



COMMUNITY NEWS

A PUBLICATION OF THE MSU URBAN AND REGIONAL PLANNING - COMMUNITY & ECONOMIC

DEVELOPMENT PROGRAM

VOL. 18, No. 2

Spring 2006

&
VIEWS

THEME: Responsible Community Investing

Corporate Social Responsibility: Walking the Talk

Hazel Henderson

Now is the time of reckoning for all corporations trying to adapt to the new realities of the 21st century global marketplace. The earlier Industrial Revolution was based on fossil fuels, resource-intensive production methods and materialistic views of wealth and progress. All this is morphing into the Information Age and the cleaner, greener renewable resource technologies of the new Age of Light.

Adapting to all these changes is the challenge facing all corporations. At the same time they also face the challenge of the world's newest superpower: global public opinion. Its power to make or break companies' brands and reputations in today's round-the-clock, global electronic marketplace now requires adapting to a new Age of Truth.

Many companies will fail the test, as they seek to "green-wash" their operations with advertising and public relations. Others try "blue-washing" by engaging the United Nations Global Compact's ten principles of global corporate citizenship.

Such companies' actual performance in walking their talk is now increasingly monitored by legions of civic organizations and auditing firms including SAInternational, of New York and London, SustainAbility and AccountAbility, both based in Europe and ASRIA of Hong Kong, as well as the global social, environmental and corporate ethical governance research of socially responsible investment firms and public pension funds. All are wary of finding new Enrons, WorldComs, Parmalats,



or Halliburtons lurking in their portfolios.

This monitoring of corporate ethics, integrity, their very missions and financial goals, as well as their commitments to addressing the world's mounting problems keeps companies under scrutiny. Also in the cross-hairs of public opinion are corporate commitments to alleviating poverty,

disease, environmental destruction and to help achieve the UN Millennium Development Goals.

US businessman Paul Hawken, also a corporate critic and co-author with Amory and Hunter Lovins of the best-seller, *Natural Capitalism*, as well as a promoter of Sweden's Natural Step, recently launched an attack on the socially responsible mutual funds that fail to exclude "green-washing" corporations in their investment standards and portfolios.

Paul Hawken's critique of some socially responsible investing (SRI) funds and their various standards for screening companies held in their portfolios is timely. This rapidly-growing segment of US and global capital markets needs such spurs to constantly upgrade its standards and criteria for measuring social, environmental and ethical performance of all companies. As the vanguard of the rising concerns of all investors over the corporate and accounting scandals (those Enrons, Halliburtons, etc.) the socially responsible investing industry must continue to lead in setting ever higher standards for 21st century capital markets.

Henderson, continued on next page

Higher ethical standards and performance on broader social and environmental criteria will determine the future of capitalism itself.

I welcome the growing global debate over SRI, since higher ethical standards and performance on broader social and environmental criteria will determine the future of capitalism itself. Indeed this re-shaping of capitalism and corporations to conserve the environment while serving human needs and aspirations for equity justice, health, education, and the rights of all – will also affect humanity’s survival on this small planet. This is why I called for the UN Global Compact to spin off from the UN – to protect the UN’s reputation from corporate backsliders.

Paul Hawken’s critique is only one aspect of this much larger question: can capitalism’s current model and its globalization of finance, markets, trade, privatization and currency regimes under its traditional assumptions continue without radical reform? My own work over the past 25 years has critiqued capitalism itself – in far deeper terms: its obsolescent assumptions about human nature as

driven only by greed and selfishness, its view of nature’s resources as exploitable, its ignoring of all other values in its pursuit of the conventional profitability Wall Street still demands and its myopia concerning the scientific realities of this new century.

Attacking only the emerging SRI segment of this still-dominant model of socially and environmentally destructive capitalism will obviously reinforce this entrenched model with its enormous power, lobbying clout and control of mass media. These forces of reactionary capitalism – whether on Wall Street, Frankfurt, London or Hong Kong – and companies in the old fossil-fueled, unsustainable industrial system, will welcome Paul Hawken with glee – as their newest spokesperson.

This is unfortunate, since we know from past experience how often perfectionism, utopianism and visionary zeal can drive out the good, just as the theoretical best can drive out the better. Incremental reforms such as SRI need the time and space to experiment. New norms and ethical criteria need to gain a foothold in these markets, as well as society and most important, in mass media.

For these very reasons, I founded Ethical Markets Media as a global multimedia platform for raising the standards, benchmarks and ethical performance of all marketplace actors – through the power of information and mass media. Today, we live in “mediocracies” whatever our political systems. Media trumps politics, shapes culture, educates our children – for better or worse. Corporate advertising drives unsustainable consumerism and financial markets hooked on ever-rising GDP-growth and quarterly corporate profits. Ethical Markets’ TV series premiered in the USA in early 2005 on selected PBS stations. Our global Editorial Board of the best SRI asset managers, research firms on all social, environmental and ethical criteria will assure the integrity of all our media: TV, radio, Internet, and print.

All companies featured in our content and seeking to underwrite or advertise on Ethical Markets programs are screened by today’s highest SRI and other criteria of corporate governance and

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Community News & Views is published by the Community and Economic Development Program at Michigan State University. The statements, findings, conclusions, recommendations, and other data in this newsletter are solely those of the authors and publisher, and do not necessarily reflect the views of the University. For more information, contact Michigan State University, Urban and Regional Planning, Community and Economic Development Program, 1801 W. Main St., Lansing, MI 48915-1907. Phone (517) 353-9555. Fax (517) 484-0068.

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Another Socially Responsible Investing Myth Busted

Steven J. Schueth

Long-term investment returns are driven primarily by the performance of innovative, well-managed companies that are themselves dependent on the health of ecological systems and human societies. Institutional investors such as pension funds and university endowments are controlled by investment fiduciaries – elected or appointed officials who supervise those who have direct control of the organization’s investment assets.

