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TO REBUILD COMMUNITY: YES OR NO?

implicit in what has been said so far is the assumption that existing communities should survive--indeed, that they should be strengthened and supported. In point of fact, there is often no choice; most will survive, one way or another. Nevertheless, a good case can be made for the positive social value inherent in rebuilding and upgrading them as much as possible. Furthermore, while economic problems are not restricted to small communities, it is at least in those of modest size that they are most serious; and since the social significance of the human community is likely also to be more evident in smaller cities and towns, what is said below applies to them with special force. The same general considerations have, however, relevance even to cities like Seattle.

The Meaning of Community

Aristotle held that man is by nature a social animal and that quality is latent until developed through interaction with others. To quote Charles Horton Cooley:

"...human nature is not some thing existing separately in the individual, but a group nature or primary phase of society.... It is the nature which is developed and

expressed in those simple, face-to-face groups...of the family, the playground, and the neighborhood.... In these, everywhere, human nature comes into existence. Man does not have it at birth; he cannot acquire it except through fellowship and it decays in isolation." (emphasis added).^{43/}

It is in the sense of these primary groups that we understand one meaning of the word community. It is that association which acts as intermediary between the individual and society at large. Ultimately, it provides for the individual a locus of his identity; it contains many of the links connecting a person and his world. That sense of community, and the development of those links, can lead to stronger and more self-valuing persons. In simpler, more traditional societies, such communities constituted the basis of the social order.

But the processes of urbanization, industrialization, and bureaucratization, in conjunction with revolutions in transportation and communication, have confronted people with a mass society while breaking down the traditional communities.^{44/} Thus, Kenneth Kenniston speaks of "the shattering of community" and later, "We live as members of organizations and not of a community." And Philip Slater has described "...the feeble and self-defeating efforts of Twentieth-Century Americans to find themselves a viable social context."

A large volume of material has emerged, commenting on the loss of the mediating, stabilizing, and growth-enhancing qualities attributable to strong communities.^{45/} Robert A. Nisbet, in a powerful essay on this topic, deserves quoting at some length.

"No large-scale association can really meet the psychic demand of individuals because, by its very nature, it is too large, too complex, too bureaucratized, and altogether too aloof from the residual meanings which human beings live by. The state can...mobilize in behalf of great 'causes' such as war, but as a regular and normal means of meeting human needs for recognition, fellowship, security, and membership, it is inadequate... The only proper alternative to large-scale, mechanical political society are communities small in scale, but solid in structure. They and they alone can be the beginning of social reconstruction..." ^{46/}

Nisbet's observation summarizes one reason to support and sustain such communities as are struggling to survive, and to attempt to help others take root, where they do not now exist.

To say this is not to urge a return to some idealized and romanticized past. Modern industrial society has irrevocably transformed man's world, in some ways for the better, in others not. Harvey Cox, in The Secular City, has pointed out forcefully that among the other imperatives of present society is an increasing need for anonymity or at least impersonal relationships in the face of continual fleeting encounters with others.^{47/}

To attempt to make all of these into meaningful human contacts is both impossible and unwelcome. What seems feasible, however, is a better balance. It is possible to bear, and even welcome, some degree of anonymity (and privacy) if some sense of identity through community exists with others. Cooley's words, quoted earlier, provide the warning: human nature "decays in isolation."

Present Options

In the case of many existing communities then, there is no choice but to build or rebuild on the existing base. Such communities have a tradition and a history, as well as an ongoing social structure. Despite the evident mobility of Americans on the average, many would prefer to stay where they are, perhaps for "objective" reasons such as family origin, perhaps because of personal interest and commitment. Moreover, many are too poor to move, even if willing in principle. The Lynds, in their classic study of Middletown (Muncie, Indiana) during the depression of the 1930's, document the reluctance of workers to seek better employment opportunities elsewhere.^{48/}

In the same vein, but more recently, Olin Corporation announced the closing of most of its Saltville, Va., soda ash facility--the only substantial employer in town. Although "Olin has offered to try to locate workers at other plants, less than 60 [of 415 affected] have registered any interest in the move, and only 4 have accepted jobs elsewhere." Further, "the suggestion that Saltville might fade into a ghost town--is met with civic-minded scorn" although real prospects for recovery are dim.^{49/}

In any event, it would be economically and socially impossible to discard the investment and infrastructure that any settlement encompasses except in unusual and special cases.

And if existing communities fail, where are the people to go? Recently much attention has been directed to the increasing population growth and the inadequacy of present cities and towns to accommodate expected increases. One response has been a considerable effort to plan a large number of new towns, which presumably will be in some ways superior to existing towns. But even with a major commitment of this kind, the expected increase cannot be thus accommodated. William Alonso, in a detailed critique of existing new town policy proposals, concludes:

"There is little force in the arguments... to channel much of our urbanization into a new towns pattern. On the other hand, there may be some sense in the limited use of new towns for the testing and development of... innovations which might be applicable to the expansion and rebuilding of existing cities." 50/

If, as Alonso suggests, new towns offer a sort of social laboratory, why cannot similar use be made of existing towns?

The Case for Autonomy

As has been previously argued, one of the critical issues facing most communities--and the smaller they are, the more generally true it is--is the lack of significant control over their own future. They are subject to decisions made in other places, by other people,

on the basis of criteria not strongly tied to the community. Roland Warren identified this trend as the most significant modern change in American communities.

"...the 'great change' in community living includes the increasing orientation of local community units toward extra-community systems of which they are a part with a corresponding decline in community cohesion and autonomy." 51/

This change has not simply been forced on communities and their citizens. As power increasingly becomes exercised elsewhere, local agencies tend to abdicate even from what potential for local control still exists. Vidich and Bensman have described this process in detail in their study of a small town in upstate New York. "Instead, [the community] orients its actions to the facilities and subsidies controlled and dispensed by other agencies and by virtue of this, forfeits its own political power." 52/ To reverse this trend, or even to restrain it from further extension, there must be real options.

Three options come to mind, by which communities might recapture a degree of local stability. They are (1) private (non-absentee owned) businesses rooted in the community, (2) larger multi-facilitated corporations with more concern for their local setting, and (3) broadly community-owned enterprises. But in fact, the first two alternatives, while seductive and relatively straightforward, are inadequate long-term solutions even though they may ameliorate immediate economic problems. A closer look at each of these options is relevant here.

Limits of Private Control

The principle of local control--locally owned business--is part of the American experience. It involved the prosperous community whose economy (and the autonomy it conferred) was determined by a few local people or families. In some cases, the benefits were substantial. Where such people took seriously their "civic" responsibility, the towns often had unusual stability, attractive and expensive amenities and facilities, and essentially full employment.

In St. Johnsbury, Vt., the Fairbanks family, which owned the only significant local industry, was responsible for the town's railroad, its first bank, a private secondary school, free gas for public buildings, a library, a YMCA, and a museum of natural history--all built before 1900. According to Vermont Life, "As the Fairbanks' wealth increased, so did the mutual esteem between them and the townspeople..."^{53/} W. Lloyd Warner, in his classic study of "Yankee City" (Newburyport, Mass.) describes the same process in detail.

"Prior to bureaucratization there was a community consciousness in Newburyport that allowed the old families to provide leadership that symbolized the aspirations of the whole community in a fashion rarely approximated in American life."^{54/}

These situations developed out of an historical experience in which the onset of industrial economies permitted new options, albeit options based on traditional social patterns. But Yankee City must now fend for itself, partly because ownership of local industry was transferred to New York interests.

In St. Johnsbury, the Fairbanks family sold its mill to Fairbanks-Morse, a Chicago-based corporation, which decided in the early 1960s to move it elsewhere but was convinced to do otherwise at the last minute by an heroic--and financially draining--effort on the part of the townspeople.^{55/}

Although such communities still exist (Columbus, Indiana, headquarters of the Cummins Engine Co., is one), they are increasingly rare.^{56/} The nearest modern equivalent is the "company town" built around a branch plant of a larger industry. These, of course, are prey to all the problems described earlier. And the attempt to resolve community economic problems by enticing another company to replace the one just lost (as in, for example, Saltville, Mechanicville, or Tyrone) simply recreates the same potential problem, although the short-term result may be beneficial.

Clearly, if communities are to sustain the autonomy they achieve through locally-controlled businesses, they must go beyond the pattern of ownership by local elites as in St. Johnsbury, Newburyport, or Columbus, for the simple reason that an individual owner or small group may tend to see his or their interests as diverging from those of the community. As these businesses prosper, and as their owners or their owners' families see the prospect of substantial wealth without risk of loss or need for continued effort, such firms become all too susceptible to acquisition by others. To make the point more sharply, some 8,152 significant manufacturing and mining firms disappeared as independent entities in the five years from 1964 to 1969, not including a large number of smaller ones. Size alone is no deterrent;

698 of these had assets of more than \$10 million.^{57/} Richard J. Barber, in a recent study of the American corporation, commented as follows:

"Closely held, narrowly specialized, and local-regional firms have disappeared in great numbers in recent years, leaving more and more industries dominated by big, broadly diffused, and nationally--even internationally--based companies." ^{58/}

In any case, decisions (such as to sell) are made by individual owners on the basis of their priorities and interests, rather than those of the community.

Above and beyond that, many Americans today are no longer willing to settle for "security" in exchange for continuing dominance by social and economic elites composed of mill owners and their families. Increasingly, the federal government provides this security, and work alone rarely offers sufficient personal fulfillment. The American economic machine has shown itself to be capable of immense--even profligate--productivity, and most people have definite--and rising--expectations about sharing more fully in its potential. All in all, it is difficult to imagine that many people, or communities, will put those expectations aside for long.

Limited Corporate Control in Communities

In all three of the cases presented above--defense-related contracts, absentee owners, industrial trends--the corporation plays a major, and often pivotal, role. When federal contracting patterns change, it is "private" corporate contractors that are most immediately

affected, and that make the critical local decisions. Problems of absentee ownership and of branch plants are, by definition, corporate concerns. And industrial trends, though a problem of different dimension, make their presence felt most keenly by the action of major firms responding to, or attempting to offset, those trends. It is therefore of special importance to look briefly at the nature of modern corporations, and the potential for communities to change the nature of their interaction with business enterprises so as to minimize unhealthy dependence.

The concept of the corporation in its present form derives from much earlier times, when the mechanisms for control were consistent with the social and economic order. But widespread and intermediary capital markets, the shift from owner management to professional management, and the enormous scope and power of the modern corporation raise serious questions about its governance in light of the constituencies served.^{59/} Stockholders, of course, are supposedly in the controlling position, but both the extent of their control, and its appropriateness, are open to serious question. To quote Abram Chayes:

"Of all those standing in relation to the large corporation, the shareholder is least subject to its power... He can sell his stock and remove himself, as a shareholder... A concept of the corporation which draws the boundary of 'membership' this narrowly is seriously inadequate... A more spacious conception, and one closer to the facts of corporate life, would include all those having a relation of sufficient intimacy with the corporation or subject to its power in a sufficiently specialized way."^{60/}

In the general case, this has been accepted as a practical matter. Indeed, the presence of a large corpus of law attests to the attempt to force attention to these and other related issues of corporate control. Anti-trust legislation, trade policies, protection for stockholders, regulation of financial markets, and a legal framework for union representation and negotiation can be viewed as protective devices for the benefit of one or more corporate constituent groups, including the public at large. As a class, however, dependent communities have less protection, and are more exposed to risk than any other significant constituency. Workers can organize (in principle) and strike; customers can buy from other sources (even in oligopolistic industries, there is generally that degree of competition); competitors can force equivalent access to needed resources; and stockholders can bring suit (or for that matter, sell out). However, save for those rare cases in which residents of the community in question form an important subset of those classes, they have little legal protection against external decisions of great importance to their economy.

