

# WHO WE ARE, WHAT WE'VE LEARNED, WHERE WE'RE GOING

## Opening Remarks by Chuck Matthei

*Reprinted with permission from Community Economics © 1985 by the Institute for Community Economics*

*The following is a condensed version of the speech with which ICE Director Chuck Matthei opened the conference.*

We are very glad to see you and very pleased at the breadth of representation in this room. As far as I know almost every loan fund in the country that looks for capital from multiple sources and provides loans to multiple community development groups—almost every one of those fund is represented in this room. There are as well, a number of individuals and institutions represented who play other critical roles in the broader field of community investment.

We trust that this conference will be a time for the forging of new relationships. We assume that for each of us this will be an opportunity to pick up information and resources that we can take back with us to strengthen our individual efforts. But beyond those individual benefits, we hope that we will emerge collectively stronger from this exchange. We are a young movement, and we are growing very rapidly. And your attendance here, today suggests that this is the time for us to take our collective measure and begin together to plot a course for the future.

The time is right because the social needs are as great or greater than ever—greater than at any time in the lifetimes of most of us. The time is right because we have a public climate that gives us a broad horizon of interest in social investment and community investment. And the political climate in its own funny way is right, too, because we are a movement that can in some measure cross some of the traditional gulf that separate right and left.

### Who We Are

I'd like to start our time together by taking a look at who we are at this conference. We are representatives of 35 loan funds of considerable diversity. There are young funds here, and some more seasoned funds, and a number of groups in the process of developing funds. We are funds with a mixture of purposes—some concentrating on loans for housing development, others on loans to consumer and a mixture of purposes—some concentrating on loans for housing development, others on loans to consumer and worker cooperatives, and some involved in lending to a

broad range of community development projects.

We also represent a diversity of people. We represent constituencies of lenders and borrowers that are far more diverse than we as a group of sixty people are. Speaking from ICE's experience, our individual lenders are wealthy people and people of very modest means; they are older people whose life savings are invested in the ICE Loan Fund, and they are children whose college trust funds have been invested in the Loan Fund by their parents. Our lenders are also institutions—religious organizations perhaps more than other institutions, but also, foundations, and even banks and investment management firms.

There are people who  
will listen to us  
successful  
entrepreneurs who  
wouldn't have  
listened to us as  
soapbox orators.

Our borrowers are as diverse, or even more so. They are people of every color and ethnic origin. They are poor people and working class people and people of moderate income— but that doesn't really say it all, because every class and constituency within a community benefits from the kinds of projects that our funds finance.

We are forging a kind of new partnership across some very broad divides. It's not a partnership without tensions, but it is a partnership that we should nurture. We are trying to forge a partnership, in some measure, between those who advocate very fundamental social change and those who are calling for the private sector to mend the holes in the social safety net. These are groups that don't normally pass one another's doorways. They don't meet at the office. But they are meeting through the operations of our loan funds, and we've got to forge that relationship into an effective alliance, and recognize, over time, its political potential.

Many of us in this room are community organizers turned bankers (You'll notice that I'm wearing my button-down striped

shirt for the occasion. It is a Brooks Brothers shirt. I got it from a thrift shop in Forest City, Arkansas). But we are also, interestingly, bankers become community organizers. There are a surprising number of people chafing at the bit, straining against the bounds of conventional financial institutions—people with skills who want to put those skills to work.

So we've come from different places and different backgrounds, but we are also people with a common heritage. We've come in a sense from the major progressive social movements of the last 20 or 30 years. We've come from the civil rights movement that learned that civil rights are not adequate or complete without economic opportunity. We've come from a peace movement that came to understand that there never can be a stable peace as long as there are extraordinary disparities of wealth and economic opportunity—as long as we look on the earth and its resources as commodities belonging to the highest bidder in any quantity that he wants to buy. Likewise we've come from an environmental movement that learned that our efforts to preserve the natural environment will not succeed on a broad scale unless we address legitimate concerns regarding development— unless we distinguish inappropriate from appropriate development, for housing, for jobs and muster the resources necessary to support that development.

We are a people, then, with a political heritage. Much of this conference will of necessity address the nuts and bolts issues, but we must not only be a competent movement; we must be a conscientious movement

### What We've Learned

What have we learned? Well, we will spend three days telling one another, but I want to highlight a couple of things. First, some of us have learned a lot of things that we never expected to know or thought we wanted to know. We've learned some new skills, and more importantly we've learned that there are real opportunities to put those skills to work. We've learned that community development is possible—that it's financially as well as socially responsible, that there are viable deals out there waiting to be financed. Happily we've also learned that there are investors of conscience who are

willing to confront some of the difficult questions and contradictions that come to anyone who possesses investment capital. We've learned that there are investors willing to take below the rate of return that the market might give them elsewhere, in order to achieve a social return. We have found that there are a lot of people out there who are looking for the kinds of opportunities that we can offer them.

