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ECOLOGIES, ECONOMIES, AND COMMUNITIES : THE ALTERNATIVE OF COMMUNITY ECONOMIC DEVELOPMENT

The subtitle of this issue, "Ecoharmony vs. Economic Equity" suggests a fundamental conflict between environment and economy. To be sure, there are analyses supporting this view. Countries of the North often see the threat to the world's eco-system as requiring environmental regulations to implement costly technologies. Such technologies are promoted as the route towards reducing hazardous emissions, controlling the consumption of non-renewable resources, and curbing the destruction of the eco-systems that support life. But these costly measures are regarded with suspicion by the nations of the South. How can countries which are now failing to provide food, clothing, housing, health care, and education to their peoples accept environmental regulations which add enormous costs to their development efforts? Must the poorer countries choose between development and environment? Some argue that these technologies should be provided by the North. Then how should the North allocate scarce resources for aid; to environment or to development?

When viewed in these terms, concerns for ecology and economy appear conflictual, even irreconcilable. However, when viewed in terms of the more fundamental elements of life of citizens in communities through the generations, the two sets of concerns begin to reveal common characteristics and themes. Both economies and ecologies reveal the tension between short-term interests and long-term values. In both spheres the narrower interests of dominant minorities come into conflict with the wider good of all. Both betray the need for broader, more comprehensive explanatory tools. Both touch all dimensions of our living. Both highlight the concern for securing a decent and equitable living among citizens of the planet through the ages.¹

1. See Paul Ekins, *A New World Order: Grassroots Movements for Global Change* (London and N.Y.: Routledge, 1992).

Currently there is emerging an approach to economic development which pursues the concerns of economy and ecology together in an integrated framework. The focus of this framework is the local community. This approach is called Community Economic Development (CED).² It is gaining some momentum in both the North and the South. CED questions many assumptions of more traditional approaches to the analysis of economic and environmental problems. At its centre is an alternative understanding of economic life which integrates an ethical commitment to the longer term conditions for community living into economic analysis. While still young, CED is showing some promise in evoking a way of thinking about world problems which is both enlightening and empowering.

Recent studies have analyzed Community Economic Development initiatives as "Laboratories of Democracy" which seek to promote the twin goals of creating healthy economies and bringing socially and economically marginalized groups into the economic process.³ The key to CED is community involvement in the economy. Communities can exercise significant control over economic life to integrate economic activity within social and cultural life and to ensure that all citizens and groups gain access to decision-making, jobs, and the fruits of the economy. When these concerns for economic health and equitable participation are extended into the longer-ranging future, they invariably include concern for the environment.⁴ Economic activity must sustain and promote the long-range viability of the natural and human ecosystems which support community life.

2. See Severyn Bruyn and James Meehan, eds., *Beyond the Market and the State: New Directions in Community Development* (Philadelphia: Temple University Press, 1987); Greg MacLeod, *New Age Business: Community Corporations that Work* (Ottawa: Canadian Council on Social Development, 1986); Marcia Nozick, *No Place Like Home: Building Sustainable Communities* (Ottawa: Canadian Council on Social Development, 1992); David Osborne, *Laboratories of Democracy* (Boston: Harvard Business School Press, 1988); Stewart Perry, *Communities on the Way: Rebuilding Local Economies in the United States and Canada* (Albany: State University of New York Press, 1987); David Ross and Peter Usher, *From the Roots Up: Economic Development as if Community Mattered* (Toronto: James Lorimer, 1986); Richard Taub, *Community Capitalism* (Boston: Harvard Business School Press, 1988).

3. Osborne, pp. 8-9.

4. See, e.g. Nozick, chap. 4. See also Ekins; and Herman E. Daly and John B. Cobb, Jr., *For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future* (Boston: Beacon Press, 1989).

Three Characteristics of CED

Recent discussions of CED reveal three characteristics that mark fundamental differences from more traditional approaches to economic development :

i) *CED is Community-Centred.* While traditional approaches consider national economies or wider global structures as the significant units of economic analysis, CED understands regionally-bound communities as the principal economic unities. Whatever higher-order relations remain operative on the national or inter-national levels, CED sees these relations as secondary linkages which must be understood and assessed in terms of their impact upon community economies.⁵

Initially, the term "community" refers to neighborhoods, cultural groups, or communities of interest whose members must have input into the economic development process. "Community" means democratic input into economic development planning, it means a concerted interest in empowering marginalized groups, it means equality of access to the jobs, products, and services of an economy, and it signals an environmental consciousness that evaluates economic initiatives in their long range impact upon the communities of future generations.⁶

However, the term also has a second, self-transcending dimension. "Community" signals a concern for the wider urban and surrounding rural regions in which large numbers of neighborhoods and communities of interest function together.⁷ Community economic development is a process which takes place among hosts of linked neighborhood communities in a city or region. Community consciousness in CED extends beyond the confines of individual neighborhoods and cultural

5. See Jane Jacobs, *Cities and the Wealth of Nations* (N.Y.: Random House/Vintage Books, 1985), particularly chap. 2. A number of CED analysts appeal to Jacob's work. See Nozick; Bruyn and Meehan; Osborne.

