conspiracy sees humankind embedded in nature. It promotes the autonomous individual in a decentralized society. It sees us as stewards of all our resources, inner and outer...The new perspective respects the ecology of everything: birth, death, learning, health, family, work, science, spirituality, the arts, the community, relationships, politics.[8]

The widespread use of mind altering "psycho-technologies" such as meditation, dream journals, biofeedback, self-help groups, contemporary psychotherapies like Gestalt and primal therapy, mystical study groups, ritual groups, practice of Eastern religions, and body disciplines like yoga, massage, mountain climbing, running — all contribute to this emerging personal consciousness. From this *personal* search for "spiritual wholeness" is coming a growing awareness of a larger *collective Self* that embodies both the personal and the social. The new social consciousness views all life as integrated. It explores new ways and means to bridge the separation between the individual and community (e.g. self-help groups), man and nature (e.g. nature-based religions), material and non-material (e.g. scientific research on holograms and energy patterns), body and mind (e.g. yoga, biofeedback, research into brain consciousness).

"Process" is a key concept in the new paradigm thinking:

> When life becomes a process, the old distinctions between winning and losing, success and failure, fade away... Goals and endpoints matter less... The journey is the destination.[9]

This new attitude brings with it an appreciation and trust of *intuitionover*

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[7] *The Aquarian Conspiracy*, p. 23.

[8] ibid., p. 29.

[9] ibid., p. 101.

reason. Reason loses its position of dominance in an open-ended system that is not subject to control, prediction, or fixed answers. Instead, intuitive knowledge becomes the guide, with reason as its helper.

"Networks" are the cellular tissue of the new consciousness; they are an expanding, multiplying and fusing force. It is estimated that around fifteen million Americans now "belong to networks in which people help each other deal with such diverse problems as retirement, widowhood, overweight, environmentalism, handicaps, divorce, political action." The purposes of these networks is "mutual support, empowerment, and cooperation to effect change."[10] In mass these small groups can have an enormous impact.

> Networks are the strategy by which small groups can transform an entire society. ...This is a source of power never before tapped in history; multiple self-sufficient social movements linked for a whole array of goals whose accomplishment would transform every aspect of contemporary life.[11]

Networking belongs to an ecological form of social organization that is characterized by open-endedness and flexibility, is capable of endless transformation, operating on cooperative and mutual-aid principles instead of competitive principles, and is self-organizing, self-generating, and process-oriented.

Community groups are a form of self-help. They bring people together around a common concern: either a specific issue or the general welfare of the community. They encourage the definition of community needs and help build a sense of community identity. The social and economic development of community from the grassroots is, to a great extent, dependent on the strength of its community groups. As we will see later, small groups and networking are an essential part of community economic development.

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[10]ibid., p. 218.

[11]ibid., p. 217.

The Turning Point — by Fritjof Capra

"After a time of decay comes a turning point"
- I Ching

Capra's *Turning Point* begins by looking at the major problems of our world today — nuclear power, inflation, unemployment, crime, pollution, health. He argues that these are not separate but rather interrelated problems which, viewed from a larger perspective, are really *one and the same problem.* The crisis of the world today is a **crisis of perception** — the way we see and experience the world from an old paradigm that analyses, dissects, classifies and separates out all the different aspects of a single reality. That separates mind from matter and leads, finally, to a separation between man and nature.

> The division between mind and matter led to a view of the universe as a mechanical system consisting of separate objects, which in turn were reduced to fundamental material building blocks whose properties and interactions were thought to determine all natural phenomena. This Cartesian view of nature was further extended to living organisms, which were regarded as machines constructed from separate parts.[12]

"Cartesian" refers to philosopher René Déscarte, considered by many to be the founder of modern philosophy. Déscarte's philosophy was revolutionary for its time in breaking with the perceptions of the Middle Ages. At its basis was the "belief in the certainty of scientific knowledge...and the world view derived from it...[whereby] scientific method is the only valid way of understanding the universe." But, according to Capra, "the acceptance of the Cartesian view ...has played an important role in bringing about our current cultural imbalance."[13] Déscarte's celebrated statement, "I think, therefore I am" placed rationality, above all else, at the forefront of all existence. His major contribution to science was analytic reasoning "which broke up thoughts and problems into pieces and arranged them in a logical order." The human body he compared to the inner workings of a clock.[14] "Reductionism" became the new mode of thought — the

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[12]Capra, *Turning Point,* p.40
[13]ibid. pp.57-58.
[14]ibid., p. 59.

belief that all of Nature could be reduced to a set of predictable laws, leading to the discovery of gravity and the founding of Newtonian physics.

The Cartesian paradigm, that still dominates our institutions in the twentieth century, is based on four basic beliefs:

1. scientific method as the only valid approach to knowledge;

2. the view of the universe as a mechanical system composed of elementary building blocks;

3. the view of life in society as a competitive struggle for existence,

4. the belief in unlimited material progress to be achieved through economic and technological growth.

For Capra, the crisis we are experiencing in society today is the direct result of clinging to these old models of perception and forcing old solutions onto a changing world. Because our problems are interdependent, dynamic, and seemingly paradoxical, we cannot solve them through a paradigm which deals with problems rationally, scientifically, expertly, and separately. We need a new paradigm to "see" and "experience" both the integrity and interrelatedness of the various parts to the whole — parts that have become fragmented in our minds since the time of Descartes.

Capra sees a new paradigm emerging in the recent discoveries in particle physics which show that nature "cannot be reduced to fundamental entities, like fundamental building blocks...[but can only be understood as] *interrelated energy patterns in an ongoing dynamic process*". The new physics depicts a holistic view of nature composed of systems within systems within systems in which what is being observed is:

> the interrelatedness and interdependence of all phenomena ... as an integrated whole whose properties cannot be reduced to those parts. ...organized in such a way that they form ...subsystems which are wholes in regard to their parts and parts with respect to the larger wholes. Systems are both autonomous and interdependent at the same time. In a healthy system—an individual, a society, or and ecosystem—there is a balance between integration and self-assertion. This balance is not static but consists of a dynamic interplay ..which makes the whole system flexible and open to change.[15]

[15] ibid., p. 43.

Flexibility, open-endedness, interdependence and autonomy are cornerstones of the new paradigm. Pulling together the loose threads from the many changes occurring in our social institutions and, in particular, science, Capra weaves a vision of a new paradigm on the rise — a holistic and ecological paradigm.

The message of Capra's book is that the world is at a "turning point", shifting between old and new paradigms; between crisis and transformation. Drawing upon the double meaning of the Chinese word for crisis, "wei-ji", made up of the two Chinese characters for "danger" and "opportunity", Capra implores each of us to seize the opportunities in our current crisis and turn the tide of destruction into a positive force for change. Referring to Arnold Toynbee's theory of cyclical change — that new civilizations are born out of *minority creative forces* which surface in times of social disintegration — he challenges us to envision a "new" world based on the following principles:

1. cooperative, instead of the competitive relationships;

2. a planetary awareness that recognizes our essential bondedness with the earth, as well as with other people and cultures;

3. self-organizing, self-balancing processes.

Capra brings our attention to such things as: the new emphasis on "dual economies" (informal/formal), the growing worker-participation and self-management movement, the shift from material growth to inner growth, new ideas about holistic health and healing inside the medical profession (a departure from the traditional focus on sickness), the rise of feminism (which he sees as a major force in our cultural transformation) and feminist spirituality (characterized by values of nurturing, harmony, affection, and connectedness), and the environmentalist movement as manifestations of a creative force born out of a declining culture.

For Capra, the ecological paradigm is, itself, a spiritual vision, "rooted in a perception of reality that goes beyond the scientific framework to an intuitive awareness of the oneness of all life, the interdependence of its multiple

manifestations and its cycles of change and transformation. When the concept of the human spirit is understood in this sense, as the mode of consciousness in which the individual feels connected to the cosmos as a whole, it becomes clear that ecological awareness is truly spiritual".[16]

The Third Wave — by Alvin Toffler

Toffler's *TheThird Wave* views the paradigm shift from the standpoint of transformations in technology. The clash of old and new paradigms are symbolized by the metaphor of "waves" colliding and overlapping.

Toffler sees three major waves in the history of civilization. The First Wave world was pre-industrial, dominated by an agricultural society in which "land was the basis of economy, life, culture, family structure and politics, ...[and] life was organized around the village."[17]

The Second Wave, the one that still dominates our world today, came crashing in with the Industrial Revolution. Where, previously, only renewable energy sources in the form of people, animals, trees, and windmills were used, suddenly, with the invention of the steam engine, non-renewable energy like coal, gas and oil, became the primary energy base, as it continues to be today. With mass production came the increasing need to extend distribution lines beyond local boundaries to reach new markets. Railways, roads, ships and airplanes were built to open up new hinterlands for industry. The entire world eventually became the market place for industrial society. The family, which had acted as a single working unit on the farm (work and home were integrated), became split into specialized functions. Sexual stereotypes were born. Men went to work for pay and women continued to work in the home for no pay. Men's work at the office required objectivity; women's work in the home required subjectivity. One of the major changes that occurred with the Second Wave was the separation between consumer and producer. Where in agricultural times people produced the basic necessities of life (food, shelter,

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[16] Ibid., p. 412.

[17] *The Third Wave,* p. 21.

clothing) for their own consumption, now they became dependent on the outside producers for their consumption needs.

It is important to note that the transformations that shook the world with the Second Wave were not specific to capitalism but equally cut across the communist sphere and can be seen happening today in the industrialization of Third World countries.

Toffler describes six underlying principles of the Second Wave paradigm, what he calls the "hidden code". These are:

1. standardization: includes everything from weights and measures (consider our recent change to metric), mass consumer products, pay scales, to our education system.

2. specialization: the belief that experts know best. This has led to the rise of professionalism in society and the further separation between producer and consumer for such things as health, child care, and education.

3. synchronization: Unlike on the farm where work was synchronized according to the sun and changing seasons, industrialization required labour to be synchronized to the machine, hence the 9-5 work day. Even the holidays we celebrate today have become synchronized to the demands of industry. In medieval times there was an ongoing, almost daily, celebration of local festivals known as "holy days," interspersed with occasional work. Today, the concept of "holiday" has little to do with community celebration and a lot to do with allowing "time off work", further emphasizing the separation of work and leisure in our Second Wave era.

4. concentration: The drive toward efficiencies of scale has led to the ever greater concentrations of capital in the form of large multinational corporations. In the U.S., 94% of American cars are produced by only three companies. Beer, cigarettes, breakfast foods, and aluminum are also produced by only three or four companies each

5. maximization: The maximization of growth as measured by the GNP; the maximization of profit; the maximization of scale are all "maxims" of Second

Wave society.

6. centralization: Agricultural society organized its economy around the decentralized production of goods to meet local needs. Second Wave industrialization, with its tie into national and international economies, brought in a shift to centralization of power in industry, in government, and the banking institutions.

Today, a Third Wave is beating at the foundations of our Second Wave society. Toffler presents a mass of evidence to support a shifting paradigm in the structures of family, business, energy, technology, politics, and information systems. The operating principles in the new post-industrial paradigm are flexibility, decentralization, democratization, de-massification, and networking.

Computer technology is the thrust behind many of the predicted changes in lifestyle in the post-industrial age. One major change already happening is a shift of the workplace away from offices and factories back into the home, with a "return of cottage industry on a new, higher electronic basis."[18] Another change is the de-massification of the media through the creation and proliferation of small magazines and local newspapers that can be produced on home computers. With the invention of the modern domestic satellite communities can now operate their own T.V. networks, meeting local interests.

While computers work to disperse power from a central source, they also serve to *connect* individuals and communities to each other through information networks. Consider, it is now possible for an ordinary person to become a *world* activist, not just community activist. Pat Mooney, who lives in Brandon, Manitoba, is a world activist on global environmental issues, specifically as they impact on agriculture and food production. While he travels around the world meeting with government officials, Third World agencies and representatives from the U.N., he relies on his computer to receive and/or get out information to other world activists in his field.[19]

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[18]ibid. p. 194.

[19]Pat Moony is a co- founder of the Marquis Project, a co-operative idea centre dealing with alternatives in agriculture and community living.

Other trends Toffler offered as evidence of a Third Wave are:

• "Prosumerism", meaning the reconciliation of consumer and producer forces in our separated-out society, such that more and more people are taking over production to meet their own needs, in health, economics, politics — through self-help groups, cottage industries, volunteerism and local community economic development. This is what Toffler calls the 'invisible economy'.

• the rise of "minority power" and increasing pluralism. "Majority rule, the key legitimating principle of the Second Wave era, is...increasingly obsolete." Toffler points out that attempts by the majority to suppress minority interests have only resulted in increasing tension and conflict within society in general. Today the voices of pluralism can be heard over the "mythic" silent majority, in special interest groups, splinter groups, affinity groups, and the proliferation of sub-cultures within society, each putting pressure on governments to act on diverse and contradictory issues.[20] This pressure towards diversity, Toffler contends, is healthy and ought not be stifled. Alternatively, we need to decentralize and transform our political decision-making structures to accommodate the increasing minority powers. [21]

The repeated message of Toffler's Third Wave is that a powerful force for change is lapping at the foundations of our Second Wave society resulting in a push and pull of conflicting pressures upon all areas of our lives. It is up to us. We can either ride **with** the wave — let go of old structures and mind sets and take on the challenge — or else arm ourselves against the flow and possibly drown.

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[20]Within the women's sub-culture alone there are victims of incest groups, battered wives groups, working mother's groups, stay-at-home mother's groups, lesbian groups, women's health groups, spiritual ritual groups, etc.

[21] *The Third Wave,* pgs. 422 -424.

Summary to Chapter One

The modern world is in a state of crisis. Contradictions abound, pulling us one way and another. While our political, economic, social and cultural institutions struggle to keep a lid on the burgeoning problems by reacting with old methods of problem-solving, (reverting to police brutality, escalating nuclear technology, fundamental religions), in the background a quiet but powerful transformation is taking place on the level of personal and social consciousness that is working to undermine our very structures even while they are in place. It is a revolution without a name, without a leader, where power is dispersed among the many, like the scattering of seeds. Marilyn Furguson calls it the "Aquarian Conspiracy"; Fritjof Capra calls it the "Turning Point"; and Alvin Toffler calls it the "Third Wave".

Like all revolutions in thought, the ideas are forming *outside* the system in small groups, local actions, personal awareness, new discoveries — bits and pieces of a total pattern whose emerging shape is, at best, shifting and amorphous.

As a conclusion to this chapter, it may be useful to consider some of the specific features of the emerging paradigm shift which are shaping a new economic agenda for the 1990's, of which community economic development is a part. I have laid out these features in a chart below, contrasting old and new paradigm models.[22]

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[22]It should be noted that the words "old" and "new" are useful only as labels depicting a general attitude shift in modern industrial society. In many instances, the 'new' ideas have deep historical roots from primitive cultures through the middle ages which makes them 'old' ideas (self-reliance, cooperative relationships) with a contemporary revival to match today's conditions.

OLD PARADIGM	NEW PARADIGM
-from authoritarian, centralized power	-to a decentralized form of decision making
-from competitive relationships	-to cooperative relationships
-from seeing the world in parts	-to seeing the world as an interdependent system
-from emphasis on end product	-to emphasis on process
-from institutionalized professional services	-to citizen volunteerism and self-help groups
-from power for others (care taking)	-to power with others (empowerment)
-from uniformity	-to diversity
-from hierarchical structures	-to networking structures
-from quantity of production	-to quality of production
-from limitless growth and an exploitive view of resources	-to sustainable growth and an ecological view of resources
-from consumption and waste	-to conservation and recycling
-from making people fit the job	-to tailoring jobs to fit the people
-from specialization in jobs	-to cross-fertilization
-from struggle for stability and prestige	-to willingness to take risks (entrepreneur)
-from technology as tyrant, dictating how we must live	-to technology as a tool (appropriate technology)

The general paradigm shift described above, provides a context and framework for the subsequent discussions on "new economics" (Chapters 2 and 3) and the embodiment or expression of these "alternative" economic ideas in the principles and practice of community economic development (Chapters 4 and 5).

CHAPTER TWO

Old Economics: New Economics - A Paradigm Shift

PART A: The Economic Crisis from a Global Perspective

Everywhere we read that the world is in a state of economic crisis. Third World countries are teetering on the edge of bankruptcy, threatening to renege on their debt and interest payment to banks of the industrialized world. If this happens, we, in the developed world, will feel the effects when we are made to pay for those "bad" loans. Meanwhile, people in the Third World are starving because their land, which could be used to produce food for local consumption is instead being converted into luxury export crops like coffee, tobacco, and cocaine for consumption by the already overfed industrialized world, in order to pay for the national debt.

According to Susan George, "Western private bank lending to the Third World grew at an average 25% a year between 1973 and 1981." During this period rates of interest rose from 6% (mid 1970's) to 16.5% (1981), "each 1% rise [adding] $6 billion to the LDC's [Less Developed Countries] annual debt bill." To further exacerbate the problem, the dollar more than doubled its value between 1980 and 1983. The result was that "by 1983 the trickle-down from rich to poor had become a "stream-up" from poor to rich: the transfer of resources from the developing to the developed world amounted in the year to $21 billion."[1]

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[1]Susan George, from a paper delivered to The Other Economic Summit conference, 1985 and summarized in *The Living Economy* by Paul Ekins, 1986, p. 20-25. The figures were given by Tom Clausen, President for the World Bank at a European Management Forum, Switzerland, Jan. 1984.

The debt crisis is the logical consequence of international "free-trade" policies which effectively undermine self-reliance of Third World countries and simultaneously increase their dependency on the industrialized world. Defenders of "free-trade" argue Ricardo's theory of comparative advantage — that it is in each country's interest to specialize in what it can produce at lowest cost and trade for products it lacks. The assumption here is that each country has an equal advantage.

Clearly the advantages are not equal between rich countries of the North and poor countries of the South. As Paul Singer and Bolivar Lamounier demonstrate in their detailed analysis of post-war industrialization of Brazil:

> the division of labour based on 'comparative advantage' ...between 'advanced' countries and 'backward' countries can only result in the consolidation of inequalities and the deepening of the dependence of the latter on the former.[2]

In international trade the country offering the more complex products has an unequal advantage because of what Wolfgang Sachs calls the "spin-off effects of more sophisticated production."[3] The pharmaceuticals industry, for example, with its spin-off development in research, processing, packaging and marketing, has an advantage to the country of production, over the simple export of coffee beans.

A vicious cycle ensues when underdeveloped countries buy into the international development schemes touted by well intentioned agencies like the World Bank, schemes backed by foreign aid and multi-national companies. When countries open their gates to the free flow of international capital they lose control over their economic destiny. François Partant explains:

> Underdevelopment ...is the resultant of trade between a dominant economy and a dominated economy, and it is to be seen in an impoverishment of the latter, at least as compared with the former. *An underdeveloped country is condemed by competition not to produce all that it needs.* ...As a consequence it must export ever greater amounts of its own commodities, and thus work ever harder in order to be able to purchase the same quantity of goods and seervices supplied by the industrialised country.
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> In order to overcome this impoverishment, logic demands that the technical

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[2]"Brazil: Growth Through Inequality", *Another Development: Approaches and Strategies,* The Dag Hammerskjöld Foundation; Uppsala: 1977.

[3]from a report in the *Living Economy,* p. 337.

> means that enhance the productivity of labour should be imported, on credit, even. And all third world countries, whether thay have adopted the capitalist system or the socialist system, have done precisely this. Such a policy (passing for one of development) has for a quarter of a century contributed mightily to the prosperity of the countries who did the supplying or provided the others with "aid". And in order to pay for the capital goods, the underdeveloped countries have had to increase their exports. Caught up like cogs in this meshing, they became ever more dependent on a world economy organized precisely by the industrialized countries for their own profit. Until the day came when they could no longer pay.[4]

The debt crisis is the logical consequence of pursuing a traditional economic growth strategy that subscribes to borrowing for large scale industrial development as the way to get rich. The result is that only a few have benefited while, for the majority, it has brought increased poverty.[5]

The Energy Probe Research Foundation of Canada has carried out extensive studies on the effects of foreign aid development in Third World countries. They found that as a consequence of pursuing large scale development projects entire cultures based on a subsistance way of life have been destroyed. Hydro-electric dams, one of the worst offenders world wide, have forced the mass relocation of millions of people whose traditions and cultures are tied to the land and its history. In cases where there has been resistance, armies have moved in, resulting in violence and human rights violations, (eg. The Chico River Basin Development Project in the Phillipines under Marcos had "a 700-man battalion...stationed...to reinforce a 150-man provincial force"[6]). Very often dams are built on rivers surrounded by good agricultural land which gets destroyed by the flooding. People are forced to move onto less rich soils or into the forests where they cut down the trees. With deforestation comes the loss of topsoil and the spreading of more deserts. Many people now believe that a major contributing factor to the Ethopian famine was the government's deforestation policy which resulted in destroying the

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[4]Francois Partant, "Global Economy off our Backs" printed in *Development*, #2, 1985, p. 75.

[5]see statistics on the widening gap between rich and poor in Brazil, Mexico and other countries reported in*Another Development* (1977).

[6]Adams and Solomon, *In the Name of Progress,* p. 31.

ecological balance of the land.[7]

Who benefits from large scale industrial development in the Third World? Governments (many of which are undemocratic), banks who loan money, multi-nationals that exploit the country's resources, developed nations who export their expertise and technology, and the country's rich élite who have vested interests in the developments. Large scale development projects are locked into an international trading strategy that benefits the rich. It is significant that in Tanzania people in the rural areas are better off when the national economy is at its worst — depressed, in debt, and cut off from foreign currency exchange. Roads, transport vehicles, and other infrastructures break down and cannot be fixed. "When villagers cannot get their produce to market it stays in the villages — they eat it themselves." What happens is they switch from growing cash crops like coffee beans to growing maize, which they can use. The point here is that there are two distinct economies operating according to different agendas: "the state economy, [locked into international trade, and spiralling downward under the burden of international debt], which is in extreme crisis, and the village economies [working to provide for their own basic needs], many of which are doing quite well - and over 80% of the people in Tanzania live in the villages."[8]

To sum up so far, traditional economic development has led Third World countries into a system of "forced export production ...to pay for the increasingly expensive imports. Export production is the stronghold of the national power elite, and diverts valuable resources in terms of land, capital and technology away from the needs of the population at large."[9] In addition, the pursuit of international "free trade" with its constant pressure for competitive efficiency, locks its competitors into a formula of increasing scale of production and technological dependence on the multinationals, thus limiting the application of

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[7]David Morris mentioned this point in a talk in Winnipeg, in 1986.

[8]statement by Urban Jonsson of the United Nation Childrens Fund, quoted in *In the Name of Progress,* p.18.

[9]ibid., p. 337.

"appropriate" or "intermediate" technologies described in Chapter 3.

If this is not enough to raise doubts about the value of international free trade consider some of the reasons why large corporations choose to locate in Third World countries. One reason is the lax environmental and safety regulations that allow industrial pollution and risky practices to occur. (The Union Carbide 'accident' in India, in which thousands of people where poisoned by a toxic chemical gas leak, is just one of many examples of corporate negligence where profit, not people, run the show, while people and nature suffer the consequences.) Another reason why foreign companies locate in Third World countries is to take advantage of the pool of cheap labor, thereby cutting costs. But this style of production belongs to an old industrial model on the wane. New super-industrialism with its energy efficient technology — microchips replacing people with computers and robotics, microbiology replacing energy sources with laboratory substitutes — will soon make Third World industrialism redundant.[10] Even traditional agriculture is being made redundant by advances in technology. For example, what is going to happen to vanilla farmers in the Third World now that vanilla can be more efficiently reproduced in labratories owned and controlled by multinationals? The same fate faces the oil palm farmers of Malaysia. Unilever, the largest chemical and food processing corporation in the world, is now developing its labratory bred, patented, and 500% more efficient, oil palm "clone", that will effectively wipe out the agricultural base of Malaysian farmers.[11]

So far I have spoken mainly about the losing position of the Third World in the international trading game. But competition among First World countries to dominate the world trade is cut throat to the point of economic warfare. In the import-export game every nation tries to infiltrate every other nation's domestic economy. According to a report on C.B.C.'s *The Journal*, Japan has, in the last few years, overtaken the U.S. in the sale of automobiles (nearly crippling the U.S. auto industry) and electronics (stereo components, t.v.'s, camera, etc.)

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[10]Wolfgang Sachs, "Trade and Multinationals", *The Living Economy,* pp. 333-9.

[11]from a speech given by Pat Mooney in Winnipeg, May 4, /87.

and is now moving in stategically to take control over the U.S. micro-chip industry — the one stronghold still left — by dumping its products on the U.S. market at below market prices. On the other hand, the governor of Tennessee, Lemar Alexander, made a public statement a year and a half ago in which he proudly proclaimed: "My goal is to integrate the Tennessee economy into the Japanese economy," a seemingly absurd statement, but credible by today's standards.[12]

The absurdities of our global import/export paradigm become even more apparent when we look at what other items are on the trading table besides consumer goods and technology. Arms, for one, are a major export item (sold to whatever country will buy them irrespective of their use or a country's human rights record); as is culture (consider the Canada/U.S. free trade negotiations regarding books and t.v.); as is "banned" pharmaceuticals and chemicals (too dangerous for one's own nation's health and safety but perfectly suitable for export to underdeveloped countries); as is pollution and waste (Morris reports on Washington, D.C.'s unsuccessful attempt to export its sludge to Haiti, and on Philadelpia's current plans to ship its ash to Panama.[13])

Under the current economic development paradigm "we try to spur our economies by shipping more goods over longer distances" to reach greater markets in order to fulfill the mass consumption requirements dictated by "economies of scale" production processes of large corporations.[14]

How can countries begin to break out of the international trading game in ways least damaging to their own and other countries? Three things could be done. One, a country might adopt a "selective" import/export strategy — i.e., place specific controls over the type and amounts of foreign trade. Import sanctions could be directed at unethical or unecological products such as chemicals, arms, and polluting industries. Selective trading could also mean trading in blocks with other countries at the same level of development. (For

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[12]quoted by Morris in a public speech in Winnipeg, 1987.

[13]ibid.

[14]Morris, ibid.

example, currently, Brazil exchanges machinery for Nigerian oil; Indonesia buys refined oil from Singapore in exchange for other oil products it produces.)[15]

Secondly, there could be an import substitution strategy to produce or replace the products no longer imported. And thirdly, there could be a self-directed development strategy that does more than just push around the pieces of an economy — that creates "new wealth" and a better quality of life for its people (discussed in Chapter Four under the principle of economic self-reliance).

A new economic development paradigm would stress a shift away from international free trade (with its dependence on multinationals), toward local self-reliance as a way for countries, North and South, to reclaim control over their political and economic futures by decreasing their vulnerability to world crises and dependence on world markets. The metaphor David Morris uses to describe the new economic paradigm is the "globe of villages" instead of our current "global village" paradigm. In the old paradigm model, the "global village" represents a uniform cosmopolitan world in which countries are interlocked through the dominating force of competition. For the rich, that means fighting for top economic position, i.e., winning; while for the poor that means fighting to stay in the game at any cost, i.e., survival. The new "globe of villages" paradigm doesn't define itself in terms of winners and losers. It is a loose and interdependent network of self-directed communities which share a common fate — ensuring survival of life on this planet — a task that requires cooperation among nations.

The new paradigm model emphasizes the development of communities from the grassroots through the meeting of local needs with local resources wherever possible. The positive spin-off effects of local self-reliance are numerous:

- Decreased dependency on imports means that more money will stay inside a community to be recycled among local businesses and local people,

[15]for further examples refer to "Alternative Trading Strategies" by Stewart and Ghani, *The Living Economy,* pp. 323-33.

thus building up local wealth and local resources over time.

• Decreased dependence on multinationals allows small businesses a chance to develop and take risks without the constant and certain threat of being priced out of existence from the start.

• Whereas, mutinationals breed uniformity (every shopping mall looks like every other), local self reliance "encourages more diversity and experimentation, which should accelerate the learning curve".[16]

• Decreased dependence on concentrated industries reduce the potential for massive environmental damage to occur, like Chernobyl, or Three Mile Island, or Union Carbide.

• Businesses owned by local, identifiable people feel a greater identification and responsibility to a community than large anonymous corporations whose head offices are in another city or country. That's because responsibility is more than just a legal obligation — it has to do with trust. A local grocery store owner who knows you is more likely to extend credit than Safeway or Super Store; likewise you will probably trust the quality of goods you buy when you know the seller.

• Decreased economic dependence and competition between nations reduces tension and friction in the world and so contributes to the world peace effort.

There are many problems in the practical working out of a development strategy geared to self reliance. Some of these will be dealt with in later chapters. On principle, it has been attacked, by some, as a form of economic and political isolationism — an excuse for the First World to disengage itself from its global responsibilities. This argument deserves consideration. The motto of the new paradigm is: "Act locally; think globally". But what does that mean? That I should act for myself and save my altruistic thoughts for others? NO. What is proposed is a self-reliant strategy based on a holistic perception of the world, where economics is not separated from its social and ethical

[16] op.cit.

implications and where people and countries are not seen as isolated closed systems. It is based on the belief that a decentralized approach to development which encourages multiplicity and diversity is the way to restore economic and ecological health back into the world and that the best way to accomplish this task is to let people do it for themselves.

If we look at this in terms of Capra's systems analysis, a "globe of villages" is a "system" of self organizing "cells" within a greater interdependent "whole". The paradigm transcends the boundaries of narrow self-interest to where the fate of humankind is seen to be inextricably linked with the fate of each nation, and each nation with the fate of each region and each community, and each community with the fate of each person, and each person with the fate of the natural environment. Therefore it matters to me what happens in South Africa or Nicaragua or Ethiopia; it matters to me that a Canadian corporation is dumping dangerous substances like aesbestos on the Third World, substances the Canadian government has banned for its own use; it matters that basic needs and human rights are met world wide, because the fate of the other is the fate of my own.

And if it matters to me, perhaps I will do something to help — write a letter, join a group, talk to people. As Ghandi once said, "Whatever you do may seem insignificant, but it is very important that you do it." In the end, the health of a society is measured, not by the governments that come and go, but by the **mood of the people, the accumulation of their small actions, and the network of their conversations.**[17]

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[17]Carlos Fuentes has written an excellent essay about civil society as an alternative to institutional society, in his introduction to *The City Builder,* a novel by George Conrad, pp. vii-xxv.

PART B: The Economic Crisis from a Local Perspective

The economic crisis experienced at the global level manifests itself on the domestic side disguised as unemployment. It is one thing to be thinking about global issues, paradigm shifts, and visions for a better future; it's quite another to be living in Canada today, unemployed, and without hope of a job. Unemployment is probably the one most immediate and hard-felt crisis of our times. Related to unemployment are other crises like stagflation, the widening gap between rich and poor, the expanding deficit, the rise in crime, and the erosion of confidence in our political leaders in our society as a whole, and even our own selves. Ecologists, peace activists and other truth-seekers can speak all the wisdom of the world and it will fall on deaf ears — but when thousands of workers are laid off their jobs because of plant shutdowns across the country or, when the local economy of entire towns have been dessimated by industrial retrenchment and when the resulting unemployment checks become permanent welfare checks and the government, whose deficit is high and rising, can't see how it's going to afford to continue paying out these "benefits" indefinitely, and when people all over are either angry or have given up hope — only then do governments and communities begin to seriously seek alternative solutions and approaches to economic development, as a means of creating new employment when the old model has failed.

The purpose of community economic development is to foster development from inside a community, to create a self-reliant and sustainable local economy based on principles of diversity, self-reliance, and appropriateness of scale — an economy that will thrive independent of decisions made by large externally owned and controlled corporations. It's not by accident that Sudbury, Ontario was the host for the 1985 Canadian Institute of Planners conference on "Sustainable Community". Sudbury, a city dependent on its mining resource base, has been hit hard by mass layoffs at the INCO mines in the past number

of years.

The following discussion is divided in two parts. The first part examines the general decline of prosperity in North America reflected in the changing patterns in employment. The second part looks at the response by the welfare state to this crisis of unemployment and poverty.

The Decline of Prosperity

Unemployment used to be thought of as an economic factor that could be controlled through government spending and intervention. In 1960 in America "an unemployment rate between 3 and 4 percent was deemed to represent full employment on grounds that the slack represented people changing jobs or just entering the market force for the first time."[18] Unemployment was seen by economists to be tied to inflation in a seesaw relationship — higher inflation would bring lower unemployment; higher unemployment, lower inflation — thus the government could be expected to pull one string and affect the other. The "object was to keep the unemployment rate at or below a rate of 4 percent" with an inflation rate of about the same.[19] By the 1970's however the seesaw wasn't working as it should; inflation wasn't trading off with unemployment and instead we began to suffer what's come to be known as "stagflation", an insidious phenomenon — a combination of rising unemployment and inflated prices which nobody knows how to combat except by intensifying one or the other. From 1967 to 1983, including temporary swings and dips in the economy, prices in America rose by almost 200% and permanent unemployment to over 10%.

Where high unemployment used to be thought of as something that came and went in cycles, today it has come to be accepted as structural, a permanent state of affairs. Jack Scott, president of General Foods, predicts we will "see unemployment up over eleven percent through the nineties...[due to] fundamental changes in the structure of the economy". Likewise Hari Thakur,

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[18] *Cities and the Wealth of Nations*, Jane Jacobs, p.19.

[19] ibid., p.19.

former vice-president of Banque Nationale du Canada, says "the problem of structural unemployment is more critical than cyclical. ...Hundreds of thousands of workers in manufacturing will be displaced. Their jobs will never come back."[20]

Between March 1981 and 1984 unemployment in Canada grew by over 61% with the number of people officially out of work standing at 1.4 million (up from 869,000 three years before). Graham Riches points out that this figure is inaccurate on the low side because it doesn't take into account all the "hidden unemployment". (Surveys by Statistics Canada showed that "over 300,000 people were not looking for work for labour-market related reasons. ..over half had given up looking because they believed there was no work available.") The rates are comparable to those in the 1930's Depression and yet today we accept this high rate of chronic unemployment — over 10% — as "normal".[21]

It was always assumed that economic growth would take care of unemployment; that what was good for business was good for the country as a whole. But instead, with the introduction of new capital intensive, labor saving technologies, we've come face to face with the phenomenon of "jobless growth," a seeming contradicton in terms according to old economic assumptions. What is happening is that growth patterns in the industrialized world are changing with regard to resource allocation, replacing labor with capital, mechanization with automation. As more and more workers are laid off their jobs it requires more and more growth to take up the slack and maintain a high rate of employment. But at the same time, as Paul Ekins points out, capital-intensive growth requires capital investment and with high interest rates and "unprecedented indebtedness ...there may well not be enough capital to increase aggregate output fast enough to compensate for a falling labour/output ratio. Unemployment is the result."[22] This analysis is supported by, among

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[20]From interviews carried out by Dian Cohen and Kristin Shannon in *The Next Canadian Economy,*
p. 55.

[21]statistics printed in *Food Banks and the Welfare Crisis*, p. 72.

others, Fred Pomeroy, president of the Communication Workers of Canada who points out that the new capital intensive technologies can only exacerbate the problems of unemployment. He says: "The new technologies are emphatically not going to bail us out. The "winners" are downsizing just as fast as the losers. For example, with technology that is on the shelf right now, Bell Canada could, if it chose to, cut its labor force in half."[23] Predicition proved right. In winter of 1987, Sask Tel workers were laid off by the telephone company due to new technologies.

At the same time, labor unions in Canada are fighting against the reduction of jobs by technology, global market competition is pressuring for more technological change. The *Winnipeg Free Press* reports "Canada could become a country of poor people if the nation doesn't get its act together on technological change." The report goes on to compare Canada to Uraguay and Argentina where the standard of living dropped drastically in the last forty years and says that, in a very short time, "the same thing could happen to this country if it doesn't adapt to the changing world economy and modernize its industry."[24]

It is important to recognize that modern technology (specifically the robotics, and bio- and micro-technologies) can cut two ways. At the same time it is putting people out of work, it is energy efficient, de-polluting, takes up less space than big industrial machines, and be adapted to a decentralized mode of operation. The important question is: "What is the appropriateness of its use? How is it being used and for what purpose"? As long as profit is the only measuring stick there can be no assurance that technology will benefit society as a whole. Michael Goldrick explains:

> Not long ago, some, optimistically as it turned out, predicted that innovation simply would eliminate the least desirable jobs. But in reality, it is sweeping through society displacing skills in the factory, office and shop alike. *The manner in which technology is being applied* is altering the labour market in a very

[22]Paul Ekins, *The Living Economy* ,p. 11.

[23]*The Next Canadian Economy,* p. 57.

[24]*Winnipeg Free Press* report of a speech given by the chairman of the Science Council of Canada, June 11 1986.

> fundamental way. We are heading for a situation in which a very few highly skilled, well paid professional, administrative, technical jobs crown the job hierarchy. Beneath them are a modest number of what, today, the bulk of jobs are like: skilled and semi-skilled, responsible or discretionary. At the bottom of the heap will be the vast majority of jobs: low skilled, a high proportion part-time, low paid; jobs located in the service sector such as waiters, cashiers, guards, truck drivers, stock-handlers and so forth. Jobs that are far below the satisfaction and capability levels of most people." [25]

According to economists Barry Bluestone, Bennett Harrison, and Lucy Gorham of M.I.T., we are seeing a changing income distribution based on the changing patterns of jobs in the economy. Higher paying jobs in the manufacturing sector are being replaced by lower paying jobs in the service sector. While industrial plants are closing down or becoming roboticized (e.g. the auto and steel industries) the service sector industries are expanding. (Sixty-three percent of job growth between 1969 and 1983 was in industries with an average 1980 income of less than $12,500, as compared to zero growth for industries averaging $22,000 in wages.)

Further analysis shows that it is mainly women who work in the low paying service sector as secretaries, waitresses, and sales clerks. As a result, when all the various statistics are put together we find:

1. that the majority of new jobs created are in the service sector (MacDonalds etc); that these are, on average, the lowest paying jobs; and that it is primariliy women working at these jobs;

2. more women are working because their husbands are laid off work or because they have to in order to keep up their middle class standard of living;

3. there is an increasing number of single parent mothers who are the sole income earners for their family. (In 1983, 40% of families headed by women had incomes below the poverty line. The only choice for many is to stay at home on welfare or go to work in the service sector for low wages and pay for daycare at the same time);

4. the average woman worker earns only about 60% of what the average

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[25] "Social and Economic Problems Confronting the Canadian City", printed in *City Magazine,* Fall /84; p. 23.

male worker earns;

All told, what we see is a definite trend towards the "feminization of poverty" in society. To help counteract this trend, some women's groups in the U.S. and Canada have set up of their own economic development corporations to help women get started in their own businesses and become economically self-sufficient. One such example is the Women's Economic Development Corporation in Minneapolis/St. Paul, described in Chapter Five; Part B, of this thesis.

With the structural changes in employment, the trend that is emerging is a widening gap between rich and poor in North America. "Sociologists and economists are speculating openly that the U.S. may be in the process of becoming a two-tier nation..divided between an affluent minority and a vast horde of poor and underpriviledged" — a situation we are used to thinking of only in relation to underdeveloped countries.[26] U.S. statistics show that between 1976 and 1982 the poorest twenty percent of American families lost a significant proportion of their real disposable income which dropped from 5.4% to 4.7% of the total income pie. In contrast the top twenty percent increased their share of the pie from 41.1% to 42.7%.[27] David Ross, of the Canadian Council of Social Development and the Vanier Institute, reports similar statistics of a widening gap for Canada. Overall, according to Graham Riches, Director of the Social Administration Research Unit at University of Regina, there are at least 4.1 million people living in poverty in Canada — that is one in six. And that is a conservative estimate.[28]

As the gap between rich and poor widens we are seeing the shrinking of the middle-class, "along with the industries that once employed them. The massive relocation of plants to low-wage southern states and even lower-wage

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[26]from the article "The Widening Gap", in *The Public Employee,* Vol. 8, No. 3, 1986.

[27]U.S. Bureau of the Census, *Current Population Reports, series,* p. 60 as cited in "Deepening Dualization in North America" by W. Morehouse and D. Dembo, *Development,* vol. 2, 1985. Another study by the Federal Reserve Board shows the most affluent 10% of families had 29% of total national income in 1969 and 33% in 1983.

[28]*Food Banks*, 1986, p. 88.

countries in Asia and South America -has decimated the middle-class work force."[29] It is estimated that the middle income family has shrunk "by 11% in just six years, with 3% moving upward...and 8% moving downward." [30] Where one family income used to support a middle class standard of living, today two incomes are needed to support the same standard. This puts single income families at a material disadvantage — but, with the nuclear family fast disappearing and single parent families on the increase, for many there is no choice.

Crisis and Response by the Welfare State

The burden of high unemployment and increasing poverty falls directly on the welfare state which is supposed to act as an emergency back-up or safety net for those who fall through the gaps in our system. But when social assistance was set up during the period of post war expansion, it was intended to cover only a small percentage of the population, those considered permanently unemployable, i.e., the sick, the handicapped, the mentally ill. It was not intended as an alternative to employment. The underlying assumption then was "full employment". Today, this assumption no longer holds. The 'permanently' unemployed cut across a wide portion of the general population including able-bodied men and women who are skilled, experienced, and university educated. In David Ross's words:

> The welfare state worked reasonably well as long as the overwhelming majority of Canadians drew social and income security through their expanding paycheques. But as unemployment increased during the1970's and remained high in the1980's, ...governments found it increasingly difficult to accept the growing costs of publicly assisted programs. [31]

There have been three different types of responses to the welfare crisis: a call for cut-backs, a call for expansion, and a call for a local economic

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[29]"The Widening Gap", *Public Employee,* Vol. 8 #3, 1986.

[30]Morehouse and Dembo in "Deepening Dualization in North America", *Development* vol.2, 1985, p.32.

[31]"Local Economic Initiative; an Overview", by David Ross in *Employment and Social Development in a Changing Economy,* pp.7-8.

development as an alternative employment strategy.

The main response by government has been to cut-back on social programs (housing, schools, medicare, UIC) at a time when they are most needed. No longer is full indexation of family allowances and old age security pensions deemed possible. The medicare scheme is being undermined by user fees and doctors opting out. Welfare is being cut back in some provinces. Social housing programs have been cut ... and on and on.

Alternatively, others are calling for an expansion in social assistance in the form of a guaranteed annual income to replace the current welfare system. Where welfare and unemployment insurance carries the stigma of blaming its victim ("you could get a job if you wanted to"), the guaranteed annual income recognizes the structural nature of unemployment in our society and aims to insure an adequate standard of living for all citizens.

The deep and systemic confusion over what to do about unemployment — whether to cut-back social benefits or expand? — is well illustrated in the *Winnipeg Free Press* (5/16/87) newspaper headline "Tories afraid of UIC". The article quotes Minister of Employment Bouchard as citing the "sharp and *irreconcilable differences*" between government studies on the topic of unemployment as his reason for choosing *not* to act on the problem. (One report recommended cut-backs while the other recommended expansion.)

Yet a third response to the unemployment crisis can be seen coming from community groups, social service groups and local governments, who are being forced into "self-reliance" by Federal cut backs in funding. Community-based economic development or "local economic initiatives," as David Ross calls it, is looked at as one of the economic alternatives — a way of "amalgamating economic and social concerns...based on unconventional business activity."[32] The idea is that instead of governments subsidizing big industries (special tax breaks, low interest loans, etc.), public money could be funneled into providing supports and assistance for small scale community-based businesses as part of a local employment strategy. In Canada, the Canadian Council for Social

[32] ibid., p.9.

