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*Community Development in Maine: Coastal Enterprises, Inc.*

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Pierre Clavel

July 16, 1996, 42pp.

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Community Development in Maine: Coastal Enterprises, Inc.

by

Pierre Clavel

July 16, 1996

"Community Development," like "economic development" or "city planning" operates by a set of guiding principles devised by its practitioners and constantly, if not always consciously, updated to adapt to events. [1] Coastal Enterprise, Inc. (CEI), which is a community development corporation in Wiscasset, Maine, is identified by such a set of principles. By 1996, at the time the research reported here was done, CEI had grown to a position of pre-eminence among CDCs in the nation. It had a staff of forty, had undertaken over 600 business and housing ventures representing over \$130 million in financing.

But CEI had changed and adapted over the two decades of its existence, while maintaining certain core objectives. When it started, in the mid-1970s, it was devoted to developing such natural resources sectors as clamming, fishing, aquaculture, sheep, poultry, vegetable crops and forestry on the basis that these used resources Maine people could get control of and thereby raise their standard of living. CEI organizers and associates found their ideas both from interested scientists and policy thinkers, and by trying to

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\*Department of City and Regional Planning, Cornell University. I acknowledge substantial assistance from staff of Coastal Enterprises, Inc., in the production of this paper.

organize people and businesses to implement projects they thought might help economically. They worked closely with people at the Darling Center, the University of Maine's field station near Damariscotta, who helped CEI found its first project, the Aquaculture Development Workshop (ADW). The ADW experimented with such enterprises as suspended growing of mussels set on ropes and oysters in nets in saltwater estuaries and coves. They produced reports on aquaculture, sheep raising, poultry industry options, and wholesale marketing for small farms.[2]

They also did organizing, focusing on producers in these industries. They circulated among the operators of these businesses and helped to create industry associations such as the Maine Aquaculture Association. There were a number of CETA workers, and the total numbers of staff people reached 20 in the first few years. Ron Phillips, the original founder of CEI and current president, remembers his approach as drawn from his involvement in the 1960s civil rights movement, and his work with local and national religious groups on economic justice -- "...a dream that church endowment funds would consist of local-owned small enterprises rather than multinational corporations." He was, he said, a "ripe and ready organizer:"

We were pretty much focused on natural resources. We were busy organizing industry participants, such as in the forestry area, for example. There were six or ten initiatives: a cooperative purchasing group to buy cutting equipment like oil and chain saws. Loggers from all around the area would meet at the high school in Waldoboro.

We explored value added ventures in the energy sector that could create jobs. One was to produce charcoal from alders, a prolific weed-like hardwood. This was about 1977, and never went far. We looked at a wood pellets processing operation with the idea of barging them down the coast. We weren't ready to handle this sort of thing. We were naive. We didn't have expertise.

We organized Belfast area chicken growers to acquire a bankrupt operation. We had 15-20 growers, but couldn't put together the finances. The deal was

not feasible in the end, not enough equity, looking back.

We organized a farming vegetable coop, the Kennebec Valley Growers Cooperative. We devoted several years and substantial resources to develop the co-op and expand income to farmers. There were many lessons learned from the venture. David Vail, an economics professor at Bowdoin, wrote a paper on why it failed. We helped organize a project to restore the prison farm at Thomaston. We successfully advocated a state institutional buying bill, to encourage buying from local farmers. [3]

By 1979, CEI finally broke through and won its first grant for investment. A Boothbay Harbor fish cooperatives's warehouse had burned, and CEI was able to step in and find financing to rebuild it. CEI went on to help develop another fishermen's cooperative on Vinalhaven, an island off the coast of Rockland. The Boothbay project, especially, put CEI on the map and got it a national reputation. This was CEI's "flagship" project from which the organization could now credibly seek more and more capital.

The fisheries idea typified CEI's development strategy: that outside interests controlled too much of the Maine economy, and that Maine people derived too little of the potential value from its resources. A Maine family, for example, bought haddock through a Boston wholesaler and paid both shipping and middleman profits, even though the fish had been caught by Maine fishermen in Maine. More generally the symptoms of outsider control included a paucity of intermediary institutions: local wholesalers, certain business services for example.

The rationale for CEI's early approach is best replicated in its 1978 Title VII proposal to the Community Services Administration: Maine had not been well served, they argued, by the increases of absentee owned industry in the postwar period. One result was

...the absence of an economic support system: e.g. the absence of an reliable, equitable market system for produce and fish; the burden of

seasonal unemployment; the lack of a public or private agency through which goals and objectives can comprehensively be formulated and addressed.

and

The lack of locally owned processing facilities puts fishermen at the mercy of outside buyers...

Manufacturing employment had been dropping since 1960, while productivity had increased; but resource based sectors had the capacity to increase to as much as 12 percent of employment in the CEI area. [4]

The CEI strategy followed. Its criteria for supporting projects would include: (1) the potential for local control; (2) relative labor intensity; and (3) the chance of equity participation. CEI would create wholesaling and storage facilities, organize wholesaling cooperatives, organize these sectors to be more self sufficient, and all would benefit.

#### Community Development as Theory

These principles had more general applications nationally and worldwide, as well, and their application in Maine by CEI and others was nurtured in part by writers who operated at a larger scale and in other places. Academics and some activists would recognize these early CEI principles as an application of "dependency theory", first promulgated in the 1960s by economists like Andre Gunder Frank from his analysis of third world economies, and widely followed by others. It was perhaps the dominant "community development" theory of the 1970s, with applications made in Appalachia, in work on urban ghetto economies, and in critiques of government interventions of various kinds. [5]

### How CEI's Approach Changed

In the period after CEI was founded, its strategies and the principles by which it operated changed. CEI in a 1986 presentation distinguished an "early", from "later" periods: the "early years 1977-1979" were devoted to "organizing small enterprises in the forest products, farming and aquaculture industries. An intermediate period, 1979-83 saw CEI turn to finance, still in the natural resources sectors. It invested in the Boothbay Region Fish and Cold Storage operation, and participated in \$10 million of financing in six major Maine ventures.

The presentation then described a "current period - 1984-1986" when:

In 1984, CEI launched its Small Business Finance and Employment Training Project. This \$3.5 million financing for job-creating ventures included targeting of jobs for economically disadvantaged populations.

Supported by private and public sources, CEI has invested or loaned funds to 25 starting or expanding businesses, leveraged over \$20 million of other financing, and created 500 job opportunities for low-income people.

The demonstration, which aims to influence greater linkage among state and local economic development agencies and those of human services and employment training, such as the private industry councils, and education involves business and training agreements to refer, hire and train economically disadvantaged people, including AFDC, veterans, SSI, youth and handicapped.

Moss Tent Works, Backpacking and Exhibit Tents; Delorme Publishing, computerized producers of maps and recreation guides; Toms of Maine, natural health care products; Maine Wood Treathers, pressure treated wood; Yale Cordage, producers of yachting line; Duratherm, manufacturers of wooden window encasements for commercial buildings; Aroostook Optical, eye-glass makers, are a few of the promising, job-creating ventures in which CEI has made loans or investments. [6]

The shift away from the natural resources sectors was dramatic in 1986, but a 1996 view would add considerable detail. On the one hand CEI staff are acutely aware that the organization has changed since its early days, and struggle to interpret the changes. In part, there is the shift from mainly

organizing to more emphasis on finance, indicated in the "intermediate phase" of the presentation above. Perhaps this was a natural evolution, arising from the organizing itself -- generating a sense of the needs of the industry -- and Phillips' ability to raise funds from foundations and government sources, still available during the last years of the Carter administration. In fact by 1983, CEI had established loan funds that had the capacity to support its staff to a large extent -- an application to the Ford Foundation indicated over half CEI's operating budget of \$218,000 coming from "income from investments", roughly a 55-45 split, the rest from "grants and contracts". [7] This income still accounted for nearly 40 percent of CEI's budget in 1996, when it had grown to over \$3 million.