6. See, e.g., Perry; Nozick; Ross and Usher.

7. Jacobs argues that the city region, not the nation state is the appropriate unit of economic analysis. See *Cities and the Wealth of Nations*, chap. 2; see also *The Economy of Cities* (N.Y.: Random House/Vintage Books, 1970); and *The Death and Life of Great American Cities* (N.Y.: Random House/Vintage Books, 1961).

groups to embrace the full range of partners and processes in the development of an economic region.

When viewed in relation to the wider ecologies of cities, nations, and trans-national alliances of the global economy, the term "community" takes on a third meaning. Here, "community" signals the linkages among economic regions which develop as regional economies earn imports through their exports, increase their productive and adaptive capacities by supplying more and more of the diverse requirements of their own export firms, begin harnessing these increasing capacities to replacing imports with locally produced goods, and continually transform their own exports and imports as all partners in the global ecology do likewise.⁸ In this wider, global context, "community" signals the concern for avoiding debilitating structures of dependency and domination which arise as weaker economic regions become locked into the trading systems of more powerful regions. To avoid such patterns of dependency CED analysts promote trading structures among equal partners, structures in which all dimensions of the economy of each grow together in diversity and adaptive capacity.⁹

Central to CED approaches is an alternative understanding of "development."¹⁰ A healthy economy provides amply and diversely for its citizenry in a dynamic environment which is constantly in a state of flux. The principal activity of a healthy economy is adaptive innovation in response to constant flows of disturbances or challenges from both inside and out. To ensure the resources to continually respond effectively to this constant flow of challenges, each initiative needs to build up the diverse capacities of the local economy as it meets its objectives. This means that a sufficient range of economic initiatives need to be launched: a) by people living and working close enough to the prob-

8. Jacobs describes this multi-stage process in *The Economy of Cities*, chap. 8. For a discussion of this dynamic process see the essay by Richard Carroll Keeley, "The Vision of Jane Jacobs," in Fred Lawrence, ed., *Ethics in Making a Living: The Jane Jacobs Conference* (Atlanta GA: Scholars Press, 1989), pp. 61-62.

9. See Jacobs' discussion of the problems of dependency and the potential for linkages among equal partners in *Cities and The Wealth of Nations*, chaps. 4, 7, and 10. See also Nozick, pp. 59-61.

10. The notion of "development" presented here is drawn from Jacobs. However, similar notions are presented in, e.g., Nozick, Perry, Ross and Usher, and Ekins.

lems to accurately discern their concrete requirements; b) by those who must live close enough to the effects of the initiatives to care sufficiently upon local resources so that solutions to problems can induce systemic economic growth stimuli within the region.

ii) *Economic Processes are Fully Embedded in Society.* CED regards economic development as irreducibly social. While traditional development theorists tend to consider economies as relatively distinct entities, governed by distinctively economic forces which can be analyzed using conceptual tools specific to a single discipline, CED insists upon understanding economic phenomena in their patterns of relations with social, cultural, political and environmental processes. The study of economies must draw upon tools from all of these disciplines and practitioners must attend to this full range of factors in promoting economic development.

The significance of this concern for the social context of economic processes comes to light when economic initiatives are launched in multicultural or native communities. CED practitioners recognize that each cultural community's distinctive understanding of its participation in the venture affects its potential for success. Traditional structures of authority and family shape the working relations among employees, managers, customers, suppliers, and financing agencies. All of these relations are crucial to the success of economic enterprises. Where possible, business ventures utilize traditional trades and skills, or serve the distinctive religious or cultural requirements of the community. Where neighborhoods are made up of diverse cultural groups, successful business ventures develop the economic resources of the community when they are respectful of the webs of meaning of all groups.

iii) *CED Includes Ethics.* CED is self-consciously normative or ethical as well as theoretical and empirical. While traditional economics remains satisfied with descriptive accounts of economic processes and trends CED understands community economies as dynamic, goal-oriented entities whose analysis requires ethical as well as descriptive and quantitative analytic tools.¹¹

11. This ethical concern is operative in most CED texts but is argued most strongly in Daly and Cobb. See also the essay by Patrick Byrne, "Jane Jacobs and the Common Good," in Lawrence, *Ethics in Making a Living*, pp. 169-89.

Economies must ensure certain standards of equity in access to jobs, products, services, and decision-making. They must do so efficiently. They must build bonds of trust and confidence among members of the community. And they must ensure the sustainability of the environmental conditions for vital communal life through the generations. CED economics does not tolerate the traditional "fact/value" distinction that is typical in the social sciences. It requires that economic development be studied and managed to serve all sectors of society, including marginalized or oppressed groups and future generations.

