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The Ford Foundation in the Inner City: Forging an Alliance with Neighborhood Activists

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This is the story of the Ford Foundation's involvement in the inner city, which began back in 1955 when it financed a program to smooth the way for the expansion of downtowns into low-income neighborhoods through urban renewal. The essay explains how and why this powerful foundation developed what might seem at first glance to be an unlikely alliance with neighborhood activists in the 1960s and 1970s, then put its primary focus on low-income housing in the 1980s. But let's start at the grassroots level and find our way to the power elite from there.

If you were to go into a low-income, inner-city neighborhood today, whether it was predominantly white or predominantly black, you might see several locally managed nonprofit organizations called *Community-Based Organizations*, or CBOs. These CBOs provide social services, job training, support for neighborhood groups and new small businesses, and/or advocacy for tenant's rights. They were founded by activists who originally were part of or inspired by the civil rights, anti-war, and other movements of the 1960s and 1970s. They are further testament to the point that a relatively small handful of committed activists can make a difference (Flacks, 1988).

You also might see units of affordable housing being built or rehabilitated by a type of community-based organization called a *Community Development Corporation*, or CDC, of which there are now several thousand. Since the early 1990s they have accounted for most of the new or rehabilitated housing in the inner city. They, too, are the product of a long history of activist struggle, mostly against the banking and real estate sectors, which have largely abandoned inner-city neighborhoods (Dreier, 2003).

If you inquired a little further, you would find that most of these organizations are part of national associations or are supported by various kinds of national-level advocacy organizations, usually located in Washington, DC. For example, the CDCs belong to the National Congress for Community Economic Development (NCCED), which is basically their trade association. The NCCED publishes reports meant to impress corporations, foundations, and local elected officials, and it lobbies Congress on housing issues. Most CDCs raise money for their projects through two national-level nonprofit organizations, the Local Initiatives Support Corporation and the Enterprise Foundation, which have regional and local offices, and provide technical advice and training as well as loans.

Similarly, all types of CBOs, not just CDCs, can look to the Center for Community Change to provide money and staff support for organizing (e.g., tenant groups, fair-housing groups, anti-redlining groups, and environmental justice groups). Local groups also receive advocacy and lobbying support from the National Neighborhood Coalition, and help in upgrading their financial and administrative skills from the Development Training Institute. Or they can obtain training in direct-action tactics (aka "hits," "house calls," and "noisy protests") from the National Training and Information Center in Chicago (Trapp, 2003).

In addition, there are national organizations of neighborhood groups and grassroots organizers. By far the most important of these is the Association of Community Organizations for Reform Now, known as ACORN, which helps organize protests by its 150,000 member families in 50 cities, initiates living-wage campaigns, and builds affordable housing through its CDC, the Acorn Housing Corporation. National People's Action, which created the National Training and Information Center mentioned in the previous paragraph, included 302 neighborhoods in 38 states as of 2002 (Mariano, 2003). There's also the Chicago-based Industrial Areas Foundation, founded in the 1950s by the famous direct-action activist, Saul Alinsky (1909-1972), which works to organize and empower people in low-income neighborhoods, especially Mexican-American neighborhoods, and usually with the support of a diocese of the Catholic Church (Fisher, 1994, pp. 191-197).

If you were then to take a look at the financial backing for these various organizations, you would find that many of them originally gained support from churches and church-related groups, both Catholic and Protestant, that saw helping neighborhoods and reducing racial tensions as part of their religious mission. But you would also see that they soon began to receive a significant portion of their funding from the three main types of foundations -- family-funded, corporate, and community. In the late 1960s and 1970s some of them also received major money from the federal government, but the Reagan, Bush One, and Bush Two administrations have done everything they can to reduce government funding for the inner city and give what remains to faith-based organizations that lean Republican, or have the potential to become Republican. George W. Bush was late to the game in talking about "faith-based initiatives" in the inner city, but he did obscure the role of



The Ford Foundation's
New York headquarters

the liberal and moderate churches, and put the spotlight on right-wing groups.

The leadership role in securing CBO and CDC funding is played by major family-funded foundations, which then encourage the corporate and community foundations to join them. These foundations also finance the advocacy organizations that lobby the government to provide the really big money that is needed to make some of these programs work. Take the Center for Community Change in Washington, DC, for example. In 2002, the center received \$1.9 million from the Stewart Mott Foundation, along with \$825,000 from the Ford Foundation, \$751,000 from the Mary Reynolds Babcock Foundation, \$630,000 from the Annie E. Casey Foundation, \$290,000 from the Rosenberg Foundation, \$225,000 from the Nathan Cummings Foundation, \$200,000 from the Rockefeller Foundation, and \$200,000 from the Open Society Institute, plus another \$818,000 from 11 other foundations, for a total of \$5.8 million.

Moving to a more general perspective, we can look at the financial connections between several foundations and some of the main inner-city support organizations, as seen in Table 1.

Table 1: The matrix created between five foundations and five inner-city advocacy organizations by donations from the foundations in 2002

<i>Foundations</i>	<i>Inner-city organizations</i>				
	CCC	NCCED	DTI	CHP	NLIH
Ford	\$827,000	\$200,000	\$50,000	x	x
Casey	\$630,000	\$170,000	\$230,000	x	x
Surdna ¹	\$150,000	x	\$160,000	x	\$75,000
Fannie Mae ²	x	x	\$50,000	\$50,000	\$325,000
MacArthur	x	x	\$385,000	\$750,000	\$325,000

CCC = Center for Community Change; NCCED = National Congress for Community Economic Development; DTI = Development Training Institute; CHP = Center for Housing Policy; NLIH = National Low-Income Housing Coalition.

"x" means no funding for that year.

1. Surdna is the name of a wealthy family, Andrus, spelled backwards.

2. Fannie Mae is the nickname for the Federal National Mortgage Association, a private but government-supported corporation that has played a very big role in financing middle- and low-income housing. It does so by purchasing mortgages from the original lenders and either keeping them as long-term investments or bundling them for sale to individuals and institutions as mortgage-backed securities. Fannie Mae makes money in the process, but its important societal function is to enlarge the pool of money that lenders have available for mortgages, thereby making home ownership more possible. Fannie Mae was originally created by Congress in 1938 to buy mortgages approved by the Federal Housing Authority, and in 1968 became a government-sponsored corporation (Fishbein, 2003, p. 105).

