

COMMUNITY ECONOMIC DEVELOPMENT

The complementary roles of the community organizer and business developer

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Business development and community organizing are partners in any attempt to revitalize economically distressed communities. Some people working to change conditions in low-income and minority communities, however, suggest that the goals of business development and organizing are so different that combining them will undermine the effectiveness of each, and diffuse the energies of all involved. But business development without political influence will fall short of having a substantial and long-lasting impact on the local conditions.

This article focuses on distressed communities, but it is in the healthier mainstream economy that the myth of the separation of business and politics has been promulgated. It has become a basic tenet of the study of American business.

The myth is supported at the university, where business and economic departments insist on teaching their disciplines in their purest forms, and it is defended and promoted by businesses and their associations, which are quick to attribute any success exclusively to good business practices.

They explain profitability, expansion, and acquisition in terms of astute investment and marketing decisions, creative research and invention, sound management and tight fiscal control. They never publicly acknowledge the role of political influence that provided a competitive edge, or important public subsidies such as favorable tax concessions, land use and zoning provisions, publicly-financed infrastructure, and protected markets.

The close connection between business and politics is rarely seen because

critical governmental decisions are made in private and often on an informal and even unspoken basis. Established businesses are generally the backbone of a politician's political support base and business leaders are personally and socially connected with political figures.

The need for political candidates to finance their own campaigns - local, state, and national - makes having personal wealth almost a necessity. Candidates will likely either be involved in successful businesses themselves or as professionals serving the business community. A myriad of lucrative social contacts to call upon for financial support for the election follows logically. The supporters in turn will expect the candidate to be in sympathy with their projects and priorities once he/she is elected; otherwise they would be reluctant to lend their support.

Politics & business are always inextricably related, but how does this work in the context of the economically distressed community? How must the community organizer & the community economic developer, who address problems from slightly different vantage points, build their strategies?

Originally appeared in the National Economic Development and Law Center Report, Vol. XI, Issue 3 (July/September 1981). Reprinted with permission in *Making Waves*, Vol. 2, No. 4 (October 1991).

The dependence of business on favorable political relationships is as important in poverty communities as it is in the mainstream economy. There are vested business interests in low-income communities that seek protection and assistance through their political connections.

Harold Lasswell, a noted political scientist, once defined politics as the process which decides "Who gets What, When, Where, and How." When the social groups which make up the "Who" are fairly constant, the political process can play itself out privately, behind the scenes. But the emergence of new social groups which want a part of the "What" threatens the equilibrium.

Once members of the low-income and minority communities attempt to control events and initiate activities which will change local conditions, they come into direct conflict with business and political interests which have prevailed in the past.

At this point protectors of the status quo will try to make the community-based organization believe it has violated the basic rules of the game by "unnecessarily politicizing the issue." But these organizations should remember that the only departure from "business as usual" is that the debate over important resources, that is, capital, land and labor, is forced out into the open. The underlying political-economic relationships are being exposed to public scrutiny.

POLITICS & BUSINESS IN THE CONTEXT OF THE ECONOMICALLY DISTRESSED COMMUNITY

Politics and business are always inextricably related, but how does this work in the context of the economically distressed community? How must the community organizer and the community economic developer, who address problems from slightly different vantage points, build their strategies?

Community organizing and community economic development are essen-

tially directed at achieving the same goal - creating the capacity of residents within some territorially defined area to better protect and promote their common interests. Both strive to enable residents to acquire control over the resources they need to better meet their necessities, as well as gain control over resources needed to establish basic community services. Employment, housing, education, health and public assistance, parks, streets, utilities, public transportation, schools, shop-

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ping, commercial services, and fire and police protection for the community are issues of concern to both the community economic developer and the community organizer.

Also agreed upon is the need to develop a local resident-based organization. Residents need an organization to participate in group decision-making, mediate among conflicting local interests, define options and their implications, determine goals and priorities, present a unified and cogent program to the world outside, and effectively mobilize, organize and direct the use of resources needed to carry out the organization's program. It is this organization that institutionalizes the community's newly-developed capacity to

exercise self-determination. Through it, the capacity has a permanence beyond the current leadership and issues.

Where community economic developers and community organizers usually part company is over how to improve the lives of individuals and the conditions of the community.

The economic developers stress the need for the community organization to become the developer of businesses and the provider of goods and services. In contrast, the organizers stress the need for political action by the organization to prevent further neglect and abuse by outside public agencies and private interests. Moreover, the organizers press for commitments from these agencies and private parties to improve and extend their services to local residents.

In this article, we contend that ultimately the economic developer and community organizer must recognize the compatibility of their efforts. Low-income communities need an indigenous business sector to provide jobs and needed goods and services. But this sector will not exist unless an organization made up of permanent residents takes the initiative to build one and becomes one of the developers.

On the other hand, these developmental strategies will not succeed unless the organization also can muster political influence. Public institutions and private business interests operating in the community must be made accountable to local residents. Moreover, they must be induced to take affirmative actions to complement the resident-based development efforts by providing the needed public infrastructure and debt and equity capital.

