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A Political History of the Special Impact Program

Lawrence F. Parachini, Jr.

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Center for Community Economic Development Cambridge,
Massachusetts

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For
ELAINE
and
in appreciation for
*a staff that made **CAT** a*
tiger

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With deep affection, I want to extend my unending gratitude also to my wife,

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Lawrence F. Parachini, Jr.

Preface

When the Center for Community Economic Development (CCED) asked the author to prepare this book, its intent was the publication of a history of the legislation encompassing the Special Impact Program (SIP)¹ and related community economic development strategies. CCED sought to fill a large gap in the literature about the program, to provide an accurate record for those who had been most directly involved in its creation and for policymakers, historians, and other interested persons.

In its final form, the book is somewhat more ambitious. While tracing the course of federal legislation creating and affecting the SIP from 1966 through the present, it also attempts to examine the national political context in which the struggles to shape the SIP have occurred, to shed light on the factors that have had an important effect on the program's makeup and survival, and to gauge the impact of these factors on the SIP's future.

The story of the SIP is still unfolding. The ideas embodied in the program and in the broader concept of community economic development are dynamic. New or expanded approaches continue to be developed at both national and local levels. At the same time, some persons whose roles in national life make them important to the program have questioned the SIP's value, or oppose it on philosophic or political grounds. As a consequence, support for the SIP within government has wavered—depending on who holds power—contributing to uncertainty today about

the program's future.

Whatever is next for the SIP, its history to date suggests that the decisions and actions of those who are principally involved and affected will have a major influence on the program's course in the political arena. As much as anything else, the story of the SIP is a revealing case study of the importance of informed citizen participation in government decisionmaking. Those SIP participants who, over the past dozen years, have acted on their belief in the program's importance—to the poor and to the revitalization of disadvantaged communities—have played by far the largest role in assuring its survival.

To flesh out the historical record, the author has relied heavily on the materials and recollections of a number of key actors involved with the SIP. Their assistance

helped to compensate for time and financial limitations that restricted the scope and thoroughness of the author's work. Many knowledgeable participants in Community Development Corporations (CDSs),² members of Congress and their staffs, federal administrators, and others who have played important roles in the program's evolution could not be consulted directly. To remedy this deficiency, however, the author supplemented his own material with the considerable research done by CCED on the views of these persons as expressed in writing and as recorded in public meetings. In addition, CCED was able to persuade several of the most significant actors in the development of the SIP to meet with the author for a one-day marathon seminar.

Before preparation of the book was undertaken, CCED also compiled all available documents relevant to the legislative and policy development of the SIP and related community economic development strategies, and completed a detailed description of legislative decisions affecting the program for the period 1966 through 1974.³ A portion of this work is based on that report. In addition, during the two year period of legislative battles leading to the program's renewal in January 1975, CCED developed, in consultation with CDCs, a variety of new materials on the SIP, particularly about the program's legislative requirements, to meet numerous requests from community organizations, federal agency officials, and members of Congress. These data also proved quite useful in completing the book. Finally, the author has drawn from his own experience as a staff member in the Office of Economic Opportunity during the period when the SIP was initiated, and as an active participant in the two years of intensive organizing and advocacy work that contributed to the program's legislative renewal in 1975.⁴

1. Currently authorized in the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (P.L. 93-644), Title VII, signed into law on 4 January 1975. The Act's short title is the Community Services Act of 1974.

2. Local organizations that implement the SIP, described in Chapter 1.

3. Cecil C. Butler, "A Legislative History of the Special Impact-Community Economic Development Program and Some Other Statutory Proposals for the Period 1966 through 1974," a report to CCED submitted by the National Congress for Community Economic Development under contract with Action for Community Economic Development, August, 1975.

1. A great deal has been written on the subject of the SIP's program operations at the community level, on the efficacy in economic and social development terms of its central premises, and on other aspects of the program. To fully understand or appreciate the SIP, one must consider these elements carefully. Although this book cannot address them in depth, the bibliography presents a sampling of helpful materials.

2.

1. ***An Introduction to the Special Impact Program***

Little of what has evolved in the Special Impact Program (SIP)¹ was anticipated at its inception in 1966; neither can we look back now and identify all the factors that contributed to its present shape, size, and direction. It is clear, however, that there are very important lessons to be learned from the SIP's history, and that the principal ones are frequently overlooked today by many of those who are most influential in creating and implementing public policy. Indeed, much of the value of the SIP may soon be lost altogether if we do not learn from the program's past and build the antipoverty strategies of the future on the foundation of that knowledge.

What makes the SIP so important? Clearly, not the program's size or level of popular recognition. Its direct influence has been felt in only a handful of communities, and that impact has often been marginal. Total funds expended on the program could not buy even five long-range bombers, or fund the development of a single missile system. Its acknowledged supporters would not fill Yankee Stadium.

To appreciate the program's worth, we must examine its past and potential contributions in the context of the changing antipoverty strategies of the period during which it served as a cutting edge, and, more importantly, in the context of persistent poverty in America.

What Is the Special Impact Program?

While the SIP has undergone considerable change over the years, some essential ingredients have characterized the program from its inception. An understanding of these features will help us to comprehend both the unique value of the program and its political history.

First of all, the SIP is and always has been primarily a grant-in-aid program administered by the federal government, currently through the Community Services

Administration (CSA). CSA provides SIP funds to local organizations throughout the country, in some forty urban and rural communities with high concentrations of low-income people. Local organizations receiving these grants are called Community Development Corporations (CDCs).² They carry out, within designated targets or “special impact” areas, a variety of programs designed to involve and benefit residents directly. The CDCs, most of which are nonprofit corporations, are governed by local boards of directors intended to be representative of and responsive to their communities. The CDCs are required by CSA to have meaningful participation of low-income residents in their decisionmaking processes as well as in their programs. CDCs plan local programs and strategies, and implement them in a manner largely defined by them but within broad guidelines promulgated by CSA. CSA also monitors the local efforts it funds. CDCs frequently obtain additional resources from other public agencies and the private sector, and must, of course, fulfill the requirements established by those entities as well. The work of the CDCs is conducted by their own salaried staff members, numerous volunteers, and by the delegate agencies and other organizations with which they work.

Another of the SIP’s special features, perhaps the most significant one, is that it is the only federal program that requires funds to be allocated directly for the support of local community economic development. Broadly defined, community economic development (CED) is a many-faceted process intended to enhance the ability of low-income communities to end the poverty cycle, largely by creating and strengthening local economic institutions. “The central and immediate goal of community economic development is to increase [community] power and influence by providing economic muscle. . . .”³

Characteristically, the economic institutions serving as vehicles for community economic development are CDCs.⁴ Organized and controlled by local residents for the purpose of expressing and achieving community self-determination, they seek to achieve fundamental, meaningful, and lasting change by gaining influence over the economic conditions of the residents’ lives.⁵

The specific strategies for community economic development financed by the SIP and generated by CDCs differ in concept and practice from those underwritten by other federal development efforts. In a typical community economic development approach the community

itself, through its leaders, builds and largely controls a variety of economic strategies designed to: (1) attract outside capital into the impact area on terms acceptable to residents; (2) improve the physical environment (e.g., streets, schools, housing) either directly or through outside resources such as municipal, state, or federal investments; (3) increase the job and entrepreneurial opportunities for area residents, either indirectly by providing training or directly by creating businesses owned by and employing community residents; (4) make services and goods more accessible to area residents (by developing a local taxi service, convenient stores, or a social service program, for example); (5) strengthen the capacities of residents to manage and sustain community development; and (6) in general, create conditions that will enable the community to participate in the economic advantages taken for granted by the rest of society.⁶

Some aspects of local community economic development programs are often

fostered or funded by supporters other than the federal government. Volunteer effort, and monies from state and local governments, as well as from private sources, sometimes support large portions of the overall program. Similarly, not all federal community economic development initiatives are incorporated in the Special Impact Program. The SIP is, however, the federal government's only attempt at a demonstration of what might and can be achieved through a comprehensive local community economic development strategy, rather than a piecemeal approach. As such, it has been for more than a decade the focal point in the nation for testing community economic development efforts.

In the chapters that follow, we will track the development of the SIP through the tangled thicket of law and politics that has surrounded it. We will learn what the program's authors and implementers have had in mind for it, and how its opponents have tried to halt its progress. We will, above all, try to reveal the true motives and messages contained within the legal language and the politicians' rhetoric.

NOTES

1. Throughout this book, the term "SIP," defined in detail later in this chapter, will be used to represent the range of federal concepts and program initiatives enacted originally in 1966 in Title I-D of the Economic Opportunity Act (EOA) of 1964, as amended. At that time it was called the "Special Impact Programs" amendment and section of the Act. The law authorizing the program has been amended several times since. The SIP is currently incorporated in the federal statutes in Title VII of the Community Services Act

of 1974, enacted in January 1975 to extend and modify the Economic Opportunity Act. Title VII, which replaced Title I-D in the 1972 amendments to the EOA, is now termed "Community Economic Development." The SIP is now described in "Part A, Urban and Rural Special Impact Programs," of Title VII and is the central program authorized in it. Other elements included in Title VII are related to and/or supportive of the SIP, and are referred to in various parts of this book. They include "Part B, Special Rural Programs," "Part C, Development Loans to Community Economic Development Programs," and "Part D, Supportive Programs and Activities."

2. A substantial number of Community Development Corporations perform similar functions throughout the country with no direct funding from the federal government or designation by CSA.

3. Stewart E. Perry, *Federal Support for CDCs: Some of the History and Issues of Community Control* (Cambridge, Mass.: Center for Community Economic Development, 1973), p. 17. Reprinted from *Review of Black Political Economy* 3 (Spring 1973).

4. *Ibid.* The institutions that are owned or controlled locally may be business firms, banks, housing development corporations, credit unions, cooperatives, and other community entities. CDCs are usually the catalysts for community involvement in or control

5.

of these institutions, or they may serve as the vehicles through which involvement or control occurs.

3. Drawn mainly from *Community Development Corporations* (Cambridge, Mass.: Center for Community Economic Development, 1975).

4. Drawn mostly from Perry, *Federal Support for CDCs*, p. 16.

5.

1. ***The Roots of the SIP***

Digging for historical roots can be a seemingly endless process. Witness Alex Haley and the years of painstaking labor it took him to research his popular best-seller. In searching for the SIP's antecedents, our problem is the number and variety of people, ideas, and circumstances that have had a bearing on the program's creation. The SIP has roots, for example, in a wide range of social reform movements begun long ago, and in numerous theories about community and economic development. To investigate them all is beyond the scope of this work. However, from the basic facts of its legislative development, we know that the SIP is a direct outgrowth of efforts in the United States to make the federal government respond meaningfully, as a matter of continuing public policy, to poverty and its causes. While poverty as a societal condition has existed from the earliest eras of civilization, and many have sought to alleviate or eliminate it, strategies to assign responsibility for addressing poverty to the government are essentially a twentieth-century phenomenon.

So quickly has change overtaken us that many today are surprised to learn that poverty, now such a well-worn term, was not even part of the government's official lexicon as recently as 1963.¹

Until the late 1800s, the prevailing viewpoints about poverty in the United States were primarily those derived from the cultural and religious heritage of Elizabethan England and the protestant ethic. The belief in work as a central value had been enshrined in the "poor laws" of the American colonies. These laws separated the employable from the unemployable and provided public aid only to the latter. Those who were employable among the poor were required to enter "work houses" and to perform menial labor.²

With few exceptions, the attitudes toward poverty commonly held throughout the nineteenth century were "a somewhat incongruous composite of two sharply contrasting points of view."³ One view held that poverty, although inescapable, was

a blessing because it inspired the rich to acts of charity. The other, rooted in the American experience, viewed poverty as unnecessary; no man willing to do his share need want when there was work for all. Few rejected the popular position that “indigence was simply the punishment meted out to the improvident by their own lack of industry and efficiency.”⁴

This uniquely American thinking about poverty accepted the inevitability of want and need.⁵ Unlike the traditional religious view dominant until the nineteenth century, however, it attributed their cause to man rather than to God. The hard headed approach that “emphasized the responsibility of each individual to look out for his own interests” promoted a kind of “social irresponsibility.”⁶ The struggle to assure adequate government response to the poor has been largely a struggle against that attitude.

In the early 1900s, the rise of the Progressive movement in America brought the first glimmer of hope that government thinking about poverty was changing and that it would accept a primary responsibility for the alleviation of poverty.⁷ The Progressives initiated wide-ranging and vigorous efforts to achieve a “single standard” society.⁸ They argued that poverty was not an individual but a social phenomenon, caused by economic forces so powerful that no individual could alter them. They defined poverty not with reference to employability, dependency, or moral worth, but simply with reference to needs.⁹

Not until the cataclysmic Great Depression, however, did the federal government establish major policies that reflected the more sophisticated views of poverty and the poor. Prior to the New Deal, the federal government played an insignificant role in fighting poverty. Charity and relief were believed to be the responsibility of the private sector, although state and local governments gradually began to assume a role during that period.¹⁰

In 1928, President Herbert Hoover, hardly a Progressive, articulated one of the nobler sentiments about poverty, implying recognition of federal responsibility for the problem: “We have not yet reached the goal, but given the chance to go forward with the policies of the last eight years, we shall soon with the help of God be within sight of the day when poverty will be banished from the nation.”¹¹ But Hoover’s minimalist, business-oriented

policies of boom times were far from the mark in dealing with poverty and other societal ills. They were themselves banished to make way for the emergency interventionist measures enacted under his successor, Franklin D. Roosevelt, in response to the crushing poverty affecting many citizens during the thirties. The circumstances of “one third of a nation ill-housed, ill-clad and ill-fed,” in FDR’s words, demanded and brought forth the first significant federal government policies in United States history to begin to address the problem.

Many New Deal measures reached directly to assist those in need. In 1933, for example, the Federal Emergency Relief Administration (FERA)—later called the Civil Works Administration—was created to channel funds, eventually totalling some \$3 billion, through state and local governments to over 13 million unemployed workers.¹² FERA represented the first assumption of federal responsibility for gen-

eral aid to needy citizens since the founding of the nation; the first time in which aid became available to all in need; and the first time in which relief was comprehensive, including not only food, but the cost of other necessities such as rent, clothing, and medical care.¹³ Relief under FERA (and the CWA) was organized around the provision of work, in part to avoid the stigma of “the dole” applied by critics of the New Deal. Projects were developed to build roads, schoolhouses, air ports, sewers, and other facilities for public benefit. These projects, and those of the Civilian Conservation Corps (created six weeks earlier than FERA), ultimately employed more than 6.5 million Americans in public programs. They served as economic lifelines and great morale-builders during the Depression, prompting even arch-Republican Alf Landon to call the civil works program “one of the soundest, most constructive policies” of FDR’s administration.¹⁴

The FERA programs, which gave rise to the first charges that the government was teaching men to “make boondoggles,”¹⁵ were, however, temporary. They were soon replaced by more massive programs of public employment under the Works Progress Administration, and a program of social insurance under the Social Security Act of 1935 which included categories of public assistance primarily for the elderly. The public employment and assistance measures were also viewed as temporary, soon to be made unnecessary by the expected growth of the Social Security System and the normal functioning of the economy.¹⁶

Despite the depth of the Depression and its lessons, neither the nation’s leaders nor the electorate believed that a long-term federal commitment would be necessary to eradicate poverty. Indeed, during the two subsequent decades the New Deal represented the high-water mark for government action on poverty. No major changes or innovations in public programs directly affecting low-income persons were made by the federal government during the years between the New Deal and the advent of the Kennedy administration in 1961, although some significant program adjustments were made. World

War II, the Cold War, the arms race, and the complacency of the 1950s intervened.¹⁷

It is an interesting commentary on the American mindset about government and poverty to note in retrospect that “the more successful the New Deal was, the more it undid itself. The more prosperous the country became, the more people returned to the only values they knew, those associated with an individualistic, success-oriented society. . . .During the upturn of 1935-1937, conservatives argued (quite successfully) that, since the crisis had passed, reforms were no longer appropriate. When the recession (of 1937-38) struck, this plea had even greater force; as the nerve of business opposition revived, the old conviction that business could run the economy with greater efficiency than the bureaucrats reappeared. In the early years of the Depression, the nation had been united by a common experience; people felt compassion for the victims of hard times.”¹⁸ By 1937, America had become “bored with the poor, the unemployed and insecure.”¹⁹

The New Deal left many problems unsolved. As late as 1941 the unemployed numbered six million, and not until 1943, at the peak of production for World

War II, did the army of the jobless disappear. “While the New Deal achieved a more just society, it was a halfway resolution—it swelled the ranks of the bourgeoisie but left sharecroppers, slum dwellers and most Negroes outside the new equilibrium.”²⁰

Following World War II, poverty once again became a public policy issue. The recessions of 1954 and 1958 left large numbers of Americans jobless. The official unemployment rate climbed to over 7 percent by 1958,²¹ but no new or large-scale spending programs were launched, despite President Eisenhower’s pledge that “the Government . . . will move to see that there is no widespread unemployment.”²² The Eisenhower administration was committed to its version of fiscal responsibility, which was pegged to the maintenance of price stability. Even in the relatively prosperous year of 1959, this approach contributed to an unemployment rate of 5.5 percent, and a poverty population estimated by some, but not officially acknowledged by the government, to be between 32 to 50 million Americans.²³

In 1961, with a Democratic president in office once again, the federal government began, haltingly, to break new ground in dealing with poverty. Community oriented projects to combat juvenile delinquency and innovative manpower programs were initiated early in the term of the Kennedy administration. Area development legislation, vetoed twice by President Eisenhower, was reintroduced and enacted into law. It created the Area Redevelopment Administration, with its package of economic strategies for distressed areas.²⁴ Overall, however, the Kennedy administration’s basic commitment, and its success, was in sustaining a modest government commitment to the twin objectives that had taken hold under FDR in the New Deal: full employment, with at least a minimum wage; and maintenance of a decent standard of living through Social Security and its public assistance features. Despite its several new initiatives, the short-lived administration developed no comprehensive antipoverty strategy, and its programs were not conceived primarily as antipoverty weapons. It did not energetically address the fact that “most of the economic innovations of the last few decades had not substantially aided

those for whom poverty is a desperate and constant condition.”²⁵

The administration did begin to focus more attention on the poor, and to acknowledge that the problems that were becoming matters of public policy—unemployment, hunger and malnutrition, lack of health care—were disproportionately represented among the poor. As awareness of these problems grew, the administration, a few months before the president was assassinated, began to believe that its social programs were not addressing the problems on a scale and with the impact that it desired.²⁶

President Kennedy was troubled by the shortcomings of his programs, and late in 1962 asked his chairman of the Council of Economic Advisors, Walter Heller, for “facts and figures on things we still have to do. For example, what about the poverty problem in the United States?”²⁷ By October of 1963, Kennedy had given the green light to his appointees to pull together a set of proposals for a 1964 attack on poverty.²⁸ The planning that resulted from Kennedy’s charge, initiated before his death and carried through by the Johnson administration, culminated in the “war on poverty,” declared in full voice and “unconditionally” by Lyndon Johnson as the major focus of his first State of the Union message, in January 1964.