The conventional definition of fiduciary duty has often excluded socially responsible investing – until now. On the face of it, a fiduciary’s primary duty is “to maximize returns,” but the courts do not necessarily agree. All investments carry some risk of loss beyond the control of the investment manager, so a purely return-based standard is unreasonable. Since 1830, the courts have relied on some version of the “prudent man rule” which says that investment fiduciaries should govern affairs according to the prevailing standard of “how men of prudence, discretion, and intelligence manage their own affairs.” As risks and markets have changed over the years, and as new investment strategies and more sophisticated research techniques have been developed, the common understanding of how a “prudent man” might act is evolving.

One of the world’s largest law firms, London-based Freshfield Bruckhaus Deringer, has issued a detailed report that is redefining fiduciary duty. It’s big news in the staid world of pension funds: Trustees have a fiduciary duty to consider environmental, social, and governance (ESG) issues in their investment decision-making. “The links between ESG factors and financial performance are increasingly being recognized. On that basis, integrating ESG considerations into an investment analysis is clearly permissible and is arguably required in all jurisdictions,” the report said.

A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment (available online at <http://www.unepfi.org>) was written by Freshfields partner Paul Watchman and published by the United Nations Environmental Program Finance Initiative. The UNEP had asked Freshfields to determine whether the integration of ESG issues into investment policy is “voluntarily permitted,

legally required or hampered by law and regulation,” in seven major jurisdictions — the U.S., the U.K., Germany, France, Italy, Spain, and Japan. Freshfields also looked at Australia and Canada.

The conventional definition of fiduciary duty has often excluded socially responsible investing – until now.

“The surveyed countries represent two distinct legal traditions: the Anglo-American common law system and the Roman-French civil law system,” noted Peter Kinder of KLD Research & Analytics. “Nonetheless, Freshfields found all permitted consideration of ESG issues.”

In most jurisdictions, the laws provide wide discretion on the part of fiduciaries to consider ESG factors in management of investment portfolios for the beneficiaries of pension funds and foundation endowments. “A number of the perceived limitations on investment decision-making are illusory,” said Watchman.

Jim Hawley, co-director with Andrew Williams of the Center for the Study of Fiduciary Capitalism at St. Mary’s College of California and co-author with Prof. Williams of *The Rise of Fiduciary Capitalism*, speaks in superlatives about the report’s importance.

“The report is extraordinarily significant for a number of reasons. First, it essentially flip-flops the conventional wisdom on fiduciary duty, completely turning it on its head,” Prof. Hawley said. “Second, the fact this report was prepared by Freshfields — the third largest law firm in the world, well known as a corporate fiduciary firm — carries huge clout.” According to University of Illinois College of Law Professor Cynthia Williams, “the Freshfields analysis confirms something many people, myself included, have been saying: not only it is permissible to

Corporations and the Public Interest

Steve Lydenberg

One of the great challenges of our times is how to encourage corporations to act in the public interest. A powerful obstacle is the myth of Adam Smith's "invisible hand" which suggests that if everyone – corporations along with investors and consumers – act solely in their own short-term self-interest, a greater good will inevitably be served. "What's good for General Motors is good for America" is an idea that may still dominate the landscape, but it is increasingly clear that, in Ira Gershwin's words, it "ain't necessarily so."

We as investors and consumers must act to reward corporate behavior that maximizes creation of a healthy, wealthy, and just society.

Nowhere is this clearer than in Washington, D.C. Recent corporate corruption scandals have refocused the public's attention on the short-term, short-sighted pursuit of narrow self-interests being pursued in the halls of Congress. There are now 32,000 registered federal lobbyists, including the likes of Jack Abramoff. Spending on lobbying reached \$2.4 billion in 2004.

Adam Smith's description of the businessmen of 230 years ago influencing the legislators of his time as "an overgrown standing army" who "have become formidable to the government, and upon many occasions intimidate the legislature" still rings true. Those who stood up to them then met with, in Smith's words, "the insolent outrage of furious and disappointed monopolists."

Recent years have seen progress around the world in freeing political campaigns of the corroding influence of corporate funding. In the United Kingdom, as a result of the Political Parties, Elections, and Referendums Act of 2000, many companies have now adopted "no political contributions" policies. In 1995 in France, in the midst of a sweeping privatization of state-owned

industries, while caught in a high-profile scandal involving corrupt dealings between business and government, legislation was passed making contributions to political parties a crime.

If we want to redefine the role of corporations in politics, we must stop complaining and propose alternatives that work.

Socially conscious investors have begun to weigh in on these issues. Over the past three years, Domini Social Investments has joined with others in filing shareholder resolutions asking SBC, Verizon, Merck, and other corporations to disclose their political contributions. We applaud those few corporations who now publish this information, such as Pfizer, and who voluntarily prohibit or limit their campaign contributions.

But we haven't begun to scratch the surface when it comes to lobbying. To rein in this multi-headed beast, government must start by acting through legislative fiat. While giving careful consideration to issues of free speech and the promotion of open and informed debate, we need a restricted, level playing field on which corporations can compete, but where excessive lobbying is clearly out of bounds. The problem, while difficult, is not unsolvable. Unfortunately, the very legislators who must see their way through to reasonable solutions are those already subject to excessive lobbying pressures. Let's hope that they have not been totally paralyzed.

We as investors and consumers must act in the marketplace to reward corporate behavior that maximizes the creation of a healthy, wealthy, and just society. This means dismantling the powerful myth that what we always want is short-term returns, maximized profits, and lower prices – at any cost. It means understanding that corporations can serve a larger public interest and finding ways to support those corporations that share this vision.

Corporations must realize that the narrow pursuit of self-interest is not always good for their own long-

term interests. They must understand that their reputations for corporate social responsibility can easily be undermined by out-of-control trade associations on Capital Hill, and that, in the long run, just and sustainable societies offer increased benefits for all.

If we want to help redefine the role of corporations in politics, we must stop complaining about the current status quo and propose alternatives that work. This means reforming the system – not simply curtailing lobbying for political positions that we don’t happen to agree with. It also means that the current belief in the sole pursuit of short-term self-interest as a sacred duty of corporate leaders needs to be modified – its strengths preserved and its weaknesses strengthened.

These are difficult tasks certainly, but that should not slow us down. We should take heart from the efforts of the likes of our colleagues at Henderson Global Investors in the United Kingdom, who are raising the equally difficult and challenging question of what a corporation’s fair share of the tax burden should be. We currently see in Washington the logical outcome of businesses’ unquestioned pursuit of short-term self-interest. Let us demonstrate to the rest of the country the logical and far preferable outcomes of highlighting the long-term and directing corporations to that public interest.

