Comment

Community-Based Economic Development: Our Trojan Horse

PATRICIA LANE

Fostering the social, economic and environmental well-being of communities and regions through initiatives taken by citizens, often in collaboration with their governments, that strengthen local decision making, self reliance, co-operative endeavour and broad participation in community affairs. These include worker and producer co-ops, community development organizations which have some form of elected boards, community planning forums and credit unions.

— Social Planning and Research Council of British Columbia.

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At its May convention in 1986, the Canadian Labour Congress (CLC) adopted an economic policy statement calling for the development of a workers' economic agenda. The statement calls for a complete re-structuring of the economy based on democratic economic planning, full employment, an expansion of the public sector, nationalization of key industries, democratic control over investment, support for workers' co-ops and other forms of industrial democracy, and an emphasis on community-based economic development. It is this last plank with which this note is concerned. What is it? Is it large enough to matter? Is it a good idea?

Community-Based Economic Development as a Viable Economic Alternative

The unemployment rate in British Columbia continues to be one of the highest in the country. The multi-nationals on which we depend for employment are no longer creating new jobs. Indeed workers are faced with having to accept technological change that results in increased layoffs in order to provide job security for at least a few. Rejecting the increased reliance on the marketplace which underpins the support for free trade by the right, the Canadian public is looking for solutions that offer independence and economic stability. Proponents of "community-based economic development" (CBED) argue that its roots in the community make it an attractive alternative which promises independence from multi-national capital. But is it good economics? Will it promise economic growth? Is it too small-scale to make a difference? This note will address these questions and suggest why someone concerned with policy at the provincial and federal levels will be interested in supporting and fostering community-based economic development as an alternative to the policy leadership of finance and industrial capital.

A head-on struggle with capital for economic control is the unavoidable consequence of trying to implement some degree of independence and security in economic development. The stakes in the struggle are high, as the outcome ultimately determines the economic future of the province and the country. The struggle is often an unequal one, as is shown by the results of the many battles with domestic and foreign capitals engaged in by social democratic governments over the years. The weakness of these governments showed up when they were faced with the ultimate weapon—the threat of, or actual,
withdrawal of capital from a region or province. There are too many examples of social democracies being forced to choose between serving their electorates and serving the demands of capital. When capital threatens to withdraw, governments give in because the impact of a capital strike on the electorate would be enormous: the loss of existing jobs and no new job creation. A successful strategy of economic development has to show that it can stand up to, and overcome, the counter-strategy of a capital strike, as well as offer positive reasons for its adoption.¹

Already it is apparent that a centralist economic development strategy by the state is no guarantee of local economic growth that will offer people jobs, or even lay the foundations for future jobs. An alternative approach is called for, involving a reversal in the traditional “top down” thinking of economic development; one answer could be a strategy of entrenching in local communities the financial and organizational elements necessary for relatively autonomous development. The ever-present threat of a capital strike can be rendered less disagreeable through a community-based economic development strategy that includes import substitution, the retention of profits, and the investment of pension funds within the community.² The jobs that are eventually generated locally will effectively remove the sting from the threat of withdrawal of investment by multi-national corporations. I will not develop these three features at this stage, but will consider the ability of a community-based development to foster innovation.

A major objective of community-based economic development will be the encouragement of innovation—one of the cornerstones of modern economic development which remains underdeveloped, particularly in the current economic crisis. Another objective is to offer opportunities for workers to experiment with democratic workplace, resource-management and community-management opportunities that are currently rare. (Needless to say, workers hardly gain any experience controlling large amounts of capital, let alone in forums where they can do so democratically.)

Economic development projects designed to meet a community need can encourage innovation both in product design and marketing. The projects can also teach innovation in the process of learning how to operate using democratic models.
Whether the project is designed to keep locally generated capital close to home by creating a credit union or a locally controlled retail outlet; or whether it is intended to produce a good that the community needs (like fresh produce); or whether the project is designed to create jobs and generate new wealth through innovative product design for local or export consumption (such as locally produced beer or salmon): if the design of the enterprise includes an element of accountability to workers or their communities, or both, innovation and learning in both the product and the process of production will occur.

It is a fundamental tenet of the labour movement that the best people to design strategies—economic or otherwise—are the people who are themselves affected by these strategies. Our current economy marginalizes the economic activity of many women, most seniors, most of the disabled, and the long-term unemployed. If we are to create a new economic order that meets the needs of everyone, it will be important to design structures that allow for the integration of those groups whose economic activity now takes place in the informal economy into the formal one to their mutual benefit. It is an important characteristic of community-based economic development that it provides opportunities for those who have developed skills and expertise in the informal economy to put them in use in the formal economy in structures that offer democratic control.