The War on Poverty

Stemming initially from the desire of the Kennedy administration for a new approach, the war on poverty evolved as a response to an array of factors impossible to isolate or evaluate separately. These included the estimated growth potential of the economy, the near crisis conditions in inner-city areas and in Appalachia, the increasing strength of the civil rights movement, Kennedy's assassination, and the personal style and goals of Lyndon Johnson. In combination they created a perspective which for the first time identified poverty as a core problem—one of such staggering proportions that “war” had to be declared in order to eradicate it. Whether, as many assume, it was Michael Harrington's book, *The Other America*, or something else that crystallized a new perception of poverty as the condition underlying a whole complex of age-old problems, “once the target was reduced to a single word, the timing became right for a unified program.”²⁹

Without question, the war on poverty did not arise, as did a great many other national programs, from the pressure of overwhelming public demand—for the poor had no lobby.³⁰ However bad conditions were in ghettos, barrios, and rural hollows, they did not appear to be as serious for the nation as a whole as those of the Depression days. Moreover, the prevailing views of poverty, hardened by conservative reactions to the New Deal, discouraged governmental initiatives.

The Economic Opportunity Act (EOA) of 1964, the cornerstone of the war on poverty, contained the legislative authorization for its primary strategies and initial programs.³¹ For the first time, it made poverty—like age, joblessness, and physical disability—an object of government policy. The Act provided funds for programs intended to “eliminate the paradox of poverty in the midst of plenty,” to break “the cycle of poverty,”³² putting the federal government on record in assuming a lasting responsibility to meet these goals.

While the EOA was “a logical extension of the Social Security Act and Employment Act,”³³ no other legislation, in this or any other nation, had set forth so explicit a performance goal with regard to the poor, or elevated the question “What does it do for the poor?” to the status of a test for judging government programs and policy.³⁴

That the federal government would now undertake to meet its responsibility for dealing with poverty—not as a temporary measure, but until it was eradicated—seemed clear, both in the lofty language of the pronouncements about the war on poverty and in the wording of the EOA law itself. To many who had sought a meaningful level of public response to poverty, attention to such questions as whether the government should or would launch an attack against poverty seemed no longer necessary. Their new concern was how the government might do so most effectively.

Several schools of thought were brought together when planning for the “war” was initiated in the executive branch in 1963 and 1964. They included—

1. ideas stemming from the successes of the experimental federal juvenile delinquency program begun under Attorney General Robert Kennedy. En-

acted in September 1961 as the Juvenile Delinquency and Youth Offences Control Act, the administration's efforts emphasized comprehensive planning, use of local organizations to create new opportunities for youth, and attacks on the causes of delinquency rather than its symptoms;

1. the experiences of the New Haven urban renewal program that had successfully gone far beyond the usually disastrous slum clearance and people removal efforts characteristic of other urban renewal programs to plan seriously for the future needs of residents affected by renewal;
2. the community strategies of the Ford Foundation's "grey areas" program linked to involving disadvantaged and minority groups, especially blacks, in developing and carrying out creative solutions to their poverty-related problems in selected sites. Funds were expended by the foundation not only to provide needed services in deteriorating central city areas, but to seek to implant and evaluate the impact of new approaches in education, housing, employment, legal services, and welfare;
3. more widespread recognition of the need for, and new methods for, rehabilitation and retraining as means of getting the hard-core unemployed off welfare.³⁵

Important aspects of each of these developments were ultimately incorporated into the EOA and related legislation. The antipoverty legislative package of the early Johnson years included several other innovative aspects never before tested in public policy. Chief among them was the concept of "maximum feasible participation" of the poor contained in the EOA. The war was indeed a new and different approach, not only in the scope of responsibility accepted by the federal government, but in the variety of its weaponry.³⁶

When the war on poverty was declared, however, the federal government was clearly not of one mind as to how best to wage it. Throughout the period of planning and political negotiating leading to enactment of the EOA, and following it,³⁷ a nearly infinite variety of

strategies and program approaches were suggested by different actors and interests, causing much heated debate. However, most of the key concepts eventually embodied in the SIP were not among them.³⁸

Opinions on what kind of war to wage and how to wage it were as numerous and disparate as those on the nature and causes of poverty. They ranged from a perceived need to “remake the poor” to the demand for recognition that some of the fundamental institutions and processes of American society generated poverty. Furthermore, there was obvious disagreement over the choice of tactics as well as the identity of the enemy. Indeed, soon after the EOA was passed, it became apparent that strategies to implement its programs were frequently being developed by a “seat of the pants” approach. In part, this was due to unfamiliarity with the new concepts and approaches. Perhaps more significantly, federal officials, particularly in the executive branch, felt that it was essential to maintain flexibility in order to prevent the frantic efforts of politicians—to secure projects for their constituencies or to influence program design—from making a shambles of the antipoverty effort before it could gain a foothold.

Despite increasing Republican and conservative opposition to the implementation of the EOA (particularly its community action features), confusion over the Act's purposes, liberal challenges directed to its lack of comprehensiveness and advocacy and to its "top-down" planning, considerable turmoil in local communities as the programs were activated, and the angry outcries of many elected local officials who felt their power bases threatened, 1966 polls showed that nearly three quarters of the American people supported President Johnson's domestic programs and the war on poverty.³⁰ Nevertheless, for a variety of reasons, by 1967 the term "war" had been replaced by "program"⁴⁰ or "strategy,"⁴¹ and President Johnson's enthusiasm for the effort had cooled noticeably. Although Congress extended the program for two more years in 1967, at Johnson's request, the *New York Times* was already reporting the status of the war as a "retreat."⁴²

Without doubt, the decline in emphasis on the war against poverty was due in large part to increasing concern over another war—the one in Vietnam. The struggle in Asia imposed severe strains on the financial resources of the nation, on its monetary stability,⁴⁸ and on the energies of its leaders.

The experience of the 1960s did not begin or end with these two wars. Another ongoing battle was being waged, with increasing disregard for the views of moderating influences, in the nation's cities and in some rural pockets of hard-core poverty, as well. Justice could no longer be postponed. The age-old struggle for civil rights and human dignity exploded in Harlem and Watts and Detroit, and even at the steps of the Capitol in Washington. Conflicts erupted in eastern Kentucky and in the Old South. Anti-Vietnam war activists and proponents of other humanitarian causes joined in antigovernment protests of similar intensity, demonstrating their beliefs and frustrations by "putting their bodies on the line." The country's youth were in the front lines on battlegrounds at home as well as abroad. Governmental response, at first confused, became increasingly repressive, fueling new resentment among the protesters and increasing their numbers. More and more bodies were bruised and battered. Lives were lost. The nation was clearly in a state of crisis—a

crisis that would not subside until well after the decade was over.

The war on poverty did not end in the sixties. Some of its programs continue today. The government's commitment to eradicating poverty remains on the record in law, but its action and even its rhetoric have greatly lessened. Debates over how best to accomplish the still distant goal have become, at top governmental levels, more sophisticated, if sporadic and less passionate. Although the future of federal antipoverty efforts is uncertain, one fact is clear: the nation's poverty population has not been reduced substantially in the past eight years.

The SIP embodies the legacy of the sixties and the continuing search for strategies to eradicate poverty in the seventies. Although the development of the program has been inhibited by many factors, its survival, and the clear need for a renewed attack on poverty, make a detailed study of the SIP essential.

1. James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years* (Washington, D.C.: The Brookings Institution, 1968), pp. 111-12. According to the author, until President Johnson's declaration of a "war on poverty" on 8 January 1964, poverty had not been recognized formally as a public problem. The word did not appear until then as a heading in the index of either the *Congressional Record* or the *Public Papers of the President*.

2. David Zarefsky and Thomas B. McClain, *Poverty in the United States* (Skokie, Ill.: National Textbook Company, 1973), p. 2. The authors briefly summarize the history of governmental response to poverty prior to its evolution as a public issue in America in the 1800s in this way:

Fourteenth-century England witnessed the continuing decline of feudalism, a social system which placed responsibility for caring for the poor in the hands of the feudal lord. With the inception of capitalism, assurances that the poor could rely upon private aid were curtailed. At the same time, a plague which swept the country decimated the work force, so that the remaining laborers could work as they liked and command high wages. The landed proprietors, anxious to counter the "market power" of labor, persuaded King Edward III to put forth the Statute of Laborers, the first poor law, in 1349. It provided that able-bodied laborers without means must accept employment from any master willing to hire them, forbade them from leaving their own parish, and forbade the citizenry from giving them alms. Subsequent laws recognized that not all citizens were employable, and exempted the aged, the infirm, and pregnant women from the harsh punishments for refusing to work.

It was not until the sixteenth century, however, that the British government began to assume direct responsibility for the relief of the poor. This responsibility was articulated in a series of laws from 1536 to 1601, which stipulated the procedures by which a common fund was to be maintained and distributed among the poor. Although the government acknowledged its responsibility to aid the poor, it viewed poverty as a problem of the

individual rather than as a sign of a malfunctioning social system. It also espoused the belief that, for the able-bodied, work was the primary alternative to destitution. Only those who were unable to work were exempted from employment requirements. The laws also assumed that man was by nature lazy, unwilling to work if he could avoid it. Relief overseers were assigned to determine whether an individual was employable, and to make certain that no person who was capable of working would be given public aid. Since, however, marginal cases always would confound his judgment, relief should be provided in such a way that any truly employable person would regard it as a less desirable choice than working. Accordingly, public aid was granted in sufficiently small amounts and under sufficiently degrading conditions that the recipient was placed in a position less desirable than that of the lowest paid laborer.

3. Robert H. Bremner, *From the Depths: The Discovery of Poverty in the United States* (New York: New York University Press, 1956), p. 16.

4. *Ibid.*

5. A significant and influential exception in the late 1800s was Henry George, who saw

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poverty not as inevitable blight or blessing, but as abnormal. According to Bremner, “To George . . . involuntary poverty . . . could be solved by relatively painless social action.” George’s views (and related socialist views of the early 1900s) inspired many to “take up the fight against want” (*From the Depths*, p. 24).

6, *Ibid.*, p. 17.

1. Samuel Eliot Morison, *The Oxford History of the American People* (New York: Oxford University Press, 1965), p. 811. Morison defines the Progressive movement as “in essence, the adaptation of federal, state, and municipal governments to the changes being wrought in American society.”

2. William E. Leuchtenburg, *The Perils of Prosperity, 1914-32* (Chicago: The University of Chicago Press, 1968), p. 7. Presidents Theodore Roosevelt, Taft, and Wilson are viewed by most historians as having been leaders of the Progressive movement in the early twentieth century.

3. Zarefsky and McLain, *Poverty in the United States*, p. 2.

1. *Ibid.*

2. Quoted in Hyman Lumer, *Poverty: Its Roots and Future* (New York: International Publishers, 1965), p. 5.

3. William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal, 1932-1940* (New York: Harper and Row, 1963), p. 120. Leuchtenburg also presents evidence in this book (p. 141) for antecedents of the SIP concept in at least one New Deal program. The Farm Security Administration, created in 1937, extended rehabilitation loans to farmers and launched medical care cooperatives. In short, it generated and supported considerable economic activity by and for low-income persons and organizations,

4. Zarefsky and McLain, *Poverty in the United States*, p. 3.

5. Quoted in Morison, *Oxford History*, p. 956, from a letter written by Landon to FDR in 1934.

6. Leuchtenburg, *Franklin D. Roosevelt*, p. 123. An aldermanic investigation in New York revealed that a FERA official was teaching 150 men to make such items as woven belts and linoleum-block prints, or “boondoggles.” The term is widely applied to anti poverty efforts today by critics of such programs.

7. Zarefsky and McLain, *Poverty in the United States*, p. 3. Few, if any, “temporary” programs have ever lasted as long as the program for public assistance created under the Social Security Act. More than forty years later, it is still the basis for our current welfare system.

8. *Ibid.* (Exceptions to this view have been taken by some authors, who would include at least the GI Bill of Rights of 1944 and the Employment Act of 1946 as significant new policy initiatives of direct benefit to the poor.)

18. Leuchtenburg, *Franklin D. Roosevelt*, pp. 273-74.

1. Harry Hopkins, “The Future of Relief,” *New Republic*, 10 February 1937, pp. 8-9.

2. Leuchtenburg, *Franklin D. Roosevelt*, p. 347.

3. Daniel P. Moynihan, *Maximum Feasible Misunderstanding: Community Action in*
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the War on Poverty (New York: Free Press, 1969), p. 30. According to the author, the nation went through the entire Depression in the thirties without knowing what the unemployment rate was because at that time unemployment statistics were reported only every ten years by the Census Bureau.

4. Quoted in Sundquist, *Politics and Policy*, p. 17.

5. Michael Harrington, *The Other America: Poverty in the United States* (Baltimore: Penguin Books, 1962), pp. 177-78. Citing figures of Robert J. Lampman, the AFL-CIO, and the Bureau of Labor Statistics, utilizing various 1958 data and extrapolating from them. No official definition or measurement of poverty existed within the federal government at that time.

6. James Branscome, *The Federal Government in Appalachia* (New York: The Field Foundation, 1977), pp. 23-24. The ARA was an immediate outgrowth of efforts by the president to “do something,” as Kennedy had promised in seeking election, about the problems of Appalachia. The Kennedy campaign had dramatically brought poverty in West Virginia to the nation’s attention. The legislation creating the ARA provided for loans to businesses, public works grants, and manpower training programs—elements of an economic development strategy. While over 76 percent of Appalachia qualified for ARA funds, so did one-third of the nation’s counties. The meagerness of the legislation led ultimately to the creation, under President Johnson, of the Appalachian Regional Commission, to promote a special focus on Appalachian development. Many of the issues involved in establishing the ARA and the ARC presaged those of the SIP’s creation and implementation.

7. Richard A. Cloward and Richard M. Elman, “Poverty, Injustice, and the Welfare State: An Ombudsman for the Poor?” *The Nation*, 28 February 1966.

8. Sundquist, *Politics and Policy*, p. 113.

9. Quoted by Heller in a speech at Indiana State College, Indiana, Pa. on March 25, 1965.

10. Sundquist, *Politics and Policy*, p. 113.

11. *Ibid.*, pp. 111-14. A number of observers believe that President Johnson initiated the war on poverty primarily to appeal to black voters whom he, as a Southerner, felt he would have to woo intensively in order to ensure his election in 1968.

12. *Ibid.* Others have made the same point. Piven and Cloward note that “the absence of interest groups pressing for new legislation of the kind proposed by the Administration has been remarked upon frequently, often with apparent amazement. . . . Moynihan dubbed [it] ‘the professionalization of reform.’ The Economic Opportunity Act of 1964 . . . was drafted by the White House and pushed through Congress, with relatively minor amendments, in less than six months—at a time when there was little sign of any public concern with poverty.” (Frances Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare* [New York: Random House, 1971], pp. 257-58, fn).

13. The major program titles of the original Economic Opportunity Act of 1964, P.L. 8-452, enacted on 20 August 1964, were: *Title I.*) *Youth Programs*: (A) Job Corps, (B) Work Training Programs, (C) Work Study Programs; *II.*) *Urban and Rural Com-*

munity Action Programs: (A) General Community Action Programs, (B) Adult Basic Education Program, (C) Voluntary Assistance Programs for needy children; III.) *Special Programs to Combat Poverty in Rural Areas*: (A) Authority to make grants and loans, (B) Assistance for migrant and other seasonally employed agricultural employees and their families; IV.) *Employment and Investment Incentive*; V.) *Work Experience Programs*; VI.) *Administration and Coordination*: (A) Establishment of the Office of Economic Opportunity, creation of Volunteers in Service to America (VISTA); (B) Coordination of antipoverty programs.

14. Eli Ginzberg and Robert M. Solow, eds., *The Great Society: Lessons for the Future* (New York: Basic Books, 1974), p. 9.

15. Robert J. Lampman, "What Does It Do for the Poor?—A New Test for National Policy," *Great Society*, pp. 66-67.

16. *Ibid.*

17. Sundquist, *Politics and Policy*, pp. 111-14.

18. *Ibid.* More discussion of programmatic designs under the EOA will be found in later chapters of this book.

19. The EOA passed the House by a narrow margin, 226-185, although it did better (61-34) in the Senate. Clearly, many did not choose to wage the war at all.

20. Sundquist, *Politics and Policy*, p. 138. Although "development corporations" were proposed by William B. Cannon of the Bureau of the Budget to the task force planning the war on poverty, they were not conceptually related to today's Community Development Corporations. In any case, the concept was not adopted by the planning group; it was replaced by the "community action programs" section authorized in the EOA.