The other shift -- CEI probably thinks a more definitive one -- was the shift away from a mainly natural resources industry focus to a broader one that included manufacturing and small business and more emphasis on technical assistance. Partly, there was Phillips' impression that "we were naive." Phillips said later

In the fishing and farm industries I had some desires to see things happen that never had a prayer. So you live a little and you get a little wiser. [8]

Moreover, some of the natural resources sector investments were shaky or in default. CEI lost \$300,000 and then \$500,000 on the Boothbay fish plant: "We'd overcapitalized it," Phillips said,

acting on our dreams rather than reality. Too much debt, equipment, space. A mistake. It struggled til 1985, then filed for bankruptcy. The stockholders turned it over to CEI, and we got the SBA, which was the first mortgage holder, to delay foreclosure until we could work out a deal to sell it to the town, which now operates it as a public dock. [9]

They also lost the Vinalhaven project. Nevertheless Phillips emphasized that the facilities still serve the fisheries as a public resource, and many of CEI's loans and investments in the industry -- some 40 in total -- had proved successful.

There was also a set of deeper reasons for the shift in approach. By the early 1980s, the Reagan administration had eliminated the CETA jobs, and CEI had shrunk to six or seven persons. Phillips then

...went on an asset development track. Like a funding machine on every project: Instead of having an idea and organizing entities, we said let's back people who are already doing things and support them. Instead of looking at problems, I started looking at assets. We got more responsive that way. [10]

It would be an important question what CEI thought of as an "asset". On the one hand, when CEI moved away from its more exclusive focus on natural resources sectors more generally into manufacturing and other small business finance, the enterprises CEI supported became stronger assets, in the narrow sense that they had the capacity to repay loans and thereby support CEI. CEI got capital for this from foundations and government programs, some in the form of grants, others as very low interest loans. They would then loan out at higher interest rates. [11]

There was also a broader vision of "assets." Supporting entrepreneurs, rather than sticking to natural resource industries per se, led CEI in certain complementary directions. One could say that CEI thought its responsibility was to the labor force that worked in firms, as much as to the entrepreneurs that organized them -- though this distinction could be blurred in Maine, where more than 50 percent of businesses had between one and four employees, and 12 percent consisted of the self-employed and sole proprietors.



Entrepreneurs and labor could be considered the same in many respects.

CEI developed a rationale for targeting sectors that tried to find the intersect between the viability of firms as "assets" in the narrow sense, and its social objectives. In its application to the Ford Foundation in 1983, it presented the rationale:

To realize the program's small business development and job generation goals, CEI will follow three general principles in targeting small business for investment. First, CEI will look to stable and growing sectors of the Maine economy, where small business plays an effective role. Second, CEI will maximize the development impact of its investment by concentrating on the "export" or "value-added" industries. Third, CEI will target those businesses and industries whose growth will create jobs accessible to the economically disadvantaged. [12]

Citing recent state studies, the proposal then made an argument that the stable and growing sectors it should focus on were "...manufacturing, especially durables, and certain natural resource industries." [13] It argued against a focus on the retail trade and service sector -- which would grow to encompass half the state's economy -- on the basis that it represented low paying, primarily part-time work.

CEI would probably argue against a strict separation of the "narrow" and "broader" (social) senses of assets. In its pre-1984 experiences with natural resources industries, it came to see the complementarity of the two: it had been drawn into training and small business counseling along with finance, perhaps because of the broad nature of the contacts it had because it saw its early work as organizing.

Even before the move to diversify and while it was working with the natural resource sectors, CEI people responded to finance, counseling, and training needs in a coordinated way. It then found that its organizing -- for example, the creation of an industry association -- might lead to a marketing

organization as later -- in 1985 -- in the case of Resource Trading Company, which sought to market the product of the fishing cooperatives it had financed; its training efforts might make it easier for labor to use new technology and, in effect, for a firm to find an effective labor force; its counseling might keep an entrepreneur from a disastrous mistake. All of these in turn would -- hopefully -- make CEI's investment more secure. In effect, CEI was turning "assets" in a "social" sense of potentially credit-worthy firms into "assets" in the narrower sense of likely to pay back the CEI loan.

During 1983-84, CEI was able to turn this sense of asset building into a more systematic operation through foundation and government grants that got it new staff. Between December 1983 and August 1984 three key persons joined CEI, later becoming "managers" of departments that carried out the training, small business counseling, and finance operations in systematic and coordinated ways.

Human Resource Development. Grants from the Ford Foundation and the federal Department of Health and Human Services (HHS) made possible a "training coordinator" position, assumed by Kathleen Kearney in December 1983. [14] This was the key to CEI targeting manufacturing firms, as they were a plentiful source of demand for low income persons as trainees. Under the terms of the arrangement CEI contracted with Ford and HHS, there would be a set of three way agreements involving the firm, the employment training and social welfare agency, and CEI.

In the Ford proposal CEI justified the marriage of training and finance on the basis that neither intervention would achieve maximum effect unless coordinated with the other. [15] Small businesses undergoing expansion needed

to minimize the effects of capital costs and maintain cash flow, but development finance specialists had overlooked employment and training programs

..as a source of cash relief...Wage subsidies for trainees and tax credits for hiring the disadvantaged are just two resources which can free up an expanding business's cash whether to cover increased debt service on new buildings or to purchase critical additional inventory. In the long run, employment training programs pay off in increased productivity and enhanced product quality, but their immediate impact on cash flow can be as positive as a low interest loan and just as important to insuring that a business survives the cash 'crunch' caused by expansion. [16]

CEI proposed that it (CEI) could be the key link tying together the development finance function (business loans) and the training function, previously carried out by state Department of Labor contractors, but not effectively tied to targeted low income populations like AFDC recipients, or to as many private firms as might potentially become involved in training efforts. What it proposed was a three way relationship involving the training agency and contractors (and the state Department of Human Services (DHS) where welfare clients were to be involved), the private firm seeking expansion funds, and CEI as monitor of the relationship.

It was already CEI's practice not to simply make loans to the firms involved. They made deals, in which each firm had to do a business plan indicating it would hire a certain number of low income workers. Involving the training subsidy and its goals added a new dimension. The deals would now be cemented by Employment Training Agreements, ETAGs. Phillips wrote the first ETAG in November, 1983, a contract in which a wood processing firm, Maine Woodtreaters agreed to take on a set of low income workers for training; Mountain Valley Training did the training under contract with the state Department of Human Services, and CEI would monitor the performance of the

several parties.

An evaluation report published in 1986 indicated the program in effect at 14 sites by September 1985. [17] In 1996 there were 75 active ETAGs, and there had been a cumulative total of 140. These had resulted in the creation of some 1400 jobs for low income persons, somewhat less than half the cumulative expansion of jobs through the program. [18] By then the process involving the ETAG had the same elements as in 1983, perhaps somewhat evolved -- there was a larger staff, more people at CEI were involved, and there was a much larger pool of experience in the firms and in the state agencies and their contractors. A 1996 document described two essential inputs from CEI: [19]

First, CEI structured a three-way contract. For each job-generating company, during the loan evaluation process, CEI prepared an "Employment Training Assessment." This included a set of key information to be taken account early in the financing process: a survey of personnel practices and needs, specifically tied to such topics as entry level qualifications; areas of new job growth and projected number of new jobs in each area; employment training needs; target populations, i.e. recipients of AFDC; and identification of education and training providers.

