

**Is CED an Alternative to the New Economy?  
Debates and Theoretical Issues**

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**Honors Research Paper**

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**2004**

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## **Acknowledgements**

I am happy to acknowledge the generous financial support of the Initiative on the New Economy of the Social Sciences and Humanities Research Council; via the Manitoba Research Alliance on Community Economic Development in the New Economy.

I would also like to thank Parvin Ghorayshi, Sarah Amyot, Jeremy Patzer, Thibault Martin and Garry Loewen for their contributions to my research.

## **Introduction**

In this research, I argue that there is a wealth of evidence revealing how a capitalist political economy is a failed model for human development. This model of economy turns community, locale, work, culture, government, values and freedoms into system maintenance mechanisms that concentrate economic wealth and power among some at the expense of others. This is due to the fact that private capital accumulation in capitalism is based on a dynamic of exclusion, exploitation, devaluation and social inequality. People belonging to groups that have historically been subjected to such forms of economic violence are disproportionately more likely to presently experience them.

The failure of the capitalist model of political economy, and the reality of the violence it creates has led to much theorizing and writings on potential alternative models. Alternative models that instead of being based on those negative dynamics and capitalist values, would be oriented around human rights and removal of obstacles to development, that would balance goals for social well-being and quality of living with economic goals of profit generation.

Community Economic Development (CED) is one of those proposed models for alternative political economy. CED is a term used for a number of different strategies of

human agency intended to create financial capital and political empowerment and contribute to improved quality of living where needed (see appendix D). This has the potential to occur in how communities and other groups undertake these various strategies geared toward creating, controlling and participating in their own work and local market economies. CED can be incorporated into daily living and culture in ways to create alternative forms of political economy (Hogan, 1984; Nozick, 1993: 39-42; Appendices A, B and C).

CED is intended to be a means through which the most marginalized groups may participate in and potentially benefit from a local economy and the business enterprises existing therein. Through creating and engaging in CED processes, marginalized groups and communities revalue that which capitalist political economies devalue, and can potentially produce viable, permanent forms of work and living spaces that may reverse the force of oppressive dynamics. CED strategies may contribute to human rights based political economy in how they create settings for these to occur in the daily lives and immediate locales of community members. As well, CED has the potential to gradually build into a social movement that could create similar changes oriented toward increased human rights based development in the statewide political economy and redefining the rights of citizens to include freedom from economic violence. CED encompasses various strategies for well-being that differ considerably from one another and are premised upon differing theoretical underpinnings (Reimer, 2003: 92-94).

The purpose of this paper is to examine the various forms CED takes and factors that may effect those, as well as different arguments and perspectives regarding CED practice.\* Throughout, the viability of community economic development as a strategy to

create a local political market economy as an alternative to the capitalist model of development is explored. The latter it will be argued being the primary source of social, political and economic exclusion.

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\* The focus of this honours research paper is the general sociological theorizing of Community Economic Development (CED). It is part of a research project (#30) undertaken as part of the Manitoba Research Alliance on Community Economic Development in the New Economy.

As well, this research intends to develop a theoretical framework to assess the potential strengths and weaknesses of CED, and be a reference source for CED practitioners and those interested in the discipline\*\*.

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\*\*The Research Alliance was formed in 2002 because of a grant from the Social Sciences and Humanities Council of Canada (<http://www.brandonu.ca/organizations/rdi/MRA.html>). The goals of the particular project have been to investigate how disadvantaged communities can use CED to benefit from the new economy and how CED can be an alternative to the new economy. As well, this research intends to develop a theoretical framework to assess the potential strengths and weaknesses of CED, and be a reference source for CED practitioners and those interested in the discipline.



## **Methodology**

The research for this project began in April of 2003 after approval from the University of Winnipeg's ethics review committee. The author was hired as a student researcher out of the Manitoba Research Alliance's grant budget, for Professor Parvin Ghorayshi of the University of Winnipeg's Sociology department who has over seen the project and is the primary reader of this honors paper.

The project began with a search of the Internet, academic journals and databases at the University of Winnipeg and University of Manitoba libraries and the public library. I have also researched various web sites, academic and nonacademic articles, and books about CED, international development, poverty, the global capitalist economy and alternative economics. Academics at the University of Winnipeg and Manitoba, members of the research alliance and other CED practitioners whose names were found through Internet searches were asked to recommend sources that may have been potentially helpful for the project.

An annotated bibliography of the approximately six hundred academic and non academic journal articles, books and web sites collected was created using the computer software, referencing program "Procite" and then converted to the referencing program "Refworks." The articles were read and categorized by subject to facilitate the writing of this paper. Literature from the fields of human and international development, human rights, and globalization studies, in relation to the CED literature, have been particularly useful for outlining a framework of what human development and social justice encompasses. These sources also provide examples of failed and backward development and describe factors that contributed to their occurrence. This paper is a synthesis of what

the author perceives to be the most relevant issues, ideas, theories and arguments cited in CED and development literature.

Preliminary findings of this work were presented on September 12, 2003, at a quarterly meeting of the Research Alliance for sharing project progress. They were also presented on October 24, 2003 at a conference for the student researchers of the Research Alliance.

The second part of the project, not encompassed by this paper, is an as of yet not completed study of international models of CED that have incorporated information (computer) or knowledge- based technology. The findings of the current research will be used as an evaluative framework for the effectiveness of the models studied in the second study.

# CHAPTER 1

## ***The Basics of Capitalism***

This chapter outlines a number of processes inherent in the dynamics of capitalism, the present economic system, that help us better understand CED, which is the topic of this paper. In what follows, I outline these key characteristics of the capitalist political economy.

### **1. Capitalism: Key Characteristics**

#### **1.a Deskillng Labor, Devaluing Resources and Exploitation**

Capitalist business enterprises are oriented toward profit making; they must be in order to ensure their survival as independently operating and competitive businesses. Karl

Marx argued that profit (“accumulated capital”) is generated when a business or company is making what he termed “surplus value” (Marx, 1906: 342-353, 557-568). For Marx wage labor is central to capitalism. He conceptualized the wage- worker and work dynamic as one where workers get paid for the value of their work. However, business owners can manipulate the value of this work to diminish it, thereby legitimately lessening the amount they have to pay workers for their labor (Marx, 1906: 342-353, 405-556). Extra money that business owners save through reduced wages, and accumulate through other means detailed below is what Marx referred to as “profit.” Profit- making involves a constant process of devaluing work, usually based on what is termed “rationalization” and “modernization.” These are methods employed to speed the pace of work and make production or service delivery more efficient, thereby simplifying

work and increasing the amount done in a shorter period of time (Marx, 1906: 235-330, 342-353, 557- 568). Some of these methods include replacing workers and their tasks as much as possible with machines, simplifying work tasks to the point where anyone can perform them without extensive training or certification (making workers replaceable), distributing work tasks among a high number of workers, making the work environment highly controlled and reducing the amount of decision making and creativity given to workers (Marx, 1906: 342-353, 405-556, 671-783; Marcuse, 1941; Ritzer, 2000: 12-14). This all contributes to the worker's labor being devalued because they end up directly contributing less work over all to the making of a product.

Other means of maintaining the devaluation of work and capital accumulation for business owners include discouraging or not permitting workers to unionize (to keep them out of the business enterprise decision- making processes), not granting benefits to workers, eliminating break times, forcing workers to work long hours and the perpetuation of a devalued labor force to draw from. The latter is what Marx referred to as the “army of surplus labor”: the continued and deliberate presence of an “exploitable” segment of the population whose value of work is always considered less than that of other workers due to their perceived or real lack of skill, ability or qualification (Marx, 1906: 689-702; Connelly, 1978: 8,15). This segment of the population consisting of the unemployed and others considered to have naturally devalued labor power is perpetuated in the interests of the capital accumulation process because they are hired during times of capital expansion and are the first to be cut from the workforce during periods of recession or during a business' phase of financial crisis.

An example of a segment of the population who make up this exploitable labor force and the devaluation of labor is illustrated in the history of women's work. Their

traditional work outside the paid labor force has not been considered as having economic value despite the fact such work is known to contribute directly to the economy (e.g. Brandt, 1995: 16-58; Blumenberg, 1998). Unpaid work traditionally delegated to women has included home maintenance (e.g. cooking, cleaning) making things (e.g. clothes), caring for children and dependents, and supporting men who worked for wages.

In Southern nations, with the rise of industrialization (a predominantly manufacturing based economy) the economic and political power between men and women has become more unequal due to gender role hierarchy based on the devaluation of women's work. As men took paid jobs in factories, women ended up having to do more hours of work in the home and in food production, while men gained more economic power through wage labor. Presently in such nations, women are also likely to be forced into low paying, low skill factory jobs (Brandt, 1995: 41-42).

Clearly work that women have traditionally had to assume is vital in sustaining life, but for the longest time has not been defined as having "value" by economic standards. There is evidence that social inequality in the labor force based on gender still persists: The wage gap between men and women in the same work still occurs, women who do wage work still do more work in the home than their male counterparts, and women make up a greater number of the workers holding low-wage, minimal benefits, non-unionized jobs (Blumenberg, 1998; Hartman, 1981; *Women in Canada*, 1995). The perceived non-worth of women's labor is used as reinforcement for gender wage disparity and preserves women's status as that of a devalued, exploitable labor source primarily to fill those low wage, low skill, and low benefit jobs (Brandt, 1995: 33- 45). The labor market is divided not only by gender, but race, class, physical ability and other

factors (e.g. Jackson, 2002). In general, the labor market under capitalism is segmented (e.g. Edward- Galabuzi, 2001; Hudson, 2001; Harrison and Sum, 1979).

The more rationalistic and modernistic based the work in an economy becomes (the more devaluing and deskilling of work that occurs), the income gap between those of high and low socio-economic status grows greater and levels of wealth and poverty become more extreme. At the same time, social inequality and hierarchy become more profound (Harrison and Bluestone, 1988).

Like the history of women's labor, the only value the natural environment has by traditional economic standards is that which it contributes as a financial resource to the capitalist economy. The environment as a planetary life support system in itself is not considered as having "worth." It is because of this, that widespread ecological degradation has occurred and continues to be permitted to occur in the drive for capital accumulation (Brandt, 1995: 18-19, 97-101; Roseland, 2000). This process of devaluing unpaid work and natural resources is a major flaw of economic measures of value (though they are functional for maintaining the capitalist economy). Another flaw is how economic measures do not factor in quality of life issues and the negative effects of the capitalist system upon individuals such as poverty and the processes of exploitation.

### **1.b- Non-Stop Growth**

Another tenant of capitalistic enterprise, profit generation argued by Marx and Marxists, is that a business or company must continuously grow and reach new markets and geographical places in order to remain competitive with other businesses and to accumulate increasing amounts of capital (Marx, 1906: 671- 783). This has the effect of

creating a non-stop drive for economic growth and capital accumulation for the sake of itself (Harvey, 1982: 29).

Marx argued that capital accumulation reaches a point where its purpose goes beyond that of need, and becomes specifically a drive for increasing profits (Marx, 1906: 648-656, 671-783). This is fueled by competition that occurs with other businesses in order to survive as an independent enterprise; companies merge to retain economic strength and grow bigger, and failing businesses are taken over by others (Korten, 1995: 207-214; Marx, 1906: 671-783).

### **1.c- The Old Economy**

This pattern of economic growth is that of non-stop expansion which led to colonialism in the search for profit. As well, it generated technological developments and what came to be known as the Industrial Revolution. With the industrialization of Western Countries, we witnessed the growth of capitalist technologies. Innovative technology was constantly used to speed the pace of work and replace the role of the worker. With the growth of capitalism, manufacturing and production jobs started to be moved to nations with less restrictive labor laws (what is referred to as “outsourcing”). Former predominantly industrial manufacturing economy nations are frequently referred to as “post-industrial.” With the decline of manufacturing and production jobs and the increased use and influence of computerized technology in the workplace, there has been a switch to a primarily service-sector economy. Because the nature of work and working environments have changed to such an extent with the increased use of computers, causing a sharp economic upturn in the information and computer technology sectors, many refer to this phase of the capitalist economic system as a “new economy” (Delong,

2002; Bobe, 2002; Tabb, 2001). Though the use of computerized technology has become more extensive, the underlying capitalist features of this new economy remain consistent with those of the old industrial manufacturing and production system. Harvey compares the drive for constantly increasing rationalized efficiency and non-stop growth necessary for capital accumulation and its influence upon daily living to that of a “time and space compression” dynamic (Harvey, 1989: 260-307). That is, during periods of economic expansion the capitalist model of business enterprise is constantly driving to produce or provide services at the highest rate of efficiency possible, and to reach the most markets possible at that same rate of efficiency in order to maximize profit generation. This analogy of “space-time compression” is a practical framework for understanding why this “new,” capitalist global economy has come to be.

#### **1.d The New Economy**

There is evidence that this predominantly computer-information technology based, seemingly “new” economy is an extension of the old system of capitalism. This comes from the fact that historically capitalist economies have undergone cycles of economic upturn and recession due to the inherent instability and financial crises of the system. Economic upturns have been the result of the introduction of innovative technologies that facilitate “space-time compression.” That is rationalization, efficiency and expansion to new markets in the drive for private capital accumulation (Tabb, 2001; Castells, 2002). According to some, for the most part, the only sectors that have experienced extraordinary economic growth in the new economy are the computer-information technology based sectors (Bobe, 2002; Tabb, 2001). This is because their



products and services have been so widely purchased for, and relied upon in other sectors.

As markets become saturated with the use of information and computer technology, some argue that the economic growth of these sectors will level off to a degree, as has occurred in the cases of other historical new technologies (DeLong, 2002: 12-16; Tabb, 2001). This is because many businesses have already bought and incorporated the technology, so its rate of purchase is expected to drop.

With the advances in information technology achieved, the speed of economic efficiency and expansion to new markets for capital accumulation to occur reached a global, internationalized level not previously attained. The amount of investment for prospecting new sectors has also risen because of such technology. Information technology has facilitated different phases of production for the same product to be created in a number of different countries. Consumerism likewise occurs across borders at a higher rate. A regular practice has begun to occur wherein cheap, imported products made with deskilled, devalued labor now undercut products made in local economies.

The present style of capitalist development which is referred to as the new economy is global in nature, and power is concentrated in the hands of multinational corporations (Korten, 1995; Klein, 2000). Capitalist corporations and business enterprises are accountable to stakeholders and not ordinary citizens.<sup>1</sup>

In the so-called New Economy, innovations in computer and information

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<sup>1</sup> d'Errico (1996) argues that criminal and civil law in capitalist political economies are based on economic standards and therefore ordinary citizens are only "valued" in the sense they are consumers and objects of commerce.

technology have made many wealthy, but they have also created permanent job insecurity,

and greater personal financial insecurity for many more. A “dual-segmented” labor force has been the result of the increased dependency on information technology and the reliance upon it in workplaces in post-industrial nations (Harrison and Sum, 1979: 688-699). There is now a split between high paying, flexible jobs requiring workers to think creatively, assess information and make decisions based on their evaluations, and the many highly controlled, deskilled, low wage, non-unionized, no benefit jobs of the service sectors (Hudson, 2001; Yates, 2001). The nature of work has also been effected in how labor and capital are more mobile, and more jobs are temporary due to an increase in the use of contract work as opposed to permanent employment (Hudson, 2001; Yates, 2001). The threat of job loss discourages workers from mobilizing to demand higher wages or benefits. This increased use of contract labor over permanent jobs is because markets themselves are so insecure; the capacity to invest or disinvest in sectors depending on their estimated financial profitability occurs rapidly because technology has made capital mobility so much more easy and efficient. Another major characteristic of the new, post-industrial economy is that it is based on “hyper-consumption.” Consumers tend to purchase excessively based on their wants and perceived needs rather than their actual necessities of life (Wachtel, 1989; Baudrillard, 1988).

### **1.e - Concentrations of Economic Wealth and Power: Economic Violence**

In our present capitalist economies people generally rely on their purchasing power (economic wealth) to obtain the necessities of life (Marx, 1906: 817-821; Wachtel,

1989). They are socialized to view the capitalist economy as natural and to become dependent on the continued presence of goods and services they can afford to buy, and the existence of wage labor to support themselves (Marx, 1906: 805-816, 817-821). It is rarely that people acquire the skill or capacity, to subsist on an adequate standard of living

without monetary purchase power. Money and resources deemed to be of economic worth

become the primary units of value in the capitalist socio-political economy. Because of this dependency on financial assets and purchase power, concentrations of economic wealth create stronger concentrations of power for those who have, compared to those who do not have economic wealth (Bayat, 2000: 544). Agents and social actors have a vested interest in maintaining their wealth accumulation and power because this enhances their capacity to accumulate more capital and subsist in the capitalist economy. It is important to note that capitalism fosters perpetual competition between agents for capital accumulation and economic power (Weber, 1904: 53-54). Those without purchasing power are at a disadvantage because they have greater difficulty obtaining necessities of life through the capitalist economy.<sup>2</sup>

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<sup>2</sup> An obvious example of how competition for economic power fuels the drive for capital accumulation, violence and non-stop growth to untapped regions, has been the history of European countries and colonialism. European monarchies and governments sent their military powers to forcibly take control of foreign land by displacing, enslaving or killing indigenous residents. This allowed for the extraction and exploitation of human and natural resources for processes of capital accumulation to build concentrated, national economic power (see Marx, 1906: 822-848).

## **2. Capitalism and its Reproduction.**

Those who benefit the most from the present capitalist, economic and political system have a vested interest in maintaining its existence. Capitalism cannot exist without

the participation of civil society. As Gramsci has argued, the hegemonic ideology, with the co-operation of the state and various segments of capital, gets the consensus of the people (Swift, 1999: 49-50; Gramsci: 1975: 258).

In order for the capitalist economy to exist, it is necessary that people believe it is a fair, effective and logical model of political and market economy to follow. People participate in and reproduce it out of these beliefs and out of the need to preserve their own economic power that they depend on. The pressure to participate in the capitalist economic system also comes from the hardship of having less economic power and “cultural capital.” Personal economic power not only affects the degree to which one can participate in the capitalist economy and accumulate further financial assets, but also affects the quality of life one can enjoy. The security from personal financial assets determines where one can afford to live and the standard of other necessities of life that they can afford (for example, being able to afford nutritious food or pay for prescription medication).

