

**Sliding the Scale to Mitigate Theoretical Competing Interests in
Community Economic Development**

Douglas Pawson

Cape Breton University

May 2011

Abstract

With a complex global economy and the increasing contributions being made to it from CED movements, it becomes increasingly important to mitigate the theoretical 'competing interests' between the 'left' and 'right' within CED discourse. This paper presents a sliding scale theoretical approach in effort to create CED movements which are dynamic enough to garner results from both the public and private sectors. A sliding scale analogy builds upon and synthesizes research from differing disciplines and practitioners from across the world to demonstrate how CED movements are beginning to act as dialogue brokers between governments and corporations in effort to correct systemic faults.

Introduction

Community economic development (CED) initiatives have traditionally been launched as a result of a systemic failure that has left a given community in peril. The systemic failure is often the result of ineptitude within the antiquated two-tiered economic structure predicated on two economic stakeholders; that is the government and the corporate sectors. Scholars and practitioners seem to agree that at the heart of CED is the recognition that there are societal perils marginalizing the opportunity for certain communities to live and prosper within a society.¹ Traditional theoretical perspectives behind community economic development have situated the field upon spatial-temporal notions, that communities are connected within a given territory (Lewis, p. 7). Historically, the genesis of most CED movements was evidenced at given points in time when specific geographic regions were marginalized as a result of depleted resources, populations and economic opportunities. In Canada

¹ There are numerous definitions of what CED is, however the Canadian CED Network defines it as: Action by people locally to create economic opportunities and better social conditions, particularly for those who are most disadvantaged. CED is an approach that recognizes that economic, environmental and social challenges are interdependent, complex and ever-changing. To be effective, solutions must be rooted in local knowledge and led by community members. CED promotes holistic approaches, addressing individual, community and regional levels, recognizing that these levels are interconnected.

these spatial-CED initiatives were seen in such movements such as the Antigonish Movement in Nova Scotia and the founding of the Caisse Populaires in Quebec.

However, the notion of 'community' within the 21st Century has been broadened to include demographic considerations, in addition to geographic. One such definition begins to broaden the scope situating CED "as a field of practice, [with] an explicit goal to improve the quality of life and life chances for economically and socially disadvantaged individuals, families and neighbourhoods" (Wilder, et al. 2006. P. 248). In this sense CED moves beyond just homogenous, territorial concerns to include cultural communities (e.g. ethnic, gender, racial, disabled), and community organizations (such as business and political associations) (Tropman et al). This is evident when communities of individuals unite to enact social change. Specific examples include the union movement to improve labour conditions, women's suffrage movement, and the Civil Rights movements in the United States. The primary impetus of these movements resulted in social and political changes to the legal structure which has impacted the economic abilities of these marginalized groups. We can point to the employment and labour standards act, the franchise of women to vote, and desegregation and the inability to discriminate based on race, gender or religion. As a result of these movements, the notion of CED should not be limited by geography alone, particularly with the technological advances that allow communities to unite and enact change quicker.

Given the increasing complexities facing a global economy it is critical for CED initiatives to understand the power dynamic between governments and corporations, the two most dominant and influential actors within Western economies. Having a solid understanding of what the roles and moral responsibilities of governments and corporations are can assist CED initiatives grow, and perhaps expedite the work required to assist diverse communities. CED initiatives, as a result of austere policies, coupled with technological innovations, are increasingly contributing to a regional, national and global

economy. According to Hall, et al (2003), in Canada alone, civil society organizations reported \$112 billion in annual revenues, and when excluding hospitals, universities and colleges, this figure was \$75 billion. Many of these organizations are still heavily dependent on government grants but with austere public spending policies emanating globally, many civil society organizations have begun to explore greater revenue sources in efforts to deliver on their missions. More recently, these efforts have culminated in civil society organizations brokering with multi-national corporations and governments to create sustainable ventures to benefit a host of global communities. These changes are altering the ways in which CED is understood and forcing greater innovation to ensure social and economic benefits for those marginalized communities. Lotz and MacIntyre (2003) believe that as a practice,

community economic development assumes that individuals and groups are willing to take responsibility for running their own financial affairs for the benefit of themselves and others: This is the ideological underpinning of CED. The aim of this approach is not to overthrow the existing system, but to provide an alternative to it. Capitalism fulfils the needs of most people in most parts of the world. (p. 106)

The most successful examples of CED initiatives have forged through the often, monotonous and tumultuous complexities presented by competing political interests to enact real change. In this sense CED initiatives have been successful in sliding the scale between the available resources to ensure that economic and social opportunities can be created.