In other words, there is no market place within which the community and the producers of goods or services routinely interact. They may share space for a while, but largely as independent rather than interdependent entities. If local communities need to become self-controlling there is thus a need for the development of new mechanisms, whether they derive from the bringing together of the community with more conventional parties in the marketplace (as in the case where the enterprise largely serves local needs, thus

bringing its customers into closer registration with the community) or by devising new strategies or structures (for example, by means of community organizations negotiating more influence and participation as a condition of entry or growth for corporations).^{61/}

Such changes cannot be made overnight. It will take time and resources to begin to focus communities and community organizations in these new directions. However, even in the short run, alternatives exist. Many branch plants or enterprises owned by larger corporations are closed because of reasons not directly related to the community. Such facilities could be acquired by a community and operated for its benefit.^{62/} Because of differences in goals, and in criteria applied to such a decision, a facility which is not seen as desirable property by a large corporate entity may be eminently so as an independent community venture.

Another problem related to large corporate structures, which exacerbates the situation in communities suffering from "economic conversion," is that management and professional personnel attached to local branch plants have no particular allegiance to that community. As Norton Long has said, "It would scarcely be saying too much and perhaps is tritely apparent that people may be more citizens of the corporations for whom they work than of the local communities in which they reside."^{63/} In fact, John R. Seeley suggested that the only realistic option might be to develop more communitarian corporations, even at the loss of some economic efficiency.^{64/}

When a plant closes, the key staff often move, thus depleting the community of some of its critical resources. It is a sort of social distillation, whereby the more valuable and volatile people are driven off to condense elsewhere, leaving behind an increasingly concentrated residue of poverty and need. If alternatives were available which offered them a stake in staying, and a basis for greater commitment to the community, they would just as (or more) readily stay.

In the end, a community might seek to force outside corporations (or other agencies, for that matter) to put a higher premium on community needs. But, even if that approach was legislated (for example, by setting taxes or changing accounting principles so that a firm had need to bring into its calculations otherwise unrecognized costs), it would fall short of full effectiveness because of the unavoidable disparity between a corporation's and a community's ultimate priorities.

Accounting for Community Priorities

Communities need some assurance that their economies are not likely to collapse or become critically ill. That means reducing the extent of external control to assure that the community's goals are given the highest priority. The greater the extent of local autonomy, the greater the control exercised within the community, the more opportunity for it to survive, to develop, and to grow in its own fashion. Only this process will permit increased investment in the community's future, and the corresponding increase of personal commitment on the part of its citizens.

To the extent that an absentee owner, a national firm, or a governmental agency can legitimately take the local situation more carefully into account, they certainly should. However, this desirable strategy becomes positively mercurial on closer inspection. As soon as it is pushed slightly, it dissolves into fragments. Whatever charge is placed on those outside agencies, so long as they have the authority to make the decisions, then their estimate of the situation is the one that counts. Their priorities, their tradeoffs, most likely will not coincide with the community's. They may well believe in a "best" course of action that is in fact least useful (or most harmful) to any specific community.

And, in fact, they may well be right, from their own point of view. Any organization, whether governmental or private, has the ultimate obligation to frame its actions in terms of the whole system over which it operates. It must (at least should) consider the special needs of its constituent elements, but in and of itself, it must balance those special needs to arrive at an overall decision. By definition, an organization's function is to attempt to optimize the benefits or values for the whole. To do otherwise is to invite legitimate complaints from its other constituents, as well as to risk failure to provide such real benefits as should result from its larger scale and scope. ^{65/}

The conceptual basis--the reason--for the formation and utility of organizations lies in their ability to achieve things that are difficult

or impossible otherwise. Thus, if those things would be more easily or effectively achieved by an organization of different size or scope, the indicated changes should be made. Scale, in other words, should be a function of the goals to be pursued.

What is needed, therefore, is an overall structure by which larger units--corporate or governmental--can provide the overall benefits and opportunities which only their size can offer, but within which smaller entities have the control and legitimacy appropriate to their more specialized purposes and needs. There is, in short, a need for some basis by which the community can act in its own unique interest within the broad spectrum of overlapping institutions which--often by default--now determine the community's future.

The possibility of action within a community is illustrated by events following Westvaco's closing of its Mechanicville mill.

After the closing of the paper mill was announced, seven middle managers offered to purchase the plant from Westvaco, with the goal of worker and/or community ownership. The local union chapter agreed to take a 10 percent pay cut, and a local bank agreed to put up the needed working capital of nearly 3 million dollars. After extensive negotiation (and an initial turndown from the company), Westvaco agreed to sell the property.

The arrangement is highly plausible in principle. Westvaco recently invested over 60 million dollars in a new and automated facility, as part of a corporate strategy to mechanize as much production as possible. As a consequence, their market orientation is towards large volume users of paper which can be economically produced on such equipment. The Mechanicville plant is not able to produce effectively for those markets, since its capability lies in the production of small quantities of paper tailored to customer requirements.

From the viewpoint of the new group, however, such a facility is an ideal base for independent production. It provides opportunity for specific service-oriented relationships with customers, it is not subject to strong competition from highly automated plants, and it requires the craft skills of local trained paper-makers. Final results await the test of time, but it can work. 66/

This example is obviously unique, but it demonstrates the different criteria that different groups apply. It suggests, moreover, that opportunities do exist, and exist routinely, though they are not usually recognized. The experience of a plant or a defense installation closing, or the loss of any significant part of a community's economic base can be of critical service in galvanizing the community into action.

Community Options

In order to maximize the benefits that the community might derive from conversion, what is required is an agency, organization, or informal group whose constituency is related to the community. Furthermore, whatever the specific structure, community control requires more or less formal organizations, able to focus citizens' energies towards particular ends, and to provide the means for action. To meet both social and economic needs, several criteria suggest themselves.

First, the organization should allow for the meaningful involvement of community members. Second, the priorities that determine the focus and tasks of the organization must be set by community residents themselves. No other arrangement can build commitment to the organization, or accurately respond to the wishes of community members, no matter

how "reasonable" or "appropriate" it might seem to an outside agency, and regardless of the apparent similarity of the end result. It is the process that builds commitment. ^{67/}

Third, all members of the community in question should be enabled to participate equally, independent of their social, educational, or economic position. Otherwise, fragmentation will continue, even if along different lines, expectations will be further frustrated, and distinctions that sever rather than bind will be created among the community's citizens. ^{68/}

One structure that meets these criteria is the community development corporation (CDC). ^{69/} CDCs can operate businesses, perform social and community services, and negotiate with other agencies. Moreover, every community member can participate on an equal basis (one man, one vote) with others, and the cost of entry (one share) is set at a level which excludes no one. Local government, too, can own commercial properties (as in Deming, N.M.) or hold a profitable lease on industrial parks (as in Rockville, Md.) for the benefit of the community; ^{70/} so also can the local development corporations, operating as quasi-independent entities (like authorities) to channel resources and provide the foundation for other enterprises.

It has been argued that an increase in community autonomy works a dis-economy on the larger society. On the contrary: it can be beneficial at both levels. Certainly what is proposed here would have social value by increasing the economic health of towns and cities, providing

meaningful opportunities for them to invest in their own future, and enabling their citizens to regain both a sense of influence or power and of shared community. Further, these options would minimize the increasing dependence of individuals and communities on larger, ever-more-burdensome bureaucracies; they would offer a much broader set of alternatives for growth and development (since they would be more uniquely tailored to reflect local diversity), and they would reduce such present problems as are due to outmigration from poorer areas into urban centers.

These potential gains alone would justify the strategies proposed. However, even in the narrower sense of economic efficiency, the decentralized industrial system that would result from greater community economic autonomy based on independent enterprises would probably be less wasteful of resources. Highly efficient enterprises, even in manufacturing industry, are increasingly possible on the modest scale appropriate to community-based economic development. ^{71/}

Conversion to greater community economic autonomy is both important and possible, although the specific means for so doing will vary with the situation. What is needed is both the real means to make such a strategy feasible, and attitudes and structures that can capture the imagination and will of community members; that can be forged into instruments of community power; and that increase the community's capacity to improve the options for its poorer as well as its more affluent members.

APPENDIX I - NOTES ON THE DEFENSE INDUSTRY

American economy's dependence on the defense industry is substantial, if not critical. Given the extraordinary network of relationships comprising our industrial substructure, it is difficult to know where to draw the line. At the core stands the Department of Defense, flanked by NASA, the AEC, and smaller related government agencies. These three agencies alone spent \$83.3 billion in the fiscal year ending June 1970. In terms of money appropriated by the Congress in 1970, 61 percent (nearly \$102 billion) went to cover present and related past defense-based expenditures (including, e.g., Veterans aid and interest on war-related national debt).^{72/}

This money directly supports about 4.7 million civilian employees, and a relatively small number of large contractors (the top 25 receive roughly half of all procurement dollars; the top 100 roughly two-thirds). The prime contractors total 22,000. They, along with another 100,000 subcontractors, operate plants in 5,200 communities in every state of the Union, distributed in 363 of the country's 435 congressional districts.^{73/}

In one form or another, the money thus injected into the economy, and its relative independence of market forces (i.e., money can be spent arbitrarily by the federal government and demand thus created) are used to explain the supposed economic benefits to society

that accrue from any government spending, including military. Since, however, the overwhelming bulk of government procurement is defense-related, the characteristics of that sector need particular attention. It has even been argued that no alternative but "defense" expenditures provides an adequate mechanism to assure economic stability. In its extreme form, this notion -- that capitalist economies need war--is, as Paul Samuelson said, the "pre-1915 Leninist ideology." And without doubt, some benefit ^{74/} does exist from even defense-oriented federal spending.

But to the extent that these dollars are used to produce goods (or more accurately, "bads") that can be put to no further use than destruction, important potential economic leverage is lost. Increases in real productivity in a technological society are built primarily on ever more sophisticated capital equipment and machinery, with which a given work force can produce faster, better, and ultimately cheaper goods. It is this feature of the defense industry that most differentiates it from other forms of industrial investment; and it is also this feature which accounts for the need of the defense agencies to claim, via programs of "technology transfer," that such production does contribute elsewhere. It is argued basically that defense and space research operates to extend the frontiers of technology, and that these advances are important assets for the civilian economy since they can be "transferred" to applications very far removed from their source. Microelectronics (useful in computers and sophisticated measurement and control devices) is one example; satellite communication and

mapping (international television, weather forecasting, etc.)
is another.^{75/}

However, this effect can never recover more than a fraction of that achievable by alternative expenditures (e.g., in public transportation systems) which could accomplish the same technological development while also producing useful economic goods. In addition, to the extent that the skills and experience needed for these limited purposes are so specialized as to be of no particular use elsewhere, human assets have also been "converted" to dead ends. The figures quoted earlier regarding unemployed scientists, engineers, and professionals partly reflect this fact, although these assets are probably not irretrievably lost merely waylaid.

For these reasons and others mentioned in the body of this paper, defense-related industry is an extremely hazardous economic base for communities and larger areas alike. The very nature of the business often results in facilities and human resources whose potential use is largely or entirely restricted to the artificial and largely arbitrary demands created (or destroyed) by government action.

APPENDIX II - NOTES ON THE CORPORATE SECTOR

The Fortune 500--the 500 largest industrial (excluding financial, utility, or retail companies) corporations in the country--produce 65 percent of all the manufactured goods in the country (total sales of \$463.9 billion). They employ 41,600,000 people, had total profits of \$21.7 billion (74.8 percent of all U.S. industrial profits), and own assets worth \$432.1 billion. ^{76/}

What is most striking about all of this is the extent to which manufacturing facilities are owned or controlled by multi-facilitied corporations. In 1963, the last year for which comprehensive figures are available, 18,600,000 people were employed in 402,000 separate units. The details are shown in Table I regarding employment, along with the number of such units operating more than one plant. Those labelled multi-unit, multi-industry are, by one standard or another, conglomerates; their number has increased through the 1960's, presumably at the expense of others.