We've also learned a good bit about the myths of poverty. We've learned—and we try to say to people—that it's a mistake to assume that the problem of the poor is simply that they don't have enough dollars for housing or food or medical care. The fact is that a lot more money flows into the hands and the neighborhoods of the poorest people in this country than most people count. The problem is not that it doesn't flow in but that it flows through as though through a sieve. It's a problem rooted in the fact that the majority of land and housing and jobs in low-income communities are not owned or controlled by the people in those communities. That realization is something that we can speak to—both in identifying the root causes of poverty and in talking about the kinds of purposes and criteria that community loan funds can adopt to strike at those causes.

We've also learned that it's a myth that the poor don't get money because the poor are bad credit risks. It's not as simple as that, or we would register a higher loan loss rate than the .7% that our statistics show for the funds represented here. The poor don't get money because of the class, cultural, and language gap between those who control the flow of capital and those who need it most. The poor don't get money because, at the outset, their development projects are small, and it's just too troublesome and expensive for financial institutions to service them. And there are a lot of other reasons why the poor don't get money but it's not simply poverty. We've learned about that and we have the ability to speak to those issues.

### **Where We're Going**

What are we going to do with this knowledge? What are we doing now? For one thing, we are growing at an extraordinary rate. The number of new funds being established is accelerating from year to year, and we can be sure that the rate of capital growth is accelerating also. We're also growing in sophistication, skill, and

creativity. Our step is more confident, our pace is quicker. That's why we're together here to share our ideas and look forward.

Obviously we're going to go forward. We're going to raise more capital, make more loans. But I'd like to talk about what else I think we can and must do. I think it's something that too often the larger field of social investment does not address. I think that our opportunities for responsibility go far beyond the accumulation, the management, and even the wise, productive use of capital. In a certain sense you can say that we must join the Wizard of Oz. The Wizard of Oz managed to put brains in a scarecrow and a heart in a tin man. It's our job somehow to graft a conscience on the capitalist. We have to create a broad dialogue, a deeper reflection than has yet occurred within this large and diverse community of lenders and borrowers. We need to formulate an affirmative social and political agenda, and we need to make that agenda explicit.

**We must define and commit ourselves to that kind of economic development that will fundamentally change and democratize the economic and social relationships in our communities**

I think we need to define ourselves as groups that have multiple mission fields. It is our job, to address the needs of those who need capital, but it is equally our job to address the people and institutions that invest capital. We have not only to respond to needs but to challenge abundance, to talk about the responsibility of wealth. There is then a third mission field and that is to address the institutional structures that control the formation of capital, the flow of capital, and the distribution of resources. We must define and commit ourselves to that kind of economic development that will fundamentally change and democratize the economic and social relationships in our communities.

We have to help people distinguish between the different kinds of housing programs, the different kinds of businesses. We have to help them look at who owns and

controls those businesses, and at how equity and earnings are distributed. People talk about community development, but they don't necessarily think carefully about its long-term impact and benefits. It's our job to talk about those issues—not only to finance development but to talk about development

I think it's important for us to realize that the resources that we bring to our tasks are not only capital, but credibility. We are building capital pools to finance community development, but by achieving that goal, by practicing our craft well, we are building political credibility that allows us to stand up in meetings much different from this one and say, "Let me tell you about the myth of poverty," and be heard. There's a certain amount of prestige and credibility in going out onto the frontier of the market and doing a job that the conventional wisdom said couldn't be done. There are people who will listen to us as successful entrepreneurs who wouldn't have listened to us as soapbox orators. So we are building political capital through our successful development efforts.

Needless to say there are going to be doubts and questions raised about our activities. Although our credibility is growing, most people will still say that the jury is going to be out for sometime on community investment. We are going to have to prove ourselves over and over again, and we are going to be subjected to standards of judgment much more stringent than most conventional financial institutions are judged by. And growth will mean greater scrutiny.

We have to be prepared in some measure, I think, to insure and monitor our own performance. If we can work together from this point forward to strengthen and improve our performance, then there are going to be tremendous new opportunities, much greater, I'm convinced, than anything we've seen so far. But we have to understand that the performance of any one will ultimately reflect on all the others. None of us can afford serious mistakes on the part of the others. We will, in the old figure of speech, sink or swim together. That is truly why we've gathered here. We've gathered here to map out the challenges and realize the opportunities.

*FALL 1985*