Sliding the Scale

The sliding scale theory is based on the notion that traditional economic models can employ humanistic approaches such as the usage of correct language, symbols and vernacular that the most dominant social and economic actors in a state use. This method is designed to foster reciprocal relationships across sectors that are built on trust and shared meaning for the penultimate goal of providing for the common good. Traditionally the term sliding scale refers to the economic costs for products and services that is subsidized based on ability to pay. If we translate this to the domain of CED, it is crucial to note that these movements can balance the sliding scale between the government and corporate

sectors to ensure each stakeholder is accountable – based on one’s ability to pay. For the government and corporate sectors this may take the shape of direct payments, infrastructure developments, fiscal policy (taxation), and other capacity-driven initiatives that assist CED movements take shape and take hold. Therefore, it becomes crucial that CED initiatives understand the nuances of governments and corporations and act as dialogue brokers to ensure their movements gain traction. That is, these initiatives broker between governments and corporations to find the solution to meet the initiatives most pressing needs. As a result of understanding the most influential stakeholders, government and corporations, CED initiatives in the 21st Century can mitigate competing political interests, allowing for them to be dynamic and fluid. As a result this involves developing a sliding scale theoretical approach which underpins the belief that all stakeholders have moral obligations to provide for the common good which necessarily is democratic and engaging. The ability to leverage the most successful practices of the public and private sectors can diversify CED initiatives’ interests, ensuring they maximize the available resources and partners available to enact change. This paper will demonstrate that this process is currently underway and creating great social and economic returns. The sliding scale approach promulgates the need to mitigate the usage of political ideology so that CED movements do not get downtrodden fighting an ideological battle, instead focusing on the social and economic impact that CED can have for a given society. Further, employing a sliding scale theoretical approach allows us to witness the fluidity of CED initiatives which place in context the great efforts that have resulted in a global transformation of our understanding of community economic development.

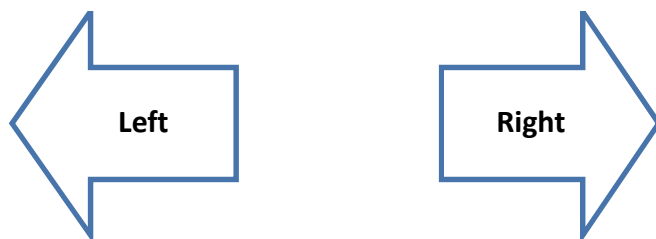


Figure 1 - Traditional Model - Competing theories there is a divide between sectors and their role in CED

In the illustration above there is an inherent gap in the recognized sectors. CED has generally represented the divide. In order to access either sector they are forced to 'politicize' their strategy in efforts to gain traction.

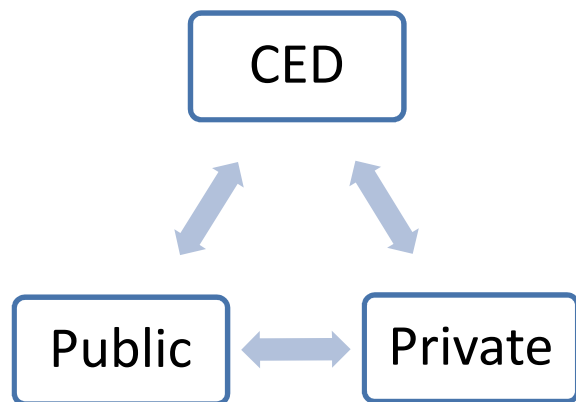


Figure 2 – Sliding Scale Model – The emphasis is on the fluidity, there is no break between theories.

In the model above, the sliding scale represents the ways in which CED can become dialogue-brokers' between either sector without compromising the principles and mission of the organization.

The sliding scale theory demonstrates a humanistic approach to understanding the potential of CED as it weaves between the traditional bifurcation process evident in our traditional understanding of economic and social models.

Tensions in CED

Traditional economic models have left Western society with a two-tiered structure to look for economic and social change, those being the public and private sectors. Inherent in this is a gap that has traditionally been filled by CED movements that have, as a result of systemic failure, in areas where private and public sectors cannot seem to find a market to work, have sprung up to begin reshaping our understanding of traditional economic models and have created new opportunities for societal and economic models to be reconciled, thus broadening the field of CED and civil society.² Stanford

² Civil society is comprised of institutions that are generally independent from the private and public sector, many of which contribute greatly to the field of CED. Examples of civil society activities include: academia, community foundations and organizations, cooperatives, cultural associations, philanthropy, the non-profit sector, non-

professor, Bruce Sievers highlights the challenges as a result of “competing interests, goals, and value systems of individuals in civil society, in a way that increases public goods and reduces public bads” (p. 50). The reduction of ‘public bads’ is the primary focus of CED initiatives and with a growing rate of inequality across Canada³ it is becoming more important than ever to reduce these public bads. The competing interests in the field are often focused on political and corporate responsibility to assist in creating a civil society that maximizes communities’ economic potential. With an increasingly complex global economy it is critical for CED initiatives to take ownership and slide the scale, in efforts to broker dialogue among key stakeholders to mitigate ideological tensions.

As a result of our current economic and political philosophies which have specified the nature in which governments and corporations operate, the field of CED has been a gray area in an otherwise ‘black and white’ dominated economic structure. Loxley and Silver (2007) argue that the “dynamic, market-driven character of capitalism marginalizes and excludes large numbers of people” (p. 4) throughout the world. As a result they argue that CED “can be thought to be the polar opposite of capitalist forms” (p.5). This notion that capitalism is the antithesis to CED is misleading. It implies that capitalism is inherently negative, that the system is designed to marginalize. While this may have been a negative consequence of capitalism, it does not demonstrate the positive tools that can arise as a result of the system itself. American scholars, Michael Porter and Mark Kramer (2006), argue that corporations operating within the capitalist framework “have already done much to improve the social and environmental consequences of their activities” yet these corporate social responsibility (CSR) strategies have not been as successful as they could be because tensions within the field “put business against society, when clearly the two are interdependent. Further, they pressure companies to think of corporate social

governmental organizations, and social enterprises. These institutions can greatly contribute to economic development and also fit nicely within a broader definition of what community is in the 21st Century. Many prominent scholars have touched on the importance of civil society, including: Cicero, Aristotle, Locke, Hobbes, Hegel, Marx, Habermas, and Putnam.