The projects and their structures for accountability will be as diverse as their communities. In designing strategies for the new economy, we need to encourage the development of many different kinds of economic activity.

Workplaces that use democratic methods of organizing production may, and often do, begin with lower productivity than could be expected in their non-democratic counterparts. Eventually, however, with innovation and a democratic workplace in which there is no need for the tremendous waste associated with the use of what has been called “guard labour” (people whose job it is to police the productivity of others), there will be gains in efficiency. It is during the early learning or experimentation phase that subsidies may be required.

Capitalist economies subsidize industries in their infancy too, and there is nothing to suggest that greater subsidies than
exist now would be required. Indeed there is some evidence that over-subsidization is a real threat to the eventual viability of some forms of community-based economic development projects—most notably, worker co-ops. But in any event, there should be no great degree of alarm if initial subsidization is a part of the programme.

Nor should there be any automatic assumption that it will be the state that is the source of all subsidies. The co-operative movement now effectively subsidizes itself through advisory societies and central credit union bodies. Models of this kind should be developed and encouraged, although there is, of course, ample justification for state involvement in the subsidization process if it is needed.

Clearly, some community-based economic development enterprises will never make it past the cross-over point between innovation and the creation of a productive enterprise. Perhaps subsidization should end there. On the other hand, we might want to subsidize some of these democratic workplaces, even if their operation results in ongoing costs to others not employed there. We might decide that it is socially advantageous, just as we agree that it is in the interest of Canadian society as a whole to help family farms survive. We might decide that a society really interested in developing a democratic culture should have many different forms of democratic workplace management in existence.

One of the fears that people have about supporting a left programme is that of big, faceless, soulless, heartless government. We need to take this fear seriously, because a healthy economy requires a large public sector. A further advantage of community-based economic development is that it brings with it a methodology for democratizing the public sector. It teaches us to work collectively and democratically around economic issues in quasi-public forums. As our understanding of the stakes increases, so will our participation in the larger decisions of government. As our participation and understanding grow, the number of public and quasi-public forums will grow. The size of the public sector will increase, but without giving life to the fears now present in the public mind.

Proposing a decentralized model, which, because it is driven by community-based concerns, will be highly accountable to local communities, also answers other real concerns about over-
bureaucratization that arise with any programme that overtly encourages state intervention in the economy.\(^5\)

This is the answer to the conservative economist who says that we need the marketplace in order to preserve the freedom to buy and sell and thereby increase the number of private options out of public participation. Encouraging the growth of many different forms of enterprise with many different models of accountability means that people have all the options they want, but in a collective framework.

**Potential Problems** Although community-based economic development is a strategy with great promise for the left, I turn now to a consideration of some of the problems. A central planning strategy should be directed to these considerations; although they will remain problematic, careful design of the central plan can minimize the dangers.

Right-wing economists argue that an important justification for the retention by capitalists of the surplus is that they reinvest this surplus. They argue that if the surplus were returned to workers, they would spend it and our economy would suffer from the loss of savings.

Certainly it is true that workers spend a much higher proportion of their income than do the rich. Income is the most important determinant of savings patterns. However, the problem of encouraging investment is already being addressed quite successfully by a number of worker co-ops—for example, by issuing share capital or dividends. One study of fishing co-ops in Canada has concluded that a reason for their success in comparison with their non-co-operative counterparts is the high rate of re-investment.\(^6\) The state could, of course, play a supportive role by, for example, employing taxation policies that favour this kind of approach. It seems that the concern is perhaps more imaginary than real, and can easily be addressed by supportive government policy.

It is inevitable that some community-based economic development projects will be more successful than others and that some will be more democratic and socially desirable than others. This will perpetuate income and other inequities. But the inequities will not be between classes as they now exist in our society, but between groups of workers and their communities. Small advantages quickly turn to large advantages in
a competitive environment. And one obvious outcome of competition is that there will be winners and losers.

Like all of these issues, community-based economic development is not the creator of uneven development. Indeed the marketplace relies on it. While it does remain a problem, it can be adequately addressed by the state. Canadians are now comfortable with the state as a vehicle for redistributing income. It should simply continue to do so, but with new goals of social equity. This could be done through simple redistribution payments to compensate for comparative geographic disadvantages, for example, or through the use of progressive taxation systems to encourage the production of socially desirable goods or services, and with some imaginative use of the regulatory power. This latter alternative is particularly attractive in controlling socially destructive competition or in fostering democratic workplace models.

