

COMMUNITY ECONOMIC DEVELOPMENT

An Introduction

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This is a book about community economic development. The chapters are among the outcomes of a large, three-year research project undertaken by the Manitoba Research Alliance on Community Economic Development in the New Economy, and funded by the Social Science and Humanities Research Council as part of their New Economy Initiative.¹ The chapters address current issues in Manitoba, but we believe that they have a much broader relevance and applicability. We examine inner-city, rural and northern aspects of community economic development (CED); Aboriginal and non-Aboriginal forms of CED; the role of women in CED; issues related to employment development and CED; agriculture and CED; and the economics of CED.

In this introductory chapter we first describe the logic and consequences of the capitalist organization of most of the world's economic activity. We argue that this way of organizing economic affairs not only produces great wealth, but also, and necessarily, produces deep and widespread poverty and human despair. We then examine community economic development as an alternative way of organizing economic affairs. We discuss the different logic of CED, consider some principles of CED, and examine some of the difficulties in implementing CED. Difficulties notwithstanding, we argue that CED holds great promise for those many communities and people who are disadvantaged by the current organization of economic activity, and we argue further that CED may even have potential as an alternative to the current dominant way of organizing economic activity.

In the book's concluding chapter we describe how the Manitoba Research Alliance — a unique collaboration of university-based researchers, community-based organizations and a community-based, public policy research institute — organized its work, and we reflect upon the research on community economic development that still needs to be done.

THE PREVAILING ECONOMIC SYSTEM

Most of the world's economic activity is organized in a capitalist fashion: goods and services are produced and distributed, and resources are allocated, based upon the profit motive. What gets produced, and where and how, is a function of what is profitable. Who gets what is a function of peoples' (wildly differing) levels of income and wealth. This way of arranging economic activity is capable of producing enormous wealth, cheek by jowl with deep and widespread poverty and related ills. Economic activity need not necessarily be organized this way, but it is. Some of the consequences are very adverse.

The prevailing capitalist system has certain intrinsic features, chief among which is the constant, competitive drive of individual business firms to earn profits. This relentless drive for ever more profits has certain inevitable results. One is a constant revolutionizing of the means of production, leading to rapid technological change, as firms relentlessly innovate in order to gain advantage over their competitors. A second is the concentration of production in ever larger units so that geographically, some areas become highly populated and developed while others become marginalized in terms of people, jobs and incomes. Yet another feature is the constant drive to expand, which results both in ever-larger firms and in geographic expansion, as transnational corporations scour the globe in search of lower wages, larger markets, and cheaper raw materials, in order to maximize their profits.

While economic activity has become much more global in the past thirty-five years, globalization is not a new phenomenon, but rather an accentuation of the drive to expand that is intrinsic to capitalism. In the past few decades trade between nations, and investment and flows of money across national borders, have increased dramatically. Companies no longer confine their production to their home nations. They can, and do, set up production facilities anywhere in the world, choosing to locate wherever they are most likely to be able to maximize profits. This often means relocating production to areas where government regulations are weakest and wages are lowest (Teepie 2000: 91). Typically, corporations benefit more from this than do people.

This trend has been accelerated by international trade agreements, such as the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement (NAFTA), which significantly reduce the capacity of elected governments to regulate the profit-seeking activities of transnational corporations. They "free" these corporations from many of the "obstacles" — or what most of us would see, from a human, non-corporate point of view, as benefits — created by governments, such as environmental regulations and labour standards. Free trade increases the freedom of transnational corporations to search the globe for the most profitable production sites, making it more likely that they will set up shop wherever they can maximize their

profits. This is especially the case for heavily unionized, relatively high-wage, mass-production industries. According to Teeple (2000: 67): “The effects of this emerging global labour market began to become visible from the early 1970s on with a general downward pressure on wages in the industrial world.”