Development and provincial social planning councils have been major proponents of the community economic development idea.[33]

Even the Federal government of Canada is promoting the idea in its the report entitled *Building On our Strengths: The Report of the Royal Commission on Employment and Unemployment* (1986) which recommends for Newfoundland a "bold new course of development" aimed at self-reliance as the way to achieve high employment. It argues that "it is government preoccupation with large-scale industrialism along with the growth of the Canadian welfare state" that has led Newfoundland into becoming a "welfare ghetto." Using phrases like "building on our own strengths", the new approach calls for a return to the cultural traditions of Newfoundlanders, which include a non-cash domestic economy, community support, "flexibility, adaptability, occupational pluralism, home production, the rhythm of a seasonal life-style, household self-reliance." The report states:

> one of the major changes in western societies during recent years has been a dawning realization of the limits of the welfare state. ...we now know that the state is simply not able to satisfy all the needs of all its citizens. [consequently] people will have to rely more upon themselves, their households and their communities to meet their economic and social needs.

For James Overton, writer for the *New Maritimes* monthly, the Royal Commission report represents nothing more than a federal conservative government's attempt to "relieve itself of the burden of supporting the poor" and likens the scheme to government efforts during the Depression. He writes:

> Then, as now, lack of employment prospects in established industry and widespread pauperization stimulated a keen interest in small enterprise, co-operatives, agriculture, crafts and practical community development. The dangerous unemployed were settled on the land, youth set to work on conservation projects, and those on relief forced to be self-sufficient by keeping levels of assistance at about 50% of what was thought to be the bare

[33]The Edmonton Social Planning Council held a national convention on community economic development and published the proceeds in a book entitled *The Nuts and Bolts of Community Economic Development.* In Winnipeg, the Social Planning Council sponsored a workshop on the unemployed with Guy Dauncey from England as animator. One result was the establishment of a broad-based community group, called the Winnipeg Initiatives, whose purpose was to help foster community economic development as an alternative to unemployment.

minimum.[34]

The mistrust expressed by this reviewer is understandable, particulary as the impetus for self-reliance is coming, in this case, from a federal and not a local government authority. CED is a bottom-up process, not a top-down scheme dreamed up by federal policy makers.

To sum up this far, there is a structural change occurring in our economy that is creating a crisis in employment, a crisis in the welfare state, and a widening gap between rich and poor. Large industries are downsizing their operations, cutting out labor with new technologies. As a result, unemployment rates are over 10%. At the same time the low wage service sector jobs are increasing with the majority of these jobs being taken up by women. The welfare state is feeling the pressure of this crisis with the result that governments are cutting back and looking for alternatives (guaranteed annual income, community economic development) at the same time.

What has been the response by government, business and community groups to the crisis? Responses fall into two camps — the conventional and the innovative. According to interviews carried out by Cohen and Shannon with key business people across Canada, conventional thinkers all thought that what was needed were ways to trigger "a new round of rapid growth; growth will take care of everything." To this end, provincal governments are chasing after more foreign investment and larger scale industries as a solution. As well, the federal government is responding to its rising deficit and social costs by cutting back on social programs at a time when unemployment and poverty are at its worst.

On the other side, there is talk about a guaranteed annual income, about alternative approaches to economic development, and a growing recognition of the importance of small business the way of the future.

What are the lessons here? It seems our current industrial model with its

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[34]"Building On Our Failures: the Newfoundland Commissions's Small but Not-so-beautiful Package for 'Post-industrial' Poverty" by James Overton, printed in *New Maritimes,* March, 1987, pp. 6-7.

emphasis on the large corporation can no longer be counted on to provide full employment or satisfying work for the whole of society. Recent studies show to the contrary, that it is *small businesses that employ the most people.* A study carried out by David Birch and Susan MacCracken at the MIT Program on Neighborhood and Regional Change, found that for 1980 the small enterprise share of job creation was about 70% and a further study showed that businesses which employed less than 20 people were responsible for creating 84.7% of total jobs while businesses employing between 100-500 people had a net **loss** of .1 % total jobs. The key to maintaining a healthy local economy is **business replacement** as opposed to focusing on how to hang on to companies that are failing. Business failure is part of a natural churning in a healthy economy. It is the flexibility of the business response to that churning that makes up a healthy economy. They write:

> Most places in the U.S. lose about eight percent of their jobs each year through companies either laying off people or going out of business. Cities that have been blaming high job losses for their economic woes must come to realize that it is not their losses that are unusual, but their **inability to replace those losses**. Growing areas replace more that 8 % of their job base each year and declining ones replace less.

The report goes on to explain that the shift in industry is from "muscle to brains"; from making things with a long product life (e.g. manufacturing steel) to "thought ware" products that rely on innovation and have a high turn over rate (computers, publishing, electronics).[35]

Still, governments continue to look outward to large industries and foreign investment for their economic development. In attempts to attract new industries or keep present ones from leaving, they are forced to bargain away their province's or city's resources, tax base, and cultural identity as companies play off city against city, province against province to their own advantage. Just recently (1986), Quebec gave General Motors a $220 million, 30 year interest free loan to keep its plant operating and so save approximately 5,500 jobs. In

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[35]David Birch, "Job Creation of the U.S. and other Western Nations in the 1980's"; a statement prepared for the Technology and Employment hearings of the House Budget committee Task Force on Education and Employment, 1983.

exchange for the thirty year loan, equivalent to about a $20 million grant each year, General Motors has agreed to keep the plant going until their next product change — only about four or five years.

The hot pursuit after big industry can block out other environmental and ethical concerns of a government, as in the case of the CF-18 competition between Manitoba and Quebec (fall, 1986). In a letter to the *Winnipeg Free Press* (15/11/86) Fred Gudmunson, planning and economic development consultant, pointed out that "the CF-18 is an American weapon, with nuclear capabilities, under the command of the Pentagon via NATO and NORAD arrangements." For an NDP government opposed in principle to nuclear weapons and NATO, this seems a poor choice for economic development.

But did Manitobans feel they really had a choice? Gudmunson goes on to say:

> The only reason the CF-18 contract is such a hot topic is because Manitoba has allowed itself to become almost totally dependent on external forces. ...Consequently, we have to live with the decisions made by other governments and large corporations...[when] Manitoba has the skills, natural resources and most of the infrastructure required to achieve a high level of self-reliance.

The choice is to develop an alternative economic strategy geared toward self-reliance and sustainability, as a way to achieve autonomy within a local economy.

CHAPTER THREE

The Roots and Emergence of Community Economic Development

"A fool doth think he is wise, but a wise man knows himself to be a fool."
-William Shakespeare

"Development of what, development for whom, development how?"
- E. F. Schumacher

A wise person looks beneath the surfaces. The economic crisis today stems, not from any lack of knowledge or ability to find answers, but from never stopping to ask the right *questions*. In his last book before he died, *A Guide to the Perplexed*, E. F. Schumacher wrote: "The economic problem ...has been solved already. ..There *is* no economic problem and, in a sense, there never has been. But there is a moral problem... [which needs to] be understood and transcended."[1] Our problem is one of estranged values, where economics is divorced from ethics, where nature is reduced to a lifeless resource, free for the taking.

E. F. Schumacher was an economist who asked questions. He wondered why, if large-scale industrial development was so efficient and beneficial to humankind, there were *escalating* numbers of jobless and starving people in the cities and rural areas of places like India and Third World countries which had committed (and indebted) their citizens to the march of progress and modern industry.

His persistant questioning: "Development of what? Development for whom? and Development how?" — led Schumacher, as far back as the early 1950's (over 15 years before *Limits to Growth* was published), to part ways with traditional economists on the grounds that the unlimited exploitation of natural

[1] as quoted in *Alias Papa;A Life of Fritz Schumacher,* by Barbara Wood, p. 370.

resources and the importation of large-scale development into the Third World was: 1. damaging to the culture of people in the Third World; 2. a compounding factor in the problem of world poverty (for which it purported to be the solution); and, 3. was destructive to the survival of the planet as a whole.[2]

To take its place, Schumacher, over the course of his life, worked out the framework for an alternative economic development, that would:

1. rely on local resources;
2. be compatible with the values and culture of people;
3. be decentralized;
4. place human needs first;
5. limit (conserve) the use of natural resources;
6. use an 'appropriate' technology that was accessible to the average person and that was safe for the environment as a whole.

Here, then, originating in an alternative development strategy for the Third World, lie the roots of community economic development[3], (i.e., local resources meeting local needs) for the West. How these ideas came to be transferred to Europe and North America is part of the history to be discussed in this chapter.

The remainder of this chapter will trace the roots of community economic development through two principle sources:

1. E. F. Schumacher's life and writings, and
2. a lesser known U.N. study, entitled *What Now: Another Development* (1975), comprised of twenty-eight papers from development experts around the world whose thinking parallels that of Schumacher.

Alternative development, "new economics", community economic

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[2]It was in the early 1950's that Schumacher first referred to "New Economics". In 1955, as Economic Advisor to the Burmese government, he openly criticised American economic advice promoting large scale urban projects at the expense and neglect of rural areas and the values and lifestyle of the people. He recommended, instead, Burma reduce its dependency on Western advisors and concentrate first and foremost on attaining "economic self-sufficiency." For further readings refer to Chapter 17 of *Alias Papa.*

[3]for definitions of community economic development see preface to Chapter One.

development — all are pieces of a shifting paradigm in economics which, itself, fits with a greater philosophical shift in the values, structures and processes underpinning society, discussed in Chapter 1. It is no accident, then, that Schumacher's widely acclaimed book, *Small is Beautiful*, and the U.N. report, *What Now: Another Development*, both surfaced at about the same time (1974 and 1975) independent of one another. (Both works are dealt with in this chapter under Part A and Part B, respectively.)

The time was ripe for the seeds of these new ideas to take hold.

PART A: The Life and Works of E.F. Schumacher

Barbara Wood's biography *Alias Papa,* about her father E. F. Schumacher, weaves a story about a man driven by a restless, questioning mind that led him on a journey through a lifetime of struggle and transformation — both *personal* and professional — and which resulted, by gradual degrees, in the creation of his theory for a new economics. Schumacher was never your typical economist; he always put his economics on a world scale asking the big philosophical questions. He was a man of action, not content to stop at ideas, but searching for ways to put them into practice.

Some of the events that most influenced his thinking were the economic and moral collapse of his homeland,Germany, before the Second World War; his internment in a British camp during the war where he was converted to Marxism; his post-war restoration work as an British economic adviser in Germany; his lectures at Oxford; his involvement with setting up a post-war welfare state in Britain; his work with the British Coal Board; his hobby as an organic gardener; and lastly, his conversion to the spiritual path of Buddhism and later Catholicism. His ability to grow and change throughout his life is evident when we consider that he started out as a confirmed scientific rationalist who believed in the Intellect as God, (his Marxist and later humanistic socialist

phase) and ended up as a spiritual ecologist, practicing meditation and organic gardening for his inspiration.

Schumacher started life in 1911 in Germany, the son of a German professor of economics. He followed in his father's footsteps studying economics (in pre-war Germany) under Schumpeter whom he greatly admired. A Rhodes scholarship brought him to Oxford in 1930 and, three years later, at age twenty-two, he taught at Columbia University in New York. Watching the Nazis rise to power in Germany from abroad, he decided to make a final break with his country just before World War II, and settled in England where, as a refugee, he worked as a farm hand and then a university lecturer. During this time he developed an economic theory about international trade that attracted the attention of Maynard Keynes who was thinking along the same lines. (Because of the communication between the two economists, some people believe Keynes may even have borrowed some of his concepts from Schumacher). Keynes regarded Schumacher as his true intellectual successor. After the war, Schumacher, became economic advisor to Lord Beveridge and was instrumental in setting up the modern welfare state in Britain.

During this time, Schumacher had moved from an orthodox capitalist position to a radical Marxist phase in 1942 which, later, was tempered into a more humane democratic socialism. But the real turning point for Schumacher came in 1950 when he took a job with the British Coal Board where he stayed for the next twenty years. While his job allowed him to examine first hand the energy situation in Britain and abroad, probably more important to his later philosophy of economics, the job brought him a complete chage in lifestyle that influenced his later thinking.

There were three major changes. First, was the decision to buy a home in the country near Caterham, after years of transient living. This meant he had to commute to work, which had the fortunate side effect of allowing him two free hours each day to read and explore ideas *outside* economics. It is here he first began to ponder the possibilities of a spiritual existence beyond the material

world and to recognize the limitations of his own intellectual mind.

The second change was a newly acquired passion for organic gardening which absorbed hours of his time outside of work and became an inspiration to him as a new way of life. He soon joined the Soil Association, a group started by Lady Balfour, dedicated to the research and pursuit of organic agriculture and publishers of the journal *Mother Earth.* The Soil Association opened Schumacher eyes to the wider philosophy of ecology and holistic balance.

The third significant transformation, was a new found spiritual pursuit in the discipline of yoga. A friend from the Soil Association taught a weekly class in Eastern meditation. The concept of emptying one's mind to attain a spiritual level of peace intrigued Schumacher, whose mind was so restless and always full of ideas and reason. His spiritual transformation was to alter permanently the way he viewed economics and soon lead to his "Buddhist economic" theory found in *Small Is Beautiful.*

In the mid-50's, Schumacher's fascination with Eastern culture took him to Burma and later, in 1961, to India where he acted as economic advisor to the government in both cases. In Burma he discovered a joyful spirited, "well off" community of people, within the context and definitions of Western poverty. He wondered how he or the Americans could ever "help" the Burmese, who seemed more happy and content than people in his own country. To impose Western economic development as the answer could do nothing positive except interfere with the delicate balance of their Buddhist way of life.

In India it was another story,— grinding poverty, malnutrition, despair and apathy as a permanent condition among millions of starving and jobless people. He believed, in this case, that the transfer of Western technology was a badly misguided effort which compounded the problem of poverty by creating a dual economy composed of a small Westernized sector, on the one hand, and a massive deteriorating traditional sector, on the other.

> The answer was not to speed up the expansion of the Western sector, which in itself caused the sickness of the traditional sector, but to go to the aid of the vast traditional sector. 'Help those who need it most' and 'Find out what they are doing

> and help them to do it better', were the two slogans Fritz offered those concerned with the development of their country. ...Modern factories, even if located in areas of poverty and unemployment, did not help if they depended on materials and machinery from another district. The effect of a modern factory was not to create incomes for the mass of the people but to put out of work small local craftsmen who could not compete with cheap mass produced goods. Ultimately the effect was greater poverty because by destroying the modest income of local craftsmen, the factory's output thereby destroyed its own markets.[4]

Where "the primary need is workplaces, literally millions of workplaces" and "the primary consideration, to maximize work opportunities for the unemployed and underemployed," it is inappropriate and counterproductive to adopt a Western system of development designed to *eliminate* jobs through advance technologies in the name of "maximizing output."[5]

Schumacher's experiences in Burma and India allowed him to work out a new system of development for the Third World based on the following principles:

1. **Development must retain a people's culture.** "The life, work, and happiness of all societies depend on certain 'psychological structures' which are infinitely precious and highly vulnerable. ... If the people cannot adapt themselves to the method, then the methods must be adapted to the people."[6]

2. The key to local economic development is the design of an **"appropriate technology"** that, while making work easier and more productive, is **accessible to the average person** in cost and simplicity, and is non-violent against nature.

3. **Development needs to decentralize** throughout the rural areas to provide maximum work opportunities and to reverse the mass migration of people from the country to the city in search of non-existent employment.

4. **Learning is an integral part of the development process** and requires a certain effort on the part of the participants. Shortcuts don't work. Development can't be bought and ordered. "Development does not start with goods; it starts with people and their education, organization, and discipline." and, "Nothing becomes truly one's own except on the basis of some genuine

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[4] *Alias Papa*, p. 318.

[5] *Small is Beautiful*, p. 145.

[6] ibid., p. 161.

effort or self-sacrifice."[7]

5. **The goal of development is autonomy and self reliance** as compared to dependence on other countries for material goods.

Up until the mid-1960's, Schumacher stood alone with his ideas. At an economic conference in Cambridge in 1964 he gave a paper on "Intermediate Technology" that was attacked by the profession with a vehemence for its unconventions. Then in 1965 an article he had written years before suddenly appeared in the *Observer.* Public response was so immediate and overwhelming that it gave Schumacher and some twenty others the impetus to launch the Intermediate Technology Development Group (ITDG) for the promotion, design and marketing of intermediate technologies for Third World countries. The group started out by publishing an inexpensive catalogue of hand and animal propelled farm equipment which later grew into a larger catalogue entitled *Tools for Progress: A Guide to Small-scale Equipment for Rural Development.* Again, the response was astounding. Money began to pour in from around the world and within a few years the operation mushroomed into an international network of advisory and research groups which today work in at least twenty developing countries dealing with a large range of technologies including water supply, transportation, energy and more. The organization also publishes its own journal called *Appropriate Technology.*[8]

Schumacher had always wanted to write a book but, given his increasingly active schedule (consulting, giving lectures, IntermediateTechnology Development Group, work at the Coal Board), there was never time. So it was not until 1971, after his retirement from the Coal Board, that he began to compile the various papers and lectures he had collected, mostly from the late1950's and early 60's. These were published in 1973 as a collection of

[7]ibid., p.141.

[8]George McRobie's book *Small is Possible,* has a complete history of the Intermediate Technolgy Development Group (I.T.D.G.).

nineteen critical philosophical essays in the book *Small is Beautiful,* a book which caught the public's imagination becoming a best seller in the U.S. within a year. Because of its importance in the transfer of ideas about community-based 'alternative' economics to the Western world, it deserves a separate summary.

Small is Beautiful: A Summary

In *Small is Beautiful,* Schumacher questions the underlying assumptions of conventional economics and looks at their full impact on the social, cultural and spiritual existence of man. He defines "economic development" as something beyond economics:

> Economic development is something much wider and deeper than economics, let alone econometrics. *Its roots lie outside the economic sphere,* in education, organization, discipline and beyond that, in political independence and a national consciousness of self-reliance.[9]

Small is Beautiful, sub-titled *Economics as if People Mattered,* revolves around five major themes:

1. Costs of production
2. Buddhist economics and meaningful work
3. People as the greatest resource
4. Technology and development
5. New forms of organization and ownership

The first theme begins by examining the relationship between modern man and nature where "modern man does not experience himself as part of nature but as an outside force destined to dominate and conquer it".[10] The logical extension of this domination over nature is that resources, particularly fossil fuels, are treated as free goods — found income instead of capital cost. With the expansion of industry, the world's resources are being depleted at an alarming and unsustainable rate without being replaced. If we were to view the

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[9] *Small is Beautiful,* p. 171.

[10] ibid., pp. 10-11.

world's production as though it were a business, then the earth's natural resources are its capital, and we are bankrupting our own world. Nuclear energy doesn't solve the problem of production either because the social and economic costs of their use in 'peaceful' production are too great.

He attacks the modern industrial economy for its obsession with growth, "propelled by a frenzy of greed and envy ...not accidental features but the very cause of its expansionist success." Even the argument that universal prosperity (i.e., material wealth) is the road to peace and human happiness holds no legitimacy because:

> universal prosperity, in a modern sense, ...if attainable at all, is attainable only by cultivation such drives of human nature as greed and envy, which *destroy* intelligence, happiness, serenity and thereby the peacefulness of man.[11]

In the second theme, **Buddhist economics**, Schumacher works out the philosophical and spiritual basis for an alternative model of development. Where the growth model of "modern economics...considers consumption to be the *sole end* and purpose of all economic activity, taking the factors of production — land , labor, capital — as the means," a Buddhist considers "consumption ...merely a *means* to well being; the aim should be to obtain the maximum of well being with the minimum of consumption...with the smallest possible effort."[12]

The cornerstone of Buddhist economics is "simplicity and non-violence". As dominance is a form of violence, it looks for ways to create an economics based on non-dominant relationships. It works toward self-sufficiency because people less dependent on scarce and outside resources are "less likely to get involved in large-scale violence than people whose existence depends on world-wide systems of trade. ...From the point of view of Bhuddist economics therefore, **production from local resources for local needs** is the most rational way of economic life,"[13] — the root definition for CED. The whole concept of needs has to be rethought:

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[11]ibid., pp. 24-25.

[12]ibid., pp. 47-48.

[13]ibid., p. 49.

> The cultivation and expansion of needs is the antithesis of wisdom. It is also the antithesis of freedom and peace. Every increase of needs tends to increase one's dependence on outside forces over which one cannot have control, and therefore increases existential fear. Only by a reduction of needs can one promote a genuine reduction in those tensions which are the ultimate causes of strife and war.[14]

In otherwords, ***permanence, not growth, must become the goal of economics*** — its underlying ethic.

The third theme — people are the greatest resource — runs throughout the entire book beginning with its sub-title: *A Study of Economics As If People Mattered.*

> All history, as well as all current experience, points to the fact that it is man, not nature, who provides the primary resource: the key factor of all economic development comes out of the mind of man.[15]

Schumacher goes on to discuss the role of education and its relationship to science and technology. Science produces "know-how," but "know-how" is only a means, not an end. The task of education is to transmit "ideas of value, of what to do with our lives," so that we can direct science and technology toward uses that benefit man. According to Schumacher, our modern education is underlaid with ideas and values inherited from the 19th century (ideas of Freud, Marx, Darwin, Kierkegard) which objectify and separate subject matters from each other and that estrange human nature from its content. Whereas in truth, "all subjects, no matter how specialized, are connected with a centre ...constituted by our most basic convictions ...[our] ethics."[16] Schumacher is calling for a new paradigm in education, a "metaphysical reconstruction" that allows us to "understand the...world in which we live and make our choices"; an education that combines mind and heart, and that has at its core an ethics of wholeness and integration. These ideas, written some twenty-five years ago, have clearly influenced current "new paradigm" thinkers like Fritjof Capra, whose *Turning Point* revolves around a Schumacher-ian analysis. (See Chapter I.)

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[14]ibid., p. 26.
[15]ibid., p. 64.
[16]ibid., p. 77.

The fourth theme, **technology and development,** deals with the practical side of *how* to implement development so that the people who need it the most, namely the poor, will benefit. He begins from the assumption that all people have the need and desire for meaningful work — what is needed are opportunities. Modern industrialism, driven by the forces of efficiency and economies of scale, is directed toward *eliminating* the human factor from production in favor of machines.

> This means that those who have nothing to sell but their labour remain in the weakest possible bargaining position. The conventional wisdom of what is now taught as economics by-passes the poor, the very people for whom development is really needed. The economics of giantism and automation is a left-over of nineteenth century ...thinking and it is totally incapable of solving any of the real problems of today. An entirely new system of thought is needed ...based on attention to people, and not primarily goods ...It could be summed up in the phrase 'production by the masses, rather than mass production.[17]

The way out of this dilemma, for Schumacher, is to ***scale-down the process of development*** to an "appropriate" level where it reaches the grassroots. There are four key factors needed to make the system work:

1. **a production process that uses labor-intensive technology** as opposed to capital-intensive; employs peoples skills rather than huge amounts of capital and energy.

2. **production is decentralized** throughout the rural areas, as opposed to concentrated in large urban centers. This gives people everywhere access to jobs and thereby helps to redistribute wealth among a greater population. It would mean *more* workplaces, smaller workplaces, each producing *less,* (a counter strategy to industrial development which gravitates toward larger and ever increasing concentrations of capital).

3. **production be oriented to meeting local *needs* first**, (housing, food, clothing, energy, etc.) because this would secure a sustainable market for producers, at the same time as make sure basic needs were being met by industry.

4. a scaled-down industry would use **a scaled-down technology,** what Schumacher called an "appropriate" or intermediate level technology adapted to fit the people, rather than the people adapting to it. "Appropriate" technology improves on traditional methods, making work easier and more productive, yet is *simple* to operate and repair (you don't have to send away for parts and labor), and is *cheap* enough for the average person to afford, thus opening up realistic opportunities for people to start up their own businesses. The more businesses there are, the more jobs there will be.

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[17] ibid., p. 61.

Schumacher debunked the myth that technology determines industry. Technology is always a matter of "choice." *We decide how and what we are going to produce, then, with our "know-how" we invent the technology.*[18]

The fifth theme in *Small is Beautiful* examines the various **forms of ownership and organizational structures** from socialist bureaucracy (e.g., National Coal Board) to small private businesses, to large corporate structures, depicting the strengths and weaknesses of each. Of particular interest to the practice of community-based economic development is the discussion of the Scott Bader Commonwealth, a prosperous manufacturing business owned and operated by its employees. In 1951, Scott Bader, a wealthy industrialist, transferred the ownership of his chemical manufacturing firm to his employees under a constitution that guided how the firm was to operate: It was limited in size to no more than 350 people after which it would have to branch into new units; all workers were to be partners; there was a pay spread range of no more than 1.7 from highest to lowest paid; no products could be sold to customers who used them for war purposes; and more. What is remarkable is that it was a pioneering experiment in worker co-operative ownership — one *that worked.*[19] As we will see later in Chapter 6, the producer/worker co-operative

[18] A good example of intermediate technology is seen in the story Schumacher tells about meeting an unhappy farmer on a road in Zambia. When Schumacher asked him why he was unhappy he told him that he raised eggs for his living but couldn't take his eggs to market because he didn't have any egg crates to carry them in because the factory that made the egg crates was on strike. Schumacher after some inquiries found out the factory that produced egg crates was in the Netherlands. So he went to the president of the company and explained to him that the rural peasant farmers survive on the basis of getting their eggs to market - couldn't the company build a factory in Zambia? The president answered that it was impossible. His company was optimally sized and anything smaller would be inefficient. **Optimum size was one that served the entire continent of Africa.** Although Schumacher knew nothing about the production of egg cartons it just didn't make sense to him. So, through his Intermediate Technology Group he contacted different universities and with the help of graduate students soon came up with a new design for egg cartons and a new chemical production process which, within a year and a half, led to a new production facility in Zambia that produced 120 egg crates per hour as opposed to the 7000 crates that the Netherland's factory considered optimally efficient. The unit cost turned out to be identical. What they had done was invent an intermediate technology that employed more labor and much less capital, and which, in terms of cost was equally efficient. (from 'Ideas', a CBC radio program on Ecology and Economics)

Other examples of what the ITDG introduced to third world countries are: helping to set up mini brick-making plants that use natural fibres instead of asbestos for reinforcement, producing bricks at half the cost; inventing an inexpensive cement water collection tank to store rainwater and thus save women hours of labor carrying water in jugs; the design of a small windmill for pumping water that is as efficient and durable as a diesal pump but that can be produced locally at affordable prices.

model holds special potential for community economic development.[20]

A Fresh Start: Transference from the Third World to the Industrialized World

The publication of *Small is Beautiful* gave focus to a growing force that was spreading across Europe and North America — a grassroots alternatives movement that brought together peace activists, people concerned with ecology and environment, "new age" truth seekers, and community activists. In 1974 the time was ripe for Schumacher's ideas to take hold. The current and widely publicized energy crisis brought on by the industrialized world's dependence on OPEC oil gave credence in even the most established circles to the ideas expressed in Schumacher's book, which was fast becoming a best seller. As a result, Schumacher began to lecture extensively across Europe and the United States to large audiences of people who were coming to believe that the only solution to the world's current ecological and economic crisis rested in a complete turn around of development strategies for the industrial world, based on small scale non-violent technologies, decentralization, and local control.

Appealing to common sense, and relying on an unfailing optimism, Schumacher delivered impassioned speeches to his audiences asking them to rethink economics:

> What is the meaning of democracy, freedom, human dignity, standard of living, self-realization, fulfillment? Is it a matter of goods, or of people? Of course it is a matter of people. But people can be themselves only in small comprehensible groups. Therefore we must learn to think in terms of an articulated structure that can cope with a multiplicity of small-scale units. If economic thinking cannot grasp this it is useless. If it cannot get beyond its vast abstractions, the national income, the rate of growth, capital/output ratio, input-output analysis, labour mobility, capital accumulation; if it cannot get beyond all this and make contact with the human realities of poverty, frustration, alienation, despair, breakdown, crime, escapism, stress, congestion, ugliness, and spiritual death, then let us scrap economics and start afresh.[21]

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[19] from 1951-71 sales increased from £625,000 to £5 million; net profit from £72,000 to £300,000. Figures quoted in *Small is Beautiful,* p. 232.

[20] for more information on the industrial co-op model see Ch. 6, case study on the "Mondrigan Experiment", and Ch. 6, Part C, "Organizational Models for CED".

Where before, Schumacher had directed his work and ideas primarily at the Third World, now suddenly it was in North America that he was gaining fame and popularity. *Small is Beautiful,* Barbara Wood writes in the the biography of her father, "appeared when many young Americans, shocked by the aftermath of the Vietnam War, were looking for solutions." Governor Gerry Brown of California was one of his most ardent followers, using many of his ideas for his own election platform.[22]

For the next three years, until his untimely death in 1977, Schumacher preached his philosophy and was received like a guru. In a speech delivered in Switzerland the day before he died, he urged Western democratic societies to "re-think technology and try to make it appropriate to our actual problems."[23] Reflecting on his recent North American tour, he likened various regions and communities in Canada and the U.S. to Third World colonies dependent for employment on the large metropolitan areas. What he saw was an increasing polarization of society as a result of modern technology where the rich get richer and the poor get poorer. "Welfare," he said, "will keep people afloat but does not integrate them in society."[24]

Our task in the West, is to create new opportunities for real employment by promoting simple and affordable "technologies" so as to give ordinary individuals the chance to start up businesses. Here, the definition of 'technology' is expanded beyond the meaning of "hoes" and "rakes", to mean the *social* as well as the material "know-how" of production, i.e., ***the processes and ways in which communities organize around development.*** The goal is to create greater self-reliance for individuals, communities, and regions, by empowering people to act on behalf of themselves, i.e., *local control.* Above all, goals must be integrated and consistent with a philosophy of sustainability through the creation and

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[21] *Small is Beautiful,* p. 62.

[22] *Alias Papa,* p. 354.

[23] McRobie , *Small is Possible,* p.8

[24] ibid., pg. 8.

promotion of non-violent technologies in its broadest sense including agriculture (organic as opposed to chemical), and health care, as well as the obvious areas of nuclear energy and non-renewable resources.

> We have to ask the right questions... [about the] appropriateness of technology... [with regard to] every single problem of this society. ...Is it a very intelligent development in terms of the energy situation of the world?...Is it a good thing in terms of environmental quality? ...Does it help the poor?... Is it appropriate...from a democratic point of view? Perhaps getting a greater equality among people?"[25]

By the time Schumacher came to North America in 1974, many of the lessons about local control and empowerment of communities and minority groups had already been learned through the political struggles and battles of the 1960's. It was out of the fight for human rights, the black liberation movement, the war on poverty, and the organization of resident groups to prevent the demolition of neighborhoods — that Schumacher's ideas took on specific meaning within a North American urban context. Community development corporations were beginning to sprout up in inner-cities across the U.S. to take over the decentralized delivery of social services at the community level, including such activities as local planning, food programs, local health clinics, outreach education centers, job training, housing and more. Local control was the magic buzz word.

In Minneapolis, a group of residents in one neighborhood got together and in a long bitter struggle with developers, eventually took the U.S. Government to the Supreme court over plans to tear down and replace existing housing with an army of high rise developments. The residents won a landmark victory — the right to plan, manage, and control all future development in their community plus the assurance of ongoing funds to carry it out. (See Ch. 5, Part B, "The Cedar Riverside Community" for more details.)

Apart from inner-city neighborhood groups and oppressed minority groups, Schumacher's ideas found a following among an emerging environmentalist

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[25]from Schumacher's speech "On Technology for a Democratic Society," delivered to an international conference at Caux, Switzerland, Sept. 3, 1977, reprinted in *Small is Possible,* pp. 1-13.

movement supported by a proliferating "alternatives" and "back to the land" movement. Some of the main spokespeople behind the movement were Rachel Carson (author of *Silent Spring* and the one to blow the whistle on pesticides), Barry Commoner (outspoken environmentalist), Murray Bookchin, (social ecologist and author of *Toward an Ecological Society*), Hermann Daly (author of *Steady State Economics*), David Morris, (founder of the Institute for Self Reliance), and Hazel Henderson (new economist, radio talkshow host, and author of *Creating Alternative Futures).* These men and women were the conceptualizers and the communicators of alternative ideas that spoke strongly against the accepted models of economic and industrial development. And while there was never, and still isn't, any formal organization or group in North America to tie these "conceptualizers" together (each speaking out to their individual concerns) — one thing they all held in common was *the vision of a future world based on ecological structures, processes, and principals which integrated the social, economic and environmental realities of life.*

In 1981 George McRobie, friend of Schumacher's and one of the original founders of the Intermediate Technology Developmnet Group (ITDG), published a book entitled *Small is Possible.* The book stands as a practical follow-up account of the ideas expressed in *Small is Beautiful.* In it he documents the founding of the ITDG and, more importantly, brings together a comprehensive survey of all the major alternative networks across Canada, the U.S., Britain, and the Third World. Referring just to the U.S. as of 1978, he writes:

> Whatever the reasons, the fact remains that within the space of a few years the alternatives movement in the U.S.A. has already reached such dimensions, both qualitative and quantitative, that it almost defies description. One directory published recently, *Alternative America,* lists over 5,000 organizations; another, which deals more specifically with appropriate technologies — the National Science Foundation's *Appropriate Technology; A Directory of Activities and Projects* — suggests that at least 300 groups of innovators are working on technologies that reflect a concern for the preservation of ecological balance, the recycling or cutting down of waste, and the fostering of local self-reliance.[26]

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[26]McRobie, *Small is Possible*, p. 128.

It would be unfitting at this point to describe in any detail the many alternative economic community-based activities listed in *Small is Possible*. Some are discussed later in Chapter 6, under "The Practice of CED". What is significant about McRobie's book is that it gives an historical world overview of alternative and community-based developments between the years 1973 and 1978 showing how alternative economics is being put into practice. It demonstrates that something tangible *is* happening in the 70's and 80's — a form of community economic development qualitatively different than anything that came before.

Today, the legacy passed on to us by Schumacher is being carried forward by an emerging political Green movement in Europe and North America. The 1983 manifesto for the Ecology Party in England opens with the inspirational words of Schumacher:

> We must do what we conceive to be the right thing and not bother our heads...with whether we are going to be successful. Because if we don't do the right thing we'll be doing the wrong thing, and we'll be part of the disease and not the cure. [27]

Jonathon Porritt, former director of Friends of the Earth in Britain and author of *Seeing Green*, describes the movement in Aurelio Peccie's words (founder of the Club of Rome), as: "a kind of popular army, with a function comparable to that of antibodies generated to restore normal conditions in a diseased biological organism."[28] Lasting world peace, ecological sustainability, reverence for the Earth, human-scale technology, self-reliant and decentralized communities, participatory democracy, community-based economics, meaningful work, and personal (spiritual) growth — these are the visions of "seeing green".

On the more practical side, the Green Party in West Germany (as of 1988) has won 52 elected members to the national level of government, and represents 8.3% of the popular vote. They are currently, the third largest party gaining the votes of 3 million in the last election. The German Greens run on a

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[27]Porritt, *Seeing Green*, p. 223.

[28]ibid., p. 6.

platform of Four Pillars: "ecology"; "social responsibility"; "democracy in politics and in the economy"; and "non-violence". In the rest of Europe and North America "green" remains, for the most part, an alter-conscience to the established system; a *movement* more than it is a political party, although there are some elected 'green' councilors at the local municipal level. In the U.S. the Greens are involved in a wide variety of activities: from working on redesigning their cities along ecological lines (Berkely, San Francisco); urban tree planting projects; developing ways to bring food directly from nearby farmers to inner city families (the Kansas City Greens); and stopping the federal government from locating a nuclear waste dump in Vermont and Maine.

Another group, active in developing and promoting the spirit of Schumacher's "New Economics" is The Other Economic Summit, otherwise known as T.O.E.S. Since 1984 T.O.E.S. has organized its own conference annually to meet in the same city alongside the traditional Economic Summit conference. Participants in T.O.E.S. include such well known economists, theorists, and writers as Hazel Henderson, Susan George, James Robertson, Johan Galtung, Herman Daly, David Ross, and Guy Dauncy.[29]

To sum up so far, the roots of community-based economic development are embedded in the history of an emerging "alternative" economics, inspired by the writings and works of E. F. Schumacher. While many of the ideas behind "new" economics are actually "old" — the 15th century medieval city revolved around a community-based, self-reliant economy and Ghandi's teachings on local self-reliance certainly predate Schumacher — *Small is Beautiful,* deserves to be acknowledged as the harbinger of "New Economics" for the modern Western industrial world. Schumacher was a great communicator in that he put together a big philosophy in a small package which made the essential connections between economic development of the Third World and economic development in the industrial world.

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[29]The 1988 Other Economic Summit conference was held in Toronto, June 17-21, in conjunction with two other alternative citizen's conferences — the Citizens Summit and Pollution Probe.

PART B: "ANOTHER DEVELOPMENT": THINK GLOBALLY; ACT LOCALLY

In 1975, two years after the publication of *Small is Beautiful*, a report prepared by the Dag Hammerskjold Foundation entitled *What Now? Another Development* was presented to the Seventh Special Session of the United Nations General Assembly on Development and International Cooperation.[30] While never gaining popular recognition, it has become well known among development circles, and stands as the complementary founding treatise to *Small is Beautiful* for its part in developing the philosophy of an alternative economic development model for both the Third and industrial worlds.

The thinking in it clearly parallels that of E. F. Schumacher, but where Schumacher looked to appropriate technology as the central vehicle for decentralizing industrial development, *Another Development* looks more at processes, structural transformations, and political strategies. Who controls technology? How do we establish indicators of social needs? How can the Third World act together in "collective self-reliance" to decrease their dependency on rich industrialized nations at the same time increase their own strength and bargaining power by forming interdependent relationships with each other? These are the issues addressed by *Another Development.*

The one theme stressed throughout the report is the need for "a unified approach to development"; to see development as a whole, in its **global context.** It is no longer acceptable to be giving advice to the Third World while ignoring the problems of development in the industrialized world. We can no longer assume that "integration into the world economic system" is the answer to the problems of development in the Third World when integration has led to *increased* dependence and less self-reliance. The industrialized nations must begin to *take responsibility* for their dominant role in supporting and

[30]In 1977 a follow-up book was published, *Another Development: Approaches and Strategies*, containing individual essays from developers around the world.

maintaining a system that benefits just a few — generally, *not* those most in need. It calls for an end to the "drain of resources from the Third World to the industrialized countries."[31]

The report places responsibility squarely on the developed nations to seriously re-examine their life styles and "needs" *in the context of global poverty* and in the *context of the biological and ecological "outer limits to growth".* The report states:

> The crisis of development lies in the poverty of the masses of the Third World, as well as that of others, whose needs, even the most basic — food, habitat, health, education — are not met; it lies, in a large part of the world, in the alienation, whether in misery or in affluence, of the masses, deprived of the means to understand and master their social and political environment; it lies in the growing feelings of frustration that are disturbing the industrialized societies..
> . . .
>
> This view is to some extent also that of the United States Secretary of State: "We are at the watershed. We are at a period which in retrospect is either going to be seen as a period of extraordinary creativity or a period when really the international order came apart, politically, economically and morally."
>
> The existing "order" is coming apart, and rightly so, since it has failed to meet the needs of the vast majority of peoples and reserved its benefits for a privileged minority. The task is to create another one.. . . [As] the Chinese proverb says, 'even the longest journey begins with the first step'. This step must be taken in the right direction.
>
> On our 'only one earth', the undertaking calls first for answers to some key questions, both in the Third World and affluent societies, defining the values which should inform it.

Another Development goes on to outline a philosophical conceptual framework for the implementation of development based on the five points which I have quoted below. These five points, it is stressed, apply to **all** countries — whether industrialized or Third World, centrally planned or market oriented. They are:

Need-oriented, that is, being geared to meeting human needs, both material and non-material. It begins with the satisfaction of the basic needs ofthose, dominated and exploited, who constitute the majority of the world's inhabitants, and ensures at the same time the humanization of all human beings by the satisfactiopf their needs for expression, creativity, conviviality, and for deciding his own destiny.

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[31] *What Now: Another Development,* p. 14.

Endogenous, that is, stemming from the heart of each society, which defines in sovereignty its values and the vision of its future. Since development is not a linear process, there could be no universal model, and only the plurality of development patterns can answer to the specificity of each situation.

Self-reliant, that is, implying that each society relies primarily on its own strength and resources in terms of its members' energies andits natural and cultural environment. Self-reliance clearly needs to be exercised at national and international (collective self-reliance) levels but it acquires its full meaning only if rooted at local level, in the praxis of each community.

Ecologically sound, that is, utilizing rationallythe resources of the biosphere in full awareness of the potential of local ecosystems as well as the global and localuter limits imposed on present and future generations. It implies the equitable access to resources by all as well as careful, socially relevant technologies.

Based on structural transformations; They are required, more often than not, in social relations, in economic activities and in their spatial distribution, as well as the power structure, so as to realize the conditions of self-management and participation in decision-making by allthose affected by it, from the rural or urban community to the world as a whole, without which the above goals could not be achieved.

These five points are organically linked. Taken in isolation from each other, they would not bring about the desired result. For development is seen as a whole, as an integral, cultural process, as the development of every man and woman and the whole of man and woman. Another development means liberation.

The above five points, quoted from *Another Development,* are fundamental to understanding the seemingly contradictory phrase that sub-titles this section: ***"Think globally: Act locally,"*** a popular slogan coined by the Green Movement. After extensive reading and research into the practice and philosophy of community economic development in North America and Europe, I have found myself coming back to these same five points which stand as the most solid summary of the goals of community-based economic development. Therefore, in the following chapter on "The Principles of Community Economic Development", I have borrowed from these five points to rework a set of basic common principles that, I think, would best guide the practice of community economic development in the urban and rural communities of North America (my main focus).

Linking Chapters One, Two, and Three

As we can see, CED has emerged as part of a greater movement or paradigm shift going on in society — a shift in perception from the mechanized world view of the 19th century to an ecological, holistic, or systems view of the world backed by discoveries in science and new technologies as described by Capra, Toffler and Ferguson. Characteristics of the new paradigm include a self-help consciousness; a recognition to the limits of economic growth; a trend away from centralist thought toward decentralization and downscaling in business and the delivery of social services; and the new perception that *all things (cells, individuals, communities, nations) exist simultaneously in two forms — as autonomous entities with self-organizing capabilities, and within a larger interdependent network that makes up the whole.*

CED emerges also as a an alternative development strategy, a partial solution to the ecological and economic world crisis brought on by the blind pursuit of large scale development at any cost -a crisis that manifests itself in the massive debt load of Third World countries and permanent high unemployment rates in the industrialized world.

In part, CED is a way of seeing the world; in part, it is an economic strategy.

Thirdly, CED is the embodiment of a philosophy, or ecological ethic about non-domination and new co-operative ways for people to work and co-exist with each other as human beings and with nature. The ethical foundation of CED links it to the peace and ecology movements which explains why many of the proponents of CED are also associated with the Green movement (Capra, Dauncy, Michael Linton).

Fourthly, CED has emerged as a new tool in community organizing used to empower communities to become economically self-sufficient. Here, the link is with the neighborhood politics movement which sprung up in the 1960's and 70's in North America.