³ See: OECD. (2008) “Growing Unequal? Income Distribution and Poverty in OECD Countries” for relevant statistics illustrating Canada’s growing inequality rate during the first half of the 2000s.

responsibility in generic ways instead of in the way most appropriate to each firm's strategy" (p. 78).

The competing interests within the field of CED blame the capitalist system, while others (mostly American scholars) embrace the positive opportunities that capitalism can bring. Ultimately for CED initiatives to thrive and accomplish their missions there is a need to embrace both competing interests to slide the scale between public and private sectors to ensure they have the resources they require to fulfill their missions. Fortunately this is happening, new ideas are emerging which develop on the powerful social change that can happen as a result of a paradigm shift in our traditional vision of capitalism. In essence, CED initiatives are employing capitalist tools and governments and corporations are coalescing to enact social and economic change.

The debate emanating in CED theory and literature is that a given sector, private or public, can provide greater support than the other. This is where competing interests begin to intersect and pull CED theory in various directions. Competing interest theories have dominated the field of CED literature and works to regress CED from capitalizing on the unique opportunities of maximizing the economic and social tools employed in both public and private sectors. CED literature, with its competing theories, necessarily plays into the traditional bifurcation process that one actor, traditionally being the government or the corporate sector, has a greater responsibility to enhance communities' livelihoods over the other. The competing CED theories argue that one sector has contributed through their (in)actions to the marginalization process. If we can agree that all of us play a role in maximizing our economic and social potential, then we can theorize that CED initiatives should strive to slide the scale to ensure that their initiatives can broker dialogue amongst the necessary stakeholders and make the case using the symbols and vernacular used within each stakeholder to provoke action. In this sense the sliding scale theory can circumvent 'competing interests' and often tumultuous political ideology to work collaboratively, collegially, cooperatively and collectively to enact the change required to improve conditions.

As private and public sector interests become increasingly more complex, the intersections of social and economic responsibilities are becoming interfaced with all sectors of the economy. As a result traditional mechanisms for fostering theoretical perspectives for the field of CED must blend together the strengths that both private and public sectors can provide. For CED initiatives to find success they must be able to slide the scale to traverse complex relationships between public and private sector partnerships. The mindset must be that each sector has a role to play, *and the work of CED is to define those roles and responsibilities*. CED initiatives must make their cases when approaching a given sector, using the appropriate language and symbols, to demonstrate the potential benefits for each stakeholder to become involved.

The Public & Private Sector Conundrum

There may be many reasons why communities become economically, politically and socially depleted; Shragge and Toye (2006) argue that CED “emerged across Canada in the 1980s as a response to changes in the economy and role of government. Communities, particularly those dependent on large-scale industrial and primary production, had seen jobs vanish” as a result, they believe the CED movement has “ been shaped by a combination of globalization – the major force behind economic reorganization – and neoliberalism, the guiding ideology for social and economic policy formulation” (Introduction. P.9-10). While this is often seen as the problem, it is important to note that the genesis of CED movements arise when a given sector, private or public, cannot fulfill a need for a given community. It may be unrealistic to think that both the private and public sector can fulfill every need within a community. Therefore CED initiatives, in order to become a sustainable process, must engender the broader mission through allying with, or sliding the scale towards, the stakeholders that have the most to gain by enjoining with CED initiatives in meaningful ways that enable CED to become sustainable. This may take the shape of working to shape public policy to ensure CED initiatives have the proper legal structures in place to operate effectively, or developing a relationship with a business in the community that is

looking to expand its market. If CED can find the right stakeholder to ally with, using the language and processes familiar to that stakeholder then, in essence the CED initiative is sliding the scale to ensure their broader mission can be achieved, rather than battling a political and/or ideological fight.

How does the Sliding Scale Theory Work?

Berkeley economist Raj Patel (2010) argues that:

governments are able to shape the rules of the economic game and mobilize gigantic budgets in order to provide for citizens. Governments do not, however, exist in a sphere separate from modern capitalism...When corporations and governments collide, there's no explosion of energy; instead, one conforms to the other. (p. 77-78)

The belief that governments are in essence in position to provide services to communities is one that CED initiatives need to leverage in making the case that their involvement will benefit all facets of society. This is often lost because CED initiatives do not engage governments in meaningful dialogue to ensure that communities gain access to the resources they require efficiently. Governments may be needed to provide investment and infrastructure however; involvement, should not end at this juncture, rather continue to develop a reciprocal relationship where the results of CED work influence government policy. This can be achieved through mediums such as metrics, narratives and economic outcomes that implore governments to not abandon CED as a process to fill gaps that it and corporations cannot fulfill. In order to facilitate this potential relationship the onus is on CED initiatives to approach government collegially using language, symbols and processes they understand. As a result of collegial dialogue CED initiatives and governments can work through the issues not being met in the community, to develop a shared meaning of the type of involvement government should play in the CED initiative. Ultimately this sliding scale approach ensures that CED initiatives gain access to the resources they require from government without compromising their principles for the sake of a new project. This allows CED initiatives to evolve in the democratic and engaging process which symbolizes the movement and the spirit of the sliding scale theory.