In the face of the intensified competition created by globalization, companies have sought not only to reduce wage levels, but also to create what the corporate sector calls more “flexible” work forces. Corporations have sought to move away from the relatively fixed and permanent high-wage regime characteristic of the mass-production industries of the 1950s and 1960s — sometimes referred to as “Fordism,” after the mass-production, relatively high-wage system introduced early in the century by Henry Ford — to a more flexible labour force, increasingly characterized by the use of part-time, lower-waged, less secure and non-unionized work. The resultant increase in part-time work and decrease in wages at the lower end of the income scale have been significant factors in creating persistently high levels of poverty.

The increased degree of globalization and the problems the phenomenon creates for many working people and for those who would like to be but are not now employed — especially those with relatively little formal education and relatively few skills — have been facilitated by the particularly rapid technological change associated with the microelectronics revolution, and more particularly by the widespread use of computers. This has contributed to what some have referred to as a “new economy,” which is characterized by the need for higher levels of education and the even more rapid flows of money and capital around the globe. We would argue that, for the most part, the “new economy” is not so much a new one: rather, it is an accentuation of the existing capitalist economy, operating on the basis of the same punishing logic it has always employed.

By the mid-1970s computers were beginning to be widely employed in industry, with dramatic results. Not only has their use facilitated the increased globalization of economic activity, including an acceleration of the ease and rapidity by which investments can be moved around the globe, but their use in industry — in both factories and offices — has often resulted in massive job losses. Those job losses have exerted downward pressure on wage levels at the lower end of the wage scale and have contributed to the growth of generally low-paid and contingent (i.e., non-full-time, non-secure) forms of employment. Most of the jobs open to relatively unskilled school-leavers in the 1950s and 1960s — jobs that could support a family — have now disappeared. These jobs have relocated elsewhere or have been eliminated by technology, only to be replaced by low-wage and often part-time work in the service sector.

A result of these powerful forces that have been unleashed by the fiercely competitive character of capitalism has been rapidly growing inequality and poverty. Nor have inequality and poverty been confined to the “developing” countries, or the “third world.” The dynamic, market-driven character of capitalism marginalizes and excludes large numbers of people in advanced capitalist countries in the North as well. Inner cities have decayed as a result of capital and population flight; rural areas have been depopulated and are home to growing levels of economic distress as small farms are swallowed by larger, often corporate enterprises, and small towns atrophy; and Canada’s north has become home to some particularly egregious examples of poverty and its associated indignities, the result in large part of the expansion of capitalism in search of resources.

One response to inequality and poverty has been the promotion of “development.” Development is seen by most to be a “good” thing: those who have benefited from the current economic arrangements can help those who have yet to “develop” — in other words, to become more like their benefactors, to become more modern, more capitalist.

This notion of development has been subjected to much criticism. It has been argued that development premised upon the western notion of modernization and unbounded capitalist expansion has predominantly benefited those who already have economic power (Hart-Landsberg and Burkett 2001; Sparr 1994). Development strategies have ignored or underestimated the key factors crucial for human well-being. Far from benefiting most of the poor, some have argued that development has created barriers to human well-being and freedom (Sen 1999). A growing body of literature questions the concept of “development.” Some have argued that development has become a new colonialism, involving the imposition upon the poor of control from the outside, to the benefit less of the poor than of those from the outside.

Disadvantaged groups in northern countries, like their counterparts elsewhere, have been the target of development strategies. What came to be labelled as the key characteristics of underdevelopment in Southern countries, such as poverty, and lack of access to education, health care and paid employment, for example, also exist among various groups of people in the North (Veltmeyer and O’Malley 2001; Labrecque 1991). Aboriginal people, for example, have been living in what came to be known as “underdeveloped conditions” and have been the target of development policies (Loxley 1981; 2000).

Awareness of the limitations, disparities and non-sustainability that are intrinsic to the capitalist model of development has led to the consideration of alternative development frameworks. That is, theorizing has begun to consider development initiatives whose purpose is less to produce profit than to create human well-being, freedom and democratic involvement (Woodiwiss

2002; Sen 1999; Korten 1999; Brandt 1995; Schumacher 1973).

