

**Breakfast Keynote Address**  
**Douglas W. Nelson, President & CEO, The Annie E. Casey Foundation**  
**National Enterprise Community Conference**  
**Baltimore, Maryland**  
**November 20, 2008**

I could have given a nice little speech – cut and pasted all my opinions about core community development issues. You know – I’d talk about the need to be more “comprehensive,” “the challenge of housing preservation,” “the importance of the new markets tax credit,” “the foreclosure catastrophe,” “the principles of responsible redevelopment,” “the dangers of gentrification,” and “the need for more social investing by foundations and anchor institutions.” But, truth is, I can’t help but think that at this moment in our history we are confronted by bigger questions, bigger challenges. So, at the risk of missing the opportunity to be concretely helpful, let me try to be more broadly provocative of reflections by all the real experts – many of whom are in this audience.

And let me begin with the comically obvious: I think we may be at a turning point in America.

I don’t just mean the new administration – although I have to say it’s been a long time since we progressives could anticipate national leadership with such a broad mandate for change and some philosophical and political room to propose significant new directions.

And I don’t just mean the current fiscal crisis and recession – even though the economy’s alarming plummet will encourage consideration of bolder and more innovative interventions than we could have imagined just a year ago.

Actually, I think the real turning point may be the coming together of these two developments in a fashion that allows the country – – or forces the country – – to examine and respond to what’s really out of whack – and what has been out of whack for some time – with our national economy. I have a hunch that this examination and response will, more than anything else, determine the opportunities and challenges for the community development field for decades to come.

Of course there have been a lot of particular things wrong with the U.S. economy, and some of those broken things were what conspired to burst the housing and credit bubble that has left everyone – including whole communities – in the awful mess we’re in today.

But I’m really thinking about a bigger, more overarching American economic crisis – one that has been corroding the security of tens of millions of Americans long before things went south at Countrywide and Lehman Brothers.

Put crudely, the real problems that this nation has to come to terms with are the dislocating impacts that have arisen as a result of the American economy becoming an

inextricable and increasingly integrated part of global capital markets, global labor markets – in short, part of a global economy.

Now the stunning thing about this economic globalization – which has surely been the most profound change of this generation – is that it remains remarkably under-acknowledged, under-analyzed, and misunderstood. It is under-appreciated even by those of us whose professional lives are focused on advancing social, economic, and community justice in this country.

Some people, for example, still want to debate whether we should be for or against globalization, which strikes me as a little like wanting to argue whether you're for or against gravity. Globalization of markets is an irreversible trend, driven by irreversible technological change. The challenge to American leaders is not to advance it or reverse it, but rather to respond to the consequences of globalization in a way that serves and protects American interests, American values, American institutions – and – American communities.

To respond to consequences, however, you have to begin with an honest recognition of those consequences. Of course, that recognition needs to begin with a forthright acknowledgment of the powerfully positive consequences of globalization for America: new market opportunities for U.S. enterprises, millions of jobs generated by those opportunities; lower cost goods and services; and a stimulus to innovation. But there have been profoundly problematic consequences as well. And from my point of view – and I suspect the point of view of many in this audience – the most significant adverse impact of globalization has been the increasing job instability and the deepening earning declines among tens of millions of less-educated American workers.

While there are a lot of other contributing variables, the underlying reason for these declines is that more and more American workers are competing with increasingly productive labor in countries that have lower earnings expectations, lower living standards, and lower wages. Put another way, a wide swath of American workers now find themselves part of a global labor market that, on average, expects and commands less return for their labor.

The result of that labor competition is two-fold: erosion in the real value of hourly wages for millions of American workers and a steady decline in the total number of skilled, semi-skilled, and unskilled manufacturing jobs available to American men and women, especially those residing in cities and communities that were built on the old American economy.