When we examine the roles and responsibilities bestowed upon our governments and corporations we must acknowledge that both are in existence to benefit society. Prahalad and Hart (2002) believe that Western capitalism has failed at recognizing the market and the opportunities to increase their technological capacity and business models to serve the largest market in the world. They argue that “we have implicitly assumed that the rich will be served by the corporate sector, while governments and NGOs will protect the poor and the environment...a huge opportunity lies in...linking the poor and the rich across the world in a seamless market organized around the concept of sustainable growth and development” (p.67). The traditional economic paradigm, which espouses profit maximization, has prevented businesses from identifying markets that have limited access to capital from becoming the primary target audience for goods and services. CED initiatives which engage corporations must find shared meaning through language, concepts, symbols and processes they understand. It is evident that corporate engagement in communities can impact their bottom-line, but it requires a level of scalability that is not found in traditional economic models. Additionally it represents an opportunity for corporations to build stewardship within the community and ally their values within the community. It is the job of CED initiatives to broker dialogue amongst corporations to demonstrate that marginalized communities can present economic opportunities when existing stigmas are eradicated from the desire to create innovation.

The history of CED initiatives has proven that engaged communities have united under a shared meaning to create the change that a given sector is not providing. There is a growing interest from the corporate perspective to be socially responsible and to contribute to the communities in which they operate. This is often misunderstood in today’s global economy where large corporations can move as they please given the technological advancements of our age. When looking at past examples it is evident that these homogenous communities rallied around a shared meaning – generally a natural resource - which represented their economic viability as a community. In today’s knowledge-based

economy large corporations do not necessarily extract physical resources from a community; rather they occupy large sky-scrapers. This however does not preclude these corporations from wanting to be involved in CED initiatives; it just requires CED initiatives to engage corporations with a shared meaning through language, concepts, symbols and processes they understand. In essence this relationship building leads CED initiatives and corporations to develop a shared meaning for the work both are accomplishing.⁴

CED initiatives can employ the sliding scale theory to approach those sectors best suited to be involved to clearly articulate their need. Rather than grounding CED theory in a political ideology, where these sectors dictate the scalability and direction of CED, the onus becomes on CED movements themselves to be the leaders. In order for this leadership process to take form it is important to i. assess the communities' need ii. Engage the appropriate sector and iii. communicate a clear strategy for why their involvement can benefit both stakeholders. The sliding scale theory is designed to strengthen the sector while fostering a reciprocal continuum of relationships across sectors that are built on trust and shared meaning for the penultimate goal of providing for the common good. The field of CED in the 21st Century cannot have 'competing' interests, these movements need to be dynamic and this precipitates the development of a sliding scale theoretical underpinning to CED initiatives that represent democratic, engaged stakeholders.

Sliding the Scale in Favour of CED Development

There is a moral impetus to slide the scale in favor of a constructive dialogue between CED initiatives and the corporations and governments that have the largest stake in the fabric of society. Our current mechanisms for understanding the moral obligations of both governments and corporations is banal and vexatious and has precipitated in the vicissitudinous confluence of ideas that has resulted in the rising

⁴ This idea will be explored further. To see how corporations can incorporate social responsibility **see:** Porter & Kramer (2011). "The Big Idea: Creating Shared Value" *Harvard Business Review* January-February. **See:** Emerson & Bonini (2006). "Capitalism 3.0: Exploring the Future of Capital Investing and Value Creation" *Value*. February-March 2006. P. 25-31.

popularity of civil society and CED initiatives becoming more prevalent in our economic lives. The sliding scale theory is a consolidation of the many CED initiatives that are beginning to blend operational methods typically seen in either the private or public sector, with a mission rooted in a deeper and morally conscious effort to create dialogue that has resulted in a moral economy through creative capitalism and an emphasis on good governments. The following sections demonstrate a deeper moral obligation for public and private sectors that underpin our current economic system and illustrate the CED initiatives that are proving to turn our current bifurcated economic system on its head and succeeding in doing such.

The Moral Impetus

Clearly we are at a crux in our global society with respect to the methods we employ which harness the tools of a market-based, transaction system to reconcile the social perils that the profit motive has caused throughout the world. Governments and corporations shape our state and the moral obligations we all have in creating sustainable, democratic and economic opportunities for everyone. Patel (2010) wishes to revisit the era prior to free market economics:

it's worth revisiting the original thinkers behind the free market, who had a robust sense of how prices, value and the wider economy worked. Before there were economists, students of market society were called 'moral philosophers,' and when they pondered the market, they were less concerned with the behavioral integrity of high finance or the interaction between consumer and producer, and more concerned with how values is bound up with indelible inequalities in power. (p. 60)

Patel hearkens to a time where there was a bifurcation in our understanding of economics and philosophy. However, the greater observation to be made is the underlying principles of market transactions and that the actors involved are bound by a moral obligation to create a greater society. Every actor in our society is bound by a moral obligation. Moral philosophy and jurisprudential frameworks in the Western world have rooted the values with which we assign to governments, corporations and individuals.