Steven D. Lydenberg is Chief Investment Officer of Domini Social Investments. A founder of KLD Research & Analytics, he was instrumental in the creation of the Domini Social Index, the first SRI index, launched in 1990. He has written widely on issues of corporate social responsibility including his most recent book, Corporations and the Public Interest (Berrett-Koehler, 2005).

This column was originally published at Greenbiz.com, online at

www.greenbiz.com/news/printer.cfm?NewsID=30281

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consider ESG factors, but fiduciary duty requires that they be considered where there is the potential for material, financial impact from those factors.”

UNEP Executive Director Klaus Topfer commented, “As the world’s largest pension schemes...and foundations adjust, this will set in train a new dynamic along the investment chain. When these large institutional investors move on ESG issues, the broader market will listen and react.”

While the report represents a coup for fiduciaries who already rejected conventional wisdom, it remains to be seen how the broader community of fiduciaries will receive the report.

Steven J. Schueth is president of First Affirmative Financial Network, LLC. An independent investment advisory firm registered with the SEC. First Affirmative provides asset management and consulting services to socially conscious individual and institutional investors nationwide. He is a former director and president of the Social Investment Forum.

This review was originally published by Greenbiz.com, and is available online at

www.greenbiz.com/news/reviews_third.cfm?NewsID=30615

The UNEP report is available online at:

www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf



If you recently completed the online survey providing feedback about MSU Community and Economic Development Program activities and impacts in your organization or community, THANK YOU!

If you haven't yet completed the survey, please take a few minutes to do so by visiting

www.cedp.msu.edu/survey.html

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debate on Reforming Global Financial Markets featuring Kenneth Rogoff, former Chief Economist of the International Monetary Fund, Sakiko Fukuda-Parr, of the United Nation's Human Development Report, and John Perkins, whose explosive *Confessions of an Economic Hit Man* exposes the need for top-to-bottom reform of the global economic system.

I have invited my friend Paul Hawken to participate with me in a televised discussion on an Ethical Markets mini-series. These cutting edge TV programs will first appear in Brazil, where licenses have been requested by a top rated financial TV show. I welcome the Report of the UNRISD Conference on Corporate Social Responsibility and those sponsored by the UN Global Compact.

Ethical Markets will cover all these reports and be the media platform to raise the bar on all the players now positioning themselves in the corporate social responsibility (CSR) and SRI sectors of these markets. Ethical Markets can become an alternative to Bloomberg and Reuters, also covering the emerging LOHAS (Lifestyles of Health and Sustainability) companies. Together, these three emerging "sustainability sectors" are the best hope to engage the predominant financial sectors and those firms we all rightly criticize for "green-washing" themselves falsely – using the SRI label, or the precious UN flag. Ethical Markets is an independent media platform that will keep such companies honest and reward those with superior ethical performance.

But let's be honest.

We are all human and fallible. Too often in history well-intentioned utopianism has ushered in periods of fascism and totalitarian Puritanism. Ethical Markets provides roundtable debates from all sides in these new SRI-CSR-LOHAS-based Sustainability Sectors. We will recognize steps forward: from incremental to continuous improvement to the bold radical social innovations such as Brazil's BOVESPA and its new Social Stock Exchange – an electronic market board offering social returns to all market players wishing to invest in non-profit civic organizations addressing Brazil's social and environmental goals. Ethical Markets will also use and track the evolution of all the new metrics, indicators, and scorecards of human progress beyond GNP/GDP growth – toward sustainability and a more equitable quality of life for all humanity.

Hazel Henderson is author of Beyond Globalization. With the Calvert Group, she created The Calvert-Henderson Quality of Life Indicators (www.Calvert-Henderson.com).

Ms. Henderson's website is www.hazelhenderson.com.

Ethical Markets is online at www.ethicalmarkets.com.

Doing Well By Doing Good: Sources on Responsible Investing

www.alonovo.com

Match your values with the marketplace

www.calvert.com

Early leader in development of a variety of SRI funds

www.calvertfoundation.org

Leading community investment foundation

www.creativeinvest.com

Socially responsible investment, corporate ethics, and list of women and minority owned banks

www.domini.com

Home of the Domini Social Index

www.ethicalmarkets.com

Television series focused on socially and environmentally responsible business launched by Hazel Henderson.

www.fbheron.org

Focused on wealth creation for low-income people and communities in the U.S

www.firstaffirmative.com

Ethical investment advisors

www.greenbiz.com

Good source of current news on green business developments; free biweekly electronic newsletter

www.kld.com

Leading socially responsible investment organization

www.nathancummings.org

A social justice and sustainability focused foundation

www.noyes.org

A foundation focused on sustainability with an exemplary investment policy

www.paxfund.com

An early ethical and socially responsible business mutual fund

www.paywatch.com

Find out what kind of compensation chief executive officers(CEO's) of the Fortune 500 are making

www.responsibleinvesting.org

From Paul Hawken's Natural Capital Institute, a database of SRI mutual funds searchable by performance, screens, and company

www.responsible shopper.org

Guide to rating of products and retailers using publicly available data

www.socialinvest.org

Very rich source of information on Ethical Investment

The Community and Economic Development Program

Mission:

To advance MSU's research intensive land-grant mission by creating, disseminating, and applying knowledge to improve the quality of life in distressed communities.

We implement, evaluate, and disseminate innovative approaches through responsive engagement, strategic partnerships, and collaborative learning.

Principles of Community Development

- Promote active and representative citizen participation so that community members can meaningfully influence decisions that affect them.
- Engage community members in issue identification so that those affected may adequately understand the factors that contribute to their situation.
- Help community members understand the economic, social, political, environmental, and psychological impacts associated with alternative solutions to the issue.
- Assist community members in designing and implementing plans that build upon community assets and emphasize shared leadership and active citizen participation.
- Disengage from any effort that is likely to adversely affect the disadvantaged segments of a community.
- Actively work to increase leadership capacity, skills, confidence, and aspirations in the community development process.