Economic capital not only affects people’s social class position, it also provides social and cultural capital (Portes, 1998; De Filippis, 2001b). Cultural capital entails the benefits one gains in coming from and retaining a high socio-economic status background

(having a continuous, high level of financial capital accumulation). These benefits include

the capacity to afford, and succeed in higher education or training from prestigious or expert institutions, thereby contributing to the status of one's credentials. It also includes one's social ties to others and effects whom they are most likely to have the opportunity to associate with and become close to. This kind of capital (networks of social relationships to others) strongly impacts the opportunities one can take advantage of, and the kind of work they are eligible for, or offered. It is important to recognize this relationship between the socio-economic background one is born into and grows up with, and the capacity of individuals to amass their own future personal financial capital. People are most likely to succeed in the capitalist economy and workforce if they come from a wealthy background.

Presently, people are rarely able to “boot strap” their way out of poverty by participating in the capitalist economy. The types of jobs available to people with limited financial and cultural capital usually pay poverty, or below poverty wages. In fact, many people who are poor are “working poor.” That is, they have legitimate jobs. The likelihood of people born into poverty being able to save up enough personal financial capital to successfully leave poverty is limited. Those with the least economic power or cultural capital are the most likely to be forced to take low wage, low skill jobs. They end up having to work longer hours to support themselves and their families and as a result, more often spend less time with their family and friends, or participating in voluntary or associative activities. Because of this they also have less time to devote to political activity, lobbying or mobilization of collective agency to challenge the capitalist socio-political economy. Due to this lack of time, resources and cultural capital required to participate in politics, their needs and interests are under-represented locally and more broadly.

People have a tendency to not think of wealth, poverty, social hierarchy and the socio-political economy as being interrelated. This may be because there is a lack of education and sources of information of a political nature that illustrate how these are interrelating dynamics. The knowledge most people have of poverty frequently comes through myths and stereotypes transmitted through popular culture and the media. These sources frequently misrepresent poverty and social inequality as being disconnected from economic forces. They reinforce the myth that poverty is the result of failure to, or choice on the part of individuals, to not participate in the capitalist economy, and that all individuals have equal opportunity to participate in it freely and attain equal levels of wealth regardless of their personal financial status (e.g. Swanson, 1997: 149- 157). These daily life sources normalize, or make the capitalist socio-political economic model seem natural because they rarely depict or describe alternative forms of economy or living, or these are depicted negatively. From these ideological apparatuses and the myths they espouse, the idea of rationalized or modernized work and government, and non-stop economic expansion is conveyed as being positive. The economic sphere is depicted as unrelated to social spheres; human well being is presented as primarily associated with economic growth.

Social theory and “scientific knowledge” that has come from academic institutions has also contributed to the perpetuation of such ideology. Various aspects of Judeo-Christian doctrine, used to equate resource abundance, “growth” and economic wealth with morality have likewise served an ideological purpose in promoting and justifying the goals of capitalist socio-political economic development and economic expansion (e.g. McCann, 2002; Greenfield, 2001: 369-380; Weber, 1904). Myths about

poverty and the economy from such ideological apparatuses obscure the reality of power imbalances created by capitalism and processes of private accumulation. Economic-based myths have also developed in capitalist societies regarding the concepts of democracy, rights and freedom. Because these myths and ideologies regarding poverty, democracy, rights and freedoms are the foundations of capitalist cultures and therefore seem natural to citizens, the ways in which individual capitalists and corporations maintain their economic wealth and power, and the negative effects these cause are not obvious, or seemingly connected .

The concept of “freedom” in capitalist societies is shaped by the economically oriented belief that all individuals have the capacity to participate equally and of their own free will in the capitalist economy (Settle, 1976: 64-81). The idea exists that people have freedom as consumers to purchase whatever they want and producers can make or sell whatever they choose. It is reasoned that when capitalist, economic practices are permitted to occur without interference, a process of perfect competition between individual capitalists or enterprises will occur. In actuality this ideal of perfect competition rarely occurs. Because of the extreme economic and resource power differentials between individual capitalists and various forms of capitalist enterprises, “perfect” competition really only occurs between those of equivalent economic power. Frequently the most powerful capitalist business enterprises acquire less powerful competitor enterprises and monopolize their industries. Settle (1976) argues that in capitalist economies only people with enough financial capital to subsist and who do not experience the effects of oppression and exclusion originating from the capitalist socio-political economy, can genuinely act of their own free will (85-92).

The purely capitalist belief that trade and commerce should be able to occur unrestricted comes from the false idea espoused that such unchecked economic expansion is good for all people in the capitalist society and that everyone will benefit from profits gained (Settle, 1976: 66-70). This rarely occurs, poverty and economically and socio-politically marginalized segments of the population always exist in capitalist socio-political economies. This is due to the aforementioned dynamics of capitalism, wherein capitalist individuals and enterprises attempt to preserve and multiply their economic wealth and power to the greatest extent possible. This is not the same as individual capitalists or enterprises directly investing or distributing private wealth equitably among the general public, which might have the effect of benefiting all citizens.

There is also the myth that the cycle of economic upturns brings prosperity to all sectors of the economy and has a trickle down effect. This has never proven to be the case. Individuals that benefit from economic upturns in particular business sectors or industries are specifically those who have personal financial investments in them (Tabb, 2001; DeLong, 2002). Generally such profit is reinvested to multiply the economic power of who ever it belongs to.

In capitalist socio-political economies, economic ideology is used as a basis for human and individual rights, which reinforces and normalizes economic standards of value applied to daily living and well-being (Settle, 1976: 64-70; Woodiwiss, 2002). There is an equating of individual and human rights with economic rights. This is based on the beliefs that unrestricted economic growth creates benefits for everyone, competition occurs fairly and equally (“perfectly”) between capitalists and business enterprises, and that everyone should have the freedom and “equal” right to use their



capital in whatever ways they choose as consumers or producers (Settle, 1976: 70-89).

These ideals have fueled the development of gradually less impeded corporate, “free” trade and commerce across national borders, and the notion that governments do not have the right to infringe upon the actions of law abiding individual’s granted by their economic “rights” and freedoms. The “free” market is viewed as being fair and just based on these myths that all have the equal opportunity to participate in it of their own free will, and in whatever ways suit their interests or needs (Settle, 1976: 64-89). Freedom of action and the free will of the individual are perceived as exercised in one’s choices regarding their market participation and the use of their personal financial capital as consumers or producers. Because of this (and out of real dependency upon the market system for subsistence), participation in society, or influencing society has come to be associated with one’s personal economic activity. Consumerism and economic participation in this manner have, to an extent, come to replace both the frequency and influence of peoples’ political engagement with government and their non-economic agency regarding social issues. Laws intended to facilitate the efficiency of the “free” trade economic system by limiting restrictions on it have had the effect of reducing the official authority and control governments and the general public have over trade occurring within and across their national borders (Lindblom, 1982: 356; Korten, 1995; Barlow, 1998: 13-16; Wise, 2003: 5-7). The capitalist market system has come to undercut the capacity for government and ordinary citizens to exercise power against it, and to effectively challenge those negative aspects of a capitalist socio-political economy described above.

Because of time constraints in daily living, the influence of the economy upon

society, the ideology of consumerism, and the reduction of government power and official

channels open to the general public for activism, the concept of democratic living and citizen agency of a non-consumerist nature are primarily limited to party elections. The ideas of civil and political rights are reduced to voting and donating time and resources to election campaigns; governance of the society has come to encompass primarily government facilitating free trade. On the surface, these conceptualizations of democracy and “equal” rights and freedoms appear to erase the power differences that exist between individuals with different levels of financial capital and political representation (Settle 1976: 64-89; Galbraith, 1983: 12-13, 119-120, 131-132, 147-149). Those who do not experience exclusion, poverty and marginalization are less likely to believe the capitalist socio-political economy is unfair. Because civil and political rights of individuals have been shaped by capitalist, economic ideology (to maintain this system), they have been accepted as a standard of human rights in general. Concepts of cultural and social rights have not been regularly recognized or implemented (e.g. a right to good work, a peaceful environment, a right to be protected from economic exploitation, or to not suffer political marginalization or social exclusion) at an official level because these work in opposition to processes of capital accumulation (profit-generation).

The myths of “perfect” competition and equal opportunity for everyone to participate in the capitalist economy have led to unrealistic cultural expectations and norms regarding the individuals’ capacity to influence their environment and personal circumstances (e.g. Kamat, 2003: 67-68; Shor and Freire, 1987: 110-111, 113). The notions of “perfect” and fair competition, the ability of people to make their own economic fortunes through the economic system, and the reality of a lack of jobs that pay

a subsistence wage, leads to excessive individualism in capitalist culture (Shor and Freire, 1987: 110-111). It is apparent this emphasis on the individual maintains the capitalist socio-political economy in a number of ways.

The abundance of jobs utilizing devalued labor, the lack of adequate work, and the constant threat of job cuts perpetuate a climate of fear among those who are employed and those looking for work. As a result, people frequently direct their hostility and suspicion toward each other; instead of networking supportively and mobilizing collectively to attempt to challenge this system of work and political-economy, they choose to look out for their own individual needs and interests because of the sense they are in competition with others. Due to the emphasis regarding the power of the individual, and the lack of exposure to alternate views of socio-political economy, people come to think of their socio-economically related problems as isolated and not connected to wider socio-political economic processes. They address and attempt to fix these problems as individuals, which overall has minimal impact on changing the capitalist socio-political economy as a whole.

The capitalist, cultural meanings attached to one's capital accumulation and consumption habits are intended to reflect aspects of personal identity. An individual's personal amount of private capital is typically interpreted by capitalistic standards as reflecting that person's intelligence, capabilities and maturity as an adult. These social meanings that people come to internalize, the challenges created by the capitalist economy, and the time and energy required to maintain a subsistence wage and adequate standard of living in it, have the effect of forcing people to disengage from social support

networks to an extent (Wachtel, 1989). As discussed above, time pressures limit the amount people can devote to participating in civic activities and voluntary associations. In the capitalist socio-political economy, daily life and work become oriented around competing for a job that pays an adequate living wage, and for those who already have economic wealth, earning more to maintain consumerist goals for social status becomes a priority. Dimensions of the public sphere and civic life are shaped according to the views and interests of those who have time to participate in them: Primarily wealthy people for whom personal financial status does not pose an immediate concern.

## **2.a- The Role of Government**

The history of capitalist societies shows that government policy and legislation have played critical roles in the emergence and maintenance of the capitalist socio-political economy, as well as the degree of influence the capitalist market has over the rest of a society (Miliband, 1969: 68- 118; Panitch, 1977; Delong, 2002; Marx, 1906: 805-814). Government policies regarding the market and social welfarism have also proven to influence the degree of economic power imbalance and socio-political inequality between persons of differing personal financial status. Economic and non-economic government policies can have the effect of reducing, preserving or exacerbating these power disparities that are the result of a capitalist economic system.

Capitalist markets have developed and flourished alongside governance strategies geared toward efficiency, and based on modernization and rationalization (Rabinow, 1984: 15-16,17, 20). There is a vast literature describing the ideology and the class-basis

of the state.

Instrumental Marxist theory holds that state/government in the capitalist socio-political economy becomes an apparatus of the wealthiest class, manipulated by them to their own advantage (i.e. preserving their economic power and privilege) (Kendall, Murray, Linden, 2000: 451). A structural Marxist viewpoint is that the government is not directly manipulated by the wealthiest class for their immediate (economic) needs, but is an independent apparatus designed to preserve the capitalist socio-political economic system over the long term (Kendall, Linden, Murray, 2000: 451). This last theoretical argument has proven true in many ways.

In industrialized countries during the period after the Second World War, extensive social security nets were established. Industrial growth had begun again, causing economic upturn in production and manufacturing sectors. This profit generation and the high number of available jobs supported the belief that capitalist socio-political economies work effectively to generate adequate income for all. Social assistance and services were premised upon the notion that poverty and low socio-economic status are an exception rather than norm in industrialized, capitalist societies. As production and manufacturing jobs have moved to nations with less restrictive labor laws and workforces that can be legally paid less, the number of unemployed and poor in post-industrial capitalist socio-political economies have increased. Because social security nets have become stretched to their capacity to deal with the crisis, these social-welfarist oriented government policies have proven incompatible with the goals of traditional capitalism (private capital accumulation) that government has proven to be more aligned with (Shragge, 1997: 22-34). The cyclical and temporary nature of capitalist economic

growth became apparent, as well as the reality that such a system of economy does not benefit all citizens at all times and poverty is inherent in capitalist economies. In the wake

of these contradictions, governments in these post industrial nations began to eliminate social security provisions to reduce expenditure, while providing legislation and policies to support the needs and longevity of capitalist individuals, business enterprises and corporations (e.g. Ward, Feinauer, Hiwalker, and Davis, 2000; McBride, 1999; Mayson, 1999). Both liberal and conservative government policies have this history. Regardless of differences in theoretical arguments, these policies stand as a form of empirical evidence in themselves that governments deliberately adhere to and support the model of capitalist, rationalized economics (Blair, 1995: 6-7).

The attack on welfare-state provisions has included: the privatization of public services, forcing people to pay for what were formerly free of charge, public services, restricted eligibility for social assistance and cutting recipients off because they have higher incomes, even though their income level may be below the poverty line. There has also been the implementation of “welfare to work” or “Workfare” programs based on meritocracy (Shragge, 1997). These work programs force social assistance recipients to continuously train to work in different jobs. In fact, these programs have the effect of maintaining a devalued, cheap labor force and, by creating competition for jobs between program participants and people already employed, pressure the latter to not fight for increased worker’s rights (Shragge, 1997; DeRoche, 2001). Participants are denied social assistance if they do not participate. In this way, governments can be fiscally conservative

by cutting back expenditures on social security and give the impression they are

effectively dealing with poverty.

While negating the problem of lack of adequate jobs for people paying above poverty salaries, governments have been successful in maintaining the capitalist economy ideologically by attributing poverty to the individual and the unemployed, making them undeserving of social assistance, and creating a legitimized source of cheap labor (Shragge, 1997; DeRoche, 2001). The decrease in social provisions and basic necessities has offloaded such related service delivery to voluntary organizations or the “third sector” (Shragge, 2002).

Criminal and economic law passed in capitalist socio-political economies has acted as both an ideological and structural mechanism to meet the needs of, and enforce the capitalist market’s control of society. These are designed to be conducive to private capital accumulation and maintain social inequality, political under representation and collective disempowerment of groups of lower financial status (Abell and Sheehy, 1996; Chan, 2002). Corporate wrong doing (e.g. illegal economic activity or physical harm) is not regularly prosecuted under criminal law and business enterprises cannot be prosecuted criminally as individuals, though they are entitled to the economic rights and protections that individuals are (i.e. the right to use their financial capital however they choose, or the right to participate in the economy however they choose) (d’Errico, 1996). Slander and libel laws that have developed in the United States and Great Britain deter people from publicly speaking out against the negative effects of corporate activity because legally these place the onus on the accuser to build a case and prove any wrong doing or harm if a suit is brought against them (Schlosser, 2002: 245-246, 266-267). Similarly, criminal law is biased in favour of defendants who have greater personal

financial power in that they can afford better council to present costly evidence in their own defense (e.g. Mandel, 1991).

In other economic related policy and law, the capitalistic, rationalized orientation of government is even more obvious.

Governments in capitalist socio-political economies have frequently used job creation strategies that benefit corporations and business enterprises more so than workers and the surrounding natural environment. This has entailed what is referred to as “smokestack chasing”: A process whereby governments attempt to create jobs by providing incentives for outside businesses to move to their region or incentives for local businesses to stay in the region (usually these occur in the form of tax breaks and subsidization) (Fasenfest, Ciancanelli, and Reese, 1997: 8-10 ,18-19). This is frequently unsustainable and does not guarantee jobs for local workers or economic benefits for residents as a whole; in many instances these corporations bring an outside labor force to work for them. There is also no guarantee that they will not out-source their jobs, or that they will remain in the area permanently.

The passing of free trade laws such as the North American Free Trade Agreement (NAFTA) for example, has facilitated the spread of globalized capitalism; as described above, citizens as a result of such free trade laws have lost the official right to control trade and commerce within their own borders (Wise, 2003: 5-7; Teeple, 2000: 73-74, 75; MacLeod and McFarlane, 1997). Free trade laws have required governments to permit cheap foreign imported goods to be sold in their country and have restricted the degree to which governments can assist or subsidize local and nationally based businesses. Such free trade and enterprise laws have had the effect of undercutting the strength of locally



owned and operated business enterprises, local economies, and development (Alderson, Conn, Donald and Kemp, 1994: 127).

While governments are accountable to their citizens, under free trade law they are potentially required to prioritize the needs of multinational corporations, which are not accountable to anyone but their shareholders (Lindblom: 1982 :356; Korten, 1995: 53-68, 121-131; Barlow, 1998: 13-16).

## **Chapter Summary**

Social, political and economic exclusion is a byproduct of the fundamental dynamics of capitalism. Those dynamics entail processes of devaluation and exploitation of work, people, natural resources and aspects of quality of life to generate economic profit.

Degree of exploitation and devaluation and the magnitude of exclusion are stratified along class, gender and race lines. The dynamic of profit generation in capitalism also relies on continuous expansion to new markets and sites of labor and resources and fosters competition between individuals, businesses, workers and employers.

Technological innovations may be used to facilitate this. Profit generation relies on ever intensifying modernization to speed the pace of work, communication and movement. This has led to a phase of capitalism referred to as the “new economy,” wherein jobs, markets, and capital are more mobile, temporary and insecure. Processes of exploitation and devaluation inherent in capitalist profit generation lead to a hierarchical society and social inequality. Social equality is incompatible with the goals of private

capital accumulation and capitalist profit generation (Silver, 2003: 186-187; Tabb, 1972).

The capitalist political economy is maintained and perpetuated through means that concentrate economic and political power among some while excluding others.

For example, the capacity for people to successfully compete and subsist in the capitalist economy largely depends on how much financial and cultural capital they have access to and can benefit from at birth and throughout their lifetime. Both of these forms of capital heavily influence one's social ties, in turn impacting how they live, the kind of work they may easily obtain, and their capacity to generate their own capital for participating in the prevalent economic system.

Capitalist political economic societies are dependent on the maintenance of cultural values and beliefs that support and reproduce this form of market economy. Values such as competitiveness, private capital accumulation, hoarding, non-stop consumerism and continuous business enterprise expansion need to be accepted and normalized in daily living to perpetuate such a system, as does economic violence.