The fact that the mean number of employees/unit is nearly identical for both single and multi-industry firms is, however, presumptive evidence that efficient manufacturing installations need not be large and that conglomerate growth is not due to the increased size of facilities but to acquisition of other modest units. Within manufacturing plants, distribution of size is heavily skewed, as indicated by the fact that the overall mean

number of employees per separate unit is 46, whereas the median is only 5. That is to say, half of all manufacturing units employ 5 or less people.^{77/} The distribution of manufacturing employees and units within different size classes is shown in Table II for 1968 and 1970, along with the population in each category. It is interesting to note that the fraction of employment in units with over 500 employees has decreased slightly, the change being accommodated by a corresponding increase within moderate sized units.

As to geographic distribution, only New York (13.7 percent) and California (10.1 percent) exceed 10 percent of the total number of manufacturing establishments, but those two states, plus Illinois, Michigan, New Jersey, Ohio, and Pennsylvania include slightly more than 50 percent of the total. The number of units having more than 250 employees is 14,300 (4.8 percent) with a total aggregate employment of 11,830,000 (60.1 percent). These plants are fairly uniformly distributed, with the exception of seven relatively unindustrialized western states. A rough breakdown is given in Table IV. Within the states, further, there is widespread dispersion of manufacturing plants into virtually all counties of the industrialized states, although units tend to be more or less clustered near metropolitan areas.

NUMBER OF COMPANIES, SEPARATE MANUFACTURING UNITS, AND
EMPLOYEES BY CLASS OF OWNERSHIP (1963)

TABLE I

	Independent Units	Multi-Unit Single Industry	Multi-Unit Multi-Industry
Number of companies	263,000	4,500	6,550
Number of Units	263,000	15,300	123,800
Mean units/co.	1.0	3.4	18.9
Number of employees	5,570,000	1,396,000	11,602,000
Mean emp./unit	21.2	91.4	93.8
Mean emp./co.	21.2	310.0	1,770.0

Source: Enterprise Statistics, Bureau of the Census, 1963

NUMBER OF UNITS AND EMPLOYEES IN MANUFACTURING UNITS
OF DIFFERENT SIZE CATEGORIES

TABLE II

<u>No. of Employees per unit</u>	<u>No. of Units</u>		<u>Total No. of employees (1000's)</u>		<u>Percent of all employees in class</u>	
	1968	1970	1968	1970	1968	1970
1-3	71,600	68,900	133	128	6.2%	6.1%
4-7	48,200	47,400	257	253		
8-19	66,000	66,000	825	825		
20-49	51,000	52,000	1,600	1,640	17.5	17.8
50-99	26,400	26,800	1,840	1,870		
100-249	20,900	21,500	3,240	3,330	30.7	32.0
250-499	8,100	8,600	2,810	2,980		
500-999	3,750	3,800	9,020	8,730	45.6	44.1
1,000-1,499	1,050	1,100				
1,500-2,499	680	710				
2,500-4,999	480	460				
Over 5,000	220	200				
TOTALS	298,500	297,800	19,720	19,760		

Source: 1968 County Business Patterns, Bureau of the Census, 1969
1970 County Business Patterns, Bureau of the Census, 1971

CHANGE IN NO. OF MANUFACTURING ESTABLISHMENTS CONTROLLED BY
MULTI-UNIT AND SINGLE-UNIT COMPANIES

TABLE III

	<u>1954</u>	<u>1958</u>	<u>1963</u>	<u>1967</u>
<u>Total</u>				
Establishments (1000's)	287	298	307	306
Employees (1000's)	15,600	15,400	16,200	18,500
<u>Single Unit Companies</u>				
Establishments (1000's)	225	256	261	254
Employees (1000's)	6,200	5,300	5,200	4,900
<u>Multi-Unit Companies</u>				
Establishments (1000's)	31.8	41.9	45.9	51.7
Percent of all Establishments	11.1%	14.1%	14.9%	16.9%
Employees (1000's)	9,500	10,100	11,000	13,300
Percent of all Employees	61.0%	65.6%	68.0%	71.9%

Source: 1967 Census of Manufacturers, Vol. I, Bureau of the Census, 1971

FRACTION OF STATEWIDE MANUFACTURING EMPLOYMENT IN UNITS
OF GREATER THAN 250 EMPLOYEES

TABLE IV

% of state manufacturing
employment in plants of
greater than 250 employees

Less than 30%	Alaska, Montana, Nevada, New Mexico North Dakota, South Dakota, Wyoming
30-40%	Hawaii
40-50%	Florida, Idaho, New York, Oregon, Rhode Island, Utah
50-60%	Texas, Vermont, Arkansas, California, Colorado, D.C., Georgia, Massachusetts, Louisiana, Minnesota, Nebraska, New Hampshire, New Jersey, Oklahoma
60-70%	North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, Washington, West Virginia, Missouri, Wisconsin, Alabama, Arizona, Connecticut, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Michigan, Mississippi
greater than 70%	Delaware, Indiana, South Carolina

Source: 1968 County Business Patterns, Bureau of the Census, 1969

NOTES

1. Ellis R. Mottur, Conversion of Scientific and Technical Resources; Economic Challenge-Social Opportunity, Technological Innovation Policy Project, Program of Policy Studies in Science and Technology, George Washington University (Washington, D.C.: March 1971), p. 33. Mottur predicts 200,000 unemployed scientists, engineers, and technicians by the end of 1971.

According to the Boston Office of the Bureau of Labor Statistics, the unemployment rate for "professional and technical personnel" went from 1.8 percent in December 1961 to 3.4 percent in March 1971. This is equivalent to a drop of 185,000 jobs, but it is a broader category than that used above.

2. Unemployment figures are from Economic Indicators (Washington, D.C.: Government Printing Office, January 1970, March 1971).

During the late 1950's and early 1960's, an effort (originally triggered in part by the first Sputnik) was made to increase the number of technical personnel available on the presumption that there would be a shortage in the late 1960's and the 1970's. See, for example, Gerhard Cohn and Leonard A. Lecht, "Requirements for Scientific and Engineering Manpower in the 1970's," in Toward Better Utilization of Scientific and Engineering Talent, Report of a National Academy of Sciences Committee (Washington, D.C.: 1964), p. 71ff., which predicted a minimum deficit of 147,700 trained people in 1970.

3. Michael D. Mosettig, "Defense Report; Proposals to Convert Defense Industries to Peacetime Production Find Few Supporters," in National Journal 3 (August 28, 1971): 1810.

A few of the many important books and articles on the issue of defense conversion are listed as follows: Fred J. Cook, The Warfare State (New York: Macmillan Co., 1962); Richard J. Barnett, The Economy of Death (New York: Atheneum Publishers, 1969); a special issue on "Military Industrial Complex," in The Congressional Quarterly Weekly Review (May 24, 1968); W. Adams, "The Military Industrial Complex and the New Industrial State," American Economic Review (May 1968):652-665; and the writings of Seymour Melman, especially Our Depleted Society (New York: Holt, Rinehart, & Winston, 1965), Pentagon Capitalism (New York: McGraw-Hill, 1970), and (as ed.) the five-volume series, Conversion of Industry from a Military to Civilian Economy (New York: Frederick A. Praeger, Inc., 1970).

4. For example, both Senator Alan Cranston of California, and Ken Bannon, Director United Auto Workers Aerospace Division, made such a suggestion at a recent conference. See Leonard Rodberg, Report on the Conference on Economic Conversion, Coalition on National Priorities and Military Policy (Washington, D.C.: 1971). See also p.43 of this paper, and note 75.

5. The three major bills are surveyed in Mottur, op. cit., p. 11ff. Pending legislation is covered more broadly by Mosettig, op. cit., pp. 1814-1815.
6. Mosettig, op. cit., p. 1810ff.
7. The Massachusetts figure is from a Boston Globe editorial, 1 March 1971. See also Mottur, op. cit., p. 57: the figure for Los Angeles is from Mottur, op. cit., p. 55; that for Palo Alto/Stanford is taken from discussion at the National Conference on Economic Conversion, Washington, D.C., March 31 to April 1, 1971.
8. The national figure is from Survey of Current Business (Washington, D.C.: Government Printing Office, April 1971); the Massachusetts figure is from the state Division of Employment Security, personal communication; the figure for California is from a statement of Representative Glenn M. Anderson of California in Congressional Record, April 21, 1971, p.H 2775; the figure for Maine is from the state Division of Employment Security; and the Washington figure is from the state Division of Employment Security.
9. Massachusetts Division of Employment Security. A more detailed picture of the changes within a state, over the same period of time, is shown for Massachusetts in the two following tables.

TABLE V

Unemployment (Unadjusted) for SMSA's

SMSA	December 1969		April 1971	
	%	No.	%	No.
Boston	3.2	46,200	5.7	83,000
New Bedford	6.5	4,200	9.2	5,800
Lowell	5.4	3,300	11.6	7,500
Brockton	4.4	2,600	8.7	5,300
Springfield/ Holyoke	4.6	10,300	8.5	18,800

TABLE VI

Unemployment (Unadjusted for Employment Areas)

Employment Area	December 1969		April 1971	
	%	No.	%	No.
Newburyport	6.5	850	15.3	2,100
Milford	6.5	800	13.3	1,700
North Adams	4.8	800	11.9	1,900
Bourne/Wareham	8.0	400	17.4	990
Greenfield	4.7	850	8.4	1,550
Provincetown/ Truro	29.9	490	31.5	620

Source: Massachusetts Division of Employment Security

10. The Economist, May 22, 1971, p. 57.
11. John E. Lynch, Local Economic Development After Military Base Closures (New York: Frederick A. Praeger, Inc., 1970), p. 231.
12. Basic population data from Statistical Abstract of the U.S., 1971; unemployment figures and the quotations from The Economist, op. cit.; Mr. Fitzgerald's comment was made at the Conference on Economic Conversion, cited above; the comment on Boeing's efficiency is based on Peter Barnes, "Aerospace Dinosaurs," The New Republic, March 27, 1971.
13. Senator McGovern in Congressional Record, cited above, is the source for the figures on procurement dollars. The figures on geographic distribution are from Senator Fulbright, as quoted in the Boston Globe editorial, 2 March 1971.
14. Figures are taken from Economic Report of the President, 1971 (Washington, D.C.: Government Printing Office, 1971), especially the section "Defense Spending and Employment," pp. 42ff. See also Appendix i, p. 43, of this paper.

15. Jeffrey Schaevitz, University of California at Berkeley, has estimated 20 percent; quoted in Barnet, op. cit., p. 151. Seymour Melman estimated 20-25 percent in testimony before the Senate Committee on Labor and Public Welfare, December 1, 1969. Senator George McGovern of North Dakota has estimated that 15 percent of that total labor force is employed by the military and arms industry combined (see Congressional Record, March 11, 1971, p. S 292f.).
16. Budget figures are taken from Charles L. Schultze et al., Setting National Priorities: The 1972 Budget (Washington, D.C.: Brookings Institution, 1971). In any event, the nature of federal contracting is an issue. See pp. 43-45 of this paper.
17. John E. Lynch, Local Economic Development After Military Base Closures (New York: Frederick A. Praeger, Inc., 1970), p. xi, has treated the special case of military bases for the period of 1961 through 1969 in an extensive study. However, in a preface added after the study was completed, he commented on the closure announcements affecting fiscal years 1970 and 1971: "In contrast to the closures of 1961-1969, the nation should not expect the rapid readjustment of the communities affected by the more recent closure actions" (emphasis added).
18. The conversation mentioned took place with Albert C. Pierce, Tufts University. The figures on DOD land and property ownership are from Pentagon Capitalism, op. cit., p. 72.
19. Rachelle Patterson, Boston Globe, 12 April 1971, p. 3.
20. Information supplied by Mr. Carl Fagins, formerly of Westvaco, Inc., in Mechanicville. The sales and employment figures are from the 1970 Fortune list of the top 500 American industrial companies (see Fortune, May 1971).
21. The figures on number of plants are from the public relations departments of the corporations mentioned. The employment and asset figures for Arvin are from the 1970 Fortune 500 list.
22. Ibid. See also Appendix II, page 46, of this paper.
23. These data are contained in Tables I and III in Appendix II, p. 76, of this paper.
24. Lee Webb, "Colonialism and Underdevelopment in Vermont," mimeographed (Plainfield, Vermont: Goddard College, 1971), p. 3.
25. See Table IV, p. 51.
26. Remarks made at the Conference on Economic Conversion, Washington, D.C., March 31 - April 1, 1971.
27. Ray Jenkins, "Twilight of a Textile Town," New York Times, 28 March 1971.