Ladies and gentlemen, it's this consequence that has for 30-plus years been pushing a growing fraction of the asset-holding, low-middle class American workers into the ranks of the wealthless working poor. It is this consequence that is consigning a growing fraction of the working poor to deep insecurity and to a sub-American living standard. It is this impact that is leaving millions of American families without the resources to provide the core stability or the essential opportunities that their children need to themselves become successful participants in the new American economy and society.

These immensely consequential developments, I should stress, are neither new nor transitory. They predate our current financial crisis by decades and pose a far greater threat to our long-term national welfare.

To appreciate these trends and their implications for growing numbers of low-income families, you don't need to master 40 years of Bureau of Labor Statistics wage information or decades of data on the widening wealth and income gaps between the rich and poor. No, all you need to do is know a little about the history of communities like Smoketown in Louisville, Mechanicsville in Atlanta, Lower San Antonio in Oakland, Oliver in East Baltimore . . . a little bit about scores of similar neighborhoods in Buffalo, St. Louis, Akron, Detroit, Battle Creek, Lowell, Philadelphia, Kansas City, Spokane, and Gary.

The people in this room know these communities and communities like them. And you know these neighborhoods by the stories they tell: "We used to be safe . . . folks used to keep up their houses . . . our fathers and grandfathers made a living at the tire plant or the shirt factory, the steel mill, the packing house, the assembly line, the machine shop. Families used to get by on one income. My grandmother stayed home to raise her kids. We owned our own homes. There were stores in the neighborhood. People got married. The schools were safe and taught the basics that a kid needed to know to get a good job. You didn't need to go to college to make a decent living.

Now all that's gone. People have moved away. The factory closed. There is no grocery or pharmacy anymore. Drugs are everywhere. Single parenthood is the norm. The housing stock has deteriorated. The schools are a mess. Almost nobody goes to college. Teenagers are getting into trouble. More families are involved with child welfare. More houses are vacant."

My point this morning is that what has happened to these and hundreds of other similar communities that we all know well – are not isolated or unique local events. What happened to them had little to do with their particular location, or their specific history, or their particular cultural or ethnic character. Instead, their fate has been a reflection – a manifestation of what has happened to a whole class of Americans – namely, to the working class. The neighborhoods we care about stand out in their decline because they happen to be home to high concentrations of those workers who have been most adversely and irreversibly affected by competition with lower-cost foreign workers and foreign enterprise.

Now, why do I belabor this observation or analysis before this particular audience? Well, the answer is that I am now convinced that we community development professionals can no longer delude ourselves into thinking that we can somehow help rebuild, revitalize, or redevelop America's distressed neighborhood if we continue to rely on the parochial perspectives, limited goals, and specialized tool box that has defined much of community development in the past. Instead, and I guess this is my message, we must begin to see our work as part of a larger national agenda to create a more positive economic future for the millions of displaced and downwardly mobile families and children who are struggling to get by in the neighborhoods we care most about.

Put another way, it's no longer sufficient for community development leaders to think of our mission as finding the patient capital, development subsidies and tax credits to build an ever-increasing stock of affordable homes for an ever-increasing number of families who can't – on their own – afford decent housing. It's not enough to find low-cost credit to encourage the return of commercial and retail enterprises to communities whose residents don't have enough income or credit to sustain them. And it's not enough to work for improved schools or better policing, if the families who need them remain stressed to the breaking point by increasing financial insecurity, diminished future prospects, and despair.

Affordable housing, commerce, and school improvement, of course, are important, but at this moment in our field's history, they aren't enough. The community development field has to change. It's not so much that we have to reinvent ourselves – but rather we need to reposition our work – to make it part of a broader effort to restore economic security and insure a measure of family stability to the nation's underemployed poor and working poor. If we don't succeed in this objective, I have this terrible fear that we will look back on our well-intended place-based, community development enterprise as a futile exercise – an exercise that, at its best, slowed the trajectory of a community's decline and, at its worst, accelerated the dispersal of poor folks from neighborhoods made attractive to more affluent newcomers.