Government, law, and media likewise support and maintain the capitalist economy. What also occurs to reproduce the system, is that the rights to capitalist free trade and unrestricted enterprise expansion and business practices come to replace human rights. Capitalist enterprise freedom replaces other freedoms of the person, and rights of citizenship and sovereignty come to be undermined by the fact that national governments are bound to prioritize the needs of investors in other countries over those of their own citizens. Such ideology and its mediums transmit capitalist values and depict poverty and exclusion as detached from the capitalist economic and political system, which contributes to its normalization.

## CHAPTER 2

### ***Attaining human-rights based development***

#### **1. The idea of “development”: Exporting the capitalist socio-political economy**

The post World War II period of economic upturns in certain production and manufacturing sectors of capitalist socio-political economies (i.e. North/West nations) reinforced the idea that capitalism was the best form of socio-political economy and also led to the concept of “development.” That is, the idea that other nations needed to undergo processes for adopting capitalist socio-political economic systems, and to switch to a capitalist market system in order for individuals to become capitalists and generate profit, thereby achieving human and social well-being. “Well-being” in this case based entirely on the myths of capitalism and economic measures of value described earlier.

Governments, voluntary groups, corporations and financial institutions in Northern nations collaborated to set up institutions and implement programs to assist Southern nations in changing to a capitalist economic model. In some instances they also coerced and bargained Southern national governments into accepting the switch. The professed rationales for this undertaking were: that the capitalist model of economic development was best for all nations, that citizens in these nations suffered from poverty that a capitalist socio- political economy would alleviate, and that production and manufacturing jobs paying good wages for workers in these nations would be the result.

This type of economic development was premised upon the traditional capitalist ideals of unbounded economic expansion somehow benefiting everyone; that these

nations should aim to produce and manufacture goods and economies for foreign markets and become so economically powerful as to be competitors in the global capitalist economy and participate in free trade. This was based on the principles of Modernization theory which holds that all societies need to progress through various phases of industrial and modernized technological revolution, similar to those having occurred in industrialized and post industrialized societies, in order to attain "development" (that is capitalist economic development) (Gardner and Lewis, 1996: 12-16). The histories of both industrial capitalism and "development" institutions and programs in Southern nations stand as proof that the exporting of the capitalist model of socio-political economy was primarily for the sake of individual and corporate private capital accumulation. This occurred by furthering economic expansion into new markets and regions of production, and through processes intended to lock these nations into perpetual debt to, and dependence upon multinational corporations and Northern financial institutions and nations (Elyachar, 2002; Escobar, 1995; Felice, 1997). The exporting of the model of industrial capitalism and "development" has been a new colonialism in that it has in various ways made some nations of the south into sources of exploitable labor power, sources of exploitable natural and financial resources and markets of dependent consumers (Zaoual, 1999; Elyachar, 2002). This argument is supported by Marxist oriented and Postcolonial theories, which link and highlight economic reasons underlying colonialism (Marx, 1906: 838- 848; Gandhi, 1998; Gupta, 1998).

The introduction of capitalist market economies and trade in these nations not only failed to alleviate poverty, but in a number of cases is known to have created more economic hardship and political exclusion for those intended to benefit (Black, 2002;

Gardner and Lewis, 1996; Marglin, 2003). It has proven to benefit predominantly those who already have economic power. Instead of alleviating poverty for all, it has either maintained a poor segment of the population or caused more severe poverty and socio-economic hardship for citizens (De Rivero, 2001; Black, 2002).

The industrial capitalist economy and “development” strategies geared toward rationalized production and manufacturing for foreign markets have had a number of negative effects upon the nations of the South and their individual citizens who were subjected to them. These have included: dependence on foreign investment, commodities and technology, profound financial debt, and the forcing of governments and citizens to relinquish control over their own work and trade laws, national corporations and financial institutions.

In other nations of the South, modernization processes have for the most part produced a similar pattern: people are loaned money and encouraged to buy industrial technology in order to mass produce specific goods for foreign markets. The modernized production processes though have had a tendency to overwhelm and destroy ecological balances that sustained previous production; they destroyed environmental and social life support systems. The failure of modernized, industrial capitalism to bring economic prosperity and overall well-being to its recipients in the South, occurred for the same reasons it has created poverty and oppression for those who do not have extensive economic wealth in the North: the drive for constantly increasing profit creating both economic and state violence, and insecure, unsustainable work. Multinational corporations running production and manufacturing plants in industrial nations continue to outsource those jobs to nations where the costs of labor are even lower and there are

even less strict labor laws.

When people or governments have not been able to repay loans, they have been legally forced to accept structural adjustment programs and conditions of those in order to maintain some form of revenue. The financial institutions that implemented the SAPs (and continue to do so) dictate what type of goods and services the recipients are to produce (Sparr, 1994). These conditions are designed to fit the needs of these institutions, multinational corporations and markets, business enterprises and consumers of Northern nations. The exporting of industrial capitalism coupled with SAPs and debt repayment programmes have maintained an exploitative economic relationship between the North and the South. The end result for recipients of development and industrial capitalism has been a loss of control over personal resources and wealth, and loss of the right to choose their own work, control their own work environments and create and participate in their own markets. They suffer from not having adequate worker protections and rights, loss of capacity to influence and shape society through government and non-government channels, increased poverty, decreased quality of living, reinforced dependence on foreign financial institutions and corporations for their livelihoods, and destroyed communities and local economies. There has also emerged, in some cases, a socio-economic class and power hierarchy, where there previously had been none.

Where citizens have been excluded from participating in government, industrial production or manufacturing jobs (or have chosen to refrain from participating in these), informal economies exist, made up of small scale businesses such as street vendors and services owned and operated by an individual or a group (usually a family)

(Woodworth, 2000). These do not generate taxes, but are a form of work for the poor to subsist from and they make up a large percentage of the whole economy of many Southern nations (De Soto, 1989). These small self-employment operations have also become targets of “development.”

In the wake of the failures of the large scale, industrial capitalist model, financial institutions have offered loans to self-employed business owners to buy new technology in order to expand their businesses and market participation for increased profit. This has been based on the premise that small businesses and the informal economy that the poor develop can be successfully profit generating for them, and for formal lenders. The common result for these recipients has been debt, loss of work, loss of personal resources and in some instances imprisonment when debt repayment has not been possible.

This is a common criticism of “development”: it may be compatible with both neo-liberal and neo-conservative economics, it may replicate a model of living, livelihood and market based on capitalist methods, is frequently intended to integrate recipients into existing capitalist economies (to their advantage or disadvantage), and is conducive to the creation and maintenance of a capitalist socio-political economy (Kamat, 2003: 65-69). It can be argued that as long as this capitalist model of economy is reproduced, economic and socio-political exclusion, which stems from the power differentials created by this type of political and economic system, will continue. The criticisms and debates surrounding the negative impact of the expansion of capital in the South under the banner of development also drew attention to the fact underdevelopment also exists in Northern nations. What came to be labeled as the key characteristics of underdevelopment in

Southern countries such as lack of access to education, health care, work and poverty for example, also exists among various groups of people in the North.

Even when “development” undertakings have not followed an outright, direct capitalistic model, they have sometimes been unsuccessful due to their failure to address issues of power structures and extra local processes that contribute to the existing poverty and political marginalization. These have too much emphasis on changing the individuals without addressing the need to change those directly contributing factors. This has been a criticism of “professionalized development,” when outsiders certified as development “experts,” having recognized institutional training, work on poverty alleviation strategies. They are less likely to use methods that challenge political structures or government and corporate policies in these nations, or those outside that directly impact upon poverty (Kamat, 2003: 65-69; Escobar, 1995: 44-47). The fight to end systemic oppression in a society, region, or community, which might have more effective and long term benefits regarding human rights, well-being and poverty alleviation is lost.

It is also argued that by not addressing structural inequality and power dynamics, such “development” strategies gloss over existing power differentials between immediate family and community members. For example, two methods called “Participatory Research Action” and “Participatory Rural Appraisal” emphasize consensus and dialogue between people living and working in the same community. It is assumed that because all participants have equal opportunity to talk during meeting sessions, that all are equally open and forthright about their needs or problems regarding their economic and socio-political marginalization (Kapoor, 2002: 103, 104; Leeuwis, 2000).

In reality, these sessions and development tactics may be manipulated to the benefit of those who have the most social status and economic, resource or physical



power, because these individuals have the capacity to more negatively effect participants who have less of these sources of power outside of the dialogue sessions (Kapoor, 2002: 104- 115; Rew and Rew, 2003).

There is a need to re-establish the power of the state over the market and industries within their own borders, and to achieve governance primarily in the interests of the general public rather than economic interests (McGuire, 1980). As demonstrated above, law and governance in capitalist socio-political economies are oriented toward private and corporate capital accumulation, and they systemically reproduce economic and political power imbalances and social inequality between groups of people. There is an absence of human rights, protections and genuine equality between persons (Sen, 1999).

Kruzynski and Shragge (1999) and Tonkiss (2003) liken this to a loss of citizenship, in that the economic needs of those who already have wealth have come to over ride the rights of those with less economic power and official political representation. The latter most often get shut out of economic related decision-making processes, though they are the most negatively effected by these; the general public have progressively lost control over government and the right to create and shape society through official channels. A number of theorists who write about development argue that to resolve this, there is a need to establish a form of ethical political economy, one that prioritizes human needs and rights above economic interests (Sen, 1999; Schumacher, 1973). Governments need to aim to fulfill public good, that is, what people need and want, with an emphasis upon equitable distribution of rights, protections, and public services. The key to genuine development is in ending economic violence and attempting

to close the disparity in power between people that a capitalist, socio-political economy creates. This is how to create a genuinely fair and equal socio-political economy, that is, through government and market designed to have an ethical responsibility and accountability toward people in general. Not only toward citizens within national or local borders, but also those living internationally. These are some of the issues which are addressed by those who put forward the ideas for an alternative economics.

## **2. The Idea of Alternative Economics**

Awareness of the exploitation and economic and socio-political power disparities inherent in the dynamics of the capitalist economy, as well as the non sustainability and non-viability of the non-stop economic growth paradigm, has led to extensive theorizing, as well as differing ideas regarding potential alternative development frameworks. That is, development initiatives that would lead to genuine and effective human well-being. These ideas have focused on various aspects of market and socio-political economy and differing methods. Most of these ideals of what development would encompass, revolve around aspects of human rights and more specifically rights of people to not be subjected to socio-political violence, stemming from power inequality (Sen, 1999; Felice, 1997: 108 -111). For example, some concepts of development rights listed by theorists include: the right to basic necessities of life, the right to quality health care and public services, the right to a livelihood to subsist on, the right to work for fair pay, the right to have control over one's work and decisions over one's work, the right to participate in the democratic control of work, the right to secure and safe living and work and work environments, the right to work that is not exploitative and that does not infringe on quality of life, the right

to use local resources, the right to use one's own resources and capital in a way one chooses for one's subsistence, the right to not be a victim of exploitation and coercion, the right to self-led development, the right to attain social well-being, the right to have an ethical government that is accountable to its citizens and that protects its citizens from violence and discrimination, the right to participate in democratic political processes, the right to citizen-directed government, the right to political representation, the right to voice

dissent, the right to openly criticize and debate public policy, and aspects of market and socio-political economy, and the right to equal socio-political and economic power (e.g. Sen, 1999; Sengupta, 2002; Sites, 1998; Woodiwiss, 2002; "Statement of the International Peoples' Tribunal," 1998).

In line with the above characteristics, Sen (1999) defines development as freedom.

He discusses the ways that government, power inequality and the economic violence of the capitalist market create barriers to human development and freedom. He argues people should have the right to remove obstacles to their development. These obstacles are the exploitation, social inequality, and exclusion, outlined in the preceding chapter, that are central to the capitalist dynamic. Because of the profound influence market and economy have played in creating poverty and socio-political power disparity, Sen (1999) and others have investigated the possibility of creating a form of market economy that has

human development and social justice principles, in which government and market participants are accountable to people (e.g. Korten 1998, Schumacher, 1999). This entails socio-political economy which is based on social justice, economic, cultural and social rights to complement the political and civil rights that already exist (Sengupta, 2002;

Woodiwiss, 2002; "Statement of the International Peoples' Tribunal," 1998).

There are varying theories as to how to achieve a market economy that integrates human rights and development goals for well-being, as opposed to strictly capitalistic economic goals. Some argue that a market economy, not based on capitalist principles which maintains operating on a local economy rather than expanding to global level, can be achieved (e.g. Korten, 1998, Schumacher, 1973). However, there are differences of opinion as to how to avoid economic violence while remaining in the market economy.

According to some, it is possible to reform the existing global capitalist market economy, or integrate the marginalized into it in ways so as not to reproduce economic violence, while others argue capitalism itself cannot be reformed because the dynamics it operates on will always reproduce exploitation and exclusion (Harrison, 1974; Tabb, 1972; Shragge, 1993: 9,11-17). The latter argument is that rather than trying to reproduce the global capitalist economy and the profit/exploitation, non-stop growth dynamic, commodities need to be produced or manufactured in a sustainable fashion for local markets and local consumption, and services geared toward only the local market; in general, various development and economic theorists have argued that the alternative to the capitalist market economy, is the revitalization of local community economies. That is

movement toward small-scale business and industry to developed by local community members to serve their local community (e.g. Schumacher, 1973; Henderson 1996; Brandt, 1995: 106-218). This ideal model of market economy differs from a standard capitalist economy in a number of ways. In such a model, businesses would be locally owned, small buyers and sellers would compete for customers, and there would be more recognized economic and power equality between competitors. In such a framework no

standard capitalist business enterprise practices such as takeovers, acquisitions or uncontrolled economic expansion would be allowed (Korten, 1998: 29-31). Government would also play a vital role in regulating the economy so that economic violence, as discussed in chapter one would not be permitted to occur.

Government needs to regulate the market in order to keep capital nationally invested and to maintain competitive local markets. In an ideal model of market economy, privately owned profit corporations would not be subsidized using public money, and all business enterprises would be taxed based on their profit generation (Korten, 1998: 30- 31).

### **3. Community Economic Development**

One potential model for market economy and economic participation that follows ideas put forward by a number of authors is that of “Community Economic Development” (CED). We must note that CED is not actually one single method for development or economy, but a “multiple meanings” term that has been used to refer to many different strategies, based on different theoretical perspectives and ways of attaining human development (Stoecker, 1996; Appendix D). While CED may entail strategies for economic wealth generation, it also includes strategies not directly related to economic wealth generation, such as improving the quality of life of a community and its members social well-being. The term “community” in CED refers to people. It usually means the people living and working in a shared geographic area and who know each other personally (Boothroyd and Davis, 1993: 230). But it also can mean people who live in close geographic proximity to each other and who share “specific common interests and

values” and characteristics (for example shared traits that have caused them to become economically and socio-politically marginalized (i.e. women, ethnic and racial minority groups, persons with disabilities) (Perry, year unspecified: 20; Lewis, 1994).

Because CED can take many different forms, it is often described as a multifaceted development approach. In general, CED is about integrating the goals of social well-being into economic wealth generation strategies, to attain more permanent and extensive social development milestones, based in the aforementioned human rights concepts (Rubin, 2000: 43-66). In the CED sense, development entails both ongoing processes of self-development and differing potential forms of human development as an end result. The most common goal CED strategies share, is that they are intended to benefit those who have been marginalized by the current capitalist system. CED is based on the premise that community-members need to gain control of existing local resources and their allocation to generate economic wealth and political “empowerment” for the community members. However, as I will argue below, economic wealth by itself does not automatically lead to political empowerment. “Political empowerment” in the CED sense has a number of meanings. Some refer to the actual gaining control of local resources and their allocation as “empowerment” for a community (De Filippis, 2001b: 799-801; Himmelman, 1992). To others, economic wealth generated through CED or increased resource capacity to generate economic wealth is empowering, because participants can then participate in the existing mainstream, capitalist economy (Rubin, 2000: 146-147; Zdenek, 1996; Sherraden, 2003). Or, the term may mean that through CED processes, people may become politically “empowered” because they gain the capacity to effectively challenge and change the capitalist socio-political economy and its power dynamics (Shragge, 1993: iii; Fisher and Shragge, 2002; De Filippis, 2001a).

Another frequently cited goal of CED is to attain a democratic, self-reliant local economy (Fontan, Hamel, Morin and Shragge, 1999: 203). That is, ideally in CED, community members should have the capacity to generate wealth, and shape the operations of their local economy. This requires a “bottom-up approach” as opposed to taking direction from outside professionals (Fontan, Hamel, Morin and Shragge 1999: 204). As well, within this framework, the community members ideally would have equal degrees of participation in all aspects of the organization. While the end goal for most CED is described as being economic wealth generation, there are virtually always non-economic goals as well (e.g. goals for social and quality of life changes) (Blakely and Aparicio, 1990; Blakely and Milano, 2001; Rubin, 2000: 43-66, 133-162).

Both mobilization of non-economic resources as well as economic resources are normally required in CED. In CED strategies for local economic revitalization, trade and commerce transactions do not solely rely on exchange of money. Goods and services of value may be exchanged directly without the use of money, in such a fashion that may lead to both economic wealth generation and social well-being in the long term.

Community use and control of local resources is thought to lead to a self-reliant local economy, therefore contributing to community members’ being less vulnerable to exploitation and dependency from outside actors and processes (Kotler, 1971). CED consists of deliberate strategies, intentionally used in an attempt to generate what a community needs in order to survive, or to improve their quality of life. Regardless of whether CED is proposed or initiated by community members or persons not belonging to that particular geographic or shared characteristics community, it is premised upon the idea that primarily the community members should direct the initiatives. This is because

community members know best what their needs are, what their available resources are, and more so than others, have better knowledge and understanding of their local environment, their ecological capacity, their subjective, personal experiences of socio-political economy and its effects, and their history as a community (Roseland, 2000; Sirolli, 1999).

The importance of self-reliance of the local market economy comes from the fact that such self-reliance lessens economic dependency and therefore reduces vulnerability to economic violence and disempowerment (Kotler, 1971: 8-9).