CHAPTER FOUR

THE PRINCIPLES OF COMMUNITY ECONOMIC DEVELOPMENT

This chapter will deal with the ***principles*** of community economic developement (CED). In the last chapters we saw how conventional economics, with its false assumptions, has led the world to a state of unprecedented crisis touching all aspects of life — social, economic, cultural and environmental. We looked at local economic development as a possible solution, a step in the right direction toward unlinking ourselves from the dependency on large multinationals and foreign markets, out of our control. We examined the advantages of CED as a model of development for the Third World and also its relevance and applicability to the industrial world. We looked at evidence supporting the emergence of a new paradigm that confirms community economic development as part of a greater shift in values, on the "leading edge" of change in a changing world.

Based on a comprehensive survey of the literature on community economic development and its philosophical and historical underpinnings, I have drawn up the following set of guidelines or principles for the practice of CED. They are principles based on a set of assumptions belonging to a new economic paradigm in contrast to the assumptions of conventional economics. As we will see later, CED in North America and Europe has a diversity of expressions — from community development corporations, worker co-operatives, community banking, residents groups, to appropriate technology efforts — each varying in structure and process. One of the real difficulties is to define what constitutes community economic development. Not everything that calls itself a community economic development project is CED. At the same time there are probably no

perfect examples. The guidelines are, in effect, a set of principles or ideals that together form a unified approach to development, an ethical basis for action, and define a common purpose for CED. There are no hard and fast rules, no musts in the practice of CED, recognizing that every community is unique in its history, experience, and development.

The following chapter is organized around a discussion of the five principles of community economic development, listed below and discussed in order[1]:

1. *economic self-reliance* of communities as opposed to dependence on outside economic forces.

2. *ecological and economic sustainability*: development that emphasizes diversity, and quality over quantity.

3. development *geared to human needs*, both material and non-material (spiritual, psychological), as opposed to the sole accumulation of material wealth.

4. *self-management* and *local control*, using democratic processes that maximize community participation and empower individuals at the grassroots.

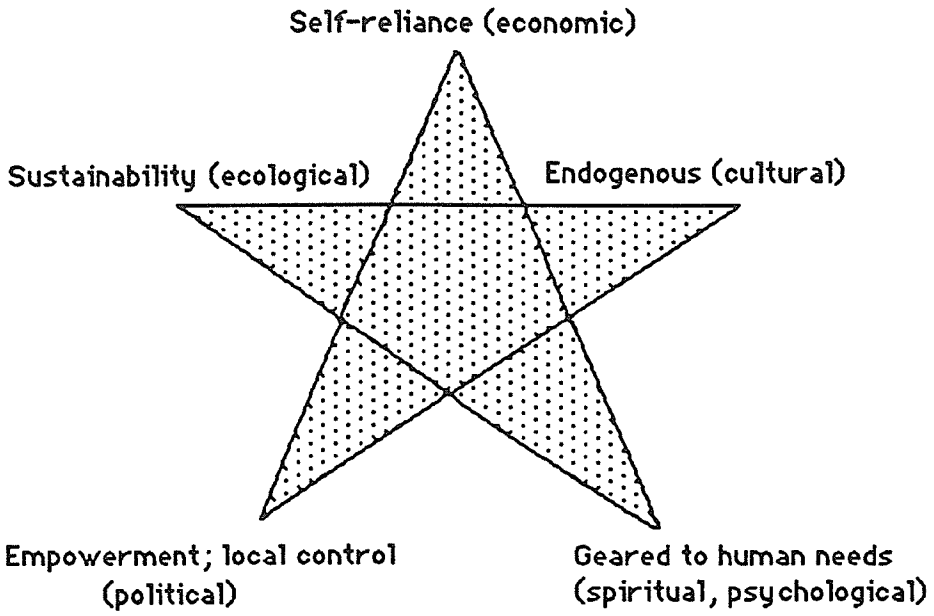
5. *endogenous* development: stemming from the unique history and culture of a community as opposed to uniform development based on a set of corporate standards or socially defined "norms" (a pluralistic rather than universal approach).

These five principles were chosen because they express the most common recurrent themes or streams of thought on the topic of CED. While each principle stands as a concept in its own right with its own separate focus, there are obvious connections, overlaps, and linkages between the principles. It may be useful to visualize the five principles as connecting points of a star, each point representing one aspect of the total human experience of man/woman's relationship to nature and to each other, expressed through economics, ecology, psychology, politics, and culture — all linked into one. The following

[1]The five principles of CED are a reworking of the five principles outlined in the U.N. report, *Another Development* (see Chapter 3, Part B), adapted to fit a modern industrialized context.

picture illustrates this concept:

Five Principles of Community Economic Development



Together the five principles serve as a kind of umbrella structure or unifying basis from which to discuss the many diverse traits and sub-concepts belonging to the new paradigm. Some of these sub-concepts that keep reappearing in the literature are:

-diversity
-conserver vs consumer
-means over ends
-steady-state economy
-appropriate technology
-the informal economy
-non-hierarchical structures
-taking responsibility
-recycling
-meaningful work
-creation of local wealth
-cooperation
-responsible growth
-taking control
-small scale
-mutual aid
-decentralization
-process
-multiplicity

These sub-concepts will be integrated into the general discussion of the five principles.

PRINCIPLE 1: Self-Reliance

Self reliance: meaning that each community relies primarily on its own strength and resources in terms of its members' energies and its physical and cultural environment, as opposed to dependence on outside economic and cultural forces. While self reliance can be practiced collectively at all levels, between cities, regions, and countries, it acquires its full meaning only when rooted at the local level in the praxis of each community.

What is self-reliance?

Self-reliance is the one goal most commonly shared by CED groups. **Self-reliance starts with the idea of producing the things you need yourself rather than getting them through exchange.** As such, it is a strategy for communities to unlink themselves from the global market system by becoming economically self-sufficient. The more economically self-sufficient a community is, the less influenced it will be by outside forces, and the greater power and control it will have over its own future. The idea of self-reliance begins with the individual and from there moves to the household, the community, city, region, nation, and, finally, the world. It is applicable at all levels but to be most effective, should always be practiced at the lowest level possible, the level closest to home. The rule of thumb is that you should never assign to a large entity what can be done by a smaller one. Or as David Morris says "If we can do it ourselves, we probably should."[2]

E. F. Schumacher pointed out that "nothing becomes truly one's own except on the basis of some genuine effort of self-sacrifice." Self-reliance can't be bought and ordered. Like a child learning to become a responsible and independent adult, community self-reliance also requires a kind of learning by experience as part of the development process. According to Johan Galtung, former project co-ordinator for the United Nations University and professor at

[2]"Homegrown Economy", a policy manual on self-reliance put out by the City of St. Paul.

Princeton University, the definition of economic self-reliance is:

> Produce what you need using your own resources, internalizing the challenges this involves, *growing with the challenges*, neither giving the most challenging tasks (positive externalities) to somebody else on whom you become dependent, nor exporting negative externalities to somebody else to whom you do damage and who may become dependent on you.[3]

Writer, consultant, and co-founder of the Institute for Local Self-Reliance in Washington, D.C., David Morris is North America's leading animator on the subject of self-reliance as an urban economic strategy. He uses the phrase "homegrown economy" to describe his concept of a self-reliant city, one that looks inward to its own local resources to discover new ways of creating wealth.

Morris likens the self-reliant city to a "nation-state." Only it is a "city-state." Like any nation it analyses its own flow of goods and services, balance of payments, etc. only with the express purpose of *containing* these flows within city limits. The modern self-reliant city is in some respects like a medieval city which was characterized by freedom, prosperity, opportunity, and political autonomy. Like the medieval city, the new city-state is inspired by a spirit of entrepreneurship, inventiveness, diversity, integration, and local governance. From this viewpoint, self-reliance is an attempt to get back some of the richness of experience that cities once had and lost in the frenzied pursuit to accumulate material wealth.

Why Self-Reliance?

As we saw in Chapters 2 and 3, the main reason we need to adopt an inward looking self-reliant approach to development is because the conventional approach, which looks outside to large multinationals and the integrated world economy to supply its basic needs through the exchange of imports and exports, is simply not working for a large portion of the world's population — not for the thousands and millions of unemployed in Third World and industrialized nations, nor for the collective stability of any of us.

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[3]"Toward a New Economics; on the theory and practice of self-reliance", *The Living Economy*, p.101.

Conventional large scale industrial development is responsible for bringing on the debt crisis in Third World countries, environmental pollution, depletion of the world's non-renewable resources, and general tensions between nations. Below is a summary of some other reasons why we need a self-reliant strategy:

- The gap between the rich and the poor is widening as new technologies replace industrial jobs and corporate concentration moves wealth upward into fewer and fewer hands. *We need to find new kinds of work to replace the work that is lost.*

- The welfare state is cracking under the burden of trying to support a permanent 2,000,000 Canadians out of work and a rising welfare load. *People need access to wealth, and a means to their own livelihood.*

- Towns, whose very existence and economic survival has depended for years on the employment created by single industries, have been left devastated in the wake of plant shut downs and the general retraction of industry. *Communities need a broad strategy to rekindle and rechannel peoples energies into the kind of work that will ensure the community's future survival.*

- As the trend to corporate concentration continues, uniformity replaces diversity. We are left with a mass produced, advertisement induced culture that considers advertising corporate name brands on clothing (Pepsi, Budweiser, Esprit, etc.) the height of fashion and even "art". *To counteract this cultural uniformity we need an alternative type of development strategy that encourages diversity and the expression of local culture.*

- As other countries move toward self-reliance thus cutting down their own imports, our export production will decrease in value. This can already be seen happening with wheat production. Since China and Russia decided some years ago to become self-sufficient, Canada is now left with excess wheat that nobody wants. We pay farmers to dump wheat in the ocean, burn excess butter, throw away excess eggs. *We need an economic strategy that focuses on turning excess production into production to meet local needs, exports into import replacements*—in otherwords, self-reliance.

- The more we eliminate face to face contact between owner and customer, producer and consumer, owner and worker—the more diffuse becomes the issues of personal accountability, knowing who to trust and who to hold responsible for the actions and impacts of business decisions.[4] Community relationships, community identity and

[4]As a personal aside on the issue of lack of accountability, Canadian Tire recently sent a friend of mine a credit card in the mail, unsolicited, unwanted, and never used. Then, a few months later the company sent him a statement of money owing on the credit card that he had never ordered nor used. After wasting many hours on phone calls and letters the error was discovered. It was a case of mistaken identity (someone of

feeling of place are lost to us as we travel in automobiles through wastelands of thoroughfare strips lined by a repeat pattern of chain stores. We could be anywhere. *We need an economic strategy to revive community-based businesses in order to begin restoring the lost trust and personal accountability between consumer and producer, and to help bond the individual with his/her community and give community a rooted sense of place.*

- In conventional economic development, the periphery is viewed as an extension of the centre, a place to "fetch or use nature and dump pollutants, a place to use cheap labor and dump excess labor from back home, a place to export tied capital ...and import profits."[5] Global exchange involves an exploitive relationship of the strong upon the weak, the rich upon the poor. *We need a form of production and consumption that is localized so that the consumer is forced to bear the side-effects of his own production, while the producer is forced to consume his/her own products.* What better way to insure quality? In the words of Johan Galtung, "by producing what we consume, and consuming what we produce, rather than doing either through exchange, by definition we keep the externalities positive and negative, for ourselves."[6] If we were forced to live with our own waste instead of shipping it off to become some other community's contamination problem, we would be motivated to invent new ecological technologies that would reduce and dispose of the waste, safely.

How to become self reliant? : The creation of local wealth

How does a community that is starting off low in resources, dependent on external sources for its basic needs and employment opportunities, begin to build up its own wealth and resources from the inside? According to Morris, all "cities and neighborhoods, even the poorest ones, have wealth." The goal is to find that wealth, "put it to work, and keep the benefits in cities".[7]

There are three key action strategies that can be undertaken by cities to stimulate the creation of local wealth. They are:

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the same name had made purchases which were charged to his "new" and unsolicited account). A human error, O.K. forgivable ...but the upshot was that the company then turned around and informed my friend that it was now **his** responsibility to retrieve the money owed, if need be to take the other person to court or else be held responsible for the money himself. . . Then the other day I went to Consumer Distributing to buy an item and discovered I was not allowed to write a cheque if I didn't own a credit card. Company policy.

[5]Johan Galtung, "Toward a New Economics; on the theory and practice of self-reliance," *The Living Economy,* p. 100.

[6]ibid., p. 101.

[7]from David Morris's supplement to the *Homegrown Economy* report for the City of St. Paul.

1. **conservation and prevention**
2. **recycling**
3. **import substitution**

Together these activities form the basis for the creation of a healthy, self-reliant economy.

1. Import Substitution

Jane Jacobs, in her book *Cities and the Wealth of Nations* presents an alternative economic theory that shows that wealth is created in cities as opposed to in nations. Her analysis points out the importance of diversity, innovation, and import replacement in the economic health of cities. "Economic life develops by grace of innovating; it expands by grace of import-replacing."[8] She shows that these two key processes, central to the creation of wealth, are both functions of cities. Cities generate wealth as the result of an ongoing process of import substitution and "any settlement that becomes good at import replacing *becomes* a city," she states. Once the process is started it triggers a chain reaction. For example, the initial production of local fruit preserves to replace a similar imported product stimulates the start-up of another business to produce the jars to store the fruit, and another to make the boxes to transport the jars, and so on.

Successful import replacement requires a business to be flexible, adaptable, innovative and *inventive* in improvising different materials and different production methods. Quoting from a study carried out at M.I.T. of successful import replacement businesses in Italy, Jacobs gives various examples of the type of ongoing everyday innovations that occur. There are simple innovations like adjusting a cloth cutting machine to work efficiently with fine threads or modifying a membrane pump used in automobiles to suit agricultural machinery — nothing overly dramatic about these innovations, but each adding to the efficiency and functionality of the business.

This kind of entrepreneurial and technological inventiveness is the key to creating wealth. David Morris speaks at length about the power of invention in

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[8]Jane Jacobs, *Cities and the Wealth of Nations,* p.39.

the self-reliant city. Inventiveness is a valuable human resource to be nurtured, supported, and actively encouraged by community economic development efforts. Some cities actively promote inventiveness through annual competitions, fairs in the schools, prizes, and inventor's conferences.

According to Jacobs, one of the main reasons for the decay of our modern cities is the loss of import replacement as a generator of wealth and diversity. The multinationals, instead, are squeezing out small, local producers, replacing diversity with uniformity, and siphoning away the profits. A city can assist local businesses to reverse this trend by such things as adopting a policy to buy local products, encouraging and rewarding innovative ideas, doing a community inventory to determine the outflow and inflow of money and then targeting specific businesses and products for import replacement.

One of the main objections to supporting local products is that it is often more expensive to buy than the equivalent import. To counter this objection Morris points out that the multiplier effect or chain reaction created by spending money on local products means that the payback to the community is greater overall, and the cost is actually *less*. He estimates that with a difference of up to 20% between local and imported products, a community will be more than compensated by the local multiplier effect. Accordingly, Morris calls for a new accounting of prices that takes into consideration the hidden costs and benefits to a community. The sale's tag figure is never the final price. For example, it may initially appear to be a saving for the City of Winnipeg to purchase its buses from a Montreal firm, whereas, in fact, it will cost the city *more* in terms of lost opportunity benefits to the people of Winnipeg in manufacturing jobs and the multiplier effect that would accompany the local production of buses.

2. Conservation; Prevention; Efficiency

"New wealth is generated by invention; i.e., *when we learn to do more than we did before with our resource space, then we create new wealth*".[9] In the self-reliant local economy, it is the producers, the manufacturers, not the

[9]David Morris, from a speech delivered in Winnipeg, March /86.

retailers that are the source of new wealth. Retail stores merely push around the pieces, i.e., take away money that would otherwise be spent somewhere else in the local economy. Because of this, Morris pinpoints invention as the *most important* attribute of a homegrown economy, a quality to be nurtured in the young and promoted in the schools.

It is through invention we create efficiencies. Efficiency is the driving force behind the self-reliant economy whose goal is "*to extract the maximum amount of useful work from each local resource.*"[10] While there are different ways to capture more from what already exists, one sure method is through *conservation* and *energy efficiency*. In our cold climate, the major portion of our incomes go to pay for imported fuels to heat our homes and places of work. A great saving can be made for the local economy if this cash outflow is stopped. A government can pass legislation that encourages, promotes or even enforces energy efficiency. For example the city of Davis, California, known as the "energy-efficient city," has concentrated its efforts in the two areas of buildings and transportation. Building codes are designed to maximize conservation and the use of solar energy. Solar heated water systems are mandated for new homes. The city's transportation policies are designed to discourage the use of cars, by reducing the width of city streets (thus also saving on asphalt expense) and by, alternatively, building bicycle paths throughout the city and funding a comprehensive public transit system. The city is also involved in a variety of experiments in appropriate technology, tied in with the Appropriate Technology unit on the Davis University campus.[11]

Prevention is another way to save local dollars by eliminating wasted expenditures on treatment and aftercare. The health field is already beginning to understand this new approach. The same principle also applies to municipalities. For example, in the city of Davis a developer who worked with ecologists from the university came up with a design of a 200 unit development with a "natural drainage system that allows the soil to retain water after a storm

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[10] ibid.

[11] McRobie, *Small is Possible*, pp.150-152.

and reduces the cost of sewers. Because the water does not drop below ground level, pumping stations are not required."[12] In the end the natural drainage system proved to be cost efficient as well as energy efficient (saving $800 per building site).

Another example of innovative prevention is the solution to the problem of clogged sewers, presented by the Center for Neighborhood Technology in Chicago. The problem lay in the fact that all the rain goes into the sewers at the same time. The solution was to slow down the rain drop by using splash blocks around buildings instead of drainpipes.[13]

3. Recycling

Recycling is an important factor in generating local wealth — the recycling of money and the recycling of materials. A multiplier effect is created when money is kept circulating locally instead of being allowed to leave the community. A self-reliant community tries to get the most value out of every dollar by intensifying the level of local exchange among community members. Manufacturers buy raw materials locally, hire local workers who spend their paychecks at local retail stores that, in turn, stock their shelves with locally produced items.

The LETSystem (Local Exchange Trading System) is an almost pure example of the generation of local wealth through local exchange. LETS is a collective bartering system in which *exchange occurs among members* of a closed LETS community without the use of actual money, through use of a central accounting system. Chapter Five, Part B, looks more closely at the LETSystem as a special example of CED. But for now suffice it to say that LETS facilitates the creation of new employment and purchasing power (i.e., new wealth) through its innovative self-contained structure which, in effect, imposes a voluntary form of *interdependence* of members upon each other to produce for themselves for exchange among themselves.

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[12]Morris, *The New City-States,* p.17.

[13] ibid., p. 17.

Besides the recycling of money (i.e., goods and services), a community can capture extra wealth by processing its own raw materials — in particular, through recycling of waste products, which has the added advantage of also being ecologically efficient. Chapter Five, Part C (Ecological Enterprises), illustrates the possibilities of ecological recycling of waste, in particular the greenhouse sewage treatment/water purification plant and combined aquaculture project in Sugar Bush, Vermont, and the mining of methane gas from the landfill sites in Vancouver.

Garbage is nothing more than raw materials for production — glass, paper, aluminum, and rubber. It is also a cheap and readily available resource to all communities. By mining our waste streams we recapture some of the energy we have thrown away; it is therefore a form of conservation. By disposing of less, we pollute less; and we come away with a product of value that was previously considered worthless.

4. Collective Self-Reliance

Collective self-reliance is a trading strategy that avoids exploitation and domination of one party over another. It is a strategy of exchange among equal partners for the purpose of building *collective strengh* among a block of co-operating nations or communities. In the system of so-called "free" international trade, many countries are not able to import because they have no access to foreign exchange. In this case, barter arrangements can be made. As Francis Stewart and Ejaz Ghani explain:

> If two or more...countries get together and offer swap arrangements, they will be able to expand their markets and their imports, resulting in increased incomes and employment for them all. ...For example, Indoniseia buys the refined oil product it needs, like kerosene and diesel, from Singapore, in exchange for other oil products where it has marketing difficulties, such as low sulpur waxy residue.[14]

This 'bartering' is a form of "collective self-reliance" (similar to the Local Exchange Trading System discussed in Chapter 5, Part B). While "collective" self-reliance may, at first, appear to contradict the idea of "individual" self-reliance, Manifred Max-Neef, Chilean economist and founder of the Centre for

[14]"Alternative Trading Strategies", by Frances Stewart and Ejaz Ghani, in *The Living Economy*, p.329/

Study and Promotion of Urban, Rural and Development Alternatives in Santiago, explains:

> *strategically*, [self-reliance] means that what can be produced (or...solved) at local levels should be produced (or...solved) at local levels; ...Self-reliant development is not intended to be a substitute for trade and exchange *per se*. There are always goods or services that cannot be generated or provided locally. Hence self-reliance must necessarily achieve a collective nature. It must turn into a process of ***interdependence among equal partners as a means for solidarity to prevail over blind competition.***[15] (my italics)

Self-reliance is not the same as self-sufficiency. Where self-sufficiency implies complete autonomy in production and consumption, self-reliance recognizes the reality that most communities or nations cannot provide for the totality of needs and must therefore engage to some degree in exchange.

When it comes to trading within a framework of "collective self-reliance" there are three basic rules to follow:

1. What can't be produced locally should be exchanged *among partners at about the same level of development* thus building a type of "collective self-reliance" among participants. Where trade between rich and poor regions creates dependency of one upon the other, trade between equals as a last resort can help build collective strength through interdependence as opposed to dependence.

2. The specific items offered for exchange should involve a *total degree of processing at about the same level in both directions.* In other words, primary products for primary products; manufacturing for manufacturing, services for services. This keeps the externalities and spin off effects relatively equal between traders.

3. The production for basic needs (food, shelter, clothing, education, health, energy) should be *geared toward potential self-sufficiency*: a step beyond self-reliance.[16] In otherwords, development should *begin* with the effort to become "self- sufficient"' in basic needs through local production from

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[15] "Human-scale economics: the challenges ahead", *The Living Economy,* p.52.

[16] Galtung,"Toward a New Economics", *The Living Economy,* p.102.

local resources, before engaging in collective trade for these basic items.

David Morris, would add one more qualification to the above rules. He contends that "knowledge" is one product that can be shared or traded freely, horizontally, because it does not have that same dependency hook as material products. As Cohen and Shannon point out in *The Next Canadian Economy*, owning information does not carry the same financial rewards as owning property.[17] Information is something that is shared *between* parties, moving in networks and therefore reinforces *interdependency* as opposed to dependency; empowers as opposed to imposing power.

A self-reliant community "defines its own problems, asks its own genius to solve its own problems, asks its manufacturers to produce the products that solve its own problems, and *then exports the solution* it found to its own problems."[18] In this way cities can begin to share their experiences with other cities; small communities with other small communities, together making up a "globe of villages", like interdependent cells, in contrast to the single uniform "global village" we have today. Within this view there may be a whole new agenda and reason for the "twinning" of cities, and new alliances based on common themes such as the 1986 *Livable Winter Cities Conference*held in Edmonton. In another example, the Alkali Lake Indian Band in British Columbia[19] has discovered a solution to the devastating problem of alcoholism and low level economic development on their reserve. As a result of their own experiences and successes they are sharing these solutions with other Indian bands in hope that they too can benefit by it.

By sharing solutions to *our own problems,* we avoid the trap of imposing *inappropriate* solutions to other peoples problems. And at the same time, we can be of service to others.

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[17] *The Next Canadian Economy*, p. 182.

[18] David Morris, from a speech delivered in Winnipeg at the University of Winnipeg, March /86

[19] see Principle 5 for more details on the Alkali Lake story.

Principle 2: Sustainability

Sustainability: meaning the patterning of local development in such a way that it contributes positively to the economic stability and ecological sustainability of a community's future. While autonomous and locally based, development must be ecologically sensitive — that is, fit within the greater ecosystem of which it is a part — thus contributing to a pattern of sustainable development for the planet as a whole.

Sustainability deserves special attention as a principle of CED because it most clearly shows the paradigm shift from growth economics (as measured by the GNP), to the new "steady-state" economics based on values and quality of life measures. Since the concept of sustainability can only be fully understood in contrast to its counterpart and nemesis — "growth", Part 1 of this section will be devoted to examining the repercussions, assumptions and fallacies behind the "growth" model. Part 2, in contrast, wil describe a new ecological model for community-based economic development based on five sub-principles of sustainability.

Repercussions of Growth

1. Destruction of the Biosphere

Murray Bookchin writes:

> We may well be approaching a crucial juncture in our development that confronts us with a historic choice: whether we will follow an alternative path that yields a humane rational, and ecological way of life, or a path which will yield the degradation of our species, if not its downright extinction. [20]

In the last one hundred years, since the advent of the industrial revolution, man has taken part in an unprecedented expansion of production and consumption that has left behind, as its by-product, a stream of pollution and waste for our environment to absorb. Instead of adapting to the processes of Nature we have expected Nature to adapt to the artificial processes of modern

[20]Murray Bookchin, *The Modern Crisis*, p. 99.

man. But nature's rhythms are greater than man's; they occur in regular cycles and cannot be forced to match the accelerated beat of industrial development. Saturated with waste of all types, the earth's natural healing processes begin to break down under the concentrations and pressures of pollution. Smog reports take the place of weather reports on radio and T.V. in Los Angeles — "Unacceptable levels," the man tells us. Are we supposed to not breathe?

Among the many far-reaching destructive side-effects of industrial development on the biosphere are:

- the introduction of acid rain into the natural ecosystems of North America and Europe
- lead poisoning in the atmosphere due to mass concentrations of automobiles in our large urban areas
- pollution of our rivers and lakes by factory wastes
- radio-active wastes that will remain contaminated for hundreds of years and which nobody knows how to dispose of safely
- nuclear leaks and explosions caused by malfunctioning of supposedly fail-safe nuclear plants
- nuclear-test zones, i.e., contaminated regions that are unlivable due to testing
- pesticides on our fruits and vegetables sprayed by farmers competing for the highest market yield
- chemical fertilizers replacing the natural process of soil regeneration
- chemicals injected into our processed foods to prolong their shelf life and maybe shorten ours
- oil spills that kill life in the sea including the birds that feed on the fish
- a mysterious hole in the ozone layer that nobody knows how it got there

And the list goes on. There is no reason to believe that without a conscious and concerted effort on the part of communities to curb the forces of development that are systematically destroying the environment, that the situation will *naturally* reverse itself. On the otherhand, there is every reason to

believe in catastrophy.

Man is a "highly destructive parasite who threatens to destroy his host -the natural world -and eventually himself," writes Murray Bookchin.[21] In Nature, self-destructive activity usually indicates a disruption of the natural order. For man, self-destruction is rooted in his dualistic hierarchical world view that splits apart the essential unity that underlies natural relationships — of the Self from Nature, subject from object, and reduces the natural world to an inanimate "object" outside of the human subjective experience. In this dualistic split one side is valued more than the other: men dominate women, whites dominate blacks, reason dominates intuition, and humans dominate Nature. Using the metaphorical language of our culture, man is pitted *against* Nature in an ongoing struggle to "conquer", "harness", "tame", "order', and finally "possess" "her" in the form of a resource or commodity.

We need a new perspective that sees the *essential unity of all things, that respects Nature as a part of our very selves.*

2. The Oversimplification and Elimination of Diversity from our Environment: a Repercussion of Growth

> "An expanding whole is created by the diversification and enrichment of its parts."[22]

In nature, diversity is essential to survival; the ability to adapt depends upon a wide collective gene pool. While the thrust of evolution has been toward an ever greater *complexity* and *flexibility* in nature, the antithetical or counter-thrust of modern industry has been toward an ever greater ***oversimplification*** of nature through the forces of corporate concentration and monopolization. In the blink of an eye, modern industry, with its sophisticated technology, has undone the work of a million years of evolution. It has systematically eliminated the key evolutionary element of **"choice"** from our surroundings.

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[21] *Post Scarcity Anarchism,* p.61.

[22] Murray Bookchin, *Ecology and Revolutionary Thought,* p. 78.

For example, it is estimated we are losing two hundred strains of genetic plant material every year due to monopolization of the plant breeding industry (production of seeds) by the giant food and chemical corporations.[23] In recent years, advancements in bio-technology have made it more profitable and simpler for chemical companies to adapt the plant seed to the chemicals they produce than to adapt the chemical to the plant. The result is that chemical companies have taken over the biotechnology industry from independent researchers (the universities), and have now become the major plant breeders as well as producers of pesticides and fertilizers. The corporate strategy is two-fold:

1. Giant corporations diversify and expand their operations to such a level that they control the entire food production process from the seeds available for sale to farmers, to the chemicals needed to protect the seed, to the chemical fertilizer specific for the seed, to the packaging of the final food product on the grocery shelf. In other words, capital is deciding *how* a farmer must farm by controlling the pre-packaged products released for sale.

2. Giant corporations buy out smaller companies in order to eliminate competing brands of seeds and in the process destroy strains of genetic plant material that can never be replaced. As agriculture becomes more centralized, out of the reach of individual farmers and under the control of large chemical companies; and as the collective gene pool thins in diversity, nature becomes gradually weakened in its ability to respond to unforeseen disaster with flexibility and restorative capabilities.

Another example of destructive oversimplification of nature is the loss of the small family farm to expanding agribusiness and 'monoculture'. (Manitoba, for example, is losing its farms at a rate of 1 1/2 percent per year.) As crops become more specialized, less diversified and spread over larger and larger tracts of land, the risk of widespread and uncontained disaster from disease and

[23]Information on the plant breeding industry was obtained from agricultural economist, Pat Mooney, in lectures and a personal interview.

pest infestation increases. Agribusiness' solution is to spray pesticides over wide open areas of land. But chemical poisons are indiscriminant in their destruction and one spray can dismantle an entire eco-system eliminating, along with the pest, a multitude of other biological organisms *beneficial* to the environment. According to Stuart Hill, professor at MacDonald College in Montreal, "A piece of land may contain a thousand different organisms, more than 90% of them beneficial." Chemical poisons kill them all.

The problem is we are stuck on defining organisms as having only one function where in fact they have multiple functions. Some weeds, for example, provide an alternative host for pests. Others bring deficient nutrients in the soil to the surface making them available for the crops when the weed dies. "Multiple functions," says Hill, "are essential to the integrity of the system."

Agribusiness has further eliminated the natural process of recycling wastes as a method for replenishing the soil's depleted nutrients, nature's way of returning life's energy back to the earth. Stuart Hill comments:

> If you take our prairie situation now, it's very hard to recycle waste. The grain is exported from the west to the east to feed animals. Now, there's no exportation of the animal waste from the east to the west to return to the soil. So we're basically mining the soil in the west to pollute it in the east, and in fact we've polluted the waterways in eastern Canada from pig waste and so forth because it's very hard to recycle all the waste material. It's easier to dump it in the river. So when you have a small scale, its much easier to keep the cycles cycling, whereas when the area gets larger, it's very hard to manage that cycle. [24]

In a sense what is happening to Nature — exploitation, forced dependency on outside sources (chemicals), and the weakening of her restorative and self-reliant capabilities — is like what is happening to the Third World under the forces of industrial development. Indeed, the likeness is more than just of metaphor; it is an expression of one and the same process of production where corporate profits, not people, are the deciding factor over the quality of life in our communities and the future sustainability of the planet.

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[24] from a series of interviews entitled "New Ideas in Ecology and Economics" aired in four sessions on *Ideas,* a CBC Radio program, May and June of 1986.

Growth and the GNP: Underlying Fallacies and Assumptions

The Gross National Product (GNP) is the quantitative measure of all goods and services *formally* exchanged within a nation in one year — a gross figure of total production and consumption values. Generally, it is assumed that a healthy economy is one which shows an increase in GNP from one year to the next and, vice versa, a failing economy is one that shows slow growth or, worse, decline. In otherwords, the GNP is relied upon as the standard measure of a nation's health.

The purpose of this section is to show that, aside from the ecological dangers of promoting growth (GNP) as a measure of "health", there are also serious flaws or fallacies underlying the assumptions of the growth model which make it inaccurate as a tool of measurement. Some of these fallacies are:

1. As pointed out by Schumacher, the GNP has no way of distinguishing between renewable and *non-renewable resources*. Schumacher argued that since non-renewable resources are the earth's "capital", their depletion should figure in to the GNP as a capital cost. In fact just the opposite occurs; every resource that is mined and sold shows up somewhere as an increase in GNP, not a cost.

2. The GNP does not account for the *environmental costs* of production. Resources like clean air, water, and quietude are treatedas free commodities for use by industry, while society, on the other hand, pays for the environmental costs of pollution in health, quality of life, and ultimately, in the threat to human survival. The factthat there is now an identifiable hole in the ozone layer doesn't anywhere fit into our costingof "growth". In fact the only time environmental costs do show up is as an added value, like when an oil spill is cleaned up or people arehospitalized for cancer, nuclear contamination, etc. — the result of industrial side-effects, providing an increase of work for the health care system.

3. The GNP does not account for the *social costs* of production. These include the cost to society of alienation, permanent unemployment, increased poverty, crime, child abuse,urbanization, and congestion. As Hazel Henderson explains:

> "The social costs of a polluted environment, disrupted communities, disrupted family life, and eroded primary relationships may be the only part of GNP that is growing. We are so confused that we add these social

costs (where monetary) into the GNP as though they were real, useful products. We have no idea ...how much of the GNP is social costs and how much of it is useful production that we intended."[25]

4. Lastly, the GNP does not account for the significant exchange of goods and services that occur within the *"informal economy"* such as work in the home, community volunteer work, barter, the underground market, and helping out a friend or mutual aid. Instead it considersonly the "formal" private and government sectors' production and consumption as contributing to the GNP. This is a fallacy for asHazel Henderson, David Ross and many others point out, the contribution by the informal sector is the very "foundation for all formal economic activity" estimated to beabout **60% of the real total GNP.**[26] The two economies are inseparably interlinked.

What is important to note is that "it is possible to take into the formal sector work that was previously unvalued,resulting in a growth in GNP, although the goods and services actually produced**may not have changed at all.**"[27] Fast food restaurants, daycare facilities, maid services, labor-saving devices — these are substitutions for work previously done in the informal economy contributing to a so-called growth or increase in GNP. But whatis the real added benefit to society? In many instances, the quality of production has probably*decreased*.

In summary, the GNP is inadequate as a measure of wealth because it is "inclined to confuse costs and benefits, leave social and environmental factors out of the account, and ignore the informal economy altogether as a source of work and wealth."[28] What is needed is a new accounting system that takes into account work in the informal economy; social and environmental "externalities" of production (positive and negative); and that acknowledges the *positive* value of sustainable growth by giving credit for development that is ecologically efficient, i.e., getting more out of less; and finally, a system that takes into account new indicators of human need that includes spiritual and psychological well-being as some of the measures for whether growth is

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[25] *Politics of the Solar Age: Alternatives to Economics,* Doubleday, N.Y., 1981, pg. 12.

[26] Paul Sparrow, "Unemployment and unvalued work: true costs and benefits", a speech to the 1985 TOES conference, reprinted in part in *The Living Economy,* p.34.

[27] Paul Ekins, *The Living Economy*, p.34.

[28] ibid., p. 38.

beneficial. (See Principle 3: human needs.)

Developing an Ecological Model for Sustainable Development

1. What is Sustainability?

Sustainability is an approach to development that recognizes the limitations of economic growth within the natural limits of the biosphere. In its approach to development it aims to restore health and balance to the environment and to counteract the damage done by indiscriminate growth.

A "*sustainable economy*" is primarily concerned with the *long term* health and welfare of a community. The Webster dictionary defines "sustain" as meaning "to withstand", "to maintain", "to nourish" and "to give support to". In some way, the goals and activities of community economic development touch on all of these definitions. Within the boundaries of a community it can mean *withstanding* the negative side-effects of industrial expansion and contraction, outside of the community's control; *maintaining* a quality standard of living for a community and what local wealth has been created through self-reliant efforts: *nourishing* a community's diverse resource base, especially its human resources, recognizing its strengths and encouraging and giving access to its expression: and *supporting* local businesses by providing technical assistance, incubator facilities, and seed capital.

Where conventional economic development looks at a community for what it can contribute to the profits of a business (low taxes, cheap available labor, easy access to resources, special government subsidies); community economic development takes a reverse approach and looks at business for what it can contribute to the long term *social and economic goals of a community* (employment, environmental safety, social relevance, community identity). In contrast to the near-sightedness and restricted self-interests of business, CED has a commitment to the *prolonged* health of a community starting from the satisfaction of basic needs.

2. An Ecological Definition of Sustainability

There is also another special sense of the word "sustainability" besides the everyday understanding. This other meaning belongs to the new ecological, systems paradigm model described in the previous chapters on paradigm shift. Within this larger paradigm, sustainability is a holistic, ecological concept that views a specific development activity from the perspective of how it "fits" within the greater "whole" to create a overall pattern of sustainability. It views nature, not as an object for consumption, but as a living dynamic in the development process. Thus, **how** we interact with our natural environment, as well as with each other — (Does the activity respect the limits of nature? Is the process of development integrative or dominating?) — in otherwords, ***how development is implemented and with what side-effects or repercussions to other systems (people and nature) is a central focus for the sustainable economy. By "how" we mean "process".***

"Development" is an organic term. It means much more than measured economic growth. *Development is a* ***maturation process,*** a sort of "coming into one's own." It has to do with self-realization and self-actualization of an individual's and a community's potential.

As stated in the conclusion to Chapter 3, an **ecological view** of development sees all things (cells, individuals, communities, nations) as existing simultaneously in two forms — as autonomous entities with self-organizing capabilities, and within a larger interdependent network that makes up the whole. There are five ecological sub-principles relating to the process of sustainable development that I have chosen to discuss below. All are interlinked. They are: **diversity, interdependence, autonomy, balance, and ecological efficiency**, to be discussed in turn.

1. Diversity: Edgar Dunn, author of the landmark book, *Economic and Social Development* (1971), examines social change from an evolutionary perspective. He divides economic and social development into two types — that which is evolving toward extinction and that which is evolving toward

survival. In the high risk category are forms of social organization that depend on "selective *specialization*" such as monoculture farming or single industry towns. In contrast, survival-oriented organizations tend to rely on a diversified source of sustenance, what he refers to as "selective *generalization*".

Just as the adaptive traits of a species depends upon the diversity of its collective gene pool, so an economically sustainable community depends upon the diversity of its collective resources. Differences are to be appreciated, not just tolerated (e.g. minority opinion). One of the aims of CED is to build a mixed, diversified local economy where small private businesses, community and co-operative enterprises, self-employment and other forms of work are actively encouraged and supported in place of uniform, standardized development.

The one sector of the economy that naturally fosters diversification is the "informal" or "household" sector made up of a wide array of activities including owner-operated small businesses, collective and co-operative enterprises, community organizations, voluntary activity, barter and skills exchange, mutual aid, and household activity.[29] What these economic activities have in common that differentiates them from the formal sector is an interest in "how things are done, who receives the output, and how people relate to one another." In otherwords, co-operative "community" values are part and parcel of the activity. "Production is highly decentralized, performed in small units and under community or household control .... [The informal economy] is owner-operated whether the owner is an individual, a household or a community." [30]

Community-based economic development relies on the diversity and co-operative strength of the informal sector, but takes it a step further from the level of household by bringing it into the 'formal' sector where profits can be made, but in a way that benefits the community as a whole, as well as the individual. Toward this end, CED focuses its efforts on the development of small businesses, co-operatives, and community enterprises, at times employing a combination of paid workers and community volunteers.

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[29]Ross and Usher, *From the Roots Up.*

[30]ibid., p.34.

2. Interdependence — an Integrative Approach: The sub-principle of 'interdependence' goes hand in hand with "diversity" because where there are differences there is a corresponding need for co-operation among the parts in order to gain the optimum strength for the whole. Interdependence is a separate concept from 'dependence', which always involves some form of dominance of one power over another. In contrast, interdependence assumes an *equality* of relationships, a mutual reliance upon each other *for the benefit of both*. In nature, as in primitive egalitarian societies, differences are *non-hierarchical*. In modern society differences are viewed hierarchically, as a method of measuring superiority or inferiority among an ordering of *unequals*.

Interdependence replaces the hierarchical view of differences with a non-hierarchical model of relationships governed by the principle of **"unity in diversity"**. "Unity in diversity" is a holistic ecological concept that dispels the myth of isolationism and allows cooperation and bonding to take place between the different autonomous parts while still maintaining the richness and diversity of the whole.

In community economic development interdependence is expressed in the partnerships formed between different sectors of the economy and society — usually between government, business, community and various support networks. The role of government might be to provide backup support to individuals or community groups: in return, CED projects help to employ people who might otherwise be dependent upon government assistance. In other instances, particularly in Britain, established businesses have helped fledgling CED businesses by sharing technical expertise and resources.

CED groups, themselves, often consist of a wide assortment of actors from the community. Indeed, it has been recommended as one of the necessary ingredients for success. The "A-B-C-D-E" rule of CED is to try to involve as many **A**dministrators, **B**usinessmen, **C**ommunity Groups, **D**ecision Makers, and **E**xperts in the process.

The integrative approach of CED is further reflected in its goals. Susan

Wismar and David Pell explain:

> The goals of community economic development projects are never solely economic: they are never limited to just creating jobs or increasing the flow of capital into the community. Nor are the goals solely social or cultural. People ...who undertake c.e.d. projects believe that development must be integrated if it is to be effective. Just as social problems (such as alcoholism or vandalism), are related to economic problems (like lack of employment opportunities or the absence of a strong business community), so are the solutions to these problems inseparable.....[C.e.d. projects] are organized in the interests of the whole community." [31]

3. Autonomy: To be autonomous in the ecological sense means that an organism is self-organizing and self-determining. As a political stance it holds that every community has a right to self-determination. In terms of community development it means finding ways and processes that empower individuals to actively participate in community life so that together they can create a sustainable and self-reliant society.

4. Balance and Steady-state: In the sustainable economy balance is maintained by a steady level of development, sometimes referred to as "steady" or "stable-state" economics, in contrast to accumulative growth. Author and economist Herman Daly is one the leading proponents of steady-state economics. He compares the sustainable economy to an eco-system in which people and artifacts are *constant* but always *changing*:

> Births replace deaths and production must replace depreciation. ...The throughput [combined input and output] flow begins with depletion, followed by production, depreciation, and finally pollution as the wastes are returned to the environment.....An economy maintains itself in the same way that an organism maintains itself ...Both ....must live by sucking raw materials from the environment and expelling wastes back to the environment. In a steady-state economy this throughput must be limited in scale, so as to be within the regenerative and assimilative capacities of the eco-system....The steady-state economy can develop *qualitatively*, but does not grow in quantitative scale, just as the planet earth, of which the economy is a sub-system, develops without growing." [32]

Daly draws a useful distinction between "growth", meaning *quantitative*

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[31] *Community Profit*, p.3.

[32] Herman Daly , "The steady-state economy: alternative to growth-mania"(1984), printed in *The Living Economy*, pp.13-14.

change in the planet's physical stock (people, capital, resources) and "development", meaning *qualitative change* in non-physical things like culture, knowledge, ethics, the distribution of artifacts among the population, and technology.[33]

The most compatible vehicle for achieving steady-state economics is the informal economy because its goals and means of operation do not lend itself to expansion in the way that the formal economy does. Scott Burns explains:

> The important difference between the market [formal] and household [informal] economies is that the former is committed to the idea of compounding ...capital, and the latter is concerned with *the creation and use of capital in the present*....Capital in the household economy provides returns in services. These services are *non-transferable* and *cannot be accumulated.*"[34] (my italics)

A family business, a co-operative or a cottage industry owns its "means of production" for the purpose of providing a living to its owners and family — a house, clothing, meals, meaningful work — all items that are "consumed in the here and now or not at all", as compared to corporate capital that flows freely between regions, countries, business investments, and stockholders in a move to expand and compound profits infinitely.