The Knowledge Economy and Economic Development in Distressed Areas

The ability of communities and individuals to apply new ideas and technologies for future success in the globally competitive economy depends on creativity, innovation, and adaptability at every level. While some communities are prepared to help their citizens benefit from the knowledge economy, many are ill-equipped to move forward in the globally competitive economy, leaving them more vulnerable to economic decline.

Employing a similar methodology to that used by Robert D. Atkinson of the Progressive Policy Institute's Technology and New Economy Project, the Community

and Economic Development Program (CEDP) has conducted studies to understand the readiness of Michigan's communities to compete in the global knowledge economy:

An Examination of Government-Led Broadband Infrastructure Initiatives in Michigan (April 2003)

Michigan's Windows to the Knowledge Economy: A County and Regional Level Web Site Analysis from an Economic Development Perspective (July 2003)

The Michigan Knowledge Economy Index: a County-Level Assessment of Michigan's Knowledge Economy (June 2004)

The Michigan Metropolitan Knowledge Economy Indicators Report (June 2005)

Through this applied research, CEDP has identified planning practices, public policies, and economic development strategies to assist industries and communities, particularly those most economically vulnerable, to take an active role in preparing for the knowledge economy and overcoming the barriers to creating higher-skilled, higher-wage jobs.

With two recent grants (see p. 15), the CEDP will continue its knowledge economy research in 2006-07 by conducting surveys of practitioners and businesses and 'best practice' case studies to enable communities to take full advantage of economic opportunities.

Engaged Student Learning at CEDP

In the tradition of a land-grant university, the Community and Economic Development Program is committed to mentoring the next generation of community and economic development professionals. Through urban policy, economic development, and practicum courses associated with MSU's

Urban and Regional Planning Program, CEDP provides graduate students with research opportunities and practical experience working with Michigan's communities. Students from Urban Planning, Interior Design, Construction Management, and other disciplines from

throughout the university participate in multidisciplinary teams in community and economic development partnerships.

CEDP also provides meaningful learning experiences for undergraduate students through a two semester community-based

Capacity Building in Public Housing

Through support from state and federal agencies, CEDP has developed on-going partnerships with both staff and residents from over 20 public housing authorities in Michigan. The main focus of these partnerships has been capacity building, economic self-sufficiency, family/community vitality, and leadership development for residents, offered through workshops and distance learning sessions.

Celeste Starks and CEDP's public housing team have organized

trainings for over 200 residents in the cities of Ann Arbor, Albion, Bay City, Benton Harbor, Detroit, Ecorse, Highland Park, Inkster, Pontiac, River Rouge, Muskegon, Muskegon Heights, Lansing, and Ypsilanti. Trainings focused on understanding HUD policies and procedures, shared leadership, economic development, community building, program planning and implementation, health, wellness, and financial planning.

In addition, the Public Housing Fellows Program, a special

initiative for extraordinary resident leaders, has supported over 40 individuals in Michigan's public housing communities. The Fellows Organization, a peer network, supports their leadership beyond the training program.

Fellows have gone on to lead programs in their public housing and local communities, raise external funds for activities, serve on local boards, establish their own 501(c)3 organization, and hold elected office (*see inset, right*).

"CEDP was instrumental in preparing me for future leadership positions. The sense of belonging, inspirational trainings, respect, and support helped me reach my potential."

Ms. Patty Campbell

2002
Public Housing Resident
Fellow
2003
Public Housing
Commissioner
President, Fellows
Organization
2005
City Council member,
River Rouge

Research on Residential Mobility in Pontiac, Michigan

With a \$50,000 grant from MSU's Community Vitality Program, **Cathy Kuhn** (Ph.D. Candidate in Sociology at MSU), is researching the effects of Section 8 vouchers on residential mobility of low-income residents in Pontiac, MI. Her project, under the guidance of MSU Professors Steve

Gold, Rex LaMore, and Joe Darden, assesses the impacts of a residential mobility program that assists low income and minority families living within the City of Pontiac to move to more economically and racially integrated areas. The residential mobility program has the potential to improve

the lives of children and families by increasing their access to quality housing, employment, schools, and ultimately economic self-sufficiency and to benefit Pontiac through the deconcentration of poverty and racial minority populations. Research findings are expected in spring 2006.

Engaged Student Learning at CEDP (continued)

Special Topics course offered each semester taught by **Rex L. LaMore** and **John Melcher**. Students, who are MSU Student Life Neighborhood Resource Coordinators, work in partnership the East Lansing Community Relations Coalition (CRC) that "works to build trusting relationships between the communities of East Lansing and Michigan State University by foster-

ing cooperation and communication between neighbors."

A not-for-profit organization, the CRC draws on the talents of all sectors of East Lansing through various program initiatives. Through field based learning activities, the NRCs acquire theoretical and technical understandings of urban community development. To be-

come successful community builders, they learn to apply technical skills in an intensely political and value laden environment. This course prepares students for that challenge by examining the university/community partnerships and the basic principles and practices of community development in the context of university/community partnerships.

NEW BOOK!

Urban and Regional Technology Planning: Planning Practice in the Global Knowledge Economy

**By Kenneth E. Corey
and Mark I. Wilson**

Urban and Regional Technology Planning is designed to empower communities to take full advantage of their competitive niche in the global knowledge economy. The strategic and planning guidance offered by the book is designed to stimulate and catalyze local practices for planning effectively for new roles in global interaction and networking. Recent research findings are used to inform contemporary planning practice and planning education.

Cultural and Economic Development in Michigan

CEDP issued a research report on Michigan's creative economy in June 2005. Patterned after the New England Creative Economy Initiative, *Dollars and Sense of Cultural Economic Development: A Summary Report of Michigan's Cultural Capacity* examined the

role of creativity in the knowledge-based economy, presented an industry and occupation analysis, and detailed Michigan's creative clusters and creative workforce. **Laleah Fernandez, Naren Garg,** and **Rex L. LaMore** compared Michigan's share of employment in

the creative economy to the nation as a whole and found that while Michigan has its expected share of businesses and jobs, wages in creative industries are somewhat higher in Michigan than the nation as a whole. The report is available at: www.cedp.msu.edu.