In addition, foundations provide major support for the United Way and the church-related organizations that contribute to service organizations in the inner city. The United Way alone received 3,076 foundation donations in 2003, 53 of which were for \$1 million or more. The Lilly Endowment, created by the original owners of Eli Lilly and Company, the pharmaceutical giant, topped the list with a donation of \$24.3 million. (The company itself gave another \$5.2 million.) The other foundations that gave \$5 million or more to United Way were all directly controlled by corporations -- Bank of America (\$20.7 million), UPS (\$9.6 million), Ford Motor (\$9.3 million), J. P. Morgan Chase Bank (\$5.8 million), and Kellogg (\$5.1 million). Catholic Charities, very active in inner cities, received 141 grants in 2003, including a donation of \$1.6 million from the Irvine Foundation outside of Los Angeles to the Catholic Charities of Santa Clara, California. The Gates Foundation, set up by the founder of Microsoft, gave \$400,000 to Catholic Charities in the state of Washington. Other Christian denominations received donations as well. (An analysis of foundations and their relationship to religious groups is another one of those studies just waiting to be done now that the Foundation Grants Index is on a CD-ROM.)

As the information on the United Way and church-related charities makes clear, there are many more foundations and community organizations that could be added to the inner-city network outlined in Table 1. However, enough has been said for now to suggest the existence of a private organizational structure that parallels and even replaces local government in providing social services and housing for the inner city.

If you then wondered how such a complex system developed, you would find yourself looking in good part at the role of the Ford Foundation. That is, you would be looking at an example of the kind of network created by the corporate community and big foundations for many different issue-areas, as explained in *Who Rules America?* However, in this case the Ford Foundation did not create the network simply by hiring large numbers of experts and bringing them together with corporate executives in policy-discussion groups. Instead, it was reacting to activists who were trying to stop urban renewal, or to white neighborhoods that were agitated by the influx of African-Americans. That is, the network was created by an unusual, and in

many ways uneasy, alliance of foundation officials and community activists.

What follows, then, is the story of how the Ford Foundation and its allies in the power elite worked with community activists to construct a network of organizations and programs to deal with the tensions created in the inner city by:

1. the urban renewal program that pushed tens of thousands of low-income people out of their homes between 1955 and 1974 to make room for office buildings, university expansion, convention centers, and freeways;
2. the large rural-to-urban migration of African-Americans between 1940 and 1980 in search of new opportunities; and
3. the efforts by many whites to exclude African-Americans from white neighborhoods.

The use of the term "inner city" in this essay is not a euphemism for "African-American neighborhoods" or "ghettoes." It is a term that encompasses both the white neighborhoods that were losing population to the suburbs and the black neighborhoods that were gaining population due to migration from the South, and slowly spreading into the white neighborhoods. In other words, the Ford Foundation was walking into a minefield. Ostensibly, it was in the business of trying to reduce the tensions of black-white residential integration, but I will argue that it was in fact trying to manage downtown expansion and white-to-black neighborhood transitions with as little disruption and violence as possible.

The development of a network for coping with these volatile issues was not based on one grand vision. To the contrary, the network evolved out of many little experiments and confrontations in which the Ford Foundation was sometimes forced to go beyond what it originally intended by the demands of inner-city residents in the 1960s. Many mistakes were made, but there were also adaptations, first in the face of the hundreds of riots that occurred between 1964 and 1968, and then in reaction to the cutbacks made in federal funding for the inner city by the anti-government ultra-conservatives who first became ascendant during the Reagan-Bush years (1981-1992). But the Ford Foundation persisted, and the result is the large maze of organizations touched on earlier.

The efforts by the Ford Foundation in the inner city were opposed by ultra-conservatives in the power elite. Denying that the combined forces of urban renewal and racism had created a volatile situation in the inner city, ultra-conservatives first claimed that the Ford Foundation was fomenting the relatively mild disturbances of the early 1960s with its outreach and juvenile delinquency programs. When riots and the destruction of property broke out, and the Ford Foundation and the government decided they had to allow more participation in the programs by black activists, the ultra-conservatives objected. Instead, they called for the simple solution of "law and order," i.e., heavy handed repression, which the moderates feared would make the situation more difficult. By the early 1970s, when the disruption seemed to be safely in the past, ultra-conservatives insisted that the programs were just a bunch of unnecessary experiments perpetrated by liberal professors.

Contrary to this ultra-conservative version, the Ford Foundation's program played a moderating role. As two experts on the dilemmas of social reform in the 1960s convincingly argue, based on their observations and interviews within many of the key funding organizations, there is very good evidence that the groups and agencies supported by the foundations and the federal government cooled out the worst tensions, channeling anger into what moderates saw as more constructive forms of protest (Marris & Rein, 1973). The historical evidence in this essay supports their on-the-spot conclusions of 35 or more years ago by presenting evidence that the Ford Foundation is a centrist, or moderate-conservative, organization, committed to gradual improvements of the status quo, but willing to do more when faced with urban disorder.

The account that follows is not only a demonstration of how the moderate conservatives within the power elite create new organizations and new policy networks in the face of unexpected developments in the society at large. It is also an example of how a power structure analysis differs from a mainstream analysis in the social sciences, which tells this story in terms of "growing awareness" or "increasing concern" with poverty, along with the development of responsive "institutions" and gradual compromises fashioned by elected officials. In that version, there is no conflict between powerful elites and neighborhoods, just racism and misunderstandings. There is no conscious attempt to deal with the possibility of violence and social disruption, just mere "institution-building" to meet human needs.

Most of all, there is never any suggestion in any article on the Ford Foundation that trustees and top leaders were trying to support the urban renewal bulldozer. The focus is on the well-meaning, middle-level foundation executives and consulting professors who may have been misguided, but had the best of intentions. However, it is not their intentions that matter. It's the intentions of the trustees and the effects of the program that matter. I claim the program started out in the 1950s as part of a land grab by downtown business interests, and then morphed into a set of measures to manage the transition of the inner city from mostly white to mostly black.