So, what is this agenda, this work, this change that we need to align ourselves with? What do we have to do or support that will stabilize or strengthen the economic prospects of America's displaced “old economy” workers. Well, if you wanted a really good answer to that question you should have found somebody a lot smarter than I am for this slot in your conference. But you're stuck with me and I've got another 10 minutes, so I'm going to bore you with what I think.

First of all, I've got some strong feelings about directions we ought not to follow – strategies we ought not to be a part of. To begin with, we ought not be seduced by arguments that we can provide long term relief to “old economy” workers or “old economy” communities by embracing trade regulation or protectionism. Tempting as that is, especially if you're standing inside a vacant tool and die shop in South Milwaukee, the truth is it's a dead end – and it's an expensive dead end at that.

Even more counterproductive will be arguments that target immigration as the cause behind our wage and opportunity declines or that advocate immigration restriction as the remedy. This response is both factually and morally flawed.

Finally, we need to resist turning toward or turning back upon an excessive reliance on a permanent welfare “safety net” designed to provide long-term subsistence payments to millions of less educated American workers deemed unprepared to compete in the mainstream American economy of this century. Whatever your past politics around the subject of welfare reform, there is ample evidence that welfare dependence does little to encourage family formation, to produce strong outcomes for kids growing up in non-working families, or create quality community life in welfare-reliant neighborhoods. This is not to suggest that we don't need significant and substantial supports for the working poor – I am about to argue that we do – but I'm almost

certain we won't ever get to greater social and economic justice if we settle for a two-tiered income security system that assigns millions of American families to the economic sidelines.

All the above impulses are dead ends. But there are, I think, some real and better answers, and some of these answers may— thanks to the confluence of Barack Obama and an economic crisis – now be within our reach. In my own view – and to a considerable extent it's Casey's view – what we need is a new coordinated national policy commitment that directs significant new investment toward three overarching goals.

First, we must have – and soon – a national infrastructure and environmental initiative that is capable of not only modernizing and greening the country's urban cores, but also capable of generating millions of durable new employment and career options for current and future workers at varied skill levels. The imperative here is not simply to provide a short-term stimulus for a recessionary slump, but far more importantly to provide a new domestic sector to replace manufacturing (and to complement information technology) as the new growth driver for our economy in the next century. The commitment to a new economic engine of this kind would – I'm sure you're aware – be of enormous help to the communities that we, as a field, are most concerned about.

Second, we need a vastly expanded national investment in wage and work supports for America's low-income working families – those very families whose income and benefits have been adversely impacted by global competition. The centerpiece of this system has to be a redoubled reliance on refundable – I repeat, refundable – income tax credits to effectively increase the earnings of those U.S. workers whose market-set wages are not sufficient to support a family at an American standard of living. Put another way, if America is going to make the transition to 21<sup>st</sup>-century global realities – and if we are going to do it without leaving behind millions of families and whole communities – we will need a significantly strengthened Earned Income Tax Credit system – one capable of rewarding work effort and significantly increasing real income for working families.

And while wage enhancements are absolutely central, low-income working families will also require a far more robust range of work supports and subsidies. At a minimum, these supports must include access to affordable health care as well as assistance in securing quality child care, decent housing, and transportation. Indeed, unless we routinely provide these supports to lower-earning families, those families will continue to lack the security, stability, and resources to create strong communities or equip their children for future success.

Third, as we better reward and support the work effort of low-income households, we must simultaneously muster a new national resolve to invest in the early development, school readiness, academic success, and post-secondary educational opportunities for the children born to those struggling families.

In essence, I am proposing a two-generation investment strategy – a strategy that at one level stabilizes and strengthens the economic condition of an adult generation of workers marginalized by global market forces; and on the second level commits to equipping their

children – all their children – with the knowledge, skills, experiences, values, and opportunities that will truly prepare them to participate in the productive, remunerative mainstream of the new American economy.