One of the significant ethical issues in CED concerns the role of "self-interest" and profits in economic life. CED is grounded in a commitment to operating successful businesses and industries and to utilizing surplus income for the benefit of communities. To be sure, business ventures must seek to be successful and profitable so as to provide services for communal living and to earn incomes for employees, managers, and entrepreneurs. But CED understands success in terms of wider networks of relations in community life. It distinguishes the profits that provide the incomes for managers, owners and entrepreneurs from the surpluses which must perform the more complex task of increasing the adaptive capacities of the community economy. All of these concerns are self-consciously ethical concerns which, at times, make significant demands on the participants in CED ventures.

Tools or Resources of CED

i) *The Community Owned Business (COB)*. One of the means which CED utilizes in service of its goals is the Community Owned Business (COB). Like traditional businesses, the COB is launched to develop and deliver products and services to a standard of living of a society. It employs people and pays them an income, thereby contributing to the economy's capacity to purchase goods and services. It develops and utilizes skills and technologies which increase the economy's capacity to deliver a fuller and more diversified standard of living to all. And it seeks both to remain viable and to generate surplus income for investment, either through ample wages which permit household savings or, in some cases, through retained earnings which become available for investment.

What is distinctive about the Community Owned Business is that all of these activities are understood in terms of their impact upon the

whole community economy. Most particularly, COB's understand surplus income not as profits to be retained by owners but as a resource to be utilized for the betterment of the entire community. Surplus income is dealt with in a variety of ways by COB's: it is passed on to workers through wages or bonuses; it is passed on to consumers through price reductions; it is reinvested in expansion projects or new ventures that increase capacities to respond to community needs and demands; it is made available to community loan funds which make investment capital available to other startup businesses; or it is utilized in more creative programs to redress inequities, redistribute economic benefits, respond to social problems, facilitate access of minorities, or respond to environmental problems. COB's can be legally constituted as not-for-profit businesses or as for-profit businesses. In each case, the legal restrictions and benefits will set limits or provide opportunities for generating and utilizing surpluses. However, in all cases, the COB is dedicated to launching, running, and turning the fruits of economic activity to the benefit of communities.

COB's ensure the realization of their community objectives through a variety of means. One of these is their legal structure or form of ownership. Generally, COB's are accountable to communities through representatives who are designated to sit on boards of directors. The directors own the business and are legally responsible for its assets, liabilities, and dealings. However, COB's seek to keep strong lines of communication, representation, and accountability with the community to ensure that directors do not act in isolation and that the burdens of accountability are distributed through the community. Representation is effected not only through the directors but also through memberships programs and volunteer committees in which citizens participate in activities and decision-making of the COB. COB's require the input of enterprising individuals who possess the appropriate knowledge, skills, and attitudes. Similarly, managers and employees require the same clusters of skills as their counterparts in traditional businesses. However, in addition to these, COB's require of all parties the added commitment to the long-range good of their communities. For it is in light of this objective that all activities are evaluated.

ii) *The Community Loan Fund (CLF)*. A second resource which CED utilizes is the Community Loan Fund (CLF). The objective of the CLF is to make investment capital available at reasonable rates of inte-

rest for community businesses to borrowers who would not normally qualify for funds from more traditional lending agencies. CLF's can take a wide variety of forms. Revolving loan funds involve businesses that have been launched with community loans in the ongoing startup and support of newer businesses. Surplus income as well as experience and expertise is turned back to the fund to help launch newer projects. Other types of CLF's utilize charitable donations, government subsidies and loans, "private sector" contributions, and loan guarantees to accumulate funds to help launch community businesses with "friendly" capital.

As with all lending agencies, Community Loan Funds establish evaluative criteria for candidates who wish to qualify for loans. However, as much as possible they also direct applicants to community support services which can help them in meeting these criteria. CLF's can only remain viable if business success rates are high and default rates are low. But while traditional lending agencies look to past success records and financial equity for their security, CLF's look to the wider network of community resources as the guarantor of success. At times, partnership groups among individual entrepreneurs are promoted by community lenders to help create a sense of community support and accountability. When groups of businesses become accountable to lenders for ensuring that loans are repaid by all members in the group, then active support measures are often pursued by partners when enterprises begin to falter.