Annual Institutes and Conference Proceedings

CEDP organizes an annual institute for community and economic development scholars and practitioners to learn about emerging issues and innovative solutions to community problems.

Proceedings from these conferences are available on the CEDP website at www.cedp.msu.edu.

- 2006 *Responsibly Investing in Michigan's Future: Community Development Investment Strategies*
- 2005 *Ideas and Dollars: How Cultural Economic Development "Makes Cents" for Michigan*
- 2004 *Creative Communities and Economic Innovation: Working for Michigan's Future*
- 2003 *Facts, Fads, & Fantasies of Economic Development in the Knowledge Economy*
- 2002 *Reshaping the Fundamentals: Strengthening Community Economies in Turbulent Times*
- 2001 *Working Wired: Empowering Workforce*

CEDP Faculty and Research Partners

Kenneth E. Corey, Ph.D., Professor of Geography, specializes in international approaches to urban and regional policy analysis and planning.

Diane M. Doberneck, Ph.D., Asst. Prof. of Community and Economic Development, has three years of community development experience, including community engagement projects in rural Ireland. Doberneck holds a joint appointment with MSU's Bailey Scholars Program.

Faron Supanich-Goldner, M.S.W., Ph.D. candidate in Social Work, has over five years of experience in community and economic development outreach and applied research. Supanich-

Goldner holds a joint appointment with the School of Social Work.

John Melcher, M.S., Associate Director of CEDP, has over 20 years of experience with community organizing and economic development. Melcher is also a faculty member in the Urban and Regional Planning Program and holds a joint appointment with University Outreach and Engagement.

Rex LaMore, Ph.D., Director of CEDP, has over 25 years of experience in research and outreach in community and economic development. LaMore is also a faculty member in the Urban and Regional Planning Program.

Terry Link, M.L.S., Director of the Office of Campus Sustainability, focuses on sustainability issues including research on the potential of institutional investments for community redevelopment. Link holds a joint appointment with MSU Libraries.

Cathy Kuhn, M.S., Ph.D. candidate in Sociology, focuses her research on the effects of public policy on affordable housing, specifically residential mobility issues and vouchers.

John Schweitzer, Ph.D., Professor of Urban Planning, researches issues associated with urban communities, including neighborhoods, housing, and education.

Detroit Schools

With support from New Detroit and the Skillman Foundation, **John Schweitzer** has been part of a five-year research team studying educational reform in the Detroit public school system. With other distinguished scholars such as Robert L. Green, former Dean of MSU's College of Urban Development, he has surveyed teachers, principals, and administrators about the implementation of school reforms, conducted focus groups with parents of public school children, and surveyed parents to determine their feelings about the schools. Preliminary results reveal that students score higher on MEAP tests in schools where students and teachers have a strong sense of community and share feelings of belongingness. A new study focusing on the experience of Detroit public school students at MSU is proposed.

J.D. Snyder, M.S. in Resource Development, has over 25 years of experience in regional cooperation and coordination of community and economic development.

Celeste Starks, M.S., has over nine years of experience improving the lives of residents in public housing through leadership development.

Mark I. Wilson, Ph.D., Assoc. Professor of Urban Planning and research associate with the Institute for Public Policy and Social Research, researches the impacts of electronic commerce on communities.

Michigan's Cool Cities Initiative

Economic restructuring is permanently changing the fortunes and futures of Michigan residents and communities. If Michigan is to survive and thrive, its core cities and regions must become more vibrant and attractive places for a new generation of residents to work, live, and play. The Cool Cities Initiative, established by Gov. Jennifer Granholm in 2003, is a combination of programs designed to spark regional development and the state economy by helping local communities become places that attract skilled young

workers, cutting-edge businesses, and new residents. At the heart of the Cool Cities Initiative is the **TIDE** model for revitalization: Attract and develop **T**alent, promote **I**nnovation, embrace **D**iversity, and develop an amenity-rich **E**nvironment. With support from the Michigan Economic Development Corporation, **Faron Supanich** has been a key contributor to the Cool Cities Initiative since its inception. He participated in the design of an online survey to learn what Michigan college students desire and value in a

community; assisted in development of the cool cities website, www.coolcities.com; and is engaged in several committees working to implement Initiative activities. With Dr. June Thomas and several graduate students, he organized an academic symposium for the Cool Cities Coordinating team and conducted research examining the empirical basis underlying the TIDE approach. Supanich continues to do research into Cool Cities and related economic development strategies.



The MSU
Community and
Economic
Development Program
is online at

www.cedp.msu.edu

Recent Publications, Reports, & Newsletters

available on our website, www.cedp.msu.edu

Research Reports

- Metropolitan Michigan Knowledge Economy Indicators (2005).*
- The Dollars and Sense of Cultural Economic Development : A Summary Report of Michigan's Cultural Economy (2005).*
- The Causes and Consequences of Concentrated Urban Poverty (2005).*
- Michigan's Knowledge Economy Index: A County-Level Assessment of Michigan's Knowledge Economy (2004).*
- Renewing People and Places: Institutional Investment Policies that Enhance Social Capital and Improve the Built Environment of Distressed Communities (2004).*
- Investing in Michigan's Future: Community Investment Policies for Michigan's Higher Education Institutions (2003).*

- Michigan's Window to the Global Knowledge Economy: A County and Regional Assessment Level Web Site Analysis From An Economic Development Perspective (2003).*
- A Comparative Analysis of State Government Support of Regional Planning Between Michigan and Other States Nationwide (2003).*
- An Examination of Government-Led Broadband Infrastructure Initiatives in Michigan (2003).*
- The Michigan Credit Union—Individual Development Accounts (2002).*
- Electronic Commerce and Digital Opportunities for Local, Urban, and Regional Development Planning (2001).*
- Prospects for Affordable Housing Trust Fund in Michigan (2001).*

- Community Development Credit Unions, Micro-enterprise, and Individual Development Accounts (2001).*