21. Louis Harris poll, *Washington Post*, 7 February 1966.
22. Sundquist, *Politics and Policy*, p. 153.
23. Moynihan, *Maximum Feasible Misunderstanding*, p. 4.
24. *Ibid.* Further discussion on developments in the war on poverty from its early days is presented in subsequent chapters of this book.
25. *Ibid.*, pp. 5-6. Moynihan cites an occasion in the summer of 1967 when “with some of the principal cities of the nation literally in flames, the Secretary of the Treasury was to inform the President that there was simply no additional money to spend on anti poverty measures if the dollar was to be saved!”

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2. ***The SIP Becomes Public Policy***

The SIP's enactment into law late in 1966 generated surprisingly little clamor. Ironically, the storm clouds gathering around many OEO programs may have provided protective cover for the birth of this innovative antipoverty approach.

The SIP was not heralded by the president as a new campaign in the poverty war; it was introduced in the Senate by the relatively unpublicized initiatives of Robert Kennedy (D) and Jacob Javits (R), both of New York. They launched no special effort to rally public support for these proposals; none was needed, as the SIP amendment to the Economic Opportunity Act engendered relatively little debate.¹

The quiet birth of the SIP was in striking contrast to the tumult accompanying the

advent of other assaults on poverty. Indeed, mounting problems in the months preceding renewal of the EOA in late 1966 began to threaten seriously the anti poverty program's survival. GOP leadership in the House was calling the poverty war "a churning Disneyland of administrative chaos." Richard Nixon, rumored to be surfacing for another try at the presidency, described the program as "first in promises, first in politics, first in press releases, and last in performance."²

A few observers thought the program was making progress, particularly in selling itself to the American public. In addition to support indicated by polls, nationally syndicated columnist Joseph Kraft found the program's innovative approach to formulating and administering local programs—with direct participation of local citizens—gaining increased acceptance among big city mayors and even some conservative Republicans.³ But he warned that "national political leadership has not yet caught up with the new approach to welfare. Local control leaves Washington politicians out in the cold."⁴

Even as Kraft was writing, however, many of the program's early supporters in Washington and around the country were displaying a lack of confidence in the program's effectiveness and potential. Top officials began to leave OEO. Civil rights leader Bayard Rustin condemned the poverty campaign as "a bag of tricks." Big

city mayors, other than the few Kraft was seeing, were outraged by the actions of some of the thousand-plus community action agencies, protesting to OEO Director Sargent Shriver and the Congress that Washington was subsidizing wars of civic subversion by insisting that the poor be given a voice in dispensing the manna that was traditionally a city hall prerogative.⁵

President Johnson had “hankered for Instant Utopia” through the war on poverty, *Time* magazine allowed, and OEO had responded by launching a dozen complex programs. Now Shriver felt that Johnson, always an impatient man, was beginning to listen too much to critics of OEO and the poverty war, and was becoming distracted by the war in Vietnam. Other domestic programs and agencies, such as Model Cities in HUD, were faring well politically on the Hill and with local officials.⁶ Shriver launched his own campaign to ensure that the slippage in high level support for OEO would not become an avalanche of rejection. In mid-1966, Shriver issued a bold challenge: poverty was to be “wiped out by 1976.”⁷ Intermediate goals would be to reduce the poverty population from 32 million in 1966 to 12 million in 1972. He estimated that this effort would cost a total of \$40 billion annually by 1972.⁸ Shriver’s plea for “boldness of concept” (as well as more money) did not mention the innovative proposals for the SIP then being drafted by his brother-in-law, Robert Kennedy, or the corollary ideas for federally funded urban development corporations already suggested in Congress by Senator Javits. Furthermore, he, along with many others, failed to reckon with the escalation of the war in Vietnam that was just around the corner. Indeed, Shriver’s plans were based on the belief that a sizable budget surplus could be expected in fiscal year 1967, or soon afterward. As Shriver saw it, additional outlays to “whip poverty” were to be recovered from the “vast war budget . . . when the conflict ends.”⁹

In November 1966, the EOA amendments were finally enacted. Shriver had found sufficient support in Congress to ensure short-term continuation of EOA pro

grams, through the end of the 1967 fiscal year, and the new SIP had officially become part of the spectrum of EOA approaches. However, any enthusiasm over Shriver's success was dampened by a growing sense of the poverty war's demise, and by increased American involvement in the Asian conflict.

The *Washington Star* asked, "Why are we losing the poverty war?" and responded with a litany of reasons: "public confusion, progressive political disillusionment, the dispersal of anti-poverty projects from the OEO command headquarters, the mounting defection of its key officials, the erosion of financial support from Congress—finally even the gradual unspoken disassociation of the President himself."¹⁰ The *Star's* view that "the crusade has come apart at the seams" was spreading."

Congress Approves the SIP

In the congressional struggle to renew the EOA in 1966, Kennedy and Javits had been successful in gaining acceptance for a combination of their ideas for the SIP. Hardly anyone had predicted that Congress would fail to renew the Act, but the

intensity of debate raging over Job Corps, the Community Action Program (CAP), and VISTA, and over such issues as the advisability of earmarking CAP program monies for specific purposes versus permitting discretion in spending them, presaged even more trouble for the war on poverty in future years. The new ideas for the SIP, by contrast, went forward in the Senate with little notice.

Kennedy's initiative was the one most fully considered by his Senate colleagues in shaping the SIP legislation. Several concerns had motivated Kennedy to introduce his measure and gain agreement from Congressman James Scheur (D), also of New York, to offer a similar bill in the House.¹² Two concerns were predominant: his own political future and the needs of low-income constituents in New York City—especially the residents of Bedford-Stuyvesant, a Brooklyn slum area populated mostly by blacks. During a tour of this hard-pressed area, in a “confrontation” with residents, Kennedy had vowed to respond to the compelling needs he observed, especially the need for jobs. Moreover, he had become convinced that the problems of poverty were so interlocked that a more comprehensive approach than those offered by existing OEO programs was necessary.¹³ Then in the second year of his term, Kennedy also had a strong need to strengthen his political support among blacks in Brooklyn and, some believe, to counter Mayor John Lindsay's use of community action agencies in the city as a power base for a possible future run for state or national office.¹⁴

In order to deliver funds for Bedford-Stuyvesant—of the magnitude and for the purposes Kennedy desired—and to address his own political concerns, the junior senator had no alternative but to develop a new kind of national program. He found a willing ally in his senior associate from New York, Senator Javits, whose political interests were analogous although he was a member of the opposition party. Indeed, Javit's suggestions for comprehensive urban development and increased involvement of the business community in rebuilding ghettos, later included in the SIP legislation, predated Kennedy's notions.

The amendment eventually enacted as Title I-D of the EOA to create the Special Impact Program was written in very broad language. It was to “establish programs which:

1. are directed to the solution of the critical problems existing in particular communities and neighborhoods . . . within those urban areas of the nation having . . . especially large concentrations of low-income persons;
2. are of sufficient size and scope to have an appreciable impact in such communities and neighborhoods in arresting tendencies toward dependency, chronic unemployment and rising community tensions; and,
3. where feasible and appropriate, are part of a city-wide plan for the re-organization of local or state agencies in order to coordinate effectively all relevant programs of social development.”¹⁵

The purpose of the program was described in the Senate’s report as “join[ing] the resources, expertise, and energy of the public sector in a special attack on the problems of the nation’s urban areas having the largest concentrations of poverty.

... it is increasingly clear that the resources of government alone are inadequate for the needed total approach. The program created by this part is therefore designed to employ the resources of the private sector—business, non-profit groups, residents of poverty areas themselves—to supplement present government efforts.”¹⁶

To those senators and staff members who had a hand in crafting the SIP, it was obviously to be something new, and was intended to be more comprehensive than other antipoverty programs. “This new part should produce a four-pronged benefit. It will assist in the economic, social and physical rehabilitation of the area, thus making it more livable. It will train and employ its residents in new career-type jobs, and it will improve services to the poor. And, perhaps most important, American private enterprise will be given a chance to participate fully in the war on poverty.”¹⁷

Underlying the congressional intent for the SIP were the clear implications that poverty was a problem of poor areas, not poor individuals, and that Community Action Agencies (CAAs) and services alone could not break the cycle of poverty in deteriorated areas. Under the SIP, entire community areas would for the first time be the target of antipoverty work.¹⁸

Kennedy and Javits were considerably more enthusiastic than others about their new concept. Members of Congress who supported it did so for reasons of their own. The Johnson administration did not lobby for passage of the measure, but neither did it actively oppose it. OEO did not seek to have this new antipoverty weapon included in its arsenal.¹⁹

The struggle over the level of funding for the overall antipoverty effort continued for many weeks after enactment of the 1966 amendments to the EOA. The amendments had authorized \$1.75 billion for all programs, and \$75 million for the SIP. To protect favored programs—while also seeking to reduce political opposition to OEO by limiting its level of funding for flexible programming—Democrats had chosen for the first time to earmark funds for key national initiatives in the law itself. Programs like

Head Start and Legal Services, which had been developed essentially as demonstration strategies and then had multiplied rapidly as they gained public attention through OEO's use of local CAA discretionary monies, were singled out as "national emphasis" programs, and money was "reserved" for them in the legislation. Head Start, for example, was earmarked to receive \$352 million, more than all of the local initiative money to be allocated for CAAs that year. Consequently, funds were hard to squeeze out of the subsequent appropriations process for the less popular programs, particularly CAP, but also for the unknown SIP, which had little active backing. As a result, with the EOA appropriation for the 1967 fiscal year ultimately reduced from its authorization levels by \$137.5 million, only \$25 million was appropriated for use in the SIP's first year of life.

Early Implementation of the SIP

By law, all antipoverty programs established under the EOA, and continued in 1966, fell under the jurisdiction of the Office of Economic Opportunity. In a few cases, OEO assigned operational responsibility for programs to other federal agen-

cies. Robert Kennedy and his staff had wanted the SIP funds for the Bedford Stuyvesant project kept out of the hands of the local community action program and the New York City bureaucracy. To ensure this, Kennedy insisted in the Senate Labor Committee that the Department of Labor, not OEO, administer the SIP program.²⁰ OEO, interpreting this view as the intent of Congress, delegated responsibility for administering the program to the Labor Department on March 29, 1967.²¹

OEO, of course, had not sought to operate the SIP program in the first place. The antipoverty agency had periodically gone on record with the view that economic development, a key SIP concept although not directly described in the legislative language, was an inefficient way to fight poverty. Its top officials, however, chose to characterize the program after it was enacted as “oriented towards work and training,”²² and suggested that it was properly within the purview of the Labor Department (DOL). After passage of the amended EOA, a joint OEO-DOL task force developed program regulations for the SIP. Even after the program had been delegated to DOL, OEO retained responsibility for reporting on the program to Congress, but did not seriously seek to influence DOL decisions about the program for the remainder of the 1967 fiscal year.

The language of Title I-D was unarguably vague.²³ Although Kennedy and Javits expected the program to be guided by their primary assumptions, they had intended it to be strongly shaped by decisionmaking at the local level.²⁴ While none of their basic premises was made explicit in the legislative language, all of them were felt by Kennedy, and to a lesser extent by Javits, to be foundations on which DOL should construct the SIP efforts. The premises were that—

1. the war on poverty, particularly its major component, the Community Action Program, was insufficiently concerned with jobs and economic development;
1. the conflicts and political influence that inevitably accompany a program run by city hall inhibit accomplishment;

2. the war on poverty had thus far been waged on a piecemeal basis, whereas a comprehensive strategy was needed;
3. the business community must play a major role in solving poverty problems.²⁵

Whether or not the Labor Department officials concerned with the SIP acknowledged these assumptions, their implementation of the SIP in its first year was generally unresponsive to them, or to Kennedy's and Javits's wishes for something bold and new. Of the \$25 million appropriated for the SIP in the 1967 fiscal year, over 70 percent was allocated by DOL to supplement its own "concentrated employment programs" (CEPs) already under way in scattered locations throughout the country. While the CEP concept was considered a promising DOL innovation, it did not meet the criteria Kennedy and Javits viewed as essential for addressing the needs of special impact areas. Kennedy's interest did, however, persuade DOL to allocate the remaining \$6.9 million of the \$25 million to the Bedford-Stuyvesant project.

The Bedford-Stuyvesant project was indeed something bold and new. Ken-

nedy, even earlier than LBJ, had realized that the Vietnam war was beginning to create a scarcity of funds for major domestic programs. In Bedford-Stuyvesant, he sought to persuade the private sector to pick up the slack.²⁶ The SIP, with its enticement of heavy federal investment, became his vehicle for doing so.

From the outset, the Bedford-Stuyvesant project, carried out in the largest ghetto in the country,²⁷ was spearheaded by an alliance of influential businessmen and community residents. During the early period of its history, it carefully minimized the influence of the city and already burgeoning antipoverty bureaucracies. Two separate corporations were set up to run the local program. The first, the Restoration Corporation, was composed of community leaders hand-picked by a moderate black judge from the area who was allied politically with Kennedy.²⁸ The other corporation that shared in running the program was the Development and Services Corporation. It was a smaller “white establishment” body with both Kennedy and Javits on its board of directors, as well as such luminaries as Thomas Watson of IBM, William Paley of CBS, and former Secretary of the Treasury, Douglas Dillon.²⁹

The alliance, with top-notch professional staff help, sought to forge the resources of powerful white business leaders and local residents into an effective mechanism for urban redevelopment. The business leaders were to help assemble financial and corporate resources in an effort aimed primarily at bringing jobs to Bedford-Stuyvesant. The resident leaders were to assure open communications between the “establishment” and the “streets,” to try to prevent riots, and to participate in the planning, development, and implementation of programs.

With SIP monies, and other funds it soon acquired, the fledgling alliance rapidly expanded its operations to include commercial, housing, and industrial projects, as well as efforts to coordinate the more traditional antipoverty weapons such as social services, manpower programs, and assistance to ghetto-based businesses that were needed in the community. By its grant, awarded through the SIP, the Bedford-Stuyvesant

business-community resident alliance became, in 1967, the first local organization that could be termed a “Community Development Corporation” (CDC)³⁰ to receive federal financial support for physical and community development programs.

The SIP's Second Year

“The summer of 1967 again brought racial disorders to American cities, and with them shock, fear, and bewilderment to the nation.”³¹ Hearings that summer on OEO’s legislation, to renew the EOA for fiscal year 1968, were dominated by debate over the causes of and solutions to the rioting in over 25 cities. OEO Director Shriver, in his testimony before Congress, sought to show clearly that OEO’s CAP programs, the Neighborhood Youth Corps, VISTA, and other efforts had been crucial in minimizing the violence that did occur, and in aiding riot victims. Poverty workers in Detroit “calm[ed] the unruly crowds;” in Newark they “manned communications systems . . . and freed policemen for antiriot duty.”³² He stressed that

no OEO grantee offices had been burned or looted because “like the Red Cross in time of war . . . people recognized that these facilities were among the few places where they could find refuge and aid.”³⁸

Shriver did not suggest that the SIP might contain the rudiments of a strategy to quench the “combustibles that fire up a riot—the discontent with joblessness . . . inhuman housing . . . money-hungry landlords and merchants . . . the raw differences between justice, health and convenience for the poor and the rest of America.”³⁴ He had little evidence to suggest that it could, given the manner in which DOL had spent SIP monies, apart from Bedford-Stuyvesant. More importantly, top officials in OEO and DOL still wanted to concentrate on those education and manpower training programs that would encourage the poor to disperse from impoverished areas. To develop inner-city ghettos as intended by the SIP would counter that effort.³⁵ Finally, Shriver knew that Lyndon Johnson was not eager to build up a program identified with Robert Kennedy.³⁰

The president’s proposed budget for the 1968 fiscal year had projected \$2.06 billion dollars for EOA programs, including funds for the SIP under Title I-D, but his antipoverty message to Congress in March had not discussed the SIP. Later in the spring, OEO’s presentation to Congress touched lightly on the SIP, terming it simply a work training and community improvement project to be carried out in DOL.

Kennedy and Javits once again took the initiative, this time to ensure that more serious attention would be paid by the executive branch to their ideas for the SIP. Joined by Senate colleagues, they were critical in Committee of the way in which DOL had dissipated SIP funds in fiscal year 1967, and made it clear that only the funding for Bedford-Stuyvesant was “more in line with the Committee’s original intention for the SIP.”³⁷ The Committee stated that it “had intended that funds provided for this program be concentrated primarily on economic and community development and manpower training.” The Committee expressed disappointment that the Labor

Department had deemphasized the economic development activities of the program, directing that “special impact funds this year be used as the Committee originally intended” in selected areas “restricted in number so that each will have sufficient funds to achieve intended results.”³⁸

The Committee’s rewrite of Title I-D, largely the work of Kennedy’s and Javits’s staff members, led to strengthened, more precise language for the SIP in the fiscal year 1968 renewal of the EOA.³⁹ The revamped Title I-D provided for a concentration on economic development, made rural areas eligible to receive funds, and eliminated the special focus on youth employment contained in the 1966 amendments.⁴⁰ The Committee also drew attention, in its report on the measure, to the importance of community participation in the SIP, and of community organizations or “corporations” to carry out the program:

Experience of the first year’s operation demonstrates that successful program operation, including the participation by business, requires and depends on the utmost cooperation of community residents. That cooperation, in the view of the committee, will best be achieved through effective and substantial

participation of the residents in program decisions, responsibility, and benefits. Community and community-based corporations, which have demonstrated their potential utility as vehicles for such participation, should be encouraged by the Department of Labor to undertake sponsorship of programs under this part.”