28. In New England, this tradition actually goes back to revolutionary days. The first detailed information on Arkwright's "spinning jenny" was brought to Pawtucket, Rhode Island, in 1789. By 1810, "the bulk of goods manufactured by the loom" was produced in New England and accounted for nearly one-third of the total value of all U.S. manufacturing. See D.J. Struik, Yankee Science in the Making (New York: Collier Books, 1968), pp. 191ff.
29. The package available for sale, as of March 14, 1971, included the mill complex (some 95,000 square feet), considerable textile machinery, 14 single and three double houses, 30 acres of land in the center of town, plus 160 acres of woodland and lakes -- all for \$850,000. For an indication of the size of the town, there are about 20 more houses (privately owned) in the town itself. (The above information was obtained through a private communication with Mr. N. Tsivoulis, following his conversation with the president of the Cheshire Mills, Mr. Colony.)

The history of these historic mills, and of the community, has been described in J.B. Armstrong, Factory Under the Elms (Cambridge: Massachusetts Institute of Technology Press, 1970).

30. New York Times, ibid. The entire American textile industry is under attack from foreign -- especially Japanese -- producers. The initial result was the voluntary agreement on the part of the Japanese to limit their share of the U.S. market for certain classes of products. This has, of course, now been superseded by the import quota established under President Nixon's new economic policy. See, for examples of data on the general problem, Isadore Barmash, "Textile Woe," New York Times, 4 July 1971; and Time, October 4, 1971 (cover story). On menswear in particular, see George A. Nikolaieff, "Threadbare Future," Wall Street Journal, 17 June 1971.

These transitions in product or manufacturing are not restricted to textiles, of course. It has been estimated, for example, that turnover of products in the typical supermarket is enormous. In 1966, 7,000 new products became available. Moreover, 55 percent of all items sold there in 1970 did not exist in 1960, and 42 percent of products then available have since disappeared. See Alvin Toffler, Future Shock (New York: Random House, inc., 1970), p. 65.

31. "Joblessness: Where and Why," New York Times, 18 April 1971. The article also adds: "The community's jobless...are not unaccustomed to layoffs. Bristol's industry...is vulnerable to weaknesses...in the automobile industry as well as to defense procurement cutbacks."
32. "Town Is for Hire in Pennsylvania," New York Times, 30 May 1971. Westvaco was "the town's biggest employer for nearly a century."
33. Metalworking News, February 15, 1971, p. 12. "...the principal contributing causes to the recent layoffs...are apparently permanent [and] will affect the long-range employment at the works despite what happens in the general economy."

- 34. "Paper Profits," Barron's, June 14, 1971, p. 5. St. Regis had sales of \$857,000,000 in 1970. Barron's adds the following comment: "Since the paper field has been plagued...by too much supply, the plant closings, however painful to the communities involved, stack up as a definite plus."
- 35. Norway and South Paris (Maine) Advertiser-Democrat, 20 May 1971, p. 1.
- 36. Technically, these effects are measured by a figure known as the multiplier, which expresses, for example, the ratio of total jobs created to those associated, say, with entry of a new plant into a community. The same concept is used to relate the total impact of money entering into a community to the initial amount. That is, if the money stays in the community, it will be spent (exchanged) more than once, so that the multiplier will exceed 1.0 by an amount reflective of the extent of those continuing transfers.

Data on these effects are relatively scarce for the case at issue here. However, Seymour Melman has estimated in the case of military bases that for each 100 people directly employed, about 258 others are dependent for their livelihood on the presence of that facility. (Testimony before the Senate Committee on Labor and Public Welfare, December 1, 1969.)

- 37. Herman R. Lantz, People of Coal Town (Carbondale, Ill.: Southern Illinois University Press, Arcturus Books, 1971), p. 190.

It should also be noted that the sequence of events listed is long-term and does not attempt to offer a detailed basis for prediction in any given case. Thus, one of the mechanisms by which people in such a community attempt to protect themselves psychologically is to behave like the ostrich and speak confidently of the future, even with no sound reason for doing so. This process is described in Arthur Vidich and Joseph Bensman, Small Town in Mass Society (New York: Doubleday & Co., Inc., Anchor edition, 1958), as well as elsewhere in People of Coal Town, op. cit. See also remarks on Saltville, pp. 28-29 of this paper.

- 38. William F. Whyte, Industry and Society (New York: McGraw-Hill, 1946), pp. 186-187. The impact on a community as a major employer changes its internal structure and therefore its social structure is described at length in Alvin W. Gouldner, Patterns of Industrial Bureaucracy (Glencoe, Ill.: Free Press, 1954).
- 39. Such effects show up markedly when technological change is involved. See, for example, W.F. Cottrell, "Death by Dieselization: A Case Study in the Reaction to Technological Change," in The Concept of Community, David W. Minar and Scott Greer, eds. (Chicago: Aldine Publishing Co., 1969), p. 275ff.

The classic study of shifts in ownership aggravated by broader social and economic trends is found in the Yankee City (Newburyport, Mass.) series of W. Lloyd Warner. See, in particular, W.L. Warner and J.O. Low, The Social System of the Modern Factory (New Haven: Yale University Press, 1947).

40. This suggests that a new institution to provide factoring services for the community, especially concerning small, minority, and community-based ventures, would be useful. Such a device (common in the textile industry) makes it possible for firms to get cash in exchange for receivables, at a slight discount for the service. Some profit is lost in the short term, but momentum can be maintained and survival more nearly assured. The Harlem Commonwealth Council, a CDC, has in fact set up a community factoring service.
41. It is not necessary to define "recession" or "depression" to support this point. The percentage of the labor force unemployed changes markedly from year to year, as the following table indicates.

TABLE VII

Unemployment of Noninstitutional Population
16 Years and Over

Year	Number (1000's)	Percent
1947	2,311	3.9
1949	3,637	5.9
1952	1,883	3.0
1954	3,532	5.5
1956	2,750	4.1
1958	4,602	6.8
1960	3,852	5.5
1961	4,714	6.7
1964	3,786	5.2
1968	2,817	3.6
1970	4,088	4.9
[April 1971	5,085	6.1] (p. 90,92)

Source: Monthly Labor Review, Bureau of Labor
Statistics (Washington, D.C., September 1971),
p. 88.

42. Roland L. Warren, The Community in America (Chicago: Rand McNally & Co., 1963), p. 301.
43. Charles Horton Cooley, Social Organization (New York: Schocken Books, Inc., 1962), p. 29-30.
44. See, for this viewpoint in particular, Maurice R. Stein, The Eclipse of Community (New York: Harper & Row, Harper Torch books, 1964).
45. The quotes are from Kenneth Kenniston, The Uncommitted (New York: Harcourt, Brace & World, 1960), pp. 248-249; and Philip E. Slater, The Pursuit of Loneliness (Boston: Beacon Press, Inc., 1970), p. 12.

Among the major works devoted to the loss of community or related issues, one might list the following in addition to the works already cited by Slater, Kenniston, Stein, and Warren: John R. Seeley, The Americanization of the Unconscious (New York: Science House, Inc., 1967); Robert A. Nisbet, The Quest for Community (New York: Oxford University Press, 1962); Amitai Etzioni, The Active Society (New York: Free Press, 1968); Erich Fromm, The Sane Society (New York: Holt, Rinehart & Winston, 1955), among others; Paul R. Goodman, Growing Up Absurd (New York: Random House, 1960); and Theodore Roszak, The Making of a Counter Culture (New York: Doubleday & Co., Inc., 1968).

46. Robert A. Nisbet, "Moral Values and Community," in his collection of essays, Tradition and Revolt (New York: Random House, 1968), pp. 136-137.
47. Harvey Cox, The Secular City, rev. ed. (New York: Macmillan Co., 1969), pp. 145ff.
48. Robert S. Lynd and Helen M. Lynd, Middletown in Transition (New York: Harcourt, Brace & World, Inc., 1937).
49. Life, March 26, 1971.

Some months later, Olin announced that it would close the remainder of the Saltville facility by March 1, 1972, thus eliminating the remaining 260 jobs. The future for Saltville is now bleak indeed! See Wall Street Journal, 19 November 1971, p. 23.

50. William Alonso, "What Are New Towns For?", paper prepared for the Research Conference of the Committee on Urban Economics, September 11-12, 1969, mimeographed (Cambridge, Mass., 1969), p. 6. Alonso points out that the figures on which much new town planning is based are subject to great uncertainty, and that even if they are accurate as presented, there are serious arguments casting doubt on their assumed "efficiency" as compared to established metropolitan areas.
51. Roland L. Warren, op. cit., p. 53.
52. Vidich and Bensman, op. cit., p. 101.
53. Louis A. Lamoureux, "Victory in St. Johnsbury," Vermont Life, Summer 1968, p. 51ff.
54. Four volumes have been published on this study. For present purposes, Warner and Low, op. cit. (the fourth volume of the series) is the most germane. The quote is from Maurice R. Stein, op. cit., p. 281.
55. Vermont Life, op. cit. The community financial effort apparently included children going door-to-door seeking contributions, much as they do for UNESCO at Halloween! Carl Sussman of the Cambridge Institute has pointed out in a private memo that the earlier situation

could be viewed as paternalism on the part of the local company (and its owners), but the financial effort by the community constituted a kind of reversal in which the community assumed responsibility for the company. (although the profits remain strictly with the latter). Obviously, this is an excellent deal for the company!

Such situations are not uniquely American. In England, for example, A.H. Birch has described the extent to which the town of Glossop, seat of the Dukes of Norfolk, benefited from their presence. One Duke built at his own expense both a railroad station and the entire line of track needed to connect it to the nearest junction. See A.H. Birch, Small Town Politics: A Study of Political Life in Glossop (London: Oxford University Press, 1959).

56. See "Company Town," Wall Street Journal, 29 June 1970.
57. Figures are taken from the American Almanac, 1971 (New York: Grosset & Dunlap, Inc., 1971), pp. 465ff. By way of comparison, it should be noted that the total number of manufacturing and mining corporations in the U.S. in 1967 was 197,000 for manufacturing, and 16,000 for mining -- 213,000 in all.
58. Richard J. Barber, The American Corporation (New York: E.P. Dutton & Co., Inc., 1970), p. 30.
59. Since Adolf A. Berle and Gardiner C. Means published The Modern Corporation and Private Property in 1932, an enormous literature has developed around these issues. One could well start with the revised edition of Berle and Means (New York: Harcourt, Brace & World, Inc., 1968), and indeed include more by Berle: The American Economic Republic (New York: Harcourt, Brace & World, Inc., 1964); and Power Without Property (New York: Harcourt, Brace & World, Inc., 1959).