- Michigan's Affordable Housing Crisis (2001).*

- Implementing a Building Rehabilitation Code in Michigan (2001).*

Guided Handbooks

- The Creative Community Handbook: A Leap to Possibilities Thinking (2004).*
- Individual Development Accounts and Credit Unions: a Design Manual (2002).*
- Sustainable Community Handbook (2002).*
- Community Income and Expenditure Model Implementation Manual: How to Get the Information You Need to Create and Maintain Local Community Wealth (1999).*

Community News and Views Newsletter

- Energy and Community Well-Being (2006)*
- The Triple Bottom Line (2005)*
- Ideas and Dollars: Cultural Economic Development (2005)*
- Community-Based Food Systems (2004)*
- Technology-led Economic Development (2004)*
- Creative Communities and Economic Innovation (2004)*
- Michigan Land Use (2004)*
- Economic Development in the Knowledge Economy (2003)*
- Women, Community, and Development (2003)*
- The Knowledge Economy (2003)*
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Michigan's Land-Grant University

Bette Downs

Michigan State University began in 1855 as the Agricultural College of the State of Michigan, a tiny enclave in an inaccessible wilderness. Skeptics disdainfully referred to school's programs as book farming; its founders saw agriculture as a science and introduced a curriculum emphasizing agricultural chemistry. Also, in response to student demands, the founders offered classes in the liberal arts.



A grant of 677 acres of undeveloped land enabled the visionaries who established the college to open seven years before passage of the Morrill Land Grant College Act of 1862, legislation that led to the opening of agricultural colleges throughout America. In 1964, Michigan's pioneer land-grant college became Michigan State University.

In 2005, as M.S.U. observed its sesquicentennial, many writers and speakers defined land-grant philosophy. In these discussions, three words, democracy, experiment, and service, occurred again and again.

Democracy

M.S.U.'s founders insisted that their college had to be affordable. They said that a college education should be available to qualified students from all social and economic classes, a radical departure from the classical education of the day.

Experiment

M.S.U.'s founders were committed to research and made certain that the school's first building, College Hall, had adequate laboratories for experiment. Early chronicles state that College Hall "the first building in America erected for instruction in scientific agriculture."

Service

M.S.U.'s founders stated the "the intent of land-grant education (is) to improve the overall quality of life for American families." Later interpretation referred to the desire of M.S.U. people to "help meet human need throughout the world."

M.S.U.'s early leaders helped develop principles that enabled America's states, through federal grants of public land, to establish colleges for the study of agriculture and mechanics while advancing democracy, experiment and service nationally and internationally.

In 1857, the Michigan State Board of Education appointed Joseph Williams, a Harvard graduate and anti-slave leader of the Republican Party, as the first president of Michigan's new college. With the admission of 63 students, Michigan embarked on "...an experiment wholly new and untried in this country."

In 1861, seven of the 63 students made up the first graduation class. In 1879, Eva Diann Coryell was the first woman graduate and earned a Bachelor of Science degree. In 1891, Kolia San Thabue came for Burma, providing, for the first time, an international flavor that has steadily expanded.

M.S.U.'s early presidents had key roles in the emergence of land grant philosophy. Although heavily involved in shepherding his college through its early stages, President Williams became aware of a flurry of activity in Washington created by Justin Morrill who dreamed of establishing agricultural colleges throughout America.

Over a period of more than 50 years, Congress passed three acts promoting democracy, experiment, and service: The Morrill Act, 1862, established land-grant colleges; the Hatch Act, 1887, called for agricultural experiment stations at land-grant colleges; the Smith-Lever Act, 1914, established Agricultural Cooperative Extension Service at land-grant colleges.

Democracy: Morrill Land Grant College Act (1862)

Justin Morrill, a Congressman from Vermont, believed passionately in America's need for agricultural colleges. He also anticipated the expansion of industry. In 1859, he introduced a bill providing grants of federal land to support colleges for teaching the practice of agriculture and mechanics.

Michigan's Joseph Williams became a close associate of Justin Morrill and shuttled from his college to Washington to lobby for the bill. He wrote a bulletin about the Morrill bill and sent it to agricultural publications asking their editors for support.

As Justin Morrill prepared his speech introducing the land-grant proposal, President Williams served as his advisor. In the speech, Congressman (later Senator) Morrill referred to Michigan's agricultural college "liberally supported by the state in the full tide of successful experiment."

The House of Representatives passed the bill in 1858; the Senate in 1859. However, James Buchanan, a pro-slave president, vetoed it. Following secession of pro-slavery states, the bill was again introduced and passed.

On July 2, 1862, President Lincoln signed the Morrill Act "donating public lands to the several states and territories which may provide colleges for the benefit of agriculture and the mechanic arts." The act granted "a quantity equal to 30,000 acres for each senator and representative." Today, a handsomely framed, hand-written copy of the Morrill Land Grant College Act hangs in a prominent spot in the Kellogg Hotel and Conference Center in the middle of the M.S.U. campus.

Jonathon Snyder, president from 1896-1915, believed that a land-grant college had a responsibility to promote democracy and insisted on a dormitory system because, he said, "If we cannot secure a dormitory it will simply mean that the poor boys cannot come here." He opposed group housing, considering it elitist and felt such arrangement would undermine the democratic influence of dormitories.

Student awareness of the Morrill Act's intent is reflected in an editorial in the September 8, 2005 issue of M.S.U.'s newspaper, *The State News*. It refers to "a promise to provide an affordable education and equal opportunity administration seems to reference so often."

Experiment: The Hatch Act (1887)

Two of M.S.U.'s early presidents, T.C. Abbot, 1862-1885, and Edwin Willits, 1885-1889, committed to agricultural research, fought for passage of the Hatch

Act, which provided for an experiment station and a \$15,000 annual appropriation for each land-grant college.

M.S.U.'s experiment station opened in 1888 and was integrated into the existing research structure. After passage of the Hatch Act, the extensive research, already under way, expanded rapidly and the revolutionary college in the woods, first viewed with suspicion, gained credibility.



M.S.U.

President Lou Anna K. Simon
2005-present
Michigan State University

By 1925, the program had a staff of 15 scientists and 60 research assistants who engaged in experimental chemistry, economics, agricultural engineering, and botany. Emphasis was on chemistry with the entire laboratory at College Hall designated for this purpose.