Based on the Employment Training Assessment, the parties sign the Employment Training Agreement (ETAG), which becomes part of the loan closing documents. This commits the business to targeting 50 to 75 percent of new jobs created (depending on loan funds used) for low income people referred through Maine's job training programs; providing employee benefits including health care coverage; and cooperating with CEI and job training providers, e.g. notifying CEI of all new job openings as they become available, and through monthly reporting.

The education and training providers commit to referring people with low incomes to the businesses for available employment positions; providing job training subsidies; providing such support services as child care and transportation; and reporting on referrals, placements, and training subsidies of low income participants hired by business.

The other key CEI role was monitoring. Kearney was convinced that the training programs would never work without CEI's monitoring role:

Our role is that we are there monitoring. If we weren't, if we just did the agreement and then walked away, believe me nothing would happen. If we see a classified ad we hadn't been notified of beforehand we are on the phone immediately, reminding them that the agreement says we are to be notified before any ads appear. There is a constant push on the system, more on the state agencies than on the firms, which are pretty good. [20]

These dual CEI functions were adaptations to the way the interactions between business and government, and among different government agencies and levels had evolved over decades. The state labor and welfare agencies inhabited different worlds from each other and from the private sector, and economic development specialists had been frustrated by these divides for decades. Kearney -- and later the staff working with her -- crossed the divide. In part it was her background:

I had a background in special education, worked for the community action agency where I was the program manager creating jobs for low income people. I worked with manufacturers to plan employment training programs. I also worked with CEI, which was running fisheries programs.

I had a family background in business, so I would say I am comfortable dealing with business owners. Many from the social service and training agencies are not, and so the connections to businesses are not made, or not kept up. CEI fills a gap by keeping the contacts going. [21]

There is also the question whether CEI has found a way to change the behavior of the firms and their owners. One CEI staffer thought so:

The firms are changing. They don't think of people as "welfare" or "AFDC" people so much, but as individuals with their own problems, but suited to their own individual slots. So they break up the stereotypes. [22]

Some in CEI might go so far as to suggest, in consequence, an emerging and different relationship between owners and labor. One factor that supports this view is the perception of professionals who train the "disabled". Training and placing this population in socially useful roles and jobs has created an opinion -- perhaps not shared by a majority, but still much more prevalent than in the past -- with the potential to change attitudes in other areas: all contributors, one might argue, are "differently abled," whether persons with physical or mental disabilities, those on AFDC for any of dozens of specific reasons, or the CEOs of companies. One could find this viewpoint among the staff at CEI, who claimed it existed in at least some of the companies that had experienced the ETAGs, as a result of the experience.

Technical Assistance: CEI's Small Business Assistance Center. In 1984 CEI contracted with James Burbank, a former executive with Kaiser Aluminum and Bath Iron Works, to provide small business counseling in connection to its investment in the Boothbay Region Fish and Cold Storage cooperative. [23]

Burbank, who had been trained as an industrial engineer, believed in a doctrine of management planning and organizational principles, and liked to set people up with a formula that was still general enough to adapt to each business person's particular needs. He would utter the management axiom POLC, standing for "planning, organizing, leadership, control," a set of functions that any business ought to perform, whatever the specific problem he or she came in with.

A staff counselor gave the following example: a woman had walked in wanting help getting financing for a set of improvements in restaurant. Rather than sit down immediately to help the woman with information necessary for the loan application, the counselor said, "Tell me some things about your business." It developed that the client rented rather than owned her space. The counselor then suggested that rather than invest in all the planned physical improvements, she could ask the property owner to make the improvements. In the end the client was able to cut her loan request in half as a result of the consultation.

Eighty percent of the small business counseling is to "microenterprises," that is businesses with less than five employees. But a parallel thing happens with larger firms. Typically, they come to CEI with loan requests occasioned by a new contract that might, for example, require them to expand from a current core of employees to as much as twice that. CEI counselors wish they would come to them before signing the new contract -- which seldom happens -- and end up often doing "damage control", for example suggesting such changes as hiring temporary workers for the duration of the contract rather than making commitments that could put the company at risk when the contract ends.

CEI's business counselors describe their core problems as those that arise when a small business moves beyond a \$500,000 gross sales level, typically requiring it to add on staff beyond the 1-4 range up to, perhaps, ten or more. Burbank describes this process as the classic "s-curve", and CEI's objective is to

get them through that phase. The typical business has good mechanical skills, and internal communication and organization is not a problem with less than five persons. Beyond that, we provide them with help in

marketing, and a sense of cash flow. [24]

Businesses, in fact, face critical decisions of this sort from time to time, each with consequences that could destroy or seriously hamper the business. The point of having advice available was to cut down the failure rate of businesses. What difference does CEI's business counseling make? Burbank cites a figure of 37 percent as a "hit rate" on loan applications after counseling, compared to 20 percent without counseling; if the loan officers tend to be right in their underwriting decisions, then the difference counseling made was 17 percent. His calculations on comparative five year business failure rates are even more dramatic: a U.S. Small Business Commission study suggested a 60-90 percent rate of small business disappearance after five years (not all these would be "failures"); Burbank claimed a ten percent business failure rate among his counseled clients.

Burbank cared about the form of interaction between CEI and the firms, however, as well as the substance of the advice. Burbank wanted each client to "walk out of here with his/her head higher than when he or she walked in." This meant that sometimes counseling was a little non-directive. "We try to encourage them to think about their business in a systematic way, and refrain from specifically advising one decision or another, unless asked." But Burbank thought the attempt to delve relatively deeply into the fundamentals of business management set CEI's counseling apart from other small business centers, which tend to solve surface problems without finding the underlying things that caused the problems to arise.

Small business counseling was part of CEI's approach from the beginning. But it took time to create the resources to fully develop this component of the organization. From 1984 to 1989 CEI was able to put in place the foundation of



a growing technical assistance effort. At that time CEI received a contract from the federal Small Business Administration to set up one of Maine's six Small Business Development Centers. By 1996 CEI had, in addition to Burbank as manager of the center, four associate counselors, an administrator, and three volunteer counselors. They were servicing 2000 persons per year on the telephone, 1000 in workshops in 1995, and 500-600 in one on one sessions. About half of the support for all this came from the SBDC funding; the other half as services provided for in CEI's Women's Business Project and various loan programs. About half of the support for all this came from the SBDC funding; the other half as services provided for in CEI's Women's Business Project and various loan programs.

Women's Business Development and Microenterprise. By the mid 1980s, CEI recognized the beginnings of an emerging market: women's business. Ellen Golden, who had been on CEI's staff as an administrator and editor during the earlier period, took six months to study women's economic issues during 1985. [25] Others around Maine and the nation had begun to research this issue, and Golden discovered there were projects that could be done in Maine that fit CEI's sense of its mission: many of Maine's poor were female household heads, there were barriers to female economic advancement in established work places, but there were also barriers to women going into business for themselves which, if CEI could contribute to their removal, might substantially advance the cause of equalization of wealth and power.

She began by doing a survey of women's businesses.