5. Ecological Efficiency: To be ecologically efficient is to extract the highest value from the least consumption with the least amount of waste. Recycling is one type of efficiency because it utilizes nature's resources in a way that *replenishes* the earth with the wastes of production.

A steady-state economy distinguishes between "ecological" and "economic" efficiency. For example, where traditional economics views long distribution lines —airports, railroads, highways — as the most efficient method for distributing goods, steady-state economics considers them to be inefficient since they consume more energy and resources than would be necessary if the goods were produced locally. Schumacher wrote, "The necessity of goods

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[33]Daly, *Steady State Economics,* p.17.

[34]Scott Burns, *The Household Economy,*quoted by Kirkpatrick Sale, in *Human Scale,* p. 339.

transport is a sign of failure."[35] From an ecologically efficient point of view, instead of growing our tomatoes in California and shipping them all the way to Winnipeg, we should grow them in Manitoba in greenhouses that are heated by waste heat from nearby factories.[36]

When waste is disposed of in small amounts and dispersed decentrally throughout the ecosystem, nature absorbs the pollution and reprocesses the energy. In contrast, when large concentrated amounts are disposed of what happens is that for a while "it doesn't seem to lead to much of a problem, and then suddenly you reach a biological threshold level at which everything collapses."[37] It is rather like the biology experiment in which two frogs were brought into the classroom. One frog was placed in a pot of cold water and the water was heated to boiling. The frog died. In the second experiment a pot of water was again heated to boiling but this time without the frog. When the water was boiling the frog was put into it. This time the frog leaped out and saved his life. He knew danger immediately and acted instinctively. What has been happening to modern society with its increasing levels of pollution is rather like the frog in the first experiment having become accustomed to the heating up water. We are living with the threat of extinction around us, but have become so adapted to the world the way it is that we may not realize until it is too late.[38]

The ecological solution to over-concentration is to decentralize and down-scale development. The use of "appropriate technologies" can be a powerful tool in attaining ecological efficiency. As already mentioned, a sustainable local economy looks for inventive ways, "to extract the maximum amount of useful work from each local resource." This includes recycling of waste materials, development of energy efficient technologies, and inventions in appropriate technology. As noted in Chapter 2, there are hundreds of associations and groups across England, the U.S., Canada, and the developing world, dedicated

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[35]as quoted in *The New City-States*, David Morris.

[36]David Morris discusses economic and ecological 'efficiency' in *The New City-State*, pp. 13-19, and *Self-Reliant Cities,* Ch. 9 "The Ecological City".

[37]Stuart Hill from *New Ideas in Ecology and Economics,* CBC radio, 1986.

[38]This story was told by Sonia Johnson in *Going Out of our Minds,*1987.

to the reasearch and application of appropriate technologies. CED needs to link in with this type of alternative technology research because of its potential power in helping build a self-reliant and sustainable local economy.

PRINCIPLE 3: Human Needs

Development should be geared to the satisfaction of human needs, both material and non-material, rather than the mere accumulation of material wealth.

The primary message of this third principle is that *development is about people and processes — not about things.* CED aims to *humanize* the development process; to *consciously* break from the **de**humanizing forces of development driving our current economic system. It does so in many ways: by putting people's needs first, before profits; by scaling down development to a size that is accessible to workers and members of a community; by supporting opportunities for "'meaningful", fulfilling work; by choosing structures that allow people to make decisions concerning their work and living environments; and by focussing on the kinds of activities that inspire members of a community to work together toward a common goal, instead of alienating forms of development that split apart the fabric of community. Many of these humanizing approaches to development can be found in experimental, alternative (intentional) communities and in the utopian visions of writers such as Murray Bookchin and André Gortz, to be discussed later.

But first we need to look at the current situation — specifically, at the dehumanizing forces of **alienation** at work in our modern society. The second section will discuss a **definition of "human needs"** that extends beyond the material to include universal, non-material *psychic* and *social* needs. The final section, entitled **"Visions of a Human Scale Community,"** describes

what it might be like to live in a human-scale, human-need oriented community.

Alienation

It is not the purpose of this section to conduct a full blown discussion on alienation — a recurrent theme expressed by artists, novelists, political theorists, psychologists, philosophers, sociologists, economists, and critics of modern society. Rather, it seeks to make a few statements on alienation in order to illustrate the dehumanizing, desensitizing nature of the "disease", to provide a context for the following discussion on human needs.

The fact that alienation is regularly referred to as a "condition" or "reality" of modern life, as though it were something society, having nothing to do with its creation, was simply born with, indicates an acceptance of its existence as a permanent and irreversible state: such a point of view absolves a society of any responsibility to find a cure. The position taken by this thesis is that alienation is *not* an objective "reality" or "condition" but rather a human projection of a fragmented psychological consciousness ***specific to Western culture***, a consciousness that is made manifest ("real") by projecting its image onto the social institutions we create, which in turn become the social reinforcers of alienation — the **mirror of our own fragmented minds.**[39]

While alienation appears in many forms, it always has to do with the fragmentation of the whole. Alienation is the *subjective experience of the fragment itself.* An experience that does not know its other half is cut off from its connection with the rest of itself, be it the connection with nature, spirit, the unconscious, other people, or history. At the root of alienation is a perception of the world divided into separate objects where Nature is one of the "objects".

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[39]Psychologist Carl Jung believed that the ecological destruction of the world by modern Western society is rooted in the projection of the archetypal 'shadow' (i.e. the dark side of human consciousness) onto our modern social institutions, which have become our tools for destruction. The problem is not the 'shadow' itself but in the *repression* of the shadow, which he felt had no adequate or constructive outlet in our Western Judeo-Christian myths. Thus, repressed and alienated from the shadow as an essential part of our integrated consciousness, we *unconsciously* project its image in the form of 'evil' onto our social relationships. Toward the end of his life Jung believed that the only hope for the world's survival was for each of us to *take back* the shadow we have projected on to our neighbors, own up to it, take responsibility for it, and *integrate* it as part of our consciousness.

The study of economics, whether from a socialist or capitalist perspective, is about how to divvy up Nature. Underneath lies an assumption that humans preside *over* Nature — as owner, judge, guardian, destroyer — but not *as part* of Nature.

Our industrialized, depersonalized, mass production and consumption process is a prime reinforcer of alienation in our society. Marx believed that the root of alienation lay in the alienation of labor from the means of production, i.e., the ownership of capital. But as Jonathan Porritt puts it,

> It is not alienation from the *means* of production or even from the *fruits* of production that really matters, but alienation from the *process* of production. The left has simply got hooked on the wrong thing. The 'socialization of the means of production' is all but irrelevant if the process remains unchanged. This alienation, characteristic of all industrial systems, capitalist or communist, is the key to understanding the kind of changes we are going to have to make.[40]

These changes will have to be rooted in the deepest structures of our social, economic and psychological *processes* if we are to heal our broken lives. Take work, for example: there was a time before industrialism, when production relied upon the creative skills of individual craftsmen. The quality of workmanship was a measure of status within a community.[41] Craftsmen had a personal investment in what they produced. They were creators, not just producers. But important as well, they held a certain *relationship* with nature through the production process. A lump of clay became a pot; a set of bricks became a house: the end product was something that could be clearly comprehended; something bestowed with meaning and purpose by the process of production. Compare this to the fragmented assembly line activity of part-time workers at a MacDonald's restaurant, whose job is to place hamburgers one by one in styrofoam packages in the back kitchen of the fast-food restaurant, for eight hours at a stretch.

Commodification — the process of turning people, places and ideas into objects so that they can be exchanged for monetary gain, at the same time

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[40] *Seeing Green*, p. 81.

[41] See Principle 4, for more information on the craftguilds of the Middle Ages.

stripping them of their personal, non-material value — is another form of alienation. For example, a company *transfers* its employees from city to city in the way it transfers goods, without regard for family, friendships and community ties. Horrifying murders and government crimes are turned into profit-making books by their perpetrators, as in the example of Watergate or child killer Clifford Olson. More and more the things we once did for ourselves or gave of freely to our families and friends are becoming commodified. Birthday parties at home are replaced by birthday parties at MacDonald's where, for a price, the restaurant will manage the whole affair. The commodification continues with public urban spaces becoming privatized into shopping malls, where, if you are not shopping, you are an unwanted loiterer.

Alienation is further reinforced by people's feelings of powerlessness to alter the course of industrial development, to stop environmental destruction or to influence political decisions made by a minority èlite (politicians, corporate owners) at the top of the hierarchy of power. At the bottom, millions are denied the chance to work according to their real interests and abilities. Some of the most creative minds in the country are sitting idle or are underemployed: others have limited access to work opportunities because of their "low" social status in the divided society of "winners" and "losers".

These are just a few of the reasons why we need to reconsider a new humanizing approach to development that would be geared to meeting people's needs. But, first, what are those needs?

Indicators of Human Need

No discussion about human needs would be complete without reference to Abraham Maslow's classical theory on the "hierarchy of needs". Maslow puts forward five levels of need: 1. physical (i.e. physiological); 2. safety (order, predictability, dependability of the environment); 3. love, affection, belongingness; 4. self-esteem; 5. self-actualization.[42] Needs are ranked according to an order from lower (biological) to higher (self-actualizaton), the

[42]as printed in *Limits to Satisfaction,* William Leiss, p. 56..

higher needs only capable of being met once the lower ones are satisfied. "Biological needs are the most urgent and must be attended to first, and the others follow suit if society is organized so as to permit this to occur."[43]

Maslow's theory is attractive but fails in one critical respect. The hierarchy model presupposes the priority and *separation* of biological and the cultural needs, of material and non-material needs. The question is, "Can material and non-material needs really be separated from each other and placed on a scale from one to ten? No. Deep down most of us know that life without quality, life without meaning, is not really "life" at all. We acknowledge these sentiments when we classify people as "brain dead" and allow their life supports to be pulled away. In doing so we recognize that *life is somehow embodied by consciousness* — by our perceptions, feelings, and abilities to experience life outside of the material sphere.

William Leiss, author of *The Limits to Satisfaction*, holds that industrial society, by stressing the satisfaction of material needs over non-material needs, has not transcended the material sphere but rather extended it into the psychological domain. The result being that "the needs for self-esteem and self-actualization are expressed and pursued through the purchase of commodities, which are not simply material objects but things that have a complex set of meanings or 'messages' associated with them. In this social setting there is little inducement for individuals to transcend their fixation on the world of objects." He concludes that we "*cannot divide the non-material and the material dimensions of needs.* In industrialized as well as in other societies the ensemble of needs constitutes a uniform sphere of activity, each segment of which mirrors the common characteristics of the whole.[44] (my italics)

As an alternative to the "hierarchy of needs", we might consider an ecological model based on a "**system of needs**" that integrates both the "needs of having" and "needs of being". One such system put forward by

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[43] ibid. p.56.

[44] ibid. pp. 56-58.

Manifred Max-Neef is composed of "nine fundamental human needs: *permanence (or subsistence), protection, affection, understanding, participation, leisure, creation, identity (or meaning) and freedom.*"[45]

These nine categories of needs are fundamental in that they are **universal to all cultures** and to all historical periods. Each culture meets or does not meet these fundamental needs "through the generation or non-generation of different types of satisfiers", ranging in quality and quantity from culture to culture.

Thus, income, housing, food and medical care are *not* viewed as basic needs but rather as *satisfiers* of the needs for permanence and protection. This is an important distinction because it recognizes that there may be other ways to satisfy the same needs outside of the given social system. It helps us to validate the role of the informal economy as a satisfier of certain fundamental needs such as permanence, participation, affection, protection, identity, and creation — needs that are, to a large degree, ignored by the present economic system.

While there are many ways to view the complex system of human needs, one model I have found useful is to envision a three-sided triangle, each side in equal balance with the others.[46] The three broad categories represented are:

- ***social, integrative needs,*** such as expressed by our need to relate (understanding, affection), to participate and to belong to something bigger than oneself (nature, community, personal relationships);
- ***physical needs,*** such as expressed by our need for health, security and permanence;
- ***individual, autonomous needs,*** such as expressed by our need to mature, to develop through creativity, self-expression, and self-actualization.

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[45]"Human Scale Economics: the Challenges Ahead", in *Living Economy*, pp. 49.

[46]For further reference on human need indicators refer to T*he Living Economy*, Chapter 2,"Question of Needs", essay by Jeremy Seabrook entitled "Needs and commodities", and essay by Len Doyal and Ian Gough entitled, "Human need and strategies for social change", pp. 55-80.

This model leads us to look at the "human scale community" as a design framework for meeting human needs on a physical, social and psychological level.

Visions of a Human Scale Community

When people are afflicted by a disease or condition that takes away their ability to look after themselves, we look on it as a dehumanizing and demoralizing experience. Yet, our present welfare system inflicts a similar condition of helplessness on people who have no access to the economic system — only we view it as 'them getting something for nothing'. **CED operates on the principle that all people have a right to provide for themselves, compatible with the need for permanence, security and self integrity.**

CED looks at work from a broader perspective than that of mere employment, as a vehicle for satisfying both material *and* non-material needs such as creativity, self-expression, a sense of belonging to a community, and personal identity. It does so by emphasizing the **human scale** in its structures and its processes.

What Do We Mean by "Human Scale"?

Below are three utopian visions of communities organized around meeting human needs in their fullest sense.

The first example is presented by utopian Andrèz Gortz :

> Each neighborhood, each town, would have public workshops equipped with a complete range of tools, machines, and raw materials, where the citizens produce for themselves, outside the market economy, the non-essentials according to their tastes and desires. As they would not work more than twenty hours a week (and possibly less) to produce the necessities of life, the adults would have time to learn what the children would be learning in primary school: not only reading and writing but also handicrafts of all kinds, sewing, leather-working, cabinet-making, masonry, metal-working, mechanics, pottery, agriculture -in short, all of the skills which are now commercially torn from us and replaced with buying and selling."[47]

In the next example, Marge Piercy in her novel *Women on the Edge of Time* images a similar society where people live in small decentralized communities, each expressive of a particular culture. The community described in her book is diverse, closely knit, economically sustainable, and self-sufficient in food production, housing, and energy consumption. The lifestyle portrays an ecological ethic that is non-material and directed at meeting the full spectrum of human needs. Men and women share equally in the activities/work of the community depending on their individual preference and inclination. Study is tied to practical work which is carried out on a one-to-one apprentice/tutorial basis with the mentor of one's choice. Decisions about the allocation of community resources, production processes, environmental concerns, etc. are made at community meetings by residents who are required to participate on a rotating basis.

For Murray Bookchin, the ideal form of city life is envisaged by his description of a "thousand colorful villages confederated as it were, into an entity called a city" — something like the New York of 60 years ago. He goes on to say:

> We have to...restore and improve neighborhoods and local communities again, a decentralization that yields a *wealth of diversity - not only of neighborhoods but of individual personalities*.....I would like to see each of these "villages" or neighborhoods become fairly autonomous and unique, freely confederated into a libertarian municipal structure that maximizes direct fact-to-face democracy and active citizenship.....We must have a sense of heritage as well as a sense of rootedness, of history as well as of personality. [48]

Bookchin turns to the historical example of the Greek *polis* or city-state as an ideal example of community on a human scale. The *polis*, according to classical historian H. D. F. Kitto, was designed for the amateur or the generalist as opposed to the professional:

> Its ideal was that every citizen should play his part in all of its many activities. ... It implies a respect for the wholeness or the oneness of life, and a consequent dislike of specialization." [49]

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[47] *Ecology as Politics,* p. 9.

[48] from an interview in *Alternatives,* Vol 12, No. 3/4, 1985, p. 63.

[49] H.D.F. Kitto, quoted in *Post Scarcity Anarchism*, p. 81.

Public political debates were a mainstay of Greek society, respecting the non-material need for self-expressiveness, participation, creativity, and social integration. Cities were designed along human dimensions to encourage social interaction among citizens with the *agora* as a central focus, "the large square in which citizens gathered daily to transact their affairs, gossip, argue politics, and sell their wares". The medieval town that Murray Bookchin and Lewis Mumford describe share many of the same human design features expressive of this spirit of spontaneity. The result is a town like a "medieval tapestry", rich with diversity and detail of design based on sociable human experience, an experience that was close to nature:

> Close to nature and to the land, the medieval town as a matter of course followed the contours of the terrain, and in serpentine fashion formed those twisting lanes, delightful cul-de-sacs, and narrow curving streets that still charm the modern visitor. ...This is the space of a leisurely craft society that looks not only to quality but to detail. *The totality acquires its unity by an interweaving of unique particulars.*[50]

It is important for us today to consider these utopian visions of human communities, because they point a *direction* toward a possible future that can be worked toward in small bits, inventively, experimentally, where appropriate. Consider the work being done by many neighborhood development associations that have radically altered the social relationships within their community by bringing people together. A multi-purpose neighborhood centre can provide a focus for such activities as community health care, neighborhood sports and leisure, babysitting, community planning, education, a community newspaper, and various types of community work employing local residents. The West Bank Community Development Corp. in Minneapolis operates such a centre located in an old renovated building that was previously scheduled for demolition and around which the community organized and fought successfully to preserve. Today the building has become a central focus and image for the community's identity. On a smaller scale but with similar intent, the North Logan Community Development Corp. in Winnipeg has taken on a multipurpose

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[50]quotes by M. Bookchin on the *polis* and medieval town were taken from *Limits to the City,* pp.97-99.

project. It, too, has built a multi-purpose community centre that, among other activities, houses a grassroots community newspaper, the Inner City Voice. The Community Corporation redevelops old housing, does community planning, and has now purchased land for economic development which it hopes will provide some local employment and a source of revenue for the community.

A more radical and idealistic approach to community restructuring was taken by a group of residents in Berkeley in the 1970's with the proposed "Blueprint for a Communal Environment". Their plan was to find: "Communal ways of organizing our lives [that] help to cut down on consumption, to provide for basic human needs more efficiently, to resist the system, to support ourselves and overcome the misery of atomized living." The design includes communal dining rooms, meeting spaces, and work areas; the dismantling of backyard and sideyard fences to open land as interior parks and gardens; vacant lots turned into communal space; closed off streets; the recycling of wastes to avoid pollution; communally worked gardens for organic food and a 'peoples market'; roof top linkages between houses; and more. The important point here is that the plan is based on a "culture counter to the prevailing one — a culture that emphasizes community rather than isolation", that emphasizes self-reliance, mutual aid, and ecological sensibility.[51]

The Berkeley plan will be dismissed by the majority of readers as being overly radical and unrealistic, but I believe we need look inside *ourselves* to find the real roadblocks to its realization. Most of us, complacent in our social affluence, accept the world as it is today. We suffer from what Russell Jacoby calls in a book by the same name, "social amnesia" — a condition of "forgetting", that blocks out of our consciousness the *extent to which we are truly deprived* : a deprivation that takes its toll in spirit, spontaneity, quality of life, a connection with nature, and authentic relationships with people in our communities. Social amnesia is a forgetting of our organic roots.

The antidote to "social amnesia" is the rediscovery of community. We have

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[51]The *Blueprint* plan for Berkeley, is described by Murray Bookchin in *Limits to the City,* pp. 129-34.

to start again learning how to interact in small groups, how to remould our political and economic systems for self-expression, participation, creativity and accessibility.

In conclusion, it is this principle (i.e., development geared to human needs) more than the others that points out the non-economic human side to community economic development, the idea that economics should be geared to the meeting of human needs and that these are far more complex than the mere provision of food, shelter and clothing, all of which can be easily met by our current economic system. This principle states that there is a universal, integrated *system of needs* that includes social and psychological needs as well as the physical. CED tries to address the full spectrum.

PRINCIPLE 4: Self Management and Local Control

Self-management and local control: meaning that the processes and structures of community economic development be especially designed to empower individuals and communities to take control over their own resources and plans for their own future as opposed to the the imposition of plans by outside government agencies and large corporations. Since society is primarily organized on a top-down basis, this will necessarily require a transformation from hierarchical to non-hierarchical structures so as to allow for the maximum participation by community members in the decision-making and development process.

Having already discussed the economic, ecological, and psychological aspects of CED under the principles of self-reliance, sustainability, and human

needs, respectively, we now arrive at the principle of **local control and self-management,** which introduces a ***political*** component to community economic development: issues of *community power* through the "liberation" or *empowerment* of those who have been marginalized by our system, namely minority groups and other disenfranchized citizens such as women or the handicapped. It relies on community organizing, citizen participation, the reallocation of local resources, and the building of community pride as tools for developing a local power-base.

CED holds a fundamental "belief in the capacity of people to manage their own affairs."[52] But, because power in today's society is centralized, concentrated at the top, the conditions for local control will require a *transfer of power* from top to bottom, from central to decentralized control, from beaurocracy to grassroots management, and from outside ownership and control of capital to local ownership and control of capital.

To be able to take over the ownership and management functions currently provided by professionals, bureaucrats and absentee owners, communities will need to build their *own* power base, drawing on broad community support and citizen groups. Citizen participation thus becomes the focal point for achieving community power. But community power is not easy to resurrect: the development of cities has gone hand and hand with the emergence of dispossessed peoples through alienation from labor, from nature and from meaningful consociation. As Murray Bookchin points out, the rise of the modern civilization with its hierarchical institutions has meant the *death of citizenship.* Community economic development can play an important role in restoring lost citizenship by introducing a *raison d'etre* for community interaction, and a vehicle, (relying on non-hierarchical, open participatory structures and processes), for reclaiming economic and therefore political power to the grassroots level — to the people most in need, the one's with least access to

[52]Wismar and Pell, "Community-based Economic Development and Community Self-Reliance", in *Rethinking Community Development in a Changing Society* , p. 69.

our political and economic system.

Empowerment is both a *psychological* and *political* tool for reclaiming personal and community power. The two, the personal and social/political, are interdependent and must be linked for any real change to occur, as we will see in the discussion on empowerment later in this section, highlighted by the works of Paulo Friére and Starhawk.

As power is at the centre of politics, so *power* is also the theme of this section. The discussion of Principle 4, "self management and local control", is divided into three parts. The first looks at the **roots of community power** in the medieval city and modern efforts to reclaim that power by neighborhoods. The second section analyses two types of power, **power-over and power-from-within,** to determine what kind of power is most appropriate for CED and how it can be achieved. The last section looks briefly at the practice of community power, the **tactics of community development** and the types of structures, processes, and organizations that best respond to the needs of empowerment, and the need for communities to become politically, socially and economically self-reliant.

Reclaiming Community Power

As we have seen, the thrust of development in modern times has been towards increasing globalization and integration of world markets. Political power as the back-up force to economic development has evolved along complementary lines, in the direction of globalism, with global and national issues earning front page news while local issues go unnoticed, buried in the back pages due to lack of interest.

The result of this globalization is a loss of our sense of local political involvement, of what it means to be an active citizen, or in Milton Kotler's words, a loss of our "local liberty": "World power, not local liberty captivated our imaginations for so long that it has distracted us from political thought and civic emotions."[53] Instead, our obsession with world power has created structures

[53]Milton Kotler, *Neighborhood Government,* p. xii.

of world domination designed to protect a misappropriation of world wealth; it has led to wars, and mass human suffering, to a world system of oppression which locks in the oppressor as well as the oppressed.

Domination, according to philosopher Paulo Friére, is the central theme of our epoch. *Domination is also a root cause of dehumanization* in the world, an unnatural state that conflicts with man's true vocation which is to become "fully human" and must therefore lead the "oppressed", sooner or later, into a "struggle to recover their lost humanity."[54]

The political struggle that CED is engaged in is a struggle to reclaim local liberty from the centralist bureaucracies (which exist to serve their own interests), by achieving local control and self-management over the community's social, cultural and economic resources. In reclaiming local liberty, a power reinforced by the bonds of community, we can begin to reclaim the *power-within-ourselves* — a power qualitatively different than the power-over-others currently expressed by our system of hierarchy and domination, a power that has the potential to *transform* and *humanize* our daily lives.

If communities are a source of power, as I later argue they are, then one place to begin building community power is in the neighborhood, for "it is in the neighborhood, not across the world or even in the nation, that people talk to each other and amplify their feelings *until they move to recover the source of value in their lives.*"[55] There are many other types of communities besides the neighborhood community, in which people are bonded together by common interests, culture, aspirations, or common needs. All communities are relevant to CED, but for the purpose of this section I wish to specifically examine the geographical neighborhood unit in terms of its historical claims to community power.

The place to begin is the medieval city. Kropotkin writes:

> No period of history could better illustrate the constructive powers of the popular masses than the tenth and eleventh centuries, when the fortified villages and

[54]Paulo Friére, *Pedagogy of the Oppressed,* p. 28.
[55]Kotler, op.cit., p. xii.

> market-places, representing so many "oasis amidst the feudal forest," began to free themselves from their lord's yoke, and slowly elaborated the future city organization. [56]

In the transformation from feudalism to capitalism, free cities began to sprout up all across Europe. According to Kropotkin, the most outstanding feature of the medieval city was its exercise of local power, its right to *self-jurisdiction* and *self-administration.* Each city was a "State in itself" with the "right of war and peace, of federation and alliance with its neighbors."[57]

But the organization of the city-state was not centralist in the way we tend to think of States. Instead it was composed of "collective life", represented by the various independent communities that co-existed in different sections of the city radiating from the centre and of "collective enterprises", represented by the various craft guilds which were brotherhoods composed of artisans belonging to the same trade:

> The medieval city thus appears as a double federation: of all householders united into *small territorial unions* — the street, the parish, the section — and of individuals united by oath into *guilds* according to their professions.[58]

The foundation for liberty and peace, the "chief aim of the medieval city", lay in the city's capacity to be self-reliant in production. Production was the responsibility of the guild, viewed as a "social duty". The individual artisan produced for his guild, "not for an unknown buyer, or to throw his goods into an unknown market", thus his workmanship was appreciated and priced by people who knew the value of his craft. "The guild, not the separate producer, offered the goods for sale in the community" which meant the guild was accountable to the community for the quality of its products. When the local community was fully served, *only then* could goods be offered by the guild for export to "the brotherhood of allied communities," in accordance with the principle of collective self-reliance.[59]

Murray Bookchin has stated that we need to look to history to discover

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[56] *Mutual Aid,* p. 166.
[57] ibid., p.179.
[58] ibid., p. 181.
[59] ibid., p.192.

alternative forms of social organization for our contemporary cities. State politics and centralist power only emerged as a late form of social development. Prior to state power, there were spontaneous non-hierarchical forms of social organization found in bands, tribal federations, villages and even municipalities. The roots of community power today can thus be traced back to such organizations as "guilds, neighborhoods, popular societies, cooperatives, town meetings, and a wide variety of municipal assemblies."[60] The medieval city is an example of a non-centralist city-state, a city incorporated as a federation or union of small independent "village communities" and local guilds.

We can perhaps begin to imagine at this point what a non-centralist modern city might look like, with neighborhood associations and community organizations empowered with the right of local control and self management, at the same time belonging to a greater alliance with other neighborhoods which together make up the larger city. In many ways, what CED is trying to foster in terms of self-reliance and autonomy is a modern medieval city.

The history of settlement patterns in North America shows that the earliest towns were settled, as in Europe, first as independent community villages, as associations of groups of families, religious communities, and cultural groupings which came over from Europe. Milton Kotler gives us a brief history of some of these towns, like Germantown (now annexed to Philadelphia) and Morrisania (now annexed to the Bronx), each incorporated as independent political units in the 17th Century. These small village units are what evolved into the neighborhoods of nearby cities which were rapidly expanding. But it was not until the 19th Century, after the American Revolution, that these villages and towns actually lost their political independence when they became subjugated under the administration and control of the nearby central city.

After the American Revolution and the rise of the State, two things happened. First, cities themselves lost their political independence as they became

"mere creatures of the state legislature." State legislatures intervened in local

[60]Bookchin, *The Ecology of Freedom,* p. 7.

> affairs...abolished local police departments...and established state boards in their place. Legislatures created new city positions..passed bills relating to the smallest minutiae of city life, such as the naming of streets and closing alleys."[61]

Secondly, what happened was that cities, in collusion with the state legislature, "abolished the governments of neighboring political units and have since controlled their territories by means of political administration for their central interests."[62] In 1854 Philadelphia gained dominion over twenty-eight districts, boroughs and townships; the same occurred for Boston, Detroit, New York, etc. Prior to this time, there were independent communities that held democratic town hall meetings and had political relations *with each other.* Since that time, because there is no neighborhood legal authority, municipal politics "refers only to the one remaining political association — downtown".[63]

Kotler shows how the historical purpose behind the annexation and consolidation of neighboring towns into one oligarchic structure was to pave the way for commercial development of the central downtown. *But what was in the interests of downtown was most often to the detriment of the outlying neighborhoods* which became impoverished with the loss of economic and political control. Under the old arrangement commercial development was limited by its boundaries and neighborhoods could levy tolls and other impediments to hinder development. Under the new arrangement local politics was effectively stifled, at least for a while.

In the 1960's there was a revival of local politics that occurred in neighborhoods all over North America. Neighborhood organizations formed to fight against commercial developments which displaced housing and forced people out of their homes and neighborhoods. They fought centrally planned urban renewal projects which tore apart communities, separated families and relatives and placed poor people in high-rise ghettos that became dangerous places to live. They fought against the imposition of freeways which spliced their neighborhoods into bits and pieces forcing thousands out of their homes

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[61] David Morris, *The New City-States,* p. 25.

[62] Kotler, p.14.

[63] ibid., p.14.

with no place to go. The political struggles of neighborhoods in the 1960's demonstrate the mess of problems that emerged **because** of the loss of local control and self-management by neighborhoods.

Milton Kotler's book entitled *Neighborhood Government: the Local Foundation of Political Life*, published in 1969, serves as an historic account of the strategic thinking during this period. He analyses four schools of thought:

1. Alinsky's **militancy approach** to community organizing, which he rejects because of a lack of neighborhood resources to fight back against the central police forces of cities, a situation that could only lead to local citizens being impounded and brutalized.

2. Thomas Haydon's approach which was to **organize neighborhoods around national issues of reform**. This approach gets tied in closely to the national political party system itself and as Kotler points out "the neighborhood unit has no natural foundation for participating in national power".

3. The **decentralized administrative approach** which involves setting up local offices and neighborhood planning terminals in neighborhoods to deliver social services. This approach is based on a false understanding of local control because an administration that is part of a central system can not act in the full interests of the neighborhood. Furthermore, "the promise of political influence in the planning process and administration is no substitute for empowering [citizens] to actually implement local decisions."

4. . The **economic development approach** which at that time was just beginning to be thought about as a theory of local control. "Community power means economic power", he writes and then goes on to reject the model because he saw that any economic development would mean an inflow of capital from an outside downtown source which would simply be another dependency or tie to the central forces. "Whatever capital that may flow into the poor communities will remain tied to downtown, rather than become an independent resource of the community." It is clear from his discussion that the thinking in 1969 about local economic control lacked an articulated strategy for local self-reliance — of how to create local wealth out of local resources.

Finally, Kotler presents the model he supports for reclaiming local control — **the neighborhood corporation:**

> The best form of neighborhood organization is the corporate organization of a neighborhood territory, chartered by the state and legally constituted for governing public authorities in the neighborhood. We call this form of organization the neighborhood corporation. [64]

This model, as we will see when we come to Chapter 6 ("The Practice of

[64] ibid., p. 44.

CED") has proven quite successful in places in the U.S., gaining funds from government and private sources and reclaiming authority over decision-making and administration in areas of planning, housing programs, schools, recreational facilities, health care, and more recently in commercial development. In Canada, the government sponsored NIP projects of the 1970's (Neighborhood Improvement Programs) laid the groundwork for community development corporations (CDC's). And today CDC's are one of the major forces behind community economic development.

In summary, we can see that community power had roots in the early development of cities from the medieval period, with their right to self-jurisdiction and self-administration, and in the social organization based on community ties. In the 19th century the legal power was taken away from neighborhoods for the sake of centralization, but vestiges still remained in the form of community meetings, neighborhood organizations., etc. In the 1960's there was a push by neighborhoods to reclaim that power. Neighborhood corporations sprung up all over North America to fight against control from the outside and to gain the right to administer local programs and allocate local resources. In the 1980's many of the neighborhood corporations, recognizing unemployment as a root problem in poor communities, have started to look at community economic development as an alternative employment creation strategy.

Power-Over / Power-from-Within

The type of power I have mainly spoken about so far is what I describe as *power-over*: the power of the industrial world over the Third World, the power of provinces over cities, and the power of cities over neighborhoods. We can expand the list endlessly with the power of technology over nature, of men over women, of the majority over the minority, of whites over people of color, of rich over the poor, of teacher over student. *The "power-over" is a power of domination, and the power of domination is a power that dehumanizes.*

Liberation from domination through empowerment is one of the aims of CED. But as Paulo Friére points out, there are problems. Often the downtrodden are resigned or adapted to the structure of domination and are unwilling to take risks to change it. Self-deprication is another major stumbling block. People who are told they are lazy, unproductive, or good for nothing, come to believe they are unworthy of a better life. In having relied all their lives on professionals to determine their needs and to define and "solve" their problems, they "almost never do... realize that they, too, know things they have learned in their relations with the world and with other men."[65]

The state of dependency that is engendered by domination is further reinforced by what Friére calls "false charity". False charity is a form of giving that "constrains the fearful and subdued...to extend their trembling hands," or, in other words, keeps them dependent on others and helpless to help themselves. In contrast, "true generosity" strives to lessen dependency, to turn the extended hands into working hands which "working, transform the world."[66] My favorite illustration of this principle of empowerment is the slogan adopted by the Project for Pride in Living in Minneapolis which states: *Give me a fish and I eat for a day. Teach me to fish and I eat for a lifetime.*

Friére cautions that "those who work for liberation must not take advantage of the emotional dependence of the oppressed." Knowledge liberates, but not the kind of knowledge that is dispensed by professionals as "advice". Manipulation, propaganda, management are all forms of domination in themselves and, therefore, cannot be used to "rehumanize".

The only knowledge that truly empowers is ***self-knowledge*** *gained through the active participation* ***with*** *others* in the struggle for liberation, praxis, in other words, through community process. "While no one liberates himself by his own efforts alone, neither is he liberated by others."[67] The power to act

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[65]Friére, *Pedagogy of the Oppressed,* p.50.

[66]ibid, p. 29.

[67]Friére, p. 53.

comes from within, through a process of doing and interacting in equal association with others.

There is no better person who deals with the nature of power as we have been examining it than Starhawk. Starhawk's major work, *Dreaming the Dark*, originally a master's thesis in feminist therapy at Antioch University, describes two kinds of powers — the "power-over" and the "power-from-within". The power-over is a power that people have and hold, like a knife, over others; whereas the power-within is "something we can do", a transformative power that comes to the individual who engages in the world and bonds with community. Starhawk calls it *immanent* power because it perceives the world as a dynamic entity made up of interwoven energies and respects the inherent value in all things.

In a world dominated by power-over, the task is to discover a power that liberates us from domination, but one that is not dominating in itself. Otherwise, as Friére pointed out, the oppressed when liberated will become the oppressors in turn, and so perpetuate the system of domination. Starhawk puts it this way: "If we are to survive, the question becomes: how do we overthrow, not those presently in power, but the principle of power over?"[68]

Translated into practical terms, in the transfer of power from government bureaucracy to citizen control or from central ownership of capital to local ownership and control, how can we insure that the power received will be invested in a way that will make a qualitative difference to the everyday lives of people in the community, will be different than the power-over presently experienced by the community?

The answer is that the reclaimed power must be transformed from a "power-over" to a "power-within", a power shared by the whole community, *a power created by community processes.* Writes Starhawk:

> The power relationships and institutions of immanence must support and further the ability of individuals to shape the choices and decisions that affect them. And those choices must also recognize the interconnectedness of individuals in a community of beings and resources that all have inherent value. [69]

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[68] *Dreaming the Dark*, p.12.

New structures are needed to allow self-discovery and personal empowerment to happen in group processes. Alcoholics Anonymous, the largest self-help group in the world with over two million members, gives a wonderful example of how new community groups might operate on the self-help principle. The story of Alcoholic Anonymous' success in saving the lives of millions of people, helps shed light on the mysteries of what makes self-help groups work to empower and transform the individual.

Before the appearance of A.A., doctors, clergymen, psychiatrists, people at work and desperate family members, had no success whatever in curing the disease of alcoholism. For as long as history, the alcoholic's fate had been certain death or insanity. Then, in the 1930's through work with Carl Jung, it was discovered that in some rare instances the craving for alcohol was removed, when there had been a personal *spiritual transformation* in the alcoholic, or, in terms of this discussion, when the alcoholic was inspired by a "power-from-within". It was later discovered that this "power-from-within" was linked to another kind of "spiritual" power — a "*power-with-others*" that could be evoked by a process of identifying with other like-alcoholics. It was discovered that only through this *identification with others* could *self-awareness* of one's own helpless condition come about, without which there could be no change.

Prior to this revelation, the alcoholic either denied there was a problem, or believed he/she could control it him/herself. In isolation the alcoholic was doomed to failure. In joining on equal ground with others in the same struggle, the alcoholic gains a power to do what he or she could never do before. By becoming part of a process bigger than him/herself, the alcoholic finds a new source of power (fundamentally different than ego-centered "will power" or the authoritative power-over others) gained through an identification with others.

Another landmark discovery of A.A. was that, for the power-within to be replenished, it must be shared. It is a fundamental principle of self-help that

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[69]ibid., p. 12.

those who receive the power, which in A. A. is the gift of sobriety, must give it away in order to keep it — the principle of *mutual aid* which states that in helping others I help myself. Thus, through active participation, which involves a certain amount of self-sacrifice, an individual can gain a sense of belonging that is a wellspring of transformative power to change the conditions of his/her existence.

Because of its success, thousands of groups have sprung up all over the world, increasing each year and spreading at the grassroots by word of mouth from one alcoholic to another. Today there are hundreds of other self-help groups being started on the same principles as A.A. Any two persons who share the same problem can start a group. All groups are autonomous but there are certain guidelines they follow to insure their processes are non-hierarchical, for example rotating chairpersons: "Our leaders are but trusted servants; they do not govern," reads one tradition. Membership is self-determined and open. Groups are self-supporting and will not accept outside contributions. Members use first names only to safeguard anonymity and to "take the focus away from members' positions in the world of status and hierarchy. Instead, each person can only be valued for who she or he is in the moment, and for the life experiences she or he brings to the group."[70]

The most dramatic example of personal *and* community empowerment gained through Alcoholics Anonymous is the Alkali Lake Indian Band in northern B.C. An isolated community, alcohol was first introduced to the band in 1940 when a white trading post was established nearby. Explains Guy Dauncy:

> The loss of the traditional hunting lands, the collapse of the native economy, the ban on native spiritual practices by the church, and the effect of the residential Christian schools, which took the children away from their parents and their culture, and where all things native including their language were forbidden, had carved a huge hole in the souls of the people, however, and alcohol did serve to fill it up a little bit.[71]

By 1960 there was 100% alcoholism on the reserve, along with rampant

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[70]Starhawk, *Truth or Dare*, p.120.

[71] "What is Community Economic Development?" an unpublished working paper by Guy Dauncy, 1986. Further information is available through the video film account entitled, "The Honor of All," a three part series, from Philip Jackson, Alkali Lake Band, Williams Lake, B.C.

crime, murders and mass unemployment. The elders had left the community because of its demoralized and seemingly hopeless state. Then, in 1971, one woman stopped drinking. Five days later her husband stopped, and after a while he persuaded someone else to stop. Together, they started an A.A. group. With a new found confidence rooted in sobriety, the woman secured a government grant to set up a store on the reserve, driving out the outsider's store which was siphoning off the band's welfare money. Her husband became chief and took an unpopular stand, imposing food vouchers in place of welfare money. The changes sparked resistance, but gradually, the ones who had quit drinking persisted in persuading others to quit until, one by one, the reserve turned dry.

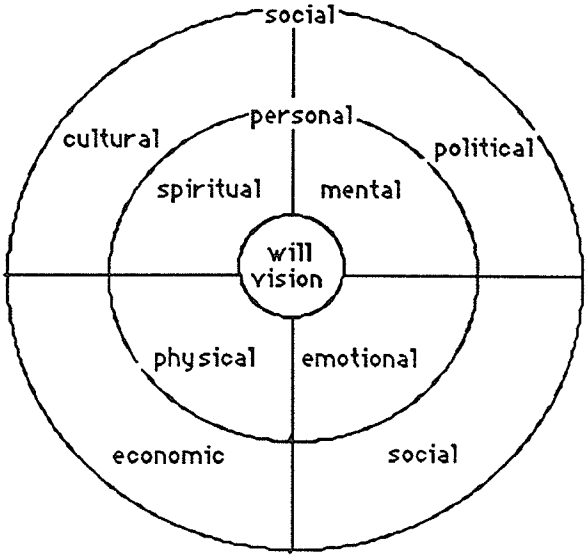
In 1975, 40% of the band's members had quit drinking; by 1979 over 60% were sober; and, finally, by 1985 the band had reached 95% sobriety! Transformation had become a community process. Every time a member left the reserve for three weeks of alcohol treatment the others would paint and repair the new A.A. member's house for his/her return to a new life. All the while, the reserve's economic development grew in prosperity: the band built their own school and hired their own teachers who spoke the Sushwap language; they founded an agricultural co-op; a logging company; a horticultural collective and a carpentry business. Unemployment figures changed from 75% unemployment to 75% employment! What happened at Alkali Lake was the linking of personal and social empowerment to revitalize an entire community — spiritually, morally, socially and economically. As Guy Dauncy points out:

> The Alkali Lake Story is firstly a story of personal and cultural empowerment, and secondly a story of community economic development. The empowerment came first. ...It shows the way in which the different aspects of development all need linking together, and how the processes of learning are central to everything else: learning who we are, learning to believe in ourselves and our cultures, and learning the practical details of community building and of community economic development.[72]

[72]ibid.

The elders came back to the community and the band has now put together a plan for community economic development aimed at economic self-reliance using a holistic model which I have illustrated below. The model is based on native cultural traditions of the four elements:

Holistic Development Model of the Alkali Lake Indian Band



The development model is a wheel radiating outward on two levels — the personal and the social. At the centre of the wheel is will and vision, the powers needed to fuel the mental, spiritual, physical and emotional development of the individual. Community development, at the next social level, is an outgrowth or evolution of personal development whose success relies on the maturity and strength of individual members. The community's cultural, social, political and economic structures are built upon the personal empowerment at the inner circle which collectively combine to make up the spiritual, emotional, mental, and physical resources of the whole community.

Structures, Processes, Organizations that Empower

What is needed to get people to participate in the making and shaping of their communities are new structures and group processes. The pyramidical structure traditionally used by most organizations takes power away from the many and gives it to the few. Empowerment requires *power-sharing*. For Starhawk, the structure that best encourages power-sharing is the circle. Below are some guidelines for group processes.

First, size makes a difference. "Groups must be small enough so that within them we can each have time to speak, to be heard, to know each other personally. The time we give to a person and the depth of attention we pay to her/his words and feelings are measures of the worth we accord her/him. We enact the theology of immanence, the belief that we are each inherently valuable, by creating groups in which each person is given time and attention — given respect."[73] Consensus decision-making works best in small groups where there is a closeness and intimacy among members.