THE COMMUNITY ECONOMIC DEVELOPER NEEDS THE COMMUNITY ORGANIZER

Unfortunately, many people working in business development in the low-income

community seem to ignore some basic facts. Their community is simply not a productive and diversified section of the economy where the necessary business support structure is already in place. Instead, it is an underdeveloped economy with scant available resources, low purchasing power, little other commercial activity, unskilled labor, inadequate public and social infrastructure and reluctant political and financial institutions.

The analogy to the experiences of third-world countries is more compelling than growth models abstracted from experiences of advanced industrial economies. Developing single businesses is not enough; the entire local economy must be transformed.

Every business investment ultimately depends on being part of and supported by a larger revitalization effort. The business developer must ultimately recognize and deal with the fact that there are significant forces at work which perpetuate and accelerate the state of underdevelopment in low-income communities. Unless one has the personal wealth and contacts to influence people who control local resources (land, capital, labor, natural resources), it is impossible to redirect and regulate their use, and to reinvest profits in ventures which local people deem as having social value.

In the absence of personal wealth and inside contacts, residents need an organized political base consisting of large numbers of local people to offset control by outsiders who have made critical economic decisions in the past.

A business development organization which wants to transform the local economy will have to establish its credibility as a legitimate representative of local residents. It will have to be perceived by outsiders as capable of speaking for the majority of residents, not only on neighborhood issues, but on issues affecting the larger area. Outsiders will take the organization's position seriously only

once they see that their own political and economic fortunes are affected by the organization's activities.

A business development organization will always be more successful if it bases its appeal on its reputation as the legitimate representative of the community's interests than if it were to make its appeal simply in traditional business terms.

For example, in approaching a lending institution for a loan in a redlined neigh-

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borhood, a business will carry more weight if it can prove the damaging impact of redlining on the neighborhood and on the lives of its residents and can articulate the outrage of the community in a meaningful way. It will strengthen its case if it has the determination to use the new Community Reinvestment Act (CRA) to pressure the institution into changing its policy.

If a group wishes to obtain public funds (CDBG, EDA, FMHA, SBA, DOL, special state development funds, etc.) to complement its economic development activities, it will have to compete with other parties for the use of these funds.

Private businesses and developers will see the availability of federal program dollars as an opportunity to subsidize their efforts. They will design their projects to fall within general guidelines promulgated by the funding agency. They will make their own arguments about how the purpose and impact of their projects ultimately solve poverty problems and serve the interests of the poor. As remote as these arguments might be, the private businesses and developers will exercise the full extent of their influence with local and state government and with their state and national representatives to gain access to development funds.

It is obvious that the community-based development organization will have to enter the political process and compete with these outside business interests. The more the organization demonstrates articulate political support among the community residents, the more formidable will be its case that it, out of all the other contenders, is the most responsive to low-income peoples' needs. To the extent that it can demonstrate that it is an effective provider and developer, the greater the likelihood that it will prevail in competition for government resources.

Again, a strong, articulate political base in the community, an appeal to the civic superiority of having local residents control and manage developments within their community and the willingness to use legal, administrative and regulatory forums to ensure the community will obtain its rightful share are all community organization strategies a business development organization will have to implement if it hopes to make a significant impact.

In other words, it will have to make credible political arguments to guarantee investments are made in the distressed economy because traditional economic arguments promising low risk and high profit margins will not apply. This is one

way for a business development organization to compensate for the fact that the private capital market and government have already written off the community as a bad investment.

Business developers working in low-income communities need community organizers within their own organization. A community-based development institution must keep its own processes open and encourage regular local participation in decision-making to ensure that development projects which it initiates reflect and are accountable to local residents' interests.

There must be a system to provide for resident participation in all phases: planning, program development, operation, management, employment and ownership. In the absence of such participation, even ambitious and expensive investments made by the development organizations may be sabotaged or vandalized by local residents who feel that they have no stake in the business.

Unfortunately, some community development institutions which begin as "resident-based" evolve to the point where they are only intermittently involved in generating community political participation when it suits them or they need endorsement or validation. This danger appears especially great among business development organizations which do not concentrate on community revitalization projects or other community-serving businesses but mainly develop products for export. In such cases the return to the community is restricted to jobs and, hopefully, profits through the organization. One must wonder how such an organization is any different from the private corporate model and what "community" has to do with its economic development. Once this community support dwindles, the organization's credibility in the community and outside where it speaks on behalf of the local residents suffers. The political influence

it is able to wield also weakens.

Finally, the community development organization must educate and organize residents to think and behave differently before the local economy will change. Residents must learn how community energies and resources are being depleted under the current system of ownership and control. In this sense, a community economic development philosophy must be developed and conveyed which denounces outside exploitation, disinvestment, and corporate social irresponsibility, and which emphasizes the need for greater local self-reliance, decentralization, economic planning and long-run resource management, and resident control and ownership. Unless residents have the concepts to understand what is happening to their community's economy, they will not appreciate the need to:

1. deposit their money in community-owned and community-controlled banks, savings and loans, and credit unions;
2. purchase goods and services from community-owned businesses;
3. frequent locally-controlled health and social services providers;
4. endorse the concept of community and worker ownership and control over productive resources; and
5. support local community-based organizations and their efforts to develop community unity.