I started with the idea of a survey in Damariscotta. It just grew, and in the end we did a survey statewide. We did 3500 questionnaires, very long, ten pages. We got about a twenty percent response and while the methodology

may have had problems, there was very little information on the subject at that time, and the results were very useful.

The information from the survey was fascinating. CEI had been targeting natural resources industries and manufacturing, looking for leverage and job generation. The survey revealed that we would need to develop different loan policies if we wanted to help women get access to credit.

After the survey, we developed services for women that were also a big learning experience for us. I worked with the Dean of Continuing Education at Southern Maine Technical College who turned out to be a wonderful person. We did conferences and workshops. Eighty women came to the first event. It was such a success that he suggested that we do similar programs on all six campuses. With his support, we were able to get all of the campuses involved.

And we created local planning committees to help plan the workshops, trying not only to get good speakers, but also involve local persons who could foster the process afterwards. This built support.

In the end 500 women from around the state participated.

I also did focus groups to understand better the issues women face in getting access to technical assistance and financing. One group was women who'd had experience with SCORE volunteers, another who'd experienced interaction with SBDS counselors, a third who'd had neither. We asked them to describe their experiences, and what was positive or negative. We then used the information generated by the focus groups to develop training and presentations for groups such as SCORE, the SBDC, and bankers.

Several parts of CEI's program were already oriented to issues involving women. The Targeted Opportunities Program had found that AFDC mothers were not enrolling in expected numbers due to lack of child care options, which would start CEI on the track of support for home based and larger child care businesses. By the mid 1990s at least one loan officer was specializing in these businesses. But the Women's Business study gave more impetus to the micro-enterprise lending program in general, because of the finding that women were disproportionately represented in these very small enterprises. By 1996 there was one counselor in the Small Business Assistance Center who specialized in working with women business owners.

Golden also played a policy research role, a pattern that had typified much

of CEI's previous work and that it built on later. She researched and developed ideas that were, in part, carried out by others, in the finance (loan) and business counseling departments within CEI, each with four or more persons. She also reached out to such people as Kathy Keeley, Paula Mannillo, Jing Lyman, and Sara Gould nationally, and Eloise Vitelli, Sally Davis and Gilda Nardone of the Center for Women, Work and Community among Maine leaders. [26] These networks provided a new dimension to CEI conceptually, and opened up new funding opportunities as well, such as Vocational and Adult Education funds that financed the cooperative work with Southern Maine Technical College on the workshops and focus groups.

Loan Programs. The training, business counseling and women's enterprise activities -- perhaps it is not too much to say -- made possible the rather elaborate development of CEI as a finance insitution by the mid 1990s. In 1983 CEI was financing natural resources firms, but had only begun to diversify its portfolio. The targeted opportunities training programs made possible diversification to manufacturing and other firms, and later resulted in child care funds. The Women's Business Development initiative became a critical part of the Enterprise Development loan fund. At least one loan officer and one small business counselor who specialized in womens' business issues were engaged at CEI.

The addition of loan programs -- and accompanying support operations of various sorts -- resulted in the addition of more persons who could play the "loan officer" role and also the development of teamwork requirements and opportunities involving the loan people with other departments. This is indicated with reference to the following table: [27]

Program and Year Begun	Positions, 1996		Impact		No. of Loans
	Loan	Other	CEI \$	Other \$	
Nat. Res. 1979	1	1	4	12	65
SBA 504 1984	1	0	10	30	30
SBF&ET 1983	3	5	10	30	120
Micro-Ent. 1986	1.5	2.5	3	3	350
Child Care 1988	0.25	0.25	2	3	70
Aff. Housing	0.25	3	1.5	5	14
Venture Cap. 1994	1.5	0	1.2	3.6	16

This development of the finance activities and positions dated from the arrival of CEI's first loan officer in 1982. Then in 1984 Blake Brown, who would become CEI's Chief Financial Officer, assumed the position. [25] Brown represented the addition of mainstream banking experience to CEI's development capacities, and he was instrumental in building the loan staff to its complement of eight persons a decade or so later.

From the perspective of CEI as a development finance agency, this evolution represents a diversification of an investment portfolio. In what we termed the "narrow" sense of assets, CEI was building a set of investments that could pay off in the sense of profit for the organization. It was finding funding from government and foundation sources, getting it assigned to itself and then investing it at a higher but reasonable rate, thus taking care to safeguard its own financial interest.

Even on narrow grounds and apart from its diversification, CEI was filling a finance vacuum (often described as "gap financing"). Banks sought safety, and tended not to go into the field to investigate prospects in depth. [28] CEI sought safety too, and did its finance in a professional way. It sought banking experience in hiring loan officers. It had default rates that it targeted, as a bank would. CEI loan officers knew that banks sought default

rates of one percent or less. CEI had default rates of five percent and more on its invested capital. In part and very much on the low risk end of the scale, CEI's niche resulted from the gap in services created by bankers' practices, and in part from the increasing gap caused by the withdrawal of some banking functions as a result of mergers and centralization. [29] So apart from any social objectives, there would be a place for CEI's finance.

Helen Scalia, a CEI loan officer, thought that the difference was, in part, just that they took more care in examining a loan application:

We look at more or less all facets of a loan application. Banks tend to segregate functions. The loan officer of a bank does the intake interview but then someone else does the credit report and the underwriting decision (i.e. as to whether the application is credit-worthy).

Here, I do my own credit analysis, check the Dun and Bradstreets, inspect the site 97 percent of the time. And also the other units do too, sometimes Art or Lisa of the employment training department go with me, so there is some synergy discussing the situation. [30]

The "social" goals were, however, always in the minds of the CEI finance people. The progression across and down the chart above reflects a mix of conservative finance and social objectives. On the one hand, the "other positions" represent services that made CEI's investments more secure than they would have been had it simply invested in a business without the services.

A firm might need finance, for example, but there would also be other needs: employee training, but also child care help, business counseling, perhaps help with housing. Mainstream agencies did not need to think in such comprehensive terms. A bank, for example, considering loans to "qualified" firms, did not need to worry about the child care needs of its employees; and perhaps a bank could assume that a firm that qualified for a bank loan did

not need counseling on business practices. CEI, focusing on the "margin", not only needed to, it found that it could improve its bottom line by finding the margin of firms and labor, nurturing it in a coordinated way, thus insuring its loan paybacks.

At the same time, the new services served social objectives that the government and foundation funders wished to serve: child care, training, the economic status of women, affordable housing. Thus, CEI's organization and history resulted in a hybrid finance operation: loan officers sought profitability and social objectives at the same time. CEI staff frequently refer to a tension between the units more explicitly devoted to "social" objectives, and the finance needs of the organization. And CEI's loan officers insist on their constant attention to both types of demands.

Another loan officer, Kate Josephs, described her role thus:

In the loan department we all commit to social benefits: jobs, fish, child care... It is true that Kathy [Kearney] pushes us. That is a big factor. But we worry about this ourselves too. It boils down to two goals I have as a loan officer. One is to be repaid and one is to make a difference.

We have a chart we use, with two axes. The vertical one is social benefit. The horizontal one is risk. If you divide it into four quadrants, you can see where we are.