Second, in order to equalize the value of everyone's thoughts and opinions, discussions can take place in a round in which each person speaks in turn uninterrupted. This prevents the common occurrence in mixed groups whereby certain people, who have been conditioned to value their own ideas (middleclass people, white people, men, etc), unintentionally take over discussion, while others (minorities, women, poor people), who have been conditioned to think of their ideas as valueless, withdraw from participation. In doing rounds, writes Starhawk, "the quality of our listening is as important as the quality of our talking." Native American sweat lodges use this shared power process when they pass around a rattle and let whoever holds it have the chance to chant or express themselves in whatever way inspires them. "In the circle we all face each other. No one is exalted; no one's face is hidden. No one is above — no one is below. We are all equal in the circle."[74]

Third, in groups in which people are encouraged to express themselves

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[73] Starhawk, *Dreaming the Dark*, p.99.

[74] ibid., p. 114.

there will inevitably be conflict. Confrontation and resistance are forces that emanate from the powers-within, different than violence which is the imposition of power-over. And Starhawk warns us that without conflict there can be no change. Instead of fearing conflict we should welcome its energies and work with it. One way to deal with conflict is through group consensus, a method of decision making that gives power to minority positions as compared to the traditional majority rules. In a consensus model if one person holds a strong objection, especially if it is on ethical grounds, he/she should have the power to block a decision. It can take a lot of time and creativity to arrive at a consensus decision, but it is the strongest position in the end because it builds *group conscience*. A group conscience I define as the intuitive power of knowing how to act *as a group*, and provides a guide for how we relate as individuals to the group.

Fourth, change is part of any healthy process and should be accepted with the natural flow. "A healthy group is never stable. It is always changing, growing, re-forming."[75]

Fifth, there are activities and processes that can alter the flow and energy levels of a group; for example, brainstorming on a specific problem can tap creativity that otherwise may not surface; rituals like eating together or celebrating special events can be a tool for bonding people in a group together. As we will see in the next chapter on the practice of CED, it is recommended that CED groups, when they start out, make a special point of planning social activities like pot luck suppers and other get togethers as a way to raise community spirit.

In summing up the principle of local control and self-management, let us refer back Chapter 1 and Alvin Toffler's description of the coming Third Wave democracy which, he says, will be based on the cornerstone principle of "*minority power*". He writes:

> Majority rule, the key legitimating principle of the Second Wave era, is increasingly obsolete. It is not majorities but minorities that count. ...In place of a highly

[75]ibid., p.128.

> stratified society, in which a few major blocks ally themselves to form a majority, we have a configurative society — one in which thousands of minorities, many of them temporary, swirl and form highly novel, transient patterns, seldom coalescing into a 51% consensus on major issues. ...The Third Wave challenges all of our conventional assumptions about the relationship of majority rule to social justice. ...In Second Wave societies, majority rule almost always meant a fairer break for the poor. For the poor *were* the majority. Today...in a good many countries [the poor] — like everyone else — have become a minority ... and will remain so. ...Majority rule, therefore, is no longer adequate as a legitimating principle, [nor is it] necessarily humanizing or democratic in societies moving into the Third Wave.[76]

The decentralization of power in society will lead to an enriched diversity that should not be feared, but rather, viewed as "an opportunity for human development" consistent with the ecological principles of "unity in diversity" and "evolution toward complexity".

Throughout this thesis I have consistently pointed to the need to decentralize our economic structures — from the standpoint of human needs (employment, meaningful work, a sense of belonging, self-reliance) and from the larger planetary perspective (ecological restoration, sustainability, social justice). **A localized community power base is the needed political structure to support a decentralized economy** (just as a centralized power base is the needed support for a mass industrialized economy). As Mark Satin, author of *New Age Politics,* states :

> Localization is decentralization with a positive focus...Localization is the process of the continent evolving in the direction of its natural diversity by means of the spread of community consciousness and regional self-reliance.[77]

Community empowerment, then, is the political component of community economic development.

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[76] *The Third Wave,* p. 419-21.

[77] *New Age Politics,* p.115.

PRINCIPLE 5: Endogenous Development

Endogenous development: stemming from the unique history and culture of a community as opposed to uniform development based on a set of corporate standards or socially defined "norms". In place of a universal model there will be a pluralistic pattern to development arising from the particular needs and values of each culture, in each time in history, and in each place.

This principle stresses culture as a prime component in community economic development. It sees culture as the heart and life force of a community, much more than the technologies you can take off the shelf or the ideas you can store in books. Culture is the collective expression of language, technology, history, spirituality, art, social institutions and the perceptions held by a community about its relationship with the natural world. In short, culture provides the context and the content that give definition to everyday life. What I am speaking about here might be called "*authentic*" culture as opposed to the unauthentic culture produced by T.V. and advertising. Destroy an authentic culture and you destroy community — the two are interlinked.

The praxis of endogenous development poses a serious problem in industrialized countries like North America, where history is continually being obliterated in favor of the newest fad, where buildings and places symbolizing the past are not only disregarded, but discarded, intentionally, to make way for the newest faceless high-rise development.

What is culture in this context?

Authentic culture evolves from the collective memory of social experiences over time. It is a process of unfolding, of continuity — a process that *grows out of history.* The point is, that in North America (and other nations dominated by the forces of modern industry), **there is no culture**, except a manufactured likeness to culture expressed in the styles and fashions of the day. Russell Jacoby calls this forgetting of our historical roots "social amnesia". Starhawk

names what we experience as the "culture of estrangement". Christopher Lasch defines today's culture as the "culture of narcissisum". Writes Christopher Lasch:

> The narcissist has no interest in the future because, in part, he has so little interest in the past....In a narcissistic society — a society that gives increasing prominence and encouragement to narcissistic traits — the cultural devaluation of the past reflects not only the poverty of the prevailing ideologies, which have lost their grip on reality and abandoned the attempt to master it, but the poverty of the narcissist's inner life. A society that has made "nostalgia" a marketable commodity on the cultural exchange quickly repudiates the suggestion that life in the past was in any important way better than life today. Having trivialized the past by equating it with outmoded styles of consumption, discarded fashions and attitudes, people today resent anyone who draws on the past in serious discussions of contemporary conditions or attempts to use the past as a standard by which to judge the present. ...To live for the moment is the prevailing passion — to live for yourself, not for your predecessors or posterity. We are fast losing the sense of historical continuity, the sense of belonging to a succession of generations originating in the past and stretching into the future.[78]

The story of industrialism is a story about the *loss of culture* and the related loss of community. The discussion on this principle of endogenous development will, therefore, be in large part about the loss of culture, looked at from different perspectives. The first part looks at the destruction of culture in the twentieth century by industrial development, focussing mostly on Third World development. The second part consists of a philosophical,/historical examination of the severed connection between Western culture and the natural world — the "culture of estrangement". In contrast, the final section looks at the integrated, organic culture of egalitarian tribal communities as a reference point or guide to the rediscovering of authentic community in our neighborhoods at home.

Destruction of Culture in the Twentieth Century

E.F. Schumacher wrote:

> The life, work and happiness of all societies depend on certain 'psychological structures' which are infinitely precious and highly vulnerable. Social cohesion, co-operation, mutual respect, and above all self-respect, courage in the face of adversity, and the ability to bear hardship -all this and much else disintegrates and

[78] *The Culture of Narcissism,* p.23-30.

> disappears when these 'psychological structures' are gravely damaged. ...No amount of economic growth can compensate for such losses. [79]

In other words, community is not defined by a geographic location, a neighborhood, or a group of people. *It is a complex web of relationships that are social and psychological in nature.* A true community has a heart — a source of feeling and spirit. Its life blood is its culture: the way people relate to each other around work and play; the way they express themselves in art; the way they produce to meet their needs and distribute goods among one other; their relationship with the world around them and nature; their attitudes toward family and children.

The importance of heart in a community is dramatically shown when that heart is destroyed, for example when Western industrialism invades the tribal cultures and village communities of the Third world. In tribal culture 'economics' is tied to the land which is the community's sole means of subsistence. The land, a life source for the people, is in turn tied to the religious beliefs of the community which in turn is integrated into the daily activities and social structures of the community. When tribal peoples are dispossessed of the their land the effect is devastating on their culture because the economic, religious, and social institutions are inseparable from their land base. Communal support systems collapse, culture is lost, and eventually the community dies.

Throughout the Third World large scale development projects have forced thousands of people off their lands, depriving them of their right "to utilize fully and freely their natural wealth and resources" and to "enjoy their own culture, [and] profess and practice their own religion," as enshrined in the International Bill of Human Rights. Adams and Solomon explain:

> The most clear cut examples of such human rights violations involve tribal societies whose particular economic, social, political, and religious systems have evolved to suit their specific habitats. Transferring these systems intact to another piece of land is, in practice, impossible. ...Social relationships tied to a particular region are more likely to be dissolved than transferred when relocation takes place. Religious rights are similarly non-transferable:"[80]

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[79] *Small is Beautiful,* p.161.

[80] P. Adams and L. Solomon, *In the Name of Progress,* p. 29

The book, *In the Name of Progress,* published by Energy Probe Research Foundation of Canada, documents case after case from around the world of self-sustaining and prosperous tribal cultures being dispossessed of their lands for hydro-electric dams and other industrial projects. As a consequence of displacement, once healthy and prosperous tribes, such as the Tonga and Batonka in Zimbabwe, are reduced to a demoralized and poverty-stricken state dependent on outside food sources and afflicted with disease from the contaminated waters in their new territory. In another example in Brazil, a scheme to "open up ...an area of jungle and savanna bigger than Great Britain" bringing roads, settlers and disease, is going to destroy "the habitat which is the basis of the Indian's livelihood and culture -the Indians will soon be extinct."[81] These examples are not isolated, but rather part of a universal pattern of development occurring throughout the world.

The Loss of Common Lands

A major contributing factor to the breakdown of communities, both in European history and in the current practice of development in Third World countries is the *loss of common lands.* As we will see later, tribal cultures hold the perception that land is a *communal resource* in contrast to our modern view that land is a private commodity. As civilization grew, the practice of holding parcels of land for communal use continued to be passed on by traditional folk culture and played an important role in maintaining the ecological and economic sustainability of the community. The loss of common lands as a consequence of modern industrial development, has contributed to the breakdown of communities and the ecological imbalances of the natural world.

For example, in pre-colonial India, village wood lots provided a sustainable supply of fuel, fodder, medicine and timber for the community. The community operated as "a social organization based on commonly accepted norms and values which provided the organizing principles and control mechanisms for its

[81] ibid p. 197-98.

members."[82] "As long as individual villagers were dependent on their village economies to meet their needs they had a clear incentive to protect the resource base, which was the only basis of their sustenance."[83] It was not until the 19th Century when the British Raj made claims on large tracts of common lands for commercial purposes that the communal system broke down and along with it the management of the forests.

> Rural populations who lost control over their forests became alienated from them. ....[Finally] the village's communal ownership system, under which the individual was accountable to the community, was replaced by the state's ownership. [84]

An entire reversal has taken place today. The forests that were once locally owned and managed to meet the basic needs of the community are now owned and protected by the State for the purpose of commercial enterprise only. Traditional uses, even picking flowers, grasses, or twigs by local people who depend on the wood lots, is prohibited under new proposed legislation.

In Japan communal forests are being signed over to commercial logging companies, in South America to commercial cattle ranchers. Yet, as Adams and Solomon point out:

> It is not the commercial interests that are pointed to for upsetting the balance but the people [and their indiscriminate use of forests for firewood]. ...In effect, instead of questioning the legitimacy of the outside intervention which has such devastating effects, they are blaming the victims of decisions taken by forces outside their control." [85]

Starhawk gives a vivid historical account of the devastating effects on community life that resulted from the loss of lands in common in England during the enclosure movement of the 16th and 17th centuries. Traditionally, vast areas of land and forest had been protected for communal use by a network of *rights of common.* Communities depended on these lands for their means of subsistence — cattle grazing, fuel, etc. In feudal times all peasants, even serfs were guaranteed access to the land. But as the market economy began to

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[82] *Social Economic and Ecological Impact of Social Forestry in Kolar* by Shiva, Sharatchandra, and Bandyopadhyay, published by Indian Institute of Management , Bangalore, India, as quoted in *In the Name of Progress*, p. 192.

[83] ibid., p. 192

[84] ibid., p. 78-80.

[85] ibid. p.80.

emerge in England with the wool industry at the forefront, landowners pressed to enclose the common lands to raise sheep and also to exclude the peasantry from its use and access.

> Enclosure, in effect, turned the land into private property under a single person's control, destroying the network of mutual rights and obligations that had characterized the medieval village. ...Enclosed land, instead of serving multiple needs and purposes, served only one. When a forest was cut down .. it no longer provided wood for fuel and building..habitat for wild game, a source for healing herbs, or shelter for those driven to live outside the confines of town and village." ...'Enclosures', as Bacon put it, 'bred a decay of the people. Whole villages were depopulated; the houses tumbled into ruin' [86]

Those hit the hardest were the poor whose subsistence depended on food they could produce on their small plot of land. With the loss of the rights to the land the poor were forced to work for lower than subsistence wages. In the end,

> ...enclosures destroyed the peasant village as an economic unity. Power over important decisions, which affected the well-being of the whole community, was no longer vested in the village or its representatives. Instead it became fragmented and privatized...The organic community was destroyed and people became like atoms — separated no longer bound by mutual obligation.[87]

The destruction of culture and fragmentation of community, while we can trace its roots in history, from the loss of common lands to the displacement of tribal peoples, is not something unique to the past nor limited to the development of Third World nations. It is a phenomenon occurring today in our modern cities, in our own backyards. The failure of urban renewal is a case in point, where entire communities have been torn apart, families dispossessed of their land (expropriated) and relocated into developments of an inhuman scale.

To take this argument a step further, Richard Sennet, in his *Uses of Disorder*, holds the rational planner, with his pursuit of uniformity and simplification through segregation of land uses, responsible for the *deculturation* and *fragmentation* of community life. Michael Smith explains:

> The modern metropolis in *The Uses of Disorder* has lost its capacity to foster human interaction among diverse subcultures. Social gathering spots have been destroyed by urban renewal. Rigid segregation of land uses, promoted by conventional city planning theory and practice, has robbed urban neighborhoods

[86]Starhawk, *Dreaming the Dark,* p. 193.

[87]ibid., p. 196.

> of their richness, vitality, and differentiation. The capacity of affluent suburban residents to zone out class, ethnic, and functional diversity further contributes to a stultification of human experience. ...The contemporary American metropolis has undergone the development of elaborate techno-bureaucratic systems, on the one hand, and a simplification of social interaction and of the forums where social exchange can take place, on the other. ...Older urban forms of complex human association, through multiple contact points, have been displaced by voluntary withdrawal from diversity and by the 'renewal' policies of urban planners, who bulldoze vital social gathering places in pursuit of their own purified vision of the good city.[88]

Jonathon Porritt, expresses a similar view in *Seeing Green*:

> The social bonds that foster genuine cohesion and mutual support are torn apart. Everything and everybody is 'zoned' in an attempt to organize everything rationally: live here, shop there, play somewhere else and work wherever you can get it. Many traditional sources of employment are thoughtlessly destroyed; corner shops, small businesses, workshops — everything has to go as part of the great plan. As the mainstay of the local economy collapses, more people move out, creating ghettos for the disadvantaged, the old, and the unemployed.
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> You can't just dissect communities like this; such a fragmenting of social relations goes completely against the grain of life. People become **'decultured'**, and as the level of alienation rises, so too does the likelihood of violent confrontation. ...Somewhere along the line [the planners and architects and civil servants] forget they are dealing with people and with all that chaotic cultural rag-bag of people's values, their sense of history, their eccentricities, their relationships with others, and above all, their sense of place.[89]

In contrast to the notion of uniform planning and development, the principle of endogenous development recognizes and respects the multiplicity and diversity of cultures and acknowledges the sovereign right of each community to define its own approach to development in accordance with its own expressed values. It recognizes that there is no one universal model of development, which it sees as a form of dominance of one culture over another, but a diversity of models based on the history of each community.

The principle of endogenous development speaks for the specificity and uniqueness of life.

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[88]Michael Smith, *The City and Social Theory,* p. 155-56.

[89]*Seeing Green,* p.84-85.

The Culture of Estrangement: The Split between Culture and Nature

Industrial economic development is the ultimate symbol of man's domination over nature, because it operates on the belief that nature exists as an objective reality separate from culture, where nature is reduced to a "resource", a thing to be conquered, harnessed, tamed, measured, distributed, and owned. The split between nature and culture is one of the great dualisms of our age in which all of life is seen on some level as an inevitable struggle against Nature, where Nature is tyrannical and where, if man does not dominate Nature, Nature will dominate man. The bible informs us that God gave man "dominion over Nature";[90] Freud tells us that the repression of our animal instincts is what defines culture; and even Marx tells us that human liberation depends on our technical mastery over nature to free us from the realm of material necessity. Given this legacy, the thrust of scientific research, technical innovation, and economic development has been toward ever more control over nature, ultimately to crack open the mysteries of matter and life itself, through nuclear physics and genetic engineering .

The dualistic split between nature and culture is what Starhawk refers to as the '*culture of estrangement*', our dominant reality that divides subject and object, material and spirit, and reduces them to a hierarchical format that assigns value to their differences. Thus, light is better than dark, man is superior to woman, reason overrules intuition, and more is better than less.

In primitive communities this hierarchy did not exist. "To such communities, individuals and things were not necessarily better or worse than each other;

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[90]Lynn White and Arnold Tynbee in their respective essays, "The Historical Roots of our Ecological Crisis" and "The Religious Background of the Present Environmental Crisis" (printed in *Ecology and Religion in History* by David and Eileen Spring, eds.) provide insightful analyses into the historical Judeo Christian roots to our ecological crisis. The biblical justification for the dominance of Man over Nature is contained in the Creation story. "This doctrine," writes Toynbee, "is enunciated in one sentence within one verse in the Bible. 'Be fruitful and multiply and replenish the Earth and **subdue it**' (Gen. i, 28.)..According to the Bible, God had created th World; the World was his to do what he liked with it; he had chosen to licence Adam and Eve to do what *they* liked with it; and their licence was not cancelled by the Fall.' In pre-Christian pantheistic religions (paganism) divinity is inherent in all natural phenomena. Christianity drained the divinity out of Nature.

they were simply dissimilar."[91] Differences were prized for their uniqueness. Thus a person afflicted with a neurological disorder like epilepsy or schizophrenia, instead of being marginalized by the community would be esteemed for his/her special power to enter altered states and might be placed in the role of Shaman.

Modern society, with its culture of estrangement, is the result of thousands of years of social evolution. Bookchin, in *Ecology of Freedom*, traces the roots of today's alienated, atomized culture to the emergence of **hierarchy, domination and patriarchy** five thousand years ago among tribal societies. However, in tribal society hierarchy never became institutionalized. The *institutionalization of hierarchy* as a unique form of domination begins with the birth of cities and the rise of the State, with its codified laws, its bureaucracy and its punitive powers to ensure obedience — a systematized form of hierarchy that is foreign to organic tribal society. The customs and familial kinship ties that integrated members of a tribe and endowed them with a sense of personal responsibility, were gradually replaced by impersonal, bureaucratic, contractual relationships between citizens and the State, between buyers and sellers, and even between neighbors and relatives. As tribal society became subsumed by the village, and later, by the modern city (with the rise of a highly organized market economy), 'hierarchy' was embodied in the structures of class society and authoritarian technics, in the depersonalized, technocratic bureaucracy. To sum it up Bookchin writes, "The legacy of domination thus culminates in the growing together of the State and society — and with it, dissolution of the family, community, mutual aid, and social commitment."[92] The denaturing of humanity and the gradual replacement of authentic community by a system of dominance and alienated social relationships is the only 'culture' we truly know today in modern society, although traces of authentic community can still be found within the informal economy, the family, and self-help groups.

According to Starhawk, "the split between culture and nature determines the

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[91] Murray Bookchin, *The Ecology of Freedom,* p.44.

[92] ibid. p. 139.

character of work itself", takes it out of the home, away from women, and divests it of feeling, of spiritual content and of personal concerns.[93] Historically, when work was abstracted from the home and its community base, when it was severed from its direct relationship with nature, it also was set free to follow the factories and the unhindered flow of capital. Villagers abandoned their towns and communities in hope of finding work in the new factories. As explained earlier, the loss of community-based economics can be traced to the destruction of the medieval village community and folk culture in the 16th and 17th centuries in England, with the rise of the market economy and the enclosure of common lands. It should be noted that, while feudal society was organized around a tight hierarchical social structure, the peasant culture of the village was a vessel for preserving many of the ancient customs that can be traced back to tribal times, such as the earth and fertility rituals, the celebrations and festivals, the communal sharing of land, and the folk medicine.

Reconstruction of Community in the Modern World

The task of building community for an ecological world must begin with a grounding in history. From the study of early societies — particularly the tribalistic structures of family, clan, fellowships and personal and community alliances — we gain an historical picture of the social nature of empowerment and, from there, can begin to piece together *what* has been lost, why, and, using our *conscious* power of choice, can begin to decide what it is worth preserving and/or reclaiming for modern society, and in what form, *beyond the primitive*. In *The Rise of Urbanization and the Decline of Citizenship,* Bookchin writes:

> Notions of human scale — of communities that are modest in size and comprehensible politically and logistically to their residents — are distinctly tribalistic in character and origin. They are formed from the idiom of a civic mentality that is rooted in familial loyalties and extended kinship relationships... Men and women in the towns and cities of the past visualized their relationships in terms of familial connections. As "strangers' began to form the majority of urban

[93] *Dreaming the Dark,* p. 77.

> dwellers in late classical and medieval cities, this familial imagery with its emphasis on smallness of scale, accessibility of person, and close-knit support systems of the kind we associate with "humanly scaled" communities became the outlook and prerogative of urban élites ....who staked out a claim to the city's "founder". Ultimately, the newer dwellers of the city, too, formed their own "brotherhoods" in which ties, rights, and duties were solemnized by blood oaths and kinship rituals. In time, the word "brother" became an ecumenical form of civic address and affiliation, spanning class ties and interests.
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> The civic institutions we most commonly associate with a participatory democracy often reach back in almost unbroken continuity to tribal assemblies.[94]

The great value of looking at history is that it puts into broader perspective our view of Western culture, helpings shatter the narcissistic image we carry around that Western society is the only legitimate civilization. Such a self-righteous attitude has led to so many cruel acts of disregard and disrespect upon other cultures. (Consider our forefathers' "Christian" zeal to "convert the heathens"; or the "white", superior attitude expressed in taking away native children from their homes and communities and sending them to residential schools where they were given new 'Christian' names and prohibited from speaking their own language.)

In contrast, a more humble attitude would see the value in learning from other cultures what it means to live in an integrated and ecological community, so that we can begin to imagine the possibilities for our own development. "The notion that man is destined to dominate nature is by no means a universal feature of human culture," writes Bookchin.[95] Primitive, organic society — an outgrowth of the natural world, a culture that expresses its identification with nature through ritual, ceremonies, and its ecological and communal values — is living testimony to this fact. Early communities were non-hierarchical in structure; they operated without rulers and kings, without armies and class distinctions .

Below are some of the identifying characteristics of tribal culture in contrast to our own:

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[94] *The Rise of Urbanization and the Decline of Citizenship*, p. 29.

[95] Bookchin, *The Ecology of Freedom,* p. 43.

• **Leadership**:

In tribal society, leaders are chosen but only to lead special communal activities such as hunting, ceremonial celebrations, or healing the sick, based upon the special gifts or talents of the individual in regard to the specific activity. To be a leader is not to own a position of power but rather to fulfill a duty and service to the community. By comparison, hierarchical societies institutionalize rulership by creating positions of power, backed by coercive force, that exist independent of the particular capabilities of the person in charge. History gives us numerous examples of incompetent rulers who ruled despite their weaknesses.

• **Communal Economy**:

Contrasting the practice of Western economics, tribal societies operate along the following economic principles:

1. The notion that "those *material means essential to the survival of the individual or the group are actively held in common* or...constitute readily accessible economic goods." [96]

2. What Paul Radin refers to as the law of the "irreducible minimum" — the *"inalienable right" of every member of the community to food, shelter and clothing" irrespective of the amount of work contributed* by the individual to the acquisition of the means of life."[97] This tradition protects the elderly, the handicapped, and the sick from becoming shut out of community life.

3. Tribal societies emphasize the value of gift giving as a social activity. If wealth is accumulated it is immediately shared. In contrast to our own worship of private wealth, the idea of accumulating wealth for individual gain is frowned upon.

4. In contrast to our market economy, which transfers the value of work from a human to a marketing context thus alienating man from his labor, for the primitive, work has a direct social value. Thus, carving a tool, gathering the grain or participating in a hunt are social and a spiritual activities, as well as economic.

5. Property in tribal societies is governed by the principle of *usufruct*, i.e., property is never owned, rather it *belongs to the user by virtue of use and only for the time of its use.*

6. In the tribal social economy, participation is direct and active. The *individual has mastered the "processes of production,"* so that he creates the tool from beginning to end and controls it with his skill, as opposed to our modern society that produces technology in atomized fragments which, somehow, ends up controlling us.

• **Individuation**:

In tribal society, *individuality* and the reverse notion, *conformity*, do not exist. In modern society, the notion of individuality works to separate or estrange individuals from their community identity, while the notion of conformity, on the otherhand, works to repress and simplify individuals into stereotypes. Instead, tribal society fosters "individuation" which is the full expression of the individual within the community. Paul Radin writes:

> "Free scope is allowed for every conceivable kind of personality outlet or expression.... No moral judgment is passed on any aspect of human personality

[96]Stanley Diamond, Ch. 4. *In Search of the Primitive.*

[97]as quoted in *The Ecology of Freedom*, p. 56.

> as such. Human nature is what it is, and each act, emotion, belief expressed, must be allowed to make or mar a man."[98]

The lessons we can learn from the study of egalitarian tribal cultures for modern society are manifold: appreciation and support for the uniqueness and differences between individuals as part of the complexity and diversity of human nature; appreciation and encouragement of *work for its direct social value,*such as the informal work carried out in the home and community, the works of art and craft, and the mutual aid between members of a community; appreciation for the *process* of production and its immanent connection to nature; and a holistic perception of life, that weaves together art, spirituality, nature, production and individual needs into an integrated pattern of community life.

This discussion is not intended to romanticise the life of the primitive, whose life, admittedly, is archaic, barbaric at times and fraught with necessity — but, rather, to "ecologize" our own understanding of community. One of the tasks of community economic development is to **discover what vestiges of community still remain** in modern society and build upon them — i.e., the culture of the informal economy of family, friends, self-help groups and other social and community networks. A second task will be to create **new forms of work that will fundamentally transform our social relationships**, by healing the estrangement, the fragmentation, and the domination of humans over humans, humans over nature, "without reverting to the archaic blood-tie at the one extreme or the totalitarian "folk philosophy" of fascism at the other."[99] The task of history, then, is not to romaticize the past, but to raise our consciousness about the future, by giving us an understanding of our cultural inheritance, of how we have arrived in the present and providing us with examples of other cultures and other times, when community life was different.

In summary, the forces of alienation have insinuated themselves into our workplaces, our homes, our relationships, our neighborhoods and our lifestyles undermining the bonds of community and rendering the very idea of community

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[98]op.cit., Ch. 4.

[99]Bookchin, *The Rise of Urbanization and the Decline of Citizenship,*p. 30.

obsolete in the modern age. With community fast becoming a lost form of life (which may explain why it is something so many of us seem to be searching for), it will take a *conscious* effort and hard work to preserve and build upon what little remains.

Where community has been totally erased we must begin to use our imaginations to envision what our communities might become, using our knowledge of the past and of other cultures. As a wise woman once said about the 'loss' of women's history (which, like the history of the working class and other exploited cultures, was never recorded) — "If you can't remember, then make it up." [100]

This brings to a close the discussion on the five principles of community economic development: self-reliance, sustainability, human needs, self-management and local control, and endogenous development. The following chapter will examine how these principles can be put into practice in our North American and European communities.

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[100] As evidence of how history, even *made up* history, helps to cement a culture together, there is a wide "culturalist" movement within the women's community today that is undertaking the task of reviving goddesses, modern "witches", self-healing practices, and pagan rituals from the forgotten past, as a way of celebrating woman's identity with the earth. A cursory review of books for sale in any woman's section of any bookstore reveals the intensity of this project dedicated to reconstructing, what some refer to as, "herstory".

CHAPTER FIVE

THE PRACTICE OF COMMUNITY-BASED ECONOMIC DEVELOPMENT

CED is an alternative economic activity in its early experimental stages of discovery. What distinguishes it from the mainstream is its specifically community-oriented, decentralized, small scale, holistic approach to economic development which tries to integrate into its economic long range plans the cultural, social, and environmental concerns of a given community according to some or all of the five principles outlined in Chapter 3. These principles in summary are:

1. economic self-reliance (the generation of local wealth from local resources using strategies of conservation and recycling);

2. ecological sustainability (supporting environmentally sensitive development, encouraging diversification of activities "on the assumption that diversification enhances resilience and innovative capacities,"[1] and emphasizing quality over quantity);

3. self-management and local control (using democratic processes that "maximize internal decision-making and community involvement" so that "community members not only witness development, but also participate in it and understand it through a continuing interaction of personal involvement".[2]);

4. meeting human needs (human development, as a part of economic development);

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[1] Pell and Wismer, in *Rethinking Community Development in a Changing Society,* by Compfens, p. 69.

[2] ibid., p. 70.

5. endogenous development, i.e., rooted in the unique history and culture of each community (a pluralistic rather than universal approach to development).

While it is possible to draw out a set of common traits and principles, the practice of CED is extremely varied in form and expression. Expressions include such diverse activities as local enterprise start-up initiatives, worker co-ops, community enterprises, community development corporations, community planning, local financial initiatives, community-based support systems, incubator facilities, strategies toward local self-reliance, and environmental efforts aimed at "greening the city".[3] Left out of this list, but also contributing to the economic development of communities are all the volunteer efforts and informal economic activity that goes on behind the scenes, much of it unaccounted for in the GNP. For example, consider the thousands of local yard sales each year, the senior citizens groups who raise money by selling their crafts, the skate and equipment exchanges held at community centres, the groups of mothers trading off child care with each other, the "socials" that raise money for various causes, and the extra funds generated by schools and other local organizations through teas, raffles, community fairs, etc. to send students on trips or fund special projects. All of these activities add to the social and economic welfare of a community.

The fact that CED activities tend to be small, low profile and often hidden from statistical data, makes it difficult to see its direct impact on the larger (national, world, etc.) economy. Any one project may seem insignificant in the overall scheme of events. Yet this seeming weakness is also its strength. For like a tree, a healthy economy depends on the many parts which, together, make up its whole — leaves, branches, bark, etc. A single leaf can neither destroy nor make a tree. At the same time, seen from another perspective, a single leaf encompasses an entire biosystem in itself, a source of life for the many bugs and bacteria that thrive on it. Likewise, no single CED activity can make or break an economy, yet, for the people directly involved in a project, on

[3]adapted from a list drawn up by Guy Dauncy in an unpublished report.

the "lower" end of the **eco**-(nomic) chain as it were, CED can be a critical source of financial as well as psychological support. In the end, we must conclude that CED can only be judged according to whether it has lived up to its own principles and goals within the context of the community it serves.

This chapter will look at the practice of community-based economic development in three parts. Part A will attempt to answer some general questions about the practice of CED: Where is it emerging? Which type of communities or situations are best suited to the CED process? What actions and processes are needed to initiate a CED project? How can we distinguish CED from other forms of economic development? Part B will try to give the reader a concrete feel for the practice of CED through a discussion of six examples chosen to demonstrate a contrasting variety of forms and levels of CED expression. Some projects will be seen to be more successful than others. The discussion will try to highlight which are the strengths and which the weaknesses as seen in the experience of the participants in the projects. Part C will describe the different organizational models used to implement CED projects, drawing on the examples from current practice in Canada, Britain and the U.S.

PART A: The General Practice of CED

Where is it emerging? What kinds of communities are best suited to its process?

1. The Marginal Community

CED is particularly suited to marginal communities. The fact is that in our society certain groups of people, such as women, natives, the elderly, the handicapped, and blacks, are limited in their access to mainstream economic activity due to many reasons. The banking system, for example, "discriminates

against poverty": you need to *have* money (collateral) in order to borrow money. Society has historically discriminated against women in the work place, in terms of wages, opportunities, working conditions (last hired first fired), and the inadequate provision of daycare. Natives have similarly been shut out of the economic system due to historical prejudicial attitudes. Then there are the physically and mentally handicapped and the elderly whose potential worth is not capable of being realized within the boundaries of traditional work. The list goes on.

Marginal groups are made up of people who have few or no choices economically, who suffer from lack of self esteem, who are viewed as a burden rather than as an asset to society. If they are to ever achieve economic self-sufficiency it will have to be by a different route than the mainstream.

Community-based economic development is a natural choice for marginal communities because its concerns are social as well as economic. Projects can be tailor made to meet the the special needs and circumstances of a community, ranging from specially designed shelter workshops for handicapped people to the provision of flexible hours and babysitting on the job to accommodate mothers who want to work and be near their children. In CED projects it is the participants themselves who decide the rules and processes in the workplace so as to fit their own needs and aspirations.

Another benefit of CED for marginal communities is its potential to build self-esteem. Individuals who have for years felt like the powerless victims of a society over which they have no control, can become empowered through the process of self-help, to gradually take responsibility over their own lives. It is this type of magic that has worked to transform the Alkalai Lake Indian Band from a poverty stricken, hopelessly alcohol dependent society into one that is prosperous, self-determining and liberated from the effects of alcohol. Tom Simms, a social worker and CED organizer in Winnipeg's core area, has described how the empowerment process that comes from community meetings also works to prevent social problems such as child abuse. For, as people

break out of their isolated lives and become involved in community action, they gain the support from others needed to make personal changes in their lives.[4]

2. The Depressed Rural Community

Many rural communities have found themselves in recent years fighting a losing battle against a declining rural population and steadily deteriorating rural economy. In some cases the problem of disintegrating community life in small towns has been exacerbated by the policies of the federal government who view the delivery of services to these areas as inefficient and therefore actively promote the shutting down of local businesses and the moving of long time residents to more concentrated population centres. CED has emerged in a number of these instances as a last ditch effort by a group of residents to save their town. And it has worked. On Fogo Island, Newfoundland, after privately run fish operations were shut down and the fish landing facilities abandoned at the encouragement of the government, the people of Fogo Is. decided to take business into their own hands and formed a fisheries worker co-operative. The result has been a 20% increase in population from 1967-1985 due to the expanded employment opportunities as a result of the worker's co-op. The only other choice for the community would have been to uproot and disband.[5]

Other rural communities which have grown up around single industries, like the nickel mining industry in Thompson or Sudbury or the oil industry in Fort McMurray, have found their fortunes reversed overnight and themselves floundering helplessly in the wake of sudden mass lay-offs and plant shut downs. Community-based economic development is an important tool to: 1) help diversify the economy of single industry towns and, 2) to get a community to start reinvesting in itself in order to build long term stability for the region. Common sense tells us that when people who live in a community invest in that

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[4]from a talk on CED given in March, 1987 at Cyril Keeper's constituency office in Winnipeg.

[5]Constance Mungall, *More Than Just a Job,* p. 2.

community they have more than just their economic investment to protect. They are tied to the community through their family, friends and personal interactions.

CED projects in rural areas tend to have a more narrow business focus than the social service or personal empowerment focus of CED among marginal groups described above. As such it is sometimes hard to distinguish between projects that are economic development in the traditional sense (Chamber of Commerce) and projects that are "community" economic development. One thing to look for is the existence of a local economic development corporation, open to the general community and set up specifically to help foster economic development in the region and to administer funds for that purpose. Under the umbrella of a community development corporation (CDC), townspeople, local businesses, politicians and government bureaucrats are brought together to initiate local economic development projects.

In Manitoba, the Dept. of Business Development and Tourism works with local townspeople in rural communities to assist them in setting up community development corporations. The process involves open community meetings in which somebody from the government comes out to facilitate the process and to answer questions about government funding and technical assistance, but not to run the show or decide what would be best for the town's development. It is up to the people to decide how and in what direction they want to proceed.[6] The Metis community in Manitoba has its own organization, the Manitoba Metis Community Investment Inc., that promotes local economic development among Metis rural communities. Yet another example of a CED umbrella organization is the Saskatchewan Committee on Rural Area Development (SCRAD), that brings together members from a wide cross section of the community (including municipal councils, provincial government, DREE, the Wheat Pool, Chamber of Commerce, Federated co-ops, the University of Saskatchewan, and local farm and town people) with the common goal of working out new ways to promote community economic development in rural areas.[7] These are just a few

[6]information gained from first hand experience of a community meeting held at Winnipeg Beach in 1985 and talks with Leo Prince, the coordinator of the provincial program.

examples to demonstrate the growing interest in pursuing community-based economic development as a means to stimulate the local economies of depressed rural areas.

3. The Inner-city Neighborhood

In the urban context, as pointed out by Dorsey and Ticoll, CED "projects tend to be a response to inner-city community needs which have a large societal component."[8] In the U.S., CED is almost always associated with neighborhood development corporations as part of a greater strategy to help people in the community reclaim control over their own resources. This may include community-run health clinics, drop-in centres, day-care centres, community out-reach programs and the decentralized delivery of other social services.

In addition to these support services, the provision of secure and affordable housing is a key element in the process toward building a stable, self-reliant and sustainable community. If we consider the millions of dollars lost to a community each year through rental payments to slum landlords, or the access to housing lost to a community through rising property values because of gentrification, or the thousands of housing units lost to a community through expropriation or redevelopment of property for commercial purposes — these are all economically rooted problems caused by the lack of ownership and control over land by people who live in the community. Therefore co-operative housing programs, low cost loans to assist residents purchase their own homes, sweat equity programs and community land trusts must all be seen as part of an economic strategy for local self-reliance.

Locally owned businesses, co-operatives, and community ventures are also part of the overall CED picture. In many cases, it is the battle-scarred and politically experienced local neighborhood association that takes on the task of

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[7] Harold Baker, "Community Economic Development" in *Nuts and Bolts,* pp. 39-43.

[8] *The Nuts and Bolts of Community Based Economic Development,* p.22.

organizing these CED activities. Commercial CED projects might include a community bank, a revolving loan fund for starting up new businesses, a co-op grocery store, a community theatre, or a restaurant. However, the commercial projects should not be viewed in isolation from the social supports and housing programs that equally contribute to the economic sustainability of an inner-city community.

What actions and processes are needed to initiate a CED project?

Most of the books on "how to" for CED provide case studies as the learning examples. Other books provide "how to's" on creating some specific aspect such as setting up a CDC or worker co-op. There are two sources that provide complete overviews of the CED process. Guy Dauncy has presented the process in ten steps in a lecture series to University of Manitoba city planning students in 1986. These are now being written up in a book by him. A summary of these ideas can be found in Appendix 'A'. The other overview is provided by Susan Wismar and David Pell in their book *Community Profit,* Chapters 3, 4 and 5. What follows is a summary of Wismar and Pell.

1. Summary of CED Process by Wismar and Pell

a) Getting Started: Seven Factors to Consider at the Beginning

1. A Core Group — CED needs a small group of people who are committed to the philosophy of CED and who are willing to put in many hours of work.

2. A Developed Sense of Community — an understanding of who belongs to the community, what problems and assets members share, and a willingness to work together for mutual benefit.

3. A Developed Sense of Culture — a knowledge of local tradition and history, and an awareness of their relevance.

4. Local Leadership — people willing to take responsibility for starting and managing a project.

5. Community Support — people who, although not directly involved in your project, are convinced that it is of value to your community.

6. Local Resources — local materials that can be used and have the potential of becoming salable goods, i.e., of providing a base for a new enterprise.

7. A Felt Need — a strong feeling among people in your community that there are issues to be addressed immediately. History tells us that when people feel "their backs against the wall", they begin to band together. CED projects are often started by local people who feel strongly that the situation of the community has to improve.

b) Establishing your Core Group

1. Your group should be "representative" of the community. Approach groups that are often left out and groups that are powerful in the community.

2. Everyone should join with the same information and expectations.

3. Include entrepreneurs. Professionals, such as accountants and lawyers, who have had experience in business already or who have business skills are a valuable resource to the group.

4. Include people skilled in community organizing such as community activists, local priests, or animators. These people are an important link in bringing people together and helping to sustain community spirit over the long hall.

5. Include people who are interested in the social and cultural needs of the community. Community spirit is as vital as entrepreneurial spirit to community projects.

6. Find people who will enjoy working together.

c) Setting Up Your First Meeting

1. Start as soon as possible.

2. Have an agenda.

3. Have a volunteer chairperson or facilitator. Do not elect an executive, yet.

4. Let everyone have a chance to introduce themselves.

5. Explain how the meeting came about.

6. Give everyone a chance to discuss their ideas about what CED could do for the community.

7. *Move to action as soon as possible.*

8. Decide on one or two activities for the group to organize and participate in, such as a potluck supper, guest speaker, or a baseball game. These are stepping-stones toward getting to know each other and learning to work together.

9. Divide up work that needs to be completed before the next meeting. Schedule the next meeting and items to be discussed.

d) Planning the Project: Developing Goals and Activities

There are three overlapping but separate steps to follow in planning a project. These are: 1. identifying community needs, 2. discovering the availability of local and outside resources and, 3. finding activities that will match both the needs and the resources.

1. Identify community needs — Start with discussion among group members. Next, solicit opinions from others in the community. Example: conduct a telephone, mail, or newspaper survey or host a formal community meeting to discuss local problems. Goals should flow from the findings.

2. Search for resources — This step has proven to be *the key factor* in putting together a successful CED project. There are two crucial points to remember in the search for resources. The first is that money, i.e., "capital", is just one resource; non-monetary resources, i.e., technical assistance, such as skills, experience given voluntarily, loaned equipment, or exchange services are equally important to a CED project running on a shoestring budget. The second point is that CED projects are not dependent on one sector of the economy but strive to make use of resources from both the informal (community)

and formal (government, private) economy. Because resources are such an important and complex step in the process, a special appendix 'B' has been added to provide a list of places in the search for resources, both inside and outside the community.

3. Generating ideas for activities — Brainstorm. Pick out the activities that match the community's needs and resources. Check them against the following criteria:

•Which activities respond to the needs given the highest priority by the community?

•Which activities use local resources that are inexpensive and easily accessible?

•Which activities are more labour intensive, as opposed to capital intensive?

•Which activities will simple to start-up and manage?

•Which activities involve tasks and ideas that are familiar?

•Which activities are members of your core group most interested in working on?

e) Choosing a Structure

Part C of this chapter is devoted to an in depth look at the various structural models for the implementation of CED. Suffice it to say at this point that there are three major types of organizations:

1. Non-profit community businesses and CDC's
2. co-operatives
3. Private incorporated or non-incorporated businesses

The challenge in choosing a structure is to find one that is functional, flexible, open to allow for democratic participation and understandable, so that people are not disturbed by it. There are always trade-offs. For example, the more open a structure is, the less functional it is in making quick decisions.

How can we distinguish CED from other forms of economic development?

What distinguishes CED from other forms of economic development is its ***relationship*** to the community it serves. Here is a check list of questions to help determine the quality of that relationship:

•Does the business or activity have a community conscience; is there a loyalty to the community beyond the call of business?