With the explicit emphasis on economic development and the involvement of community-based corporations, in rural as well as urban areas, the basis for a sharply focused nationwide SIP program was established in the 1967 amendments to the EOA. Even OEO seemed ready, if belatedly, to acknowledge that the SIP represented a new direction. Its summary of the 1967 law indicated that the amendments modifying the SIP “make . . . it more explicitly an economic development authority. This includes provisions for financial and other incentives to businesses to locate in urban ghetto areas and for general community development activities. This is, in fact, a new program.”²⁴²

While OEO leadership did not at first seek a larger role in the SIP’s implementation in early 1968, middle-level administrators in the agency had begun months earlier to consider means by which the program could be used to foster a growing movement to develop community-controlled institutions—a movement which they favored. At the same time, other federal agencies also began to look at the SIP legislation, and initiated planning to use portions of the SIP funds. After a great deal of bureaucratic maneuvering that went on for months, well into 1968, the Special Impact appropriation for the fiscal year was finally divided among four agencies: OEO and the Departments of Labor, Commerce, and Agriculture. Although OEO retained only \$1.6 million of the \$20 million appropriated for the program, this small amount represented a foot in the door for advocates of the SIP within the agency.

NOTES

1. Senate bill S. 3164 eventually was altered and incorporated as Title 1-D of the EOA (Sections 131 and 132) and signed into law on 8 November 1966.

1. “The War within the War,” *Time*, 13 May 1966.

2. Joseph Kraft, “Poverty Politics,” *Washington Post*, 3 October 1966. Kraft quotes Tulsa’s conservative Republican mayor, J. M. Hewgley, on the subject of the Community Action Program: “This is a Republican program, if we only had the brains to know it.”

3. *Ibid.*

4. “The War within the War,” *Time*.

6. The Model Cities program gained momentum from two factors. One, the economic drain caused by the war led inexorably to the view that the decreasing resources available

ber 1969).

6. Cited in Hobart Rowen, "Shriver's Poverty Goal: Rea [*Sic*] *Post*, 10 July 1966.

7. *Ibid.* The total amount to be spent in the president's proposed budget for fiscal year 1967 on programs Shriver was including was \$24 billion, of which \$1.75 billion was projected at the time for OEO's programs.

8. *Ibid.*

9. "Why Are We Losing the Poverty War?" *Washington Star*, 4 December 1966.

10. *Ibid.*

11. Scheur's proposal gained no support in the House, but the House acceded to the Senate's SIP amendment in conference prior to final passage of the EOA amendments. To this day, the SIP is considered by many House members to be strictly a Senate proposition.

12. Stewart E. Perry, *Federal Support for CDCs: Some of the History and Issues of Community Control* (Cambridge, Mass.: Center for Community Economic Development, 1973), p. 2. Reprinted from *Review of Black Political Economy* 3 (Spring 1973).

1.4. From the author's interview with Arthur Blaustein, then OEO's Acting Director for Congressional and Legislative Affairs and Intergovernmental Relations for the Northeast Region (New York, New Jersey, and the six New England States). Blaustein worked with Kennedy's staff in developing the Kennedy-Scheur Amendment that became the SIP.

1. The Economic Opportunity Act, as amended, Title I-D, Sec.

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131.

2. Senate Committee Report 1666, 29 September 1966.

--ford-Stuyvesant
(Cambridge, Mass.:
Center for Com [Sic]t,
1973), p. 1.

[Sic] Restoration Corporation had supplanted an earlier creation,
the Bedford

Stuyvesant Renewal and Rehabilitation Corporation, which had been
designated by Kennedy's people (who were heavily involved in
structuring the local effort) to represent the community in the project.
The RRC was bypassed by Kennedy when its members became—for
Kennedy's staff, at least—too demanding.

1. Faux, "Politics and Bureaucracy," p. 282.
2. At that time, the term CDC was not applied to either of the
Bedford-Stuyvesant
corporations or to the overall project.

3. *Report of the National Advisory Commission on Civil
Disorders* (New York: Ban
tam Books, 1968), p. 1.

4. Sargent Shriver, statement before the Committee on
Education and Labor, U.S. House of Representatives, 31 July 1967.

5. *Ibid.*

6. *Ibid.*

7. Faux, "Politics and Bureaucracy," p. 283.

8. *Ibid.*

9. Senate Report 563, 12 November 1967.

10. *Ibid.*

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11. P.L. 90-222, enacted on 23 December 1967. The renewal was called “The 1967

Amendments to the EOA.”

12. The inclusion of rural areas was largely in response to the interests of Congressman Carl D. Perkins (D) of Kentucky, who headed the House Committee on Education and Labor. Perkins, whose constituents were rural East Kentuckians, had demanded the language as his price for permitting the amendment, not included in the House version of the bill, to be made part of the approved legislation.

13. Senate Report 563.

14. Narrative summary of the Economic Opportunity Amendments of 1967, Office of Economic Opportunity, March 1968.

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3. ***OEO Takes Charge of the SIP***

As Congress was completing its OEO-related business in late 1967 and early 1968, the focus of the nation's attention was riveted elsewhere.

Over 492,000 American men and women were at war in Vietnam in January of 1968. Nearly 17,000 of their compatriots had already died there. Angry debates between “doves” and “hawks” dominated both workplace and social gatherings. President Johnson's approval rating in the Gallup poll had dropped to 48 percent. Maverick Senator Eugene McCarthy, symbolizing opposition to the war, had announced for the presidency, and Robert Kennedy waited in the wings.¹

By late January, the war had taken a terrible turn. In Hubert Humphrey's words, “All our hopes of getting movement toward a cease-fire, a peace conference, had been frustrated.”² The Tet Offensive of January 30 shattered what little remained of the administration's credibility. Continually reassured by the president that the enemy in Vietnam was weakening and would not be able to continue much longer, the public found this new initiative of the North Vietnamese and Viet Cong to be indisputable evidence that it had been misled. At the end of March, President Johnson, sensing the political winds of change and tortured by his inability to end the conflict, announced he would not seek reelection.

This surprising turn was followed abruptly by a rapid, never-to-be-forgotten succession of shocking events, unparalleled in the nation's history. Martin Luther King, then Robert Kennedy, were assassinated within a span of just over two months. Hostility, anger, and resentment flared everywhere; the cities were once again in flames. "Uptight" public officials, including the nation's most prominent mayor, "boss" Richard Daley, gave local law officials broad authority to deal with protesting citizens in the streets, frequently leading to mass arrests, beatings, and killings, and further escalating tensions and bitterness.

Within the halls of government, it was also the worst of times—no easy period in which to carefully review public policy, to consider what had gone wrong in both

domestic and foreign affairs and what might be done to correct the situations. National leadership was polarized and splintered, leaving the public to choose extreme positions or remain hopelessly adrift in a sea of confusion. With few exceptions, poverty professionals in government were as befuddled and unfocused as the rest of the nation. The probing questions about the poverty war, and harping criticisms of its presumed failures, had intensified. Charges levelled at OEO and its officials from within and outside government were becoming increasingly cynical and assertive. Even Director Shriver was driven from a podium by the heckling of low-income constituents of the agency. He soon left for Paris and a more restful tour of duty as U.S. Ambassador to France.

Proponents of OEO and the poverty war within the federal structure were clearly on the defensive. Many left the war or retreated to positions of relative safety in newly announced programs devised by a changing breed of managers—those selected, in response to widespread criticism of OEO, for their presumed skills in improving program administration. The stated aims of the new managers were to tighten agency procedures, strengthen program planning and evaluation, and to systematize decisionmaking. Most antipoverty officials, old and new alike, were fearful of undertaking initiatives that might further damage the program's credibility and their own job security if they failed.

Statements from many quarters about the program's deficiencies were being rendered with funereal overtones, if not true regret. Historians began writing about "how it had been when there was a war on poverty," and other academics began intensive searches for new theories to explain the causes and effects of its decline. Except when "scandal" was uncovered in local projects, or exceptionally harsh criticism was levelled at the program by political figures, the poverty war slipped farther and farther from the newspapers' front pages, into case studies and seminars at leading universities. Optimism about the program among its practitioners and the poor had long since eroded, and many were looking to other government initiatives for work or support. Relatively few retained a working commitment to the ideals of the program and the larger war on poverty.

Among those who did not retreat from the fray were several middle-level administrators in OEO who were in a position to affect the course of the SIP. They began to work together as a planning group³ in 1967 to develop strategy for carrying out the SIP program under OEO auspices. Their ideas for implementing the program were much like those of Robert Kennedy, and were responsive to the conclusions of the President's Commission on Civil Disorders as well. The validity of these views was further substantiated by the types of projects described in an increasing number of proposals for funding assistance being received by OEO from low-income community groups who, despite the agency's problems, still sought its assistance.⁴ The OEO staff group hoped to implant strategies for the economic development of poverty areas "under the control of indigenous institutions";⁵ to support what "low-income urban black communities were already trying to do for themselves, and what it seemed that their neighborhoods most wanted—that is, self-determination, programs without strings, community control, and something

besides services, something more real somehow, like business development or housing.”⁶

Related OEO efforts of the kind the SIP planners were considering were already under way, funded by the agency’s Research and Demonstration monies, in New Mexico (an organization called HELP doing rural community development), in Alabama (the farmers’ cooperative, SWAFCA), and in Crawfordsville, Georgia (where low-income people had started a sewing plant).

The intra-agency proposal for the SIP developed by the OEO planners argued that full community control by low-income people would probably produce a better program than any other administrative design, and urged that this be the basis for the SIP within OEO.⁷ Projects initiated by DOL with SIP monies, and those under consideration in 1967 by the other federal agencies seeking a piece of the SIP pie through interagency negotiations with OEO, did not meet the planning group’s criteria for full community control by community corporations.

The planners met initial resistance within the agency to the idea that OEO should run the entire SIP program, and to some of their views on what the program should entail.⁸ As in any organizational struggle to shape a government program at the national level, the issues involved were at once political, bureaucratic, and ideological. The intra-agency debate in OEO was intense, and the maneuvering fierce, before the decision was finally made to “go” with the SIP. The person most responsible within OEO for extracting that decision was Stewart Perry. His account and those of others involved at the time indicate that two issues were predominant in the agency debate. One, essentially ideological, concerned the thorny problems of racial integration.

We made recommendations, based primarily on social and psychological grounds, for a ghetto economic development program of projects to be designed essentially by ghetto leadership. We held that a black economic institution—a

community development corporation—created by blacks, run by blacks, and given substantial support by OEO could make use of the central urge towards self-determination—capitalize on it, that is—as an antipoverty technique directed at a number of the root causes of civil disorders in the ghetto. We felt that the black identity movement could be recognized and made use of as the motivating energy for a new inner city poverty program in economic development. In short, we proposed to reinforce black influence for change (which is the real meaning of black power) with black financial and economic institutions. It was to be what was called a “Special Impact” pro gram.

One of the many objections raised against this Special Impact proposal, which nevertheless was successfully launched, was that it would lead to more segregation. It would underwrite black separatism. It would develop the ghetto rather than disperse it. It would encourage the developing trend of middle class blacks to return to the ghetto on black identification grounds, instead of encouraging them to move further into the white community. Moreover, some

held that the proposed program would counteract the one avenue towards integration that appeared to be opening up in the United States—that is, employment of blacks in white-owned companies. Instead, went the objection, black economic institutions would siphon off blacks who would otherwise be absorbed in integrated businesses.

At the time, the only effective counter-argument that we could marshal was that blacks ought to have the same equality of opportunity, the same chance for choice as the majority whites, regardless of the effect on integration. Indeed, we maintained, promoting integration was not just increasing the incidence of blacks going to work at white firms; it was assuring blacks as well as whites the choice of working where they wanted to. We argued that if a black man preferred to live in an inner city area and work in, for example, a printing house there, where most others were also black, he should have that opportunity, rather than be required, as a matter of policy, to move to the suburbs or to drive daily to a suburban printing house—even if our plan would mean fewer blacks working for white firms.⁹

The other important issue, also ideological in nature, was the concern that the development of ghetto businesses would necessarily mean a program concentration on the “nonpoor.” Perry and others argued in response that the benefits of an economic development program were in large part a function of who controlled the program. If the poor controlled it, they would benefit.¹⁰

Community Control

Political questions involved in the OEO decision were also seriously debated. The primary ones related to the political ramifications of the struggles over control of local programs. It was true that OEO, since its inception, had fostered “maximum feasible

participation” of the poor in its programs, but the agency had often bowed to political pressure to abandon this emphasis when it had chafed against the interests of influential local leaders.¹¹ Moreover, local control by residents was becoming less and less popular in Washington. In the 1967 amendments to the EOA, Congress had approved the so-called “Green Amendment,” which permitted local and state governments to take responsibility for the Community Action Agencies (CAAs) if they chose to do so.

President Johnson, in an attempt to mollify mayors outraged by CAA threats to their power had himself, in early 1967, proposed a greater policy role in CAA programs for publicly elected officials. But the hotly debated Green Amendment went much farther. Many local directors of CAAs were fearful that its passage would mean abandonment of any meaningful attempt to involve the poor, while others were more concerned that they would be forced from their positions if local government took control of the program.

OEO leadership, recognizing that its struggle was for the very survival of the agency and its programs, was in a very weak posture, though many of its officials

backed the CAA position. They had campaigned to kill the amendment, but had been unable to rally sufficient support to withstand the whittling away of local CAA autonomy by key members of the Congress who were disenchanted with CAP and its politics. Nor did the CAP constituency of this period show enough muscle to strongly influence the legislative outcome. The president did nothing to mobilize Democratic opposition to the amendment. The Green Amendment, pushed hardest by the minority party in Congress, was enacted by a narrow margin.

This struggle, and the increasing pessimism of OEO's leaders about the agency's future,¹² ensured that the SIP planners' proposal for funding "community controlled" projects would remain a cause of considerable anxiety. But the agency's dynamics were in flux, and the planning group was tenacious. Finally, the merits of the SIP and the rapidly shifting politics of the times yielded a compromise between the planners' views and the concerns of OEO's political leaders.¹³ By June of 1968 it was agreed internally that OEO would take control of \$1.6 million in SIP program funds for fiscal year 1968. The rest of the appropriation would be divided among DOL, Commerce, and Agriculture.

How SIP Would Work in OEO

Under guidelines approved by OEO for its share of the SIP effort, each neighborhood considered by the agency for SIP funding would have the chance, through its local organization, to create its own projects. However, after receiving a basic investment budget to work with, each specific investment proposed by the local community group for funding from that budget would have to be approved by OEO. Local projects would be initially designed in the community by residents themselves, but local groups carrying out the program would not be required, as the planners had hoped, to be constituted solely of low-income residents, nor, it was understood, would that be

encouraged. Finally, the program was adopted as a research experiment, as the planners suggested, to test whether or not “community control,” as modified by the guidelines, would work. This designation would keep the SIP program out of the hands of CAP and regional officials in OEO who were regarded by SIP’s planners as generally inept or misguided, and who were seen as likely to compromise away the interests of the poor.

The OEO Planners’ View of the SIP

Despite compromise on the community control issue, acceptance of the modified SIP plans within the agency meant, at the very least, that a serious attempt could be made by OEO to launch the new program. It could begin to assess in practice a number of promising theories on low-income community and economic development that previously had received only superficial attention, if any, from OEO and had been completely ignored by other federal agencies.

The planners continued to see the goal of the OEO-SIP program as “economic

development of the poverty area under the control of indigenous institutions.” Their version of the program was built on the assumption that “in order for institutions to evolve, they had to have control over resources—that is they had to have real power.” Local community groups could still have that power, at least in theory, under proposed OEO guidelines. Without such power it was clear that the institutions could not attract the talented, but cynical and alienated, males who, the planners believed, held the key to strengthening ghetto economic life.

The emphasis on alienated males led to one other assumption. It was that the election process was not necessarily the best means of establishing leadership. Elections under the Community Action Program had produced one disappointing turnout after another. People were elected to CAP and neighborhood boards with two, three, or no more than five percent of the eligible voters participating. Moreover, many boards seemed to be dominated by women and clergy who tended to have a strong social welfare orientation. The young alienated male did not participate.¹⁴

The economic assumptions of the planned program were also based on the experience of the past. OEO staff members felt that attempts to induce established outside businesses to move into poverty areas had failed, and would continue to fail, because of the unattractive economic environment and racial fear. They had also concluded that economic development could not be built on small marginal ghetto entrepreneurial activity because of the need for comprehensive planning of large scale interrelated projects that could have a substantial impact on the poor population.

The economic and political role of the established, successful white business community was also recognized. However, the OEO staff did not wish to replicate the Bedford-Stuyvesant model. They felt that in most places Bedford-Stuyvesant’s form of business-community partnership would result in the “community partner being the

junior one.” This would be likely to inhibit the community corporation’s growth and development into a strong institution. They also felt that a sharing of power between the white business establishment and the ghetto community would lead to the same tension that had usually characterized the sharing of power between the local political establishment and the ghetto community. Finally, the unusual circumstances of having a powerful senator invest time and energy in a program (as Kennedy had done in Bedford-Stuyvesant), in order to get the right balance between forces, would seldom be duplicated in other locales.

Rather than have the federal or local government attempt to effect an alliance of business and community, the OEO program would leave that task to the community organization itself. The organization would negotiate its own arrangement with the local business community as a requirement of a grant. The unarticulated premise of this requirement was that the program would build on existing neighborhood institutions rather than establish new ones. In addition, the degree to which the community organization was able to elicit the cooperation of the local business

community would be a measure of its ability to run an effective economic development program.

The SIP grants were to be made directly from Washington in order to bypass the multiple levels of bureaucracy in OEO regional offices and in the local Community Action Agencies that Kennedy and his staff had feared would hobble the Bedford-Stuyvesant program. The SIP grants, to be made at OEO under the direction of Geoffrey Faux, were to encourage maximum flexibility on the part of the grantees. Of particular importance, grants could be used for seed (equity) money to establish businesses and housing projects. Political problems having to do with the overall acceptability of the program or specific projects were to be left to the resourcefulness of the community organization. No formal approval rights were to be given to either the local government or the local CAA. It was to be understood, however, that the local antipoverty agency would be informed in advance of the intention to develop a SIP program and that it would be up to the community corporation seeking funds to muster sufficient political strength to overcome any objections there or at City Hall. Selection of the organizations to be funded was entirely in the hands of the OEO staff.¹⁶

The Introduction of Community Development Corporations

OEO's SIP planning staff drafted its proposals for carrying out the SIP with no specific mention of Community Development Corporations as potential vehicles for local implementation of the program. Yet CDCs were clearly the primary mechanisms they had in mind,¹⁶ and existing CDCs were among the first groups funded by OEO under the SIP program.