Ultimately, residents must be encouraged to break some of their loyalties and dependence on outside institutions, services and political representatives. This can be accomplished to the extent the development organization is able to provide alternatives in the community which meet many of the residents' basic needs (income, health, safety, security, shelter), absorb them and their families locally in productive and well-paid work, and involve them in a satisfying social and community life. This is the way self-de-

termination and community cohesion are obtained, interference by outsiders minimized and the basis for internal interdependence and self-sustaining growth established.

COMMUNITY ORGANIZERS NEED COMMUNITY ECONOMIC DEVELOPERS

Community organizers too often fail to see the importance of complementary efforts in economic development. Organizers fear getting mired in administration. Many suggest this saps the energy of an activist organization. This may be true, but opposition to business development may also be partially due to most organizers' own temperaments - very few are personally suited for administration.

Organizers resist involvement in economic development because they see it as buying into the capitalist framework and they see capitalism as a cause rather than a cure of poverty among special subgroups and certain neighborhoods.

Actually, the community economic development perspective represents a marked departure from the typical private capitalist model. It establishes non-profit corporations as the primary development vehicle; it emphasizes the community ownership and control (in some instances, worker-owned and controlled businesses); and it is committed to multiple goals beyond a single corporation's profits and losses, including neighborhood revitalization, resident employment and training, local community reinvestment and local purchasing, and the development of public and community services.

The community economic development model is in effect a critique of the pure capitalist model of business development. It tries to meld the needs of the owners with the needs of the workers and the public interest of people in the community in which the business is to operate.

Most community-based organizations could gain significantly from building an economic development perspective into their internal activities. The importance of regularizing finances cannot be overstated. Community organizations need a dependable and independent source of money to sustain ongoing involvement in local decision-making.

Unless an organization has this capacity, it will never be more than a protest group which is periodically capable of obtaining change in policy and practice. It will never force a structural difference giving community residents a permanent place in the decision-making process. Moreover, it is likely that gains resulting from periodic forays into the political process will not last. The residents will have failed to create an ongoing enforcement mechanism.

Many organizations begin by depending exclusively on volunteers and personal contributions. This works for some time, but because people have little personal income, this support cannot be permanent.

One way of achieving this is for the organization to become involved in providing a product or service that generates income. Short of producing a profit, there are some community economic development ventures which may be no more than economically self-sufficient. There are health, food, nutrition and housing programs that can be operated in this way.

However, while income covers expenses, the business provides needed services; local residents may be trained and employed; capital assets such as equipment, land, and improvements may be acquired; and intermediate goods and services needed by the venture may be purchased locally from other community vendors.

Also significant is that while self-sufficiency gives an organization experience prior to involvement with more sophisticated and large-scale economic develop-

ment projects, it produces a secondary benefit. Self-sufficient ventures pay rent on office space, pay for the duplicating machine, and hire outreach workers who in addition to providing a service can educate residents about pertinent issues in the community.

Community organizations need an economic development perspective in their external activities also. Organizers must realize that residents in low-income communities cannot correct problems by concentrating exclusively on stopping illegal and immoral actions by outsiders, such as private entrepreneurs, corporations, and government agencies.

It is essential that violations of the interests of community residents be stopped, whether occurring within the community (building a freeway through the neighborhood) or outside the community (employment discrimination by the city's large employers). It is also important to get beyond always reacting to the actions of others.

Part of the problem in low-income communities is that there is minimal productive activity. There is too little housing, employment, commercial and retail business, public and social services (transportation, education, public safety, etc.). Local energy and talent are wasted.

Through neglect or deliberate intent, the declining community has few resources to enable residents to provide for themselves and their families. A community organization cannot reverse the pattern of deterioration by pressuring government or the private sector to fulfill its social responsibility. Applying pressure might effectively "veto" negative behavior, but it is much, much harder to get the former opponent to initiate positive actions on behalf of community interests.

A community must take the initiative. It must plan comprehensively, specify the types and sequence of projects that it needs, identify and mobilize both financial and technical resources, and induce

the public and private sectors to participate fully, albeit selectively. Most important, community residents must be in a position to control the development. To do so, their organization has to serve as the first and final arbitrator throughout the process. By being full owner or partner, it can control the project's content and appearance, its environmental and economic impact, its policies regarding construction and operational subcontracts, its policies regarding hiring and training local residents, and the reinvestment of profits in subsequent ventures in the community.

The community residents need to revitalize their local economy but cannot let the action slip out of their hands. Unless their organization converts its political strength into a capacity to initiate, regulate, control and implement economic development, there either will be no economic development in their communities, or there will be the wrong kind for the wrong people, by the wrong people.

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