Social Benefit :	:	:	:Return
:	CEI/Banks	: CEI	:
:	:	:	:
:	Banks	:	:
:	:	:	:
:	:	:	:
			Return

Every now and then each loan officer will take time to plot where their deals lie in the model. We aren't interested in the lower left. That is where banks are. We are interested in the upper left: high social benefit, low risk. Of course banks go there too, but we'll go off to the higher risk margin and try to drag banks in with us toward the higher risk, higher benefit area as partners...[31]

The loan officers wrote detailed recommendations for each loan they supported or denied, including both risk and social factors. Once a researcher went through the reports and pulled out the social factors used, a list that included many things: perhaps the targeted opportunities factors were important, as were good jobs, selected sectors CEI was supporting, and the income or handicapped status of the persons who would be filling the jobs.[32]

Housing. CEI had not begun with housing in its earlier period, in part because there was already a community development housing organization in the area, Downeast Housing Inc. Downeast eventually went out of business, so in 1988, CEI had a consultant do a business plan for a housing program, and hired Howard Dupee in 1989 to pursue it. By 1996 Dupee was able to claim a \$1.5 million revolving loan fund for housing, and 200 units either built or in the planning and development stages. CEI also fostered a church based housing fund, The Genesis Fund, in which several local churches contributed between \$10,000 and \$30,000 each which, together with other contributions, resulted in construction of Ward Brook, a nine unit development in Wiscasset for very low income families, managed by CEI.

Housing by its nature would be somewhat separate from CEI's employment generation work, but there were nevertheless many points of contact. Businesses such as group homes might start out seeking business loans, but end up working with the housing group. Contractors seeking business counseling would be referred to Dupee. Youthbuild was a contract with the federal Americorps program to train volunteers in housing construction. [33]

Fisheries. CEI had begun with fishing, and its first major breakthrough was its successful completion of the deal to rebuild the Boothbay Harbor Fish and Cold Storage facility in the early 1980s. [34] After that effort went into receivership in 1985, CEI's investments in the fishing industry were having an impact such as the Portland fish pier to support infrastructure and marketing facilities. This turned out to be strategically sound, and Portland emerged as the anchor of the Maine groundfish industry.

More recently, CEI involvement came in response to the federal Groundfish Management Plan, announced in 1994 which would have major repercussions on the industry: in response to depletion of groundfish species the plan included (a) limits on the number of fishing days, (b) area closures, and (c) enforcement of larger mesh sizes on nets aimed to preserve the younger stock. As fishing interests sought a sense of how to respond, Phillips was able to draw on CEI's credibility with the industry to help organize a response. He was able to get their support for a program that would give fishermen a measure of control over their futures, and help preserve the infrastructure of the industry while stocks were replenished. The key instrument was the Maine Fisheries Revolving Loan Fund, capitalized at \$2.3 million through a grant from the federal Economic Development Administration in August 1995. Fishermen could get financing to help them stay in business fishing, to get equipment necessary to comply with the plan; or to get out of the business and start up a related business: loans supported such new activities as a mooring supply business, a marina that would employ fishermen in mechanics jobs, a boat building business. There would also be workshops provided by Jim Burbank, for fishermen who wished to explore what their options were.

Elizabeth Sheehan, who began work as the main organizer of the Fisheries



Program in the summer of 1995, spent much of her time making contact with the fishermen themselves. By May of 1996 she had been in contact with at least 100 fishermen. In part she followed Phillips' lead, retracing the route he had followed with the Boothbay fishermen fifteen years earlier. Some of their commitment to CEI reverberated for her:

I spoke at the Lion's Club in Boothbay. There were all these pickup trucks. It was all men, about three women. But people remembered CEI. They came up to me. They knew we were a friend of the industry.

We aren't necessarily doing "organizing." And yet that is my inclination. There is incredible support out there. I'm looking at this industry facing major changes. Organizations, institutions are in varying stages of disarray...it's hard to see how CEI can play the best role in support of them, apart from the financing...[35]

Fisheries was, thus, a rearguard action. Sheehan's challenge, and CEI's, was to avoid a rout -- to organize an orderly retreat so the fishermen could come back and prosper later.

Policy Research and Development. In 1992 Carla Dickstein began working at CEI, initially as an unpaid consultant, researching the policy environment and the funding environment. She had received a PhD in city planning from the University of Pennsylvania and worked at the University of West Virginia, but much of her experience -- she had directed a housing rehabilitation and training organization, and her dissertation was on worker cooperatives -- suggested the kind of work CEI was doing rather than a pure academic career track.

Dickstein began exploring the possibilities that by researching sectors of the Maine economy, she might be able to identify in advance possibilities for CEI to play a role. She wrote a policy paper that CEI circulated suggesting

topics key staff people might try to exploit. She wrote a grant proposal to the Aspen Institute to study opportunities for environmental industries in Maine, which was successful, and spent much of 1993, now on regular staff status, doing that study, a scan of environmental firms already in operation, and possible new opportunities occasioned by the need to clean up pollution and pollution sources. One result was the creation of the "Green Fund," a loan fund that CEI could use to support environmentally related firms; and the installation of Diane Branscombe as a small business counselor specializing in environmental firms.

Dickstein's role expanded quickly, in part because there were so many opportunities for CEI to provide advice and exert influence. CEI, having achieved credibility in the economic development field, found itself able to link up with other agencies, nonprofits and private firms. With cross "departmental" responsibilities, she was able to play the role of exploration with these groups.

Ron used me to link to new areas. I knew Phil Shapira's work [in technology transfer] from West Virginia, and urged Ron to pay attention to areas that had funding potential, e.g. industrial extension money from NIST, National Institute for Science and Technology; and funding for environmentally conscious entrepreneurs. We became part of that loop, but never got the funding...

So I have the initiation role. Then there is the hand-off. The Green Fund went to Jim Burbank, through Diane Branscombe. [36]

CEI already had done much thoughtful research in natural resources, small enterprises, women's business, child care, self-employment for AFDC recipients, and ETAGs. There were some sector studies, particularly in natural resources. Dickstein later did do two pieces on science and technology topics. [37] By 1996 she was able suggest a reasonably long list of topics that CEI had taken at least some interest in, in addition to the environmental topics:

- Defense Conversion. Dickstein's first memorandum to Phillips had been a thoughtful discussion of the possibilities for CEI intervention in the defense conversion issue for Maine firms. She also did two other reports which CEI published; but her main conclusion was that the best approach would be, rather than intervene directly in defense dependent firms, CEI should focus on identifying alternative product opportunities and sectors. In part, what she based this on was the finding that most Maine firms were not defense dependent. So this research did not result in CEI moving into the defense conversion issue directly. It had supported U.S. Felt, which became an actual case of conversion. They had been 95 percent defense, and now were 95 percent commercial. But they had known what they were doing before CEI got involved.
- Employee Stock Ownership Plans (ESOPs). CEI had another connection with a defense conversion issue, but this came about through a buyout, which CEI helped with a loan. Howell Labs had been 50 percent defense; in the course of restructuring through the employee buyout, it set on a course that reduced its defense dependency.
- Fishing Industry research. Phillips, having started tied to the fishing industry, was willing to stay with it despite it being a difficult sector due to the regulation of fishing to conserve depleted species. In 1994 CEI designed a program and submitted a proposal to the National Fish and Wildlife Service to support the sector, and had Sheehan as a full time staff member working on the fishing sector from an office in Portland by

1996.