The development of CDCs as a form of community-based organization had preceded the SIP. Indeed, CDCs had their roots in several earlier American organi

zations aimed at dealing with common economic problems—city booster corporations, for example, and even the trading companies of the American colonies.

Whatever their derivation, CDCs in the late sixties were coming to represent the drive of the poor and minorities, especially blacks, to achieve a respected place in American society. The first CDCs arose independent of any government activity; they were creations of the people they were designed to serve, not of outside forces. They were viewed by the neighborhoods in which they developed as vehicles for self-determination, representing poor neighborhoods, expressing their priorities, advocating their goals. In part, they developed as a reaction against the compromising which had characterized the community action approach to poverty programs—compromising which frequently abandoned the interests of the poor in the pursuit of harmony with the larger community. At the same time, persons involved with CDCs had learned, often through CAA experiences, the benefits of coalition approaches to dealing with community problems. The CDCs they helped create often brought together the leadership of a variety of groups in the neighborhood.¹⁷

Both Kennedy and Javits had discussed community development corporations

in conjunction with their original proposals for the SIP and its subsequent changes. In December 1966 Kennedy articulated his belief that CDCs were “the key to the whole concept” of the SIP.¹⁸ In the Senate report on the 1967 amendments, the term “community-based corporations” was used, but CDCs were not mentioned, nor was the term CDC used in the 1967 legislation. Not until introduction of the proposed Community Self-Determination Act in July 1968 were CDCs mentioned and defined in legislative language,¹⁹ but this bill never became law.

So far as the SIP was concerned, OEO’s early criteria for selecting local organizations for funding became an operational definition by which leaders in many communities began to measure the type of organization they might develop for OEO support. In the next several years OEO was to fund dozens of CDCs before the SIP legislation officially incorporated the concept.

OEO’s initial criteria for selection of potential organizations for SIP funding were detailed in a 1968 “Special Impact Proposal.”²⁰

The first step in the funding process will be to select indigenous organizations with the qualifications which make them compatible with the basic thrust of the OEO project, i.e., community involvement. . . . The criteria for selecting the indigenous organization which will plan, develop and implement the proposal are as follows:

1. *Community Representation.* Since the basic hypothesis concerns the ability of ghetto residents to decide upon and control their own destinies, it is extremely important that the grantee be representative of ghetto residents. The organization should span a wide spectrum of political points of view and social philosophies. No significant group of neighborhood people should be left out. Failure to involve the moderate and more conservative elements of the ghetto community will seriously

handicap the organization's ability to gain the confidence of the community-at-large and to take advantage of outside talents and business skills. Failure to include the militant elements of the community will leave the project vulnerable to disruption by these elements. Thus, unless the group is broadly representative it will fall prey to splits and schisms within the community and may fail as a result.

2. *Program Experience.* Since the people in the organization will have to work together effectively to make a success out of the program, it will be important to have evidence that they can do so. Therefore, some previous experience in operating a program will be helpful.
3. *Strength of the Organization.* The organization must be strong enough to maintain control over the program and at the same time be able to direct and utilize substantial amounts of technical assistance and help from outsiders.
4. *Relations with the Community-at-large.* The organization, while independent, ought to have a viable working relationship with both the local government and the business community and will *involve* repre-
- 5.

sentatives of the latter. This is particularly important since the project will call for a great deal of coordination and cooperation from both of these elements in the community. No project will be funded if the local government is hostile to it or if the grantee does not include maximum participation of local businessmen.

6. *Geographic Coverage.* In addition to the specific characteristics of the indigenous organization, the area represented also must qualify. That is, it should be an urban neighborhood with “especially large concentrations of low-income persons.” It must also be small enough to enable the monies spent in a Special Impact Program to have a visible effect.

The Involvement of Federal Agencies with OEO in the SIP

The impetus for OEO’s planning group to begin serious work in 1967 on a SIP design had been the summer of riots. OEO’s initial resistance to taking operational responsibility for the SIP had flown in the face of the natural tendency of federal agencies to seek to run any and all programs Congress might approve for them, and to keep new programs away from competitor agencies. It was particularly surprising that OEO did not desire to add the SIP to its arsenal of antipoverty weapons, for clearly the agency needed all the resources it could muster to withstand encroachment on its central role in the war against poverty. From the start, OEO, the non traditional creation of President Johnson, was frequently locked in intense struggles with other domestic agencies. The agency was seen—by bureaucrats in DOL, HUD, HEW, the Departments of Agriculture, Commerce, and others—as a challenge to their institutional prerogatives, an intruder on their turf; by others, “an unseemly, rabble-rousing, highly unsophisticated bunch of activist-headline seekers.” There was little desire within the old-line agencies for cooperation with OEO.²¹ Nevertheless, OEO had not even sought a trade-off from

the DOL in yielding the SIP to it; nor had it gained special favor in Congress for its willingness to go along without protest.

With the riots, interagency rivalry among domestic offices and departments temporarily took a back seat to intra-agency attempts to fortify institutional and program credibility with Congress, the press, the public, and with high officials in the executive branch. Similar questions were asked of all domestic agencies: If your programs are so good, why are the cities burning? What are you doing or can you do to quell the disturbances? The formation of the President's Commission on Civil Disorders (the Kerner Commission) increased the wariness of bureaucrats in all agencies with domestic responsibilities that scrutiny of their plans and programs might seriously affect what they sought to do.

The response of OEO's planners to the crisis conditions was in some respects no different from that of other agencies. Within the Research, Planning, Program and Evaluation (RPP&E) Division a series of "Urban Ghetto Seminars" was convened to prepare responses that might be required by the Kerner Commission in-

vestigations of what OEO had been doing in cities and what it might do if it had more funds and different program options.²²

Members of the division who became responsible for the seminars took their charge seriously. They soon began to weave their ideas for the SIP into a new approach to ghetto revitalization. The criticism by the Senate committee of DOL's dispersion of SIP funds, the results of their own research in the Watts section of Los Angeles,²³ and the information they had compiled on program plans and developments in other communities following the 1967 riots led finally to development of a new SIP plan by this group, one totally different from that instituted by DOL. This became the basis for OEO's conduct of the SIP.

RPP&E's director, Robert Levine, personally opposed to an economic development approach to poverty, preferred to begin a general competition among federal agencies to test the best SIP theories, rather than to assign major responsibility to OEO. While he agreed to permit OEO planners to take operational charge of a small portion of the program, Agriculture, DOL, and the Economic Development Administration (EDA) within the Department of Commerce were all to be given larger portions of the fiscal year 1968 allotment. OEO Director Harding gave his approval to Levine's decisions, forwarding the plan to the Bureau of the Budget after concurrence from the other agencies.

The interagency SIP agreement first approved by Levine and then by Harding permitted each agency to develop and implement virtually any program that fell within the legislative guidelines. OEO retained responsibility for program monitoring. OEO's subsequent contract with the Westinghouse Learning Corporation, a Maryland consulting firm, to evaluate during the succeeding year the efforts of each agency involved was, in no small part, an effort to build OEO's case for what the SIP should become.

OEO's First SIP Grant

The OEO planning group was eager to take on all of the SIP, despite Levine's scheme. It had much at stake, therefore, in deciding which local group or groups should receive the \$1.6 million allotted to the agency for its share of the SIP. To select a losing proposition, or several, was to risk throwing away the only chance the SIP might get to operate as the planners envisioned. On programmatic grounds, the group quickly rejected the idea of scattering the OEO funds, determining instead to find just one existing organization that best met its criteria for a SIP grant. The search took the planners to Boston, Baltimore, St. Louis, Columbus, and Cleveland. Each city had a community-based organization that had gained some attention as a possible candidate for funding. The East Central Citizens Organization (ECCO) in Columbus, for example, was considered a model for a "tightly-knit biracial in digenous community development organization, with stability, program manage ment capability, and support of the business and political sectors."²⁴

Competition was keen among the five community groups, but ECCO was runner-up to the Hough Area Development Corporation (HADDC) in Cleveland.²⁵

Under the leadership of Reverend DeForest Brown, HADC had been started locally without any anticipation of federal funding support, with the intention of building on the momentum community leaders had gained in electing Carl Stokes as mayor of Cleveland, the first black to head a city of its size in the nation. To address mounting problems in Hough, HADC had sought to encourage warring elements in the community to work together to develop a positive program strategy that would bring economic resources under the control of the community. Many involved with HADC felt that the antipoverty program, through the CAA in Cleveland, had by passed existing local agencies in Hough and had exacerbated tensions in the community. HADC leaders rallied several of these agencies under its banner, and quickly built alliances with alienated youth, tenants, and homeowners in the area. HADC had already received modest financial support from the Cleveland Foundation when OEO began its assessment of HADC's potential as a SIP grantee.

OEO's analysis of HADC found the organization to have a number of features that warranted giving it top ranking among the groups being considered. The agency's report emphasized the breadth of its considerations in making its first SIP grant.

The indigenous organization in Cleveland has been incorporated under the name "Hough Area Development Corporation," and represents an umbrella for the coalition of a number of smaller groups. The HADC is primarily an economic as opposed to a political organization, and each of the constituent organizations views its purpose as economic although each has vested interests in different aspects of economic development within the Hough area. The Negro Industrial and Economic Union (NIEU) functions as a fund raising organization for the HADC, but despite the membership of several well known Negro athletes, its fund raising capabilities seem to be limited. The basic asset of the NIEU is its attraction for younger males, who are drawn by the presence of Jim

Brown, John Wooten and other luminaries of the Cleveland Browns' football team. However, the main organizational strength of the HADC appears to lie in two areas: internal agreement on goals, and an active and accessible legal services organization in Cleveland.

The role HADC could play is that of a capitalized corporation which could then serve as a granting agency for programs submitted by citizen groups. In addition, HADC itself could develop its own programs, and thus serve two purposes: a general purpose economic development corporation will be started, plus a spinoff which involves the active participation of nonmember special-purpose citizen groups.

The political climate of Cleveland is at worst moderately favorable for this program. The Mayor, Carl Stokes, should welcome the program since it will allow him to borrow some of the credit which accompanies the program, and thus will serve as a positive political purpose for him. A local, businessman directed, philanthropic group, the Greater Cleveland Associated Foundation, has in the past been involved in the development of indigenous economic resources and will likely react favorably to the funding of HADC.

An active citizens' housing organization, Plans of Action for Hansing (PATH), is involved with the HADC in developing a housing program for the Hough area. PATH has already demonstrated its ability to organize citizen groups and to work effectively with Cleveland's building trades.

HADC has also developed plans for the acquisition of several buildings in the Hough business area for the purpose of creating a shopping mall. Currently the intention is to purchase a supermarket that is for sale, renovate it and open it as a cooperative finance company, and improve neighborhood health facilities. Four different job training proposals have been drawn up, each of which would serve a different job training capacity. From this it should be clear that Cleveland and HADC have already moved a considerable distance toward program planning.²⁶

OEO's grant to HADC in June of 1968 was announced in Cleveland by presidential candidate Hubert H. Humphrey. To some, this provided confirmation that a purely political decision had been made by OEO's planners. However, traditional political pressure had not been applied to OEO by HADC or its allies. Mayor Stokes was wary of HADC's intentions, primarily because Reverend Brown maintained an independent posture, and was not actively seeking funds from OEO for the corporation. Congressman Charles Yanik (D) supported HADC but did not convey this to OEO; neither senator from Ohio voiced support. The White House was not involved. Indeed, HADC played out an unusually tough hand in sessions with OEO's planners, insisting on obtaining the \$1.6 million for an action program, and rejecting some OEO suggestions for a local planning process. This display of strength and independence in meetings with members of OEO's planning group was a decisive factor in persuading the agency's decisionmakers to make the grant to HADC.²⁷

Humphrey's personal announcement of the grant in Cleveland was incidental to

the HADC decision, but clearly part of a strategy evolving within the OEO-SIP planning group to gain as much support for the agency's role in handling the SIP as possible. Humphrey's prospects for the presidency were soon to evaporate, but the prospects of the SIP, and OEO's role in the program, had never been brighter.

NOTES

1. Hubert H. Humphrey, *The Education of a Public Man: My Life and Politics*, ed. Norman Sherman (New York: Doubleday & Co., 1976), p. 334.
2. *Ibid.*
3. They included initially James Robinson, economist; T. M. Tomlinson, psychologist; Barbara Williams and Stewart Perry, sociologists. Later, they were joined by Geoffrey Faux, also an economist.
- 4.

5. Stewart E. Perry, *Federal Support for CDCs: Some of the History and Issues of Community Control* (Cambridge, Mass.: Center for Community Economic Development, 1973), p. 4. Reprinted from *Black Political Economy* 3 (Spring 1973).

6. Geoffrey Faux, "Politics and Bureaucracy in Community-controlled Economic Development," *Law and Contemporary Problems* 36 (Spring 1971): 283.

7. Perry, *Federal Support for CDCs*, p. 6.

8. *Ibid.*, pp. 7-9.

9. The challenge to the planners came primarily from Robert Levine, Director of Research, Planning, Programs and Evaluation (RPP&E) at OEO.

10. Stewart Perry, "Black Institutions, Black Separatism, and Ghetto Economic Development," *Human Organization* 31 (Fall 1972): 272-73.

11. Faux, "Politics and Bureaucracy," p. 292.

12. Perry, *Federal Support for CDCs*, p. 7.

13. Sargent Shriver became ambassador to France in the spring of 1968 and was succeeded as OEO Director by Bertrand Harding, a government career employee who had been serving as Shriver's deputy. Harding was regarded as an experienced and efficient administrator, but one who possessed little of Shriver's flair or sense of public relations.

14. As Vice President Hubert Humphrey's presidential star rose, some in the agency sought to hitch themselves and their ideas to that star. The SIP appeared to be a program Humphrey would favor.

15. Faux, "Politics and Bureaucracy," pp. 283-84. Most of the rest of this section—"OEO planners' view of the SIP"—is also drawn from this source.

16. *Ibid.*, pp. 283-85. The OEO staff's proposal emphasized "capitalizing on the natural forces at work in the ghetto to produce more effective programs" and "working with coalition groups."

17. From the author's discussion with Geoffrey Faux and Stewart Perry.

18. Stewart E. Perry, "The Genesis of CDCs," *Profiles in Community-based Economic Development* (Cambridge, Mass.: Center for Community Economic Development and the Cambridge Institute, 1971), pp. 2-3.

19. Arthur I. Blaustein and Geoffrey Faux, *The Star-Spangled Hustle* (New York: Doubleday & Co., 1972), p. 116. Kennedy's initiatives were the ones also adopted by the Senate Committee in its 1966 report on the EOA amendments emphasizing the role of community residents and community-based corporations in the SIP.

20. The conceptual framework for CDCs, described in the Community Self-Determination Act, was the product of a collaborative effort at Harvard's Kennedy Institute by Gar Alperovitz, John McClaughry, and Roy Innis.

21. Office of Economic Opportunity, "Special Impact Proposal," undated (1968), pp. 9-10.

22. This observation was underscored by Arthur Blaustein, who, by 1967, had become

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OEO's Regional Director of Interagency Cooperation. As OEO's representative on the Federal Executive Board in New York City and Boston, Blaustein reported to his superiors that "every effort to gain programmatic cooperation of DOL, SBA, and HUD was met with failure because of negative attitudes on the part of the other agencies." (Drawn from Blaustein's personal file, as shared with the author).

23. From the author's interview with Stewart Perry of the planning group.

24. A study by social psychologist Tomlinson of the planning group.

25. Office of Economic Opportunity, "Special Impact Proposal."

26. The other organizations considered with HADC and ECCO were Circle Associates in Boston, the Neighborhood Planning Group in Baltimore (receiving OEO pilot R&D funds to develop a neighborhood corporation), and the Yeatman District Community Corporation in St. Louis. These groups, and ECCO as well, eventually received some form of OEO financial support.

27. Office of Economic Opportunity, "Special Impact Proposal."

28. From interviews with Perry, Faux, and Brown.

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4. ***Enter Richard Nixon: The Rhetoric and Realities of Change***

Thousands of gaily colored balloons danced across television screens as a nation of viewers watched neatly dressed Republicans, in a festive mood, applaud their confident presidential nominee in Miami. The carefully managed scene, in July of 1968, was in sharp contrast to the angry shouting and disorder on display five weeks later in Chicago at the tumultuous Democratic convention, and to the violence surrounding it outside. The vivid differences not only characterized the campaigns of the two candidates, but also presented in a microcosm the wide divergence among the American people in outlook, beliefs, and style that existed during the turbulent sixties.

At the polling booths in November, the voters opted for the GOP pledge to restore peace and “law and order,” not the “politics of joy.” Vice President Humphrey had been indelibly stained by Vietnam, his association with LBJ, and urban lawlessness, while Richard Nixon’s own tainted past was ignored or forgotten sufficiently to assure his election by a razor-thin margin.

Many believed that the choice of Nixon would signal the end for OEO and its antipoverty programs. During the campaign and before, Nixon had pilloried the OEO record, calling for termination of the Job Corps, and hinting strongly that his intention was to dismantle the agency. Shortly after the election, Nixon seemed to snuff out any lingering hope for the program’s future. At the Pierre Hotel in New York, the president-elect named Daniel Patrick Moynihan, formerly an official in the Kennedy administration, to be his chief domestic policy advisor.¹ The outspoken Moynihan’s strongly negative critiques of the antipoverty program, particularly of community action, had been popular fare on the college lecture circuit for several years. His Democratic heritage notwithstanding, OEO supporters saw Moynihan as an archenemy.