Habersfeld, (1981: 8), a CED practitioner, explains the potential ways that economic and non- economic wealth may be created through the community capacity building of CED : “ ‘ (a) creating productive work for the residents of the distressed neighbourhoods in their community or close by; (b) providing local goods and services for the community with local ownership wherever possible; (c) acquiring the same resources as other communities in the city or country with respect to governmental infrastructure that enhances the appearance and livability of the area; (d) generating new wealth through locally based and owned enterprises; (e) reducing the communities’ dependence on external resources such as national and local government programs; and, (f) providing the residents with the experience and exposure to present themselves at the neighbourhood level as equal participants in the larger city and regional politico economic processes’ ” (as cited in Blakely and Milano, 2001).

### **3.a How CED Works, What are its Challenges and What Forms it Takes.**

CED is focused primarily on the long-term goal of generating economic and social wealth. It differs from standard local economic development in that beyond profit generation through any means, it is normally intended to generate economic wealth and work in a sustainable way, with the long-term goals of poverty alleviation and remedying socio-political exclusion. Using existing renewable resources in the community increases



the capacity to create permanent work and economic wealth generating processes. The first steps of CED are usually an assessment of existing resources available in a community, from both public and private sectors, or attempts to establish investment in the community and its members, in order to strengthen their capacity to create needed resources (*Strategic Planning for the CED Practitioner Workshop*, 1993). CED frequently involves a continuous process of capacity building. That is: building upon, strengthening and increasing existing local resources in an effort to generate capital, or start economic wealth generating ventures among community members, guided by pre-planned goals (Perry, year unspecified: 21; *Strategic Planning for the CED Practitioner Workshop*, 1993). The emphasis of CED is upon strengthening a community's members' lives, livelihoods and support networks.

Fontan, Hamel, Morin and Shragge (1999) explain “CED organisations mobilise local resources (people, finances, technical expertise, real property) in partnerships with resources from beyond the community. This is undertaken for the purpose of empowering community members to create and manage new and expanded socio-economic tools (businesses, specialised institutions and organizations, skill, and practices), or new types of local governance” (203). CED is as much about creating a self-reliant community (encompassing non-economic aspects of living), as it is about creating a self-reliant market economy for that community. In this sense, CED is about establishing regular and deliberate interactional processes people actively engage in to achieve agreed upon goals which creates “community” (Kaufman, 1959).

CED strategies revolve largely around the use of resources and “resource capacity building” (Miles and Penny, 2002). Some community resources that are used in CED

include:

**Local (indigenous) knowledge:** Community members' local knowledge needs to be incorporated into CED. This is because community members have a better understanding of the carrying capacity of the local environment (which is necessary for the ecological sustainability of the CED), as well as the history of their own geographic community, as well as historical experiences and everyday customs as community members (Gegeo and Watson-Gegeo, 2002; Rew and Rew, 2003; Okazawa-Rey and Wong 1997). CED and development in general will only be effective so long as it is culturally appropriate and incorporates culturally and ecologically appropriate technology and techniques. This guards against dependence upon economically exploitative extra local actors (Sirolli, 1999; Voyageur and Calliou, 2003). CED has the potential to foster cultural preservation, through reliance upon and use of local indigenous knowledge (O'Donnell and Karanja, 2000: 67).

**Social capital:** In development and CED literature, social capital refers to one's relationships to others or their social ties (Gilothe, 1998: 18). It is argued that one's relationships with others may be an asset to draw on for development, in that people can exchange needed services, commodities or favours with each other, that they would not be able to attain on their own, or through other means (Anderson, 1999: 318; Friedman, 2001; Servon, 1998). Those needed services, commodities or favours can be used toward the goals of the CED initiative.

**Networking:** Networking in this case entails building social capital and social relationships to others within the local CED practitioner group and outside it (Wilkinson, 1991: 92). This broadens the resource base of potential services, commodities and favours

that may be exchanged and used for CED (Giloith, 1998: 18). Networking to increase social ties may also build united political force through shared common interests, thereby potentially contributing to social movement and increased pressure to change government policy, law, or economic practices (Fisher and Shragge, 2002; Shragge, 2002).

**Institutions, organizations and public and private service providers:** Any

organizations and services in the community may potentially be incorporated toward CED

goals. A CED initiative itself may be to build the capacity of any existing organizations to

provide services or other resources to the community to gain local economic self-reliance (Blakely and Milano, 2001).

**Natural resources:** Using natural resources in the surrounding local environment toward the CED goals, in a manner that is not ecologically degrading (Roseland, 2000; Curtis, 2003).

**Financial power:** Using whatever money individual CED practitioners have, or economic resources available to them for the CED (e.g. investing money to increase capacity to generate more financial capital) (Rubin, 1993). This also entails establishing strategies and processes to keep community members' money, and money earned through CED economic wealth generation circulating in the community. An example of this could be CED practitioners deliberately buying locally (Giloith, 1998 :17-18; Carrillo and Anner, 1997).

**Human capital:** Human capital entails skills, time, and knowledge that community

members may have (Gage and Hood, 1997: 13-17). CED utilises human capital as a resource, and a CED strategy may be to increase human capital. For example, skills or work training, or freeing up CED practitioners' time may permit them to gain employment or start businesses that serve the community (Blakely and Milano, 2001).

**Political education:** Political education in CED refers to learning about (becoming “critically conscious” of) internal and external power dynamics and actors that oppress the practitioners and their community (Shor and Friere, 1987; Friere and Horton, 1990) . It may occur through practitioners sharing their lived experiences of oppression and marginalization with each other, with other communities, or with other participants involved in the CED. Knowledge of the sources of the group or community's oppression and exclusion permits the CED practitioners to organize for effectively challenging those sources. This may lead to changing laws and government policies in a way that is conducive to achieving development based human rights or self-reliant local market economies.

**Locality development:** Making the locale and geographic area that CED occurs in conducive to economic and non economic wealth generation. Rubin (2000) claims that “service provision and physical redevelopment flow one from the other” (155). It is argued by other theorists, that improving the physical character and appearance of low income areas, will lead to greater capacity for businesses in the area to generate economic wealth, and that more local businesses will open (Blakely and Milano, 2001; Loukaitou-Sideris, 2000: 167- 168). Local businesses opening in an economically depressed area not only provides needed services, and money to reinvest in a local market or community, but

also has psychological benefits for community members (Rubin, 2000: 143-148).

The above resource capacity-building strategies are economic and non-economic assets used to create economic and non-economic wealth in the long-term such as jobs, and small businesses in a community (Giloith, 1998: Curtis, 2003). As a result, CED strengthens the local economy, making it and community members more self-reliant.

In order for CED to have a positive effect for a community, it requires phases of resource assessment, planning, goal setting, choosing indicators of success, monitoring progress, evaluation of progress and modification of strategies based on data gathered through these processes (Gage and Hood, 1997: 23-27). The focus of CED strategies may change, for a variety of reasons. For example, if through the process of CED, initial goals have been accomplished, the tendency is for participants to move on to other issues or goals that would contribute to the long-term economic and non-economic desired community changes. Similarly, the initial purpose of many community based organizations and community development corporations was that of agent of political activism and agency for socio-politically and economically marginalized groups. When inroads in these areas gradually progressed, CED and other grassroots civil society organizations stopped some of their political activism. However, as states gradually began to roll back their social-security provisions and cut public services in order to preserve their economic power and remain economically efficient, many of these voluntary (“third sector”) and community organizations had to assume needed service delivery roles for their communities instead (Shragge, 2002). Due to budget and resource constraints, many have lost the capacity to keep a political advocacy role and have had to forfeit or delay increased human rights goals in order to provide basic necessities of life to community

members, no longer available from previous sources (Blakely and Aparicio, 1990; Rubin, 2000: 49-66). Also, with the rise of the globalised capitalist market economy and erosion of national sovereignty, community and advocacy organizations formerly in conflict with

state agencies and departments have had to partner with them in order to work in the interests of local communities (Shragge, 1993: 1-17) . These are some of the reasons that the focus of CED may not be stable because participating individuals, organizations and practitioners may have to adjust their strategies and goals as immediate needs, market economies and dynamics of power and capital accumulation change.

### **3.b- CED Challenges, Achievements and Problematic**

While some CED groups choose to gear their strategies specifically toward creating a local market economy in order to serve immediate community members, others follow strategies to tap into, or integrate into the larger global markets, in order to create opportunities for economic wealth-generation (e.g. Blakely and Milano, 2001).

According to Griffith (2003), political advocacy oriented for profit and non-profit community based organizations remain under-funded (both from government and independent private sources) compared to their counterparts that follow more the model emphasizing economic wealth generation strategies; those organizations that do not have stated political advocacy/activist agendas.

CED does create changes, but can also preserve capitalist socio-political economic power dynamics. Most CED practitioners and theorists who aim to alleviate poverty agree that revitalizing local market economies is critical (e.g. Kotler, 1971: 7). Economic

revitalization, self-reliance and wealth generation through CED is necessary in order to relieve dependence upon extra-local actors and government for funding that is conditional

(Kotler, 1971: 8- 12). Morgan (1996) makes an effective point as to why CED practitioners would choose reform strategies over radical ones. She argues that capitalism is the source of economic violence and poverty, but trying to attack and challenge structural power dynamics of capitalism through a CED initiative, while the practitioners have no money or the basic necessities of life for survival, is pointless in that it does not address the immediate needs of those practitioners (207). Further, in some cases there may be reprisals or extreme negative consequences to practitioners and others involved for attempting political advocacy and challenging power systems (Morgan, 1996: 198, 199). CED initiatives cannot address issues of social hierarchy or power imbalances at all costs.

The idea of CED can be manipulated in the same way the concept of “development” in the South has been. That is, due to CED’s multiple forms and non-standardized definition, it may be co-opted to perpetuate economic exploitation and socio-political and economic marginalization in the interests of those who already have economic power. potential problem lies in CED’s emphasis upon community self led development, minimal use of extra-local assistance and the idea of self-reliant or self-contained local economies for the poor, that can only be effectively attained through the use of existing local resources and knowledge. These ideas are compatible with both neo-liberal and neo-conservative capitalist socio-political economic ideology (Elyachar, 2002,

Midgley and Livermore, 1998: 38-39; Mohan and Stokke, 2000; Morduch, 1999a: 1570-

1571).

The idea that extra-local sources of support are negative for the poor, and total economic self-reliance is possible to attain, may serve as greater justification for increased elimination of social services and social assistance. As well as leaving the responsibility of what was formerly public service delivery upon the voluntary sector and community based organizations (Klodawsky and Andrew, 1998; Fontan and Shragge, 1997). The success of CED may be used as evidence that poor communities have the capacity to self-develop, and as ideological support that poverty in communities is caused by a lack of effort or will on the part of the poor to develop. Through placing the onus of poverty alleviation and self-development upon the poor themselves, capitalist socio-political economies as the source of economic violence and economic and political power inequality are neglected and left intact (Elyachar, 2002; Fontan and Shragge, 1997).

The notion that it is beneficial and necessary for individuals or groups to have complete independent control over use of their financial assets and local resources may provide support to the neo-conservative argument for total government deregulation of the economy, and the neo-liberal argument for increasingly less restricted free trade.

While, for example the poor, as a group, share the characteristics of being economically and socio-politically marginalized, their immediate circumstances and needs are directly affected by factors in their locale also, which explains why these differ in varying degrees across place and time. Therefore, the goals or purposes of CED are not always the same (though almost all share the goal of economic wealth generation), which is why different communities choose to use different CED models and strategies. As well, personal or group circumstances, sometimes beyond the control of CED participants, affect the type of CED model or strategies they choose and that they



would benefit from. Therefore, a singular definition of what CED is, that would encompass its numerous forms, goals and sometimes contradictory theoretical underpinnings, is not easy to articulate.

### **3.c Various CED models and strategies**

Some CED is a deliberate, motivated attempt to seek alternatives to, or attack capitalist forms of business and economics and their negative effects, and aims to promote the cause of human rights development. Others are not intended to have this highly political-activist orientation, and some have providing necessities of life and service provision as their primary goal.

Another major difference in forms of CED is related to their views on ownership. Some CED entails communitarian forms of business and living, based on the belief that all members will benefit in the same way through community owned wealth. Other CED activities revolve more around the idea of using community resources to create individually owned and operated businesses. In this case, it is believed that wealth for individual community members, will benefit the community in general. Reimer (2003) outlines the differences between what is referred to as “radical” and “reform” CED. The former, as described above, frequently encompass an agenda that acknowledges and challenges power inequality and violence stemming from the capitalist socio-political economy, while the latter is premised upon the idea that using capitalist market economy principles in wealth generation can be done in a way that will not reproduce economic violence.

The fact that some CED follows aspects of traditional capitalist enterprise more so

than others, would lead one to assume that those would be more likely to create or reinforce power inequality and marginalization. The reality is any CED, like other forms of development, and its results have the potential to be manipulated intentionally or unintentionally in a way that reproduces political disempowerment and poverty. Any form

CED takes can potentially benefit participants, or leave those intended to benefit worse off. The following are a description of frequently used CED strategies, and their theoretical underpinnings, along with critiques based on arguments and examples documented in CED, international development, economics and alternative economics literature. It is the way in which CED is undertaken, and factors such as power dynamics existing in and outside the locale, and how those are addressed or accounted for in the CED process that affects the degree of success or failure of the strategy. CED needs to be assessed on a case by case basis as to whether the initiative is benefiting those who are victims of the economic violence of capitalist socio-political economy and other macro and micro level structural social inequality.

### **3.c (a) Community Based Organizations for CED**

There are a number of different types of community based organizations (CBOs) and community based development organizations (CBDOs) devoted to various aspects of CED. These organizations are considered part of civil society because they mediate between the market and the state (Liou and Stroh, 1998: 575). CBDOs may be not for profit or have some sort of for-profit component. There are a number of different types of CBDOs: Community economic development corporations, community development corporations and community development intermediary organizations are a few. CBDOs

are generally made up of paid staff, community members and volunteers. While some get started by governments, others are created independently by community members.

CBDOs not only raise money through for-profit ventures, but also receive funding to continue to operate, and for undertaking certain projects from governments, foundations and corporations through special programs, grants and loans (Liou and Stroh, 1998: 576; Rubin, 1995: 127-128). Sometimes a CBDO will partner with other CBDOS, government departments or private corporations that are not community-based, to collaborate on CED projects. CBDO activity may be focused on developing one community or neighborhood, or many (Dreier, 1996: 122).

Typically the nature of CBDO activities entail reform CED, though some do practice radical CED. Most have a specific mission or agenda, which their activities are guided by. The most common goal of CBDOs is to strengthen the economies of geographic and shared interest communities through resource capacity building, while fulfilling objectives to attain social well-being of community members (Liou and Stroh, 1998: 577).

There are a number of different CBDO activities undertaken to stimulate the circulation of financial capital among community members and throughout a local economy. Some of these include buying, developing and managing residential and commercial property, building and repairing homes, job and business creation, investing in or supporting local businesses, and lending financial capital to individual community members, organizations, and small local businesses for other CED projects (Robinson, 1996: 1652, Roseland, 1998: 162; Dreier, 1996: 121, Zdenek, 1998). For human capacity building, CBDOs engage in service and program delivery such as “job

training, child care, parenting skills, housing counseling, immunization, and literacy” (Dreier, 1996: 122).

CBDO activity may also include cultural preservation and revitalization for communities and various means of political organizing (O’Donnell and Karanja, 2000). It is at times difficult for CBDOs to balance objectives of economic wealth generation to stay operating and those of community social well-being.

According to Blakely and Aparicio (1990: 115) and Knight (2001), the more profit oriented a CDC becomes and larger a CDC grows, the harder it is to retain both community members as part of the decision-making board and the focus of activities upon achieving goals that are less directly economic related. CBDOs and voluntary organizations have increasingly taken to providing social services and programme delivery that government has ceased to provide directly. CBDOs also have to be able to make enough income and ensure sufficient funding to remain operating (Zdenek, 1999).

A significant challenge CBDOs face is in how they are allocated money from funders to be channeled for specific projects and activities. CBDOs are bound to those funding conditions, which are more often intended for social service and program delivery or projects that are reform, rather than radical CED oriented.

For example, in the United States two primary CBDO activities are projects for creating affordable housing and Individual Development Accounts (IDAs), because these activities receive much more funding and support (Zdenek, 1996). IDAs are “leveraged, restricted investment accounts that help-low- and moderate-income individuals build savings” (Zdenek, 1996). Deposits that individual account holders make are matched through funds from participating “foundations, corporations, religious institutions, and

government” (Zdenek, 1996). Use of those savings are restricted for education and training, homeownership, micro-enterprise and small businesses (Zdenek, 1996; Sherraden; 2003). Both affordable housing initiatives and IDAs are strategies for increasing individual community members’ asset accumulation. According to Grogan (1998), the U.S. federal government spends more on housing initiatives than other forms of CED. Also:

"The Corporation for Enterprise Development (CfED) has begun an \$ 11 million national IDA demonstration supported by several major foundations. The recent welfare reform bill passed by Congress paves the way for states to use block grant funds for IDAs and raise the limits on assets recipients may accumulate. And legislation recently introduced by Senators Dan Coats of Indiana and Carol Moseley- Braun of Illinois proposes a \$100 million national IDA demonstration." (Zdenek, 1996)

Asset accumulation strategies are not primarily intended to problematize markets and power dynamics or fight poverty, but revolve around supporting integration and traditional forms of individual participation in the mainstream capitalist economy (Sherraden, 2003; Zdenek, 1996).

CBDOs are also challenged by the conditions stemming from partnerships with government departments, private agencies and organizations. Though such partnerships can be beneficial and are often inevitable, in some cases they may make the goals and activities of the CBDO vulnerable to co-optation and force them to conform to the ideologies and interests of those partner groups. The CBDO may come to represent the interests and values of those partners and funders rather than those of the marginalized community whom the CBDO was intended to serve, and come to lose autonomy over their activities and operations (Rubin, 1995: 131). Also, CBDOs may end up competing with each other for funding. There is debate as to whether CBDOs should focus more on creating supportive and collaborative partnerships with other actors and organizations in

order to achieve set goals (Robinson, 1996:1648-1649).