- Sustainable Development. In 1995 Phillips had presented a paper on sustainability and community based development at a Muskie Institute-sponsored symposium. The more general concern was how to find specific ways to support "sustainability" -- a recurrent theme in CEI goal statements. This became the topic of an occasional seminar involving Dickstein, Sheehan, Branscombe and John Piotti in 1996. Piotti had come to CEI with a plan to support sustainable agriculture methods in 1995, and was successful getting a research and development grant from the U.S. Department of Agriculture, through CEI and was pursuing it with some CEI staff support.
- Energy. CEI was looking at what role it might have in developing renewables -- solar, wind energy, biomass. In the late 1970s, CEI had gone down a path of promoting energy self-reliance. In the early 1980s, they invited in a Solar technology company. They knew there were some small firms in Maine in these fields; and a large wind energy operation in Northern Maine. The question was what potential there was for growth in these sectors.
- Worker cooperatives. Cooperatives had been a part of CEI's early history, including worker cooperatives. In the mid 1990s CEI considered and discussed a home health care corporation on a NYC model, but retreated when it saw the fast pace of change in that market, with too many mergers and acquisitions making new initiatives risky. They had engaged a summer intern to look at the portfolio to see if there is a potential exit strategy, on the other hand, in ESOPS, where a CEI investment might phase into a worker

buyout over time. CEI brought in the Industrial Cooperatives Association to consider how an ESOP might lead to further restructuring from worker ownership, to cooperative worker management.

#### CEI's Community Development Theory in the 1990s

By 1996, CEI saw its environment as much more complex than in the past. CEI still valued its earlier efforts, and strove to keep to its basic goals. [38] But in its funding proposals it was now admitting a challenge to its organizing principles:

CEI's vision of a 'sustainable society where there are significantly fewer people with low incomes, more people with adequate housing, more community reinvestment, more worker ownership of business, and more people participating in decision making processes' is challenged by trends occurring in Maine. We have a daunting task before us. [39]

In the same document, CEI noted increased underemployment, a distribution of wealth increasingly concentrated at the top, impending monumental changes in the substance of governmental entitlements and social services delivery systems. They saw the private sector delivering more of these services and training, a proliferation of nonprofits "scrambling to fill needs and compete for private dollars, but many will not survive..." At the same time, it saw business startups, both microenterprises as individuals face unemployment from downsizing, and as larger firms sought to respond to markets.

But business will innovate; those with strong balance sheets will find financing more easily, as big banks consolidate and community banks thrive; while the proliferation of revolving loan funds and non-profits will find ways to infuse equity into the weaker firms; contingent on avoidance of recession. [40]

At another level -- it would be too much to say this was CEI's agenda at least until recently -- what was evolving was a way to deliver services, as well as financing, different from the direct aid model that had served government since at least the beginning of the postwar period.

What analysis lay behind these statements and concerns? Most fundamentally there was a change in how CEI perceived its environment and the options for acting on it. In the 1970s the government still ran a welfare state, the corporate economy was still the engine of growth. The problems were ones of distribution, local control, and neglected niches that CEI hoped to fill. By the 1990s CEI saw the situation was much more complex. The following chart outlines one understanding of the changes:

<u>CEI's approach:</u>	<u>1970s</u>	<u>1990s</u>
1. Perception of events	Outside owners create leaks	Niches multiply, Outside capital retreats, inequalities increase, gov't cuts.
2. Analysis of causes	External profit maximizing ignores local niches, mainly in primary sectors	Foreign competition up; mass production firms cut back; finance speeds up; CEI can't predict sectoral growth.
3. Intervention points	Start businesses in value added sectors; Organize sectors; advocate legislation	CEI does finance in support of local firms, leverages safety net deals from private firms

CEI had always had a critique, not only of economic outcomes, but also the underlying structure of the Maine economy. This had appeared in the 1978 Title VII application. Carla Dickstein restated this theme in her initial paper at the end of 1992:

One theory explains poverty by individuals' deficiencies in skills and attitudes...Another theory points to structural problems in the economy that create poverty of certain classes of people. This approach looks towards the present structure of industry (ownership, control, sectors) and resulting employment (types of jobs available) as creating an increasing polarization of income, with more poor and rich people at each end of the spectrum. [41]

A more detailed sketch of CEI's approach to the Maine economy is evident -- perhaps -- from staff comments and memoranda, and most notably, its Economic Development Platform. In late 1993 CEI prepared the Platform for the consideration and use of candidates in the following year's gubernatorial elections. The Green Party candidate responded with forthright enthusiasm, but the document went into at least limited public circulation, and reflected the contribution of all major CEI staff voices. The Platform was less explicit in its analysis, but did assert that economic development "...requires structural changes in the economy -- in industry, technology, structure of ownership and control of assets -- that ...develop and expand the distribution of assets (housing, capital) among the population...[42]

One can argue, in fact, that with the loan funds as leverage, CEI saw some possibilities for at least long term changes in economic structure. It saw ESOPs, for example, as an "exit strategy" for its venture capital funds, but Nat Henshaw also imagined that equity participation through venture capital investments might lead to some gentle influence on firm management style and structure. [43]

Dickstein had, at the outset of her tenure at CEI, stressed the role of changes in the internal structure of firms, in her initial memo on policy in December 1992:

If research showed that structural problems of the economy were as much a

problem as skill deficiencies, then it would be important to look at ways of changing the types of industry and their internal structures of ownership and control in order to provide decent paying jobs and affect the distribution of income. [44]

Redistribution. A more pervasive CEI theme was the importance of putting wealth in the pockets of those who have least through a number of instruments: support for small business because it creates jobs; support for social welfare policies that support single women and reduce child poverty; progressive tax/fiscal and regulatory policy that supports entrepreneurs, including the micro-enterprises that Golden found characteristic of women in business. Redistributive goals are really a theme that goes through CEI's programs: housing and child care, the micro-enterprise funds, and the ETAGs.

Dickstein had put such "redistributive" measures in a temporary category, not to be confused with "structural" changes:

Research may also determine that for either political or capacity reasons, these [structural] variables cannot be manipulated in the short run and that manipulating access to skill training or financing is its best leverage for creating more jobs for low-income people in a given industry. As CEI continues to monitor external conditions (e.g., persistent recession or change in administration), it may have more scope to consider new strategies. [45]

CEI's justifications of redistributive policies are, informally, the Keynesian argument that money put in poor peoples' pockets recirculate, and without more wealth at the bottom of the wage scale, few others will do well either. [46] The Platform was less articulate. It was forthright in describing the problem of wealth distribution:

Middle and lower-income Maine people are experiencing a decline in their purchasing power. To compensate, most families require two working parents. This raises other social issues around child care, transportation, stress, health and well being that puts the family at risk. [47]



The most it could say about the root of the problem was, at bottom, a call for attention and research:

Workers with increased purchasing power buy a different bundle of goods and services, hopefully generating demand for more local goods and services than if profits are not redistributed or exported out of state (This needs to be verified empirically). [48]

Government. CEI's statements on the future of government programs seem important, if tantalizingly incomplete. Various statements exist of the need to "...build an inclusive capacity in the community to identify problems and ...undertake development programs." [49] Perhaps this suggests something about the structure of government, but CEI's statements, while constructive, have tended to be ad hoc, urging the government to support specific ideas within its existing structure. In a briefing for a congressional candidate in April 1996, Phillips suggested that Congress might while it "reinvents" government, consider the product as a three component relationship, with nonprofits like CEI playing an intermediary role between a downsized government and newly responsible business sectors. Most discussions, he noted, featured committees of government actors thrashing out their functions and relations with one another, leaving out external relationships that were becoming more, not less important.

Government needs to get beyond 'government to government' thinking, and reach out to new alliances, privately driven planners, and generally the nongovernmental market. [50]

The comment resonated with Kearney's successful experience mediating the

productive interactions of state agencies and firms around training and welfare reforms, with Dupee's comments on the difficulties of doing housing finance with so many sources of finance and authority over any deal, and with the expanding role of the loan programs happening in response to government changes.