To the surprise of almost everyone, Moynihan advised Nixon that OEO should be continued, largely intact. He did not argue for the agency on programmatic grounds, but stressed its symbolic value. Moynihan believed that the violence, in stability, and disillusionment of the late 1960s had so divided the nation that the very legitimacy of government was in question. That legitimacy had to be but tressed. To do so, Moynihan believed, Nixon's conservative government would have to resist its strong inclination to terminate the really important programs of the preceding liberal administration, for to dismantle the Great Society would be to guarantee further division in America.²

Moynihan saw the antipoverty program under OEO as the most important of those strategies of the previous administration that were targeted for elimination, and argued persuasively that it not be terminated. Nixon agreed, overriding objections to Moynihan's view from several cabinet members. In a February 19, 1969, message to Congress the president not only proposed a one-year renewal of the EOA legislation authorizing OEO, but treated the record of the war on poverty with understanding, and even granted a reprieve to the seemingly doomed Job Corps (urging, however, its transfer from OEO to the Labor Department).³

The stated commitment of the Nixon administration to preserving OEO was not applauded by most Republican party members, even though a GOP congress man, Donald Rumsfeld of Illinois, left his House seat at the president's request to become director of the agency in April. Republican and conservative Democratic opposition to the continuation of the agency mounted when Nixon announced in June that he would seek a two-year rather than a one-year extension of the EOA, directing OEO to become an "incubator of new programs." House Republican leader Gerald Ford, among those most upset with the president's decision, told Rumsfeld and Nixon that a majority of the American people, as well as an overwhelming number of House Republicans and southern Democrats, opposed OEO.⁴

Throughout the summer and fall, and into the winter of 1969, the battle between

forces wishing to renew the EOA (Nixon, Moynihan, Rumsfeld, and congressional liberals) and those preferring to kill it, raged furiously. In December a conservative alliance in the House of Representatives, led by Congressman Albert Quie (R, Minnesota) and Congresswoman Edith Green (D, Oregon), which had earlier demonstrated surprising strength by winning a key fight with the Democratic majority over passage of a conservative version of the Elementary and Secondary Education Act, proposed a substitute measure for the EOA. The central purpose of the Quie-Green proposal was to give the states control of most OEO programs, drastically reducing the influence of both low-income constituencies and federal bureaucrats. A coalition of national organizations supporting OEO launched a desperate last-minute lobbying campaign⁵—a campaign made even more fearful by the alarming passage just before the EOA vote of a Nixon substitute bill in place of the Voting Rights Act. The campaign succeeded, and a narrow victory for OEO was preserved in the House. The Senate had already acted favorably on a two-year extension. Thus, in December, OEO was given still another lifesaving transfusion, this one good until June 30, 1971.

Three months after the authorization was made law, with but three more

months to go in the fiscal year, OEO finally got its annual appropriation. As one observer described it, OEO's survival in 1969-70 was "a melodrama so unbelievable that the most insensitive writer of potboilers would be ashamed to send it to a publisher."⁶

The CDC Concept Gains Ground in the Bureaucracy

Throughout the long and frequently dramatic legislative struggle, opposition to OEO had been mounted primarily around the (by then) traditional concerns about the antipoverty program, those surrounding CAP, local control, agency management, and others. Once again, the SIP largely escaped notice in the public debate.

Prior to 1969, OEO's operational involvement with the SIP had been limited to its grant to the Hough Area Development Corporation. Late in 1968, however, analysis by the Bureau of the Budget of the preliminary findings of the Westinghouse Learning Corporation's evaluation convinced officials of the Bureau that OEO was on the right track. The SIP grant made by OEO to HADC had met the intent of Title I-D, but the expenditures and projects of the Departments of Commerce and Labor had not. Agriculture's project was also praised in the final Westinghouse report. Nonetheless, the Budget Bureau, under outgoing President Johnson, recommended that the entire SIP program be run by OEO. When newly arriving officials of the Nixon administration agreed with their predecessors, the SIP became the first and only program to be "spun in" to OEO.⁷

While OEO's future continued to be at issue, the SIP's place at OEO now seemed assured—so long as the agency remained alive. Indeed, by the end of June 1969, OEO had spent over six times its earlier SIP allotment, or nearly \$11 million, to fund eight urban CDCs, and seven other CDCs with essentially rural constituencies. Six of the urban CDCs were newly financed organizations, but the greatest share of OEO's SIP funds allotted to urban areas in fiscal year 1969 went to sustain the HADC and Bedford-Stuyvesant

The first of the new SIP grants made in 1969 after OEO re-funded the Bedford Stuyvesant project went to the Foundation for Community Development in Durham, North Carolina. Political problems surrounding the grant typified national and local ones soon to become standard fare for the SIP.

In April, 1969, three months after the Nixon Administration had taken over the Office of Economic Opportunity, a Special Impact grant was made to the Foundation for Community Development, a nonprofit corporation in Durham, North Carolina. The grant was intended for the use of United Durham, Inc., a profitmaking CDC which the Foundation for Community Development had helped establish. The grant raised a political storm among Republicans in North Carolina because of the presence on the staff of the nonprofit corporation of a controversial “black militant.”

The bureaucrat who was in charge of the Special Impact Program was called to the White House to explain. After listening to the rationale for the

grant, White House aide Harry Dent said, in effect: "Oh, I understand all right. But now you have to understand that the South is very important to this Administration. I know that OEO money has been used to start riots and elect Democrats and it is going to stop. The President wants that grant killed."

The CDC had the involvement of a number of highly respected business men, black and white. It was, however, in the South, and it was aimed at putting almost a million dollars of investment capital under the control of poor black people who were not part of the Republican constituency. And where there is no constituency there is no power. For example, Robert Brown, the only black White House assistant, who is from North Carolina, had personally intervened with the OEO staff to support the grant while it was being considered. But Brown was not at the meeting with Dent and could not be

reached for weeks by those who were trying to save the program.

Ultimately, the grant was not killed, primarily because of the determination of some of the OEO staff to save it. It was held up for approximately a year, however. Legally, the grant could be terminated only "for cause." Practically, however, the Republican administration would not release funds to a project that was so clearly in conflict with its southern strategy. Finally, as a result of the intervention of a white Durham businessman, OEO permitted the release of funds for a specific business project on the condition that it not go through the controversial nonprofit organization.

The delay was costly. A site for the location of a modular housing business which was available at a reasonable cost had to be given up. Committed orders for two hundred units of housing were lost, and a potential manager had to be kept on the payroll. It cost the organization about \$20,000 of scarce foundation money just to negotiate with OEO.⁹

From a statistical standpoint, the SIP's momentum continued to grow rapidly throughout the remainder of 1969, despite such political problems. In August, President Nixon's reorganization of OEO, to permit it to better serve as "the 'R and D' arm for the government's social programs,"¹⁰ placed responsibility for the experimental SIP in a new Office of Program Development within the revamped agency. SIP's operational staff was enlarged and, to an increasing degree, other offices within the agency began for the first time to take a serious, if frequently obstructionist, interest in the program.

The Westinghouse study, which had influenced decisions leading to OEO's control of the SIP, had termed the SIP's first-year results in Hough "mildly encouraging."¹¹ The Senate Labor and Public Welfare Committee more than agreed. With Robert Kennedy gone and Nixon in the White House, the SIP was seen essentially as Senator Javits's "baby." As the Committee's leading Republican advocate for a strengthened antipoverty effort, liberal Democrats on the Committee were quite willing to defer to Javits's interests and ideas for the SIP. The New York senator was extremely pleased with OEO's SIP work and its program direction from the time of the HADC grant. The Committee, drawing heavily on Javits's staff

reports, concluded in October 1969 that it “approves of the work of the Office of Economic Opportunity with the Special Impact program over the past year and a half in developing models of community corporations and community-based economic development in rural as well as urban areas. It believes that community-based economic development may well hold the key to economic and social health for poor urban communities.”¹²

The Senate proposed no changes in the language of Title I-D, as enacted in the 1967 amendments. The House once again made no mention of the SIP in its EOA extension bill, and subsequently acceded to the Senate’s version in passage of the EOA’s renewal in December 1969.

While the SIP program was not yet widely known, the Senate committee’s strong support for it, and the speed with which OEO was moving ahead on implementation, for the first time gave the SIP the look of a significant national demonstration program. Indeed, by the end of fiscal year 1970, OEO had provided another \$30 million to CDCs.¹⁸

Community Self-Determination, Black Capitalism, and the SIP

The bare outline of what OEO was doing with the SIP, and the progress the agency was making in funding local programs was not the whole story of the SIP’s fortunes by any means. Not only did continuing doubt about the future of OEO affect the SIP but, for a variety of reasons, the SIP itself, within the bureaucracy, was a political football. The program, at least the version OEO had produced in 1968, was nearly discarded altogether during 1969, shortly after Rumsfeld became director.

The in-house saga of the SIP under Republican leadership began before the election of Richard Nixon. Early in the summer of 1968 the proposed Community Self-Determination Act was introduced in Congress by a bipartisan coalition of senators

and a number of House Republicans. It was an attempt to combine the growing demand of poor and black people for control over the businesses and housing in their neighborhoods with conservative traditions of local autonomy and self-reliance. These notions were intertwined in legislative language for the first time in a definition of the role of the community development corporation, the key institutional vehicle under the Act. The CDC was to be a private profitmaking corporation operating in a poor urban or rural area. Any resident of the area six teen years of age or older would be eligible to buy a share in the corporation at a par value of five dollars, and would be entitled to a voting interest in corporation elections.¹⁴

The bill also proposed the creation of local community development banks to be owned by the CDCs, and a national community development bank to serve the locals. Major financing of the program would come from private corporations enticed by tax benefits to enter into agreements with the CDC to establish local businesses and to train residents to run them.¹⁵ Supporters of the bill believed that

the proposed collaboration with businesses could provide the financial independence necessary to assure that CDCs would have a chance to be successful in their own right, and not be perpetually dependent on government funds.

In June 1968 Richard Nixon, then a candidate for nomination as president, strongly endorsed the measure, calling it “an imaginative proposal aimed at the same objectives outlined in my radio address ‘Bridges to Human Dignity’ The program is one for economic development, within the ghetto, for building pride and independence, for enlisting the energies of private enterprise and creating new institutions by which private capital can be made available for ghetto investment. I am glad to see it under Republican sponsorship and I hope it receives full and careful consideration by the appropriate committees of Congress.”¹⁶ One of the enthusiastic Republican sponsors of the measure to whom Nixon referred was Donald Rumsfeld, soon to be named OEO Director.

Republicans and Democrats alike seized on Nixon’s statement as an indication of what his program for minorities, especially blacks, would be if he were elected. Some suspected that the bill was a ploy to kill the poverty program, but nonetheless considered many of its concepts valid.

Their enthusiasm for Nixon’s ideas was explained in an article by Tom Wicker in the *New York Times*: “Richard Nixon’s radio speech on the need for the development of black capitalism and ownership in the ghetto could prove to be more constructive than anything yet said by other Presidential candidates on the crisis of the cities.”¹⁷

Nixon’s remarks were surprising to many, despite one Republican’s assertion that to “anyone schooled in the historic Republican philosophy, the ‘Bridges’ speech, and subsequent remarks by Nixon about the Community Self-Determination Act, represented only a carrying forward of time-honored principles to meet new needs,” The author did acknowledge, however, that for “those—including many blacks—who held highly critical views of Nixon, the speeches produced a certain amount of shock. Here was the conservative nemesis of the Great Society saying that it was time for the establishment to

listen to black militants. Here was the apostle of law and order saying that the nation needed more black ownership, for from that could flow—black power!”¹⁸

Following the election, the Community Self-Determination Act’s proponents, banking on Nixon’s ringing endorsement, sought to nail down sufficient support to have it enacted. Their efforts were brought to a quick halt by strong opposition springing from the black business community, by and large the only element of the black electorate that had supported Nixon’s election, and liberals from the labor movement.

The promise that the form of black capitalism endorsed by Nixon would flower under the community self-determination concept was viewed by most black businessmen with skepticism. They believed the act to be an attempt by black radicals, led by Roy Innis of CORE, one of the bill’s authors, to muscle in on black capitalism.¹⁹ In a widely publicized meeting in Washington, called by the Act’s proponents to rally support for the bill, most of the black bankers invited to participate declared that the Act would undercut black banks. Entrepreneurs in attendance argued that

their businesses would be destroyed. Granting local control to communities, they believed, would ensure erosion of their meager but relatively exclusive share of the nation's economic pie. Backers of the legislation at the meeting saw their efforts to win support firmly rejected. Members of Congress in attendance saw little political mileage or program advantage to be gained by moving ahead with the proposal. With continued opposition from liberal labor unions as well, who saw the Act as a ploy by the administration to kill the poverty program, it was never brought to a vote in Congress.²⁰

Still, Nixon and his new administration had to salvage some sort of initiative for blacks. The promise of a black capitalism program had been the only campaign pledge to minorities made by Nixon. Finally, in March 1969, the Office of Minority Business Enterprise (OMBE) was established in the Department of Commerce, to assist in creating and expanding minority enterprise—though the agency would have no funds of its own to provide to them.²¹

OEO Considers a New Use for SIP Funds

When Donald Rumsfeld became director of OEO he was clearly an advocate for many of the same economic, political, and ideological positions relating to minorities as the president. As Rumsfeld reviewed OEO's plans for the SIP, and its initial project funding, he quickly saw that the debate surrounding the Community Self Determination Act (over who would control and benefit from it) was equally pertinent to the SIP. His first step, traditional with new administrators, was to ensure that the program would be brought firmly under his control. He stamped it with his own imprint by placing personally selected staff members in positions of authority for the SIP. The new director instituted a system of more careful monitoring of grantees and prospective grantees, and he added new checks and balances to OEO's review of

SIP funding proposals and grant recommendations. He also insisted that SIP grants be made to the “right people”—according to his definition.

Shortly after he assumed the directorship, a report to Rumsfeld written by one of his assistants recommended that the program be terminated immediately and all of the outstanding funds returned to the Treasury. Another report to Rumsfeld stated that the primary question was whether the program was consistent with the Protestant ethic. Rumsfeld declared that making grants without very tight controls was irresponsible. “What happens,” he asked, “if ten years from now the Black Panthers are chosen by the stockholders to run one of these CDCs? How are you going to prevent that?” The program staff replied that businesses could not be run effectively under government controls, but that argument was brushed aside. “They” were using “our” money and “we” had to control its use. Thus, it was the Republicans—the party of business and advocates of local control and freedom from government regulation—which gave the final shove that pushed the Special Impact Program into the bureaucratic quicksand.²²

Over a period of several months Rumsfeld applied even more restrictions and controls to the SIP and, significantly, began to direct SIP funds away from the burgeoning CDC movement. Despite his early attempts at internal control, aggressive OEO bureaucrats, mainly those who had not been forced out of the agency in the changeover to a new administration, were funding more and more CDCs that were viewed by Rumsfeld as “in the hands of irresponsible elements in communities.”²³

In early 1970 Rumsfeld turned for help to Theodore Cross, a Nixon supporter, Wall Street lawyer, and author of a book called *Black Capitalism*. Cross proposed the creation of an “Opportunity Funding Corporation” (OFC), an organization to be formed by a small group of financiers and businessmen, with OEO assistance, to experiment with new ways to encourage investment in poverty-stricken areas. Cross had written extensively about ghetto development, suggesting essentially the antithesis of community self-determination. “The solution lies,” he said, “in ignoring the propaganda of black militants and in doggedly pursuing the route of clear logic and justice: the forced injection of credit, risk capital, and entrepreneurial skills into the ghetto economy.”²⁴

Cross’s plan, dubbed Project X, was developed without consultation with the agency’s coordinator for the SIP program or with CDCs. He proposed providing three kinds of financial incentives to private institutions willing to serve the credit needs of the poor:

1. An “opportunity guarantee component” which would provide insurance against risks not guaranteed under existing federal, state, and private programs;
2. A small central discount facility to buy obligations backed by the Small Business Administration and the Economic Development Administration in low-income communities. This facility would repackage, guarantee, and resell these obligations as securities to private investors, operating in much

the same way as the Federal National Mortgage Association in the home mortgage field;

3. An incentive simulator component which would test new financial inducements, including simulated tax incentives to encourage private investment in low-income communities.²⁵

Plans for the OFC were long range and vague at best, but the organization was to be established quickly. Rumsfeld at one point apparently agreed, without consulting CDC leaders, to terminate nearly the entire CDC program in order to use the funds to set up the OFC.²⁶ Rumsfeld's notion, some suggested, was that control of funds by the poor blacks, as in many of the CDC programs, could be shifted to reliable white businessmen, who could identify reliable black businessmen and make financial decisions that would ultimately benefit the black poor. To these observers, OFC was to be another version of the "trickle-down" theory so popular in conservative ideology, soon to become the basis for Nixon's "New Federalism."

Representatives of some CDCs believed that the goal of the program—to

increase capital flow in poor areas—was a sound one, although it dealt with only one aspect of economic development. But they sharply protested the planned diversion of SIP funds from CDCs in order to finance the new venture,²⁷ and gave support to those in the CDC world who were seeking to prevent its implementation.