Donaldson (1982) tackles a moral dilemma; can corporations be considered moral agents? Here he argues that if we are to treat corporations as moral agents, in the same sense that individuals and governments are bound to the states as moral agents, then corporations must “assume the burdens of morality just as people do, and that they develop something akin to consciences” (p. 18). Because corporations are defined under our Western jurisprudence, then “they should have the rights that people have: to own property, to conclude contracts, and to exercise freedom of speech” (p.18) and in understanding our jurisprudential framework of morality for corporations it is critical to acknowledge that “corporations are unable to think as humans, but they can employ reasons of a sort, and this is shown by the fact that they can be *morally accountable*” (p. 30). If corporations are bound to the state in similar manners that individuals and governments necessarily are, then it would insinuate that they also have a moral responsibility to the state. It is critical then, for the field of CED, to grasp the jurisprudential requirements that corporations have to a state; this will assist in developing strategies to align themselves with corporate sector partners to leverage their resources to benefit communities. This also speaks to a broader, underlying philosophical notion for CED initiatives because moral philosophy has transcended political ideology for thousands of years.

Aristotle’s moral philosophy serves to define the framework for how individuals, governments and corporations can be thought of as moral agents⁵, operating within a jurisprudential framework that sets forth maxims that permit moral agents to aspire to a level of happiness. Happiness, being the chief aim of all, is defined within a state’s jurisprudential theory and defines the obligations of moral agents to the state, in accordance to the maxims that ensure these moral agents’ efforts serve to create a ‘happier’ society.⁶ CED movements can better understand what moral agents, like governments and

⁵ Individuals are necessarily moral agents, but if a state’s jurisprudential maxims allow for other entities to assume the status as moral agents, that is, they are defined within the state’s jurisprudential framework, then they too must become obedient to the maxims for which they have morally accepted in order to become an entity.

⁶ The term ‘Happy’ can be synonymous with ‘welfare’ and ‘well-being’. “The Greek term “*eudaimon*” is composed of two parts: “*eu*” means “well” and “*daimon*” means “divinity” or “spirit.” To be *eudaimon* is therefore to be living

corporations, see as their desired state of happiness by understanding what bounds these moral agents to the state. In creating an understanding of what binds these moral agents to the state, CED movements can then slide the scale to ensure that they operate within a jurisprudential framework to ensure moral agents can work together and break free from nebulous, and politically ideologically charged dialogue, so often prevalent in CED literature. By adopting language, and specific vernacular dedicated towards certain moral agents, CED initiatives can slide the scale in efforts to reach a new state of happiness for society blending together economic and social goals.

Practical Implementation

New opportunities are arising every day in the CED field. Governments and corporations are beginning to see that social needs can also generate tremendous economic opportunities. The traditional sectors are beginning to slide their scales and wake up to the reality that a complex global economy requires a mixed-method approach, that is working across sectors, to dealing with emerging social and environmental issues, which for so long have been bifurcated within traditional economic, philosophical and political theories. These new global issues present challenges that require a shift in economies of scales in order to reach a profit. New economic opportunities now require elements of sustainability in order to have long-lasting impact that provides a process for wealth generation. In Western society we are privy to a new form of social change, Harvard scholar, Clayton Christensen (2006) demonstrates his theory of 'catalytic change' can have drastic impacts in the fields of education, health and economic development. The first quality he identifies in catalytic innovators is the ability to "create systemic social change through scaling and replication" (p. 101). The belief that innovators can recognize scalable opportunities in the market demonstrates the power of the sliding scale theory. The demonstrable result of innovators to leverage public policy and capitalist tools to deliver health care in remote African villages and urban centres in the United States validates the sliding scale theory. In essence innovators

in a way that is well-favored by a god. But Aristotle never calls attention to this etymology, and it seems to have little influence on his thinking." (Kraut, 2010).

which can scale-up, scale-down or slide horizontally to enact social change plays into the sliding scale theory as it demonstrates a seismic shift in traditional economic and social models.

Shared Value, Blended Value & Hybrid Models

Further scholarship emanating from Christensen's colleagues, Michael Porter and Mark Kramer is the notion of 'Shared Value'. The idea of Shared Value comes from the argument that business, under the current capitalist system, is designed to maximize profits and minimize constraints. They contend that economists and current economic models argue that providing societal value within existing business models inherently carries constraints, which immediately denigrates economic theories concerning profit maximization. The authors themselves realize that this paradigm shift between profit maximization and

shared value is still in its genesis. Realizing it will require leaders and managers to develop new skills and knowledge-such as a far deeper appreciation of societal needs, a greater understanding of the true bases of company productivity, and the ability to collaborate across profit/nonprofit boundaries. And government must learn how to regulate in ways that enable shared value rather than work against it. (p. 4)