The Ford Foundation and Urban Renewal

Although the Ford Foundation was officially incorporated in 1936, it was just a hollow shell, giving occasional grants in Detroit to the Ford family's favorite charities, until it received a huge portion of Henry Ford's estate after his death in 1947. This bequest made the foundation by far the largest in the United States, four times larger than the Rockefeller Foundation, which had dwarfed all other foundations until the Ford Foundation came into its full inheritance (Nielsen, 1972, Chapter 5). In the 1960s, when the problems of the inner city were at a fever pitch, it had one-third of all the assets owned by the top 33 foundations. As of 2003, it claimed to have \$9 billion in assets and to have given more than \$9 billion to some 9,000 institutions and 100,000 individuals worldwide since the 1950s. (Much of its effort in recent years is internationally focused, so it doesn't contribute as much to American groups as it used to.)



Henry Ford

Since the 1950s, then, the Ford Foundation truly has been the 900-pound gorilla of the foundation world when it comes to the initiation and support of policy in a wide range of areas. There are now other foundations that have very large endowments, but they don't put their money into policy to the degree that Ford does. For example, Bill Gates of Microsoft has dedicated his Gates Foundation to vaccinating children all over the world, and providing major help with other medical issues, but he is not contributing very much to the policy-planning and advocacy organizations supported by the big mainstream foundations.

The "new" Ford Foundation of the 1950s came under the control of leading business executives for reasons that need not detain us here. Suffice it to say they were picked by Ford's grandson, Henry Ford II, by then the head of the Ford Motor Company. It is relevant, however, that he relied on advice from Donald K. David, a former businessman and dean of the Harvard Business School, who was also a director of Ford Motor Company, a trustee of the Ford Foundation, and an advisor to the Ford family. After flailing around a bit for direction, the businessmen-trustees decided that the mission of the foundation was to strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. As one small part of this mission, they created a Division of National Affairs, which from the beginning was a promoter of the reformulated urban renewal program passed by a Republican Congress in 1954. It was this reformulated program, which made downtown development possible at the expense of low-income neighborhoods, that soon became a hot-button issue. (For the changes in the urban renewal program in 1954, see "[Power at the Local Level.](#)")

To insulate urban renewal from potential opposition, a 1954 White House report outlining the new program suggested the creation of a private nonprofit organization to serve as its publicity and research arm. This organization was christened ACTION, the American Council To Improve Our Neighborhoods. Its trustees were a cross-section of the corporate and developer elites of the day; the Ford Foundation immediately gave ACTION \$250,000 (\$1.8 million in 2005 dollars) for its research program. Some of the most prominent planners and urban researchers in the country were financially supported through this program. This, then, was the initial Ford move into the inner city.

The foundation trustees told the staff they wanted the Division of National Affairs to have an applied program. That's because they were fully aware that urban renewal might not proceed smoothly due to the fact that it was displacing many low-income people from their neighborhoods. In the case of African-Americans, there was a double burden because there were less housing options open to them due to racial exclusion. By the early 1950s African-Americans already had begun to call urban renewal "Negro Removal" (Stone, 1976).

Led by Donald K. David, in 1955 the foundation hired a political science professor from Swarthmore, Paul Ylvisaker, to head the Division of National Affairs. Ylvisaker also had experience as the secretary to the reform mayor in Philadelphia, where a major urban renewal program was under way. With an M.A. in planning and a Ph.D. in political science from Harvard, his interest in cities and the migration of rural populations to cities made him an ideal director.



Paul Ylvisaker

As Ylvisaker explains in an oral history, available in the Ford Foundation archives, he started out by talking to the "power structures," along with the mayors and the superintendents of schools, in 14 cities. He also talked with the foundation's trustees about urban issues. When discussing the role of the board, he makes clear just how important Ford Foundation trustees were behind the scenes in shaping the program. But he does so by distancing himself in a confusing way from "liberals" with an allegedly "conspiratorial outlook." The language is convoluted, but it shows that Ylvisaker was well aware of who was in charge:

...We were always working in that setting of powerful men keeping their ties intact and judging things from that point of view. Now a liberal with a conspiratorial outlook would say, "It proves what I've been saying, the damn power structure up there is taking care of its own." And yet you could also go into the conspiratorial headquarters and find that guys were making the same calculations and if you were going to be effective you've got to watch all that. (Ylvisaker, 1973, pp. 46-47)

Ylvisaker also talked to as many experts on cities and minority populations as he could. While these consultations were going on, the foundation started giving large grants to universities for research on metropolitan areas and urban problems. For example, it set up a joint center on urban and regional problems at MIT and Harvard. It also continued to give small grants to

ACTION. The reports from these projects became a key source of information for Ylvisaker and gave him "a network of able associates around the country," as one investigator put it (Tittle, 1992, p. 106).

Ylvisaker's main African-American consultant was Robert Weaver, who earned a Ph.D. in economics from Harvard in 1934, and worked in the mid-1950s for centimillionaire Democrat Averell Harriman when he was governor of New York. Weaver also came highly recommended from developer James Scheuer. A few years later, when Weaver went to work for the Kennedy and Johnson administrations, and became the first African-American cabinet member as Secretary of Housing and Urban Development in 1966, he was said by Ylvisaker (1973, p. 28) to be a key link between the Ford Foundation programs and the government. However, despite the obvious racial dimensions of the urban tensions, and the consultations with Weaver and other experts, Ylvisaker (1973, p. 20) says in his oral history that he was working within a major constraint: he had been told that the foundation could not deal with the issue of race directly. If you wonder what trustees and top executives do, this is a good example. In this instance, they set limits.

At least in public, Ylvisaker said that the tensions in the inner city were, at root, about acculturation and assimilation. African-Americans were a rural population migrating to urban areas of the North, and eventually things would work out when everyone got used to each other. The city, he claimed, should be seen "as a continuous system of attracting the newcomer (once the Scotch, the Irish, the Jews, the Italians, now the Negroes, the Puerto Ricans, the mountain whites, the Mexicans, and the American Indians) and of assimilating this newcomer to all that is up-to-date and sought after in the urban culture" (Silberman, 1964, p. 38).