While Cross's plan had Rumsfeld's backing, the OEO director encountered severe opposition in attempting to push forward with his notions. The growing CDC network, now large enough to have some impact, sent representatives to Washington to plead its case. CDC leaders vehemently rejected the OFC idea in a meeting with Cross, OEO officials, and a White House representative. Black businessmen brought in by Cross and Rumsfeld for a subsequent meeting, in the belief that they would persuade others in the administration that Project X was sound and desirable, spoke out against the plan instead. They did so after hearing from "brothers" among the CDC leadership that Project X would mean disaster for CDCs. At the same time, the National Housing and Economic Development Law Project, a federally financed technical support group for the CDCs, threatened a lawsuit on behalf of the CDCs. A number of members of Congress were also called into play at the CDCs' behest, to object to the planned diversion of funds. They protested to Rumsfeld that a decision to set up OFC with SIP funds would not be in accord with congressional intent for the program. The CDCs developed a position paper calling for the OFC to be funded as a research and demonstration program only, in an effort to gain political support for their views from members of Congress and from a few independent national organizations. Ultimately, Rumsfeld yielded to the pressures and a compromise was struck. The OFC was created, but with two CDC representatives as board members, and with modest funding rather than with all or much of the SIP pie.²⁸ Rumsfeld permitted funding of CDCs to continue.²⁹

The tough internal battle to assure a SIP program conducted through community-based corporations had been won by CDC advocates. But the larger war

over what the SIP was to become—and where, how, and by whom it was to be developed—had really just begun. Hard dollars were at stake and so was the entire philosophy of the SIP and of government-financed community economic development.

NOTES

1. Moynihan was named Secretary of the Urban Affairs Council on 10 December 1968.
2. Rowland Evans, Jr., and Robert D. Novak, *Nixon in the White House: The Frustration of Power* (New York: Random House, 1971), pp. 41-42.
3. *Ibid.* The message also included a brief statement by the president that community based economic development programs should be given new emphasis. The statement about CED was drafted by OEO staffer Gerson Green, Director of OEO's Research and Demonstration Office and a CDC advocate. It is doubtful, that the president was carefully considering the CDC effort at the time.
- 4.

5. *OEO-1969: An Interpretive History of the 1969 Economic Opportunity Act Amendments* (Washington, D.C.: The National Association for Community Development, 1970), pp. 13-14.

6. The coalition was organized by Pablo Eisenberg, formerly at OEO, later with the National Urban Coalition.

7. *OEO-1969: An Interpretive History*, p. 1.

8. Geoffrey Faux, "Politics and Bureaucracy in Community-controlled Economic Development," *Law and Contemporary Problems* 36 (Spring 1971): 285. Johnson's last State of the Union message had proposed "spinning-off" some OEO programs. Under President Nixon, the concept of the spin-off from OEO grew in importance and eventually became an active part of the plan to dismantle the agency (see subsequent chapters of this book).

9. OEO's urban CDC grants in 1969 were \$1.7 million to Bedford-Stuyvesant; \$1.5 million to HADC; \$1.1 million to the North Lawndale EDC in Chicago; \$1 million to the Inner City Business Improvement Forum in Detroit; \$900,000 to United Durham, Inc., in Durham, N.C.; \$900,000 to the Union Sarah EDC in St. Louis; \$700,000 to the People's Involvement Corp. and the People's Redevelopment Corp. in Washington, D.C.; and \$600,000 to the Harlem Commonwealth Council in New York City. Its rural CDC grants were: \$708,000 to HELP in New Mexico; \$548,000 to the Southwest Virginia Community Development Fund; \$482,000 to ECCO in Georgia; \$368,000 to Job Start in Kentucky; \$272,000 to the Southeast Alabama CDC; \$98,000 to New Communities, Inc., in Georgia; and \$50,000 to the Northeast Oklahoma CDC.

10. Faux, "Politics and Bureaucracy," pp. 285-86.

11. The White House, *Statement by the President on the Office of Economic Opportunity*, 11 August 1969.

12. Westinghouse Learning Corporation, *An Evaluation of Fiscal Year 1968 Special Impact Programs*, Volume I, Summary Report (Washington, D.C.: Office of Economic Opportunity, 1973), p. I-6.

13. Senate Report 91-452, 10 October 1969.

14. Brian J. Reilly, "Distribution of SIP Funds," *CCED Newsletter* (Cambridge, Mass.: Center for Community Economic Development) February 1973, p. 6.

15. The Community Self-Determination Act. H.R. 18715, S. 3875, Ninetieth Congress, 1968. See also Arthur I. Blaustein and Geoffrey Faux, *The Star-Spangled Hustle* (Garden City, N.Y.: Doubleday & Co., 1972), p. 47. The following law review articles discuss the context of President Nixon's program of black capitalism. They analyze specific provisions of the CSDA, as well as the roles of CDCs.

1. Nels J. Ackerson and Lawrence H. Scarf, "Community Development Corporations: Operations and Financing" *Harvard Law Review* 83 (1970): 1559.

2. Comment, "Community Development Corporations: A New Approach to the Poverty Program" *Harvard Law Review* 82 (1969): 644.

3. Comment, "From Private Enterprise to Public Entity: The Role of the Community Development Corporation" *Georgetown Law Journal* 57 (1969): 956.

4. Robert J. Desiderio and Raymond G. Sanchez, "The Community Development Corporation" *Boston College Industrial and Commercial Law Review* 10 (1969): 217.

5. Gary S. Goodpaster, "An Introduction to the Community Development Corporation" *J. of Urban Law* 46 (1969): 603.

6. Kenneth H. Miller, "Community Capitalism and the Community Self-Determination"

Act” *Harvard J. of Legislation* 6 (1969): 413.

16. Blaustein and Faux, *Star-Spangled Hustle*, p. 48.

17. Richard Nixon, 12 June 1968. Quoted in *Star-Spangled Hustle*, p. 46.

18. Cited by John McClaughry in his article “Black Ownership and National Politics,” *Black Economic Development*, Haddad and Pugh, eds., The American Assembly (Engle wood Cliffs, N.J.: Prentice-Hall, 1969), p. 38.

19. *Ibid.*, p. 38. McClaughry was one of the drafters of the Community Self-Determination Act.

20. Blaustein and Faux, *Star-Spangled Hustle*, p. 56.

21. *Ibid.*, pp. 56-58.

22. *Ibid.* The long story of Nixon and black capitalism is a fascinating one, and Blaustein and Faux tell it well. Further discussion appears in subsequent chapters of this book.

23. Faux, “Politics and Bureaucracy,” p. 292.

24. Blaustein and Faux, *Star-Spangled Hustle*, p. 183.

25. Theodore Cross, *Black Capitalism* (New York: Atheneum, 1969), p. 69.

26. Simpson Lawson, “Community Capitalism Under Fire,” *City*, June/July 1970, p. 49.

27. Faux, “Politics and Bureaucracy,” p. 293. This view is refuted, however, by several

persons who were within OEO at the time and by others active in the CDC world. Among them, Carol Khosrovi (later the director of the Office of Program Development under OEO Directors Carlucci and Sanchez), who believes that Rumsfeld always had a smaller sum in mind for OFC than the total SIP appropriation. Estimates of various observers as to how much Rumsfeld intended to use from the SIP allotment range from \$5 million to \$20 million.

While Rumsfeld appeared “soft” on CDCs in the context of the OFC debate, some participants within OEO at the time argue that the director’s strategy was a positive one, aimed at expanding the economic development program at OEO, which would aid the CDCs in the long run. They suggest that the “CDC viewpoint,” as reported extensively by Faux, Blaustein, and others, is based on some false notions of Rumsfeld’s ideas and of what took place in his planning sessions for the development of OFC.

Evaluations of Rumsfeld’s overall effectiveness and commitment to carrying out OEO goals also vary. Some in the antipoverty movement regarded him as a conservative force, seeking to slowly reduce or terminate the agency’s activist roles. Others saw him as a moderating influence in an administration basically committed to killing the pro gram. Rumsfeld had voted against OEO’s creation in Congress.

His deputy until January 1970 summed up Rumsfeld’s tenure in this way: “. . . if

Political and Ideological Hassles Affect CDC Development

Beginning with the HADC grant in 1968, and more liberally in 1969 and 1970, the SIP offered federal resources to local CDCs to permit them to deal with both people and places, wedding, on paper at least, capitalism to community-control ideals. In its novel concepts, the SIP contained the seeds of more ideological and political clashes, both national and local, which flourished as the program grew.

Conflicts generated by competing ideas for the use of SIP funds within OEO intensified following the OFC debacle. They had serious impact on communities where CDCs either had SIP funds or were seeking them. At the community level, CDCs had

at first been encouraged by OEO to develop their own concepts within SIP's broad guidelines, and many were funded to do so despite questioning and frequently opposition from incoming officials of the Nixon administration. Over time, however, although several in OEO who had been SIP advocates since its inception retained a foothold in staff positions, Rumsfeld's appointees slowly gained control of the OEO bureaucratic machinery in Washington. Their notions about the SIP tended to parallel the director's. The agency began to exert strong pressures on CDCs to conform to the new administration's ideas for them. These rationales were a mix of political, ideological, and management concerns, but the primary contention at issue continued throughout 1970 to be community control of the programs. Never had hostility to the concept been stronger in Washington.¹³ Several CDCs that had received SIP funds were threatened with defunding if their policies and practices were not altered significantly.

Individual CDCs in many cases successfully defended themselves against political and bureaucratic pressures only because they had been able to secure influential allies. The Bedford-Stuyvesant program, with its built-in alliances of business leaders and community residents, had been most successful. The Hough Area Development Corporation program was saved by supporters in Cleveland's business and political community. The key individual in salvaging the Durham project was the local manager of an IBM plant. In Chicago, the group of prestigious business men that agreed to help the North Lawndale Economic Development Corporation was instrumental in overcoming the CDCs problems with the bureaucracy. Where such allies were absent, projects experienced more difficulty, particularly in the rural South and in Appalachia.¹⁴

Most of the effective support for the CDCs had come from the business community. The notion that businessmen could provide effective protection against political and bureaucratic interference with community-directed institutions had

evolved from both Kennedy's and Javits's views of weaknesses in the poverty programs before the SIP was created. They insisted on strategies within the SIP to ensure considerable involvement of businesses with CDCs in all phases of their activities. However, as their programs developed, many in the CDC "world" began to understand more clearly that business support was unreliable, and frequently might require trade-offs not in the best interests of the community. The price paid for business support, where business was a primary source of political protection, was often a weakening of the CDCs' potential for solving their own problems and growing into independent institutions. Increasingly, those concerned about the future of CDCs recognized the value of their own constituency and political clout at both national and local levels.¹⁵

Local Efforts in Community Economic Development

The struggles of the period occurring at the community level and in Washington served to strengthen the CDCs, both programmatically and politically. The growing sophistication and skill of CDC leaders, especially in the crucial tasks of involving and working with community residents, were immensely important in improving local receptivity to CDCs.

On the program level, CDCs by 1971 were undertaking a wide variety of activities and were beginning to show significant results. Among the most successful efforts were the following.

- *The Bedford-Stuyvesant* project had already arranged \$3 million in loans for small businesses by the fall of 1969. It subsequently persuaded IBM to locate a large plant in the community, and brought eighty banks and nine insurance companies into a \$100 million pool to help area residents buy their own homes,

refinance existing mortgages, and make improvements on their property.

- *The Harlem Commonwealth Council* had purchased businesses prior to SIP funding in order to keep them in the ghetto. With SIP funds, it later invested in a foundry and planned to open a data processing firm and a travel office franchise.
- *The North Lawndale Economic Development Corporation* was assembling land for a \$30 million development to include a shopping center, new and rehabbed housing, and a cultural-educational center.
- *The Southwest Virginia Community Development Fund* had raised substantial local funds which, with the SIP monies, were being used to build housing in rural areas and to develop labor-intensive businesses in the inner city area of Roanoke.
- *The Union Sarah Economic Development Corporation* had established a contractors' loan fund with heavy backing of local banks, and was planning to enter several manufacturing ventures.¹⁶

The Hough Example

OEO's first grantee, the Hough Area Development Corporation, was showing marked signs of progress. It also was experiencing the growing pains that hampered all CDCs. Sometimes called a mini-conglomerate, HADC served as a management umbrella over such diverse activities as manufacturing, housing, and commercial development. From its headquarters it operated a rubber-molding plant, ran a contractors' loan-guarantee program, helped supervise an employee-owned home-

maintenance program, and was in the advanced stages of planning a unique shopping-housing complex.

The latter, to be called the Martin Luther King Shopping Plaza and Apartment Complex, was to be the corporation's most highly visible sign of progress, a symbol of renaissance in an environment of otherwise unrelieved drabness. Unfortunately, it also proved to be HADC's chief source of frustration and dashed expectations. To maintain the integrity of a community-inspired design, HADC had to wage an enervating battle against two entrenched federal bureaucracies, the Small Business Administration and HUD, in order to get federal assistance for this mixed-use project. SBA was reluctant to abandon its bias against making loans to businesses located in mixed commercial-residential developments. HUD underwriters, on the other hand, looked askance at insuring loans on apartments in such complexes. Advocacy from OEO helped in this case to resolve the differences. Once over the hurdles of federalism, the corporation had to face the cold, hard economics of shopping center development. Progress was being made, however, during the spring and summer of 1970.

At the same time, the Corporation was the target of a series of muckraking articles in the *Cleveland Plain Dealer* which alleged mismanagement, loose accounting practices, close ties to black separatist movements, and unwarranted favoritism to a militant elite at the neglect of the corporation's poor, inner-city constituents. Such charges were not an unusual occurrence for antipoverty programs, particularly in urban areas, but the effort to reverse their impact on HADC's credibility was taking a costly toll in the HADC director's time and energy. Nonetheless, observers in Cleveland were expecting HADC to continue to build on its excellent foundation.¹⁷

At the national level, OEO had funded—with operational monies (venture capital)—18 urban and 19 rural CDCs by mid-1971. An additional five CDCs had received planning funds. While the SIP program had struggled through a lengthy period of intense turmoil, and no let-up was in sight, the pattern of local funding by OEO continued for the

most part to be aligned with that advocated initially by Robert Kennedy,¹⁸ championed by Jacob Javits, and made operational by a small group of dedicated administrators within OEO:

. . . the heart . . . of nearly all programs aimed at alleviating slum conditions should be the creation of Community Development Corporations. . . .

The community corporations would insure that what is done to create jobs and build homes builds the community as well, and builds new and continuing opportunities for its residents. They would insure that what is done involves not just physical development of the community, but the development of its educational system, its health services—in short all of the services its residents need. They would be the source of technical assistance to local businessmen. And they could be the main channel through which outside aid—government or private—enters the community. They would have the opportunity to make every government program and many private efforts, more effective than ever before.

Such corporations, each devoted to improving the conditions of a single community, could go far to changing our techniques for meeting urban needs.

. . .

The critical element in the structure, financial and otherwise, of these community corporations should be the full and dominant participation by the residents of the community concerned. There are a variety of means by which they could at once contribute to the betterment of their immediate conditions, and build a base for full participation in the economy.

. . .

In a very real sense, these projects could be a vast new educational institution—teaching skills, but teaching pride of self and pride of craft as well.¹⁹

NOTES

1. From many sources. In Anita Monte and Gerald Leinwand, *Riots* (New York: Washington Square Press, 1970), the authors mention a few outbreaks of violence that did occur. The most serious was a shoot-out in Cleveland in which three white policemen and four black civilians were killed. This was the first time that heavily armed blacks had engaged in urban guerrilla warfare. (The violence occurred in the Glenville area, not in Hough where the 1966 riot occurred. The causes of the 1966 riot helped inspire the formation of HADC).

2. Rowland Evans, Jr., and Robert Novak, *Nixon in the White House: The Frustration of Power* (New York: Random House, 1971), p. 270.

3. *Report of the National Advisory Commission on Civil Disorders* (New York: Ban tam Books, 1968), pp. 203-4.

4. Evans and Novak, *Nixon in the White House*, p. 270.

5. *Ibid.*, pp. 275-76.

6. *Ibid.*, p. 135.

7. *Ibid.*, p. 176.

1. *Ibid.*, p. 242.

2. "An Assessment of the Nation's Response to the Crisis Described by the National Advisory Commission on Civil Disorders," *One Year Later* (Washington, D.C.: Urban America, Inc. and the Urban Coalition, 1969), p. 107.

3. Stewart E. Perry, "The Genesis of CDCs," *Profiles in Community-based Economic Development* (Cambridge, Mass.: Center for Community Economic Development and the Cambridge Institute, 1971), p. 3.

4.

1. Kenneth H. Miller, "Community Capitalism and the Community Self-Determination Act," *Harvard Journal on Legislation* 6 (1969): 413-14.

2. Norman DeWeaver, "Community Economic Development Strategies and Approaches: The Federal Record" (Washington, D.C.: The Center for Community Change, 1973), pp. 1, 22.

3. Geoffrey Faux, "Politics and Bureaucracy in Community-controlled Economic Development," *Law and Contemporary Problems* 36 (Spring 1971): 294. One significant attempt by OEO officials during this period to achieve greater "accountability" in local programs—that is, to weaken community control—was the creation of a series of grants made to State Economic Opportunity Offices (SEOOs) to establish local CDCs. The SEOOs, public bodies under the governor's direction, received grants in Minnesota, Utah, Arkansas, New Jersey, and New York. The initiative produced only one CDC, in Minnesota, which continued to receive OEO funds over a number of years—and that only after a transition from SEOO, to CAA, to funding as an independent CDC. Overall, the SEOO fundings proved a dismal failure. However, the attempt to channel SIP funds through state governments did lead, in part, to a legislative clarification in 1972 which restricted eligibility for operational grants for CDCs to private corporations.

4. *Ibid.*

5. *Ibid.*

6. Perry, *Profiles*. Each of these CDCs is "profiled" in Perry's study.

7. Simpson Lawson, "Community Capitalism Under Fire," *City*, June/July 1970, pp. 46-49. Most of the description of HADC is extracted from Lawson's article.

8. *A Lawyers' Manual on Community-based Economic Development* (Berkeley, Calif.: National Housing and Economic Development Law Project, 1974), p. 13.

9. Robert F. Kennedy, quoted in *Lawyers' Manual*, pp. 14-15.

7. CDCs Come of Age in the Political Arena

In every age, there has been one city which has seemed to be the center of the world, which the fates have chosen to be the guardian for the hopes of all men, to hold and control their aspirations, to determine the probability of their glory, or their happiness or their misery, their bondage or their freedom.