Research took faculty and students out of the laboratory and into the woods of the northern Lower Peninsula. In 1888, Professors William James Beal and Liberty Hyde Bailey led students and other to Frankfort to assess the potential for agriculture in the area. They battled mosquitoes, rain, and poor roads. The journey must have had news value because two Detroit reporters joined the group.

An experiment sub-station opened in Grayling where a research team grew a variety of crops in search of species that would thrive in that location. Because of the work of Professor Beal from 1870 to 1910, botany became a predominant area of research.

A pioneer in his field, Professor Beal conducted research in grasses, tree plantings, and related fields; he also created the W.J. Beal Botanical Garden, a vibrant laboratory for plant research located on the M.S.U. campus. The Garden continues to provide a study environment for research scholars and for sharing of information. Professor Beal attained worldwide recognition for his development of hybrid corn, a strain that has affected corn products in use today.

Beyond the Beal Garden, the campus extends to lush farms with impeccable white barns and silos, evidence of the ongoing great experiment. Signs at each of many fields identify the research projects: "Crop and Soil Research Center," "Hancock Turfgrass Research Center," and more.

Service: The Smith-Lever Act, 1914

As research expanded, programs to bring scientific knowledge to the public also expanded, culminating in passage of the 1914 Smith-Lever Act the authorized the Cooperative Agricultural Extension Service. This legislation was based on the premise that farmers could best be served by bringing information to them at their farms.

Kenyon Butterfield, president of M.S.U. from 1924 to 1928, was called the father of cooperative extension because of years of effort in support of outreach programs. He had a long association with M.S.U., graduating in 1891. Butterfield then studied and taught rural sociology at the University of Michigan.

In 1895, the Michigan Board of Agriculture appointed him Superintendent of Farmers' Institutes, bringing him back to his alma mater. In 1906, he became president of Massachusetts Agricultural College, a post he held until returning to M.S.U. as president.

Passage of the Smith-Lever Act empowered land-grant colleges to initiate an extensive network of agents who worked with farmers at their farms in creative and practical ways. The agents became envoys who revolutionized the relationships between agricultural colleges and the public.

At M.S.U., these relationships began with launching of Farmers' Institutes in 1896. Farmers' Institutes continued for decades but required participants to travel to the campus and other locations. Nevertheless, the Institutes became popular as local farmers took part in the planning of meeting and demonstrations. These events introduced new agricultural methods and addressed specific problems: how to avoid soil burnout, how to improve dairy farms, how to increase sugar beet production, and much more. With this sharing of information, attendance soon reached 8000. These sessions gave the college the opportunity to further dispel the distrust that still existed among some farmers. The college could show in practical ways that it could offer help in solving farmers' problems.

Under Kenyon Butterfield's direction, Farmers' Institutes grew dramatically. In 1896, an estimated 91,000 people from 68 Michigan counties attended.

Also, in 1896, annual Round-Ups began. Farmers and friends from 50 counties met for four days in Grand Rapids to discuss issues crucial to agriculture. The first Round-Up featured three sessions for and about women arranged by Mary Mayo who spent 30 years as an advocate for women. She worked to improve the lives of rural women and children and succeeded in establishing courses at the college on women's issues.

The Round-Up led to the Farmers' Week held on the campus, another strategy for funneling to farmers up-to-

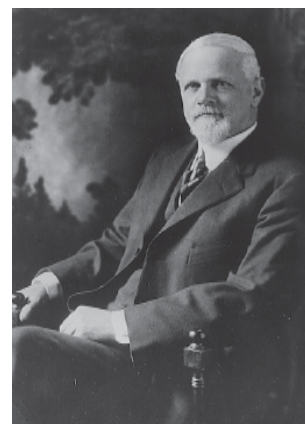
date information generated by research at the experiment station. Also, the Michigan Legislature consistently supported M.S.U., and appropriated money for bulletins on agriculture for distribution to the public, significant because of travel difficulties.

During this period, faculty and administrators became more and more aware of the benefits of making knowledge to farmers at their farms. In 1908, W.F. Raven began employment as a field agent working with farmers to improve their livestock. Soon another agents, preceding today's highly specialized society, were experts in other fields related to agriculture. They relayed research information to farmer through personal contact at their farms. The agents lived near the farmers they served, marking the early days of cooperative extension.

During this period, Professor Beal was gaining recognition for his research on hybrid corn. In 1906, conscious of the land-grant commitment to service, supporters of the developing extension movement organized Corn Gospel Trains to take the story of hybrid corn directly to the public. Two passenger cars stopped in 49 Michigan communities where hundreds of visitors heard lectures by faculty, participated in discussions, and viewed exhibits about Professors Beal's research.

The Gospel Trains can be seen as a metaphor for the twenty-first century's dependence on nineteenth and early twentieth century research. The trains were dramatic example of the outreach that began with Farmers' Institutes, Round-Ups, Farmers' Week and finally, the employment of agents who went directly to the farmers and their farms. Because of his work with Farmer's Institutes and with the early steps toward cooperative extension, Kenyon Butterfield was able to oversee their blending as the two movements evolved. By 1908, the term extension service had been adopted and first agent had begun to visit farms bringing to fruition the long and successful journey to extension service and, finally, passage of the Smith-Lever Act.

The concepts of democracy, experiment, and service embedded in the Morrill Act, the Hatch Act, and Smith-Lever Act created a framework for the evolution of land-grant philosophy. Today they continue as dominant



*President Jonathan L. Snyder
1896-1915
State Agricultural College*

M.S.U.

Downs, continued from previous page

themes at M.S.U. Democracy and experiment define land-grant values. Service nurtures them.

During 2005, M.S.U.'s sesquicentennial, President Lou Anna K. Simon, in her first year, began in very tangible ways to, in her words, reinvigorate land-grant philosophy. Her populist spirit and dedication to the land-grant mission are a continuation of the fervor of early presidents.

On September 8, President Simon opened an academic convocation by outlining her plans for the future. She has labeled her vision ***Boldness by Design*** and her goal is to make M.S.U. the nation's leading land-grant University by 2012. A poster displayed the September convocation, "***Advancing Knowledge, Transforming Lives,***" captures President Simon's vision. Although knowledge inevitably will change, the goal of transforming lives presumably will not.