Just as all communities are not created equally, neither are they equally responsible towards their neighbours. There is a real concern that a localized community-based economic development strategy will bring with it serious spill-over problems, the most obvious of which is environmental pollution. This is a problem for a government anxious to be returned to office, if it is forced into a mediatory role or, indeed, a top-down regulatory one. Some communities will inevitably have more political clout than others. How do we ensure that communities which, for example, pollute or threaten to pollute their neighbours are equitably persuaded not to do so?

The marketplace fails completely to deal with spill-over problems created by capitalists. As a result, the state is forced to regulate and then to enforce those regulations. Problems exist both with the nature of the regulations and with the degree of enforcement because of the symbiotic relationship developed without public accountability between the state and the industry affected. In drawing up the regulations and their monitoring, a community-based economic development model would encourage widespread local participation from both creators of the problem and those directly affected. This would avoid the necessity of the state having to use a top-down approach and would give people a direct stake in the issue. There is considerable experience in the U.S., for example, where this approach is being adopted by energetic local gov-
ernments in launching successful anti-nuclear power and pollution-deterrence campaigns.

**A Question of Democracy** While community-based economic development is occurring in small pockets elsewhere in Canada, it appears to have the most momentum in British Columbia. The Social Planning and Research Council of B.C. estimates that there are some 350 community-based economic development projects in existence in this province; the Pacific Group for Policy Alternatives sponsored a week-long seminar on the issue in 1986; the British Columbia Federation of Labour endorsed the concept as a part of a programme to renew and restructure the economy at its December 1986 convention. The Federation also sponsored a workshop on the subject, suggesting that the single-industry mining community of Trail might want to consider it as an alternative economic strategy in the face of Cominco’s announced programme of layoffs.

Not surprisingly, the populist right wing, at least in this province, is also advocating a programme of community-based economic development as a strategy for recovery—one that will foster competitiveness and entrepreneurship. The Social Credit government has supported the development of at least one worker co-op in its attempt to undermine trade unions and to drive wages down. On the other hand, progressive supporters of the concept of community-based economic development argue that it is a way for people to have some real say in the political economy of their lives. The debate continues, as does the growth of community-based economic development enterprises. Yet the concern that wages may indeed be driven down, and that, eventually, the agenda of right may emerge victorious, is troubling.

Is community-based economic development simply “workers’ capitalism”? Why is the labour movement so interested in promoting a concept that might be used against it? These questions cannot be answered satisfactorily without understanding that there are significantly different visions held by the right and left about this concept.

In stark contrast to the right wing’s agenda of individual entrepreneurship and small-scale competitiveness, the Social Planning and Research Council of B.C. has defined commu-
Community-based economic development as being "concerned with fostering the social, economic and environmental well-being of communities and regions through initiatives taken by citizens, often in collaboration with their governments, that strengthen local decision making, self-reliance, co-operative endeavour and broad participation in community affairs. These include worker and producer co-ops, community development organizations which have some form of elected boards [usually referred to as community development corporations], community planning forums and credit unions."8

The projects can be small, with one or two people involved, or large, like the Nanaimo Community Economic Advisory Society, which has launched over eighty projects employing about 400 people. The projects include childcare, salmonoid enhancement, low-cost housing for seniors, wholesale distribution of automotive parts, a tree nursery, and a computer services enterprise. Regardless of their size, community-based economic development projects are all committed to stemming the bleeding of capital from their communities.

A well-known model of the concept of community-based economic development is the credit union. Again, size varies. Vancouver City Savings Credit Union has assets of well over $1 billion; taken together, the elected boards of credit unions in B.C. control over $4 billion. Unlike their counterparts in the banks, they invest that money in British Columbia.

Elsewhere in the world, Mondragon, one Spanish community's way of dealing with Franco's overt economic hostility, and now perhaps the most famous community-based economic development project, employs over 80,000 people in co-ops of various forms.

In Britain, community-controlled economic development work involving labour councils and municipal governments is having a powerful effect on the economy and is at the same time helping to undermine the Thatcher government. Some writers are now speculating that the economic models which were developed meant that Thatcher was unable to legislate ideological control when she wrested away political control.9

Perhaps the greatest promise of community-based economic development models is the nature of the terrain. If we can develop models of economic development that are accountable to communities or to workers, or both, we will expand the
areas of the economy that operate democratically. At the same
time, we will decrease the power of those whose success in our
current market economy depends on their ability to control
industries and, in some cases, regions. For example, if workers
in Trail know that they can depend on an alternative source
of income than the Cominco smelter, they will be less worried
by threats of plant closures. This is especially true if those
alternatives are accountable and loyal to the community rather
than to Cominco. Moreover, if these other workplaces operate
democratically, they may be inspired to bargain on industrial
democracy issues because of the experience in the community.