In debating how to achieve this different form of development — one whose aim is to produce benefits for, and to build the capacities of, all people rather than just some — many have focused on community economic development (CED) and the revitalization of local economies (Schumacher 1973; Henderson 1996; Brandt 1995; Korten 1999). There are considerable differences among CED strategies, but in general CED involves the continuous process of capacity-building: building upon existing local resources, including people, to generate broadly based economic and social well-being (Dreier 1996; Fals-Borda 1992; Fisher and Shragge 2002; Perry n.d.: 1–21; Lewis 1994; Fontan et al.1999).

AN ALTERNATIVE: COMMUNITY ECONOMIC DEVELOPMENT

The logic of community economic development (CED) differs from that of capitalism. Where capitalism is predicated upon the search for profits, and people are required to fit their lives to corporate demands, CED starts from the assumption that people have to be directly involved in determining what “development” means to them. If “development” is imposed from the outside — as is the case with the operations of transnational corporations, for instance, or even with interventions of well-intentioned development “experts” and “advisors” — the results are too often unsuccessful from a human well-being and capacity-building point of view. In CED, people have to be directly involved in determining what kind of development they want, and in implementing that development. This is because a central purpose of CED is capacity building.

Community economic development can be thought to be the polar opposite of capitalist forms of development in, among others, this one important way: where capitalist development typically brings the “development” to a community from the outside, CED promotes development from the “inside.” CED starts from the assumption that the people in a community are to be the authors, architects and builders of their development. Too often in the past the recipients of “development” have been excluded from shaping what development is. Development is imposed upon them. Such forms of development are not likely to be successful. Development is much more likely to be successful if it is rooted in the reality of, and is the product of, the conscious decisions of the community — as is the case with CED. When CED is adopted, people themselves choose how they want to develop; if they lack certain skills and abilities, then those are to be nurtured so that they themselves can be the builders of their future. The people of a community may well need assistance and supports in building their community’s future, but they themselves are the designers and the builders.

This approach to community economic development has been codified in a set of CED principles that were developed by an Aboriginal workers' co-op, called Neechi Foods, that is located in the North End of Winnipeg's inner city. These principles are now widely used. They are described as follows:

CED Principles

1. Use of locally produced goods and services;
2. Production of goods and services for local use;
3. Local re-investment of profits;
4. Long-term employment of local residents;
5. Local skill development;
6. Local decision-making;
7. Promotion of public health;
8. Improvement of the physical environment;
9. Promotion of neighbourhood stability;
10. Promotion of human dignity; and
11. Mutual aid support among organizations adhering to these principles. (Neechi 1993)

These principles are rooted in what we would call a “convergence” approach to development, by which we mean that, rather than looking beyond the community for development, CED seeks to produce to meet local needs, to hire locally, to purchase locally, to invest locally, and thus to create internal rather than external economic “linkages.” This approach emphasizes the importance of small-scale production, promoting backward, forward and final-demand linkages between different sectors of local economies, minimizing leakages of income and replacing imports where possible.² It also enhances social capital, human well-being, community safety and stability, and local decision-making, without which the economic basis cannot be realized (Loxley 1986a). Maximizing the use of local resources — human and otherwise — to meet local needs is essential to this process. Thus, in the case of Neechi Foods, for example, supermarkets had for the most part abandoned Winnipeg's inner city as part of the post-World War Two process of suburbanization. Food retailers' profits could be maximized by building ever-larger supermarkets in suburban areas where people with higher incomes were located. Inner cities, where people with lower incomes were concentrated, were abandoned. Neechi Foods consciously formed in order to meet local inner city needs for good quality food, and to create good jobs for local people in the process. Doing so is consistent with the principles of producing to meet local inner-city needs, hiring locally and purchasing locally. Economic linkages in this model converge within the local economy.