So how does shared value get created? Porter and Kramer argue through three distinct processes that businesses can adopt. The three mechanisms they believe can "reset the boundaries of capitalism" (p. 7) include: "reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations" (p. 7). The authors set the tone of what shared value is by providing examples of new hybrid enterprises that blur the profit/nonprofit boundaries and use capitalist tools to reach their missions and markets. The shared value thesis posits a new way of how businesses can generate wealth that benefits shareholders, customers/consumers, and society as a whole. The idea fits well into the sliding scale theory; however, it is important to realize within the field of CED that as movements grow it is the obligation of the movements themselves to engage businesses and governments in ways that promote shared value and to continue to be leaders and proffer new solutions to societal problems. As Porter and Kramer note, constraints which are believed to hinder

profit maximization, must be recalibrated to demonstrate that societal concerns can be weaved into the fabric of corporate life. As such the sliding scale theory puts the impetus on the CED movement themselves to demonstrate how their initiative can create value without impeding profits. Working with businesses to reposition their markets, products/services in ways that benefit the company and the CED movement is crucial and necessary if they are to create something sustainable and more powerful than just another corporate social responsibility program. Likewise, working with governments to create new policies that enact change must be the CED movements' responsibility. Working to enact new policies and legislation that foster new innovative ways for the capitalist system to blur the profit/nonprofit boundaries will invariably have positive consequences for CED movements to ensure systemic change is iterative and not repetitive. Only when the field of CED breaks free from the partisan tensions can new conduits flourish that allow for scalability to meet sustainability.

A further leader in developing a new paradigm of thinking that incorporates social and economic values is Stanford scholar, Jed Emerson, who has posited his 'blended value' proposition which specifically strives to find a balance between private equity investment and social returns. The social impact is greater than just a corporate social responsibility program; the social mission is built into the mission of the organization (Blended Value Investing, 2006). His work is gaining traction throughout the world and his approach illustrates a solid example of how a humanistic approach creating new sustainable economic models for wealth generation aligns itself with the broader theme that corporate sectors, governments and CED movements can integrate their missions within the existing capitalist framework to demonstrate how traditional economic models can slide the scale to assimilate social concerns.

The field of CED is being helped by governments around the world. Governments are beginning to wake up to the important social and economic work accomplished by civil society and CED. In the UK the government has committed to CED by adding to its portfolio the Office of the Third Sector. Very recently a new model for social finance was released which outlines new opportunities for public and

private sector investment that can generate social and economic returns. Further to providing space in the Cabinet, the UK has also passed legislation, in 2005, supporting the Community Interest Company (CIC), which enables companies (referred to mostly as social enterprises) to use their profits and assets for the greater public good. As a result these businesses have a similar legal structure as other corporations but are bound by 'Asset Lock' which guarantees any and all assets go to the community rather than shareholders.

In the USA many states have passed legislation to a hybrid business entity in what is known as a Low Limited Liability Company (L3C). The L3C model permits organizations to structure their operations to be similar to a corporation, that is, they can earn a profit, although their primary motive must not be profit maximization. Such a legal structure is still in early phases of adoption but allow for greater opportunities to harness market-based approaches to fulfill a social and economic goal.

Porter and Kramer's Shared Value theory, coupled with Emerson's Blended Value notion have proved influential in recalibrating the field of CED's work. Their work coupled with policy progressions in the UK and the United States provides tangible evidence that the field is growing and the CED movements by and large can play a pivotal role in the development of new economic models and policies. Perhaps there is no better individual to refer to when it comes to CED and making new business models work than Muhammad Yunus, the founder of the world's most recognized micro-finance institute the Grameen Bank. His work in the field of CED and the introduction of his latest concept, Social Business, is worth discussion as it provides further evidence of how CED initiatives can use market-based forces to create social outcomes.

What's the (Social) Value Proposition?

While there are many specific examples of organizations fusing social and economic missions into one specific purpose, perhaps no one has received more attention than Nobel Laureate, Dr. Muhammad Yunus, the founder and managing director of Grameen Bank. Yunus, more recently has recently been

advocating the power of social businesses.⁷ In his recent book (2010) *Building Social Business* Yunus promotes social business and outlines its benefits to society:

Social business involves no compulsion on anybody. It widens the scope of free choice rather than narrowing it down. It fits neatly into the capitalist system, offering the hope of bringing millions of new customers into the marketplace. Rather than threatening the existing structure of business, it proposes a way to revitalize it.