We should, therefore, be supportive of community-based
economic development models that encourage the emergence
of different forms of democracy. They may be consumer or
worker co-ops; they may be community-development corpo-
rations with democratically elected boards; they may be credit
unions; they may be unionized workplaces with a high degree
of worker control over the workplace through collective agree-
ments that actually challenge the right of management to
manage unilaterally; or they may be models of delivery of
services that provide for the participation of users in the design
and delivery of those services. This is where we part company
with the right wing, whose local-development concepts are not
primarily concerned with the development of democratic
workplaces or with community accountability.

There is concern that our experience in this country with
the co-operative and credit union model has not resulted in
democratic control over these institutions. Without having any
empirical data to support this hypothesis, allow me to speculate
that our loss of control of these institutions was a natural
outgrowth of what is referred to as the social contract of the
1940s. Just as we gave capital the right to control the surplus
and to manage the production process in exchange for prom-
ises of full employment and an ever-increasing social wage, it
followed that it should also control the investment of the
surplus. If money was to flow freely, then it was natural that
capital should control the banks. Credit unions came to be
seen as small banks, controlled by the small-business commu-
nity. Producer co-operatives suffered a similar fate.

The Priority of Human Needs We have always wanted more
than just full employment. Even if community-based economic
development is an important plank in a job creation strategy, or one that will raise peoples' standard of living in other ways, how would it address the priority of human needs?

Traditionally, the left has argued that the state should be the vehicle for ensuring that basic human and societal goals are met. How would a localized community-based economic development strategy allow for the production of food if a very profitable international market opened up for another commodity? And how would a localized community-based economic development strategy decide that a copper smelter should be built in one particular community over another? How would a localized community-based economic development strategy decide to move that smelter elsewhere if the comparative advantages changed? How could a localized community-based economic development strategy prohibit a community that decided it wanted to manufacture a particular weapons component for sale to South Africa from doing so? Clearly, expecting a localized development strategy to deal with regional, provincial or national concerns is unrealistic. Such issues must be dealt with by the state. However, an exciting promise that community-based economic development holds is that it is able to foster democratic participation in setting priorities. Getting people involved in making decisions which affect them at the local level will inevitably interest them in issues of broader concern.

Experimentation is needed for the development of a practical model for meaningful participation. Interesting work in this area is being done in the Yukon, where the New Democratic government has released discussion papers on ways to enhance the development of new industries while at the same time expanding the traditional industry base in mining, trapping and tourism. Known as "Yukon 2000; Building the Yukon," the project has involved hundreds of citizens in the process of designing an economic development strategy for the twenty-first century. In an interview with the *Globe and Mail* on 12 November 1986, Government Leader Tony Penikett said: "Governments come and go, but this programme is the hope for an organic strategy for the Yukon. It is not just one or two groups that will be listened to. Even in small communities, many groups had never had a chance before to talk together about their future in a non-combative forum."
What we are trying to do is concentrate on areas of agreement instead of differences. We hope to reach a consensus on what kind of life is wanted by the people of the Yukon."

It might also be possible to provide financial and technical assistance to communities to do "needs" assessments. This could begin at the local level and then move to the regional and provincial levels, using both community forums and community-controlled polling. Such a strategy has two advantages: first, it encourages people to see a wider variety of needs than those that exist solely in their own communities; and second, it breaks down the ideology of the marketplace because it demonstrates that one's needs often have no correlation with one's ability to pay.

With this kind of accountability, there is no reason that the state could not use a combination of legislation, regulation, taxation and subsidization to set goals and targets in implementing the priority of human needs for the whole of society.

Problems of Transition The concept of community-based economic development continues to gain momentum in our current political economy. Community-based economic development is a good interim strategy because it enables us to get on with our own agenda without always reacting defensively to the right, and it is an economic agenda, so the potential stakes are high. For the progressive community, this is a rare combination.

If working people or the poor can collectively generate and save capital, create jobs, and improve their standard of living, hopefully they will be encouraged to ask questions about where money goes when it is leaked out of their communities by the banks and large multi-national corporations, be they mining companies or department stores. And if jobs are not being created by large corporations, but rather by people in their own communities, why should corporations have their interests pandered to by governments? Therefore, an attractive feature of community-based economic development for socialists is that it is a job-creation strategy that also asks fundamental questions about the way the economy is currently shaped.