### **3.c (b) Credit Unions and Financial Institutions**

Due to the fact that marginalized communities have not historically benefited from the services of traditional banks and financial institutions or have not had access to these, alternative forms of community banking that they do have access to have been formed through CED. These forms are designed specifically to serve the members of marginalized communities who would not otherwise be able to use formal banks (Roseland, 1998: 162). To achieve this they charge few or no fees, make loans to clients in smaller amounts at reasonable interest rates that other banks ordinarily would not, loan to groups of people rather than just one client (“peer lending”), lend to support small, local businesses, provide financial services to CBOs and work with other community-based organizations for community investment and CED strategies (Gordon, 1998: 18-19; Roseland, 1998: 162). One example of an alternative bank that contributes actively to CED is a credit union. These are worker-owned co-operatives (Gordon, 1998:18; Roseland, 1998: 162). “Every credit union reinvests approximately 85%- 90% of all deposits right back into the local community in the form of loans and mortgages to local residents, employees, and small businesses” (Gordon, 1998: 18).

According to Gordon (1998), there are approximately 2, 400 community-owned financial institutions in Canada and over one in three Canadians are members of them (18). Community members have more control over credit unions because workers can elect their leaders, and raise issues at credit union meetings (Gordon, 1998: 18).

### **3.c (c) Micro-Enterprise and Micro-Financing**

Micro-enterprises are small businesses started by unemployed or underemployed workers (“micro-entrepreneurs”). They may be individually or group owned and operated, and are started up or expanded with use of small loans and assistance from financial institutions or programmes specifically for micro-enterprise services (Woodworth, 2000). Micro-enterprises comprise the small businesses of the informal economy described in the first chapter and provide goods and services to residents in under served locales where there are few business enterprises (Banerjee, 1998: 63-64; Woodworth, 2000). They exist in non-industrialized, industrialized and post-industrialized nations. They may be located in rural or urban communities and may be agricultural and production oriented, or providers of services and goods from a home, shop or street. Loans for micro-enterprise are made to an individual, or to a small group through a group lending process. This involves a small group of peers, friends or family members all partaking in a loan agreement in that should any default, the others agree to cover the cost of the loan repayment. None can borrow any more money again until the debt is paid in full. Some micro lending institutions require borrowers provide collateral such as proof of job or credit history, most do not (Solomon, 1992). Participants usually have to already have a business or propose a plan for a micro-enterprise that gets approval from micro-lenders. Borrowers normally pay back the interest on their loans at market rate. Micro-enterprise loans range anywhere from under \$100 dollars to a few \$1000 dollars depending on the markets where the borrowers are and the type of micro-enterprise they are looking to use it for (Woodworth, 2000; Solomon, 1992).

Some positive aspects of micro-enterprise are that they provide the opportunity for self-employment, and self-designed work. They are also an opportunity for an individual or individuals to generate their own economic wealth and create work when there are no other available jobs (Servon and Doshna, 2000). They may also provide an alternative to having to accept dangerous or exploitative work. Not only does work from micro-enterprise have the potential to provide employment and generate economic wealth for participants, but they may also experience personal fulfillment in their business and work that has psychological benefits. According to some theorists, the process of starting and running micro-enterprises in an impoverished community builds social capital (networks and relationships of trust between participating community members) and human capital (participants gaining practical skills and knowledge) which contributes to increased community self-reliance. These resources can be relied on for other CED projects (Banerjee, 1998; Servon and Doshna, 2000). Goods and services provided from micro-enterprises, may also contribute to other community members being able to start micro-enterprises. Community members purchase from each other, supporting each other's micro-enterprises (Banerjee, 1998: 80). This reinvests the money in the community. Micro-enterprise as a CED strategy permits people without experience in the formal lending sector to have access to loans (Woodworth, 2000). These may also create the opportunity for women to work out of their own homes for economic wealth when laws of seclusion do not permit them to work in the formal labor market (Berger 1989; Mayoux 1995). There is also evidence that when successful, a micro-enterprise business raises the owner's income, though there is evidence that it has not been very effective in assisting micro-entrepreneurs to raise their incomes over the poverty line in Northern



nations (Alisultanov, Klein, and Zandniapour, 2002).

The effectiveness of both micro-enterprise and group lending as CED strategies to politically empower a community or alleviate poverty of a community has been controversial. Repayment of group loans for micro-enterprise relies on peer pressure and trust (Woodworth, 2000). This form of lending can disrupt community support systems.

Not being able to repay one's share of a loan can make an already marginalized individual

vulnerable to ostracism and potentially lead to their ties of community social support being cut, leaving them at a greater risk for being a victim of exploitation and economic violence.

There is also the argument that micro-enterprise training programmes and initiatives do not encourage or lead to business ownership and operation that is not modeled on capitalistic forms of business and private capital accumulation, such as community owned or co-operative business enterprises. A number of theorists argue that business enterprise based on the capitalist model of enterprise and economic trade will only reproduce the exclusion and economic violence caused by capitalism, not alleviate it (Harrison, 1974; Shuman, 1999).

A widely- documented example of a micro-finance institution that supports micro-enterprises is the Grameen Bank in Bangladesh.<sup>3</sup> According to some researchers on micro-enterprise, it has had more success in the South instead of the North for a number of reasons. These include the fact that social assistance eligibility criteria restrict the amount of income a micro-entrepreneur can make, or the amount of money they can

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<sup>3</sup> Solomon, 1992; Tinker, 2000: 229-242; Banerjee, 1998; Jansen and Pippard, 1998: 103-123 and Morduch 1999b: 229-248, all provide different views as to the successes of the Grameen Bank.

spend on or borrow for a loan toward their business, without having their assistance cut off (Solomon, 1992). There are other reasons for the higher numbers of micro-enterprise success in the South: The cost of living in many of those nations is less compared to those of post-industrialized nations. According to Banerjee (1998: 79) in the U.S., income generated from micro-enterprises is not enough to pay for the necessities of life there (e.g. rent, food, clothes, and health care). As well, in a number of Southern nations, health care is free. It is easier for micro-enterprises in the South to provide needed services because they are less likely to have to compete with larger, multinational corporations in their own neighborhoods.<sup>4</sup>

Historically, the informal or underground economy was essentially regarded as a problem by some experts because it was believed to impede modernized capitalist economies from forming and to interfere with people choosing to take factory jobs (Woodworth, 2000). Small business enterprises in the South have historically been secretive and unregistered, operated by individuals or as family-based businesses that were not taxable (e.g. street vending) (De Soto, 1989). With the failure of modernization in many nations, it has become obvious that the informal economy to some degree compensates for the absence of formal government and factory jobs, and actually makes up a high percentage of a population's total economic transactions (De Soto, 1989).

According to Chen (1997), Banco Sol, which is a micro-lending bank in Bolivia has “a \$43 million loan portfolio with more than 69,000 loans outstanding.” It is

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<sup>4</sup> Some also believe that it is due to communities being made up of large numbers of homogenous ethnic groups living in close proximity to each other that facilitates easier borrowing for group lending in some nations of the South (see Solomon, 1992).

estimated Banco Sol serves over 62, 0000 clients (Otero, 1995).

While micro-enterprises and the informal economy provide a market economy for people who would otherwise be excluded from the opportunity to earn income and purchase power, they may also be used by more economically powerful agents to reproduce capitalist exploitation and marginalization. Through micro-lending the poor become “profitable” and “bankable” (Otero, 1995; Schuman, 1993). Borrowers may take out multiple loans to maintain and expand their micro-enterprise which is profitable to lenders, but they also may be placed at personal risk in how they may end up in debt if their micro-enterprise is not successful. It is argued that with the failure of national, capitalist modernization projects, financial institutions such as the IMF and the World Bank have turned to micro-lending as an alternative way to expand capitalist market economies and foster more capitalist enterprise and entrepreneurs (Elyachar, 2000). These

institutions and other agents treat the informal economies of the marginalized and the poor, as mainstream economies, which has contributed to rationalization and self-serving justification on the part of those who are economically and politically powerful. Rather than problematizing the existing relations of political economy or improving the overall status of work, quality of living and prevalent market economy of a population, it is rationalized that it is better for the marginalized to subsist in their separate, informal economies. Therefore the issue of their status of exclusion and sources of it need not be addressed or changed.

A number of micro-enterprise and micro-lending programmes are geared toward women clients specifically because many women do not have paid jobs outside the home and because they spend more on their children and household needs when they have

money than men do. However, paid work on top of their unpaid work in the home, can cause doubling of micro-entrepreneurial women's workloads (Sebstad & Chen, 1996; Tomasevski, 1996).

### **3.c (d) Cooperatives (Co-ops)**

Co-ops are collectively owned (normally worker-owned) businesses that are alternatives to capitalist business enterprises oriented for private profit. Communitarian oriented, they are designed with a deliberate intent for all workers to benefit equally from economic wealth generated. They emphasize work place democracy in that they do not have an overseeing boss or board of directors. Equal decision making power exists between all workers regarding the co-op through "one vote, one count" voting processes. Co-ops may exist and operate either as an individual enterprise or as a network of many. These networks may span local, regional or international levels.

Co-ops also differ from standard business practices in how they are described as being a way of influencing or creating "community" and political economy (Haynes and Nembhard, 1999: 53-71). This occurs in that a co-op is owned and operated by a number of members of the same community, anywhere from under a hundred to thousands of people (e.g. Mondragon, 30,000). They employ both workers who have a share in the ownership, and workers who do not. Through the co-op, those community member workers collectively create their employment, and design and direct the nature of their work and all its operations. In this manner, the work of individual members is centred around contributing to the over all well being of the broader community, and wealth generation for all those members participating (Haynes and Nembhard, 1999: 60-71). Co-ops operate in a way that there is supposed to be no opportunity for individual private

profit through the business processes, and therefore no economic violence or exploitation of others. The internal processes and economics of the co-op have the effect of creating the political economy of the locale, in that community members working together in a co-op setting, are less likely to design work that negatively effects their lives and living spaces outside the workplace (Cumin and Rosen 1988; Abascal- Hildebrand, 2000: 278). For example, they would not outsource their own jobs (Howard, 1999: 25). Workers designing their own work through processes that do not permit their exploiting each other, ensures that all benefit equally from wealth generation; there is no opportunity for social hierarchy among workers because the principles of economic exploitation for individual private capital accumulation do not occur in the process (Abascal-Hildebrand, 2000: 278).

Co-ops are competitive, which makes it possible for them to spread into networks of international branches. However, ordinarily they are not meant to spread beyond the point that they negatively impact the workers' lives and communities. Some argue that they have the potential to maintain sustainable growth (Haynes and Nembhard, 1999).

These forms of organization may be producer, consumer, service, financial, insurance, research or educational oriented (Abascal-Hildebrand, 2000: 277; Bendick and Egan, 1995: 76-79). Howard (1999) describes some examples of banks, firms, CDCs and municipal programs and services that are cooperatively owned by their workers. The community of Sursum Corda in the inner city of Washington D.C. is an example of a tenant-owned housing co-op that was successfully converted from a rental housing project (Roche and Stormes, 1995: 122-33).

Cooperatives stand as proof that business enterprises do not have to be capitalist

to sustain (Abascal- Hildebrand, 2000: 278). The revenues of the 100 most profitable cooperatives in the United States in 1995 generated \$110.4 billion (*The NCB Co-op 100*). In that country, there are over 100 million people participating in approximately 47, 000 cooperatives (*Cooperatives Are...*).

An example of a cooperative corporation that has spread from a regional to an international level, is the Mondragon Cooperative Corporation (MCC), which started in Arasate, the Basque region of Spain. It was originally a small kerosene heater cooperative started by five students. It now consists of a network of producer, consumer, service, financial, insurance, research, and educational cooperative enterprises throughout Spain, other parts of Europe, Thailand, India, Mexico, China, North Africa and Canada (Abascal-Hildebrand, 2000: 277, 278). The network of MCC enterprises in the Basque region of Spain employs 19,500 workers (Whyte and Whyte, 1988).

In total, MCC generates \$5 billion U.S. annually and “administers more than \$5 billion annually in its bank, Caja Laboral” (Abascal-Hildebrand, 2000: 279). Its operations and goals revolve around a combination of worker democracy, economic development, subsistence work and community development (Abascal- Hildebrand, 2000: 278). Ten percent of a Mondragon cooperative’s aggregate profits are donated to its communities and since its start, no owner worker has ever been laid off (Abascal-Hildebrand, 2000: 278, 279). The individual cooperative enterprises hold elections for a manager every four years” (Freeburg, year unspecified). MCC also has its own social security cooperative that provides owner-workers with family, illness, death, and educational benefits, as well as health care and educational support and insurance for

property and personal items; if an owner-worker needs more education or training for their job, the cost for this is paid for them, and they still earn a salary (Abascal-Hildebrand, 2000: 279). MCC has a student cooperative that permits students to work at one of their production facilities as a salaried worker throughout their study program, and they receive payment for covering the cost of their tuition and living expenses (Abascal-Hildebrand, 2000: 279).

As well, applicants who come from areas with higher unemployment rates and those who are lone family supporters are more eligible for employment with MCC (Abascal-Hildebrand, 2000: 279).

According to Abascal- Hildebrand (2000), MCC communities are not excessively consumerist oriented. Consumerism in these communities is based more around needs than gratification; one's work and consumption is not equated with social status (279-280).

MCC has not remained unaffected by the new economy. As a result of pressure from competition with other corporations, the Caja, (Mondragon's bank) which originally served only the cooperative, now operates independently serving non-cooperatives.

During financial crises the Caja does not support non-competitive cooperatives (Freeburg,

year unspecified). Further, 40%- 50% of Mondragon workers currently are temporary and

non-owners, and the cooperative has taken to acquiring capitalist companies whose workers do not all want to work as part of a cooperative (Freeburg, year unspecified).

### **3.c (e) Community Money Systems (LETS)**

Local Economic Trading Systems or, “LETS,” are non-profit systems of currency established by individuals or community based-groups, that community members may use in their local market economy, as alternatives to official, legal money (Brandt, 1999; Ingleby, 1997). Community money systems were used in the United States during the Great Depression of the 1930s and began to be used more extensively again in the 1980s (Brandt, 1999; Ingleby, 1997). While they are illegal in some countries, where permitted, these have proven to fulfill the needs of individuals living in the same locale who have no jobs, no money, or who are not earning enough income (Brandt, 1999).

LETS may be in the form of specially designed printed money, used in the same way as official, national money, based on some agreed upon measure of economic value for work or goods (usually regular market rate), or they take other forms such as “time dollars.” In the former, people gain LETS money or credits in exchange for work or goods. In the latter, an hour’s worth of one service is considered the equivalent of another hour’s worth of some other service in exchange. A person’s total dollar hours, the credits they’ve earned and spent, are recorded and maintained by an organization or institution acting as the time dollar bank (Brandt, 1999).

According to Cahn (1990) “[i]n 1990 it was reported that over 3,000 participants were providing about 15,000 hours of service a month through Time Dollar programs in nine states and the District of Columbia, and the numbers have been mounting steadily since then” (3).

LETS and Time Dollar systems permit the exchange of needed goods and services and through them, people can earn a livelihood by using their work, skills and knowledge (their human capital) when they otherwise would not have the opportunity to through



formal work (Brandt, 1999). LETS also foster social capital among participating community members in that they meet others who they may not have otherwise met, and have the opportunity to potentially develop stronger interpersonal social ties to them (Brandt, 1999). They also provide the opportunity for the poor to decide what goods and services are of value to them, and to attain those. It is estimated that there are approximately 3,000 community money systems operating across the globe, and are known to serve numbers of community members ranging from the hundreds to thousands (Brandt, 1999). LETS are also taxable, though in the United States “Time Dollar” systems are not (Brandt, 1999).

A community money system called “Ithaca Money” begun in 1991 exists in Ithaca

New York, which uses both time dollars and actual printed currency representing them.

An Ithaca Money Hour dollar represents “ten dollars worth of human labor, the average hourly wage in the Ithaca area” (Brandt, 1995: 175). Local businesses and individuals accept the dollar as payment for goods and services (Brandt, 1995: 174, 175). Ithaca Hour

dollars have also been used for paying rent and as loans (Ithaca Money, 1993:1; Glover, 1994).

The “Barter Bank of Ithaca” prints and distributes the HOUR dollar and issues a bi-monthly publication listing offers of goods and services from Ithaca businesses and individuals. Those that are newly listed receive forty dollars worth of HOUR dollars for transactions, and small donations of the dollars are also made to nonprofit organizations in the Ithaca area (Brandt, 1995: 174, 175).

Since Ithaca money first started being used in 1991, 3, 500 businesses and

entrepreneurs have taken to using it and about \$2 million dollars worth has been in circulation (Spayde, 1997).

Community money systems, as other reform CED strategies, do not problematize or oppose dynamics created by the capitalist socio-political economy that contribute to poverty and oppression. They may also be problematic in how they make the economies of the poor taxable and therefore the poor become profitable through their marginalized, informal economies (Ingleby, 1997: 10-11).

### **3.c (f) Community Organizing groups or agencies**

There are some community-based organizations, groups and agencies devoted entirely to political advocacy and/or activism on behalf of communities and CED practitioners. Their activities revolve specifically around identifying, resisting and challenging oppressive, violent, and unequalizing power dynamics and social structural mechanisms (e.g. processes, practices, policies, or laws). This entails coordinated and planned organization. It may also involve political education for practitioners regarding those oppressive and violent forces stemming from socio-political economy, and lobbying either governments or other economically or socio-politically powerful groups or agents for change. Economically and socio-politically marginalized groups organizing for advocacy and activism have had significant impacts in the areas of human rights and human rights based development in the past. Joint-efforts based on the shared needs and interests of various groups and communities have contributed to these civil-society social movements. In the United States according to Marable (1997) for example, African American organizations and community groups, collectively organizing with Black labor unions, successfully lobbied for civil rights and desegregation through the political

clout of their combined strength (39-48). He argues that these same labor unions and African American community groups need to link with their other ethnic and racial minority counterparts in order to improve the quality of work for African Americans (Marable, 1997: 48).

The grassroots-based community reinvestment movement in the United States is another example of how community group political organizing and activism has successfully led to policy and legal changes benefiting the economically and socio-politically marginalized. This movement has successfully pressured banks and financial institutions to invest in marginalized communities by increasing and improving banking and lending services for low income and ethnic and racial minority clients. The community reinvestment movement is also an example of how CED groups have to accommodate changes in the dominant banking system.