That world city in our time is Washington.¹

Washington in 1971 was more a source of fear than hope for community leaders active in the CDC movement. The near loss of SIP funds to the ill-conceived plan for the

Opportunity Funding Corporation² eighteen months earlier had demonstrated clearly that power in Washington was not always wielded with wisdom.

OEO's initiatives and reactions in the ongoing struggle by CDCs to secure funding, hold it, and use it for locally determined SIP priorities, continued to be troublesome for the local groups. These difficulties with OEO, added to the inertia and outright resistance to CDCs displayed by other federal agencies, also served to reinforce longstanding local conviction that government behavior was often based on factors having little relevance to community needs, and more than occasionally was openly antagonistic to the special pleadings and apposite programs of the poor.

As the CDC network grew, spreading to locales in nearly every region of the country, from New York's teeming slums to the income-poor subsistence villages of rural Alaska, its leaders gained important experience in negotiating the bureaucratic maze. For some CDCs, proposals for project support or venture capital were readily approved. Others encountered difficulties in gaining acceptance of their plans from the agency. These contrasting experiences in dealing with "the feds" too often seemed to be based on OEO politics or capriciousness, rather than on CDC com-

petency, Even those most successful at the funding game had little confidence that their local efforts would be sustained by OEO for very long.

The broad national picture was no more comforting to CDCs. The president's intended major reorganization of the executive branch of government, and his plan to share federal revenues with state and local governments for general and special purposes—both announced at the beginning of the year—left the future of OEO programs, including the SIP, in doubt.

January 1971: "The time has come to reverse the flow of power and resources from the states and communities to Washington, and start power and resources flowing back from Washington to the states and, more important, to the people, all across America."

With this modified appeal for "power to the people," President Nixon prefaced his proposal in the State of the Union message to Congress to authorize a two-level plan of revenue sharing. It would consist of a general revenue sharing formula under which states and local governments would receive \$5 billion of no-strings-attached money.

The President also proposed a special-purpose revenue-sharing fund of \$11 billion. This would be amassed by diverting \$10 billion—roughly a third—of the money which otherwise would be spent in categorical grants for programs carried out according to specific national standards. Another billion dollars in "new" funds would be added as a "sweetener," to use the words of one White House official. State and local governments would no longer be required to match federal grants with money of their own.

This \$11 billion could be spent in six broad categories: urban development, rural development, education, transportation, manpower training, and law enforcement. From it states and cities would get block grants amounting to at least as

much as the sum of the individual program grants they had been receiving, plus a share of \$1 billion. The White House claimed that roughly 25 percent more money would go to states and localities in Fiscal 1972 under the President's plan.

City X would be free to spend this money as it wished as long as it went to further one of the six designated purposes. Neither the President nor his aides had listed the programs to be merged into the block-grant program, but there were clear indications that they would include many of the major Great Society programs, such as model cities, the Elementary and Secondary Education Act of 1965, along with urban renewal, water and sewer grants, manpower training programs, and anticrime acts.

Hence, City X could invest its block grants for urban development without regard to the detailed federal guidelines in the present model cities or urban renewal programs and could disperse such funds throughout the city rather than direct them toward improvement of a designated target area. . . .

The revenue-sharing proposals would complement the President's call for "a complete reform of the federal government itself," consolidating the eight domestic departments into four.

Whatever develops, it was clear that the President had captured the domestic initiative and started what could be a whole new ball game.³

OEO itself, under the administration's detailed reorganization plan later filed with the Congress, was to remain in the Executive Office of the President. Disregarding the recommendation of some members of his Advisory Council on Executive Organization (the Ash Council) for outright termination of OEO, the president determined instead that the agency would be "responsible for research and demonstration efforts to develop new approaches for meeting human needs," and would also conduct a strong evaluation program to help assure that federal assistance "has the intended effects of increasing governmental responsiveness and providing more effective community services."⁴ But the proposal sought to transfer most of the agency's operating programs to two new departments of government. One of them, the proposed Department of Community Development, was to take over the CAP program and the SIP.⁵

While the SIP's status as a "research and demonstration" program not yet fully operational presumably could have exempted it from an immediate shift to a revenue-sharing approach through the new agency, this was not spelled out in the administration's plans. However, if the proposed handling of the CAP program was any indication, the SIP was likely to be altered to conform to the New Federalism pattern at some point in the future. CAP, under the president's plan, was to be terminated as a federal program. The president proposed that by 1973 funds for community action agencies would be available only through the special revenue sharing device, and then only at the discretion of local governments. CAAs, in short, were going to have to compete with other local institutions in the scramble for funding if the president's plans were approved by Congress. CAP and other categorical grant-in-aid programs aimed at assisting disadvantaged persons would be

coming to an end, The future of direct federal support of CDCs looked ominous.

The CDCs Get Themselves Organized

Prior to the OFC (or Project X) debacle, CDC leaders generally had little time for planning or “strategizing” together for their mutual survival. CDCs were struggling to develop their local organizational capacities, to build and maintain constituency involvement and support, to strengthen working ties to the business sector, to initiate solid programs—from new venture development to improved social services—and to seek necessary funding support from a variety of sources.

For those CDC leaders who gathered hurriedly in Washington to head off the threatening OFC proposal in 1970, it had been impossible even then to ignore or put aside the political realities. “Protection” of the national program was of paramount importance if local efforts were to be given a chance to succeed—and sufficient protection was going to be difficult to achieve. To build the kind of supportive political strategies that would increase the program’s chances of survival would require a nationwide network of active SIP proponents. Organizing such a network

would be a monumental task, requiring the parallel development of an informational and technical assistance capacity to sustain CDCs and others who became involved.

Within OEO several of the “old guard” staffers had anticipated that CDCs, if they were to prosper, would need continuing assistance of many kinds—assistance unavailable or unlikely to be received from the agency, or better provided outside the federal framework. Specifically, they believed that CDCs and the concept of community economic development would require centers for outside advocacy, to frame and take on issues the agency could not, in helping the movement to survive and grow. As a result of their efforts two CDC “support groups” were funded by OEO in 1969 to provide services to all CDCs. Their creation as private nonprofit organizations with responsibilities to groups all across the country, and to the development and promulgation of the CED concept, underscored the SIP’s designation as a national demonstration program, not simply as a grant-in-aid mechanism for various local grantees. The work of the two support groups began almost immediately to help CDCs see themselves as part of a network in which mutual support was both possible and desirable.

The first of these groups to be funded (initially with OEO R&D monies) was the Center for Community Economic Development (CCED) in Cambridge, Massachusetts. It was created as “an experimental advocacy project in support of community-based economic development . . . a new field as well as a new policy direction.”⁶ Stewart Perry left OEO to direct the new effort. Shortly afterward OEO granted funds to the National Housing and Economic Development Law Project (NHEDLP) in Berkeley, California, to employ attorneys to assist CDCs in seeking to resolve “the myriad legal and business law problems that . . . confront . . . community-economic development efforts.”⁷

The two groups quickly became strong advocates for the SIP program. Working with CDC directors, board chairpersons, and supportive members of OEO’s

staff, the two organizations served as catalysts in the initial efforts to build a national network of CDCs and their allies. Their communication system—newsletters, conferences, reports—aided CDCs programmatically and put them in regular contact with each other, thus enabling them to discuss mutual problems, to plan tactics and strategies, and to advance the movement generally. Finally, they stimulated political awareness and strength among the CDCs and other groups.

At one of these early “information exchanges,” organized and convened by CCED in the fall of 1969, the invited leaders laid plans for a third group that would involve the CDCs in advocating on their own behalf. Monies from the Kaplan Fund, a private foundation, were obtained by CCED to begin the National Economic Development Congress (NEDC), which provided an interim advocacy vehicle for the CDCs. In June of 1970 the National Congress for Community Economic Development (NCCED) was established, succeeding NEDC, to operate from a base in Washington, D.C.⁸ From its inception, its governing board was constituted primarily of executive directors of CDCs and others at the community level in CDC efforts. In a sense NCCED would serve as a CDC “trade association,” coordinating the work of CDCs as they pursued program interests, and representing the concerns of the CDC network in negotiations with Congress and federal agencies. Until a

staff was first employed in August of 1972, NCCED tended to function informally, with the help of volunteers in staff roles, convening and acting only in response to crisis.⁹

Legislative Upheaval

A crisis was surely at hand in the spring and summer of 1971. The fate of the anti poverty program was up for grabs as both House and Senate considered not only the extension of the Economic Opportunity Act but the president's plans to shift programs from OEO and to alter federal domestic policy. To accomplish some of its aims, the administration was seeking a two-year extension of the EOA, to be effective on July 1, 1971.

The Congress had not responded favorably to the president's reorganization plans, and was moving slowly on both the general and special revenue-sharing proposals he had made. The legislative branch was at odds with Nixon on many issues, and tensions were running high at both ends of Pennsylvania Avenue. The House Democratic establishment was increasingly opposed to the Vietnam war, which dragged relentlessly on. Thomas P. ("Tip") O'Neill had been elected House Democratic Whip, the first "dove" in the top levels of the party's hierarchy in the House. Many House Republicans in the center and on the right were not far behind the liberals on the war issue; even key conservatives were beginning to call for rapid troop withdrawals. President Nixon, however, was unwilling to make concessions.¹⁰

On the domestic front, the Ninety-first Congress had adjourned the previous winter under the lash of the president's blistering castigation. The surprising initiative of the administration in introducing its Family Assistance Plan for welfare reform in 1969 had passed the House with strong liberal support, but had run aground in the Senate Finance Committee in November. Attempts to revive it on the

Senate floor became ensnarled in a series of filibusters at the end of the session, and the plan died. The president called it “nothing short of tragic,” blasted those who opposed the measure, and vowed to renew his efforts in 1971.¹¹ At the same time, the president’s concern for the impoverished seemed shallow. In the face of the highest unemployment in nine years he had vetoed a manpower bill passed by Congress—because it provided too much money for “dead-end jobs in the public sector,” and because it failed to reorganize the nation’s manpower system as he had proposed. Many in the Congress, after months of negotiations to arrive at compromise on the legislation, were bitter at the president’s rejection.

To many members of Congress, consideration of the Economic Opportunity Act’s renewal had become by 1971 a relatively minor act in a much larger drama. Feelings about the EOA and the programs it had fostered tended even among supporters to run lukewarm to cool. Disenchantment with the program, certainly in evidence, was less a factor in congressional attitudes than an unspoken belief that other issues and strategies were of far greater consequence for the nation’s welfare and that of the poor. Among other things, time seemed to have overtaken the anti-poverty efforts; they seemed unable to keep pace with the rapid societal changes.

Not everyone was losing interest in the poverty fight, however. Even before the president's message on reorganization, the administration and the Congress had been put on notice that any attempt to dismantle the Office of Economic Opportunity as an independent agency would be met with widespread opposition. An alliance of forty-seven national organizations had banded together to defend OEO in response to reports that it would be either starved or reorganized to death.¹² Their efforts generated a considerable outpouring of letters and visits to members of Congress, and mounting pressure on the administration to keep OEO intact.

CDCs and the OEO Struggle

With some notable exceptions, CDC leaders stood apart from the coalition effort being mounted by national organizations and the flurries of unorchestrated lobbying stimulated by a number of community action agencies across the country.¹³ The president's plan to reorganize government and transfer the SIP to other agencies did not seem to be going anywhere. In any case, the SIP's advocates did not see their fate as intimately bound up with that of OEO. As a result, maintenance of OEO as an independent agency, with operational responsibility for a CAP program that would continue to function as a national categorical grant-in-aid program, was simply not a high priority for most CDCs.

The lack of interest in the OEO fight stemmed in part from CDC attitudes toward CAAs. Though several CDCs were begun by CAAs as delegate agencies of the CAAs, and in some cases maintained close ties with them, leaders of many CDCs had been "burned" or "turned off" by their experiences with the CAAs in their communities. A few CDC leaders were disgusted with the performance of the agencies, or dissatisfied with their priorities, while others had sought and failed to gain cooperation from them for CDC programs. CDCs in some locales had en

countered outright hostility from the local CAA, usually centering on questions of institutional prerogatives, or “turf,” or stemming from competition for program funds. Nationally, some CAA leaders had petitioned, without success, OEO’s CAP officials in 1963, seeking to have SIP grants made by OEO go only to CAAs, or to make them subject to CAA approval.

Within OEO, most staff members responsible for SIP funding pressed the CDCs to become, or to remain, independent of CAAs. Several staffers were disenchanted with the CAAs that they themselves had funded previously, before under taking responsibility for the SIP. Many saw CAA-CDC amalgams as likely to be controlled by the CAAs, to be dominated by social program concerns, and to weaken the needed CDC emphasis on economic development. They believed power struggles between those involved were inevitable in most local situations because of the clash of CAA and CDC directions.

A few of the CDC leaders were concerned with the survival of their own organizations, and a number of others had little faith in the efficacy of a national antipoverty strategy or in the value of OEO, preferring instead to work only to protect the SIP from elimination. An increasing number, though a small group,

chose not to define their programs as antipoverty in nature, or to publicize their funding relationship to OEO. Clearly, for these and other reasons, the salvation of OEO and CAP was not a sufficient rallying point to meld the CDCs into an effective political fighting force.

CDCs Develop Their Own Strategy

At a meeting in New York City late in 1970, representatives of CDCs and their support groups gathered to consider an advance copy of the findings and recommendations of the Twentieth Century Fund Task Force regarding the effectiveness and potential of CDCs. The private, independent Task Force assembled by the Fund, a New York-based philanthropic institution, included among its members a banker, a business leader, the director of a university urban studies program, a CDC director, and a staff member of the Senate Subcommittee on Employment, Man power and Poverty. The “rapporteur” for the Task Force was Geoffrey Faux, who had resigned his post as director of OEO’s Economic Development Division earlier in the year.¹⁴

Faux, the principal author of the Fund’s report on CDCs, had been chiefly responsible for making most of the early SIP grants for OEO. His continuing clashes with Rumsfeld’s people, and with the director himself, over SIP funding decisions and philosophy had led to his premature resignation from the agency. He remained a spirited proponent of the CDC effort, however. Indeed, many CDC leaders credited him, along with Stewart Perry, with initially formulating a SIP program that made sense to local communities, and for keeping the movement alive during its darkest hours in Washington. Faux and Task Force member William Spring of the Senate subcommittee staff, another staunch supporter of the program, attended the New York meeting with CDC leaders at the Harlem Commonwealth Council CDC.

At that session anxiety about the future of the SIP and CDCs quickly focused

the discussion on prospects for the program in Congress and in the bureaucracy. Spring's reading of OEO's chances to retain its independent status and operating programs was not encouraging, despite congressional resistance to the president's reorganization proposal. Support for OEO in Congress was at a low ebb. He believed that it would be only a matter of time before all OEO efforts would be collapsed or transferred by the administration. Moreover, it was clear to most in attendance that the SIP might be spun out of OEO, and that whether or not it was, its orientation could be drastically changed through the OFC initiative or some other means. Nothing in the broadly written Title I-D legislation prevented program funds from being used in a new strategy by OEO or other federal agencies to meet the SIP's objectives as described in the law. It was possible, if not probable, that such a strategy, given the inclinations of the administration, might not include CDCs at all.

In retrospect, the CDC directors and others present knew they had been both bold and lucky earlier in the year in preventing a wholesale slash in CDC funding to establish the OFC. Rumsfeld had been successful in giving the Project X pro-

ponent, Theodore Cross, the opportunity to present his case to the president at a full cabinet meeting. It was the first OEO program to be accorded that treatment since Sargent Shriver had left the agency in Lyndon Johnson's term. CDC leaders had never in the program's brief history been invited to the White House to discuss their concerns or proposals on this or any other matter. Clearly, judging from the Project X experience, the administration wanted to do something with SIP's legislative authority, but not with the critical involvement of CDCs.

The CDC strategy to stamp out Project X had been to generate as much smoke as possible, knowing that the fire behind it was barely warm.¹⁵ In truth, the network was not yet a network. Success relative to the OFC issue had been in large measure due to a miscalculation by the administration of the CDCs' political strength. Election year anxieties had contributed to making administration officials overly cautious. The administration was not likely to repeat this error of judgment in the future.

While CDCs had managed to gain some assistance on the OFC question from a few members of Congress, this was done largely through Spring's efforts, not the CDC's own direct contact work on the Hill or in congressional districts. Most CDCs had not built effective liaison with members of Congress. Awareness of the need for and effectiveness of CDCs was scarce among House members, and only a few liberal senators were strong and knowledgeable supporters of the program. Relationships with national organizations and other antipoverty networks like those of the CAAs, which could be extremely helpful in a political fight, were negligible.

Spring, Faux, and others in attendance at the New York meeting were advocates of a strengthened CDC network, and were already participating in developing it in conjunction with the CDCs' support groups, under the NCCED umbrella. Progress had been slow, however. Moreover, as Spring and others pointed out, no lobbying effort by CDCs could be effective if there was nothing to lobby for. At this juncture, the administration could do largely as it wished with the SIP, given the SIP's loosely

written legislative authorization. The program in its present form dangled by a slim thread. New legislation was needed if the program and CDCs were to have any sort of future guarantee. Work on the legislation had to begin immediately.

At this meeting and subsequent ones, a few CDC leaders, chiefly Faux and Blaustein, began hammering out a new draft bill in anticipation of a call for it from the Senate subcommittee (via William Spring),¹⁶ which planned to hold hearings on the SIP program early in 1971.

Spring's strategy in 1971 began with informal consideration of a proposed Community Corporation Act, a bill he had earlier commissioned John McClaughry to draw up. The proposed Community Corporation Act, basically an extensive rewrite of the 1968 Community Self-Determination Act initiative which McClaughry had helped to draft,¹⁷ was at first to be the foundation of Spring's attempt to strengthen the role of CDCs. By the time Spring had met with CDC leaders in late 1970, however, it was clear that this bill would not gain sufficient support either among CDCs or in the Senate to warrant its being pushed very hard, and it was never seriously considered or introduced.