### Issues

This understanding of the changes in CEI's approach and the "principles" by which it operates is incomplete, but points to the following issues as important to resolve in the future:

1. Does CEI's focus on smaller firms provide an adequate handle on major trends in the economy, maximizing its leverage to achieve its redistributive and structural objectives?

There is an important theoretical position supporting the small business emphasis. Piore and Sabel, in their 1983 book The Second Industrial Divide, argued that the era of the mass production firm, producing relatively uniform products that could be marketed to a mass consumer base, was over and that smaller "craft" production methods and niche marketing was more appropriate to the future. [51] They cited two reasons: consumers had become wealthier and differentiated in tastes and so would support specialty products; and producers had also become more differentiated in their skills and preferences.

This view seemed to justify the downsizing and contracting out that swept

the large corporate world in the 1980s, explained the success of small business and even micro-enterprise, and the at least temporary acquiescence of the labor force to the loss of secure jobs: some at least gained in freedom, what they had lost in the security of big corporate jobs.

Economic development specialists embraced a new kind of thinking: small business produced more jobs, they reasoned, and networks of manufacturers and other sectors might be as productive of income as the larger corporations they replaced. Incubators became a popular form of development tool as one result.

Piore and Sabel had made a further observation that many advocates -- too trusting in the capability of markets to be wise -- missed. The large corporations had provided many services and resources to the smaller units that would still be needed: benefits and secure wages, financial planning, legal advice, training, and job placement were key things. Defective, perhaps, but still a foil for debate, they provided an overview and a political stance about how an industry should relate to the larger society.

CEI, in fact, steps into many of these roles in its environment, and Piore and Sabel go some distance in explaining CEI's success. But some issues do remain. Most important, CEI is only a relatively small actor in its region, and cannot by itself defeat trends that are much larger than itself.

Dickstein may have had it right in her 1992 policy paper:

One option for implementing a longer term strategy is for CEI to sponsor research specifically to affect policy at top levels. It may conclude that only policies creating major pools of resources or systemic legal

or regulatory changes can overcome problems and enable CEI to carry out its mission. [52]

2. Planning and Research. CEI does deals, not planning. This said, they also do the most careful research on deals. They move carefully, and do reconnaissance of the economic environment.

It may be, though, that CEI can make a larger contribution to changing the economy by doing more planning, or encouraging more planning by someone else. The kind of research necessary to protect its own investments and to scan its environment is not the scale necessary to influence others, or government more generally.

A good example is the research question raised in the Platform. What are the spending patterns of the poor and middle class, and do their multipliers relative to those of the more wealthy parts of the economy justify redistributive actions of the type CEI advocates? There have been arguments of this nature made in the economics literature, and there are quantitative analysis tools readily available to support them for particular counties and regions. [53] It would be helpful to CEI and others to have more emphasis on these tools and scenarios.

3. Given the retreat from government provision of a "welfare state" can CEI (and similar institutions) play a more active role recreating a social contract deal by deal, firm by firm, government by government? The ETAG seems a model for this: can CEI extend it from training to other functions?

Phillips was right in his critique of the "reinventing government" vogue, and it applies as well to Osborne's and Gaebler's volume of that title, adopted with little criticism by liberals intent on catching the tide of privatization. [54] From CEI's perspective the effect of government "reinvention" may well be a picture of public agencies, facing budget cuts, unable to think clearly about better relationships with the private sector; and private firms, facing an anarchy of government withdrawal, facing huge uncertainties about the institutional framework it hopes to do business in.

CEI, in its specific deals and relationships, comes out looking pretty good from all sides, since each of these structures productive working relationships. In the longer run, CEI could be a victim of inappropriate government downsizing and loss of funds, not to mention larger economic decline if government does not stabilize its role.

CEI needs a strategy toward what government roles should be. It probably could fashion this cooperatively with the firms and agencies it has already built a track record of successful dealings with.

4. There remains a question of nourishment of civic institutions, basic to any government role. For urban CDCs focusing on housing, this function is often a priority for direct action through community organizing. What is CEI's stance toward this?

What CEI has done is organize business sectors. It has organized the previously unorganized, from small farmers, fishermen and aquaculturists to

women, child care providers and housing developers.

This role may be antithetical to a direct organizing approach. CEI's staff mostly don't look like organizers in the traditional sense: Phillips characterizes them as "a mix of researchers, developers, lenders, social service providers and organizers." [55] What CEI has done, though, is contribute to a climate of opinion where a mobilized citizenry is more likely than otherwise. It still may be unlikely, due to forces much larger than CEI.

## FOOTNOTES

1. Herbert Rubin and others have referred to such principles as an "organic theory", in that it comes from within, rather than being imposed from outside or applied by academics or other observers. See Herbert J. Rubin, "There Aren't Going to Be Any Bakeries Here If There is No Money to Afford Jellrolls: The Organic Theory of Community Based Development," Social Problems, Vol. 41 (August 1994), pp. 401-424; and R. Giloth and D. Casey, "Reinventing CDCs: Twenty-five Years of Community Planning and Development in Baltimore." ms., April 1995.
2. Examples of the earlier natural resource studies are: Sheep: Food and Fiber. Planning Report of Coastal Enterprises, Inc Sheep Development Project, n.d.; Cartter, Christian with Thomas P. Dowling, The U.S. Broiler Boom: New Pressures and New Possibilities for Maine's Contract Poultry Growers. Final report of the Poultry Planning Project, October 1980; and Clime, Richard and Douglas Hamill (ed. Ellen Golden), Growing Oysters and Mussels in Maine. A project of the Aquaculture Development Workshop, a program of Coastal Enterprises, Inc., Bath, Maine, 1979. 46 pp. Apparently influential in appraising some of these efforts was Vail, David. Going for brokers: fourteen lessons from five wholesale marketing efforts for small Maine farms. Department of Economics, Bowdoin College, Brunswick ME 04011, May 1983. A recent piece indicating continued CEI interest in these sectors, however, is A Food Processors Market Research Study. Submitted to The Northern New England Product Development and Marketing Center by Maine Food Processors Association in cooperation with CEI, Inc SBDC., November 15, 1993. 5+10pp.
3. Ron Phillips interview, April 24, 1996
4. Title VII proposal ; Phillips added similar language in a Preface, Clime and Hamill, op. cit.:

...The prospect of an alternative industry offering income and equity opportunity, a primary motive in founding the ADW, remains of great interest today. The midcoast region suffers from high unemployment, dependence on a seasonal, low-paying tourist industry cannot provide the substantial benefits of a revitalized natural resource ecoomy..

Aquaculture also holds the potential for efficient food production. Spanish mussel culture, for example, compares strikingly in terms of efficiency with equivalent investments in food production from land. Furthermore, aquaculture can contribute to the protection of the environment by limiting the placement or expansion of competing, polluting industries...

The ultimate scale of industry development in Maine is unknown...