I am convinced, by both evidence and faith, that such a focused investment in the stability and potential of the nation's most vulnerable families would – within a single generation – transform our economic demographics.

I think such an investment could and would dramatically narrow the income, wealth, and achievement gaps between our wealthiest and poorest income quintiles; between white and black Americans; between suburbs and inner cities. I honestly believe that such a two-generation commitment, incorporating already proven approaches, could halve the nation's poverty rate in less than two decades.

Perhaps most relevant for our conference this week, I think adoption of a national focus on jobs, supports for the working poor, and improved education of the nation's most at risk children may be what's required to give our field...to give community development...a meaningful value-added role, a meaningful future.

I don't want to sound melodramatic here, but I'm not sure it's possible to achieve any lasting positive development in our distressed and divested communities absent a big national human capital investment in the *earning and learning* potential of the men, women, and children who live in those neighborhoods.

If I'm right about any of this, I think it means an altered advocacy and policy agenda for our sector. I would be the last to denigrate the importance of the Low Income Housing Tax Credit, Community Development Block Grants, Section 8, the HOME Program, Community Reinvestment Act requirements, HOPE VI, the New Markets Tax Credits, and affordable housing preservation programs, but . . . but I am ready to argue that these priorities need to take a second place to our support for infrastructure investments, new job-growth drivers, a major expansion of refundable tax credits, comprehensive supports for working families, and the effective education of America's poor children.

But we need to be more than advocates for these over-arching and transformative national investments, we also need to be shrewd, on-the-ground operatives with strategies and programs to assure that poor communities and their historic residents actually benefit from the new economy we need to build.

I don't need to remind this audience that disinvested communities in America have a sad history of not benefitting from the policies and programs allegedly designed to meet their needs. The neighborhoods we care most about are the communities for which consumer protections have been least effective; for which environmental and safety codes have been least enforced; for which employment and training programs have produced the least job placements; for which ballyhooed school reforms have produced the least achievement improvements; for which individual tax credits have made the least difference.

Our real job in this decade is to make sure that this doesn't happen again – that our places are not left out of “the change we need.” If a new day is coming, then the paramount objective of the community development field ought to be to make sure that the new day's sun shines on the people and places we exist to serve.

Of course, this role includes continuing to find ways to preserve, retrofit, and develop new, efficient, affordable housing for rent and sale. In this immediate environment, it means turning the tragedy of vacancies, foreclosures, and depressed prices into an opportunity for greater community control and long term affordability within mixed-income neighborhoods. But it also means much more. If my hopes for what's coming are realized, it means making sure our neighborhoods are high on the list for infrastructure improvements and for participation in 21<sup>st</sup>-century technologies. It means creating in our communities the recruiting, training, placement, and employment *pipelines* that link residents from our neighborhoods to the growth sectors of the new economy. It means supporting the outreach and engagement programs that assure every working family maximizes their EITC benefits and work supports eligibility. It means assuring the delivery of financial education that helps residents escape exploitation, lower their costs of living, create credit-worthiness, and accumulate security-producing assets. It means insisting that children in our neighborhoods have early-learning opportunities that prepare them for kindergarten; that they have schools that have all kids reading on grade level by the third grade; that they have high schools that teach and graduate virtually all their students; and have the capacity to provide those graduates with access to post-secondary institutions.

If, in the decade ahead, we really have the opportunity to leverage an expanded national commitment to a modernized economy – if we can steer that commitment toward fragile communities, and if we can meet the challenge of equipping the communities we serve with the tools, networks, programs, investments to grasp those opportunities – then we just might realize the notion that Enterprise founder, Jim Rouse, only dreamed of 40 years ago – the day when community developers helped transform (his word) places of inexcusable poverty into communities of promise and opportunity.

In closing, let me apologize for the grandiosity – maybe the naiveté – of the hopes and notions I've shared this morning. But somehow this moment, this month, seems like a time when hopeful Americans should make no small plans.

Thank you.