This convergence model is sometimes explained by means of a “rusty bucket” metaphor. If one pours water into a rusty bucket, the water pours out through the holes in the bucket and is lost. Similarly, in a non-convergent — or divergent — economy, if money comes into a local economy much of it pours right out again as the result of the need to purchase food at a suburban supermarket (imports), or it pours out to absentee landlords if housing is not owned locally (surplus outflow). When the money pours out through the holes in the rusty bucket, it is not available to benefit the local community and it is thus lost to the local community. When this happens, the economic linkages do not converge; they diverge. Community economic development operates to maximize the convergence of economic linkages, in order to maximize the benefits to the local economy. Doing so may not maximize profits, but it will improve the economic and social well-being of those otherwise omitted from the benefits of profit-oriented economies.

We believe that there are two ways of imagining how community economic development might be used. First, by operating on the basis of the principles described above, thereby consciously adopting a convergence strategy, community economic development can be the means by which “gaps” that are left by the capitalist economy can be filled. The profit-driven logic of capitalism has, as one of its inevitable consequences, the result that many people and communities are left out of the benefits that it creates. CED can be seen as a means by which to meet the needs of those left out of the capitalist economy. It can “fill the gaps” left by capitalism. In this use of CED, it co-exists with capitalism. CED in this case seeks to operate within the interstices of the more dominant, capitalist economy and its associated culture.

A second way of imagining how community economic development might be used is to see it as being potentially “transformative.” By that we mean that the benefits of CED might come to be seen as being so great that it (CED) expands beyond the interstices of the capitalist economy, thus transforming the existing economic system from one that is profit-driven and relentlessly expansionary, to one that is needs-driven and focused on building peoples’ capacities, as well as their economic and social well-being. Most of the chapters in this book consider CED in the former sense — as an economic and social strategy aimed at benefiting those left out of the dominant economy. Some consider CED in both senses: they see it as providing not only a “gap-filling” strategy but also potentially, a “transformative” strategy. In Chapter 16 Loxley and Lamb examine some of the matters that would have to be considered if community economic development were to become transformative. The challenges of building a transformative CED would be formidable. The benefits, in our view, would be considerable.

SOME CHALLENGES IN IMPLEMENTING
COMMUNITY ECONOMIC DEVELOPMENT

Promoting community economic development is never easy, even when CED is limited to the “gap-filling” variety. In this section we briefly discuss some of these difficulties and their implications. Our point is that, as valuable as we consider community economic development to be in meeting the needs and developing the capacities of all people, it does not represent an easy solution. Community economic development involves hard, skilled work, and is fraught with difficulty in its implementation.

Consider the notion of community. Community is a contested concept. It might refer to those living in a shared geographic area, or those who share particular values or characteristics or interests. But, in either case, communities are rarely, if ever, homogenous entities. Communities are always characterized by conflict, usually arising from inequalities of power and/or wealth along lines of gender, class or ethnicity, for example. The ideal view of community as being coherent, democratic and inclusive, overlooks various forms of repression — of women, of people of colour, of those who are “different” in any way — and neglects the tendency for bureaucratic and elitist forms of organization to emerge. There is no magic “solution” to these difficulties. But an awareness of these realities, together with a philosophical commitment to egalitarianism, of *all* people being valued equally — can be a foundation upon which to build community economic development.

Consider also the notion of democracy. Community economic development is committed, by its very character and principles, to the promotion of democratic decision-making. Yet here too, many of the same problems arise: the dangers of the bureaucratization and professionalization of CED organizations; the risks of the emergence of elites, and of patriarchal power strategies; the likelihood that, in the absence of special measures being taken, those who are different or less strong will be marginalized and excluded. All of these are sociological realities, and powerful tendencies. In the absence of an awareness of such dangers, in the absence of the adoption of measures aimed at specifically preventing their emergence, these tendencies will manifest themselves, making the promotion of community economic development still more difficult. It is necessary to consciously and deliberately ensure that women, for example, are fully included, and that Aboriginal people, recent immigrants and refugees, to take another example, are fully included. It is necessary to ensure that organizational processes that promote democratic decision-making are so institutionalized that they become the “common sense” of a community. Again, this is not easy, and many are the potential pitfalls. Yet an awareness of these dangers, and a commitment to contesting them, is a necessary part of the foundation upon which community economic development can be built.