In the twenty-first century with its pioneer spirit still intact, M.S.U. maintains programs that promote its cherished ideals of democracy, experiment, and service. A few examples from a multitude of community, national, and international activities illustrate the University's land-grant commitment to these ideals.

President Simon recently announced plans for a residential college with emphasis on the arts and humanities. This fulfills the demands of M.S.U.'s earliest students, who in 1856 insisted on liberal arts courses.

President Simon's proposal is also in accordance with President Jonathon Snyder's view on the value of a setting where students can live and study together.

Another objective of the residential college, working in the community, embraces the outreach programs called for in the 1914 Smith-Lever Act that established cooperative extension.

Outreach has always been prominent at M.S.U. and today a long-standing practice takes recruiters to low-income urban and rural areas across the state where they process on-site admissions for students who might not have the resources to reach the campus.

Outreach blends with financial aid goals. President Simon has allocated \$1.6 million in discretionary funds to help students with the greatest financial need, continuing the tradition of making a college education available to all.

M.S.U. maintains its early practice of meshing the Michigan Agricultural Experiment Station (MAES) and MSU Extension (MSUE). As in the past, MSUE brings to the public MAES research information developed at the campus Experiment Station and its 14 affiliates throughout the state.

MAES researchers and MSUE educators together have offered emergency management training and other assistance to help local leaders address land use, water quality, and local government concerns.

With Kolia San Thabue came to Michigan's fledgling college in 1891, he began a pattern of international activities that have flourished every since. Today, M.S.U. is one of a few American college campuses that maintain a Peace Corps recruiting office, just one of the university's numerous international programs. The first university in the country to have a dean of International Studies and Programs, M.S.U. conducts agriculture and health programs throughout the world.

M.S.U.'s off-campus Community and Economic Development Program (CEDP) has been quietly and systematically serving low and middle-income families and communities.

On April 5, CEDP in cooperation with the Office of Campus Sustainability, sponsored its nineteenth annual institute. The institute is one of CEDP's many outreach activities dedicated to community education and improvement. Another, the publication of the "*Creative Communities Handbook: A leap to positive thinking,*" has been widely distributed and used.

And, just as early extension agents took their message to farmers at their farms, CEDP people have gone to public housing developments where they have helped residents form organizations, develop computer and other activities, and address resident-landlord concerns.

In the twenty-first century, M.S.U. is flexible, far reaching, and ready to continue its early march toward today's challenges. From its modest beginning in a dense forest, M.S.U. has evolved into an internationally acclaimed institution. Its global outreach may soon include a permanent office in China.

Bette Downs is a regular contributor to Community News and Views. She lives in East Lansing.

Reminder: Community News and Views Goes Electronic

The MSU CEDP has begun producing occasional "electronic only" editions of the Community News and Views, to meet the changing expectations of our readership and to reduce our use of precious resources. If you haven't already done so, we invite you to sign up for the electronic newsletters by sending your email address to cedp@msu.edu.

CEDP UPDATES

2006 Community and Economic Development Awards

At its 19th Annual Institute on April 5, 2006, the Michigan State University Community and Economic Development Program (CEDP) will recognize the 2006 recipients of the annual community and economic development awards. This year's recipients embody the ideals and principles of effective community development through their outstanding scholarship.

The 2006 recipients include **George Galster**, Wayne State University, for a career contribution to our scholarly understandings of urban issues and **Writing in Digital Environment Research Center (WIDE)**, Michigan State University, for increasing our understanding of knowledge work as fundamental to citizenship in an information society.

George Galster, Ph.D. is Clarence Hilberry Professor of Urban Affairs, College of Urban, Labor, and Metropolitan Affairs, at Wayne State University. He has published over 100 scholarly articles primarily on the topics of metropolitan housing markets, racial discrimination and segregation, neighborhood dynamics, residential reinvestment, community lending and insurance patterns, and urban poverty. His authored and edited books include: *Homeowners and Neighborhood Reinvestment* (1987), *The Maze of Urban Housing Markets* (1991), *The Metropolis in Black and White* (1992), *Reality and Research: Social Science and American Urban Policy Since 1960* (1996), and *Why NOT in My Back Yard? The Neighborhood Impacts of Assisted Housing* (2003). Throughout his career,

he has provided a wealth of experience in academic, nonprofit, and for-profit circles. To learn more about Prof. Galster's lifetime achievements, visit: www.culma.wayne.edu/faculty/cvs/GG_resume_1-03.DOC.pdf.

WIDE, co-directed by MSU faculty members Jeff Grabill, Jim Porter, and Bill Hart-Davidson, support community-based research projects that explore the fundamental question: *how do we enable communities and organizations to write in digital environments?* They promote research that contributes to the understanding of knowledge work as fundamental to citizenship in an information society, to understanding individual and community-based writing practices in digital environments, and to understanding practices and policies for sharing information, fair use, and intellectual property. The INK project and the CAC Voices project are two projects with immediate bearing on capacity building for community-based organizations. To learn more about WIDE and its other projects, visit: <http://www.wide.msu.edu/>.

Information about past Community and Economic Development Award winners is available on the CEDP web page, www.cedp.msu.edu.

Grant Awards Announced

The MSU Community and Economic Development Program recently learned it has been awarded two grants to engage in ongoing research into economic development planning and practice in the new knowledge-intensive economy.

The U.S. Department of Commerce, Economic Development Administration is providing a grant for CEDP to work with the Michigan Economic Development Corporation and the Michigan Economic Developers Association to conduct 'best practices' research into economic development practice in the knowledge economy, as well as to survey local economic development practitioners regarding such practice.

In a separate award, the MSU Community Vitality Program is providing support to investigate how businesses are responding to the knowledge economy.

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Annual CEDP Institutes Available as Webcasts!

The 2006 Annual Institute, "Responsibly Investing in Michigan's Future: Community Development Investment Strategies," will be broadcast live via the internet and digitally archived on-line for viewing on your computer. This is the second year the MSU CEDP is using this new technology: the 2005 conference, "Ideas and Dollars," is also available online.

Find both events in the archives at <http://www.wmsu.org> or visit the CEDP website at www.cedp.msu.edu for a link.



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