Without some central planning, however, there are some real dangers for the left. No doubt a whole set of problems associated with community-based economic development exist,
being present largely, I would argue, because of the absence of a supportive government (e.g., one less hostile towards the trade-union movement). Does this imply that the whole concept should be abandoned in the absence of a socialist government?¹⁰

I think the problems that arise are short-term and exist in a right-wing environment. We do, however, have a responsibility to sort through these problems. Failure to do so would be very divisive. For example, there are currently a number of workers' co-ops in Canada that compete directly with unionized workers both by operating in an already tight market and by not paying union rates, effectively driving union wages down. However, the competition may at least partially arise from misunderstanding about compensation measurement, thereby exaggerating the divisiveness. For example, competition could be greatly reduced if it is made apparent that actual compensations are, in fact, equivalent or nearly equivalent, and that only the forms of payment (such as share capital or more time off) differ; and if compensation is paid to those workers who actively subsidize the community which they serve. This method of calculating compensation, as well as the health of firms, is a part of an emerging field sometimes known as "social accounting." More use needs to be made of this, and its methodology needs to be explained and better understood.

Others argue that the problem is not with co-ops and their members, but with the trade-union movement. No doubt the trade-union movement has some serious challenges confronting it. The models of trade-union organization that were so successful in the last forty years in driving wages up are having more trouble adjusting to a world in which capitalists no longer create jobs and where business responds to high-wage economies by investing in capital-intensive technological change, and by moving production to the Third World. Moreover, community-based economic development does have the potential of weakening the labour movement. Should a community decide, for example, to replace goods currently sold at Safeway by locally produced goods, how will it prevent unionized workers at Safeway, who earn high wages, from being laid off and put to work (if they get a job at all) at the minimum wage or something close to it? This is a problem which, within the
framework of community-based economic development, can be addressed by a central government through subsidies and incentives designed to keep wages up. In the absence of such a central structure, however, the issue is potentially explosive. The B.C. Federation of Labour has reacted to this problem by calling on its affiliated unions and their members to actively promote only those models of community-based economic development that are unionized and that clearly improve the standard of living of the workers involved.

Finally, I wish to emphasize that I am supportive of the concept of community-based economic development. With the breakdown of the old social contract, the question of who controls the means of production should be placed squarely back on the agenda. Community-based economic development is a way to raise this issue as part of an overall economic strategy designed to put in place a workers' agenda. But there are serious problems that need to be addressed. While we are attempting to resolve them, we would do well to remember that to separate out the discussion of overall theories from the actual practice as it emerges in our communities is to court disaster.

Notes

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2. Some Statistics Canada measures of capital divestment from B.C. range as high as 44 per cent. However, these figures are culled from Cansim matrix no. 1078, table 19-British Columbia.


5. I hasten to add that a decentralized programme under community-based economic development would bear no relationship to the programme recently proposed by the Social Credit government, either in the process used to establish it or in the final programme. The Socreds' programme confuses balkanization with regionalization and is merely a plan to move unemployment around, rather than to work towards full employment.

6. Jackson, "Worker Co-operatives" (see n. 4 above). It must be added that the labour movement's experience with fishing co-ops has been problematic. Many are right-wing in their approach to unions and the relationship has often been troubled. Perhaps one reason for this, apart from others that appear elsewhere in this paper, is that there has been no forum for working out the difficulties outside the context of direct economic competition, sometimes over very scarce resources.

7. In 1985, the B.C. Federation of Labour adopted a programme for economic renewal similar to that of the CLC's 1986 proposal, but without the community-based economic development component.


9. See, for example, Steven Bodington, Michael George, and John Michaelson, Developing the Socially Useful Economy (London, 1986).

10. In an article published in the Pacific Tribune on 3 December 1986, Fred Wilson referred to community-based economic development as "a misguided attempt to democratize capitalism." He pointed out that the interests of capital and labour are fundamentally opposed. He argued that because community-based economic development is not concerned with increasing state control, it is unable to redistribute wealth or move democratic control over the means of production into the hands of the working class. He pointed to the failures of the credit union and co-operative movements in carrying out this task to date.

In my view, he is very much mistaken in opposing community-based economic development as a strategy. Fundamental to the concept is an understanding that we must move wealth and power out of the hands of the multi-national corporations into the hands of our own accountable and democratic institutions. If credit unions are less than democratic in their operations, we should be organizing to place their control in the hands of working people. We should develop models of industry and investment that are accountable to workers and their communities and that will return the surplus generated by labour to workers and their communities, and not to multi-national, or indeed Canadian, capitalists. We should also be examining new models of public ownership that provide for democratic control but do not create vast bureaucracies.