However, due to his large knowledge base, Ylvisaker knew full well what he was up against in trying to help ease cities through their multiple conflicts. By the late 1950s there was plenty of research evidence that most neighborhood "improvement" or "community development" associations working for "the betterment of their community" were in the business of "creating and maintaining communities capable of attracting middle-class whites to city areas" (Molotch, 1972, p. 4). (This process of trying to attract middle-class whites came to be known by the euphemism of "gentrification," which remains a primary goal of most city neighborhoods and all downtown growth elites.)

Nor were the white social scientists who studied these matters discrete about how they and other whites viewed the situation. The title of a 1941 Master's thesis in sociology at the University of Chicago was "The Negro Invasion of the Washington Park Subdivision;" a 1951 Master's thesis from the same department was entitled "The Neighborhood Improvement Association: A Counter-Force to the Expansion of Chicago's Negro Population." A 1960 dissertation in sociology at Wayne State University used the term "invasion in its subtitle: "A Study of a Neighborhood's Initial Response to Negro Invasion." A 1957 book on African-Americans in Chicago by two prominent sociologists spoke of "penetration," "invasion," "consolidation," and "piling-up" as the four stages in the racial change of a neighborhood from white to black, with "piling-up" referring to the time when "the number of blacks exceeds the original number of whites" due to the desperate need for housing on the part of African-Americans and the willingness of slumlords to overcrowd their rental properties in a search for higher profits (Molotch, 1972, pp. 4-6). Even a neighborhood organization started in Chicago by the left-leaning Alinsky in 1939, The Back of the Yards Neighborhood Council, evolved into an anti-black organization when the pressures of the 1960s arose and Alinsky was out of the picture. (Fisher, 1994, pp. 62-63).

It was within this highly racialized context that Ylvisaker proposed a "Great Cities" program in 1959 to aid inner-city schools (O'Connor, 1999, p. 175). However, he and his staff soon realized that this program was not going to be enough, so they began to plan for a program that would create new nonprofit community agencies to encourage local welfare and educational agencies to work together to serve low-income populations better (Halpern, 1995). This "Gray Areas" project, as it was called, a euphemism for "neighborhoods becoming black," went into operation in 1961. By 1965 it had spent \$26.5 million for community action agencies in Boston, Oakland, New Haven, Philadelphia, and Washington, DC. If there remains any doubt that this effort was linked to urban renewal, Ylvisaker (1973, p. 23) specifically states that he was able to develop the project because African-Americans were obstructing urban renewal projects that were supported by foundation trustees. In addition, the president of the foundation, Harold Heald, who previously had been president of the Illinois Institute of Technology, was sympathetic to the program because that university was surrounded by a ghetto in Chicago (Ylvisaker, 1973, p. 25).

Generally speaking, the five Gray Areas projects did not fare well. They met with resistance from established agencies and angered African-Americans because they did not offer them any significant participation in the execution of the programs. They trained people for jobs that did not exist and too often defined the problem in terms of deficiencies in the people they were trying to relocate, not in terms of the unemployment and racial exclusion the people faced. These issues are best seen in the New Haven program, Community Progress, Incorporated, known simply as CPI, which was generally considered the best of the five pilot programs. CPI started with a grant of \$2.5 million from Ford, but soon had received another \$25 million through various government programs for juvenile delinquency prevention and manpower development (Halpern, 1995, p. 94).

The director of CPI, Mitchell ("Mike") Sviridoff, the one-time president of the AFL-CIO in Connecticut, who was close to the city's mayor, kept control of the program within a small group of professionals for two reasons. On the one hand, he was wary of both the school and welfare leadership in the city, whom he tended to blame for the problems the low-income neighborhoods were experiencing. On the other, he was afraid that the more radical leaders in the black community might try to politicize the program (Halpern, 1995, p. 94). Not surprisingly, CPI did not receive all the cooperation it expected from the schools and welfare agencies, and African-Americans became resentful of it. They saw it as part of the urban renewal program, which they already despised for what it had done to their neighborhoods. CPI was in fact part of the urban renewal program, although it had of course tried to claim otherwise.



Mitchell Sviridoff in the 1990s

Despite the difficulties of the Gray Areas program, it nonetheless became one of the prototypes for the Johnson Administration's War on Poverty. The five pilot agencies were in effect taken over and funded by the Office of Economic Opportunity as part of its Community Action Program, with the offices called "Community Action Agencies." (In addition to the Office of Economic Opportunity, the War on Poverty included the Jobs Corps, Head Start, VISTA, and Legal Aid.)

Although the number of Community Action Agencies rose to 1,000 within 18 months, the Community Action Program was for the most part a failure even though it had the backing of the executive branch of the federal government. As private organizations trying to coordinate government agencies, the Community Action Agencies got nowhere. Sometimes they increased tensions by organizing public criticism, pickets, or boycotts against the government units that resisted them (Fisher, 1994, pp. 123-131; Halpern, 1995, Chapter 3). The mayors of many cities spoke out against this part of the War on Poverty, which was its death knell. By 1967, the Community Action Agencies had been reigned in. On the other hand, outside critics said the programs were too paternalistic. However, the community agencies did incorporate many black activists into their operations and thereby helped launch some of them into administrative and political careers, which was not a small matter.

From Gray Areas to Community Development Corporations

About the same time that the government took over the Gray Areas program, there was a leadership change at the Ford Foundation. McGeorge Bundy, the National Security Advisor for the Kennedy and Johnson Administrations, was named president of the foundation in 1966. The son of a Boston corporate lawyer, a graduate of Harvard, and a former dean of the Harvard faculty, Bundy was by all accounts at the heart of the American power elite in the 1960s. Comfortable with shaking things up and running his own show, Bundy did not make much use of Ylvisaker, who reports he already had been "throttled down" in 1964-1965 anyhow, and soon resigned (Ylvisaker, 1973, p. 42). Sviridoff, who had moved to New York to be its Human Resources Commissioner after his work in New Haven as director of CPI, was hired to head Ford's urban operation, where he set the direction for the next 14 years.



McGeorge Bundy in LBJ's Oval Office

It was the new Bundy-Sviridoff combination that championed the community development program that Ford stuck with from that time forward. Their goal was to concentrate less on social and educational services, as Ylvisaker and the War on Poverty had done, and instead try to provide affordable housing and financial support for new small businesses. As one former Ford Foundation official later explained the difference, the Gray Areas program was an "adjunct to government that concentrated on social service programs," whereas the CDC is "a proxy for local government, concentrating much more on economic development and on residential and commercial building and renewal, a distinction of considerable significance" (Magat, 1979, p. 123).