Campen (1998) provides a detailed account of why the community reinvestment movement emerged as a response to inadequate banking services in low income and racial and ethnic minority communities (29). From the 1960s to the 1970s, bank branches refused to grant loans to clients belonging to these communities (Campen, 1998: 49). Money from deposits made by community members residing in these neighborhoods was used to make loans to wealthier clients in more affluent areas (Campen, 1998: 49). This was the original motivation behind the community reinvestment movement. As well as the fact that due to economic recession in the mid 1970s, many banks shut down and moved out of these communities' neighborhoods, leaving no geographically close formal banking services for residents (this is referred to as "redlining") (Campen, 1998: 40, 29-

30). Not having access to banking services negatively impacted residents' capacity to earn

credit (Campen, 1998: 42).

Because banks were not in general making as much profit as previously from clients' deposits they took to strategies such as increased lending activity and charging higher bank user fees in order to continue to operate. With these increased fees, interest rate deregulation on deposits and minimum account balance requirements, many low income earners could not afford to use bank services and instead turned to fringe banking as an alternative (Campen, 1998: 40; U.S. General Accounting Office, 1988; Caskey, 1994).

Community groups organized in joint-efforts to protest these practices. As a result, in 1975, the Home Mortgage Disclosure Act was passed, and the Community Reinvestment Act (CRA) in 1977. The CRA makes illegal redlining by banks and financial institutions, and forces them to treat all clients they serve, regardless of branch location equally (NCRC). The Home Mortgage Disclosure Act obliges financial institutions to maintain and disclose records of all loans made and mortgage activity, as proof of whether they are engaging in discriminatory practices against clients based on their geographic location (NCRC). The community reinvestment movement also fought for the "availability of low-cost bank accounts and the ability to cash government checks by non-account holders" (Campen, 1998: 49).

Despite these landmark pieces of legislation, the need for banks and financial institutions to remain competitive with each other and generate profit, forced continued aspects of their deregulation throughout the 1980s: Legal barriers to geographic bank expansion were removed (Campen, 1998: 49). The headquarters of local banks came to

be located in different cities, which negatively impacted the capacity for small businesses to attain credit and loans. With decision-making regarding lending occurring far away and out of a local context, the basis for loans became collateral amounts rather than one's known borrowing and credit history (Campen, 1998: 44-45).

The effects of this removal of geographic barriers to commercial bank and financial institution expansion forced the community reinvestment movement to strategically refocus its efforts (Campen, 1998: 49-50). To deal with the problems created for borrowers by out of city bank headquarters, participating groups began to more cohesively network with community development banks, community development credit unions, micro-loan funds and community development loan funds to supplement traditional banking services (Campen, 1998: 50).

With the removal of the geographic restrictions, community reinvestment groups gained the opportunity to positively influence the quality of banking services and their reinvestment activities during applications for bank companies to acquire out of state banks. Community groups were able to present as evidence a company's record of supporting or not supporting communities, using the CRA provisions, which "required that federal bank regulators...take into account banks' performances in meeting the needs of their local communities when deciding whether or not to approve such applications" (Campen, 1998: 50).

The community reinvestment movement also successfully lobbied the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") to change their lending and mortgage credit guidelines that were based around "white middle-class cultural norms" (Campen, 1998: 43-44, 50). For

example, underwriting guidelines requiring continuous employment in the same occupation excluded would be loan borrowers who frequently had to change jobs because of industry instability. Another example of this is in how individual loan applicants were required through “secondary market underwriting guidelines” to pay a minimum percentage on down payments for major purchases, from their personal savings. Thereby excluding borrowers, such as family members who pooled their savings to make a major purchase. Campen (1998) argues that these are only two of many policies that had discriminatory effects against low-income earners and racial and ethnic minority borrowers (43, 50).

In 1992, the community reinvestment movement’s lobbying led to the Federal Housing Enterprises Financial Safety and Soundness Act. This obliged both the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to “significantly increase their purchases of mortgage loans to low-income home buyers and for homes located in central cities and other underserved areas” (Campen, 1998: 51). The community reinvestment movement has not only targeted banks for their under performance in economically and socio-politically communities, but also “insurance companies, pension funds, investment firms, credit unions, and other financial institutions” to improve their services and reinvest more into these communities (Campen, 1998: 51).

The community reinvestment movement also spawned the formation of the National Community Reinvestment Coalition in 1990, which is a cross-state coalition of over 800 dues paying, national, regional, and local, private foundations, community based, non-profit organizations. While the majority of these groups are lower income and

community based, National Community Reinvestment Coalition organizations in general are made up of multi-ethnic and multi-racial community members, and are involved in different facets of CED and development in general (*NCRC*). They collectively work (e.g. research and lobby) with each other and individual community members, and use the CRA and related laws and policies to monitor the activity of financial institutions and enforce their legal responsibilities to adequately reinvest in, and serve, the residents of low income and racial and ethnic minority neighborhoods (*NCRC*). The coalition's member groups are also still permitted to participate in federal regulator decision-making procedures regarding bank mergers, branch closings and other activities. These organizations frequently form collaborative partnerships with those financial institutions, and negotiate agreements as to how banks and other financial institutions can better serve low income and minority communities (*NCRC*). According to the National Community Reinvestment Coalition website, it is estimated that from these agreements, over \$400 billion has been reinvested into these communities by banks since 1977. This is despite the fact, Campen (1998) argues, that federal regulators throughout the 1980s did not adequately enforce the Community Reinvestment Act or similar legislation (e.g. the Equal Credit Opportunity Act, the Fair Housing Act), in that they did not hold bank companies and financial institutions fully accountable for their not complying with these acts (47-48).

The strength of the community reinvestment movement as a political force is evident in how it resists and is resisted.<sup>5</sup> The community organizations comprising the

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<sup>5</sup> The community reinvestment movement attempted to lobby for banks' small business lending practices data based on race and gender of clients, to be covered by the CRA disclosure requirements. Because the banking industry strongly opposed such disclosure requirements, the final revised version of the CRA only requires disclosure of the geographical location of small business borrowers, not their race or gender (Campen, 1998: 51-52).

movement (such as those of the National Community Reinvestment Coalition) have continuously been forced to fight for the maintenance of the CRA and its existing provisions (*NCRC*). In 1994 Republican leadership in the Congress sought to eliminate the Act, but the overwhelming, nation wide grass roots response prevented this from occurring. According to Campen (1998) one letter of protest “was signed by over 2,000 community-based organizations and more than 200 mayors” (53). The movement also fights legislation that undercuts the provisions of the CRA.

The community reinvestment movement remains active in negotiating with banks to reach agreements over community reinvestment and improved services where these are lacking. The movement continues to have an effect on pressuring federal regulators to enforce CRA standards. The *NCRC* and other community-based organizations continue to lobby for CRA requirements to apply to all financial institutions, (e.g. companies, firms, funds and organizations), not only banks. And these groups are still fighting for disclosure of data regarding bank lending practices and services to small business borrowers based on race and gender, to assess for discriminatory lending (Campen, 1998: 54).

Kleine, Dolgon and Dresser (2000) provide an in depth example of a single grassroots community organization that utilized transformative, political education for critical consciousness and assumed political advocacy and activist activities to challenge oppression. They describe the Homeless Action Committee (*HAC*), which operated in Ann Arbor, Michigan throughout the late 1980s and the mid 1990s (Kleine, Dolgon and Dresser, 2000: 23). The CED practitioners comprising *HAC* included students, local individuals who were at the time, or had previously been homeless, and local individuals



who had not been homeless. The organization formed as a response to threats by City Council to close a daytime homeless shelter program. HAC succeeded in preserving the day program, but failed in an attempt to also gain more funding from the city to deal with the shortage of affordable housing for local low income earners. In response to this failure, the organization members took to researching public expenditures and publicly drew attention to the fact the city funded pro-growth business economic development initiatives and speculative ventures. They continued to campaign for the city to invest more in low-income housing instead of standard pro-growth, business expansion initiatives. HAC successfully lobbied to stop the building of a parking structure that would have resulted in the removal of a number of empty houses, by taking over the houses for a prolonged period and using them for the group's organizing space and as residential spaces for some homeless families. At one point HAC members took over an office building that had been bought to house the city's planning department as a form of protest. For two months HAC members set up a tent city on Ann Arbor's main street at night to maintain public awareness regarding the issue of the city's homelessness, and to use as a site to collaborate with a "newly formed Homeless Union" for further political education and organizing (Kline, Dolgon and Dresser, 2000: 30).

When HAC still did not get enough support for city investment in affordable housing, group members joined with members of Ann Arbor's African American and low income communities in researching how business enterprise development of the city's down town for consumerism had displaced these communities and contributed to the shortage of affordable housing (Kline, Dolgon and Dresser, 2000: 28). This was accomplished through archival analysis of old newspapers, bank documents, and planning

committee minutes, as well as interviews with people who had previously lived in the downtown area. They gave public tours of these downtown areas, explaining their histories of displacement and gentrification and highlighting the city's emphasis on large scale, modernized, pro-growth economic development strategies that predominantly benefited the city's wealthy, "upwardly mobile" residents. Particularly those working in "the local high-tech, health care and knowledge-based industries..." (Kline, Dolgon and Dresser, 2000: 29). Besides the activities described above, HAC staged marches, "addressed City Council countless times, took over the City Council's seats, circulated petitions, ran political campaigns, and spoke to diverse student, religious and progressive audiences" (Kline, Dolgon and Dresser, 2000: 26). These activities gained much media attention and fostered public awareness of the city's prioritizing business enterprise and the economic and consumer interests of the wealthier segments of the local population, over the needs of the local poor (Kline, Dolgon and Dresser, 2000: 26).

HAC deliberately tried to avoid hierarchy among group members through the use of consensus decision-making and through attempting to foster a spirit of community and interdependence among the members. Up until HAC broke up in the mid-1990s, the group members maintained their agenda for political advocacy, activism and public education to challenge and highlight the oppression and marginalization caused by the local government's orientation toward traditional capitalist pro-growth economic development (Kline, Dolgon and Dresser, 2000: 30).

While these are examples of how CED in its various forms has had successful and beneficial results in the lives of the poor and politically marginalized, all CED shares common potential problems that may lead to their being ineffective, or worse for

participants.

#### **4. Critique of CED strategies and theories**

Pre-existing dynamics of power inequality and relationships based around protecting the economic wealth of those who benefit from mainstream capitalist economic violence may sabotage CED and the goal of attaining human development in a number of different ways. Economic and social power inequality that pre exists or develops among CED participants may also ruin the goal of establishing a viable, sustainable, democratic, local market economy that all community members can participate in and benefit from. The pursuit of economic wealth generation may also conflict with the goals of social well-being intended for a community. A strict focus or over emphasis on economic aspects in CED, may cause hardship for marginalized groups in that they may be made to suffer geographical displacement from, or gentrification of their living spaces. This may result, for example, if CED businesses or micro-enterprises are designed to generate economic wealth by appearing upscale and marketing to wealthy customers and clients. There is a danger that any CED may be so focused on economic wealth generation that participants follow a modernized, rationalized strategy that completely neglects quality of life issues or social well-being, or that is not ecologically sustainable. Any CED or development initiative might lose track of those goals, and reproduce economic violence or the exploitative power dynamics of capitalism, effecting the marginalized within the community or those beyond the immediate community or locale.

The various components of civil society, such as these organizations, may be used as justification for economic deregulation and devolution of government powers. The success of civil society organizations and movements can contribute to both neo-liberal

and neo-conservative ideology that it is best people run society themselves without interference or restriction, that civil society is a more beneficial alternative to a governing state apparatus, and that the poor have the capacity to end their poverty (Blair, 1995: 6-7; Van Beek, 1999 : 439, 446; Mohan and Stokke, 2000; Morduch, 1999a: 1570).

Another way economic and socio-political exclusion is reinforced or reproduced, as previously described, is in how politicians, agencies or organizations may only fund, support or legalize development programmes or strategies that fit with the objectives of a capitalist socio-political economy (i.e. strategies supporting mass consumerism, global free trade, exploitable labor power and cheap production costs, large scale industrial development projects, or maintaining geographic segregation of different groups)(e.g. Flores, 1987). Or they may emphasize more so than others strategies that are more compatible with, and do not challenge the capitalist economy (Stoecker, 1996; Kotler, 1971). Some argue that those and CED that focuses on individual empowerment through private wealth accumulation rather than group empowerment, have the effect of preserving existing economic and political power relations and preserving an economic and socio-politically marginalized under class (Harrison 1974.; Kotler, 1971; Shuman, 1999).

Groups or individuals partner or negotiate with government agencies, corporations

or other organizations for CED. Many CED practitioners and theorists point out that such arrangements can cause dependency upon the more economically and politically powerful

parties in the partnership, and for the lesser powerful parties, vulnerability to exploitation and coercion (Sirolli, 1999; Kotler, 1971). Funding, or the capacity of the lesser powerful

partners to act independently or exert control over the CED may be restricted or conditional in ways negatively impacting them.

Some argue that CED groups and other community development organizations have taken on more service delivery roles, and at the same time they have also become institutionalized and depoliticized (e.g. Fisher and Shragge, 2001; Stoecker, 1995; Rubin, 2000: 43-66). This has been a criticism of professional CED and NGO training for certified “specialists” or “experts.” That they are not often enough trained to consider ideas for political advocacy in programmes or development initiatives that they participate in (Kamat, 2003: 67). This has the effect of neglecting to address power dynamics that oppress or exclude.

The theoretical conceptualization of the role of “social capital” in contributing to CED and economic and political empowerment of marginalized groups has been criticized. It has been argued that social capital theorists have failed to account for how economic and resource differentials among individuals and groups heavily influences the degree of success of CED (Defilippis: 2001a; Portes, 1998). That is, social capital is actually “cultural capital,” but this meaning has been lost in the development field. Critics

of social capital theory in development point out that an individual’s personal resources, assets and financial capital are usually related to their social circles and the communities they belong to. They argue that “social capital” - the level of potential power and resource

capacity originating from a person’s social networks and relationships to others, is directly dependent upon whom their social relationships are with. From this perspective, social capital, or the power from their relationships to other people may be “hierarchical”

(that is, they have unequal power), “horizontal” (the same level of power), or they may have no social capital (their social ties are fragmented) (Flora and Flora, 1993; Flora,

Sharp, Flora, and Newlon, 1997). Social capital may also act as a coercive force

(Schulman and Anderson, 1999). One’s socio-economic background (the level of financial wealth one has access to and benefits from at birth and throughout their life) affects who they associate with and have social ties to. People who have social ties to others having limited economic power and personal resource assets have less resource capacity overall to work with in CED, which impacts its transformative capacity.

Similarly, participation in voluntary associations usually occurs after a particular standard

of living and income has been attained. It is important to consider this when assessing the relevance or effectiveness of social capital (relationships and social ties) for alleviating poverty and contributing to the self-reliance of a community and to market economies.

The issue of social or cultural capital is relevant in that a number of instances have been documented wherein the members of the marginalized group who are most likely to be included in and to succeed in micro-enterprise development programmes, are those who have the most work experience, education, personal financial and social assets (i.e. social networks to those of similar socio-economic background) (e.g. Schreiner, 1999). In other words, they are those who have the most assets to work with. At the same time, evidence indicates that the most economically and politically marginalized, and the “chronic” poor, are least likely to be directly included in CED projects (e.g. Matin and Hulme, 2003; Getubig, Remenyi and Quinones, 1997: 10-13; Zamman, 1996: 15-18). Their economic and socio-political exclusion, and their needs have proven thus far, least likely to be effectively addressed in development projects generally. This is a problem all

forms of CED and development potentially suffer from: how to ensure it is the economically and socio-politically marginalized who are participating in, directing and benefiting from the CED, without reproducing the dynamics of exclusion (Fairley, 1998).

A potential obstacle in attaining the goal of a lasting, self-reliant, viable market economy that a community can rely on is effectively reinvesting any economic capital generated back into the community. This is the rationale behind most micro-enterprises and collectively owned businesses. Money and resources earned remain circulating in the community thereby sustaining other businesses and financial resources. It is this re-circulation of economic and non-economic wealth in the community that creates self-reliance. There is difficulty in effectively designing CED in a manner so participants reinvest for greater resource capacity building, instead of spending or investing that wealth outside the community (whether the community is a shared interest and needs group or the more general community living and interacting on a daily basis with each other in a geographic location). There is the possibility that CED participants after attaining economic wealth move to wealthier locales, or choose not to associate with their former shared interests and needs community. Effectively creating CED that benefits an economically and socio-politically marginalized community beyond the immediate CED participants, or that can find ways of including greater numbers of those community's members is the key to self-reliance of a local market economy. Yet the challenges to successfully achieving this are virtually overwhelming (Kotler, 1971).

Finally, all CED share the fact that benefits arising from these strategies occur slowly and incrementally over a prolonged period (Gannitsos and Sawyer, 2001: 10-11). Based on the above arguments and cases, it is possible to conceptualize indicators of

whether CED is reproducing economic violence and power dynamics of socio-political exclusion, and the extent to which it is, or is able to effectively contribute to genuine

human development and “empowerment.” Some of these indicators include:

- The history of the CED. Who decided to undertake the initiative and for what reasons; what the purposes of the CED were.
- Who designed the CED and how was it designed and implemented (i.e. were local community members involved and which community members). Who of the community did not participate in the design of the CED or its implementation; who of the community are yet participating.
- The extent to which politically disempowered and poor community members run the CED and have directed its design and implementation.
- The extent to which the CED addresses or has accounted for the needs and social and quality of life issues of the participants and of the community (ideally the marginalized community intended to benefit from the CED).
- Whether the CED follows modernist, rationalized processes (e.g. smokestack chasing).
- The resources and networks used in the development (e.g. partnerships with funders and their conditions)
- Who is benefiting (has benefited) from the initiative and in what ways; whether set goals are being met. What the initial chosen indicators of progress reveal; whether there are any negative side effects occurring (revealed by indicators for quality of life, quality of work, ecological sustainability for example).

## **Chapter Summary**

The idea of human development based on capitalist economics has proven a failure. The effects of intervention of Northern financial institutions and governments in nations of the South to alleviate poverty and exclusion through exporting and facilitating the implementation of the capitalist economic model has not only caused more poverty, debt and exclusion in those nations, but has also caused the same for many groups living in Northern nations. Development initiatives also have a history of failure due to not



addressing existing power inequalities between and within groups intended to benefit from development. Because of this history of failure of the capitalist model to benefit all people equally, a number of economic and social theorists have proposed alternative models of market economy that they argue do not reproduce exclusion, and that may alleviate poverty. These alternative models of market economy are grounded in local and community market processes and revitalization, and revolve around the idea of integrating the goals of social well-being and economic wealth generation, in ways that would eliminate economic violence and lead to human rights based development.