In addition, the following list is further representative: John Kenneth Galbraith, American Capitalism: The Concepts of Countervailing Power (Boston: Houghton Mifflin Co., 1956), and The New Industrial State (Boston: Houghton Mifflin Co., 1967); Edward S. Mason, ed., The Corporation in Modern Society (Cambridge: Harvard University Press, 1960); Harry M. Trebing, ed., The Corporation in the American Economy (Chicago: Quadrangle Books, Inc., 1970); Andrew Hacker, ed., The Corporation Takeover (New York: Harper & Row, 1964); Daniel Bell and Irving Kristol, eds., Capitalism Today (New York: Basic Books, Inc., 1970); Peter F. Drucker, The Concept of the Corporation (New York: Day, 1946); and Robert L. Heilbroner, The Limits of American Capitalism (New York: Harper & Row, 1966).

60. Abram Chayes, "The Modern Corporation and the Rule of Law," in Mason, op. cit., pp. 40-41.

61. Merely because the enterprise is strictly of local character does not, of course, assure that it will be subjected to any degree of community influence, much less control. If consumers behave as individuals responding to their private interests only, and/or if the firm is large enough to have a degree of market control, the situation will be no different than in the usual case. However, under the circumstances, it is possible for the community to organize and therefore to exert substantial -- even pivotal -- control. One more or less accepted means, for example, is a boycott. In any case, what is needed to deal with such organizations is some form of community organization. (See pp. 37-39 of this paper.)
62. These events, as noted earlier, are not infrequent, although detailed information on the overall problem is scarce. It should also be noted that antitrust and monopoly controlling agencies of the government, such as the Federal Trade Commission and the Justice Department, often require a company to divest itself of a branch or subsidiary under conditions which require that it be left as a self-sustaining competitive enterprise. These actions provide a major opportunity for community-based groups that are ready to accept it.
63. Norton E. Long, "The Corporation, Its Satellites, and the Local Community," in Edward E. Mason, ed., op. cit., p. 202.
64. John R. Seeley, "The Corporation and Youth," The Center Magazine II, Center for the Study of Democratic Institutions (July 1969), p. 89.
65. It should be noted that the "real benefits" may or may not be dignified by formal identification as organizational goals. Invariably, organizations serve several purposes at once, and the original basis for their establishment may or may not remain the publicly identified purpose. Often, therefore, entities which do not seem to be fulfilling very well their stated function should be examined in a different light to see whether they are in fact fulfilling some other (unstated) purpose for one or more constituent elements. The importance of this distinction lies in the fact that the people who manage the organization may well perceive it as carrying out some purpose important to them, and in the process marginally pursuing the public purpose!
66. Personal communication from Mr. Carl Fagins, formerly of Westvaco Corporation, Mechanicville, and one of the prime movers in the transaction described here.
67. For example, see Rosabeth Moss Kanter, "Some Social Issues in the Community Development Corporation Proposal," in C.G. Benello and D. Roussopolis, eds., The Case for Participatory Democracy (New York: Grossman Publishers, Inc., 1971), p. 65ff.

68. See, for example, Elliott D. Sclar, The Community Basis for Economic Development, (Cambridge, Mass: Center for Community Economic Development, 1970).

It is interesting to note that Arnold Toynbee, in searching for the historical roots of the rise and fall of societies, concluded that the growth of civilization was intimately interlinked with progress towards self-determination. See Arnold J. Toynbee, A Study of History, in the abridgement by D.C. Somervell of volumes I-VI (New York: Oxford University Press, 1947), p. 198ff.

69. Most of the material written on CDCs is specifically related to ghettos or poor ethnic enclaves. However, the same notions and the structure are fully applicable in broader community settings and with other groups. See, for example, Michael Brower, Why Do We Need Community Development Corporations for Ghetto Development (Cambridge, Mass.: Center for Community Economic Development, 1970); Geoffrey Faux, CDCs: New Hope for the Inner City (New York: Twentieth Century Fund, 1971).
70. The Deming situation was described in a personal communication from John McClaughry, McClaughry Associates, Washington, D.C. Rockville is the subject of an article by Fred Jordan, "Land Speculation in the Public Interest," City, (January/February, 1971), p. 85.
71. This assertion will not easily be accepted by most readers. For interesting and relevant data, see "Concentration and Efficiency," in Economic Concentration, Hearings before the Senate Subcommittee on Antitrust and Monopoly, Part 4 (Washington, D.C.: Government Printing Office, 1964). See also Investigation of Conglomerate Corporations, Report by the Staff of the House Antitrust Subcommittee (Washington, D.C.: Government Printing Office, 1971), and Barry Stein, "Economics of Community Enterprise Scale" (Cambridge, Mass.: Center for Community Economic Development, forthcoming 1972).
72. 1970 expenditures are taken from American Almanac, op. cit., p. 378. The appropriation figures are from Newsletter, Friends Committee on National Legislation, March 1971.
73. See footnote 15. Employment figures are from Economic Report of the President, 1971, op. cit., p. 44.
74. Professor Samuelson is quoted in Richard F. Janssen, "Troubles With the Post-War Economy," Wall Street Journal, 25 November 1970.
75. The loss of potential economic leverage is presented in Melman, The Depleted Society, op. cit. For an appraisal of the technology transfer benefits, see, for example, Samuel I. Doctors, The Role of Federal Agencies in Technology Transfer (Cambridge: Massachusetts Institute of Technology Press, 1969); some specifics are mentioned in Lillian Levy, ed., Space: Its Impact on Man and Society (New York: W.W. Norton & Co., 1965).

It is the extension of this notion that has presumably led to the idea of a civilian NASA (see page 2 of this paper). Such an agency would have the ability to modify aggregate demand as military expenditures do now, but towards more socially valuable ends. While that would certainly shift the technological focus, it does not deal with the two crucial issues remaining: first, social problems (e.g., pollution, transportation, health, etc.) are not subject to "technical" solutions in the same sense as development of a weapons system or a space vehicle; and second, centralized large bureaucratic structures have an imperative of their own which does not depend purely on the nominal task.

76. Fortune, May 1971.

77. Figures for mean and median are taken from Enterprise Statistics, Bureau of the Census (Washington, D.C.: Government Printing Office, 1963), Table 10.

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How
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Are CDCs?

Center for
Community
Economic
Development

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An Interim Response

Barry Stein

Center for Community Economic Development
Cambridge, Massachusetts

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How Successful Are CDCs?

The first CDC funded by OEO under the Special Impact Program was the Hough Area Development Council in June 1968. Since that time, approximately 40 other CDCs have become grantees of the program, as well as about 8 more that have received funds through other direct grant recipients. In the last few years, 5 CDCs have been dropped from the SIP (that is, not refunded). Therefore, with the sole exception of the Bedford-Stuyvesant CDC (formally, two interrelated corporations -- Bedford-Stuyvesant D&S Corporation and Bedford-Stuyvesant Restoration Corporation), initial funds for which predated the OEO program by about a year, the CDCs now operating have been in existence for less than five years.

Virtually from the beginning, there has been both concern and doubt about the potential of such organizations to develop viable business ventures given (1) the demonstrably deprived environment in which they operate, (2) their focus on combining social and economic purposes, and (3) their control by and responsiveness to the residents of their target area. For example, with respect to the first point, Thomas Vietorisz and Bennett Harrison (who advocate CDC-based development) describe the conventional wisdom.

Situations being as they are, the ghetto is the last place to establish a privately owned and operated business having the option of alternative locations. Rents are high; labor skills, morale, turnover, and absenteeism unfavorable; crime and casualty losses frightening; insurance prohibitively expensive ... public services lagging miserably....¹

As for rural areas, the situation is worse yet. At least in urban areas there exists a concentration of both human and physical resources and well-developed infrastructures. The issue in urban ghettos and barrios is "to get a piece of the action." In contrast, poor rural areas are characterized by a widely dispersed population, minimal infrastructure, few resources, and, typically, outmigration of those residents with some skills to sell. The issue here, in short, is "to generate some action." Clearly, in both types of depressed areas the environment is not conducive to profitable enterprise.

With regard to the second concern, Frederick Sturdivant has argued that "the lack of compatibility between political and economic goals is closely related to the conflict between social and economic objectives. . . . the most serious weakness of the concept is the danger of confused objectives."² The third objection has been addressed directly by J. A. C. Hetherington: "An organizational firm which seeks broad participation in the community is extremely ill-suited to develop the ghetto economy because the dispersion of ownership . . . destroys the entrepreneurial element."³

It is becoming more and more important to address these and related concerns directly, even while recognizing that the operating experience of the CDCs has been extremely limited, and that any conclusions drawn from present sources must be regarded as tentative. There is, however, a considerable body of data available from an ongoing and extensive evaluation study being carried out for OEO by Abt Associates, Inc. I propose in this paper to argue, using primarily those data, that the SIP in the aggregate has demonstrated a high level of achievement with regard to operation of business ventures, coupled with remarkably positive and supportive attitudes of residents in the communities involved.

THE ABT EVALUATION STUDY

The Abt evaluation study of OEO's Special Impact Program began in July 1970 and was planned to comprise three phases over a period of three years. A wide variety of research has been carried out, including extensive field work at many of the CDC sites. For purposes of this study, the data of interest are primarily those generated on aggregate performance of the 30 CDCs studied, as incorporated in the Phase II report of March 1973.⁴ Available figures include financial results as well as information on jobs created and characteristics of CDC and venture employees. These data were collected between April and July 1972; aggregate figures are for the 30 CDCs studied.

In addition, the Phase I report of March 1972, though based on only 16 CDCs, presents the results of a series of survey questionnaires addressed both to CDC employees and area residents selected randomly.

The response categories cover a wide range of issues, notably including resident recognition of and attitudes toward the CDC and the community, and employee self-perception of such job-related factors as opportunity and responsibility related to previous experience. The survey data contained in this report were collected between June and August 1971. The accompanying table lists the CDCs studied in each phase, along with their total funding to date and their broad characteristics.

It is convenient to describe the results in three categories: financial and profit performance, employment related issues, and community response. It should be stressed that these results are both brief and preliminary, since the Abt study is continuing, and that there is no attempt here to be exhaustive. Details of methodology and of the findings are contained in the original reports.

Financial and Profit Performance

Total funds received from OEO as of July 1972 approximated \$79.8 million. Of these, \$23 million were used for administrative purposes on the part of the CDCs themselves; the remaining \$56.8 million represent venture and investment capital. Of the latter amount, \$17 million were applied to property development, \$18.5 million went to business ventures, \$16 million had not yet been invested, and the remaining \$5.3 million were utilized largely for direct community development projects with a small amount going to loan funds.