What's more, social business helps the governments share their burden of responsibilities for social change with the civil society. It also helps governments avoid creating or widening any political divides by undertaking a particular social action for the whole nation. Now governments can encourage social businesses to flourish in as many directions as they want, so that people can figure out which action is preferable to them without creating political crises. (p. 29-30)

The example that gets much of the attention in *Building Social Business* is the partnership between Grameen Bank and Danone to form Grameen Danone Foods Ltd which brought a fortified yogurt product, Shokti +, to an impoverished area outside the Bangladesh capital city of Dhaka. The partnership was designed to manufacture fortified yogurt, in a low-density, solar powered, micro-facility in order to maximize job opportunities and to get the yogurt to customers quickly without the high cost of refrigeration in order to sell the product at a price even the poorest can afford. In creating this partnership Grameen and Danone were able to bring nutritious yogurt to many children suffering from malnutrition. What makes this partnership unique? For Dr. Yunus, the spirit of this CED initiative has leveraged the capacity of a multi-national company with Grameen's vision of creating economic opportunities as well as working to alleviate a significant public health risk. For Danone, this partnership may be seen as a great corporate social responsibility strategy, until one examines the learning they will take from this. By providing the research and development to fund a micro-facility (straying from their larger facilities with large and complex distribution channels) they are able to create new, low-density

⁷ Yunus' specific vision for social business insists on investors not making any financial gain on the principal investment (p. 30). While this notion may stray certain private investors from getting involved, corporations who can learn from the partnership stand to gain much in the way their products and services can be made available to impoverished populations across the world.

production plants that can produce yogurt that is able to hit store shelves without the traditional high costs. In this learning, Danone can now leverage their technology and resources to build these micro-facilities across the world in areas not traditionally served by other dairy companies. By working with Grameen to teach their milk suppliers (conveniently the Grameen Livestock Coop) new techniques which have doubled their output, Danone can begin to grow their operations to provide a healthy product across impoverished areas across the world. This strategy has pecuniary benefits for Danone and also works to alleviate health, environmental and economic concerns through a social strategy that concerned Dr. Yunus. This is an example of a CED initiative that has opened a corporation's eyes to a new scale of operational efficiency. This is a solid example of what the sliding scale theory demonstrates. The ability of a CED initiative to leverage the resources of a multi-national corporation to provide new opportunities to reshape a product offering and marketing channels has permanently altered Danone's business model in developing markets. This is the result of a CED initiative understanding of the social and economic returns that can be generated as a result of using language, symbols and vernacular and brokering meaningful dialogue that leveraged resources towards solving a serious societal pitfall.

What makes Dr. Yunus' vision for social business unique is the recognition that in Bangladesh (and perhaps in most countries) governments have inherent deficiencies that can be reconciled by leveraging market-based tools. In essence, Dr. Yunus is promoting a new economic structure for capitalism, which to-date, has been predicated as a one-dimensional structural system whose sole purpose is to maximize profits rather than recognizing the inherent multidimensional features of humans and that "happiness comes from many sources, not just from making money" (p. xv). In essence, Dr. Yunus is creating opportunities using capitalist tools, where otherwise poverty and despair would continue to perpetuate. By removing the emphasis from the traditional economic model promoting fiduciary responsibility to one that promotes social responsibility, Dr. Yunus is able to achieve a constructive, social and economic

mission. In doing so, CED initiatives, such as a social business can slide the scale to ensure their activities are accessing the appropriate stakeholders, using the tools and language to make the case that the private and public sectors involvement can generate economic and social returns.

Conclusion

It is important to note that there are a number of innovations emanating in the field of CED. This work is not going unnoticed in Canada. Jackson, (2010), amongst a host of other scholars have advocated for CED and civil society to recalibrate their missions and leverage the potential that new public policy initiatives and legal reforms to create new opportunities for the field as a whole to benefit from. Quarter, Mook and Armstrong (2010), and McMurty (2008), amongst other widely Canadian read authors and practitioners are working to articulate how various organizations, which are founded upon social missions, are contributing to the broader social economy and how the interface between business and society are contributing to our knowledge and understanding of CED and its impact towards the Canadian economy. These efforts will eventually result in the implementation of new policies that will work to allow CED initiatives to create opportunities and to slide the scale to generate new social and economic opportunities for depleted communities.

The field of CED is working to create new opportunities for communities who would otherwise remain impoverished and without the capacity to create social and economic opportunities. The concept of CED adopting a sliding scale approach to sustainability provides context for the numerous activities happening around the world today. The sliding scale theory postulates humanistic approaches can be weaved into economic modalities that necessarily occupy public and private sectors around the world. The sliding scale theory espouses the use of language, symbols and processes inherent in the dominant corporate and government sectors to enact change from within. It is not a philosophy of language, rather a theory of collegial-creative dialogue brokerage. The theory encourages CED movements to mitigate the political ideological binds that so often force CED movements to take 'sides' and to

encourage reciprocity amongst moral agents/stakeholders. There is a moral impetus for CED initiatives to broker dialogue amongst the stakeholders who are necessary to carry-out an endeavor. In creating an understanding of corporations and governments as moral agents CED initiatives can begin work to shed the competing interests that are often nebulous and ideologically charged. Without recognition of what constitutes a moral agent, however, one can never expect to change the behaviors that are deeply entrenched within the traditional economic paradigms which promote one-dimensional theories of humans as profit machines. The sliding scale theory posits that CED initiatives can begin to engage governments and corporations, fostering trust and reciprocity, as ancillary contemporaries, that is, as moral agents, mitigating political ideology from the discussion to create dialogue that engenders a continuum of reciprocity and trust in order to enact change that can lead to greater, more democratic social and economic opportunities for all.