This is indeed a distinction of considerable significance. In theoretical terms, it is an attempt to create an organizational structure relatively independent of local government for improving conditions in the inner city. It is a clear attempt at social control, but the leaders in the Ford Foundation's program are often portrayed as do-gooders and bleeding-heart liberals.

The new CDC program actually began in 1964 with a \$575,000 grant to ACTION to provide technical assistance to nonprofits, such as urban churches and trade unions. At this time the trustees also put aside another \$2.25 million (\$14.1 million in 2005 dollars) to stimulate local development funds for housing and small commercial developments. A year later, the foundation gave a new organization called the City Crusade Against Poverty \$375,000 to train neighborhood leaders. In 1966, as unrest increased and the new CDC program was ready to be tried out, the Ford Foundation gave \$350,000 to the Bedford-Stuyvesant Development and Services Corporation in Brooklyn for its efforts in a very volatile neighborhood.

A year later Senator Robert F. Kennedy of New York took a well-publicized walk through the Bedford-Stuyvesant neighborhood and expressed his enthusiasm for its self-help efforts, to the point where he is often wrongly given credit for coming up with the idea of CDCs. Along with the Republican senator from the state, Jacob Javits, Kennedy then sponsored bipartisan legislation that created the "Special Impact Program" to help with community development. This legislation made it possible for the Office of Economic Opportunity to join the Ford Foundation in funding several early CDCs in black and Mexican-American neighborhoods. They included the Bedford-Stuyvesant CDC, the East Los Angeles Community Union, and the Delta Foundation/Mississippi Action for Community Development. The program was further solidified in 1969 with a Ford-inspired change in the tax code so that foundations could give money to nonprofit organizations that were going to try

to make a profit on some of their projects (Liou & Stroh, 1998). As a next step, the Special Impact Program became known in 1970 as the Title VII Community Development Program, which gave it a more independent status and a better funding base.

At the same time, Ford began funding new auxiliary organizations to support the CDC project. In 1968 it gave another \$690,000 to ACTION, which at this point was merged with an organization called Urban America, along with \$500,000 that was allotted for a revolving loan fund for nonprofit housing. In addition, in an effort to provide CDCs with technical assistance and a way to share their experiences, Ford also provided \$3.5 million to start the Center for Community Change, which then absorbed the staff and programs of the City Crusade Against Poverty. Here, then, if we add up all these grants and organizations, we see the core of the inner-city network that Ford played a very big role in creating.

By the end of the 1970-1971 funding year, Ford officials reaffirmed their commitment to a focus on CDCs in their annual report:

Convinced that CDCs are effective vehicles for the future distribution of large Federal and private resources, the Foundation decided this year to concentrate increased effort on helping to develop such agencies further or start a few new ones.

The Movement Against Redlining

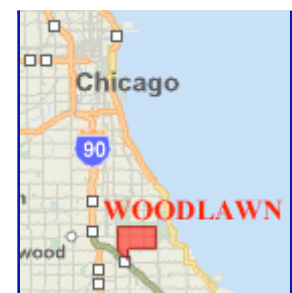
In the late 1960s the Ford Foundation and its corporate and foundation allies also became involved with community organizations that were trying to help inner-city neighborhoods in still other ways, such as by forcing slumlords to repair their buildings and city officials to clean up the streets and playgrounds. These organizations also found themselves searching for ways to negotiate the conflicts within white neighborhoods as African-Americans moved into them. Much of the initial focus of these efforts was on Chicago, where there was extreme tension between white ethnic neighborhoods and the burgeoning African-American population (from 278,000 and 8.2% of the city population in 1940 to 1,103,000 and 32.7% in 1970). There were also many organizers in that city, trained or inspired by Saul Alinsky's Industrial Areas Foundation, who were using his direct-action and door-to-door approach in several different neighborhoods, confronting slumlords at their homes, swarming into the offices of government officials, and blocking the entrances to corporate headquarters.

The first and most famous of the 1960s neighborhood organizations, The Woodlawn Organization, known as T.W.O., was founded in 1961 by Alinsky at the request of local church leaders, Catholic and Protestant, in a racially changing neighborhood not far from the University of Chicago. The original thrust and eventual role of T.W.O., along with the fate of the neighborhood it tried to defend, are instructive about the larger forces working against any attempt to help those in the inner city. Guided by a brilliant and innovative young Alinsky assistant, Nicholas von Hoffman, later to be a renowned columnist, author, and critic, who immediately trained and empowered several young African-American assistants, the mobilization of the neighborhood occurred quickly through a successful effort to block a University of Chicago plan to expand into the area (Fish, 1973). The organization also scored a number of other early victories in stopping the encroachments of outsiders, but then suffered defeats at the hands of the local Democratic Party political machine and the federal government when it tried to put forth plans that would provide actual neighborhood control. It therefore had to settle for becoming a very successful service provider by the early 1970s through grants from the Ford Foundation (for housing development), a major industrial corporation (for job training), and the federal government (for a Head-Start program and other social services). In addition, it also received \$750,000 in 1969 from the Ford-funded Center for Community Change.



Saul Alinsky

However, at the same time as T.W.O. was trying to defend the neighborhood, its eastern and central portions -- a one-square-mile area bounded by the University of Chicago, Lake Michigan, two parks, and a golf course -- plummeted in population from 65,000 to 35,000 in the four short years between 1967 and 1971 due to racial tensions, fear of gangs, white flight, abandonment by financial institutions, and general neglect by the city government. It also suffered a wave of arson that reached its peak in 1970 with 1,600 fires, which allowed many owners to collect insurance money and leave the area. One investigation counted 362 abandoned and burned out buildings in the area (Fish, 1973, p. 310). City officials did nothing, leaving it to T.W.O. to slowly stabilize the situation with its small amount of resources. (By 1990, at the low point for the neighborhood, there were only 27,000 people in Woodlawn, 90% of whom were African-American, and half of the area's population was on some form of public assistance.)