•Does the business or activity help to enrich the identity or culture or a community?

•Does the activity bring people in a neighborhood together? Is it a meeting place?

•Are the owners and workers identifiable and accessible to the users or customers?

•Do the business practices encourage participation of workers in decision-making?

•Is the activity ecologically sound?

•Do its operational structures and business goals reflect a blend of social, political, ecological, cultural and psychological consciousness as well as economic motives?

PART B: The Individual Stories of Five CED Projects

Mondragon, Spain [9]

1. Background

Mondragan is a small town of about 30,000, situated in the northern Basque countryside of Spain. Forty years ago the area was dessimated by Franco's

[9]Information was compiled and collected from the following sources: A BBC documentary entitled "The Mondrigan Experiment"; Chapter 4 of *New Age Business* by Greg MacLeod; and pp. 203-206 in *More Than Just a Job* by Constance Mungall.

army during the Spanish Civil War. After the war, the Basque people were left humiliated and poverty stricken, their culture driven underground.

Today, Mondragon shines forth as a success story for the Basque people who through self-determination, self-education and self-management have turned their village, in twenty years, into the primary centre of industry for all of Spain; a centre supported by the production of an interlinking network of 100 industrial co-operatives including a billion dollar appliance manufacturing business owned and run by its workers. There are also service and consumer co-operatives including a people's credit union, research centre, a university, a technical college, social security service, daycares, schools, housing and grocery stores as part of the complex. Altogether, some 20,000 people are employed on a permanent basis and not one person has lost his/her job due to economic recession. (Only once in 25 years was there ever a firing.)[10] Mondragon is uniquely important to the rest of the world as an experiment in large labor-intensive producer co-operatives and as a model of decentralized industrial development.

The Mondragon story began in 1943 with the teachings of a local priest, known as Don Jose Maria. Don Jose Maria's mission in life was to discover and put in place a model of economic development for his local community that would incorporate the Christian values of social justice and the technical knowledge of the modern world. He was deeply influenced by the writings of Robert Owen and the Rochedale pioneers, credited with starting the first successful consumer and producer co-operatives in England in the mid-19th century. The four principles laid out by these pioneers are the same principles that inspired the Mondragon model:

1. open membership
2. democratic control: one man, one vote

[10]During recession, workers are sent back to school or placed in another job. The only firing happened in 1974 due to an internal strike. It was decided by the general assembly of workers that what had caused the strike was the plant's having grown too large for good communication to exist and that from that point on a limit of 500 was set for the number of people that could be employed by any one co-op. As the industry grows it must split itself off into other co-ops.

3. payment of limited interest on capital
4. promotion of education

Education was the starting point. In 1943, Don Jose Maria started a technical school open to anyone. As part of the technical studies, he stressed the importance of human values and responsibility to society. In 1959, five graduates from Don Jose Maria's school, who had gone on to become the engineers, started the first co-operative manufacturing firm in Mondragon known as ULGOR. From its small beginnings, employing 10 workers to produce a newly designed stove, it grew to become Spain's largest manufacturer of household appliances employing 3,400 worker / owners.

2. How it Works.

Anyone can belong to, or initiate as a group, an industrial co-op. All workers must begin by paying into the firm an initial capital contribution of about $6,000. If he/she does not have the money, then the Credit Union (Caja Labora Popular) will lend them the cash. In return, the worker is paid a monthly salary and receives an annual interest payment at 6% on his capital. Profits are divided three ways: 10% is given to the community for schools, recreation, and other services; 50% goes into the co-op's reserve reinvestment fund; and 40% is divided among worker members whose share is proportionate to their salary. (Salaries are limited to a spread of no more than 3:1 between the highest and lowest paid.) A very important factor in the success and growth of Mondragon, is that profits are not allowed to be taken out of the business, as long as the worker is employed there. This rule allows for the accumulation of capital, in contrast to how most other co-ops operate, divesting themselves of accumulated capital by redistributing profits to members in lower prices or dividends. In Mondrigan, profits are placed in capital holding fund to accumulate over the years. What this means to the average worker retiring after twenty years is that he/she will receive some $45,000-$60,000 dollars in accumulated capital in addition to his/her pension payment provided by the co-op. At the same time, what it means for the co-op is that there is a built-in

process that insures the ongoing accumulation of capital for the expansion and up-dating of the industry.

Business and policy direction is decided upon by a board of directors made up of workers elected by co-op members at their general assembly. Members of the board continue to work at their regular jobs, meeting before or after working hours. A general manager appointed by the board listens in at all meetings and is responsible for carrying out policies. If he does a poor job he is fired.

A separate organization from the Board, called the Social Council, meets to decide on social policies such as salaries and working conditions — issues that labor unions usually deal with in this country. The Social Council is made up of delegates chosen from each group of twenty workers in the same type of work *together with* worker members from the Board of Directors.

3. The Interlocking Support Structures: Second Level Co-ops

Another key ingredient in the success of Mondragon is its interlocking support structures. There are so many of these interlocking "second-level" co-ops, whose purpose is to serve the "first-level" industrial co-ops, that it is not possible to describe them all. They include a Technical College; a Research and Development Centre where scientists are paid by contract with the industrial co-ops; a University where students work half days in a manufacturing co-op on campus; a social securities co-op to provide benefits that the state will not cover (the workers in a co-op are considered by the state to be self-employed businessmen); a large network of co-op grocery stores where workers keep a share of the profits and the rest is given back to the consumer in lower prices; co-op housing; and co-op schools run by parents and funded by profits from the industrial co-ops. What follows is a brief look at how some of the second-level co-ops operate.

In 1959, the same year that ULGOR was incorporated as the first industrial co-op , a Working Peoples' Credit Union (Caja Laboral Popular) was set up at the urgings of Don Jose Maria, to help capitalize and co-ordinate the project

and future co-op enterprises. The Credit Union soon became the driving force behind the Mondragon complex. Today, it has some 400,000 deposit accounts, $125 million in assets, and a branch in every Basque village. It invests 35%in its industrial co-ops and the rest on the market at higher interest rates in order to subsidizing the co-ops' lower rate of interest.

The Credit Union also has a managerial division that helps community groups initiate new projects from the seed of an idea, through its feasibility studies, to its final development, including planning, finding land, architects, construction and marketing of the product. The Bank continues to monitor the business's progress after it is set up and intervenes if anything goes wrong, to help restructure, refinance, or facilitate whatever change is needed to insure that the business will not fail. Of the eighty co-ops started not one has failed!

In contrast to the lending practices of a regular bank, whose aim is to make a profit for itself (whether or not at the expense of the client), the sole purpose behind the Credit Union is to *serve* the industrial co-ops; to make sure they succeed. This social purpose is enshrined by the rules and internal structure governing the bank's management. Firstly, bank profits are *fixed* to the average rate of profit for *all* the industrial co-ops in that year. This insures that there will be a *collective interest* in the success of every individual co-op, by the bank and by the other co-ops. Secondly, the Board of Directors for the Credit Union is interlocking, composed of four workers from the Credit Union and eight workers from the industrial co-ops. Otherwise, the bank's structure is like all the other co-ops, with workers buying and retaining shares in the business through capital holdings.

Another important second level co-op is an umbrella organization called ULARCO to which all co-ops belong. ULARCO's purpose is to encourage *collaboration* between the co-ops. One of its activities is to facilitate the movement of capital between the different co-ops through commercial integration, i.e., one co-op buying its materials from another co-op. It promotes the transfer of technology between the co-ops. It also requires that each

member co-op invest 20% of its capital in another co-op. This is a good example to show how wealth is created through the recycling and integration of local resources: one co-op buying from another co-op.

4. Conclusion

Mondragon stands in its totality as a shining example of the possibilities for community economic development. While it is a model rooted in a specific culture that cannot be exported, there are some important lessons we could learn for ourselves from the Mondrigan experiment. These are:

1. The pooling of wealth through the sharing and integration of resources between individual firms is important in building community economic strength.

2. That education and understanding of the co-operative ideals is vital to its success.

3. That CED needs a system of financial and technical as well as social supports to achieve its full potential.

4. That co-operatives can be structured to make them as efficient in the flow of capital as capitalist firms.

5. That industry does not have to have to be near the commercial advantages of large population centres in order to succeed but rather can be decentralized into small communities.

6. That size is an important factor in the relations between management and workers (even in co-ops) and therefore should be limited.

7. That culture and history is a binding strength in a community's economic development.

Women's Economic Development: the Story of WEDCO in St. Paul and Community Economic Options in B.C.

For years, women have been struggling to regain their personal power in order to pull themselves out from under the heap of poverty, discrimination, violence and exploitation created by the institutions of our society. There has been political pressure to change discriminatory laws in the work place and a push for more and better daycares. Funding has gone to set up women's support services such as rape crisis centres, shelters for battered women and medical clinics. What many women are coming to see today, however, is that social services and changes in law are simply not enough. Women also need freedom to choose over their lives and as long as they are dependent on government welfare, with its stigma of inferiority, or their husband's income, choices will be limited. In truth, many women are trapped in destructive and often dangerous situations because they see no economic way out of the home.

Economic self-sufficiency for women, as a process of empowerment, is the thrust behind two different CED groups described in this section: Women's Economic Options in B.C. and Women's Economic Development Corp. in St. Paul, Minnesota. While both groups differ widely in approach, each would agree that owning and operating a business opens new avenues for women on both the personal and social level, giving them social leverage, building self-confidence, connecting women with a larger community and contributing toward a restructuring of the economy based on human values.

a) Women's Economic Development Corporation (WEDCO); St. Paul

The Women's Economic Development Corp. (WEDCO) was founded in the fall of 1983 by Kathy Keely, an energetic, creative and practical minded woman, and former director of Chrysalis, a Minneapolis women's centre. Keely holds both a social work and business degree. From her awareness of the increasing feminization of poverty in the St. Paul / Minneapolis area (57% of

women live below the poverty line), Keely decided to turn her administrative, councilling and business skills toward "assisting women achieve economic self-sufficiency through business ownership".[11]

In the few years it has been operating WEDCO has stunned the business world with its unpredictable and unexpected success, covered by national magazines such as Venture and Ms. In just three years it has helped to set up 564 new businesses of which only five have failed, as well as 300 expansions of existing businesses — all owned by women. As well, it has made more than $500,000 in business loans with a loss rate of only 3%, as compared to the 20% WEDCO was told to expect. "What that tells us," says Jan Morlock, vice-president of WEDCO, "is our borrowers are not only much better credit risks than anybody thought they would be, but they're better than the population at large."[12] These are women, many of whom are single parents struggling to support a family, who are on government welfare, who are immigrant, who are not well educated, and who have no previous experience in business. Seventy-five percent of WEDCO's clients have annual incomes below $15,000 with 52% below $7,000.

Banks classify WEDCO clients as the highest risk type of borrower. Their requirements for collateral exclude most women from access to loans. So WEDCO operates its own loan fund of last resort to help out clients who cannot otherwise receive bank loans. WEDCO has also worked out an arrangement with one of the local banks to wave standard collateral requirements in special cases and grant loans on the strength of the business plan itself. The types of businesses that WEDCO has helped start include a diabetic and health food candy company started by a woman making candy for her own diabetic child; a fishing lure business; a flower business started up with a small five day loan over Valentines Day and from there grew into a business that grosses $60,000 a year; a design sweatshirt company employing six women; a snowplowing

[11] statement of goals printed on the WEDCO brochure.

[12] statement from a public lecture reported in the *Winnipeg Free Press*, March 8, 1987, p. 3.

service; a hat maker; and an upholstery business.

How WEDCO works

WEDCO is set up as a non-profit consulting business operated by ten women all of whom have expert business training and experience, who do everything from private consulting, holding seminars and workshops, lobbying government for changes in law, packaging loan funds and giving speaking tours.[13] Its doors are open to women of all ages, backgrounds or income, resulting in a wide diversity of clients from the highly educated corporate drop-out to the uneducated mother on government welfare. Consulting is done on a sliding fee, according to income.

But what is so important is that there is no screening process. Self-evaluation is the guiding rule. "Individuals must assess their own business ideas, skills, and abilities to market and finance a business."[14] In other words, the role of WEDCO staff is not to judge, but to support clients by giving them the tools and skills needed to market, finance and plan their business. The relationship between staff and clients is close, flexible and ongoing even after a business is set up — whatever is needed to make it work. The complicated task of working out a business plan with its cash flow and market analysis through to making out applications for a loan, is made less intimidating and more achievable by using a stepping process whereby clients work their way through a series of attainable goals. The whole process usually takes from one to two years.

To fully understand WEDCO one needs to be familiar with four basic premises of their mode of operation:

1) Geared to women's needs — In contrast to men, women prefer to start out small in business, incur less debt, less risk and grow steadily but not too fast. Business development loans offered through government are aimed at subsidizing large capital costs of buildings and machinery. For the stage and

[13]WEDCO started up with an $80,000 operating grant and a $50,000 loan fund received from a private foundation. 65% of their budget today still relies on private and corporate foundation grants, the remainder from clients fees, and speaking tours.

[14]WEDCO Newsletter, Winter 1986.

size of business that most women want to start out at, this misses the boat. What is needed instead, but is unavailable, are short term loans to cover operating expenses — cash flow tie- overs. WEDCO fills this gap with its own short term loan fund which has proven to be the catalyst for starting off many future businesses and a pivotal factor in keeping many businesses afloat over temporary lapses.

2) Interpretation and Communication — Many women are unfamiliar with and often intimidated by the language and operational styles of the business world. WEDCO staff act as interpreters for people who have not had access to the economic system; and as translator between the neighborhood and bank. WEDCO staff are also sounding boards for clients; a safe place to experiment and play with ideas before introducing them to the world of bankers and businessmen, where it is often feared they might not be taken seriously. According to Keely, some women accustomed to failure, need councilling to prevent themselves from sabotaging their own success in business.

3) Networking — WEDCO is a place where women can build the networks they need in business. In our society, women have been excluded from the various business and athletic clubs where men make their business connections. WEDCO helps women find alternative networks. It also provides women access to attorneys, corporations, and accountants that are either on the Board of Directors or sympathetic to WEDCO.

4) Expertise and tough expectations — In addition to their high level of professional expertise, all staff members, including the secretary, have had first hand experience in owning a business themselves. WEDCO will not judge the market place for a client, but instead, makes sure every client receives the skills in marketing, finance and business planning needed to assess her own business ideas. All the research and financial projections are done by the client herself so that when it is time to go to the bank for a loan she has the deep seated understanding and confidence in her own product, along with the blessings of WEDCO. For WEDCO, success is defined by the process, not the

end result. It is not the number of jobs created that count but whether a client was able to come to some decision about her own future, whether that means starting up a business or deciding that business is not for her.

WEDCO serves not just individuals, but responds to social goals as well. It has worked hard to set up a pilot program for women on welfare in conjunction with the government, whereby payments would be continued for one year while clients attain the skills needed to set themselves up in business.

b) Women's Economic Options; British Columbia

In B.C., the women's CED movement is supported by Community Economic Options and the Women's Skill Development Society. Rita Chudnovsky and Melanie Conn, in particular, have been active in promoting CED in its general application and have been trying to develop a feminist perspective on the subject. In May, 1988, they helped stage a national conference on Women and Community Economic Development, at Douglas College in New Westminister, B.C. So far, efforts in the area of women's economic development in B.C. have been directed at educating women to the idea of CED, more than funding and assisting business start-ups, although the setting up of a business loan fund for women's CED is currently in the works.

One CED activity is holding workshops throughout the province, where women get together to explore old and new approaches of economic development. Participants make their own economic analysis of their communities based on social needs and what local resources are available. Women are encouraged to acknowledge their own skills by recognizing their own unpaid labour in the home and community as **real** work for which they have developed real skills and for which there is a real dollar value. Mothers and wives who manage households, including everything from budgeting, work allocation and resolving relationship conflicts, already have a number of the skills needed to operate a business.

The workshops also discuss new types of structures in the workplace that are non-hierarchical and allow for the flexibility that women need if they are to

both work and maintain a family. Some of the topics raised in the workshops include flexible hours, working in the home, daycare at work, and the right to stay home with sick children.

Apart from the consciousness raising workshops, what else is happening? To date there have only been a handful of enterprises started up, including some worker-owned co-ops, businesses funded by women's centres, and small businesses started by individuals.

Conclusion

In comparing the two approaches towards women's economic development in B.C. and in Minnesota, it would seem that in B.C., action is more directed at promoting CED among women as part of an alternative movement or a set of ideas that challenge the traditional structures of work and ownership in our society. This approach is compatible with the branch of radical feminism that believes women today have a unique role to play in the restructuring of society according to an alternative economics based on co-operative relationships and human values, in contrast to the patriarchical structures of our current economy, based on dominance and competitive growth.

WEDCO, on the otherhand, defines its goals more narrowly: to assist women achieve self-sufficiency through business ownership. As such it steers clear from ideology and, rather than challenge the system directly, looks for creative ways to help women work around the system, and eventually, to become a part of it.

The Local Exchange Trading System (LETS)

1. Concept

The Local Exchange Trading System is a form of *collective* "barter" where exchange takes place among members of a community instead of just on a one to one basis. The first LETSystem was started in the Comox Valley, on Vancouver Is., B.C. in 1983, by its creator Michael Linton. The people in the Comox Valley were hit hard by the downturn in the lumber industry and the withdrawal of the Air Base, which left hundreds of residents unemployed and the supply of money scarce. LETS is a computerized trading network that allows members to purchase goods and services **without money** (on credit) while providing them with a marketplace to sell their own goods and services they produce through self-employment, to others inside the network, also in exchange for credit. In this way, the system generates both employment and purchasing power independent of the formal economy and the need for "real" money.

The system is built on the premise that the needs and abilities of people in a community remain *constant*, regardless of the scarcity of dollars within a community. The "dollar" is just a *measure* of the value of goods and services rendered by a community for the purpose of exchange. However, the way our present economic system is set up, we depend upon dollars to determine the "demand" for goods and services. Communities with a plentiful supply of dollars generate a high level of exchange; communities with a scarcity of dollars generate a low level of exchange. But what is important to remember here is that it is *the level of exchange itself,* and not the crude amount of dollars floating around, that generates wealth.

To refer back to the principle of "self-reliance", *wealth is created through circulation.* Each time a dollar changes hands in the transfer of goods and services, it captures more value and thus creates more jobs. An average well off community circulates its money six times before it leaves the community. In poor regions, money circulates only once or twice. A community that depends

almost entirely for its production and consumption needs on companies which do not reinvest their profit dollars within the community, but instead syphon them off to be reinvested somewhere else in our octopus economy, is deprived of the positive "spin-off" effects that result from the recycling of money. There will be less money available for spending within that community and less jobs created.

It's as if a group of people, all with needs to be met (clothes to buy, food to eat, houses to live in, teeth to fix) and owning the skills and abilities to meet those needs, were standing around with their hands in their pockets, idle, because there were not enough "dollars" to go around. The situation is similar to Alan Watts' description of the 1930's depression, when thousands of people sat around jobless, hungry and homeless while the skills, materials and machinery to produce all that was needed lay dormant in their own communities, wasted.[15] What was missing was money. What was needed was some way to bring it together. With LETS, it is people's commitment, not their dollars, that makes things happen.

LETS is a closed, internal circulation network that brings together the needs and abilities of people who live in communities where dollars are scarce. Each member contributes to the generation of local wealth by agreeing to buy and sell among other members of the LETS community — on credit. It bypasses the need for dollars by using its own local currency for measuring value, called the "green dollar", which is really just the seller's assessment of how much his product is worth in terms of credit he wants to receive in exchange for his product. In the day to day working of LETS, real dollars are often exchanged in addition to green dollars, for a product. For example, a plumber might value his time at $20.00 an hour and divide that into $15.00 "green" and $5.00 "real", which is like saying $5.00 in the hand, plus $15.00 credit owing to me.

2. How LETS Works

LETS works on a system of barter credit. Each member keeps a credit

[15]from a lecture by Michael Linton at the University of Manitoba, Nov.,1986.

account with a central computer, much like a chequing account at the bank. All transactions between members are recorded and a monthly statement issued. What is absolutely unique and different about LETS, however, is that credit is unlimited from the start and is issued without interest.

To see how it works it is perhaps easiest to follow an example: Mary enters the system and for her first transaction she wants to buy some children's clothing. Having not yet sold anything herself, she begins at zero, no credit. In the monthly newsletter, which lists the goods and services for sale (much like a want ads), she notices children's hand-made sweaters for sale for $15.00 (green dollars) made by Shirley. She calls up Shirley, whose phone number is listed, and makes a trade. Then she phones in the transaction to the LETS office where it is recorded on a central computer. Mary's account now reads *negative* -$15.00 (green dollars), while Shirley's account reads *positive* +$15.00, *added* to the standing balance on her (Shirley's) account, whatever it was before the transaction — let us say it has moved from +$50.00 to +$65.00. This means Shirley now has +$65.00 credit to spend *anywhere within the system* before her balance is brought down to zero. Mary has a debit to the system (**not** the individual) of (minus) -$15.00, which will move back into the positive side when she sells whatever goods and services she is offering in the newletter. "A minus account is not like a bank overdraft. It is just a record of the commitment to earn back the credit pledged," in one's own way, at one's own time.[16]

In LETS, one person's purchase (negative green dollars) is another person's gain in credit (positive green dollars). A healthy system shows many exchanges between members, with individuals' accounts moving back and forth between the positive and negative sides of the ledger toward zero. Hoarding credit (positive numbers), unlike money in the bank, is not an asset in LETS because there is no interest paid on savings. The only gain to the individual for credit saved up is in the form of purchases from other members, which keeps the circulation of dollars flowing and helps to create more work and more

[16]from *Community Circle* newsletter on barter credit by Ross Dobson, Feb., 1988.

income for all.[17]

In the Comox Valley, the LETSystem has succeeded in **generating $350,000.00 worth of goods and services which would otherwise not have existed.**[18] The range of goods and services being traded include groceries, automechanics, restaurant meals, housecleaning, carpentry, plumbing, guitar lessons, massage therapy, furniture, and dentistry work. LETS encourages people to explore, share and *value* the skills and talents they possess outside of formal work.

3. Conclusion

LETS has some flaws that need mentioning. As an alternative money system — a local currency as it were — it only works well when there is a short supply of money in a community, i.e., marginal communities. If people are working at full time jobs for pay, they will have little time to give or needs to be met through the network. Circulating credit (green money) is what nourishes and keeps the system alive. Inactivity is deadly. Just as circulating credit generates its own wealth, so inactivity spreads a loss of confidence in the system which depends for its success on its members' commitment to use it. To insure an active network it is best to start off with a commitment from a wide number of users who will have *both* something to offer and something to gain by using the system.

On the positive side, LETS embodies in its structure and processes the basic

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[17]People always ask, "What is there to prevent someone from making thousands of dollars worth of purchases on credit and then putting nothing back into the system?" The answer is twofold. First, since it is the entire LETS community that absorbs the "loss", a few such actions would not affect the continued working of the system, much like when an individual defaults on his bank loan and it is absorbed by the banking system. At the same time, no single individual loses anything by it since the seller still gains his earned credit for the purchase. Second, since LETS is a community system, every person's trading pattern is public information. No one is obligated to trade with anyone else, particularly if the other person's trading pattern shows a wide imbalance to one side.

[18]Other LETSystems have been set up in communities across England, Canada, the U.S. and Australia. In Winnipeg, Manitoba a LETSystem called Community Circle Inc. is currently being established which seeks to attract, not just individuals, but non-profit organizations and businesses to become members.

principles of CED:

•fosters economic self-reliance on a personal and community level;

•gives value for work that is not valued by the formal economy;

•runs on the 'self-help' principle of 'give and take' which builds a symbiotic, interdependent relationship between members

•each member given the personal freedom and responsibility to decide how he/she wants to contribute;

•membership open to anyone who has something to contribute

Two Examples of Neighborhood-based CED in Minneapolis: Cedar Riverside Community and Project for Pride in Living

a) Cedar Riverside Community

The Cedar Riverside community is located on the West Bank of the Mississippi River in central Minneapolis between the downtown and the University. Its location makes it one of the most desired neighborhoods for gentrification, i.e., take-over by upper income professionals. Yet, today it remains as it always has been, a working poor community with a mixture of student life. There are panhandlers on corners and kids everywhere. What is special about this community is that the people who live in the neighborhood have taken control over their lives, their housing, their planning, and their economic futures through community-based initiatives. "There's the Peoples' Center, recently remodeled and housing the 15 year old Cedar Riverside Peoples' Clinic, the West Bank Community Development Corporation and other community organizations. Three blocks up, there's North Country Food Co-op, also going strong after a decade and a half. At addresses once slated for demolition, in the shadow of the high rises over which the local struggle for urban renewal was fought, there's new co-op housing."[19] Then there is the

[19]Craig Cox, "Living Our Dreams", in *Building Economic Alternatives,* summer; 1985.

co-operative Riverside Cafe and the popular theatre district, currently being rejuvenated by a CED initiative.

Community economic development in the Cedar Riverside community of Minneapolis belongs to a complex, ongoing process of community development that has evolved over twenty years through a struggle by residents to gain control over the local urban renewal process. It is a story that involves a tenants union, a local planning committee, a court battle, a community development corporation, a People's Centre, a neighborhood cafe, a community land trust and other key community organizations.

1. Background

Cedar Riverside is a stable community of about 6,500 people situated in central Minneapolis near the University. The homes, until the 1960's, were almost all owner-occupied single detached dwellings. In the 1960's, a developer (Cedar Riverside Associates or CRA), speculating on an expanding university student population, began to buy up houses in the area with plans to convert the property into rental apartments. The proposed plan, which was approved by HUD and the City of Minneapolis in 1968, was to level the entire neighborhood and all its housing stock to build a mass high-rise apartment complex consisting of twenty towers and 12,500 units, under the urban renewal title known as "New -Towns -In -Town". In 1969, the West Bank Tenants Union formed to fight the development, under the leadership of Jack Cann. One of its first successes was to win over from the University the use of an old church building known as the People's Centre, to house a variety of social services and which would become the hub of community organizing activities. The Tenants Union also set up a Project Area Committee for the neighborhood (PAC) which later became the neighborhood's official local planning collective.

By 1972, the CRA developers going ahead with their plans, had purchased most available land in the area and, despite strong community opposition, succeeded in constructing the first of six stages of the giant high-rise complex along the river. At this point, the community brought suit against the

developers, the federal government and the City of Minneapolis, charging that the environmental impact statement filed for the project was inadequate. The community won their case in the Supreme Court in 1975 where the judge called the proposal ridiculous from the viewpoint of sound planning. But by this time, the development had already gone bankrupt due to financial mismanagement. (All the money allotted for a ten year period was spent in just two years.) The properties went into receivership and it was another five years in the courts sorting out the financial mess.

However, three positive outcomes for the community occurred as a result of the complicated court battle. First, the alternative institutions in the neighborhood — the People's Centre, the collectively organized Riverside Cafe, the grocery co-ops, the Community Development Corporation, and PAC (Project Area Committee)— flourished and became stable elements of the community. This meant that there were strong community organizations already in place when it came time for the neighborhood to take over its own planning and development function. Since 1975, all redevelopment and policy planning has been carried out by PAC (the local planning collective), the West Bank Community Development Corporation, and the Community Union (the tenants group) in co-operation with the city.

The second fortunate circumstance of the messy affair was that the community, because of its tax increment status, ended up with approximately $1 million a year to spend on its own redevelopment. This was made possible because, under the U.S. tax increment legislation, any extra money generated from increased tax dollars due to development, goes back into the community and, in this case, Cedar Square West apartments (the built portion of the new-town-in-town complex) generated nearly $1,000,000 for this tax increment pot. This tax increment resource gave the community the back-up security it needed to float bonds on the market to raise further funds for development. Unfortunately, in 1987, the federal government eliminated the tax increment program.

The third positive outcome for the community came out of a complicated negotiated settlement between HUD, CRA developers, the bank, the Minneapolis Community Development Agency (MCDA) and the West Bank Community Development Corporation, over the use of the bankrupt properties which were being held in receivership. The eventual agreement allowed the community to set up a **community land trust** with land purchased by the city and given to the community for redevelopment according to plans approved by PAC, the neighborhood planning and policy committee. (see Community Land Trusts in following section: Chapter 5; Part C.) The land trust works by leasing property to home owners, but retains ownership over the land itself. In this way, the community can keep housing prices affordable for low income families by subsidizing the value of land and also prevent gentrification from creeping into a neighborhood, by eliminating the profits that can be made in buying and selling property at inflated prices.

2. Community Organizations

The Cedar Riverside community gains its political, economic and social strength from its alternative institutions and community organizations, in particular, PAC, the policy and planning arm for redevelopment of the neighborhood, and the West Bank Community Development Corporation (CDC) which acts as developer and implementor of plans approved by PAC. Below is a description of how these organizations work and what they have achieved.

PAC is a local community group under contract with the Minneapolis Community Development Agency to plan the details for redevelopment of the neighborhood, right down to the level of specific designs of houses and commercial properties that will be built. The committee is a collective composed of elected representatives (elections are held each year) from five districts in the area, plus delegates from special interest groups such as the business community, the religious community, the social service community, the culture community, and someone from each major institution in the area

(University, hospitals, etc.). PAC, with the help of an architect, works with residents on a block-by-block basis to *collectively* design the infill housing and other uses for vacant lots. Every block has its own unique character and design with certain differences that enhance the personality and vibrancy of the neighborhood. Volunteers working with a contractor and worksheets are used to determine what houses need rehabilitating. Where possible, 'sweat equity' (the residents own labor) is used. PAC works very closely with the West Bank Community Development Corporation, who puts together the financial package to develop the properties.

A good example of how PAC works occurred in 1977 when a developer wanted to build a suburban motel on Seven Corners, one of the five districts of the area. PAC decided that the developer's sprawling motel design and parking lot was a misuse of space and, so, met with residents to come up with an alternative. The alternative was a motel with structured parking *plus 250 units of affordable housing.* The additional housing was made possible through a creative financing scheme worked out by the CDC, which took a government subsidy and used it to leverage more dollars by investing it in a long term, low interest loan to the motel, and the rest of the subsidy money in corporate bonds. This scheme brought in a higher return on the money than if the subsidy were used to front end the cost of construction. The added return, together with the tax increment money brought in by the motel development, plus a percentage of the profits from the the parking ramp, was enough to offset the price of housing such that a lower income household could be accomodated by the new housing, than the original government subsidy would allow.

The West Bank CDC is the community-based development arm for specific projects in the community. It was set up in 1975 to put together an overall economic plan for the neighborhood, which includes the organizing, management, and financial packaging of the housing units (almost all co-operative), the co-op grocery store, co-op pharmacy, the worker-owned

Riverside Cafe, and other economic initiatives such as the CED revolving loan fund it operates. The mission statement for the CDC reads:

> The purposes of the West Bank CDC is to promote a neighborhood economy through resident-based redevelopment of Cedar Riverside. To accomplish this task, the CDC works closely with neighborhood people and democratically elected representatives to formulate and implement specific development proposals for housing and business revitalization and for comprehensive social service development. The CDC seeks to serve low and moderate income residents, retain needed retail services, and produce jobs for the unemployed and low income people in the neighborhood.

Mostly, the CDC works in partnership with private developers. Since 1975, it has developed over 400 housing units, all but 30 of which are *leased* co-ops, managed and controlled by the residents themselves. The community land trust owns the land; the person owns the structure and part of his lease with the land trust is a *limited equity* clause so that he can only sell his co-operative shares in the property at a limited gain, thus preventing inflation of housing prices for the next buyer.

Besides housing, the CDC has stimulated small, local business development by assisting in the start-up and expansion of retail services through its revolving loan fund, by providing technical assistance to these businesses, and by giving grants for facade improvements. One of the major focuses of the commercial development strategy for the area is to promote its historical, cultural identity as a theatre district (there are ten theatres in a concentrated area) through brochures, fairs, and street banners. It is hoped this will help to secure a economic base for other shops and restaurants in the neighborhood.

3. Summary

Cedar Riverside is an example of how a small neighborhood in a big city can retain its economic, cultural and political identity separate from its surrounding urban environment. It is an example of how a community, working together, can protect itself against the capitalistic and bureaucratic forces of urbanization that would otherwise transform the neighborhood and displace the people who live there. It is an example of a community taking control over the

management of its own future development through a network of community-based organizations and initiatives. It is an example of a community guided by the principles of CED — not followed like a textbook — but holistically integrated into its democratic processes, which are designed to build community self-reliance and cultural pride in the neighborhood.

b) Project for Pride in Living

The Project for Pride in Living is a non-profit community corporation in the inner-city of Minneapolis, founded in 1972 by Joe Selvaggio, a former Catholic priest and community activist of the late 1960's. A quote from the Bible — "The temple stands unfinished *until all are housed in dignity*" — expresses the organization's major goal, to provide decent, energy-efficient housing to poor people. (In 1973, it was estimated by the Metropolitan Council regional planning agency, that there were over 53,000 substandard units of housing in the city.) Project for Pride in Living (PPL) started out as a group of advocates helping residents to deal with landlords and the bureaucracy, but shifted its focus in 1972 to become a rehabilitator and developer of low-income housing. Over fifteen years, with the help of business donations, volunteer labor, and government co-operation, PPL grew into a multi-million dollar non-profit enterprise which has built and renovated over 450 housing units, established nine housing co-ops, operates rental housing, a tool lending library, a neighborhood hardware store, and a successful commercial industry that employs and trains the "unemployable". One of its activities has been to facilitate the conversion of standard low-rise apartments from absentee ownership to co-op ownership, thus promoting owner-occupancy. Since its inception, PPL has brought in $16.5 million of revenue and services to the inner-city community, which has helped to reverse the outflow of population from the area — a monumental accomplishment for a non-profit community organization that runs on the good will and commitment by churches, business people and neighborhood volunteers .

Despite its having become a $2 million-a-year business, PPL has managed to maintain its grassroots, human-need oriented, one-on-one approach that grows out of a belief in **self-help** as the way to improve people's lives. The PPL motto is: "Give me a fish and I eat for the day; teach me to fish and I eat for a life time". Employing minorities, giving people tools to fix their own homes, providing families with quality homes they can own themselves, using 'sweat equity', volunteer labor, training residents in life and work skills to ease them off of welfare and chemical dependencies, are some of the ways that PPL has helped to instill pride in the people's lives.

1. The Story

In 1972, Joe Selvaggio arranged a deal with the University's Community Design Department, whereby students, as part of a course, would work with families living in the inner-city to repair deteriorating homes. The homeowner was to enlist family and friends to share in the labor. Some skilled tradesmen donated their time and some businesses agreed to donate the materials. By the end of 1972, 45 projects had been completed. It was the start of PPL. The next year, using student volunteers, more donated materials (which businesses could write off as tax deductions), and receiving a $20,000 grant from the government, PPL bought a house for $11,500 and refurbished it for rent to a low-income family. Then, in 1974, PPL persuaded Midwest Savings and Loan Association to finance a "$1 million revolving loan fund from which PPL could borrow to renovate abandoned houses and then retire that loan with a final mortgage that Midwest Federal would issue to the new homeowners from the same $1 million pool."[20] With the revolving loan fund, PPL was able to raise further donations from churches, businesses and other organizations. By year end 1974, the group had bought and sold five more houses; had operated a volunteer handyman program on 52 homes for repairs; had completed design projects on 25 houses through the university class; and distributed labor and material worth $200,000. In 1975 PPL renovated and sold eighteen more

[20]Neal St. Anthony, *Until All Are Housed in Dignity; the Story of Project for Pride in Living*, 1987, p. 50.

homes. The formula was to buy up abandoned houses from HUD for a minimal price, restore them and then turn them over at the lowest possible price to low and modest income families.

In 1975, PPL began contracting its construction work to a company called Stonehammer, a group of Native Indians subsidized by a government training program through the local American Indian Centre. In 1976, a community Tool Lending Library was started up for $5,000 in a garage attached to the PPL headquarters. This allowed residents to borrow tools to fix their own homes. The library proved to be an enormous success with 1,800 transactions in the first year alone. By 1978, PPL topped $1 million in business, mostly construction, and had established a substantial reserve fund. Slowly but surely the neighborhood was turning around. Available and affordable housing was bringing people back into the neighborhood. In 1982, PPL began to renovate and develop multi-family housing. It has since built nine co-operatives and a 60 rental units.

Aside from housing, PPL started a business in 1982, called PPL Industries. The idea was to receive contracts from local companies to do special labor-intensive work for them such as envelope-stuffing, sorting, crate-making, and metals recovery. The goal for PPL was to provide temporary jobs for unskilled and unemployed minorities and an environment which would serve as a **stepping stone** toward permanent employment. The board was made up of a racial mix of business people, social service people and minorities. By 1984, PPL Industries was taking in revenues of over half a million dollars, and was employing thirty-five full time and twenty part-time workers. Many of the people who come through the doors have come from half-way houses, are dependent on alcohol and may have never worked steady in their life. The place has an alcohol treatment councilor who organizes support groups among the workers and gives one-on-one attention to people who want help. Although much of the work is boring, there is an easy going, spirited and supportive atmosphere in the workplace.

PPL has also started a much needed discount surplus store in the neighborhood with a $50,000 grant from a foundation. The store has struggled to keep its operations afloat, but each year sales have increased and, as of 1986, sales had surpassed the break even point. Much of the merchandise is either donated or bought at big-volume discounts. The workers are all local people.

2. Summary

Project for Pride in Living, like Cedar Riverside, is an example of an urban-based community corporation that has succeeded in strengthening the social and economic base of an inner-city neighborhood. It owes its success to the unrelenting effort on the part of a few people, to bring together and coordinate the untapped and underused resources of a community, namely, its local businesses, churches, volunteers, government programs, and university. What makes PPL particularly outstanding as a CED example is its success at community building, which has established an extensive network of supports that are the real strength and long term security of the community.

PART C: Three Organizational Models for CED and Other Important Related CED Activities

Models for CED are currently being experimented with in both rural and urban centres in Canada, the United States, Britain, and Europe. The problems they address are usually different. "Urban projects tend to be a response to inner-city community needs which have a large societal component; rural [projects] tend to address economic goals by focussing on the problems of depressed economic development in the area."[21] Both of these types, however, are ***reactive responses to some perceived urgent need*** or

[21] *The Nuts and Bolts of Community Based Economic Development,* p.22.

threat within a community ranging from high unemployment to the threat of expropriation by government or private development.

Other types of CED projects are more ***pro-active or ideologically motivated*** emerging out of the ecological and green movements in Europe and North America, which seek alternatives to mainstream corporate-controlled development, an approach to development that is grassroots, socially responsible, non-hierarchical and decentralist in structure. co-operatives, local recycling businesses, alternative technology activities, and ethical investment groups fall into this category.

To cover the full spectrum of CED activity, Part C is divided into five sections. The first three sections look at the three major organizational models used in the implementation of CED. These are:

1. small-scale private businesses
2. collectives and co-operatives
3. community owned and run enterprises

The last two sections look at other complimentary activities to CED, namely:

4. technical, financial, and legislative supports for CED
5. ecological and ethical enterprises

All three organizational models — private business, co-operatives, or community enterprises — apply to either the pro-active or re-active situation. Throughout the chapter, a large number of supporting examples are used to illustrate the practice of CED. These are set off in smaller and bolder type so as to differentiate them from the rest of the text.

Small-scale private businesses

1. Characteristics[22]

Small businesses that are ***owner-managed*** belong to the informal economy. A family restaurant business, a local repair shop, the barber around the corner, or the neighborhood grocery store are examples in this category.

[22]pp.57-58, *From the Roots Up.*

Their mode of operation differs from the big businesses of the formal economy in three distinct ways:

a) They are run on a daily basis by individual owners, rather than a hierarchical form of management.

b) While the goals of business are commercial profit and growth, growth tends to be secondary.[23]

c) There is a direct face-to-face relationship between owner and worker, and owner and customer.

2. Appropriate types of small business for CED

Not all small scale businesses are appropriate models for CED. A philosophical understanding of the principles is important to discriminate between types of businesses: What is its mode of operation? What is the attitude of management toward workers? Are the production processes ecologically sound? Is the business a spontaneous new activity or a franchise of a parent corporation seeking to enhance the central control structure through management decentralization? Is it a "sweat shop" operation that exploits cheap labor, or are workers paid a reasonable wage?

All of these questions deserve serious consideration in the implementation of CED. Below is an example of a co-operative association of small private businesses, who operate their businesses according to a set of shared "new age" principles:

Of particular interest to CED is the Briarpatch enterprise network, active on the U.S. West Coast but also existing in Japan and Sweden. The Briarpatch is a loose association of private owners of small businesses that share a common set of values, namely, "they are doing what they are doing because they enjoy it, and they find their major reward in serving people rather than amassing sums of money."[24] The network includes all types of businesses from clothing, theatres, restaurants, to ranching. They keep their books open to the communities they serve and

[23]In the words of Scott Burns, "The important difference between the market and household economies is that the former is committed to the idea of compounding, to the perpetual doubling and redoubling of capital, and the latter is concerned with the creation and use of capital in the present," quoted by Kirkpatrick Sale in *Human Scale,* p. 339.

[24]Ross and Usher, p. 59.

share information, advice, friendship, and technical resources with each other. Through their mutual support members of Briarpatch have been tremendously successful, achieving a 95% success rate in business over three years as compared to the much lower average of only 20% success rate expected for most companies in the U.S. over the same period.[25]

3. Resources

One of the ways communities encourage enterprise development is by providing technical and/or financial support for business start-ups. Government agencies may or may not be an intermediary in the process.

On Apr. 10 /88, the CBC T.V. program, Venture, carried a story about a new, highly successful organization, Enterprise Cape Breton, which was set up to compensate for the closing of the federal government's Heavy Water Plant, the major employer in the region. Enterprise Cape Breton has a school to train local people, 12 at a time, to become successful entrepreneurs and is backed by a government financial assistance program for new businesses amounting to $108 million. In the past year it has sponsored 112 new projects, mostly home grown, and has housed these start-up businesses in a subsidized incubator mall. It is hoped that this program will help offset the employment gap in the region created by the closing of a major industry.

Examples of government involvement in Manitoba include the Community Economic Development Fund, which acts as a lender to individuals and corporations in Northern communities considered too high a risk for loans from conventional banks; the CED program of the Dept. of Business Development and Tourism, which acts as a coordinator and consultant to rural communities who wish to form their own regional Community Development Corporations; the Federal Business Development Bank, that provides managerial and financial assistance to businesses that lack other sources; and federal employment programs, such as LEAD (Local Employment Assistance and Development) that have helped finance local initiatives through wage subsidies.

In Canada, CED has tended to rely overly much on government subsidy programs making businesses vulnerable to government cut-backs, bureaucratic regulations formed at senior levels of government that may not be appropriate

[25]For further readings on Briarpatch refer to a report by Michael Phillips, "What Small Business Experience Teaches us about Economic Theory", pp. 272-282 in *The Living Economy.*

to the local situation, and short-term employment funding which makes long range business planning near impossible. A more diversified funding base would likely help projects to become more self-reliant in the long run.[26]

In contrast, the U.S. has a much broader base for funding than Canada. Churches and private and corporate foundations are active contributors, separate from government grants. In addition, there are a multitude of private lending institutions and local investment pools whose select purpose is to funnel venture capital into high risk local enterprise development.[27] A further advantage in the U.S. is the decentralized banking system which allows for a more negotiable and flexible financing of local initiatives than our centralist banking system in Canada.[28]

Collective and Co-operative Enterprises

A collective is a business that is ***privately owned by a*** wide number of people, known as the ***collective membership***. Below is a list of some of its identifying characteristics:[29]

Like private business...