Overall, then, about 29 percent of grant funds was earmarked for "administrative" purposes. However, the word administrative is misleading since it implies relatively routine operations of going-concerns; that is, organizational overhead and maintenance. In fact, however, some of this -- probably a substantial fraction -- is more appropriately viewed as "start-up" costs, which are always well above those required for maintenance. A very rough indication of this effect can be seen by noting that through June 1971 nearly 44 percent of funds of the 16 CDCs evaluated in Phase I had been used for "administrative" purposes. That is, between 1971 and 1972, the proportion of grant funds going to administrative expenses dropped significantly. It seems likely, then, that the CDCs have been learning from their experience, and that an unknown

CDCs Included in Abt Evaluation

Site	Location	Included in		Character	SIP funding through FY 1972 (thousands of dollars)
		Phase I evaluation	Phase II evaluation		
Adela Dev. Corp.	Salt Lake City, Utah		x	Rural, Chicano	1,095
Bedford-Stuyvesant Restoration and D&S Corps.	Brooklyn, N. Y.	x	x	Urban, Black	30,684
Black Dev. Foundation, Inc.	Buffalo, N. Y.		x	Urban, Black	1,060
Black Economic Union	Kansas City, Mo.		x	Urban, Black	1,817
Circle, Inc.	Roxbury, Mass.		x	Urban, Black	1,201
Community Investment & Dev., Inc.	Little Rock, Ark.		x	Rural, Black	1,292
Delta Foundation	Greenville, Miss.		x	Rural, Black	2,346
Denver CDC	Denver, Colo.		x	Urban, Chicano	1,343
East Boston CDC	East Boston, Mass.		x	Urban, white	1,600
^a East Central Citizens Org. Dev. Corp.	Columbus, Ohio	x		Urban, Black	900 ^b

East Central Committee for Opportunity	Mayfield, Ga.	x	x	Rural, Black	2,522
^a Fight, Inc.	Rochester, N. Y.	x		Urban, Black	750 ^b
Greater Memphis Urban Dev. Corp.	Memphis, Tenn.		x	Urban, Black	1,000
Harlem Commonwealth Council, Inc.	Harlem, N. Y.	x	x	Urban, Black	4,580
Home Education Livi- hood Program	Nambe, N. Mex.	x	x	Rural, Chicano	1,842
Hough Area Dev. Corp.	Cleveland, Ohio	x	x	Urban, Black	7,811
Impact Seven, Inc.	Turtle Lake, Wis.		x	Rural, mixed	650
Inner City Business Improvement Forum	Detroit, Mich.	x	x	Urban, Black	1,800
Job Start Corporation	London, Ky.	x	x	Rural, white	1,388

Site	Location	Included in		Character	SIP funding through FY 1972 (thousands of dollars)
		Phase I evaluation	Phase II evaluation		
Lummi Indian Tribal Enterprise	Marietta, Wash.		x	Rural, Indian	2,211
Mexican-American Unity Council	San Antonio, Tex.		x	Urban, Chicano	1,425
Midwest Minnesota CDC	Detroit Lakes, Minn.		x	Rural, mixed	1,621
New Jersey State Dev. Corp.	Trenton, N. J.		x	Urban, Black	2,500
North Lawndale Ec. Dev. Corp.	Chicago, Ill.	x	x	Urban, Black	9,604
Northeastern Oklahoma CDC	Ft. Gibson, Okla.	x	x	Rural, mixed	3,425
Peoples Development Corp.	Washington, D. C.	x		Urban, Black	775 ^b
Seminole Employment & Ec. Dev. Corp.	Sanford, Fla.		x	Rural, Black	800
Southeast Alabama CDC	Troy, Ala.	x	x	Rural, Black	940
Southwest Virginia Commu- nity Dev. Fund	Roanoke, Va.	x	x	Rural, mixed	1,863

Standing Rock Industries	Ft. Yates, N. Dak.		x	Rural, Indian	1,250
Union Sarah Ec. Dev. Corp.	St. Louis, Mo.	x	x	Urban, Black	2,125
United Durham, Inc.	Durham, N. C.	x	x	Urban, Black	1,800
^a United Inner City Dev. Foundation	Seattle, Wash.		x	Urban, Black	152

^aThese CDCs are no longer included in the SIP.

^bThese figures are the funding through Phase I of the evaluation study.

but significant amount of "administrative" expense is in fact due to start-up costs, such as would be required by any new business.

To provide a general comparison, the CDCs may be regarded as ordinary corporations operating a number of ventures, with central administrative costs fully assigned to overhead. For all American corporations in 1968 the value of business receipts was about \$1.4 trillion.⁵ Cost of sales and operations on the same basis is approximately \$0.99 trillion. To that may be added the figures for officer's compensation and employee benefit or pension plans (totaling about \$42 billion). The sum of these, some \$1.03 trillion, roughly speaking, is applied to the same purposes as SIP venture funds. The "administrative" costs for such firms, then, is \$0.37 trillion, or 26.5 percent -- not very different from the CDC figure of 29 percent.

One of the important goals of the CDCs is to gain as much leverage on their own capital as possible by attracting loans and other grants or investments. The aggregate figure for the 30 CDCs covered by the Phase II report is \$0.61 on every dollar of SIP funds released (that is, actually available for use by the CDC). This seems to be a respectable achievement.

It is very difficult to find a comparable figure with which to put this into perspective, but, as before, overall data on U. S. corporations provides an interesting point of departure. Since the CDCs to date have in effect leveraged capital in expectation of developing viable business ventures, it is reasonable to look at the debt burden (loans, bonds, and mortgages) of ordinary corporations as a proportion of stockholder's equity and retained earnings. On this basis, the leverage ratio of all U. S. corporations is approximately 0.65⁶; it would of course be much lower if the denominator included other (fixed) assets as well. Again, the difference is slight.

As to ventures themselves, the 30 CDCs studied had directly established about 90 and purchased or bought out an additional 160 ventures as of July 1972. The total of 250 includes 40 ventures that are concerned with property development, 198 businesses -- trade, service, and manufacturing -- with the remainder oriented toward community development (for example, day care centers) or loan funds. These, of course,

vary in size, but those started by the CDCs are less than three years old on the average. Those purchased have in some cases been in existence for a considerable time, but the venture funds have been heavily oriented (81 percent) toward the new ventures.

In the case of ventures oriented specifically toward property development, these have resulted (as of July 1972) in 40 projects whose total market value exceeds \$30 million. Since the direct SIP investment (noted earlier) was only \$17 million, this constitutes a significant achievement. These developments (by dollar investment) have been divided among residential (34 percent), commercial (54 percent), and manufacturing (15 percent) projects.

Overall, 50 percent of CDC ventures are projected (by Abt) to at least reach break-even (on a current basis) by their fourth year. Figures on life expectancy of small business are not as widely available as one would like, but the general facts are perfectly clear. To quote Edward Hollander, "The recent evidence is that about one-third [of new businesses] will live to age five and about one-fifth to age ten, after which the survivorship rates from year to year are very high."⁷ These figures, of course, are average for the country as a whole.

The comparable failure figures for depressed areas, urban or rural, are considered to be much higher. There are some recent figures for survival of Black businesses in Chicago. In a November 1972 survey of 4,000 small minority-owned stores in operation as of the previous January, 36 percent (1,440) had either been sold or simply collapsed. "In addition, the study showed that 80 percent of the black-owned firms which opened their doors for the first time in 1972 were forced to close them before the year was out."⁸

In general, then, it is clear that the CDCs' venture performance is remarkably good, especially when considered in the light of the fact that they are attempting to do much more than "simply" develop viable businesses.

Employment Effects

Overall, the 30 CDCs being evaluated had directly created in an average period of 3 years 2,066 permanent jobs (as of July 1972) in ad-

dition to nearly 5,500 temporary jobs, which provided an opportunity both for income and for participation in the CDCs. Manufacturing ventures accounted for about 35 percent of those permanent jobs. However, most ventures are small; the mean employment per venture is 16 in manufacturing and 12 in the trade sector. But at least 5 firms had more than 40 employees, and 8 other firms between 20 and 40. Mean staff size of the CDC itself was 21 (including Bedford-Stuyvesant, which is by far the largest CDC), or 14 if Bedford-Stuyvesant is excluded.

Total wages paid amounted to \$10.2 million annually, an average of just under \$5,000 per year per employee. But it should be noted that although 2,066 jobs were permanent, they were not all full-time. Some 16 percent of jobs in manufacturing ventures were part-time, as were 37 percent of those in the wholesale/retail trade sector. Thus, the average annual figures understate the wage rates actually paid by the CDCs to such employees. Even so, these are very positive.

These figures should be contrasted with other figures drawn from the local communities. For example, the median weekly wage of those able to find work in Harlem in 1966 was \$74 per week, or, assuming full-time employment at that rate, about \$3,700 per year.⁹ And, of course, a very high proportion of residents in such areas are simply not able to find work at all.¹⁰ Consider also that in the Kentucky portion of Appalachia (where one of the CDCs is located) the per capita annual earnings in 1968 were only \$1,717.¹¹

One might assume that persons hired by CDCs and their ventures were already well employed at substantial wages, but that is not the case. Some were, of course, but the \$10.2 million wage bill paid by these 30 CDCs represents an increase of \$1.7 million, or nearly 17 percent above the wages earned by those same people before joining the CDC. Moreover, the aggregate CDC labor force included 48 percent who were previously under- or unemployed. Those previously unemployed make up 29 percent of the total, an increase from 19 percent one year earlier. Thus, the CDCs are, in general, finding employment for a substantial number of people who had not previously been able to

work and, in the process, are paying higher wages than those typical of the area.

In some cases, indeed, wage gains have been dramatic. The Acme Foundry, the first venture investment of the Harlem Commonwealth Council, was purchased in November of 1968. Since that time, its average annual wages have increased from \$4,916 to \$9,776. At the same time, HCC has invested other resources in upgrading Acme's physical plant, with the result that it is now at least marginally profitable, despite the greatly increased wage rates.

Some specifics add flavor to these general figures. Harlem Commonwealth Council owns the largest single manufacturing firm in Harlem, which employs over 100 people and has an annual sales level of about \$2.5 million.¹² Although this venture was purchased by HCC and is therefore not an example of venture establishment, it is indicative both of available opportunities and a CDC's capacity to act on them. Even more remarkable is the Lawson Furniture Company, owned by the Knox County (Kentucky) CDC, which is associated with the Job Start Corporation. Lawson was started from scratch in a remote and impoverished Appalachian community in 1969, in facilities rebuilt and expanded by the CDC, utilizing employees who in general had never before held an industrial job. At the end of 1972, Lawson employed over 100 people and was just at the break-even point with total annual sales exceeding a million dollars. In fact, it is growing rapidly and is expected to be fully profitable before the end of 1973.¹³

More data underscoring these positive aspects of CDC employment are tabulated in the survey questionnaires incorporated in the Abt evaluation study. Both managers and nonmanagers were asked a series of questions to indicate whether they felt that their present (CDC) job was better than jobs held previously. The positive responses of managers to their own CDCs can be categorized in the following percentages: Only 2 (of the 16) scored below 60 percent in positive answers to questions, 4 between 60 and 70 percent, 5 between 70 and 90 percent, and 5 at 100 percent. In the case of nonmanagers, 3 fell below 60 percent, 4 scored between 60 and 80 percent, 4 between 80 and 90 percent, and 6 between 90 and 100 percent. These figures exclude one CDC being

evaluated (North Lawndale Economic Development Corporation) which had no nonmanagerial employees at that time. Nor does lack of a positive response necessarily imply a negative attitude; positive responses of this magnitude must be seen as an important indicator of CDC effectiveness.

Another set of survey questions attempted to determine whether nonmanagerial employees were learning new skills through their work in the CDCs. Again excluding NLEDC, the proportion of positive responses in each CDC included 2 below 40 percent, 4 between 40 and 60 percent, 6 between 60 and 80 percent, and 3 above 80 percent. It is interesting to note that the average response for all employees living in the impact area was 60 percent, whereas the comparable figures for nonresident employees (about one-third of the total) seem considerably lower. It is tempting to hypothesize that residence implies a degree of participation in and commitment to the CDC not available to outsiders, but this is only speculation. Overall, however, the figures are highly positive and suggest, again, that the CDCs are able to offer substantial employment benefits in addition to better wages.

Community Issues

CDCs are not narrowly designed to pursue business matters. Indeed, their focus on several goals, including some related to the community as a social system, has been seen as a source of difficulty. In the short run, time and effort spent working with residents and local institutions as opposed to concentrating on the demands of new businesses can be seen as a potential danger. However, I would argue that the effectiveness of CDCs even in terms of business results is intimately connected with and related to their real links to the community. As I have noted in an earlier publication,

the greatest long-term real impact of CDCs will come because refocusing attention on the total life of people in a community will influence behavior and sense of opportunity . . . so that many elements of the community will see, will have, and will exercise new and constructive options.¹⁴

The success of CDC efforts within the social context of the community is clear from the Abt evaluation's surveys of residents not directly

connected with CDC activities. For example, in one question people were asked if they now perceived more job opportunities for people with their skills than had previously been available. This question was not asked at 2 of the 16 CDCs, but of the remaining 14 CDCs, the proportion of positive responses in only 4 cases was below 50 percent, 9 fell between 50 and 60 percent, and one was nearly 70 percent positive. Surprisingly, there was not much difference between urban and rural areas; the overall average of positive responses was 53 percent.