Consider, too, the complex issue of management skills, and more generally the need for education and training to enable the development of the skills and capacities that local people may need to build their own futures. Community economic development can be complex. According to its principles, it is committed to local control and the development of local capacities: this requires a conscious awareness of the need to take the time, and to develop the means, to ensure that control is in local hands. Specially designed education and training initiatives may be required. The search for profits that characterizes capitalism is so relentlessly competitive that time cannot be taken to develop local capacities. Corporations rely upon mainstream systems to produce for them their skilled managers and technicians: this process simply reinforces existing inequalities. Community economic development is committed to overcoming those inequalities: this means always taking the time to develop the means to ensure that local capacities and local control are developed. Like everything about community economic development, this is not easy. But if it is not done, it is not CED.

Consider next the role of government. Much, if not all, of what we are discussing is predicated upon a supportive role being played by governments. If community economic development is to succeed, governments must make public investments in support of CED initiatives. The whole point of CED is that it is not driven by the profit-maximizing principles of capitalism. It is driven by other, more people-oriented and community-oriented principles. Thus CED organizations may not be able to “compete” in the private market for investment. Governments must provide public investment. Yet governments have been extremely reluctant to do so, and even in those cases when governments appear to be committed to CED, their commitment has been lukewarm (Loxley 1990; 1981; Chapter 17 this volume). This has placed tight restrictions upon what community economic development has been able to achieve.

For governments to become more meaningful participants in the process of community economic development, those active in CED must become more politicized. Yet this too constitutes a significant challenge. The poor and socially excluded tend not to participate much, if at all, in the political process. Political power, like so many other resources, is inequitably distributed. But because the poor and excluded participate little in the political process, governments feel little pressure to respond to their needs, and thus to the needs of community economic development. Without government support, the capacity of CED to effect significant change is limited: in an economy that is capitalist-dominated, the result is inevitably that poverty grows. The political empowerment of the poor and socially excluded thus becomes an essential ingredient in the success of community economic development: the difficulties associated with the political empowerment of those who are cur-

rently dis-empowered, and who are therefore poor and excluded, becomes one of the most significant challenges facing CED. This is especially the case if we consider community economic development not just as “gap-filling,” but as transformative. If CED is to be transformative, it will require new forms of political mobilization that include, but also go beyond, those who are currently excluded from the benefits of the dominant system. This, like so much else about community economic development, will not be easy, as it will, of necessity, entail transforming the nature of the state (see Sheldrick and Warkentin, Chapter 17 in this volume).

IF CED IS SO HARD, WHY BOTHER?

The benefits of community economic development are worth the substantial effort needed to make it a success. It ought to be clear by now that this is partly a philosophical, or ideological, issue. Community economic development is committed to the creation of a more egalitarian, participatory and democratic society. It seeks to ensure that those who are poor and excluded in the current economic system become the authors of a better future that they themselves participate in imagining and building. This objective clearly rests on a set of ideological preferences with which not all will agree. Yet in our view, these are objectives worth pursuing. The eradication of poverty — or at least a dramatic reduction in its incidence and its severity — is in itself a laudatory goal, the benefits of which ought to be obvious in a world in which millions are hungry. But community economic development goes further. It would include, if successfully implemented, a significant move in the direction of meaningful gender equality, and the equality of those who are, in any of a wide variety of ways, characterized by difference or “otherness.” It would involve a greater degree of democratization and meaningful involvement in life than is now the case for most. It would empower people, by making them, much more than is now the case, the authors of their own destiny.

These are goals that are, for the most part, beyond the purview of the chapters in this book. This book arises out of a large research project — the Manitoba Research Alliance on Community Economic Development in the New Economy — that attempted to deepen our understanding of, and contribute to the development of, solutions to more immediate and more localized problems. Community economic development, we maintain, has much to offer in this gap-filling way, and the chapters in this book offer some examples. At the same time, what is possible at a local level may hold the seeds for the broader and deeper gains that would follow if and when the logic of capitalism is replaced by the different logic and principles of community economic development.

THEMES

Several crucial themes will be seen to emerge in the chapters in this book.