Map of Chicago, highlighting the Woodlawn neighborhood
[\(click to expand\)](#)

Meanwhile, on the other (west) side of Chicago, still other Alinsky-inspired organizers were at work, trying to solve specific neighborhood problems and create black-Latino-white alliances. This story is best told from the perspective of a legendary organizer of the era, Shel Trapp, who left the Methodist ministry in 1965 (after eight years with different congregations and involvement in the Civil Rights Movement) to work in neighborhoods, and Gale Cincotta, a Greek-American mother of six sons whose neighborhood leadership skills and daring style carried her to a highly visible nationwide role in forcing financial institutions to reinvest in inner-city neighborhoods (Mariano, 2003; Squires, 2003a; Trapp, 2003). Starting with such tactics as harassing real estate agents who were trying to create panic selling, removing for-sale signs from houses, and loudly confronting public officials, Trapp, Cincotta, and their fellow activists gradually organized two neighborhoods into a West Side Coalition. They then put together plans for a national housing conference in 1972 to serve as a launching pad for a new national organization that would place neighborhood problems in a larger context.



Shel Trapp

Building on their local network of financial backers, especially the liberal Stern Family Fund and Catholic Charities of Chicago, Cincotta next set out to raise money from national sources, starting with a Catholic priest in Washington, DC, Geno Baroni, who ran the National Center for Urban Ethnic Affairs. Baroni was a highly liberal priest who had an African-American parish in Washington and had participated in the Civil Rights Movement. He started his center out of a fear that white ethnic Catholics might become part of a racially reactionary movement if there was not outreach to them. In the context of the openings created by Vatican II, he had been able to convince the National Conference of Catholic Bishops to create a Campaign for Human Development to organize low-income ethnic and African-American communities to work together on common problems (Cunningham, 2004, p. 24). Cincotta's proposal therefore had an obvious appeal to him, and he helped her gain support from the Center for Community Change and the National Urban Coalition, the latter an organization started by corporate leaders in the aftermath of large-scale rioting in the 1960s (Christiano, 1995, pp. 50-52; Trapp, 2003, p. 53).



Gale Cincotta

Although the situation was not hopeful as far as reconciling black and white neighborhoods, there were one or two issues on which a national housing conference might be able to unite them in common cause against a common enemy. The most important of these uniting factors was the banking practice called "redlining," meaning that people in certain neighborhoods cannot obtain home improvement or home-financing loans from financial institutions, no matter how credit worthy they are, because the neighborhood itself, not them, is said to be a bad risk. Close behind redlining were the unscrupulous practices of realtors and lenders who used the attractive loan terms offered by the Federal Housing Authority to sell houses to low-income buyers who could not afford them, leading to foreclosures, empty houses, and neighborhood decline:

Frequently working with local realtors, lenders would solicit home purchases from families who could not, in fact, afford the acquisition. Exploiting racial fears in many cases, blockbusting resulted in the swift racial transition of urban communities. Thousands of families shortly defaulted on the loans, which led to the deterioration of once vibrant neighborhoods. The linchpin of such destruction was the availability of federally insured loans, which guaranteed the profits of lenders and realtors but cost many families their homes and life savings. (Squires, 2003b, p. 4)

Exclusion from regular commercial loans (i.e., redlining), along with lax oversight by the Federal Housing Authority on its loans, were defined by neighborhood activists as a self-fulfilling prophecy that hastened the downward spiral of housing prices, housing abandonment, and the deterioration of a neighborhood. They recognized that racism, which caused whites to leave urban neighborhoods for all-white suburbs, was at the root of the problem, but they hoped that a common focus on redlining and the Federal Housing Authority might be a way to transcend racial divides. And it was indeed redlining and disgust with the Federal Housing Authority that provided the glue for the 2000 delegates from 74 cities at the 1972 conference:

Most of the delegates were white, middle class homeowners with a scattering of blacks and Latin Americans. Minority spokesmen occasionally accused whites of trying to keep them out of white neighborhoods. White delegates replied that they were just trying to stabilize the neighborhoods. But, for the most part, the groups agreed that they were all being exploited by real estate agents, government officials and especially the Federal Housing Authority. (Christiano, 1995, p. 49)

The conference led to the formation of National People's Action as a nationwide organization of neighborhoods, which then spearheaded neighborhood organizing in many different cities from that time forward. National People's Action also created the National Information and Training Center (NTIC) to train organizers in how to use direct-action tactics. At the same time, Catholic Charities of Chicago hired Trapp to run their organizing efforts throughout the city. As Trapp (2003, p. 53) recounts, he and Cincotta now had a strong power base:

Now in addition to the beginnings of the national effort, we had twelve staff paid for by Catholic Charities who worked locally in Chicago. We pulled together what became a twenty-organization coalition called the Metropolitan Area Housing Alliance, MAHA, a citywide version of the West Side Coalition, which became a really strong power base in Chicago. Redlining was the first big MAHA issue.

MAHA and National People's Action had their first major success in 1973 when the Chicago city council passed an ordinance forcing banks to disclose the pattern of their deposits and loans in the city, which revealed that they were taking deposits from inner-city residents, but not loaning them any money for mortgages or home improvements. This victory was followed by passage of similar legislation by the state legislature. Drawing on these two precedents, and with lobbying help from the Center for Community Change, National People's Action was able to secure federal legislation in 1975, the Home Mortgage Disclosure Act, requiring banks with over \$10 million in assets to report mortgage lending in urban areas every year. This information, once it was compiled and analyzed by NTIC and other groups, showed a dramatic lack of loans in urban neighborhoods.

The impact of National People's Action can be seen in a detailed account of the rise and fall of community organizing in Cleveland between 1975 and 1985, where many neighborhood groups received financial support from the Catholic church and were strict adherents to the confrontational style used by National People's Action:

National People's Action provided the fledgling groups with a vast store of organizing experience to draw from. It got its start working on the same set of issues that were to be so central to the Cleveland groups -- housing, redlining, destructive federal policies, insensitive and unresponsive local governments. In Shel Trapp -- NTIC's lead organizer -- the staff of the groups found their hero. In Gail Cincotta the rank and file and leadership found a hero who shared their background and values, and had come from a community similar to theirs. (Cunningham, 2004, p. 54)

The movement's focus on home ownership and its reliance on nonviolent (albeit brash and unruly) tactics soon attracted favorable attention from other church groups and foundations, including the Ford Foundation. The training center received its first grant from the Ford Foundation, for \$125,000, in 1976, followed by \$140,000 more in 1978 and another \$110,000 in 1979. However, its biggest supporter came to be the Charles Stewart Mott Foundation, which granted NTIC \$5.6 million between 1979 and 2002, allowing it to give 218 seed grants to a wide array of community groups across the country.