One of these models is that of “community economic development” (CED). CED entails many different strategies to increase the capacity of community members to create their own economic wealth and viable self-reliant political economy. It may also entail service provision and challenging and attempting to dismantle existing oppressive power dynamics. CED is based on the premise that community members having control over their local resources and their allocation is empowering for them (though there is debate about how to most effectively attain that empowerment). While CED may create intended benefits and be successful, like other forms of development assistance however, it has the potential to be co-opted or used in a way to reproduce marginalization and exploitation in the interests of those for whom it would benefit. Certain variables such as who is running a CED project, how it is being run, and to what ends among others, can indicate the likelihood CED will have beneficial effects for marginalized communities or not.

## Chapter 3

### ***The need for CED to challenge power dynamics of the capitalist socio-political economy***

As previously stated, attempted CED, “development” or alternative economies may be used or appropriated in a way that reproduces economic and socio-political exclusion, or that supports a neo-liberal or neo-conservative capitalist economic agenda. For this reason and a number of other reasons, there is a strong argument for the value of CED incorporating a deliberate political advocacy role that challenges the dynamics and structures of the existing capitalist socio-political economy that produce economic violence and exclude groups of people.

I have argued in chapter one that global, capitalist market economies, modernization and industrialization have not alleviated poverty. Even as actors have successfully used their agency to create and enforce legal means for preventing economic violence and political disenfranchisement, those opposing such measures for the sake of their private capital accumulation and economic power find ways to subvert and circumvent protection and power equalizing mechanisms.<sup>6</sup>

In this context, economic and political power as an ongoing dynamic is most apparent. In a typical capitalist socio-political economy, CED practitioners, economically and socio-politically marginalized groups and the most economically and politically powerful actors are in a perpetual struggle to attain and preserve what power they have, and to gain more.

It is for these reasons that in some cases CED needs specifically a political

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<sup>6</sup> Voyageur and Calliou (2003) provide examples of how the Canadian government has attempted to stop Aboriginal people from being able to exert control over their own local communities, so as to not give up state economic and political power over those marginalized groups.

advocacy component, pressing the need for human rights based development, in order to challenge socio-political exclusion (e.g. Sites, 1998; Belanger, 2001). While CED strategies of human capital and resource capacity building have the potential to successfully create empowerment through generating economic wealth for participants, these methods cannot reconcile the profound economic and political power inequalities stemming from disparities in personal economic wealth and assets. Further, CED strategies revolving around resource and institutional capacity building are focused primarily on changing the CED participants in a way that they may integrate into and participate in the wider market economy or create a separate, self-reliant market economy.

These strategies in themselves do not problematize power structures of the capitalist socio-political economy. They do not focus on dismantling social hierarchy or changing business practices that negatively impact people or destroy ecological life support systems.

Focusing solely on economic wealth generation and resource capacity building without a goal to problematize oppressive and exclusionary socio-political economic power dynamics, likewise does not directly illicit changes in economic laws and practices that create and enforce those dynamics (e.g. free trade laws remain intact). Government policy and political economic dynamics external to a locale have profound impact on daily living and work in those places.

Revisiting the ideas first described in Chapter 1 there is yet a need to make corporations accountable to ordinary citizens, which would only occur through government making them more accountable. For this reason there is also a need to make government more citizen directed and accountable to its citizens. For CED and other

development networks to work, government must, to an extent lose its modernized and rationalized orientation that is conducive to capitalism, and enact legislation and policies that are conducive to development based in an agenda for human rights outlined in Chapter 1. Government needs to prioritize the needs of citizens in a way that does not allow economic violence. CED is not likely to be successful in an environment where government policy and investment is not conducive to it and the creation of small scale businesses and local market economies (Seley, 1981: 48-50; Gannitsos and Sawyer, 2001: 9-11; *Investing in Canada's Communities*, 2001, Sen, 1999; Rubin, 2000: 67). Public services need to support CED business enterprises in order for them to be successful (Seley, 1981: 48-50).

Another reason why CED at times needs to challenge existing economic power dynamics is that without government investment in its citizens and their local environment, human development can never be fully attained (Sen, 1999: *Investing in Canada's Communities*, 2001; *Helping Canadians Help Canadians*, 1998: 10-11).

## **1. Dynamics of socio-political exclusion and power inequality in CED**

More evidence that CED needs to specifically address and factor in existing relations of power inequality and exclusion, is the reality that exclusion and disempowerment are not experienced equally among the members of economic and socio-politically marginalized communities themselves.

Waldinger, (1986), and Young (2002) argue that the concept of “community” is problematic in that community is a process that defines boundaries between groups of people and separates individuals based on the idea of whether they belong or not. In this

sense, community is a process that grants membership and benefits to some, while it excludes, oppresses, or stigmatizes others. While a community may be economically and socio-politically marginalized from more powerful communities, they too may have inner social hierarchies. Marginalization and exclusion may manifest against individuals living in the same geographic area with a community to whom they are not accepted as belonging to. Community members themselves may come to be alienated or excluded from the wider group on some basis.

CED and development processes have the potential to reproduce and reinforce economic and socio-political disparity between community member participants. Practitioners face considerable obstacles in preventing this. The problem with CED and development involving extra local practitioners or professional “experts,” is that frequently they and the community members participating in the CED, come from different socio-economic status backgrounds, have different forms and levels of cultural capital, and therefore have different knowledge and understanding of unequal power relations (Kamat, 2003: 69; Wint and Sewpaul, 2000). These specialists may have no knowledge or understanding of existing unequal power dynamics specifically among the local community members, or between they and the community members participating in the CED (e.g. women being granted less authority and socio-political power than men). CED practitioners cannot ignore those power dynamics within the community and in the immediate locale, or those between themselves and other CED participants. It is important to not assume from the beginning that all community members have the equal opportunity for being included and participating in the CED, or are acting completely open and unrestricted in the process (Kapoor; 2002).

CED theorists have written on the emergence of women’s CED. In response to

women being repeatedly left out of CED planning and initiatives, and their needs and interests failing to be addressed in standard local economic development practice. Separate CED initiatives for women have had to be started to specifically address women's needs. This separate women's CED has been necessary because power inequality and social hierarchy based on gender, become replicated in development initiatives. Traditional social hierarchy, power imbalance, and socio-political exclusion based on men's and women's unequal economic wealth and personal assets (stemming from gender wage disparity, being disproportionately channeled into low pay, low benefit jobs, and being forced to assume more care for dependents and therefore less time in the paid labor force), were being reproduced in development programmes and initiatives. Development scholars have often neglected how gender power dynamics manifest in development activity.

Blumenberg (1998) argues that government intervention and structural changes to the socio-political system are necessary to end women's marginalization. The influence of local economic development and economic forces alone will not change gender power disparity. She also points out how economic power inequality is reproduced along racial lines.

CED must be designed to make extra effort to factor for, or challenge and change those unequal power dynamics when appropriate. CED practitioners, whether immediate community members or from outside the community, need to problematize how the CED, themselves, and their actions may reproduce and reinforce negative power dynamics (e.g. processes that may contribute to economic wealth and socio-political power disparity and the effects these may have for community members). There are a number of documented

examples of CED wherein more economically and socio-politically powerful community members and participants have influenced the design of the strategy or programme in a way conducive to their own capital accumulation and excluded those less economically and socio-politically powerful from the initiative and its benefits (e.g Zekeri, 1999; Kumar and Corbridge, 2002; Raco, 2000; Platteau and Abraham, 2002).

## **2. Ways of maximizing capacity of CED to be effective**

The following are a list of key components singled out in the CED literature and that of alternative economies, as being particularly important, inter-linking factors (resources) to draw from and incorporate into any CED initiatives whenever possible. It is argued these CED strategic methods are significant because they contribute the most to CED's potential effectiveness for achieving a self-reliant local market economy and in challenging processes of exclusion and economic violence stemming from the capitalist economy.

### **2.a Political Advocacy/Activism, Networking and Organizing**

For reasons described in the proceeding section, some form of actively challenging dynamics of power in the capitalist socio-political economy that maintain economic and social inequality are necessary to effectively challenge economic and socio-political marginalization. In CED this entails lobbying governments, employers and law and policy makers to change processes that inhibit human rights based development, and to switch from a modernized and rationalized, capitalistic economic model of governance, to a citizen's and human rights model (e.g. Anglin, 2002; Sites, 1998).

It is important for CED to assume this role when possible because most resistance to the capitalist socio-political economy comes from people who experience its negative effects the most (Summers, 1985). Those who do not suffer directly from or experience economic violence are less likely to realize its existence, or fight to stop it. Because of this, the most powerful force to change capitalistic governance and economy is from unified social movements that tend to come from the economically and socio-politically excluded and grassroots organizations that serve their similar interests. Sometimes a particular group, organization or community cannot undertake a political advocacy/activist role in their CED due to budget and resource restrictions, or because of established partnerships with other organizations or agencies that require them to assume a collaborative role. Or, there may be conditions of the partnership that restrict them from this. In such cases, Knight (2000) suggests they attempt to network with and become aligned with organizations that can undertake such work on their behalf. This allows the former to maintain a harmonious partnership, while the other political advocacy group, can assume the public image of being a political advocacy organization and act as a target for any criticism or resistance to the political advocacy work and activism.

CED by having a political activist or advocacy component can contribute to broader, organized social movement with greater power to challenge the capitalist socio-political economy and effectively change or end the prevalent capitalist model of economy (Fisher and Shragge, 2002; Marable, 1997).

Sassen (2002: 161- 170) and De Filippis (2001a) write that the roots of the globalized capitalist economy (and therefore economic violence and socio-political exclusion) are embedded in local processes all over the globe. Because such global,



political-economic processes impact at the local, national, and international levels across nations, a social movement for human rights based development requires networking with other development groups and human rights organizations at local, national and international levels (De Filippis, 2001a). Civil social movement in the United States led to greater civil rights, and according to Fisher and Shragge (2002) civil social movement is needed in order to gain greater social and cultural rights, achieve human rights based development and to end global economic violence. Global social movement is needed to effectively challenge global, transnational capitalism (De Filippis, 2001a). A CED movement could also contribute to a more global civil social movement. For these reasons, CED organizations and practitioners networking with one another and other human rights oriented and watchdog groups is valuable. Such networking is necessary to engage in coordinated and united strategies for activism and resistance. This would build a social movement for alternative forms of economy that could potentially replace the global, capitalist economy. Joint-effort strategies between international human rights groups and organizations can pressure governments to change legislation and policy and force changes in economic practices. Social movements have led to success and inroads into human rights development in the past, any further progress will come from these sources also (Marable, 1997; Shragge, 2002).

## **2. b Political Education**

In order for CED practitioners to achieve their goals, knowledge and understanding of the many ways power dynamics create inequality and exclusion is needed. This requires challenging learned knowledge from capitalist socio-political

economic ideological apparatuses that reproduce and maintain the system. This learned knowledge that practitioners may have internalized include the myths and stereotypes regarding poverty, gender and race and the capitalist free enterprise market system described in the first chapter. CED is a site where those capitalist ideologies can be closely examined to reveal what they really are, such as learning the true value of one's work and to problematize the political system and economy that excludes them (Morgan, 1996; Shor and Friere, 1987: 97-119). Studying and documenting the narrative or history of power structures and governing ideology in a given area can be used in a way to change those power structures (e.g. Calliou and Voyageur, 2003; Griffith, 2003). In CED initiatives, this means "political education" or "transformative education": Studying the dynamics of power stemming from the capitalist socio-political economy in order to raise critical consciousness of their existence among the practitioners (Shor and Friere, 1987; Horton and Freire, 1990). CED is a site where community members can share their common experiences of discrimination and exclusion, highlighting how such incidents are not isolated, but are systemic. Political education teaches the history of oppression of particular groups, so that those community members and other practitioners can understand, articulate and recognize the forces that have oppressed them (Okazawa-Rey and Wong, 1997: 24-39).

Consciousness of power dynamics that exclude and how they do so, allows people to think reflexively and act transformatively (Shor and Freire, 1990). Identifying sources of oppression permits CED practitioners to design ways of effectively attacking them.

Establishing those needed goals to advocate for, and organizing around those needs, rather than just organizing for the sake of organizing as some CED theorists suggest, is

critical to achieving socio-political empowerment (Akinwale-Bandele, 2003). In order for

transformative, political education to be a part of a CED initiative, it is necessary that some of the participants involved know to specifically address such issues, which is why CED specialist or “professional” training should encompass political education. So that CED practitioners coming from outside marginalized communities will know addressing oppressive power dynamics is necessary when possible. There is a need for CED

organizers and practitioners to be able to critically evaluate development initiatives and to

be able to assess potential beneficial or detrimental effects of a strategy (e.g. Wilson, 1996). A purpose of political education in CED is for teaching practitioners to be aware of potential ways their initiative may be co-opted and used to exploit themselves.

There is debate among development theorists as to the extent of teaching that a CED practitioner should engage in. The political educators and activists Freire and Horton (1990) argue that political educators must not impose knowledge beyond the perceived reality of the participants- Only to instill the need for knowing in participants (66). According to them, political educators should teach development practitioners what they would like to know, and not beyond that or perceived needed knowledge. Political educators should “provoke the discovering of need for knowing” yet never impose knowledge “whose need was not yet perceived” by the participants (Freire and Horton, 1990: 66). In this sense, politically educating is passing on requested information so participants can make informed decisions. Morgan (1996) argues that political educators in development have to teach from the contextual reality of the participants, and that they should not address issues of power dynamics that the participants have not yet discovered or experienced on their own. This is because such issues may be too volatile or endanger

the participants.

According to Morgan (1996), community member development practitioners need to be permitted to formulate their own questions and answer them with their own explanations and words, because they know better than outsiders the potential reprisals for political advocacy and resisting existing power dynamics (207, 200). Bopp (1986) writes that knowledge and learning processes evolve as a result of the individual's lived experience in a specific locale or community. This must be factored for in development strategies. Swanson (2001) argues however that development practitioners and participating political educators should "...name unacknowledged realities, so that the parameters of the situation expand to include everyone's experience" (196).

Aside from this debate, if not coupled with action based on knowledge it generates, political education will not contribute to social transformation (Shor and Freire, 1987: 121-141).

## **2.c Ensuring the Participation and Guidance of the Most Marginalized**

There are numerous articles describing development that failed to include or benefit the chronic poor and those who are marginalized (e.g. Amin, Rai and Topa, 2003; Matin and Hulme, 2003; David, 2003). There are many examples where CED participants have not factored in existing power dynamics between themselves, that in turn led to the reproduction of exclusion and failure to meet the needs of the most marginalized. Those are community members and participants with the least social (cultural) capital and personal assets to draw from. In order for CED to positively and effectively contribute to the lives of economically and socio-politically marginalized individuals, there is a

definite need to ensure that they are participating in and guiding the direction of the project. CED practitioners and those contributing may need to take it upon themselves to make specific, extra efforts for inviting and allowing the opportunity for those most marginalized to participate. Sometimes unequal power relations between community members and potential CED participants cannot be effectively balanced in a way that all participants needs or interests are represented in the initiative. What may need to occur is for the more marginalized participating groups or individuals to detach from the original initiative and start another that specifically addresses those issues most relevant to their immediate needs, either operating entirely independently from the original, as a partner initiative with it, or as a separate initiative within it. Individuals leading CED initiatives or outside “experts” may need to consider separate initiatives for community members based on existing economic and socio-political power imbalances among them. That is, separate initiatives that specifically factor for those power imbalances or are designed to compensate for them in a way that permits the more marginalized members to gain economic and socio-political power and retain any generated. There is a critical need to avoid reproducing or strengthening power inequality between different groups who may or may not have members participating.

## **2.d Addressing and Assessing Conflict**

It can be argued that conflicting ideas arising between CED practitioners and community member participants is good in that it is usually an indicator that genuinely marginalized people are participating, and important issues regarding power inequality and socio-political exclusion and under representation are being raised and not neglected.

The acknowledging and addressing of these power dynamics permits the initiative to be designed in more effective ways for those it was meant to benefit (Gage and Hood, 1997: 58). The emergence of conflicting views and priorities between CED participants, and how they are handled, may also serve as an indicator as to whether particular partnerships with other groups, organizations, agencies, or individuals would be positive or not for the initiative, and whether they should be permanently established or avoided. According to Chavis (2001) coalitions of different communities and interest groups in CED are important because participating members may learn about issues of exclusion and economic violence that they would otherwise not have the opportunity to learn about when conflicting and contradictory views and knowledge are shared. Discussion of different or conflicting goals between participating CED group members is one way to address and attempt to balance dynamics of power inequality and exclusion (Chavis, 2001). These strategies can lead to coalition forming between various marginalized groups, who could then lobby for positive social and political transformation with increased strength together (Okazawa-Rey and Wong, 1997: 35- 38). Horton and Freire (1990: 180) describe conflict in the community organizing and development process as “the midwife of consciousness,” in that it raises awareness among the participating practitioners of power dynamics between them and of external power dynamics that oppress them.

## **2.e Reflexivity and Critical Self-Examination**

There is a need for CED practitioners to critically evaluate their initiative for any problems that may be occurring and for the initiative’s progress in achieving desired goals or failure to do so. There is also a critical need to share personal experiences with

other CED groups and organizations, and to in turn learn from their experiences. This is another benefit of networking in CED: information sharing regarding experiences of success and failure (Rubin, 2000: 134-135, 215-236). CED initiatives can have the effect of positively changing through participants' self-critical analyses of the initiative at given points, and can contribute to the success of other CED initiatives. Ongoing monitoring of one's CED provides important data as to any modifications of the initiative or strategies that should be made in order for it to be running most effectively in relation to set goals (Eisenberg, 2000; Gage and Hood, 1997: 27).

## **2.f- Informed and Equal Decision-Making Power.**

CED initiatives need to operate in a way that participants have equal power to direct the activities of the initiative (e.g. participants in a CED initiative need to have the choice of forming or ending partnerships with other organizations). However, there is debate in the CED literature over which processes for decision making are most beneficial: democratic voting by participants on issues, or processes of negotiation and compromise to achieve the most compatible and agreed upon goals for the CED activities, that would ideally represent the interests of all participants (e.g. Leeuwis, 2000). The argument is that negotiation, compromise and persuasive convincing are better processes for realizing and addressing different or conflicting goals and interests, and taking action in order to make these as compatible as possible (Leeuwis, 2000; Roseland, 1998: 183-184). Regardless, not discussing conflicting goals, interests and needs among participants in the initiative, may allow those conflicts and potential power imbalances to remain intact and be reproduced in the CED.