•its source of financing depends on the sale of its own products, primarily, rather than government or private donations;

Unlike private business....

•commercial profit takes second place to community goals

•if there is a profit it will often go to support community groups — women's centres, other collectives, community newspapers, and community events.

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[26]Newman, Lyons, Philps pp. 131-138.

[27]Examples of private lending institutions that support local development include the Small Business Investment Corporations, the Business Development Corps., and the Local Development Companies. For more information refer to appendix C of *Community Economic Development: An Approach for Urban -Based Economies.*

[28]For example, the Women's Economic Development Corporation in St. Paul has been able to strike a deal with the First Bank in St. Paul to "negotiate" collateral requirements for clients who are too poor to secure a loan at the normal market rates.

[29]for more details refer to Ross and Usher, p. 59.

•workers share the same values and goals

The collective, then, is a self-reliant, self-sustaining business that operates *not for the purpose of profit but to achieve some community goal* according to the collective values of its members.

My own experience of working with a collective has been with City Magazine, an alternative journal that brings together people who share the same interest in exploring alternative solutions to the problems created by cities. Decisions about direction and content along with the magazines daily operations and production process are shared on a volunteer basis. Ownership is split among three people but the collective itself usually operates with 10-15 people, shifting in membership depending on interest.

1. Co-operatives

Co-operatives are a type of collective with a specific operational and financial structure. They operate according to the following principles:[30]

•open membership, regardless of social, political or religious beliefs

•democratic control, one-person one vote

•limited return on capital: co-ops are for the benefit of those who use them, not to yield a return on investment

•outreach through education of co-op principles

•co-operation with other co-ops

Like traditional businesses, co-ops rely on profits to survive: however, unlike traditional businesses, their surpluses are distributed among the collective membership "or applied to meet certain needs of the community."[31]

There are many kinds of co-operatives — producer co-ops, consumer co-ops, worker co-ops, and credit unions. Some are small and personal, while others operate on a large "corporate-style" model.

In Canada, there are close to 9,000 co-operatives employing over 70,000 people giving it a substantive role to play in the Canadian economy, especially in certain areas such as the North,

[30]Constance Mungall, *More Than Just a Job: Worker Cooperatives in Canada,* p. 5.

[31]Ross and Usher, p. 61.

> **where co-ops employ more native people than any other type of business enterprise. In the dairy industry, 80% percent of products are marketed through a co-op. And a 1983 study done out by the Canadian Unity Information Office showed that 43 percent of Canadians 18 years and over were members of at least one co-operative organization.[32]**

The magic of the co-operative model is that it bridges the division between worker, user, owner, and management, integrating these various different roles into one coherent body, represented by the collective membership. For example, as a member of a food co-op, I have a say on how the food co-op is managed, what is sold and at what prices. If I belong to a worker co-op, then I can decide on the conditions of my work and what I want to produce. If I belong to a housing co-op, then I am protected against artificial rent increase from profit taking and I can benefit from paying rent according to my income.

Worker control, ***user participation***, and the ***equalized distribution of surplus wealth*** among members, make the co-operative especially attractive for community economic development, challenging the traditional hierarchical model of social/economic relationships and acting out of shared goals which reside in a localized, grassroots power-base known as the collective membership. The co-operative is touted as having the potential to bring us the best of both worlds: a democratic and socially responsible style of management, together with profit making incentive tied to collective ownership.

Co-operatives have had a strong tradition in the historical and cultural development of many Canadian communities, making it an especially relevant model for CED in Canada (as compared to the U.S., whose history is rooted more in the tradition of individualism). The Antigonish co-operative movement "which arose in Nova Scotia during the inter-war years, linked economics with continuous adult education to promote self-help, co-operation and social ownership among farmers and fishermen. The movement's social philosophy, and integration of economic and community development, influenced co-

[32]Constance Mungall, *More Than Just a Job: Worker Cooperatives in Canada;* pp.3-4.

operative communities such as Tignish, P.E.I. and Chéticamp, N.S. as well as subsequent conceptions of CED in Canada."[33] (The early co-ops were organized almost exclusively around consumer, marketing, or distribution types of models, to the neglect of the producer/industrial co-op, that Mondragon based its economy on. The advantage of the producer model over the "service" type is that it contributes directly towards developing a solid economic base. The *lack* of producer co-ops in Canada may partially account for the general decline of co-ops over the past 25 years when economic conditions tightened up.)

Following is a brief description of four types of co-operative organizations with particular attention paid to worker co-ops, a model whose productive capabilities and potential for introducing radical change into the workplace is especially appropriate for CED.

a) Marketing co-ops

These are producer co-ops that are set up to market the products within an individual industry such as crafts or farming, thereby saving on costs by eliminating the middleman. They sell their produce to the general public and are "uninhibited in their private production sphere. Generally, a commercial and not a social accounting rationale guides the operations of marketing co-ops." [34] These types of co-ops can be very large and almost indistinguishable from the large corporation, for example, the co-op dairy industry or the Federated Co-ops in Saskatchewan that produce their own grocery products, life insurance, and grain elevators.

b) Consumer co-ops

These are enterprises set up specifically to sell goods and/or services to their members. The idea is that the consumer, who is the co-op member, will benefit from lower prices and/or control over the quality of goods and services

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[33]Newman, Lyon, and Philp, *Community Economic Development: an Approach for Urban-Based Economies,* p. 27. For a more detailed history on the early co-op movement see Greg Macleod, *New Age Businesss,* pp. 13-16, and Roger Clarke, *Our Own Resources.*

[34]Ross and Usher, p. 61.

they buy. Examples are food co-ops, co-op daycares, and co-op housing, all of which could play an important role in empowering individuals at a community level to take control over meeting their basic needs of food, shelter, and education. Today there are 100,000 Canadians living in non-profit housing co-operatives.[35]

c) Worker co-ops

A worker co-op is an enterprise that is owned, managed and controlled by its workers on a one-person/one-vote membership basis; and workers share the profits. "The membership rights to vote and profit are *personal rights* which are assigned to the workers in a company because they work there, not because they bought stock in it. ....[T]he membership rights are not for sale, are attached to the functional role of working in the company, and apply to everyone working there, blue or white-collar, manager or office boy. If you leave your job, you relinquish membership in the co-op."[36]

What the worker co-op has to offer its workers/owner member is control over working conditions and the maintenance of a good job. As we saw in the example of Mondragon, Spain, worker co-ops can be enormously successful when they are reinforced by a technical and financial support system and interdependent on each other. In Canada, there are 350 unintegrated worker co-ops, with numbers on the increase. Some of the co-ops are large like B.C.'s Collective Resource and Service Workers Co-op, which has annual sales of about 3 million a year in the natural and bulk food industry, or Richmond Plywood Corporation, with 430 workers and projected sales of $50 million annually. Other co-ops are small like the Fiddlehead Restaurant, in Thunder Bay, or Accu-Graphics, in Winnipeg, with a staff of three.

Constance Mungall has recently published a book entitled *More Than Just a Job* containing interviews with workers from sixteen different worker co-ops across Canada. How each one came to be started, how they divide up responsibilities among members to manage the business, and their different

[35]fact quoted by Mungall in *More Than Just a Job,* p. 3.

[36]ibid, p. 5.

methods of operation are the subject of the book's inquiry. In these early stages of worker co-op development in Canada trial and error experience seems to have been the main guide for how to proceed along the way.

In a growing number of cases, worker co-ops are being started to take over the failing businesses, by the workers in the enterprise. For example:

> **Vent-Air and Accu-Graphics in Winnipeg were traditional businesses about to close due to financial problems. In both cases, the workers decided to make a go of the business themselves and bought out the operation with the help of guaranteed loans from the Manitoba Dept. of Co-operative Development.**

And in another case:

> **In Philadelphia, during the last five years, workers have organized to buy up three separate A&P grocery stores that were closing down their operations. In each case workers paid $5000 as their capital contribution with eligibility for a 12% return on their investment after four years, plus a share of the profits. They agreed to take a 20% reduction in pay. The new stores known as O & O's (standing for Owned and Operated), are running so successfully that they now have plans to open ten new stores in the next 5 years. Instrumental in this rather complex worker take-over bid has been the Philadelphia Association for Co-operative Enterprise (PACE), which has provided public education and technical help to the workers throughout the process. [37]**

But in most instances co-ops are started from scratch:

> **The Big Carrot health food store and deli in Toronto is a successful business[38] begun by a group of women without the help of government loans. They raised $30,000 by selling non-voting shares to customers who in return receive a 10% dividend on their money and a 10% discount on food; by selling $5,000 worth of voting shares to every worker; and through personal**

[37] The details of the take over are written up by Mungall in *More Than Just a Job;* pp. 207-209.

[38] not registered as a co-op for profit reasons but operated as a co-op through a set of internal by-laws governing the work arrangements.

> loans from the bank. The workers have had to learn how to become business managers as they have agreed to rotate this job every eighteen months. In just two years the Big Carrot has doubled its size from 25 to 40 workers, has invested in an organic farm, and is involved in the development of a small mall that it hopes will be a catalyst or incubator for other co-operatives and compatible small businesses to start up.[39]

The above are examples of worker co-ops operating in an urban environment. Small rural communities have also started worker co-ops as a way to gain some control over their dying local economies. Fogo Is., N'fl'd is an example:

> On Fogo Island, N'fl'd., in 1968 the government decided to "shut down" the community as part of its general planning strategy to move people out of small, hard to service towns into the more efficient "growth" centres. The private fisheries where everyone worked were all closed down as a result. But instead of giving up, the people who refused to leave organized a group to form a worker's co-op to replace the abandoned fisheries and fish landing facilities. The result was an overwhelming success that saved the community. From 1967 to 1985 the pop. rose by 20%...The number of fishermen went from 374 to 620. ...The number of fish plant workers increased...from 60 to 475 and ...the number of welfare recipients [declined] from 257 to 75."[40]

A similar example is found in the Rimouski region of Quebec near the New Brunswick border:

> In the late 1960's, the federal government decided that the village of Lejeune, Que. along with 10 other nearby villages, were to be closed down because they were economically 'non-viable'. Planners were sent in to phase out services and relocate residents to larger centres. A community uprising called "Operation Dignity" sprung up in response, spear-headed by local Father Rodier Voisine. The protest resulted in four villages banning together to form the J.A. L. group to deal with the issue of the community's economic survival. One major outcome was the establishment of a common woodlot, whereby hundreds of farm owners agreed to put their individual lots under common

[39] For complete story see Mungall, pp. 14-31.

[40] ibid., p. 2.

> **management but still retained ownership. Today, "the forestry group is legally a joint stock company, but is operated as a co-operative" with 250 members, 175 of which are woodlot owners who receive two shares in the company for the use of their land for 15 years. The establishment of a common woodlot, in turn, sparked the creation of other forestry related industries, breathing economic life back into a once dying community.[41]**

In Britain, worker co-ops have tripled their numbesr between 1980 and 1984, to well over 1,000 today:

> **Two organizations in particular have been a major influence in the growth in worker co-ops: the Industrial Common Ownership Movement (ICOM), an umbrella group that educates, advises, and helps in administering loans to worker co-ops as well as lobbies to government for changes in legislation; and about 100 local Co-operative Development Agencies (CDA) which also promotes and assists worker co-ops in arranging finances, developing business plans, and managing their businesses. Worker co-ops initiated by the CDA, have only nominal investment requirements (£ 1) for members and, therefore, rely heavily on public funding for their capitalization. The London Co-operative Enterprise Board (LCEB) was set up to lend up to $40,000 and grant up to $3,500 to worker co-ops providing they meet certain qualifications, such as 75% of workers must be members, trade union access must be guaranteed, and it must be an equal opportunity employer.**

d) Credit union

Co-op credit unions are a kind of producer/consumer co-op. They take money **from** their members for investment (producer) and lend money **to** their members as a service (consumer). Because the credit union is a recycler of community dollars ("community" defined by the membership) it has the potential for playing an instrumental role in the economic development of communities, through investment in local resources. Unfortunately, in Canada this tremendous potential for local development has not been realized. Credit unions, instead, tend to operate like big banks investing their membership's money outside the community, outside the country, with little awareness of local

[41] a detailed account of J.A. L and all of its other community enterprises is written up by Greg Macleod in *New Age Business,* pp. 26-36.

needs. There are some notable exceptions however:

In B.C., the Community Congress for Economic Change formed a credit union of their own in 1976 "as an alternative to the existing financial system — a resource for the co-operative movement."[42] For many years they offered 0% interest on deposits (supported by over a thousand individuals and groups), which gave them the leverage to operate a low interest loans fund for special needs groups like women, other low-income people. The credit union also finances special projects, such as the Community Alternatives Society's co-op housing complex, especially designed to heat water with solar collectors. No other institution would lend the money for this innovative project. By 1985 the credit union had "committed over $500,000 in low interest group loans to groups working with education, ecological concerns, social action, health care, food, shelter, child care and collectively owned enterprises," according to Guy Dauncy.[43]

Another example of CED activity by credit unions is VanCity, Canada's largest credit union. Since 1985, it has focussed its investments on lending to small businesses ($23,000,000 in 1985); has established a special fund for community enterprises; set up a seed capital fund for young entrepreneurs; as well as opening a $3 million dollar ethical mutual fund which lets people buy shares in companies which practice progressive industrial relations and do not engage in the military or nuclear energy business.[44]

In Nanaimo, in connection with Malispina College, the small local credit union has opened up a special account whereby 1/2 of the interest from the savings put in that account goes toward a Community Ventures Account which acts as a guarantee fund for students trying to get loans at regular banks.

In Toronto, the Bread and Roses Credit Union describes its purpose as "the promotion of social change. ....[P]riority is given to loan applications for financing social justice projects or general community development. The credit union will not loan money for any projects which are perceived to exploit human beings or the environment". They loan mainly to non-profit groups like co-op day-cares, peace organizations, etc. and to housing and worker co-ops. Their loans are below market rates subsidized by the members whose savings receive slightly less than market levels.[45]

[42]from a case study account by Wismar and Pell in their book *Community Profit,* p. 23.

[43]as reported by Guy Dauncy in an unpublished report 1986.

[44]ibid., p. 20

Other co-operative banks that specifically support local and socially responsible businesses include:

- **the Canadian Alternative Investment Co-operative, initiated by Religious Orders, and operating 3 types of funds for their member investors: 1.) mortgage loans at commercial rates with high interest return on investment 2.) mortgage loans at 2-4% below commercial rates reserved for socially beneficial projects with a 2-4% lower than market investment return and 3.) a Venture Investment Fund that loans to worker co-operatives and "alternative economic structures" at the risk of low or no return on investment.** [46]

- **a proposed Co-operative Development Revolving Fund in Newfoundland to be administered through the provincial credit union that would enable "individuals to obtain initial credit for equity purchase in new worker or producer co-ops".**[47] **The Federal Government's Commission on Employment and Unemployment recommends that the support of worker and producer co-operatives will pay back in jobs by "providing people with an opportunity to take their savings and invest them, essentially to create their own jobs...particularly suitable to such community-level enterprises as small fish plants, fish markets, ...bakeries and local services."**

- **a venture capital corporation currently being established in Nova Scotia to provide risk capital to worker co-ops and drawing upon contributions made by The Co-operators Credit Union Central, the Co-op Atlantic, and the local religious communities.**[48]

- **other examples of co-operative banks from around the world include the Co-operative Enterprise Loan Fund in New Zealand, the Women's world Banding, the Grameen Bank in Bangla Desh, the Chicago South Shore Community Bank, the Oko-Bank in Germany**

This scattering of examples above gives us just a small sense of the potential power of the co-operative banking model for helping to decentralize economic activities through support of community-based initiatives. In

[45] *Credit Union Way Magazine,* Dec. 1984, pp. 24-27.

[46] information received in a Jan. ,1986 letter from Frank Maloney, president of CAIC.

[47] *The Atlantic Co-operator;* Nov. /86, Vol. 53 No. 11, p. 1.

[48] ibid.

Mondragon, the credit union is a key factor in the success of its co-operatives, involved from the embryo stages of planning, preparing, and organizing, financing and monitoring the projects.

Community Organizations and Enterprises

Some differences between community-owned enterprises and co-operatives are:

•While a co-operative is accountable to a limited membership (although this membership can be very broad), a community-owned enterprise is accountable to the entire community. *The community is its mandate.*

•Where a co-operative depends upon its economic self-sufficiency for its survival, the community organization relies more on public and private grants, than self-generated capital, to carry out their programs.

•Community-owned businesses are usually non-profit organizations.

The goals of community-owned enterprises, as such, tend to lean more toward the social service side than the economic side of community development, expressed in such activities as daycares, community centres, senior citizens programs, health clinics, legal aid, etc. [49]

But there are two types of community-owned organizations that deserve special attention for their part in organizing and promoting economic activities at the community level, that is, the Community Development Corporation (CDC) and the Community Land Trust (CLT). These are discussed in the following section.

1. The Community Development Corporation (CDC)

The CDC is an incorporated legal body formed to represent a specific community; an umbrella organization that, due its incorporated legal status, can receive and distribute funds from government and private sources for the purpose of community development. Very often it is involved in the initiation, coordination and delivery of a wide array of community programs — social,

[49] see Ross and Usher, *From the Roots Up*, pp.62-64 and pp. 75-77.

cultural and economic. In many cases, the CDC began as a tenants' or neighborhood association.

a) Background

CDC's first make their appearance in the U.S. in the 1960's. The riots and burnings of the black ghettos brought out one message loud and clear — that individual civil rights for minorities could not, alone, solve the problems caused by years of accumulated exploitation practices. What was needed was a comprehensive *community* solution to the social/economic problems of the black community. Explains Stewart Perry:

> What happened spontaneously to each city began as neighborhood after neighborhood puzzled out the local scene, and the pieces fell into the same pattern: a community has to have its own institutions to deal with a comprehensive interlocking of economic activities as well as political, of new businesses as well as new voter registration, of housing development as well as integrated schools, or industrial parks as well as recreational facilities, of the sense of self-respect in a neighborhood as well as the dignity of a national citizen. And they came to the same general institutional innovation ...—the community development corporation. **The CDC would represent and direct a community approach to comprehensive revitalization of a unified neighborhood.**[50]

CDC's have since been adapted to fit the circumstances of almost every type of community across the U.S. and Canada from the Native American reserves in the north, to depressed immigrant communities in the urban areas, to the depressed rural villages in the Maritimes and Quebec. In all cases, a similar pattern can be seen: a history of neglect or exploitation by outside ownership, and the resulting deterioration of housing, job opportunities, self-respect and quality of life. Greg Mcleod, one of the founders of New Dawn (Canada's most well known CDC), defines the community development corporation as "a co-operative attempt by local people to take control of the social-economic destiny of their community, ...a fundamental exercise in community control" that can generate a diversity of projects depending on local circumstances and people's perception of their community's needs.[51]

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[50] Stewart Perry, "Evolving a New Economic Perspective," in *The Nuts and Bolts of Community-based Economic Development*, p. 8.

b) How the CDC operates

Sometimes the CDC acts as a direct development agency: at other times it acts as an intermediary or facilitator of community activities. According to one author, "the CDC is perceived as the model organization to best decentralize, but then coordinate, public, private and third sector initiatives directed at communities."[52] Another author draws the parallel between the CDC and the municipal corporation:

> The definition of the community development corporation as a non-profit, multi-purpose organization, incorporated, managed, and controlled by local people to solve local social and economic problems, could indeed be part of one's definition of local government."[53]

New Dawn, in the town of Antigonish, Nova Scotia, is one of Canada'a most successful CDC's. The well-known Cedar Riverside West Bank CDC and the successful Project for Pride in Living in Minneapolis (described in Part B) are further examples of non-profit CDC's, in this case growing out of neighborhood politics. Below are a few other examples of neighborhood CDC's and what they have achieved:

The Illinois Neighborhood Development Corporation was set up on Chicago's South Shore to revitalize a deteriorating neighborhood where 300,000 black and other minorities were living. The major CED project was buying up the South Shore Bank -a community bank to service people in the neighborhood. By 1983 the bank had deposits of $60 million and was ranked in the top 12% of commercial banks in the U.S. It concentrates its investments on local development -housing and small business -and has had fewer bad debts than most banks. Other projects of the corporation include: a housing renewal program tied in to training people to become carpenters; establishing a Neighborhood Institute to assess employment opportunities of local people; and set up the Centre for Neighborhood Technology to do research on sewage and waste treatment, set up an energy conservation program, introduce urban agriculture on vacant lots.[54]

[51] "Community Control," in *The Nuts and Bolts,* p.14.

[52] David Smith, "Learning from Experience: Ten Reminders for Development Strategies," in *Stimulating Cooperative Economic Development in Low-Income Communities: An Overview*, P. Logan, et al., eds. (Washington: Conference on Alternative State and Local Polices, Co-op Development and Assistance Project, 1981), p. 24, as quoted in Newman, Lyon and Philp.

[53] Jan Reimer, "The CDC and the Municipality", in *The Nuts and Bolts of Community-based Economic Development*, p. 46.

The Southeast Development Corporation in Baltimore is funded by the Ford Foundation. It has created neighborhood housing corporations to aid in housing renovations. It also responsible for setting up a health care corporation, a clothing and manufacturing corporation, a local supermarket, a commercial revitalization program, a land bank, and a metal craft firm.[55]

So far, we have referred only to non-profit CDC's. Not all CDC's, however, are non-profit, as in the following examples:

In 1979, in the town of Max, North Dakota (pop. 330), a CDC was set up as a 'for-profit' CDC in order to buy out a local grocery store that was about to close. The CDC succeeded in bringing the store back to life, sold it and then bought out a service station that was in trouble. It has since invested in other local businesses and bought up vacant lots for development. This CDC is self-financed by selling shares in the corporation to the community at large for $250 a share. To keep it under community control, it is ruled that no shareholder be allowed to own more than 5% of the outstanding shares. Today, there are about 150 shareholders.[56]

In 1980, the Penobscot and Passamaquoddy Indian tribes in Main received $81.5 million in land claims from the U.S. government. In 1983, one-third of that money — $27 million — was put into a 'for-profit' community venture capital corporation called Tribal Assets Management to invest in projects that would meet the social, economic and political objectives of the Indian tribe. The first project was to purchase and reopen a local cement factory which had closed down. This project proved so successful that it increased the band's portfolio by 100%. The cement factory is now the largest in New England. Other profitable projects include investing in grocery stores, a blueberry farm and two local radio stations.[57]

So long as membership remains open and social goals in tact, the for-profit model CDC can be a very useful tool, especially as it is self-sustaining

[54] *Small is Possible*, pp. 136-37.

[55] described in *Building Neighborhood Organizations: A Guidebook Sponsored by the National Association of Neighborhoods* by James Cunningham and Milton Kotler, 1983.

[56] *Journal of Community Development,* March / April, 1987, p. 13.

[57] This example was told by David Morris in a workshop, Winnipeg, Manitoba, spring, 1986.

financially and can help to increase the wealth of a poor community through profitable capital investments. Most non-profit CDC's try to have a "for-profit" business attached to the corporation, at arms length, in order to generate funds.

c) The CDC in Canada

Compared to the U.S., where CDC's are established organizations eligible for government block grants, as well as private donations such as those granted by the Dayton and McKnight foundations in Minnesota, the CDC in Canada is an undeveloped creature.

One of the main roadblocks to the success of CDC's in Canada is that they have failed to attract potential donors and/or investors, i.e., funding by government and/or private sectors. This may be due to a confused public perception of the model which doesn't neatly fit the standard definition of either a charity or a business, but attempts to be both.[58] The direct result of this lack of support is that CDC's in Canada are forced to operate on a shoe string budget, relying heavily on volunteers to organize and coordinate their many activities, often having no paid workers whatever. This undermines the security of the organization, which in turn, can creates problems with morale.

It is clear that one of the goals of the CDC in Canada must be to develop the independent means to generate funds. While profit is not an end in itself, it must be, in the words of Greg Macleod:

> a means of measuring and ensuring efficiency and financial strength. ...The goal of restoring community autonomy involves the secondary goal of creating an entity which has a sound economic base ....As such, the CDC must always have its own survival as a prime objective. [It might directly own or have equity shares in community businesses or it might] ..establish subsidiary enterprises that generate revenues and profit for the umbrella operation to enable it to become independent of charitable handouts and government grants.[59]

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[58] for further discussion of the issue refer to *The Nuts and Bolts*, p.52.

[59] *New Age Business*, p.57.

2. Community Land Trusts

Community land trusts are **lands that are held in common by a community for the use by that community**. How it works is that the community land trust (CLT) is either donated or purchases a parcel of land, which it then leases out to people who will *use* the land. The person using the land pays to the CLT a single lease fee, based on the value of the land alone — a tax, as it were, *separate* from any improvement which may have been added by the lease holder. The lease holder then gets to own the buildings and the improvements, but never the land.[60] .

Through community ownership the land is removed from control by outside developers, absentee landlords, and speculators that push up the value of land (and rent) beyond what people living in the community can often afford to pay.[61] What a CLT can do for a community is:

•lease the land below full market value in order give access to lower income groups

•maintain activities in the community that would otherwise be deemed "uneconomic" in terms of highest use value for a given piece of land

•control future development to insure that social, environmental and economic needs of the community are met

•prevent block-busting and dislocation of community residents that occurrs in the gentrification of lower income neighborhoods

•provide security of tenure of individuals and their families for future

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[60]The philosophy draws on Henry George's (author of *Progress and Poverty*,1880) notion that land is a common trust and that it is the "maldistribution of land and the failure of society to claim its economic value" that lies at the root of much of today's poverty. The developments, the municipal services, and the improvements to buildings all contribute to the land's increased value. This increase in value should remain in the community and not "continually captured by a privileged few or drained away by outside interests...[In which case] the community is deprived of its equity. (pp. 23-26; 28-29 of *Community Land Trust Handbook*)

[61]The CLT is something similar to a "limited equity housing co-op" except that in the co-op each member owns a 'limited' equity share in the value of *both* the buildings *and* the land. It should be noted, however, that land trusts have a wider application than just housing, being used sometimes as a community-based land-use planning tool to protect agricultural, forested, and recreational lands, as well.

generations.

A Feb. 27 1988 article in the Winnipeg Free Press (p. 74) tells of the Good News Housing CLT in Providence, Maine and how it has helped families with incomes of less than $25,000 buy up houses, co-operatively, while leasing the land from the land trust. "If residents move they are entitled to a refund equal to the amount of principal they paid on the mortgage, plus any improvements made to the apartment. Good News Housing gets first crack at acquiring the apartment, and would resell it using the same income critieria."

In Canada, the Mira Community Pasture on Cape Breton Island is a combined co-operative and community land trust. The co-op members, each own from 1-5 shares. However no one can profit or individually benefit from the improvements to the land, which is held in trust for the use by the entire community "out of a commitment to the preservation of family farming in Cape Breton."[62] In the first two years it was established it grew from 50 acres in 1978 to 600 acres, between 1978-80.[63] It has financed its way through selling shares; acquiring an interest-free loan for the original purchase from the Cape Breton Development Corp. (DEVCO); receiving a land-clearing grant from the provincial government; charging fees for upkeep; selling firewood and gravel obtained from the pasture; and plans to raise blueberries and Christmas trees for sale along with other income producing ventures.

As Schumacher called for new forms of ownership in industry, the community land trust represents a new form of ownership in land. For a detailed review of CLT's, refer to *The Community Land Trust Handbook*,put out by the Institute for Community Economics in Boston. The book contains analysis, stories and interviews from nine case studies across the U.S.; some urban, some rural.

[62]Wismer and Pell, *Community Profit*, p.37.

[63]1980 is the most current data I have on this project.

3. Other Community Businesses

Apart from land trusts and CDC's, communities have engaged in a variety of other commercial enterprises. Here are a few examples:

> **In Kingston in 1978 a group of women working in at learning centre, started Comfort Clothing Services, a community-owned non-profit clothing manufacturing firm that makes easy to manage clothing for seniors and handicap people. Using government LEAP grants it began by employing 15 low income single parents with the idea that they would eventually take over the ownership of the business. Community volunteers organized the project and sat on the board. Comfort Clothing has undergone several changes in its goals and structure. Today it is a regular incorporated company employing 35 people with representatives across Canada and the U.S. According to Eleanor Rush, a manager in the business and one of the original start-up members, the semi co-operative model created problems for the business. When the business became incorporated employees were offered to buy up the common shares and many did, however it is not a worker co-op. Some co-operative practices have been retained, for example the management team works by consensus only.**

> **In B.C., the Matsqui-Abbotsford Community Services operates a recycling service, a quilting business, a thrift store and a training program.**

> **In Scotland there are hundreds of examples of community businesses that have started up in the past six years with the help of government grants and training programs. These are "owned by local people, controlled by a board of local people, employ local people, and when there are profits (after re-investment needs) use them for local community purposes."[64]**

Community businesses are useful tools for CED's, when a community group has a particular venture in mind that is both profit-making and socially beneficial. The structure is simple: it is non-profit, owned by the community, and operated by a voluntary board of directors who might also be workers in the business. According to Wismar and Pell's findings, the community business is often the first project of a CED group, which may later move to a community development corporation type of structure to accommodate more activities.[65]

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[64]Guy Dauncey, "What is Community Economic Development", an unpublished paper, p. 10.

Supports for CED

Our economy is divided into three different sectors: the private, the government, and the community-based sector. CED is a third sector form of economic activity that falls somewhere on the continuum *between* the formal (paid labor) and the informal (unpaid labor) economies. CED thrives on partnerships and on new co-operative relationships between the various sectors, and between the formal and informal economies. E. F. Schumacher, in a speech, once referred to the magical "ABCD" combination that is needed to make community economic development work: 'A' for administrators, people in government who can pull strings and control a lot of money; 'B' for business sense, the entrepreneur who knows whether a project will be viable; 'C' for the communicators, people who have time to research, think, and write about the problems that need solving; and 'D' for the democratic organizations of society, the community groups, women's groups, ecological groups, minority groups who have the motivation and grassroots connections to pull things together.[66]

CED relies on a network of community supports to back up its activities, ranging from:

1. government programs offering start-up loans and grants;

2. store-front offices to provide councilling and technical assistance for individuals and groups;

3. shared resources, such as space, accounting services, and office equipment (e.g., incubators for start-up businesses);

4. ongoing education and skills workshops;

5. partnerships between business, government and community;

6. flexible legislation that supports CED (instead of inhibiting its activities as present legislation does);

7. umbrella groups to help co-ordinate activities and implement projects;

8. cultural events, such as community festivals that help build identity and

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[65]Community *Profit*, p. 64.

[66]from a speech Schumacher delivered the day before he died, printed in *Small is Possible*, pp. 13-14.

strengthen community bonds;

9. active community groups with the political experience and drive to initiate new projects.

The type and level of support (government and non-government) will be found to vary from neighborhood to neighborhood, province to province, and country to country. In general, it can be said that Canada offers less direct support for community-based economic activities than the U.S., which has quite an elaborate system of collection and holding companies (mostly development corporations), which act like filters for distributing money from the top down, from large organizations (foundations, federal government, private corporations) to community groups, and which is very effective. For more specific information on the various types of back-up technical, financial, and legislative assistance available for community-based economic development in Canada and the U.S. see Appendix 'C'.

Overall, in Canada, support for CED remains piecemeal — a government job training program here, a government subsidy program there — nothing specifically targeted at or tailored to the aims of CED. According to Dal Brodhead of the Treasury Board of Canada, what is needed is a national corporation to act as a catalyst for community-based economic development backed by an Opportunity Development Bank.

On a less grandiose scale but still comprehensive in approach there is currently (1988) being planned for Toronto a very innovative support organization for CED, involving the city, community groups, as well as two colleges, and a host of investors including private corporations, church organizations, and foundations. Its goal is to pinpoint the type of technical and financial resources most needed by community groups wanting to start up a business, and then to deliver these services under one roof, in an integrated manner adapted to the specific needs of each client group. I have included it as an example below because, if all goes through as planned, it will mark the first occasion that a Canadian city has become directly involved with CED and it

also serves as a model for the kind of multi-level integrated support structure that could be adopted by other cities:

> In the early 1980's, the City of Toronto agreed to establish a small grants program for small business start-ups, targeted at groups who were having unemployment problems. An assessment by the Planning Department found the program to be ineffective after five years due to a variety of reasons (grants too small, approval process too slow). However, instead of giving up on the idea, the city hired CED consultants Wismar, Pell and Associates to take a second look at what would be a more appropriate model for the city to support.
>
> The first step was a "gap analysis", identifying what resources are needed for community groups starting up a business and what is or is not available. It was recognized that different voluntary groups have different needs. For example, some, like the group of ex-psychiatric patients beginning a small venture, are considered high risk *clients* for capital loans; others, like the Big Carrot co-op food store already established but wanting finances to expand their operation, are considered high risk *operations* for capital loans because of their co-operative management structure. Seeing as the city was to be a partner in the program the question came up, 'What is the potential of CED to contribute to the economy of cities"? The consultants found that CED *can* take advantage of market failures that the traditional economy doesn't remedy, for example, ethnic groups are better able to identify business and service opportunities within their own ethnic communities (e.g., ethnic book and grocery stores). It was also found that CED can take advantage of *low* profit margins (e.g. 3%) that big businesses disregard as too low to invest in. (A 15% profit is considered standard.) CED, in otherwords, has a good chance at success so long as it does not set out to compete *against* existing businesses in the market place but to *fill a gap.*
>
> What developed out of the 'gap analysis' and a review of CED experiences in other urban areas (Melbourne; Australia, Greater London Council, South Shore Bank in Chicago) was a program model for Toronto based on two components 1. a technical resource centre and 2. a community investment fund or finance assistance corporation. To test out whether there would be any investors for such a model, the consultants approached the private sector, churches, foundations, and the municipality. The response was positive and a proposal was drawn up for city council's approval (expected to pass with some debate).
>
> How it will work is that the city will provide operating funds for the technical centre to cover staff and a small fund for outside experts. The cash outlay is not very large — $100,000 a year for 3- 5 years. The city does not contribute anything to the financial assistance corporation but will guarantee 80% of its loans. This means the city *might* have to contribute up to

> **$70,000 to cover bad loans over five years — again, not a large outlay and perhaps none at all. Ryerson and George Brown colleges have been invited to submit proposals on how they would set up and manage the technical resource centre.**
>
> **Clients are non-profit community groups wanting to initiate a CED project, and micro-enterprises (one or two person ventures). The equity requirements on the client for getting a loan will depend upon the financial status of the client and the proposal itself. If it is a good proposal that has been worked out with and approved by the resource centre, then no financial contribution to equity will be expected. Interest rates on loans will vary according to needs, from below market rates of 3% to prime plus 1%. It is expected that the corporation will make about 12 loans in the first year to 12 different enterprises with an average of five direct jobs created per loan.[67]**

Again, for a broader overview of the technical, financial and legislative support structures for CED in Canada and the U.S., refer to Appendix C.

Ethical and Ecological Enterprises

1. Ethical Investments

Businesses, banking institutions and community groups that invest in alternative technologies and ethical enterprises (i.e., ecologically sound, socially responsible, and non-militaristic) as a primary goal, make up another category for community-based economic development. As more people become conscious of the effects of their buying power, as they join the growing consumer, peace, health and ecology movements, many are looking for places to invest their money where they can be sure it will not be redirected into investments supporting the South African economy, the American war machine, dangerous pharmaceutical and pesticide companies, and other publicly perceived unethical corporations or regimes, a factor overlooked by the investment practices of traditional banks. As an alternative, ethical investment funds are being established in North America as a way to attract capital for the purpose of reinvesting it according to a set of principles that is also compatible

[67] David Pell, "The City of Toronto and Community-based Economic Development: Past Experiences and Future Development", a paper given at the "Canadian Urban and Housing Studies Conference", University of Winnipeg, Feb 18, 1988.

with the goals of community-based economic development. Examples in the U.S. include:

> • The Fund for Social Responsibility in New York -a mutual fund for institutional investors (minimum $100,000 investment) "designed to invest ... in companies that have appropriate records in labour relations, human rights, job opportunities and environmental protection"
>
> • the Calvert Social Investment Fund in Washington with assets of 36.5 million that "attracts investments from individuals and organizations and redirects the funds to enterprises that produce safe products and services, operate on a participative basis, have progressive employment practices"[68]
>
> • the Dreyfus Third Century, a fund with assets of $182 million and having a return in 1985 of 30.16%.[69]

In Canada:

> The Vancouver City Credit Union has established a $3 million ethical investment fund to "allow people to buy shares in publicly quoted companies which 'practice progressive industrial relations, avoid business with or in countries that promote racial hatred or bias, are not engaged in military business, [and] do not derive major revenue from the sale of nuclear energy."[70]

Germany's alternative banking system is particularly worthy of note because of its widely established network that cuts across various levels of the German financial community from institutional investors to the ordinary person. There are five types of alternative banking institutions briefly described below: [71]

> • Netzwork Selbsthilf (Network Self-Help): a fund that finances sub-culture projects that, among other criteria, "operate on the principle of democratic self-administration" and that "develop alternatives to traditional forms of life and work". Membership

[68]Report #16, Institute of Urban Studies, U of W, p. 81.

[69]Dauncey report, p. 20.

[70]ibid. p. 20

[71]The primary source for German alternative financial institutions and related quotations come from an article by Dieter Hoehne entitled "Germany's Alternative Financial Institutions" in *Canadian Dimension,* March /87,Vol.21, No. 1, pp. 22-26.

is open to anyone with a suggested fee of 1% of net income. (There are 2,300 members today.) Since 1979, it has "funded 40 to 50 projects annually, and has distributed more than 3 million DM to the end of 1985."

• Stattwerke: a credit agency that coordinates the flow of money between "co-operatives in need of funds to initiate or maintain ecologically meaningful production, with individuals who want to control how their money is invested." A co-operative approaches the agency, which undertakes a feasibility study of the project. It then sends out brochures to potential investors about the various projects showing cost and revenue calculations. Contracts are signed directly between the investor and the co-operative. In just two years, the agency has attracted 500 investors who have supported "60 companies with a total of over 2.5 million DM."

• Haftungassoziation (Credit Insurance Fund): the only acting official bank for the alternative sector in Germany, initiated by a 1 million DM contribution from the Protestant Church of West Berlin. The credit insurance fund, which is authorized to provide indemnity bonds of up to 5 million DM, provides the back-up insurance needed by co-operatives, to help them meet the credit requirements of traditional banks in securing long-term loans. (Otherwise, co-operatives are rejected as high risk investment by the banks.) How the Haftungassoziation works is through co-operatives joining the church as members of the association, each contributing 500 DM. Through this mechanism the co-operative sector is able to finance further co-operative development. The major limitation is that the fund only operates out of West Berlin.

• The Oko-Bank (Eco-Bank): currently amassing funds towards the establishment of the first cross-regional alternative bank for the ordinary person with small chequings and savings accounts. Falling under the Bank Act, Eco-Bank cannot operate nationally until it has a starting capital of 10 million DM which, it is estimated, will take some time to amass.

• The Oko-Fund (Eco-Fund): a special fund set up to channel public money distributed to political parties for such things as compensation for campaign expenses, financing of educational activities, and salaries distributed to each elected politician. The Greens are required by their party to contribute 2/3 of their political income to the Oko-Fund. The sudden electoral success of the Greens in Germany has thus created a large potential source of government income for the alternative sector.

What the above example demonstrates is the *full scale alternative* to our traditional "bottom line", profit-only banking system. With the support of such a

full fledged alternative banking system it offers us a choice. It becomes possible to disconnect or "drop out", as it were, from the system that insinuates its way into almost every aspect of daily life from the groceries we buy to the houses and apartments we live in.

2. Ecological Enterprises

Ecological enterprises include activities like the recycling of garbage and waste; energy conservation; organic food distribution; promotion and design of solar heating systems; harnessing wind power and other renewable energy sources; community greenhouses and urban gardening projects; and development of alternative or appropriate technologies to allow production to occur on a small, decentralized scale that will not be harmful to the environment.

How these activities tie in with CED is that:

•They are almost all rooted in *local production processes* because the decentralist approach to development is perceived as one of the ways to limit the concentrations of poisonous substances released into our environment.

• Many of the ecological activities such as recycling and community gardening are strong *organizing tools* that bring individuals in neighborhoods together and allow them to participate in community life, with a sense of purpose.

• All are motivated by the desire to *put into practice the principle of ecological sustainability.*

a) Water

Water is the most essential and necessary substance for life. As Ivan Illich points out in a recent article and book on water in the city, aside from its utilitarian aspects, water has special healing, dream, and spiritual powers associated with it.[72] Yet today, instead of healing, our waters are poisoning us

[72]"H_2O and the Waters of Forgetfulness", in *Resurgence,* Sept-Oct. 1985 Issue 112, pp. 9-13 and book by the same name.

and our generations to come with acid rain, mercury poisoning, and industrial waste. CED, with its focus on sustainability, social responsibility and environmental sensitivity would naturally look at new ways of treating water.

In the summer of /87 I had the rare opportunity to see, first hand, a new alternative technology for the treatment of water. It was an ecological sewage waste treatment project in the ski resort town of Sugar Bush, Vermont, set up and monitored by Dr. John Todd. Todd is one of the co-founders of the New Alchemy Institute in Cape Cod, well known for its progressive research in the area of aquaculture and bio-shelters:

> I was told I would see an exciting alternative sewage treatment experiment but I was really surprised when the sewage purification 'plant' turned out to be nothing but a small greenhouse of about 22' by 34'. In the greenhouse, I saw a multitude of ordinary plants like pussywillows, swamp alder, irises, and herbs growing out of water which filled the entire greenhouse (we walked on wooden bridges) and which turned out to be liquid waste that was being pumped into the greenhouse from a nearby sewage lagoon. The plants were growing hydroponically on floating platforms, roots reaching down into the contaminated water. There was no foul odor to be detected. However, what was most amazing was the fact that through a natural biological process the plants were breaking down the poisonous pollutants in the water, such as ammonia and nitrogen, and purifying the water so that after 3-5 days the water was restored to a cleaner state than a chemical waste treatment plant could have restored it. And the process was so simple, ecological, and less expensive to build and operate than are our traditional chemical waste treatment plants which use toxic chemical compounds such as chlorine, aluminum, and coppersalts that eventually seep into the ground and waters and poison our trees and fish.
>
> If cleaner water, less expense and safety to the environment was not enough to persuade anyone of the value of this ecological enterprise, an added bonus feature, was an attached 'aquafarm' business, i.e., raising fish in the purified waters for an extra source of income. Dr. Todd stated that a 1/4 million gallon facility could easily operate a $1/2 million fish farming operation. Slated for future research was the mining of plant roots for the minerals that were being stored there as a result of the chemical breakdown process.
>
> It all sounds like the dream of crazy genius. But to the contrary, it is a reality. San Diego has already built a hydroponic water purification plant to service 1 million gallons of water a day and two more are presently being built in

Providence, Cape Cod and on Martha's Vineyard in Massachusetts. A marketing company has been set up to promote this enterprise to municipalities around the country.

If we let our imaginations go for a minute, we might envision a chain of sewage purification greenhouses dispersed throughout the city and country. This decentralized and ecological approach to sewage treatment would help to clean up our waters. It would channel every community in the direction of taking responsibility for its own wastes *where they are produced* , as opposed to the current polluting practice of dumping of wastes holus-bolus in rivers, which flow upstream, accumulating more poisons and becoming some other community's problem, as well.