The sliding scale approach to CED allows initiatives to move beyond the often tumultuous political ideology that bounds it to one specific end of the scale, 'right' or 'left'. Given the increasing contribution on the global economy, CED as a field cannot remain in a silo, isolated and subscribing to one ideology over another. It cannot remain esoteric. Rather, given the motive and underlying principles for which CED initiatives are constantly striving to achieve, most notably to increase the well-being of the members it represents (economically, socially, legally, etc) it is more productive to ground these initiatives in a theoretical foundation that gives it the flexibility and dynamism to provide for real change to enact positive impact for communities around the world.

References

- Canadian Community Economic Development Network. (2010). "What is CED." Available online at: http://www.ccednet-rcdec.ca/en/what_is_ced. Last retrieved: October 29, 2010.
- Christensen, C., Baumann, H., Ruggles, R., and Sadtler, T. (2006). "Disruptive Innovation for Social Change." *Harvard Business Review*. 84(12): 94-101.
- Donaldson, T. (1982). *Corporations and Morality*. Prentice-Hall, Inc.; Englewood Cliffs, N.J.
- Emerson & Bonini (2006). "Capitalism 3.0: Exploring the Future of Capital Investing and Value Creation" *Value*. February-March 2006. P. 25-31.
- Emerson, J., Spitzer, and Mulhair, G. (2006). "Blended Value Investing: Capital Opportunities for Social and Environmental Impact." *World Economic Forum*. Geneva, Switzerland. Available online at: <http://www.blendedvalue.org/media/pdf-blendedvalue.pdf>. Last retrieved: October 29, 2010.
- Hall, M., de Wit, M., Lasby, D., & McIver, D. "Cornerstones of Community: Highlights of the National Survey of Non-Profit and Voluntary Organizations." Available online at: http://library.imaginecanada.ca/files/nonprofitscan/en/nsnvo/NSNVO_Report_English.pdf. Last retrieved: January 4, 2011.
- Jackson, T. (2010). "Regrouping, Recalibrating. Reloading: Strategies for Financing Civil Society in Post-Recession Canada." *The Philanthropist*. Volume 23.3. P. 359-367.
- Kraut, R. "Aristotle's Ethics." *The Stanford Encyclopedia of Philosophy (Summer 2010 Edition)*, Edward N. Zalta (ed.). Available online at: <http://plato.stanford.edu/archives/sum2010/entries/aristotle-ethics>. Last retrieved: October 29, 2010.
- Lewis, Mike. (2004). "Common Ground: CED & the Social Economy – Sorting out the Basics." *Making Waves*. Volume 15(1). P. 7-11.
- Lotz & MacIntyre. (2003). *Sustainable People: A New Approach to Community Development*. Cape Breton University Press: Sydney, N.S.
- Loxley, J. and Silver, J. (2007). "Community Economic Development: An Introduction". In Loxley, J., Silver, J., and Sexsmith, K. eds. *Doing Community Economic Development*. Fernwood Publishing: Winnipeg, MB.
- McMurty, J.J. (2008). *Living Economies: Perspectives on Canada's Social Economy*. (ed.) Edmond Montgomery Publications: Toronto, ON.
- Organisation for Economic Co-operation and Development (OECD). (October 2008) "Growing Unequal? Income Distribution and Poverty in OECD Countries". Available online at: http://www.oecd.org/document/4/0,3343,en_2649_33933_41460917_1_1_1_1,00.html. Last Accessed: May 6, 2011.

- Patel, R. (2010). The Value of Nothing: Why Everything Costs so Much More than We Think. HarperCollins Publishers Ltd.: Toronto, ON.
- Porter, M., Kramer, M. (2006). "Strategy Society: The Link Between Competitive Advantage and Corporate Social Responsibility" in *Harvard Business Review*. Volume 84(12). P. 78-92.
- Porter & Kramer (2011). "The Big Idea: Creating Shared Value" *Harvard Business Review* January-February. Reprint available: <http://hbr.org/2011/01/the-big-idea-creating-shared-value/ar/1>. Last accessed: May 6th, 2011.
- Prahalad, C.K. and Hart, S.L. (2002). "The Fortune at the Bottom of the Pyramid" in *Strategy & Competition*. Issue 26. P. 54-67.
- Quarter, J., Mook, L. & Armstrong, A. (2010). *Understanding the Social Economy: A Canadian Perspective*. University of Toronto Press: Toronto, ON.
- Shragge, E., and Toye, M. (2006). "Introduction: CED & Social Change." In Shragge, E., and Toye, M. eds. Community Economic Development: Building for Social Change. P. 9-21. Cape Breton University Press: Sydney, NS.
- Sievers, Bruce. (2010). "What Civil Society Needs." *Stanford Social Innovation Review*. Volume 8(4). P. 48-53.
- Tropman John E., Erlich, John L. and Rothman, Jack (2006), Tactics and Techniques of Community Intervention. Wadsworth Publishing.
- Wilder, M., Taliaferro, J., Jabbar-Bey, R., and Sherif-Trask, B. (2006). "CED Practice in the United States." In Shragge, E., and Toye, M. eds. Community Economic Development: Building for Social Change. P. 248-264. Cape Breton University Press: Sydney, NS.
- Yunus, M. (2010). Building Social Business: The New Kind of Capitalism that Serves Humanities Most Pressing Needs. PublicAffairs: New York: NY.