## **2.g- Questioning or Problematizing the Role of Experts**

Horton and Freire (1990) and Shor and Freire (1987) argue that marginalized communities participating in development and political education become empowered by being able to direct, and make their own decisions regarding their development. This is because the community members themselves know their needs, their community and resource capacity levels better than non-community members. Further, professional CED or development “experts” not belonging to the community may not understand existing power dynamics or may cause unequal power dynamics and exclusion to be reproduced in the CED (Edwards, 1989: 117, 133; Rew and Rew, 2003). Development “experts” having come from a professional training background have a tendency to neglect political advocacy or education in their CED work (Kamat, 2003: 67, 69; Escobar, 1995: 44-47). For these reasons “experts” or outside service providers should as much as possible follow the direction of the participating CED community members and take on a role whereby they add on to the knowledge and experiences of the participants (Horton, 1990: 128, 129). The role of the expert is to provide facts and information when asked for, thereby allowing participants to make informed decisions upon courses of action. This is more empowering for participants (Horton and Freire, 1990: 127-130).

## **2.h- Keeping Money in the Community and CED Sustainability**

There is a need to ensure CED initiatives re-invest as much as possible, resources and economic wealth generated back into the community. This is so that the CED initiative can effectively contribute to the creation of a sustainable and self-reliant local market economy (e.g. participants buying local products or services and encouraging



others to buy local) (e.g. Carrillo and Anner, 1997; Nozick, 1993:21-22).

Ideally CED strategies for generating profit should employ activities participants already know how to do, be based in local practice using local knowledge and local resources, and be sustainable at the local and ecological level (Roseland, 2000; Sirolli, 1999; Gegeo and Watson-Gegeo, 2002). The more sustainable and self-reliant the CED is, the more the local market economy created is less likely to reproduce capitalist economic dynamics or create vulnerability to economic exploitation from external actors (Abascal-Hildebrand, 2000; Kotler, 1971).

## **Chapter Summary**

Some CED theorists and practitioners argue that certain factors incorporated into CED increase the likelihood of its success in contributing to empowerment of the marginalized and in stimulating local market economies. These factors include: networking with other CED organizations and information sharing with them; political education among practitioners; ensuring the participation and guidance of the most marginalized community members in CED; addressing and examining sources of conflict or conflicting goals among participants; practitioners engaging in reflexivity and self-critical examination of how a CED project is progressing; informed and equal decision-making power among practitioners; questioning and problematizing the role of experts in CED; ensuring that CED is sustainable and ensuring financial capital generated circulates in the community's local market economy for as long as possible. It is also argued that if possible, CED projects should encompass political advocacy and activism and deconstructing and challenging oppressive and marginalizing power dynamics.

## Conclusion

As noted in a number of the case examples described above, CED has the potential to be an effective tool for both poverty alleviation and empowerment for economically and politically marginalized groups. CED comprises potential means for establishing viable, self-reliant market economies as alternatives to a capitalist economy, as well as means for people to redefine cultural values, and create and participate in their own democratic political system. It further has the potential to contribute to social movement that can effectively change the prevalent capitalist political economy.

Unfortunately, there is also the potential for it to be co-opted and manipulated for both neo-liberal and neo-conservative capitalist political agendas that reinforce exclusion, exploitation, social inequality and other forms of violence. It may also reproduce or reinforce social and power inequality between practitioners. There is a need for CED to factor for those. To avoid those pitfalls CED needs to be planned and guided by those communities whom it is intended to benefit, and to be monitored and evaluated as to its effects over time.

It is important to re-emphasise that there are many different types of and strategies for CED because economic violence takes many different forms. A particular CED project is a strategic response to the experiences of exclusion and oppression of an individual group and community.

CED undertakings are responses to different forms of political economic violence, and are designed to serve different purposes. CED projects are continuously adapting and changing processes to counter or complement other processes effecting a marginalized

group or community. CED itself may be resisted or opposed. Because of this there is no one general CED strategy that would be appropriate or effective in all instances.

Circumstances, variables and relations within the immediate locale and outside it will impact the success of CED; policies, laws and other actors have the effect of supporting or working against it.

In conclusion, CED is an alternative to capitalist political economies, including the new economy, because it is a means to redefine what is considered as having value and it is a means for opposing economic and state violence. This is in how CED can create community controlled market economies for economically and politically marginalized groups to participate in, as well as in how it is various strategies for challenging and undoing capitalist power dynamics.

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# APPENDIX A

CED principles designed by participants of the Neechi Food Cooperative to incorporate into their work and daily living.

## **CED Principles (Criteria)**

### **1. Use of Local Goods and Services**

- .1 Purchases of goods and services produced locally.
- .2 Circulation of income within the local community; less income drain.
- .3 Stronger economic linkages within the local community.
- .4 Less dependency on outside markets.
- .5 Greater community self-reliance.
- .6 Restoration of balance in the local economy.

### **2. Production of Goods and Services for Local Use**

- .1 Creation of goods and services for use in the local community. .2-.6 Saneas1.2-1.6.

### **3. Local Re-Investment of Profits**

- .1 Use of profits to expand local economic activity.
- .2 Stop profit drainage.
- .3 Investment that increases community self-reliance and cooperation.

### **4. Long Term Employment of Local Residents**

- .1 Long term jobs in areas which have experienced chronic unemployment or under-employment.
- .2 Reduction of dependency on welfare and food banks.
- .3 Opportunities to live more socially productive lives.
- .4 Personal and community self esteem.
- .5 More wages and salaries spent in the local community.

### **5. Local Skill Development**

- .1 Training of local residents.
- .2 Training geared to community development needs.
- .3 Higher labour productivity.
- .4 Greater employability in communities which have historically experienced high unemployment.
- .5 Greater productive capability of economically depressed areas.

### **6. Local Decision Making**

- .1 Local ownership and control.
- .2 Cooperative forms of ownership and control.
- .3 Grassroots involvement.
- .4 Community self determination.
- .5 People working together to meet community needs.

## **7. Public Health**

- .1 Physical and mental health of community residents. .2 Healthier families.
- .3 More effective schooling.
- .4 More productive workforce.

## **8. Physical Environment**

- .1 Healthy neighbourhoods.
- .2 Safe neighbourhoods.
- .3 Attractive neighbourhoods.
- .4 Ecological sensitivity.

## **9. Neighbourhood Stability**

- .1 Dependable housing.
- .2 Long term residency.
- .3 Base for long-term community development.

## **10. Human Dignity**

- .1 Self respect.
- .2 Community spirit.
- .3 Gender equality.
- .4 Respect for seniors.
- .5 Respect for children.
- .6 Social dignity regardless of personal, physical or mental differences.
- .7 Social dignity regardless of national or ethnic background, colour or creed. .8
- Aboriginal pride.

## **11. Solidarity Among Self-reliant Communities**

- .1 Mutually supportive trade among organizations with similar community development goals in Winnipeg and elsewhere.

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### **Source:**

“It’s Up to All of Us!” Year unspecified. *CED Principles (Criteria)*. Winnipeg, MB: Neechi Food Cooperative Ltd.

## APPENDIX B

An elaboration of the Neechi Food Cooperative CED principles.

### **Women and the Economy: A Project of UNPAC**

## **Community Economic Development**

Community Economic Development or CED is a process or strategy that is used to analyze economic systems and their impact on a community. CED looks at how money moves through a neighbourhood or a community and what impact that movement of money has on the people within the community. It also looks at what is needed within the community. The key concept of CED is using local resources to meet local needs while at the same time creating healthy and economically viable communities. CED is about working with communities to develop positive and sustainable processes, not imposing a system from outside the community. CED looks at all aspects of the economy, not just commercial, and is a powerful tool in working towards happy, healthy communities.

There are 10 criteria of community economic development:

#### **1. Use of Local Goods and Services**

By using local goods and services, a community creates greater self-reliance and less dependence on outside markets while at the same time supporting local producers. For example, bread sold at Winnipeg's Tall Grass Bakery is made from organic wheat and other grains grown by local Manitoba farmers.

#### **2. Production of Goods and Services for Local Use**

The first step to using local goods and services is producing goods and services that are needed within the community. In the early 1990s residents of Winnipeg's North End got together and said there was a need for three things within the community: healthy food at an affordable cost, good child care, and dependable housing. One of things that came out of this community discussion was the development of Neechi Foods Community Store, a community grocery store with an interest in filling a need within the community. Neechi sells wild rice, fresh bannock, local fish, and fresh fruit and vegetables at affordable prices.

#### **3. Local Re-investment of Profits**

CED encourages businesses to invest their profits towards community-building activities rather than keep them for their own profit. In this way the whole community benefits. Investing in the community can mean anything from improving the business' retail space to donating products to community organizations to sponsoring a community garden project

#### **4. Long-Term Employment of Local Residents**

Providing long-term jobs for people within a community is another goal of CED. Dependable employment benefits a community in many different ways. It increases residents' self-esteem, provides opportunities for people to live more socially productive lives, reduces dependency on service providers such as food banks and social assistance, and brings more wages and salaries into the community.

## **5. Local Skill Development**

CED also encourages local skill development. In the West Broadway neighbourhood of Winnipeg, local youth are hired each summer to participate in community-building activities such as gardening, composting programs, and home renovation. Local businesses invest some of their profits towards this project. The work the young people do gives them training for the future but also increases the labour force, creates and improves neighbourhood housing, gives young people an income, and makes the community look better. The benefits of local skill development ripple out across the community.

## **6. Local Decision-Making and Ownership**

Many CED businesses are collectively-owned which means that all people who work at the business have a part in the decision-making and become part-owners of the businesses. For example, Mondragon Bookstore and Coffeehouse in Winnipeg's Exchange District is a collectively-owned and operated vegetarian coffeehouse and political bookstore. As a cooperative, Mondragon has no manager and all workmembers, regardless of starting skill or seniority, earn the same rate of pay. All work is divided among collective members so all take their turn doing each of the different kinds of activities that are necessary for running a business (cooking, serving, working in the bookstore, attending meetings, cleaning bathrooms). In return, they all enjoy the benefits of being co-owners in the business.

## **7. Healthy Citizens**

The CED model invests in community development that brings physical, mental and emotional health and well-being to community members at home, in the workplace and in the community at large. For example, Art City, an inner-city drop-in centre for kids and adults provides space and material for artistic expression, leading to greater mental well-being of neighbourhood people. Dragonfly Scent-Free Bodywork and Massage Therapy promotes community health through physical well-being. Neechi Community Store creates community health by providing healthy food. Each of these efforts benefit the community tremendously, contributing to healthier families, more effective education, and a more productive workforce.

## **8. Positive Physical Environment**

CED projects encourage healthy, safe, and attractive neighbourhoods. The Humboldt's Legacy store in Winnipeg promotes environmental sustainability by providing environmentally-sound cleaning products, clothing made from organic cotton, and biodegradable shampoos and other body products. CED youth employment projects throughout Manitoba provide gardens and compost piles, creating more ecologically friendly and more attractive cities. Housing projects also help make neighbourhoods more attractive and more people-friendly.

## **9. Neighbourhood Stability**

CED encourages development that brings stability and health to a whole community. While bars and casinos tend to bring neighbourhood breakdown, CED projects like the Panda Bear Daycare Cooperative in the east end of Winnipeg and the catering service run out of Andrews Street Family Centre, a drop-in centre in Winnipeg's North End, bring safety and stability by providing employment and services that people need. Dependable, affordable, secure housing like that

provided by the North End Renovation Enterprise also satisfies need, creates stability and beauty, and makes the neighbourhood a place where people can live together in harmony.

#### **10. Human Dignity**

Essentially, CED works for the self-respect and dignity of all members of the community. CED is an economic model whose goal it is to increase people's capacity to better themselves through their own efforts. In order to do this, community development needs to be respectful of people of all ages, levels of ability and income, cultural backgrounds, and towards both genders. CED projects recognize the specific needs of all people and work to fulfill those needs using neighbourhood resources.

#### **11. Support for Other CED Projects**

Finally, CED projects strategically support other CED projects by buying from each other. Neechi Foods buys wild rice from Kag1wiosa Manomin, an Ojibway owned and operated cooperative in Northwestern Ontario, as well as coffee from workers cooperatives in Central America. In this way CED projects all over the world are strengthened by each other.

#### **How do I support CED?**

There are many ways you can support CED. In Winnipeg, you can shop at businesses which are part of the Community Development Business Association of Winnipeg. Visit Community Futures Partners of Manitoba for some other CED business in Manitoba (go to the bottom of 'Success Stories.'). You can show these criteria to other businesses and encourage them to be a part of this growing movement. If you are a business owner, you can adopt the principles of CED yourself as well as encouraging other business owners to do the same.

In Winnipeg, SEED Winnipeg, UNPAC, and LITE are producing a community shopping guide listing businesses that match the criteria of CED.

Visit our Guidelines for Ethical Consumption for more ideas on creating community through your purchasing.

### ***Acknowledgements***

These principles were originally developed by members of the Neechi Foods Cooperative between 1991-1993. Special thanks to Anna Rothney of the Community & Economic Development Committee of Cabinet and Louise Simbandumwe of SEED Winnipeg for their input into this article.

**Source:** "Community Economic Development." 2003. *Women & the Economy, a Project of the UN Platform for Action Committee (MB)*. Retrieved from the World Wide Web July 23, 2004 at: <http://www.unpac.ca/ced.html>.



## APPENDIX C

The Grameen Bank's Goals of Working and Living for Social Development- "The Sixteen Decisions." These are principles that group borrowers of the Grameen Bank of Bangladesh designed for themselves to incorporate into their daily work and living.

### **Grameen Bank**

#### **Social Development Goals: "The Sixteen Decisions "**

1. 'The four principles of Grameen Bank-discipline, unity, courage, and hard work-we shall follow and advance in all walks of our lives.
2. We shall bring prosperity to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work toward constructing new houses as soon as possible.
3. We shall grow vegetables all year round. We shall eat plenty of them and sell surplus.
5. During planting seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn enough to pay for their education.
8. We shall always keep our children and the environment clean. 9. We shall build and use pit latrines.
10. We shall drink tube well water. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry in our sons' weddings, neither shall we give any dowry in our daughters' weddings. We shall keep the center free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. For higher income we shall collectively undertake bigger investments.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help.
15. If we come to know of any breach of discipline in any center, we shall all go there and help restore discipline.

16. We shall introduce physical exercise in all our centers. We shall take part in all social activities collectively.

**Source:** Hossain, M. 1993. "The Grameen Bank: Its Origin, Organization and Management Style." Pp. 9-23 In *The Grameen Bank. Poverty relief in Bangladesh*, edited by A.N.M. Wahid. Boulder, CO: Westview Press.

## APPENDIX D

### **Various types and strategic forms of CED**

There are many different forms of CED. Any given initiative may have different theoretical underpinnings and arguments guiding it. This frequently depends on the techniques used, the goals and focus of the CED, and individuals involved. CED may be geared toward empowering individual community members, groups, whole communities, and communities beyond the immediate locale wherein the CED occurs. It is undertaken by communities, community based organizations or community members, as well as government departments, unions, foundations, and more mainstream public and private businesses and financial institutions, either alone or in partnerships with each other. Below are some examples of common different strategic forms CED may take and agents who undertake them.

#### **Community Based Organizations (CBOs)**

These may include for example: Community Development Corporations, Community Economic Development Corporations, Community Based Development Organizations, as well as other community associations and organizations. Some of their activities include, though are not limited to:

- Financial and resource loans for individuals, small business owners and other locally owned businesses
- Investment in community businesses
- Undertaking planned development projects
- Program delivery and development
- Job skills training
- Life skills training (e.g. parenting or health information workshops)
- Small business and micro-enterprise training
- CED training and CBO staff training
- Cultural support, education and enrichment
- Job creation
- Job placement
- Channelling money for community services and programs
- Profit generation activities to sustain the organization
- Profit generation assistance activities for community groups
- Programs facilitating homeownership
- Activities relating to increased affordable housing
- Supporting Individual Development Account ownership
- Networking and information sharing with other CBO's and related agents
- Locating and obtaining physical resources for CED activities (e.g. purchasing and redeveloping property or renovating buildings)
- Planning and organizing conventions and meetings for CED participants, organizations

and agents.

### **Financial Institutions**

These include credit unions, micro-lending institutions and other mainstream public and private financial institutions that serve communities, small businesses, CBOs and community owned businesses. Some of their activities include, though are not limited to:

- Providing loans, credit and equity for local and small businesses (e.g. start up capital)
- Providing assistance, services and training for small business owners, CBOs, and community owned businesses
- Providing financial services to communities (e.g. banking services, micro loans and ordinary lending services)
- Providing Individual Development Accounts

### **Strategies of profit generation for groups and/or communities**

- Community Money Systems (LETS)
- Time Dollars
- Cooperatives and community owned businesses
- Creating jobs for community members in partnership with local employers

### **Political Advocacy/Activism**

- Protest activity (e.g. anti-globalization and free trade policy demonstrations, strikes)
- Direct government lobbying to challenge policy and legislation (e.g. letter writing campaigns)
- Engaging in negotiation and partnerships with government and other agents in order to challenge and change policy
- Using various forms of media to inform and teach the public regarding CED and other relevant issues (e.g. creating media and appearing in other forms of media to draw attention to such issues)
- Identifying sources of community exclusion and marginalization, as well as impediments to CED, and attempting to challenge and stop these
- Engaging in activities to contribute to social movement for change

### **Source:**

Lewis M. 1994. "The Scope and Characteristics of Community Economic Development in Canada." Chapter 5. Pp. 48-58 in *Community Economic Development. Perspectives on Research and Policy*, edited by B. Galaway and J. Hudson. Toronto: Thompson Educational Publishing.

Perry, S.E., Lewis, M. and Fontan, J.M. 1993. *Revitalizing Canada's Neighbourhoods. A Research Report on Urban Community Economic Development*. Vancouver: Centre for Community Enterprise and the Community Economic Development Training Institute

Rubin, H. 2000. *Renewing Hope Within Neighborhoods of Despair, The Community-Based Development Model*. Albany, New York: State University of New York Press.