



# MOTHER EARTH NEWS

## Community Economics Research

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By the MOTHER EARTH NEWS editors



Community economics research suggests poor neighborhoods lose cash and other resources.

ILLUSTRATION: FOTOLIA/SCANRAIL

Almost everyone uses some sort of household budget, simply to keep track of how much money comes into the home and how much goes out of it. Nations keep similar records — on a grander scale — in order to control the balance of trade with other lands. And the *same kind* of accounting can be done for neighborhood economies as well.

When looked at in the same way that we commonly view nations, many American communities — particularly low-income urban and rural sectors — resemble Third World countries because most natural resources in these areas are either undeveloped or owned by outsiders. They also *export* considerable wealth, and depend upon other regions for such key resources as energy and food.

Of course, sometimes the drain on a community's resources isn't at all obvious. A busy fast-food restaurant, for example, may *seem* to add life to a neighborhood business district, but it can't do so if most of the restaurant's revenue is *leaving* the community.

To better understand community economics, several researchers have studied models of *typical* cash flows, tracing — as carefully as possible — how money comes into a community and how it goes out. One such study concerned two neighborhoods — one a low-income area and the other in the middle-income bracket — in Brooklyn, New York. Predictably, it was discovered that capital flowed out of the less affluent neighborhood by the millions of dollars, while the *wealthier* community kept a greater share of its resources at home.

The Brooklyn study provides us with a benchmark to use in looking at community economies, but no other research has been attempted on the same scale in the past seven years. One reason that few studies are completed is the fact that accurate data on community economies are difficult to find. In some cases, specific information either isn't available, or isn't broken down by neighborhoods. In other instances, the public isn't allowed — or can obtain only at considerable expense — access to the necessary records.

In addition to the difficulty of gathering data, community cash flow studies must wrestle with problems of evaluation. There is often no accurate way of measuring the *quality* of goods and services received by neighborhood residents, or whether the population values government services, or the influence of local notions of exploitation and racism, or the relative *impact* of certain flows (narcotics trade and housing disinvestment, for instance, have more influence than their dollar total might suggest).

Still another problem involves the *goals* of a community cash flow study. Although such research can take many forms, its purposes *should* be to uncover new information and to point to real strategies for change, both of which are frequently difficult aims to achieve. It may be *interesting* to discover, for example, that many people who live outside a community hold jobs *in* it, but the information isn't very useful unless it also specifies what kinds of jobs — at what pay scales — are affected.

Considering such difficulties, you may wonder if community cash flow studies have any value. Well, we feel that they *can* be worthwhile if specific questions are asked and a reasonable number of data obtained in response. In fact, one recently completed investigation points to some interesting possibilities.

The report, entitled *An Income and Capital Flow Study of East Oakland* (prepared by the Community Economics Organization of Oakland, California), analyzes four basic cash flows: residents' income and consumer spending, housing, community businesses, and credit.

It's no surprise that the study's findings do *not* lead to simple solutions. East Oakland's income base, like those of many poor communities, is very weak: The area's residents earn less for their labor than do residents in *many* nearby communities. And the problem is compounded by the fact that few of the jobs in East Oakland match the skill levels of its residents. As a result of this classic imbalance between worker abilities and employment opportunities, a considerable amount of money leaks out of the local economy.

Overall, the East Oakland research indicates a need for new approaches to community economic development. "When leakages of income and capital from a community are substantial," the report concludes, "the benefits of traditional economic development strategies will accrue largely to residents *outside* the community. As an alternative, East Oaklanders can pursue strategies for locally based, community-controlled economic development."

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*For the past several years, the good folks at the Institute for Local Self-Reliance in Washington, D.C. have worked to help urban residents gain greater control over their lives through the use of low-technology,*

*decentralist tools and concepts. We strongly believe that more people (city dwellers and country folk alike) should be exposed to the Institute's admirable efforts ... which is why we've made this "what's happening where" report by ILSR staffers one of MOTHER EARTH NEWS' regular features.*