Plainly, such findings cannot a priori be shown to be caused directly by the CDCs. Other changes are also occurring in these communities. However, Abt also asked many questions directly related to the CDCs, with comparably positive responses. Thus, community residents were asked whether they thought the CDC has made it possible to learn new skills. The weighted average response (that is, adjusted to reflect the different size of the sample at each CDC) was 51 percent positive. Similarly, people were asked whether they thought the CDC had created better jobs. Again, the weighted average response was 51 percent positive.¹⁵ These results are only slightly below the more open-ended question reported above which did not specifically mention the CDC, but which concerned the same issue. It is plausible to conclude that in fact the CDC is itself a significant factor in the reported changes in attitude.

It is important also to keep in mind that the areas in question are quite large, either in target population or geographical size or both. For example, the Special Impact component of the Home Education Livelihood Program (HELP) covers 23,000 square miles of northern New Mexico with a target population of 30,000 persons. The Northeastern Oklahoma CDC covers 10,000 square miles with a target population of well over 100,000. The Harlem Commonwealth Council target population approaches 200,000 persons and that of Bedford-Stuyvesant still more. Given the size of these areas and populations, it is a tremendous task for the CDCs to develop relationships with their constituencies which give to the people a sense of value from the presence of the CDC.

In light of those considerations, the Abt figures are even more significant. Consider, for example, the simple issue of whether randomly selected residents recognized the CDCs and their ventures. The questions were so constructed that the respondents had to identify the CDCs and ventures from a list of names, some of which were fictitious. Results indicate that the proportion of residents having some knowledge of their particular CDC ranged as follows. In four CDC areas, between 30 and 50 percent responded positively. In two areas, positive responses ranged between 50 and 70 percent, four ranged between 70 and 80 percent, and six showed above 90 percent recognition. The weighted average was quite uniform across all sites, totaling 73 percent.

On the general question of whether residents thought the CDC had helped make the community a better place, the weighted percentage of positive responses included seven CDC areas between 20 and 40 percent, five between 40 and 60 percent, and four greater than 60 percent. The overall weighted average was 49 percent. An important question concerned the proportion of residents who had perceived general progress in their community in the last few years. The weighted average of positive responses included only one CDC area under 30 percent, five between 40 and 50 percent, three between 50 and 70 percent, four between 70 and 80 percent, and three over 80 percent. When the responses were separated into area categories of urban, mixed, or rural character, the weighted averages were 48, 64, and 80 percent respectively.

Given these figures, it should also be noted that, first, the one CDC whose response was below 30 percent (North Lawndale Economic Development Corporation) does not have any direct ventures in place and has consciously adopted a low profile strategy in favor of a long-run payoff on a major development. Second, the five highest ranking sites by this measure are all rural, and third, the drop in response from rural to mixed to urban sites is significant. A simple hypothesis accounting for all these results is that the rural sites are more likely to respond positively to the presence and operation of CDCs by virtue of their relatively self-contained quality and the lack of other community institu-

tions with which residents can identify. In addition, rural CDCs in particular tend to focus heavily on building links and relationships among residents. More research, however, is clearly needed.

Meanwhile, we do know that property development, where it is appropriate, can be a powerful tool for increasing CDC visibility, offering a range of benefits (social and economic) in the same project, and influencing residents' sense of community. Especially in urban areas, the need for new housing and commercial property is great; furthermore, the economic and technical resources are available. In short, it is in just these areas where "turf power" is important and useful. Finally, it is noteworthy that the property development ventures have generally been the most profitable CDC investments. In fact, these ventures were modestly profitable even at the time of analysis (July 1972), in contrast to both manufacturing and trade which were, on the average, not yet profitable at that time. Here, then, the integration of CDC goals becomes most immediate and practical in the short run.

Conclusion

The Special Impact Program, under which OEO funds some 40 rural and urban CDCs across the country, has been challenged as a possibly laudable but nevertheless misdirected program. Critics direct concern most particularly at whether the CDCs have a potential to develop viable business ventures, given their mixed social and economic goals, their direct control by the community, and the resource-poor areas which they aim to serve. The results available to date, however, do not support these concerns. On the contrary, even considering that the average life of the CDCs to the time of collection of most of these data is less than three years, they have demonstrated a remarkable level of performance in venture development and profitability, in employment-related matters, and in helping raise the level of confidence and opportunity in their communities. This becomes clear by contrasting the CDCs with conventional businesses and by observing the effects in their own communities.

No one would expect all new business to be successful, yet CDCs are criticized for failures even though their failure rate is much lower

than is conventionally observed in comparable or better districts. No one would expect major social changes to occur in a period of a few years, yet CDCs are criticized for not yet having "solved" the problems in their communities.

Actually, on the basis of data collected to date primarily by Abt Associates in its three-year continuing evaluation of the Special Impact Program, the CDCs are demonstrably -- even remarkably -- successful. They have, in the aggregate, increased the income of those they employ, taken into their job framework an increasingly high proportion of previously under- or unemployed people, established or purchased 250 ventures which are projected to have lower failure rates than conventional businesses -- far lower than private businesses in their areas -- and they have achieved a degree of visibility and helped create a sense of renewed opportunity in their communities, which alone is a strong indicator of long-term success.

I believe that these data can only reasonably be interpreted in one way, and that is by recognizing that at least two of the concerns noted earlier are in fact not properly sources of concern, but instead are the very bases of CDC success. The "problem" of joint goals is not a problem, but an opportunity. The institutional integration of a social with a more narrowly economic focus is precisely what has permitted the CDCs to build confidence in their value for the community and its residents. The democratization and community control of the CDCs is not an inherent predictor of failure. On the contrary, it is just this feature which allows residents to invest their own energies and efforts in the CDCs and which gives them the support without which they would surely fail.

In short, residents of the depressed areas in which CDCs operate have become accustomed to years of exploitation by or isolation from others, and to treatment which assumes their own inability to succeed. The CDCs are reversing those feelings by providing a source of local pride and value, and institutions in which people can have confidence and from which they and their communities can derive skills, income, influence, and self-confidence.

How successful are the CDCs? Damn successful!

Notes

1. Thomas Vietorisz and Bennett Harrison, "Ghetto Development Community Corporations, and Public Policy," Review of Black Political Economy ? (Fall 1971), 31.
2. Frederick D. Sturdivant, "Community Development Corporations: The Problem of Mixed Objectives," Law and Contemporary Problems 36 (Winter 1971), 48-49.
3. J. A. C. Hetherington, "Community Participation: A Critical View," in ibid., p. 28.
4. Abt Associates, Inc., "An Evaluation of the Special Impact Program: Phase II Report" (Cambridge, Mass., March 1973), Contract # B 00-5181.
5. Internal Revenue Service, Corporation Income Tax Returns: 1968 (Washington, D. C.: Government Printing Office, 1972), p. 14, column 1.
6. Ibid.
7. Edward D. Hollander et al., The Future of Small Business (New York: Praeger, 1967), pp. 106-107.
8. Robert McClory, "Rough Times in Minority Business," Race Relations Reporter 4 (Nashville, Tenn., April 23, 1973), p. 6.
9. Thomas Vietorisz and Bennett Harrison, The Economic Development of Harlem (New York: Praeger, 1970), p. 22.
10. Steadily increasing data support the idea that the U. S. economy operates in a dualistic fashion, especially perhaps with regard to labor. That is, there is a secondary labor market characterized by very different structure and opportunities, which limit the kinds of work available, its continuity, and its rates of pay. Particularly in such depressed areas as those in which the CDCs operate, this secondary labor market is the one which most clearly accounts for the inability of local workers to find decent employment. See, for example, Michael J. Piore, "The Dual Labor Market: Theory and Implications," in David Gordon, ed., Problems in Political Economy: An Urban Perspective (Lexington, Mass.: D. C. Heath, 1971).
11. Bureau of the Census, Statistical Abstract of the U. S. for 1972 (Washington, D. C.: Government Printing Office, 1971), table 519.
12. Barry A. Stein, "Harlem Commonwealth Council: A Case Study in Community Business Development" (Cambridge, Mass.: Center for Community Economic Development, 1973).

13. Barry A. Stein, "The Biggest Little Conglomerate in the World: Community Economic Development in Kentucky" (Cambridge, Mass.: Center for Community Economic Development, 1973).

14. Barry A. Stein, "Abt Evaluation Study," Center for Community Economic Development Newsletter, March 1973, p. 3.

15. That is, adjusted to reflect the different size of the sample in the separate CDCs. The figures so calculated more accurately represent the feeling of the total population surveyed.

ABOUT THE AUTHOR

Mr. Stein is a research analyst on the staff of CCED. His past experience includes 15 years of industrial consulting, both as a senior staff member of a large firm and as president of his own company. He is also a Ph. D. candidate in the department of Urban Studies and Planning at M. I. T. He is particularly interested in the development of alternatives for the economic organization of society, especially those alternatives based on stronger and more autonomous communities.



The Center for Community Economic Development (CCED) is an independent research group located at 639 Massachusetts Avenue, Cambridge, Massachusetts 02139. Its primary function is to conduct public policy research by examining the ongoing problems of community development corporations (CDCs) and of other community-based economic organizations. CDCs and other similar community groups are instituted and controlled by local residents to improve the economy of their home areas. The central aim of these organizations is to increase the participation of their constituents in the nation's economic, social, and political life. R & D activities at CCED are designed to support that goal.

CCED also maintains a library, acts as a clearinghouse for materials and information on community-based economic development, and provides advocacy services related to its research. The work is supported by a grant from the federal Community Services Administration, as well as by other government and private funding sources.

The opinions expressed in this paper and all other CCED publications are those of the authors and should not be construed as representing the opinions or policy of any agency of the United States government. A complete list of publications is available upon request.

LIBRARY

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Barry Stein

ROSABETH MOSS KANTER, Ph. D.
BARRY A. STEIN, Ph. D.

617-868-5264

May 3, 1977

Mr. Brian Rogers
c/o Representative Clark Gruening
Pouch V
Juneau, Alaska 99811

Dear Brian:

It was nice meeting you and your colleagues yesterday. I enjoyed our conversation and look forward enthusiastically to a possible visit and a chance to work with you.

In the meantime, I thought the enclosed might also be of interest. I look forward to hearing from you.

Best regards,



Barry A. Stein

Enclosures

BARRY A. STEIN

PERSONAL:

Address: 6 Channing Place, Cambridge, Massachusetts 02138; (617) 868-5264
Born Chelsea, Massachusetts, July 5, 1932; Married, two children
Social Security Number: 026-24-1653

EDUCATION:

MIT, Chemical Engineering	SB, 1955
MIT, Chemical Engineering	SM, 1957
MIT, Urban and Regional Studies	PhD, 1973
Dissertation: The Potential for Decentralized Community Industries	

Other Professional Training: Boston University, MIT Sloan School of Management, National Training Laboratories and elsewhere; Human Relations and Organization Behavior, 1959-1967. International Training of Trainers Program, Oosterbeck, Holland, 1967.

PROFESSIONAL INTERESTS:

Organization Change and Development
Industrial and Work Alternatives
Community and Economic Development
Non-traditional Education and Training

EMPLOYMENT HISTORY:

Present

Associate Director, Center for Social and Evaluation Research, University of Massachusetts, Boston, Harbor Campus. (617) 287-1900 ext. 3217 or 3218. University-wide center for the development and support of programs in research, evaluation and social policy. Responsibilities include program development, general administration, and substantial research and consulting in areas of professional interest.