5. The best Gunder Frank citation is Andre Gunder Frank, "The Development of Underdevelopment," Monthly Review, September 1966. The related idea of "internal colonialism" characterized much of the U.S. literature in the

- 1970s. Examples include Helen Matthews Lewis, Linda Johnson and Donald Askins, ed., Colonialism in Modern America: The Appalachian Case (Boone, NC: The Appalachian Consortium Press, 1978.
6. The CEI Story. Script for a slide presentation. 3pp. Appears to be about 1986.
  7. Coastal Enterprises, Inc., "Small Business Finance and Employment Training Project. Submitted to Ford Foundation, April 1983. 48pp. plus appendices.
  8. Phillips, interview, April 24, 1996; Kupel, Jim. "Ron Phillips: Nurturing the Social Conscience" Maine Enterprise, Sept-Oct. 1986, p. 62.
  9. Phillips, interview, April 24, 1996.
  10. Ibid.
  11. Blakeslee Brown, interview April 23, 1996.
  12. "Small Business Finance...", p. 19.
  13. loc. cit.; citations are Maine State Planning Office, The Maine Economy: A Forecast to 1990, and [Maine State Planning Office], Belden Daniels, Small Business Development Finance in Maine: Draft for Discussion. ]
  14. Katherine Kearney, Interview, May 7, 1996, provided much of the background for this section.
  15. op. cit., p. 28. The proposal cites Peter Bearse, Linking Manpower and Economic Development: "Independently, neither [economic development] nor [employment training] programs can reach their development potential.
  16. Ibid.
  17. Thomas P. MacDonald, CEI Small Business Finance and Employment Training Project: Final Evaluation Report. University of Southern Maine, January 1986. 34pp. plus appendices.
  18. Communication from Ron Phillips, July 16, 1996.
  19. CEI internal document, "Targeted Opportunities Program Index," probably 1996.
  20. Katherine Kearney, Interview, May 7, 1996
  21. Ibid.
  22. Art Stevens, Interview, May 16, 1996
  23. This section is based on interview and coversations with James Burbank, Tyrell Russell and Diane Branscomb, April 23-May 16, 1996



24. James Burbank, Interview, May 1, 1996.
25. Ellen Golden, Interviews and coversations, April 25-May 16, 1996.
26. Among the research Golden accessed were such items as: Sara K. Gould, "Economic Development as if Women Mattered: Some Thoughts and Model Programs," keynote address at the conference "Montana's Economic Development as if Women Mattered, September 1984; and Nancy Nye, "A Proposal to Enhance the Role and Leadership of Women in Community Development," unpublished paper, June 1992; and "Putting Women in the Picture: Gender Analysis in Economic Development Planning," case study prepared for the Ms. Institute on Women and Economic Development, August 1992. Some of this is cited in Ellen F. Golden, "II. A Gender Perspective," in Richard Barringer, ed., Toward a Sustainable Maine: The Politics, Economics and Ethics of Sustainability. Portland, ME: Edmund S. Muskie Institute for Public Affairs, 1993, pp. 219-234.

Golden said:

When I started doing the work on women in the economy I got ideas from Sara Gould, who is a peer, and Jing Lyman, who had an organization where Sara worked. She developed the survey I used. It was designed to generate community participation. I took the survey but not the participatory process.

There are other women who have been doing economic development: WEDCO in Montana; Kathy Keeley who started WEDCO; and Joan Sweeney who helped with the focus groups. (Golden, loc. cit.)

27. Blakeslee Brown, Interviews 25 April 1996 and May 6, 1966 contributed generally to this section. The table on loan programs and impacts is drawn in part from data supplied by Irene Grondin.
28. On one bank visit in May 1996, Phillips and Nat Henshaw, in charge of CEI Ventures LPA, were seeking an investment in a venture capital fund. They encountered a senior bank official in the hallway and asked if he would be attending the meeting that had been set up. "What's it about?" the banker asked. "Venture capital," said CEI. "No, I stay away from that," the banker said. "You know what I call it? -- Adventure Capital."
29. Jim Burbank told the story of one bank manager in a large chain: "He had a hit rate on loan applications of 100 percent. He'd figured out they had these teenagers in the central office making decisions by a set of rules based on what was in the applications. He figured out what the rules were, and then if he wanted to get a loan approved he simply filled in what would satisfy the central office response."
30. Helen Scalia, Interview May 7, 1996.
31. Kate Josephs, Interview May 16, 1996.
32. CEI internal document, 3pp.

33. Howard Dupee, interviews April 23, May 15, 1996.
34. Interview, Elizabeth Sheehan, May 15, 1966.
35. Ibid.
36. Interview, Carla Dickstein, May 14, 1996.
37. Linda A. Wilcox, "Creating Jobs in Maine," Public Welfare, Fall 1988, pp. 13-18 (based on an original paper co-authored by Ron Phillips and Kathy Kearney); and see a later piece, Valerie Rutstein, Targeting Economic Growth to Reduce Social Welfare Dependency: A Case Study of a Best Practice Employment Program, unpublished MRP Thesis, Department of City and Regional Planning, Cornell University, 1996, which served as the basis for Case Study: An Employment Strategy That Worked. Wiscasset, ME: CEI Research and Policy Reports, Number 1, March 1996.
38. Phillips, in a tour of his earliest success in Boothbay Harbor, described the unforgettable impact of sharing the initial success in refinancing the Boothbay Region Fish and Cold Storage, with fishermen who had been pressed for years by developers who sought their waterfront sites for tourism related investment. "You don't forget those youthful moments," he said. "But we get older, and we have to move on."

On another occasion Phillips paraphrased John McKnight:

...the value that encourages the productive potential of community's local economy compared to development that creates a consuming or dependent community; second is the value that a community treats conservation of resources as a regenerative asset rather than one that feeds consumptive patterns; and the final value is a development process that enhances the existing capacity and skills of communities, rather than one that assumes their deficiencies and emptiness.

This passage appears at p. 198 in Ronald L. Phillips, "I. A Practitioner's View," in Richard Barringer, ed., Toward a Sustainable Maine: The Politics, Economics and Ethics of Sustainability. Portland, ME: Edmund S. Muskie Institute for Public Affairs, 1993, pp. 189-218;

39. The Community Development Financial Institutions Fund Application, CEI, January 26, 1996
40. Op. cit., at p. 49.
41. Carla Dickstein, "Expanding the Role of Coastal Enterprises, Inc. in Research and Policy Development: A Discussion Paper." CEI internal paper, December 1992.
42. Carla Dickstein with input from CEI Staff, Coastal Enterprises, Inc. Economic Development Platform for 1994 Maine Gubernatorial Candidates. CEI, November 1993.

43. Nat Henshaw, conversation May 1, 1996.
44. Dickstein, "Expanding the Role...", p. 5.
45. Ibid.
46. Blake Brown and Howard Dupee, for example, each made this argument, spontaneously, at different times.
47. Platform, p. 2.
48. Op. cit., p. 5.
49. Platform, p. 3.
50. Meeting with Tom Andrews, CEI, April 22, 1996.
51. Michael Piore and Charles Sabel, The Second Industrial Divide (New York: Basic Books, 1984)
52. Dickstein, "Expanding the Role...", p. 5.
53. There is a statement of this Keynesian view in S. Bowles, D. Gordon and T. Weisskopf, Beyond the Waste Land (Garden City, NY: Anchor/Doubleday, 1983; or see the more provocative Samuel Bowles, "The Post-Keynesian Capital-Labor Stalemate," Socialist Review, No. 65 (Sept-Oct. 1982), pp. 45-72. Urban or regional analysis of the relative spending impacts of low/middle income populations are now done regularly through the use of input-output packages with social accounting matrix analyses. See for example Sam Cole, "A Community Accounting Matrix for Buffalo's East Side Neighborhood." Economic Development Quarterly, May 1994, pp. 107-126.
54. David Osborne and Ted Gaebler, Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector. (Reading, MA: Addison-Wesley, 1992.
55. Comment to the author. The original text was "CEI's staff mostly don't look like organizers."