The first national pay-off for these efforts was the Community Reinvestment Act of 1977, an attempt to push banks into making mortgage and home improvement loans in urban neighborhoods. The act was a modest one in that it did not contain any explicit standards or targets, but it did state that banks had an obligation to serve the geographical areas in which they were chartered and from which they drew deposits. The primary enforcement power came from the requirement that federal regulators should take community lending patterns into considered when they reviewed bank requests for new charters, relocations, mergers or acquisitions. None of this had any immediate dramatic effect, but it did lay the groundwork for important successes in the 1980s and beyond (Dreier, 2003, p. 193). Neighborhood groups around the country, energized by ACORN, National People's Action, the Center for Community Change, and a Nader-sponsored group, Public Citizen, used the act as the basis for a nationwide "reinvestment movement," that is, a movement that campaigned for agreements with financial institutions that committed them to reinvesting some of their money into the inner city. With 390 agreements in place by the early 21st century, the movement has had a significant impact in increasing the amount of mortgage money available in inner-city neighborhoods and in pushing home ownership to all-time highs, with roughly three-fourths of Euro-Americans and half of all other Americans owning their own homes (Squires, 1992; Squires, 2003a).

The Community Development Corporations Grow in Number and Impact

While the anti-redlining movement was forcing some reinvestment in inner-city neighborhoods, there was an increase in the number of CDCs as well. By then focused primarily on housing, they were given a boost in 1974 when Congress replaced the Office of Economic Opportunity with the Community Services Administration, which was able to provide local organizations with financial and technical assistance through a more flexible type of grant called the Community Development Block Grant. By the end of the Carter administration, \$2.6 billion in federal funds were being channeled into community development programs across the country. One African-American critic, a former director of a CDC in St. Louis, said the successes of the CDCs were exaggerated, but he nonetheless entitled his book *New Rulers in the Ghetto* (Berndt, 1977).

The allocation of federal money from Community Development Block Grants to CBOs and CDCs in a large number of cities created an alliance between inner-city activist groups and local government, with the Ford Foundation as the key midwife. Although the neighborhood activists had forced their way into the picture by demonstrating that neighborhoods would resist urban renewal and shady practices by realtors, there was another side to the coin as well. Local government officials in many cities, but by no means all, slowly came to realize that working with activist groups was a politically sensible and cost efficient way to provide affordable housing and social services for those displaced by urban renewal and other development programs. Working with the activists not only reduced hassle, but it made social services cheaper because the employees for nonprofits were paid less than social workers and other well-educated professionals hired by the city. It was during this time, for example, that The Woodlawn Organization in Chicago, originally famous for its confrontational approach, became more of a community development agency, administering early childhood development and job training programs as well as its CDC (Fisher, 1994, pp. 143-144). As one political scientist put it, the new activist-government relationship "clearly reflected the influence of community organizations and the political credit to be gained by supporting neighborhood-oriented projects" (Mollenkopf, 1983, p. 291).

By the late 1970s, the CDCs began to receive a further boost from the successes of the reinvestment movement, which among other things forced banks to make more money available to build low-income housing. Banks started to look at CDCs as potential partners. As sociologist Peter Dreier (2003, p. 197) explains, "protest groups shook the money tree and CDCs collected the rewards." He then elaborates:

To co-opt protest from community organizing groups and to win favor with regulators and politicians, banks forged partnerships with CDCs, providing them not only with credit to undertake a variety of housing and economic development projects, but also with philanthropic grants to underwrite their organizational operating expenses.

Not surprisingly, at this point the Ford Foundation was even more convinced that CBOs, and especially CDCs, were the way to go in the inner city. The Division of National Affairs wrote as follows in its January, 1979, report on *Communities and Neighborhoods: A Possible Private Sector Initiative for the 1980s*:

Community organizations have conclusively proven their worth. When well managed and adequately funded, they have displayed an ability to plan and implement complex physical and economic development projects, to offer an array of needed social service programs, and to assure that all residents share in the fruits of their activities, whether in the form of better housing, jobs or services.... They represent a critical mass of development and programming potential more available and accountable to community people than the traditional public or private sectors. And most important in the case of urban revitalization, nonprofit community groups are prepared to take development risks in areas long since abandoned by business and industry -- and often government -- in hopes of stimulating renewed private investment. (As quoted in Mollenkopf, 1983, p. 292)

However, the CDCs were not doing as well as Ford hoped they might because they still lacked adequate funding. Far more money was needed than what a handful of foundations could provide. It was at this point that Sviridoff came up with the idea for a Local Initiatives Support Corporation, which would raise money for CDCs in many different cities. This new "financial intermediary," as it is often called, is a nonprofit equivalent of a for-profit financial investment company. In this case, however, it also provides grants and technical assistance as well as making investments and loans, and uses any "profits" to make new community investments, not for pay-outs to investors. It was launched in 1979 with \$4.5 million from the Ford Foundation and another \$4.8 million from six corporate sponsors. Sviridoff then left Ford to be its first president. It was joined three years later by a somewhat similar nonprofit financial intermediary, the Enterprise Foundation, founded by developer James Rouse (Peirce & Steinbach, 1987). Ford then added its support to the Enterprise Foundation, giving it just over \$9 million between 1982 and 1991 (Liou & Stroh, 1998, p. 583).

The creation of the Local Initiatives Support Corporation proved prescient. Due to their strong anti-government ideology, the hard-line conservatives in the Reagan Administration were not willing to go along with the government-funded programs developed in the 1970s. Nor did they like the programmatic orientation of the CBOs because they knew they were managed by liberals and progressives. They were out to "de-fund the Left," as their war cry went, which did have a crippling effect on many community organizations. In an era when there was little or no threat of inner-city disruption of the magnitude that occurred in the 1960s, they closed down the Community Services Administration and other neighborhood-oriented agencies, forcing the Ford Foundation and its allies to scramble for new funding sources.