First, the fundamental importance of genuine community involvement emerges over and over again: at the neighbourhood level in local revitalization initiatives; in the process of employment development; in Aboriginal forms of community development; in the many community development initiatives led by women; and even in the participatory action research methodology used for many of the chapters in the book. Participation entails capacity building, a theme long since developed in political philosophy (McPherson 1965; Pateman 1970): with its emphasis on community involvement, CED contests the well-known tendencies to bureaucratization, professionalization and elite rule, and promotes the fundamental value of economic, social and political equality.

Second, the development and use of the Neechi CED principles emerge repeatedly as a central guiding force in the promotion of community economic development. The notion of purchasing, hiring and investing locally, of linking the needs of the community with local resources, of building on local strengths, and of creating linkages within, and stemming leakages from, the community, are all overarching principles that, while rooted in economic theory, are easily grasped, and are capable of guiding the work undertaken in the many manifestations of community economic development.

Third, the need for and use of non-market solutions arises repeatedly in the chapters in this book. The market and the related search for ever-more profits are capable of unleashing enormous productive power. But the other side of that same coin is the massive inequalities and poverty and the marginalization and social exclusion that *inevitably* accompany this way of organizing economic affairs. It is non-market solutions that, over and over, are identified by the authors of these chapters as the means by which to rectify and overcome these problems.

Fourth, the community economic development initiatives described in this book reveal the enormous creativity that can be unleashed by CED. While it is true that the market can induce creativity, the evidence presented in these chapters suggests not only that people working collectively to build their communities and solve community problems can be similarly creative but also, in most cases, that their creativity can lead to more meaningful ends.

Fifth, these chapters reveal repeatedly the central importance of the role of the state in promoting and supporting CED. Successful community economic development requires the active and effective support of the state. But it is clear that to be effective promoters of community economic development, governments need to act not in a top-down, bureaucratic fashion,

but rather as “facilitators” of participatory forms of development (see Silver 2000).

Finally, the chapters in this book reveal that success in promoting CED not only involves a philosophical issue — a way of thinking about economic and social affairs — it also raises various technical considerations. Promoting CED makes us look at the kind of society that we want to build, and how we want to build it. The more people who come to adopt this way of thinking about building community, the more successful will CED initiatives be.

The many obstacles to the successful promotion of community economic development emerge repeatedly in these tough-minded and well-researched chapters. But the potential for the use of CED to contribute to the building of a better world is equally obvious.

NOTES

1. Other outcomes include the following: (1) a book on the theory of community economic development: John Loxley et al., *Transforming or Reforming Capitalism: Towards a Theory of Community Economic Development* (Halifax and Winnipeg: Fernwood Publishing and CCPA-MB, 2007); (2) a book on urban Aboriginal people and community development: Jim Silver, *In Their Own Voices: Urban Aboriginal Community Development* (Halifax: Fernwood Publishing, 2006); (3) a book of John Loxley’s essays on community economic development: John Loxley, *Community, Aboriginal and Northern Economic Development* (Arbeiter Ring Publishing, forthcoming); (4) a series of monographs published by the Canadian Centre for Policy Alternatives–Manitoba and available on their Web site <www.policyalternatives.ca>; and (5) a video on urban Aboriginal community development, based on the final chapter of *In Their Own Voices* and done by award-winning Aboriginal film-maker Coleen Rajotte.
2. A backward linkage occurs when a local enterprise’s output depends on inputs purchased from other enterprises in the community. As purchases from inside the community increase, backward linkages become stronger. Thus, a community restaurant buying food and employing labour from within the community is creating backward linkages. A forward linkage is created when a company’s output is sold as an input to other projects in the community. Thus, a community restaurant that sells its baked goods to local stores who, in turn, resell them to customers, is creating a forward linkage. A final demand linkage occurs when investment in a local project produces goods for consumption, investment, or government purchase, as opposed to purchase by the export sector. The greater the proportion of domestic production sold inside the community or region, rather than as exports, the larger the final demand linkage effect will be (see Lamb 2007).