CED in the South

While much CED literature analyses projects launched in the countries of North, the principles of CED are also being promoted in projects in the South. In his book, *Getting Ahead Collectively: Grassroots Experiences in Latin America*¹² (1984), Albert Hirschman takes readers on a fascinating tour through dozens of "grassroots development" projects in the Dominican Republic, Colombia, Peru, Chile, Argentina, and Uruguay. The projects include housing development initiatives, consumer and producer cooperatives, associations of entrepreneurs, education and skill-training academies and cooperatives, agricultural

12. Albert O. Hirschman, *Getting Ahead Collectively: Grassroots Experiences in Latin America* (N.Y. : Pergamon Press, 1984).

products processing industries, fresh water, sewage, and soil erosion projects, collectives mobilized to respond to acts of aggression and exploitation, fishing co-ops, warehousing ventures, community loan funds, sporting projects, woodworking shops, weaving shops, upholstering businesses, motorcycle repair shops, watchmakers, art galleries, and social activist organizations. In each case, the focus of Hirschman's analysis is the connection between the project's economic success and the community linkages which either secure this success or develop from it and go on to facilitate wider circles of community benefits.

The project of the Association of Tricycle Riders in Santo Domingo (the capital city of the Dominican Republic, population 1.5 million) illustrates some of these community linkages.¹³ Over 5,000 tricycle riders handle much of the city's transportation and distribution of foods and fuels. Most riders are too poor to buy their own vehicles and so they were renting them for a daily fee which amounted to approximately 20% of their earnings. With the aid of a development funding agency, a community loan fund was established to provide loans to groups of five to seven tricycle riders. In each group, members were jointly responsible for everyone's payments. However, ownership of the newly purchased tricycle and control of each enterprise remained with the individual. The result was a business income for each which dramatically increased their capacity to support a family. Within four years, 200 such lending groups were established and loans were beginning to be paid in full.

Hirschman's account of this project goes further. The community-building consequences of this initiative began to be felt beyond the household economies of the individual riders. The community bonds which were established among riders stimulated the formation of a wider network linking individual lending groups into an association. The Association of Tricycle Riders was formed and began to launch projects of its own to provide health care insurance, funeral expenses for members in need, and tricycle repair services for members. In addition, a lobby group was formed to influence municipal traffic and policing practices which discriminated against riders. On their own, the individual entrepreneurs were victims of economic structures. Together they

13. Hirschman, pp. 13-16.

were able to forge communal bonds which began by enhancing their businesses and which continued to show their power to enhance wider and wider dimensions of communal living.

Hirschman's analyses of community linkages are echoed in a 1991 Canadian Broadcasting Corporation program on "The Grameen Bank."¹⁴ The Grameen Bank was founded in 1983 in Bangladesh by Muhammad Yunus to provide small business loans to large numbers of the poorest people. In each case, people who could benefit economically by launching their own business could not qualify for startup loans from traditional banks. By 1991 the Grameen Bank had expanded to service 800,000 borrowers in 18,000 villages through 735 branches. The shareholders of the Bank are the poor people themselves who earn the funds to buy shares through the income from the businesses launched through the loans. The average loan size is less than \$ 75.00, the maximum loan size is \$ 180.00, 98% of the loans are recovered, and 90% of the borrowers are women.

As with the tricycle riders' project, the Grameen Bank loans to groups of five women. All help to ensure that each repays their loan. Rather than requiring that borrowers come to a central bank building in a city or town, the bank goes out to the people in the villages on specified days of the week. By meeting people on their terms, where they feel comfortable, the bank encourages a sense of confidence, control, and responsibility in the people. By lending to women, the bank ensures that the income from the business is utilized in the household and reaches the children. The effects of the bank's work have come to be felt in wider circles of community life. Bank participants are encouraged to renounce the debilitating tradition of "dowry" which places extraordinary financial burdens on families of female children and discriminates against women. The bank has taken on the planting of hundreds of thousands of trees. And it promotes the cultivation of garden vegetables which combat diseases resulting from vitamin deficiencies.

Conclusion

If there is a single value or ethical principle that unifies the concerns for eco-harmony and economic equity, I suggest it is the principle

14. "The Grameen Bank," transcript of the C.B.C. Program, "Ideas," March 5, 1991 (Toronto: Canadian Broadcasting Corporation).

which requires that we promote and sustain the community relations which are the conditions for the recurrent delivery of the objects of desire in an economy.¹⁵ CED requires looking beyond the self-interest which is typically held out as the engine of economic life. It requires that we understand the objects of self-interest as conditioned by networks of community relations. CED calls for a serious attention to the long range enterprise of sustaining, nurturing, or rebuilding these community relations. This nurturing and rebuilding of community is the essence of economic development. I suggest that CED fosters a development process which is both centered on economic equity and attentive to the wider eco-systems that are essential to the long-range health of community life on the planet.

15. For a discussion of this ethical principle see Kenneth R. Melchin, "Economies, Ethics, and the Structure of social Living," in J. Sauer et. al., *Between Ethics and Economics: Foundations for an Interdisciplinary Dialogue* (Ottawa: University of Ottawa Press, forthcoming); see also Melchin, "Moral Knowledge and the Structure of Cooperative Living," *Theological Studies* 52 (1991) : 495-523.