Professional Activities

- Developing and carrying out programs of local socio-economic development in depressed rural and urban neighborhoods. Involves institutional changes and strategies for local capture of created benefits.
- Applying new approach to evaluation of local and regional economic development programs, based on identification of specific site-program interactions and their effect.
- Designing and carrying out training programs for NTL Institute in organizational development and group dynamics.
- Designing and carrying out programs on organization structure and its effects, for management and professional personnel and specific firms, based on new theoretical framework and research.

EMPLOYMENT HISTORY (continued)

1974-1975

- Lecturer, Graduate School of Education, Harvard University; taught course in organizational theory and change to doctoral candidates

Professional Activities

- For major consortium of business organizations, oriented toward help to municipal and educational institutions in New York City, acted as core consultant, member of management team, and coordinator of organizational and training resources in project to revitalize city high schools.
- Coordinated and directed field work for twelve doctoral candidates, as part of Harvard teaching activity above.
- For major chemical company, helped design and carry out program to assess internal attitudes and structures relevant to implementing equal opportunity mandate for women.

1971-1974

Research Analyst and Senior Consultant; Center for Community Economic Development. Responsibilities included research programs related to community-based development, and work with CDCs and other agencies on policy-related issues.

Professional ActivitiesTeaching:

- 1974: Lecturer, Whittemore School of Business and Economics, University of New Hampshire. Taught Business Policy to second year MBA class.
- 1973-1974: Instructor, Department of Urban Studies and Planning, MIT. Taught Theories of Economic Development to graduate students from university at large.

Research:

- Studied relationship of American defense and industrial conversion strategies to local regions and communities, drew policy conclusions, and suggested alternative strategies (principal investigator).
- Analyzed effects of size and scale of manufacturing firms on operating efficiency and effectiveness of resource utilization, and considered consequences for small business (principal investigator).
- Carried out major theoretical study of effects of property ownership on owners, particularly to develop empirically significant hypotheses concerning social-psychological issues (principal investigator).
- Developed and applied empirical technique to establish minimum entry size for firms into markets, and applied to consumer goods manufacturing industry (principal investigator).

1971-1974

Research (continued)

- Attempted to apply and extend emerging theory of dual labor markets to persistence and development of depressed urban areas and under-employment problems, and considered possible effects of alternative work organization arrangements.

Consulting:

- For New England office of federal agency, carried out and directed survey of economic development needs of region, wrote report, and formulated policy recommendations.
- For eight community corporations, carried out series of case studies to analyze particular issues needing attention, and to point out opportunities for improvement.
- Acted as technical representative of CDCs in connection with major (three year) evaluation study of overall program for OEO.
- For large chemical company, helped design and carry out major evaluation study of effectiveness and value of training programs.

1968-1971

President (and founder); Organization Development Associates, Inc. Responsibilities included business development and direct service to clients, along with usual chief executive functions. Directed activities of five people.

Professional Activities

- For large hotel chain, carried out (and designed) series of training programs for middle and upper management personnel.
- For small manufacturer of specialized valves, carried out (and staffed) comprehensive study of technical, administrative, market, and personnel policies on behalf of Board of Directors.
- For joint university-industry task force, helped design management structure and operating policy, and worked with group itself.
- For medium-sized car rental firm, appraised and evaluated morale and operational effectiveness, and designed and carried out elements of appropriate training program.
- For major chemical company, helped design and establish new training facility for sales and marketing personnel, based on principles of peer learning and personal diagnosis.
- For group of seven major Boston and New York corporations, carried out several training programs for managers, especially designed to increase organizational effectiveness.

1957-1968

Senior Staff Consultant, Arthur D. Little, Inc.

1966-1968: Brussels (Belgium) office. Responsibilities included business development, liaison with other consulting firms, representative of organization counseling function.

Professional Activities

- For government of Belgium, participated in project to analyze social and economic needs of depressed area, and devised development plan.
- For Arthur D. Little, Inc., evaluated potential for joint venture in Europe with Swiss manufacturer, carried out negotiations, market study, and design of organization.

1957-1966: Cambridge (Massachusetts) office. Responsibilities included business development, client programs, assisting in foundation and staffing of new section on materials science consulting.

Professional Activities

- For large mechanical manufacturing firm, established task force to help coordinate transition to new line of products under new management, carried out aspects of required training.
- For major oil company, worked to establish task force and procedures to improve efficiency of tanker fleet operations.
- For diversified electronics manufacturer, consulted with several divisions to appraise organization effectiveness and suggest potential improvement strategies.
- Carried out extensive research and consulting in technical areas of physical metallurgy, metallurgical engineering, instrumentation, computer simulation, and experimental design.

1956-1957

Research Assistant. Fuels Research Laboratory and Applied Mechanics Laboratory, MIT. Responsibilities included experimental design, instrumentation, and technical assistance to several ongoing projects.

SELECTED PUBLICATIONS AND PAPERS:

I. Economics and Economic Development

- The Community Context of Economic Conversion. Cambridge: Center for Community Economic Development (CCED), 1971.
- "The Case for Autonomy." in R.L. Warren, ed., Perspectives on the American Community. Chicago: Rand-McNally, 1973. Second edition.
- Size, Efficiency and Community Enterprise. Cambridge: CCED, 1974.
- "Decentralizing the American Economy," Chapter in Harold S. Williams, Ed. The Advantages of Smallness (tentative title, in preparation), Rodale Press, 1977.

PUBLICATIONS (continued)

- "The Internal Economics of Communes." in R.M. Kanter, ed., Communes: Creating and Managing the Collective Life. New York: Harper and Row, 1973.
- "How Successful Are the CDCs? An Interim Response." Review of Black Political Economy. (Spring) 1973.
- "Social Multiplier Effects in Community Economic Development." Presented at the 1974 meeting of the American Sociological Association. With R.M. Kanter.
- "Decentralizing the American Economy." in Harold S. Williams, ed., The Uses of Smallness. Rodale Press, 1977.
- "The Role of Small Business in Our Society." Statement for Senate Select Committee on Small Business, December 2, 1975.
- "The Economy of the Small Community." Institute on Man and Science, Rensselaerville, New York, 1976

II. Organizations and Other Social Science

- "On Decision." Quarterly Journal of Business. Antwerp, Belgium, (Spring) 1968.
- "Innovation, Uncertainty and Decision." Direction. Paris, June 1968.
- "Game Performance as an Indicator of Organizational Behavior." Presented at the 1970 meeting of the American Sociological Association. With H. Gadon and R.M. Kanter
- "On the Perception of Tasks." Presented at the 1970 meeting of the Project Management Institute. With L. Bennis.
- "Social Implications of Ownership." Cambridge: CCED, 1972.
- Property Theory and the Collective Ownership of Firms. Cambridge: CCED, 1976.
- "The Social Functions of Products and the Nature of Organizations." Presented at the 1974 meeting of the American Sociological Association. With R.M. Kanter
- "Organization Development and Educational Systems: A Case Study and a Theory." With L. Bothwell (in draft).
- Women in Sales. Union Carbide Corporation, 1975. With R.M. Kanter.
- "Getting There: Patterns in Managerial Success." Center for Research on Women, Wellesley College, 1976.
- "Collective Ownership, Property Rights, and the Control of the Corporation." Journal of Economic Issues, June 1976.
- "Flexitime: Work When You Want To." Psychology Today, June 1976. With H. Gadon and A. Cohen.

PUBLICATIONS (continued)

III. Community Studies

- United Durham, Inc.: A Case Study in Community Control. Cambridge: CCED, 1972.
- "The Centerville Fund, Inc.: A Case Study in Community Control." Journal of Applied Behavioral Science. (Spring) 1973. Special issue on Alternative Institutions.
- The Biggest Little Conglomerate in the World: Community Economic Development in Kentucky. Cambridge: CCED, 1973.
- Throw the Rascals Out: A Case Study of the Northeast Oklahoma CDC. Cambridge: CCED, 1973.
- Harlem Commonwealth Council: Business as a Strategy for Community Development. Cambridge: CCED, 1974.
- Rebuilding the Ghetto: Community Economic Development in Bedford-Stuyvesant. Cambridge: CCED, 1974.
- Tradition and Development: The Lummi Indian Business Council. Cambridge: CCED, 1975.
- "The Wrong Questions: A Critical Analysis of an Evaluation of Community Development Corporations." In Marcia Guttentag, ed., Evaluation Studies Annual. Beverly Hills, California: Sage Publications, 1977.

IV. Physical Science

Thirteen scientific publications in metalworking, physical metallurgy and instrumentation. Available on request.

INVITED LECTURES AND PRESENTATIONS:

- Davidson Lecturer, University of New Hampshire, 1975. "Does Communal Work Work?" With R.M. Kanter.
- The Uses of Smallness, Conference, Center on Man and Science, Rensselaerville, New York, 1975. "An Alternative Strategy for Development."
- Toward a Light Governance for America, Conference, The Lindisfarne Association, Southampton, New York, 1976. "Economic Strategies for Decentralization."

MEMBERSHIPS:

Past Director, Public Learning Corporation
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Local Economic Development: A Better Way

Barry Stein

November 1975

Most economic development programs have been massive failures. Costs have vastly exceeded benefits and results have fallen far short of proclaimed (and needed) goals. Even the apparent successes have often been purchased at great (and hidden) cost; the erosion of local autonomy and the inevitable passage of power from the community to externally-controlled governmental units and firms. Most distressing of all, many of these same "successes" turn out after a few years to be strictly temporary.

The reason is that economic development is usually confused with industrial development. It is assumed that the answer to a depressed community's prayers is a new plant installation by a member of the Fortune 500. This assumption is wrong. Less than a thousand significant new plants are put up in a year and five times as many cities, towns, states and regions compete for them. In the process, the local areas bid against each other by offering benefits. Present and future new tax revenues are waived, and actual income is pledged for training, elaborate facilities, infrastructural improvements, or environmental control equipment.

Additional hidden costs are often added to the community's burden; transportation, schools, public utilities and municipal services may be strained without the corresponding new tax revenues. These costs ordinarily are paid from the increased income of newly-employed local workers from these new jobs in business and tend to be shifted to the lowest job categories. The local workers, not the firms, pay the cost of the new jobs. The local workers, not the firms, pay the cost of the new jobs.

they often live outside the tax jurisdiction of the area (if indeed it has any--neighborhoods within a city are in the worst of all possible positions). The final blow comes a few years later, when the firm decides to move its plant elsewhere; as local inducements run out, another community will be all too eager to provide new ones. Such "economic development" merely creates a downward spiral in which outsiders reap the benefits thrown off by communities.

There is an alternative. The true aim of economic development must be the self-renewing community, based on creation of a capacity for continuing local action and a degree of self-reliance. This emphatically does not mean independence or self-sufficiency; that is both inappropriate and impossible in practice. It does mean that communities can and should utilize their available resources (including those attracted from outside) in their own interests. By so doing, they can better resist economic drain, retain more control over their affairs, and provide an environment more conducive to citizens' well-being. Effective economic development is not merely economic (not to mention industrial); it is a social process.

Broadly speaking, this approach to local development differs from more conventional ones in three critical ways. First, it creates an ongoing institutional capacity within the community to act in its own behalf, rather than to act "for" it. Second, criteria for evaluating alternative development options are related to increasing the community's retention and breadth of distribution of benefits created, and its control over its affairs, rather than to increasing the level of the usual economic indicators regardless of their social and institutional impact. Third, economic activities are oriented as much as is feasible toward local production for local needs and markets, and toward replacement of imported goods and services by locally-produced ones, rather than merely toward production or marketing of those goods or services in which the area is thought to have a potential variance opportunity.