This could be a major break-through towards solving our waste problem.

b) Energy Conservation

Another technological area of direct concern for CED is energy conservation. As discussed in Chapter 3 under the principle of self-reliance, one major way to reduce the outflow of dollars from a community is to plug the energy leaks. By reducing the amount of income we spend on imported energy, we retain that much more to spend on local products.

In a study carried out by Amory and Hunter Lovins at the Rocky Mountain Institute it was found that "since 1979, the US has saved over 50 times as much energy through such efforts as weatherising houses and designing fuel efficient automobiles and appliances as it has gotten from the net increase in energy supplied by oil and gas wells, coal mines, and power plants combined."[73] The following case demonstrates the dramatic effect that energy conservation can have on a local economy:

In 1977 a citizens group in Franklin County, Mass. did a study of the energy consumption in their region, the poorest in the state. It was found that "every household spent an average of more than thirteen hundred dollars per year to buy electricity, bottled gas., and oil" amounting to $23 million a year leaving Franklin County, equal to the total payroll of the county's ten largest

[73]Book jacket of *Energy Unbound.*

companies. At an informal town meeting, a proposal was put forward recommending insulating homes, use of solar energy, the local production of methanol to replace imported gas, and the generation of local electricity through mini-hydro technology and wind mills. The cost of the programs would equal $23 million, same as the amount spent on consumption of energy, and would not only save energy costs but generate local jobs and local businesses as well as the production of alternate energy equipment and conservation devices. Although only some of the ideas were put into effect, a 1980 poll found that more than 90% of residents had reduced their energy consumption by 50% since 1974. "Economically, the people of Franklin County achieved the equivalent of bringing in a new multimillion-dollar business." However, the citizens group disbanded long before their goals were accomplished and the energy program was formally abandoned as the energy crisis situation lessened its grip on the community. The lessons to be learned from Franklin County experience are twofold: one, that a major retention of community wealth can be achieved through energy conservation and two, that it requires an ongoing community effort.[74]

c) Recycling

Recycling is another enterprising activity that clearly expresses the CED aims of self-reliance and sustainability. Like conservation, recycling increases the wealth within a community. It does so in three ways:

a) by converting garbage and waste into valuable resources,

b) by lowering the cost of waste disposal as a result of reduced waste,

c) by saving on the environmental costs to society in health, clean-up, etc., a rapidly expanding problem aggravated by the enormous quantities of waste we produce in our society.

Recycling can take a variety of forms from retreading tires; reprocessing garbage such as rubber, metal, glass, paper, and plastics; salvaging building materials from demolition sites; reconverting old abandoned warehouses for housing and offices; second hand clothing and furniture stores; to yard sales.

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[74]Information and quotes from the book *Energy Unbound* by Amory and Hunter Lovins, pp. 316-21.

> **The recent upsurge in motorcycle repair in England can be seen as a form of recycling. For years, England lead the way as a producer of motorcycles until the 1970's when the Japanese took over their market and put the industry out of business. But Japanese motorcycles, it was found, were too difficult to fix. According to recent reports, a growing number of people are bringing out their old English motorbikes to have them restored and, thus, suddenly there has been an upsurge in the local motorcycle repair business, which is creating jobs for thousands of Englishmen.[75]**

The CBC National News recently covered two stories about recycling out of Vancouver, referring to "something that is happening that could be spreading across Canada":

> **The first story told about the activities of the Downtown East Side Economic Development Society, a local community group in downtown Vancouver that is experimenting with CED as a way of helping people at the bottom start up their own businesses. The story was about the Bottom Bracket Bicycle Shop, a second hand bike store owned and run by two former welfare people. Another project was a second hand 'junk' store owned and run by the "down and outs" of downtown.**
>
> **The second story was about a man named Elson Hanson, who discovered he could mine the garbage sites of Vancouver and make a profitable business out of it. Today he is a successful producer of methane gas out of the sitting garbage in the huge landfills. One landfill site alone has sixty gas wells and he is looking for more landfill sites. All of a sudden the municipality is wondering if it can get a piece of the action, levy some sort of tax or charge on Hanson.**

The methane gas story sparks a new vision of how, in the words of CBC, "the whole planning of landfill sites could be revolutionized." The last story is about a recycling group in Toronto that started in the mid 1970's:

> **The history of "Is Five Foundation" in Toronto, traces the activities of a group of people who were dedicated to promoting the ideas of a conserver society through public education and through organizing community-based recycling projects. It is one out of hundreds of similar groups which sprung up across North**

[75]Information given at a research committee meeting of the Winnipeg Initiatives.

America in the 1970's. The "Is Five Foundation" was founded in 1974 as a non-profit corporation receiving government grants for clean up and recycling in specific neighborhoods. Throughout the late seventies the corporation did very well and expanded its activities from sidewalk pick-up of garbage to a depot collection program on a municipal wide basis. In 1978, it was awarded a contract with the Borough of East York for recycling glass, paper, cardboard and metal. At the same time, in an effort to wean themselves off government grants, a for-profit arm, called Resource Integration Systems Ltd., was established to do consulting and publishing in the area. Another spin-off from the Is Five group was a retail conservation store, which lasted only a few years and eventually went out of business. Today, in 1988, Is Five is still active, only its efforts are centred on a publishing business for books about social and educational concerns. According to Tom Skanlin, long time member of Is Five, the original recycling activities are still continuing only under the auspices of other organizations which the original group helped start. And "this is perhaps as it should be." [76]

While recycling and ecological enterprises are in their infancy there is a growing public awareness of their viability as shown by the recent Macleans article (Mar. 28 /88, "Flushed with Pride") on ecological waste treatment in the town of Arcata, California, a symbol of pride for residents and becoming a centre of attraction for visitors.

CONCLUSION TO CHAPTER FIVE

In this chapter we have looked at the practice of community economic development in three parts. The first part answered some basic questions on how, why, and where it is occurring; the second part looked more closely at selected examples of CED; and the third part described different organizational models and support systems for the practice, interspersed with examples.

We have seen that the practice of CED reflects a wide diversity of structures and processes depending on the needs of each community, uniquely defined by its location, history and culture. While any one project could easily be disregarded as a minor aberration to the prevailing economic system, the

[76]Information from case study in *Community Profit,* pp. 39-44, and a Nov., /87 telephone interview with Tom Skanlin, member of the group since 1976.

significance of any individual activity greatly understates the collective impact. CED begins to take on a greater significance when viewed from the standpoint of an emerging paradigm shift toward decentralization, self-help, self-reliance, and entrepreneurship, as an *alternative* to our dominant, centralist economic paradigm. The goal of this chapter was to bring to light the "hidden economy" by gathering together, under one roof, a sampling of the various community-based economic activities occurring around us and by giving them a name: community economic development; and by giving them a shape: with the five principles; and by giving them a home: alternative economics.

CHAPTER SIX

CONCLUSION: COMMUNITY ECONOMIC DEVELOPMENT AND PLANNING

As a city planning student exploring community economic development, I have had to face the obvious question put to me by planners: "How does CED fit in with city planning?" Like any profession, city planning depends on a common understanding of what its activity and purpose is, for its identification, status, and livelihood. However, city planning, being such a broad and interdisciplinary profession, has found it especially difficult to define its boundaries. For example, city planners use engineering, social work, and economic skills, yet they are not engineers, social workers nor economists; likewise, engineers, social workers and economists are not city planners. If anything, city planners are generally seen as experts on the physical environment, a sort of architect behind the city plan.

But, really, what *is* a city "plan"? It is a format (maps, policies, zoning regulations, etc.) for prearranging and regulating the development of the physical city; it separates out where people will live, where they will work, where they will shop, where they will go to school, etc. With literally millions of people living in cities in enclaves consisting of families and strangers from different walks of life, the comprehensive plan is conceived as a method to "standardize" and "rationalize" the living patterns of the multitude of people in the city — to bring "order" to what is feared would otherwise be "chaos".

In essence, the comprehensive plan is an *imposed "rational" model of social organization,*one that shapes and determines the interactions and relationships of ordinary citizens with their communities, their places of work

and their physical surroundings. Author Jane Jacobs in her book *The Death and Life of Great American Cities* and Richard Sennet in *Uses of Disorder* severely criticize the traditional planner's mentality for its sterile vision of city life, which chooses homogeneity over diversity, avoidance of conflict over conflict resolution, simplicity over complexity, order over chaos, and precludes the possibility for rich human interchange, which is basic to the life of a community, to occur. To further complicate the matter of planning, the planner's main tool for allocating land use, zoning, is enmeshed in a market economy that views land as a private commodity, each piece acquiring different value depending on use and location. Thus, a zoning variance, a line on a map, can create instant wealth for the owner of a piece of land. The planner therefore becomes a mediator in the conflict between private and public interests. In the end, planning is a messy business, the product of a multitude of factors, social, political, environmental and economic in nature.

Planning, then, whether visionary or practical, needs to consider the *processes* shaping the physical urban environment — which are social, political, cultural, environmental, and economic — and the *effects* of "planning" decisions on the *quality of life* of people living in cities. These are legitimate concerns of the planner. Since the 1960's there has been an increasing recognition of the complexities of the urban environment beyond the physical, both by planning schools and, to a lesser but growing extent, by the practitioners themselves. Public participation in the planning process, neighborhood corporations implementing their own neighborhood plans, environmental impact studies, advocacy planning for special interest groups, social and economic development policies, community development and, more recently, community economic development are all part of a planning process that is seeing a shift toward greater citizen involvement and a "holistic" integration of a diversity of concerns. This broadened perspective of planning marks a departure from the traditional role of planner and points to a new direction that corresponds to the general paradigm shift occurring in all areas of

society discussed in the opening chapter. Community economic development is part of this paradigm shift.

As evidence of a shift toward a more integrated planning function, the Manitoba planning legislation for the City of Winnipeg calls for the Winnipeg plan to include a description of the *"physical, social, environmental, and economic* conditions, and purposes of land" (my italics).[1] A 1986 review of the City of Winnipeg Act expanded this definition when it recommended "the Act also require that the Plan include:

> Policies and Strategies:
>
> (g) social and economic policies of the City
>
> (h) an integrated physical-environmental-social-economic planning *strategy* for the City." [2]

Building on the findings of the above Review, a 1987 provincial White Paper on "*Strengthening Local Government in Winnipeg: Proposals for Changes to The City of Winnipeg Act,*" further recommended:

> 1. strengthening citizen participation by financially assisting citizen groups.
>
> 2. establishing business improvement zones which would "empower local businesses to create, finance, and manage locally-based initiatives for the enhancement of their commercial areas." [3]
>
> 3. encouraging area residents to actively participate in creating a Local Plan whose purpose is "to put forward an *implementation strategy* to deal with a specific land use problem, an emerging issue, or an area in transition."[4] In other words, a grassroots action-oriented plan.
>
> 4. expanding the scope and content of the Greater Winnipeg Development Plan to *require* social and economic policies and specific strategies for their implementation.[5]

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[1] *City of Winnipeg Act*, section 573 (a).

[2] *City of Winnipeg Act Review Committee Final Report, 1986,* pg. 52.

[3] "Strengthening Local Government in Winnipeg: Proposals for Changes to The City of Winnipeg Act", p. 19.

[4] ibid. p. 26.

[5] ibid., p. 24.

What we see is a move in the direction of community economic development through the planning process.

For many cities, economic development is an institutionalized part of the regular city planning process, as in the case of Minneapolis where the former Department of Planning was renamed the Dept. of Planning and Economic Development. A separate Minneapolis Community Development Agency set up by City Council coordinates and administers "the city's resources for housing and economic development" at the neighborhood community level[6]. And the city of St. Paul, with the assistance of its Dept. of Planning and Economic Development, has developed a strategy toward economic self-reliance based on David Morris' *Homegrown Economy,* a study that, in the words of that city's mayor, George Latimer:

> presents a new orientation for the city and a new approach to using our community's resources; [that] seeks to make the city more economically self-reliant; producing and nurturing economic growth from within, instead of waiting on outside forces.

The strategy incorporates energy conservation, local enterprise development, invention, recycling of garbage and waste, and a variety of neighborhood programs as part of a holistic perspective on the city's self-reliant future.[7]

Again, the participation of the city in promoting and assisting local economic development is supported by former mayor of Ottowa, Marion Dewar, who views local entrepreneurship as the key to creating permanent jobs. She says:

> What you're finding in any of the analyses in economic development is that real jobs are being created in businesses within our communities. What you have to

[6]MCDA's 1985 Annual Report.

[7]*The Homegrown Economy,* by David Morris and the Institute for Local Self-Reliance, (1983), p.2. Projects of the Homegrown Economy include: setting up a municipal venture capital fund to support inventive but risky local enterprises; a block nurse program in the St. Anthony Park area whereby neighbors and nurses who live in the area care for the elderly at a cost cheaper than professional home care; a program to match small local businesses with federal government contracts; the setting up of a private non-profit District Heating Development Company to supply underground hot water heat the central business district of St. Paul as a way to conserve energy; the establishment of an Energy Resource Centre to provide energy conservation services to citizens; setting up an incubator facility to help small local businesses get started; providing financial support for a local small production Summit Brewery Company; among others.

do is find out where each community's strength is, and build on it.

She goes on to describe how government can:

> put together and subsidize some accounting expertise, some marketing and advertising strategies for the small business. ...But don't look at it only as a self-sustaining service, look at it as something that's going to start to create permanent jobs. That's more than picking weeds or painting community centres.[8]

From these examples we can see that community-based economic development is more and more becoming an area of interest for cities and city planners. Its increasing appearance as a topic for discussion at planning conferences testifies to this fact. For example, CED was a main topic at the 1985 conference of the Canadian Institute of Planners in Sudbury, Ontario. The theme was "*Sustainable Community: The Next Frontier*". Workshops covered community economics, recycling of wastes, new energy technologies, and local planning control. A conference handout defined the "sustainable city" "by the degree of its commitment to the principles ...[of] local governance and [local] economic development," which were outlined in an Alternative Development Paradigm that, among other things, called for:

- economic activities to further the "twin objectives of self-reliance and self-sufficiency of the community as a whole as well as the individuals within a community";

- "economic activities ...be undertaken in such a fashion as to minimize the disruption of the social environment";

- "the physical environment including the ecosystem ...be treated with great care in order to minimize environmental degradation... Conservation and use of renewable resources are emphasized";

- a "decentralized and dispersed pattern of ownership and management are encouraged";

- "economic activities requiring relatively small capital ...preferred over those which require relatively large capital.

- the support of "economic activities...of small scale or relatively small decentralized units within large organizations";

- "technology selected for an economic activity to be appropriate for the need."[9]

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[8] *City Magazine* interview, vol. 7 #4; 1985.

The above principles, worked out by the organizers of the conference, clearly depict a community-based, 'Schumacher-ian' approach to creating sustainable communities.

In another example, the Planners Network helped sponsor a three day conference (Washington, December, 1986) on "*Housing and Economic Development: State, Local, and Grassroots Initiatives,*" at which community economic development was again a major focus. In April 1987, the Urban Planning Program at the University of California, Los Angeles organized a conference on "*Green Movements and the Prospects for the New Environmental/Industrial Politics in the U.S*" — a forum for "scholars, political organizers, planners, community organizations, feminists, and environmental groups."[10] Topics for discussion ranged from bioregionalism, toxics and community action, consequences of industrialism, to community-based cooperatives. Community economic development again appeared as a series of workshops at the 1988 "Canadian Urban and Housing Studies Conference" at the University of Winnipeg. Currently (summer, 1988), the University of British Columbia Planning School is proposing to add community economic development as a part of its planning school curriculum.

Evidently, if we listen to the planners themselves, planning can no longer be separated from the social, environmental, and economic processes that daily inform and shape our cities. From this standpoint, CED presents a challenging model for community planning, one that raises as many questions as it provides answers, such as: What is the appropriate role for a planner working in a community that wants to control its own future development? Is the planner a facilitator/coordinator, responsible for bringing people together and/or directing them where they want to go? Is the planner an animator and interpreter of community issues, bringing topics of concern to the people's attention? Is the planner a resource person, putting together information for a community to base

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[9]from the proceedings for the CIP National Conference 1985, Sudbury, Ontario, Canada.

[10]from their promotional advertisement in the *Institute for Social Ecology Newsletter,* Winter, 1986, vol. 5 #1.

its decisions on? Or is the planner an activist, someone personally committed to a local cause and using her/his organizing skills to provide leadership to the group? This, latter, is the position John Friedmann arrives at in his latest book *Planning in the Public Domain,* which I will discuss briefly in the following section.

Community Economic Development: Fad or Alternative?

Community economic development is a relatively "new" idea in its early test stages. Because it is new some see it as a fad. It has had some remarkable success, particularly in communities suffering economic disaster in the aftermath of single industry plant shut-downs. But because it has not yet proven itself a significant economic force most economists still view CED with skepticism. On the other hand, rising unemployment and government cutbacks have led many planners, community groups, newly organized unemployed, local governments, and others to see it as the latest panacea for the ills of society. Still others are politically suspicious — the political right seeing it as a new form of collective socialism: a decentralist substitution for the centralist socialist model, currently out of favor; the political left seeing it as a right wing justification to booster small business and, at the same time, withdraw responsibility from social programs.

It is my position throughout this thesis that these attacks on CED are trivial and superfluous in the light of the critical issues facing the world today, which are "food, energy, arms control, population, poverty, resources, ecology, climate, the problems of the aged, the breakdown of urban community, [and] the need for productive, rewarding work".[11] Modern industrial development with its technological amorality, its single minded profit-orientation and its expansionist goals, has contributed to most of these problems, either directly or indirectly.

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[11]Toffler, *The Third Wave,* p. 17.

"How does CED address these issues?" The answer is, "By being part of the solution, not part of the problem." CED combines private initiative with a collective conscience. Its decentralist model is the best means of fostering democratic participation, community responsibility, and self-reliance in the business sector. While it is no panacea CED **is** one alternative to large scale global economics which is leading us down the garden path to the gates of Hell. CED can't heal the world but it's a step in the right direction — sort of like picking up ones own garbage or tending to one's own garden.

Looked at in the broader context of history, CED is part of a general undercurrent of change occurring on all levels of society, a transformation in values and perception that, according to Toffler's synthesis, is leading us through the "deepest social upheaval and creative restructuring of all time" where the result will be:

> a genuinely new way of life based on diversified, renewable energy resources, on methods of production that make most factory assembly lines obsolete;...on radically changed schools and corporations...beyond standardization, synchronization, and centralization, beyond the concentration of energy, money, and power. ...The new civilization, as it challenges the old, ...will give rise to semiautonomous economies in a post-imperialist world.[12]

CED, to use Toffler's language, is on the "leading edge," bridging the gap between second wave "industrialism" and third wave "post industrial" society.

Within the context of city planning, CED is an outgrowth of transformations going on within the profession itself; transformations that have been occurring slowly over the last thirty years. First came the failure of urban renewal in the 1950's which brought in the advocacy planning response in the 1960's. Advocacy planning with its neighborhood rights orientation later evolved into neighborhood revitalization planning with the establishment of neighborhood corporations and programs such as NIP (Neighborhood Improvement Program) in the 1970's. And now in the 1980's we're seeing a further maturation towards direct community control over social, economic, as well as physical planning.

Sherry Arnstein describes this process of evolution toward greater citizen

[12]ibid., pp. 10-11.

participation and power sharing in planning decisions in terms of a series of steps up a "ladder of citizen participation." There are eight rungs. At the base is "contrived participation," i.e., ways of avoiding sharing any planning power. This includes "manipulation" (persuading citizens to support already decided upon plans) and "therapy" techniques (diverting citizens from their negative concerns). The next three levels are "token power sharing." They include "informing" (information distributed to citizens without feedback); "consultation" (meetings, hearings as a method of soliciting citizen input into administration's decisions); and "placation" (representatives of the public chosen to sit in token positions on boards). The last three rungs are "degrees of power sharing." They include "partnership" (joint ventures between government and an organized community power base); "delegated power" (citizens given legislative authority to prepare plans); and finally, "citizen control," the highest level, at which a community is given full power over policy and management decisions (e.g. co-operative non-profit housing developments).[13] Community economic development fits into these upper levels, with communities *taking* or reclaiming their power through economic self-reliance and political self-determination, as compared to waiting for an external body to grant them a piece of the action. By building on community resources and investing in itself, a community gains economic and political leverage to determine and implement its own plans for development.

Planning theorist John Friedmann, in his most recent book, *Planning in the Public Domain,* outlines a history of planning thought which, similarly, points toward an evolving new paradigm for future planning practice rooted in democratic citizen control and supportive of community economic development. For Friedmann the key question in planning is, and always has been, how to link together knowledge and public action. From this fundamental premise he examines four streams of planning thought — policy analysis, social learning,

[13]Sherry Arnstein, "A Ladder of Citizen Participation," *Journal of the American Institute of Planners,* 35 (July 1969), pp. 216-224. and summarized by Gerald Hodge in *Planning Canadian Communities,* (1986), pp. 352 354.

social reform, and social mobilization —that have developed out of this core concern for linking scientific and technical knowledge to actions in the public domain.

The first stream of planning thought, **policy analysis**, approaches the question of how to bring knowledge into action by applying scientific, rational problem solving techniques to the problems of society. While its roots can be traced to the birth of scientific rationalism in the18th century, planning only became established as a profession following World War II when the state was called upon to rebuild bombed out cities, reconvert war industries to peacetime use, provide mass social services such as health, education and housing, and to apply Keynsian economic intervention to ensure full employment and stable growth. The decision theorists of the 1950's and 60's viewed planning as a form of scientific management which could bring the skills of rational analysis to bear on social problems. Writes Friedmann:

> As members of the state apparatus, planners were inclined to see the managerial state as a guardian of the public interest and an instrument for social progress. So long as everyone played his part well, the system was fail-safe; the state would plan, the economy would produce, and working people would concentrate on their private agendas.[14]

Then, in the mid-1960's, poverty was suddenly rediscovered. State planning had failed in its effort to reduce the level of poverty. Militant students, frustrated blacks burning down the inner cities, and popular protest movements combined to put pressure on the state to listen to their group concerns. This became a period of **social reform** in planning with the state attempting to hang on to its power, at the same time attempting to involve citizens by incorporating their concerns in a state solution. In response to public pressure, planners introduced "maximum feasible participation" into the planning process — a form of 'contrived' power-sharing based on 'manipulative' techniques, according to Arnstein's ladder of citizen participation. Friedmann refers to this planning mode as "societal guidance." Amitai Etzioni's book *The Active Society* is representative of this tradition with its proposed model of planning in

[14]Friedmann, *Planning in the Public Domain: from Knowledge to Action,* pp. 7-8.

which "people make demands, the state responds by providing answers, the people, (now pacified) accept the state's authority, and the state builds a consensual basis for its policies."[15]

Friedmann concludes that social reform as a planning tradition must necessarily fail because the social problems it attempts to address stem from a system of industrial capitalism which is tied up with the state system itself. He writes:

> Because it is invariable integrated into the state apparatus, planning for societal guidance is incapable of coping with the crisis of industrial capitalism. More often than not, the solutions it attempt to implement only make matters worse.[16]

The third stream of planning thought, **social learning,** is a separate branch of planning. Its approach to linking knowledge and action stems from a fundamental belief in "learning through doing," most notably expressed by the pragmatist philosopher John Dewey who held that all valid knowledge comes from experience and that "through experience, we come not only to understand the world but also to transform it."[17] A plan is an experiment in history — something to learn from and alter as we go along. Dewey writes:

> The plans which are formed, the principles which man projects as guides of reconstructive action, are not dogmas. They are hypotheses to be worked out in practice, and to be rejected, corrected, and expanded as they fail or succeed in giving our present experience the guidance it requires.[18]

Social learning, then, offers an evolutionary perspective of planning in many ways akin to the "reconstructive" ecological principles discussed in Chapter Four of this thesis. Self-help, community development, intermediate technology and CED projects, grow out of this tradition.

In the fourth stream, **social mobilization,** Friedmann describes a history of radical planning thought as "the only tradition that specifically addresses the powerless and disinherited." It holds the belief that ordinary people can only bring about changes they desire through *collective* action *in opposition to the*

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[15]ibid., p.8.
[16]ibid., p. 10.
[17]ibid., p. 188.
[18]Dewey, *Reconstruction in Philosophy,* (New York: The New American Library, 1950, p.89) as quoted by Friedmann (1986), p. 189.

structures of dominance and dependence in society as represented by the apparatus of both state and corporate industrialism. Marxists, Moaists, the Frankfurt School, utopians and social anarchists are all included under this tradition. Kropotkin, Mumford, Alinsky, Kotler, Illich, Freire, and Bookchin are some of the names he mentions, in common with the references in this thesis. For Friedmann, social mobilization is "the only tradition that can stand up to the dominant order. It points to an economics, a politics, and a sociology that reflect the seeming inevitability of uneven development, powerlessness, exploitation, and alienation that are the hallmarks of the capitalist world system."[19]

Here then, in the tradition of social mobilization, lies the direction for future planning as advocated by Friedmann in his latest book. He writes:

> Citizens around the world have begun to search for an "alternative' development that is less tied to the dynamics of industrial capitalism. Emancipatory movements have emerged to push for a more positive vision of the future than the present system-in-dominance holds out to us: a world working to eliminate the threat of a nuclear winter and in serious pursuit of a balanced natural environment, gender equality, the abolition of racism, and the eradication of grinding poverty. Though diversely inspired, these social movements appear to coalesce around two central strategies: **collective self-reliance in development and the recovery of political community.**[20]

Community economic development fits comfortably into this scheme of social action as a **counterforce** to the "dynamics of industrial capitalism."

As has been show by the examples in this thesis, social mobilization through economic self-reliance and community empowerment is already underway. While some people see community-based economic development as fitting into city planning, the decentralized, ecological and political mobilization approach raises a number of questions which challenge the fundamental nature of the profession itself.

1. Can city planning abandon the growth ethic?

2. Can city planning shift from negative social control (through plans and regulations) to community building and participatory processes?

3. Can city planning transcend its attachment to universal land-use

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[19]Friedmann, p.308.

[20] ibid., p.10.

"principles"[21] such as those described by Gerald Hodge (see footnote below) to become part of a value-based planning activity rooted in local needs and local culture?

4. Can city planners shift their power reference from professional status and the bureaucracy to being part of social movements working for change?

These are a few of the tough questions for which there are no easy answers. Their implication for planning is a matter for another thesis, entirely. But, as both Friedmann and Schumacher have pointed out, the problems we face today are not really technical problems, they are moral problems, which once understood and transcended their solutions will become self-evident. In the meantime, as Schumacher said:

> We must do what we conceive to be the right thing and not bother our heads or burden our souls with whether we're going to be successful. Because if we don't do the right thing, we'll be doing the wrong thing, and we'll be part of the disease and not a part of the cure.[22]

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[21] According to Gerald Hodge (*Planning Canadian Cities*, p. 158,) the "principles" that guide planners are:

1. Land uses with different activity characteristics should be separated from one another to allow for their effective functioning.
2. The pattern of land uses should provide for the integration of all functions and areas.
3. The circulation system should reflect the land-use pattern.
4. Social cohesion should be promoted by providing the opportunity for the proximity of home, employment centers, shopping opportunities, recreational areas, and schools.
5. Residential areas should be attractive, well-drained, and have variety in their design,
6. Housing should be provided in a range of types to suit the income structures of the community.
7. Commercial and service areas should be concentrated to provide both convenience and efficiency.
8. Modes of traffic with differing characteristics should be separated from one another.
9. The downtown area should be considered the social and business heart of the community.

[22] as quoted by J. Porritt in *Seeing Green*, p. 223.

APPENDIX A

Key Processes of CED - a summary by Guy Dauncey

1. Bringing people together: Different formats include futures workshops, brainstorming, or community meetings. A process that involves people's participation is very important.

2. Setting up a structure: The development body needs two separate parts: an agency to administer funds and the planning body. The development body is a partnership process and needs to involve a wide cross-section, including the business community, local people, volunteer sector, trade unions, ethnic groups, town council, and the local college.

3. Decide on a short term local action initiative: Set up task groups to pursue immediate action such as crime watch, clean-up, street party, or cultural festival.

4. Begin a community appraisal: Collect a data base about your community. Assess firms' and employers' future plans. Who is in the community? What skills are there? What is the existing land-use? What empty buildings are there? What resources?

5. Enlist the help of, or else help to initiate, a "new business" support system: An example of a "new business" support is an incubator facility to house fledgling businesses. Empty buildings (warehouses, schools, apartment blocks) can often provide a premises for businesses starting up and wanting to share accounting and other services. In Britain the Enterprise Workshops are a popular form of incubator facility. Other business supports include storefronts, to give ongoing business advice; business courses; innovation centers; co-ops; community businesses where shares are owned by people in the community; unemployed youth programs; special native and women's initiatives.

6. Search for community venture capital: Traditional loans from banks require collateral. Credit unions might have special start-up funds for high risk

clients. Other sources of funding include private foundations, government programs, and community pools of capital.

7. Increase the local circulation of dollars: In a wealthy community dollars circulate eight times before leaving. Check to see what imports the community could manufacture itself. Plug energy leaks because petrol is a major contributor to the outflow of dollars. What food could we produce ourselves?

8. Think *collectively* about private business: In Japan and Korea the government underwrites 15 year investment loans for business. The government and banks work together as a team. In Chile, before Allende was assassinated, his government had set up an electronic brain system which connected businesses and government to keep up to date information on the economy. In Mondragon, Spain, 17,000 people work in hundreds of co-ops which are all linked together through a central credit union which funds and helps set up the operations.[1]

8. Think collectively about our biomass sustainability: How strong is an economy's natural resources. Consider acid rain, soil erosion, food production system, recycling, air quality, water. What kind of businesses contribute towards strengthening our biomass sustainability.

9. Think about business from the perspective of new economic values: These include ecological issues, participation, sustainability, self-reliance, and ethical codes of conduct.

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[1]Another example of collective thinking about business is the Briarpatch Network started in San Francisco. It was set up as an informal union of small businesses who subscribe to "new age" values - i.e., they prefer to serve the community than amass large amounts of money, they enjoy what they are doing, they share resources, and their books are open to the community.

APPENDIX B

The Search for Resources

1. Local Resources

Following the principle of self-reliance, it is important to begin the search for resources nearest to home, within your immediate community. The community is the primary source for goods and services exchanged on a barter or loan basis.

•Start with your own group members. Volunteers can provide professional help (accounting or law) or else assist with small, time-consuming operations like stuffing envelopes. Core members are often access links to other people or organizations that could help out. Networking is one of the informal ways to widen a community's support. On the monetary side, many CED organizations (and all co-ops) are founded on the financial contributions of individual members. In other examples, CDC's have been set up to operate on a for-profit basis raising investment capital through selling shares to the community at large.

•Service Clubs. Often a source of loaned facilities or organizational help for community events.

•Churches. An active source of funding for community-based activities.

•Local Credit Unions and other Alternative Banking Institutions. Because of the difficulty community-based organizations have in raising capital there has been a push to create new financial institutions designed specifically to serve particular communities. Examples include the women's credit unions, native people's credit unions, community banks, and venture capital companies.

•Labor Unions, the United Way. Possible source of loans or contributions.

2. Public Sector Resources

In Canada there is an assortment of programs to assist CED coming out of various levels of government, depending on geographic location, type of activity, and other factors. Almost all of these programs, however, fall short because they are not designed to accommodate the integrated CED approach, but instead apply to only one particular aspect of the project. For example, many CED projects depend on "short-term" job creation grants (summer and student employment programs, LEAP) with the negative result that "long-term" planning for the sustainability of a project becomes next to impossible.[1] In other cases, CED projects have been disqualified from access to government loans because of their non-traditional business practices and their high risk or innovative nature.

The following is a list of some of the areas where government programs might apply to a CED project.

•Research: grants for feasibility studies, technical assistance offered through the F.B.D.B. (Federal Business Development Bank) or other government departments.

•Start-Up Costs: Most CED groups do not qualify for small business loans from the F.B.D.B or provincial equivalent because of non-profit status, small size, and unorthodox approach.[2]

•Capital Costs of Purchasing Fixed Assets: One time demonstration grants for particular purposes are sometimes available from the ministries of Industry, Trade and Commerce, National Health and Welfare and Regional Economic Expansion.

•Operating Costs: Federal and provincial job creation funds can sometimes be used to offset salary costs. Tax allowances for non-profits or municipal tax-breaks should be taken advantage of.

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[1]Stewart Perry, from panel discussion -"Funding: The Buck Starts Here", reprinted in *The Nuts and Bolts*, pp. 57-58.

[2]However, some provinces like Manitoba and Quebec have special government departments and programs to assist the cooperative development. These would apply only to projects with registered as co-operatives.

3. Private Sector Resources

•Small business: Most CED groups have been able to solicit some local businessmen to sit on their boards or act as advisors.

•Big business: Support from big business for CED in Canada is minimal. Private corporations are more active in funding CED in the U.S.

•Financial Institutions: Social goals are secondary to the interest which rests on the potential profitability of a project. Some alternative financial institutions have been set up to fill this gap. Banks and credit unions usually have technical advisors to help applicants when they are applying for a business loan.

•Foundations and Corporate Charities: Securing funds can be time-consuming and complicated, but once granted, come with no strings attached. Grants often come on a matching basis, but volunteer services are often allowed to figure in as dollar donations.

•Consultants: Often expensive in the private sector. First try to obtain technical advice form alternative, local or government sources.

APPENDIX C

The purpose of this section is to examine in more detail some of the financial, technical and legislative support systems for CED in Canada and the U.S.

Financial and Technical Support Systems.

This section looks at what exists, in the way of technical and financial support, for each of the three organizational models: small local businesses, co-operatives, and community development corporations, described in Chapter 5, Part C.

1. Supports for Small Business

• *Government support:* As stated earlier, many of the supports in place to encourage commercial development are traditional in their approach to business. The Federal Business Development Bank (FDBD) offers business start-up loans, but if the business is too small or unorthodox in structure (e.g. non-profit status) then it does not qualify. The FDBD also has a Councilling Assistance for Small Enterprise program (CASE) in which retired business people act as councilors to small businesses. In Canada most CED projects have been subsidized through government job creation programs such as LEAP or LEAD. These, too, are unsatisfactory because they are designed to create short term employment, with the effect that businesses applying for these grants are steered into thinking in terms of temporary relief for their shoestring operations rather than planning for *long-term* viability. Other government programs, for example those offered by the provincial Dept. of Business and Tourism in Manitoba, have given assistance towards local development and CDC's in depressed rural regions but do not apply to urban centers.

In summary, what we have in Canada is a very incomplete support system for community economic development with government programs working only

in special cases when the shoe happens to fit. It has been suggested that municipalities ought to play a more active role in promoting local economic development, as they have in the U.S. and Britain, through such programs as municipal tax relief, incubator malls for fledgling businesses, and municipal venture capital funds.[1]

• *Non-governmental support:* Outside of government, local enterprise development is supported by various umbrella group organizations such as the broad-based Royal City Community Development Association in New Westminster B.C.

Example: Royal City Community Development Association

In 1983, a public meeting was called to discuss what the city of New Westminster could do to help counteract the economic decline of its small community. (There was 18% unemployment.) Those invited to the meeting included politicians, local businessmen, representatives from the lumber industry, trade unions, schools, and financial institutions. As a result two sub-committees were set up to explore economic development and community development. This began an ongoing process of planning and education about CED with monthly discussions open to all. By 1984, with the help of students, Douglas College, CEIC, the Ministry of Industry and Small Business Development and the City, a community profile was completed and later published. By 1985 an economic strategy document was presented to city council for approval which it received along with funding. Since then a full time economic development office was opened up to help co-ordinate both traditional and innovative development activities in New Westminster. Douglas College, which was active in the process from the start, went on to establish a Centre for Enterprise Development to give training to women wanting to start worker co-ops, and assist business ventures associated with non-profit groups.[2]

Example: Sudbury 2001

In Sudbury, Ontario a similar local citizens action group was started, calling themselves Sudbury 2001, to respond to the city's need to diversify its economic base in the wake of its over dependence upon a declining nickel industry. A conference on economic development in 1978 involving 1,100 people gave impetus to the group's formation. Three committees were formed - Research, Self-Help, and a Community Development Fund. Some of the activities it spawned were the setting up of a folk coffee house, employing students to

[1]Review of the 1986 conference in Halifax on the Municipal Role in Economic Development by M.C. Ircha in *Municipal World,* Vol. 97, no. 1, pp. 12-15.

[2]Dauncey, *What is CED,* pp. 16-17.

> recycle newspaper, publishing an economic atlas of the Sudbury Region, a tourist park at the entrance to the city, and a "Buy Local" campaign to promote awareness of what goods are produced locally.[3] The City of Sudbury has continued to take a leading role in the promotion of CED in Canada holding a national planners conference on the Sustainable City in 1986. Its planning department has drafted a Secondary Plan which recommends "radical new policies on enterprise development, energy, agriculture, the informal economy," and more.[4]

There are other kinds of organizations that specifically target their assistance to small business development among special needs and high risk investment groups. Some examples are: The Women's Economic Development Corporation (WEDCO) and the Community Initiatives Consortium (CIC) in Minneapolis/St. Paul, (a group of ten insurance companies that invest in businesses owned by ethnic minorities and women). Then there are the hundreds of varying sizes and shapes of Economic Development Corporation such as the Lowertown Redevelopment Corp. in St. Paul, the Milwaukee Redevelopment Corp., the Dayton City-Wide Development Corp., the Hartford Economic Development Corp., that concentrate on everything from downtown revitalization to housing. Most of these are non-profit organizations which receive donations from large private and corporate foundations and also from church groups.

In Canada, the Winnipeg Core Area Initiatives (CAI), a tri-level government program, has been a catalyst and source of funding to a number of community development groups such as the Mainstreet Revitalization Group, the Selkirk Avenue 100 Plus Group, the Winnipeg Chinatown Development Corporation, the Riverborne Development Association, and the Logan Community Committee. Some of these groups (Mainstreet, Selkirk) have limited their focus to traditional business activities like store-front improvement, while others (Logan, Riverborne) have been more community oriented, infused from the start

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[3]McRobie, pp.174-179. This information dates back to 1981 and I have no further follow up on the group .

[4]op cit. p. 24.

with neighborhood activism.[5]

Compared to the U.S., Canada's network of support for CED is poorly developed. There are few inter-organizational linkages and "funding is dependent on adaptation of public programs."[6] The U.S., on the other hand, has a well developed, interlinking support network that helps to decentralize and filter down large amounts of governmental and charitable capital from the top to the community level through the varied development corporations, which act as holding companies and pass along the funds to smaller, more specific grassroots organizations. In the U.S., private individual and corporate foundations are the benefactors of many community groups. They are a potential source of funding that has yet to be tapped in Canada.

2. Supports for Co-ops

• *Government Support:* In Canada there is no federal agency that offers any support for worker co-operatives. In fact quite the opposite occurs. The current employment and tax legislation prohibits worker co-ops from receiving the same kind of tax breaks as other small businesses and does not qualify them for business development assistance the same as other businesses. A 1984 Report of the National Task Force on Co-operative Development has recommended the provincial and federal governments set up a support system and also reexamine its legislation as it affects co-ops, however nothing has to date has been done toward this end.

On the other hand, the provinces of Manitoba, Quebec, Newfoundland, and Saskatchewan each have special programs to encourage co-operative development. In Quebec there is support in the way of special tax benefits for investment in worker co-ops, low interest loans, and a regional network of consultants to help with technical assistance in setting up a co-op. The result has been a doubling of the number of worker co-ops over the past few years. Manitoba has also had a spurt in worker co-ops under the support of its new

[5]Riverborne residents organized to fight the expansion of a church parking lot that would infringe on a residential area while Logan residents banned together to fight the Core Area Initiative's plan to displace existing housing for an industrial park.

[6]Institute of Urban Studies report # 16, pp. 136-137.

program which offers education, loan guarantees, and general help throughout the entire process of setting up a worker co-op.

• *Non-governmental Support:* Aside from government assistance, there are a number of adhoc groups that have formed to give support to co-op businesses. In Toronto there are two agencies: the Worker Ownership Development Foundation, involved in writing reports for the government on new legislation and programs to promote worker co-op; and Co-operative Work Ltd. that offers a wide range of consulting services for a fee to co-ops. In B. C. the group Common Ownership Development Association (CODA) is an educational society for co-operative development that holds workshops and advises individual enterprises. And Nova Scotia supports an active educational outreach program for co-operative development through St. Francis Xavier University in Antigonish. These are just a few of the efforts being made by groups to lend support to the growing community development co-operative movement. [7]

3. Community Development Corporations

CDC's often take on the role of intermediary in the process of community economic development. They do this by spinning off subsidiary corporations, both non-profit and profit-making. The latter is sometimes used as a means to generate funding for the CDC's continuing operation. This is particularly important in Canada where there is no government support for the CDC. In contrast, the U.S. provides block funding for CDC's which has made them a very effective tool in community economic development. Dal Brodhead, advisor with the Temporary Assignment Program to the Treasury Board of Canada, has proposed that the government establish a national corporation, the Canada Community Opportunity Development Corporation, to act as catalyst to CDC development in conjunction with an Opportunity Development Bank, which would "act as banker to the CDC community enterprises.[8] The New

[7] compiled from information contained in *More Than just a Job.*

[8] *Nuts and Bolts,* p. 52.

Democratic Party Action Group on Jobs has similarly recommended the government set up an $850 million community initiatives fund to assist cooperatives, CDCs, small business and other community-based initiatives.[9]

Supportive Legislation

CED needs to be backed by supportive legislation that understands its goals and its special circumstances. All too often, current legislation works against the process. For example, people who are unemployed or on welfare (the very target group for many CED efforts) are discouraged from starting up a business because they will be immediately cut off from government assistance *before* their businesses have generated any income. If they have no savings to live on in the meantime, they are destitute. Under law, personal and business assets are lumped together. A venture capital start up loan is considered an asset. This means a person could have no personal assets or savings, be in debt for the cost of starting up their business, have no personal equity in that business (having received a special CED loan), have no income being generated at the start, and then be cut off from their only source of financial security — government assistance. Where single parent mothers with families to support are involved, the risk is obviously too great to take. In Minneapolis, the Women's Economic Development Corporation has negotiated a special arrangement with the federal government, whereby welfare clients wanting to make the transition off of welfare by starting up a small business, are given a waiver separating personal and business assets for a period of one year, to allow them to establish themselves in business.[10] A similar program exists in England targeted at unemployed youth that allows them to start up businesses without having to forego unemployment benefits for up to one year.

The LETS groups (Local Exchange Trading System) also suffer under current legislation which classifies income earned in "green" dollars as regular income, subject to federal income tax, payable to the government in "real" dollar

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[9] *Canada Unlimited,* p. 35-36 described in the Institute of Urban Studies Report #16, p. 60.

[10] *WEDCO Newsletter,* Fall /86.

amounts. As well, a person earning "green" dollars inside the LETS system is considered ineligible for unemployment or welfare assistance while, at the same time, "green" dollars are only recognized as having value within the closed system itself and thus can only be a partial support (rent and food will have to be paid with real money). It is obvious that without changes in legislation, LETS will be limited in what it can achieve for local economic development.

The above examples serve to demonstrate how CED is at risk if left in isolation. It must always be seen within the entire political economic system and be supported by appropriate legislation that understands its social goals.

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