The cuts were not gradual or small. By 1985, federal funding for community development activities had diminished by \$1 billion. From 1981 to 1992, using inflation-adjusted dollars, federal aid to cities was cut by 60%. Appropriations for the subsidized housing programs operated by the Department of Housing and Urban Development fell by more than 80% in about the same time frame. It was a formula guaranteed to create homelessness, and it did. Homelessness was at first a shocking spectacle that caused considerable outcry, and several new advocacy groups were formed, but most people in the mainstream soon adjusted to it, and joined the ultra-conservatives in blaming the victims for their plight.

To offset the Reagan cuts, the Ford Foundation first developed a Community Development Partnership Strategy in 1983, which called for the pooling of resources from the private sector, foundations, government agencies, and institutions to support efforts to revitalize neighborhoods. As of 2002, the foundation had invested \$30 million in this partnership strategy. These funds have created 20 public-private partnerships across the country and in Puerto Rico.

While the Ford Foundation was advocating partnerships, its allies in the inner-city network lobbied for a major tax break that opened the flood gates for the CDCs. As one account notes: "Politically, the intermediaries claim no small role in winning new tax credits for low-income housing in the 1986 Tax Reform Act" (Peirce & Steinbach, 1987, p. 74). Called the Low Income Housing Tax Credit, this tax loophole was initially meant as an inducement to wealthy individuals to invest in low-income housing.

Inner-city housing groups in Cleveland, backed by the leadership of Standard Oil of Ohio, took the central role on this issue (Guthrie & McQuarrie, 2005). These and other Cleveland nonprofits had a long and rewarding relationship with the Ford Foundation that extended back to the early 1960s, when Ylvisaker provided several million dollars in start-up money for a community foundation (controlled by business leaders) that proved to be a prototype for similar corporate efforts in other cities. Ford also funded the Congress on Racial Equality (CORE), with the approval of many top corporate leaders in the city, for a voter registration drive in 1967 that played a role in electing the first black mayor in a major city. (Cleveland was once the sixth largest city in the country, but no longer, of course.) Most importantly for our purposes, it was the Cleveland Housing Network, working with both the Local Initiatives Support Corporation and the Enterprise Foundation, that in 1984 pioneered in offering tax write-offs to finance low-income housing, borrowing the idea from an Indiana insurance company (Tittle, 1992, pp. 239-240; Yin, 2001, p. 89).

Although the Cleveland leaders introduced the idea for the tax break, the real breakthrough came, apparently at the last minute, when someone (it is not clear exactly where the idea came from) suggested that corporations should be covered by this provision as well as individuals (Guthrie & McQuarrie, 2005). To insure that this understanding would be part of the

Congressional proceedings, and thus provide guidance for the agencies that would administer the program, Senator Bennett Johnston (D-LA) went to the Senate floor and read the following words into the Congressional Record, with the chair of the key committee, Senator Robert Packwood (R-OR), concurring to each of his comments. The language is very dry and technical, but it means that corporations can make use of this tax break:

SENATOR JOHNSTON: I wish to confirm my understanding of the application of the new so-called passive activity loss and credit rule that is embodied in section 501(a) of the conference report to accompany H.R. 3838, the Tax Reform Act of 1986. As I understand the conference agreement: First, rental activity is per se classified as passive activity; second, income derived from the investment of working capital is characterized as portfolio income; third, C corporations may offset losses from passive activities against income from an active trade or business but not against portfolio income; and fourth, losses from an active trade or business may be offset against income derived from the investment of working capital and vice versa. To assure that my interpretation is correct, I would like to ask the distinguished chairman of the Finance Committee to confirm the accuracy of a number of examples of this rule. First, do I understand that if a closely held C corporation has \$400 in losses from passive activities -- such as equipment leasing and/or real estate transactions, \$500 in income from an active trade or business -- which is not a passive activity -- and \$100 of portfolio income, the company may offset the \$400 in passive losses against the \$500 of active trade or business income, leaving taxable income of \$200, \$100 of which is attributable to the active trade or business and \$100 of which is attributable to working capital -- portfolio income.

SENATOR PACKWOOD: The Senator from Louisiana's understanding is correct.

SENATOR JOHNSTON: If a closely held C corporation had \$400 in losses from passive activities, \$500 in losses from an active trade or business and \$100 in portfolio income, its \$100 in portfolio income can partially offset the \$500 in losses from an active trade or business, leaving a \$400 loss carry forward from the active trade or business and a \$400 passive loss carry forward.

SENATOR PACKWOOD: The Senator is correct.

(U.S. Congressional Record, 1986, as cited in Guthrie and McQuarrie, 2005).

Well, it couldn't be much more explicit than that, once you cut through the legalese, and it finally generated an arrangement that just about everyone in the power elite could live with. The ultra-conservatives were pleased because tax breaks reduce the direct role of the federal government and encourage initiatives by the private sector. Moderate conservatives could console themselves because they can deliver needed resources to the inner city and at the same time minimize a direct role by local government agencies. In effect, there was now the potential for a private government of nonprofit organizations controlled by the foundations and corporations, with CDCs at the center. And as noted earlier, this kind of arrangement is less expensive at the local level besides because nonprofits pay their employees lower wages than do city governments.

It took a few years before this new approach really caught on, because educating the corporate community required a little time, but it grew by leaps and bounds after the Low-Income Housing Tax Credit was reaffirmed by Congress in 1990. Both the Local Initiatives Support Corporation and the Enterprise Foundation have made extensive use of the new loophole to provide large sums of money for projects sponsored by CDCs. Today, about 90 percent of the low cost housing built each year is financed by tax credits to for-profit corporations (Guthrie & McQuarrie, 2005). The Local Initiatives Support Corporation and Enterprise have collectively aggregated about \$5 billion in private sector funds for community development. By the early 1990s, there were over 2,000 CDCs involved in a range of neighborhood improvement activities, and the number had almost doubled by 2005.

At the same time as the CDCs were gaining in strength and importance, the more activist and confrontational groups were in decline for a variety of reasons, including clashes among themselves over strategy and tactics, battles with liberal and populist politicians due to a distrust of all politicians, and pressures on foundation and church funders from corporate leaders (Cunningham, 2004). In this context, the CDCs became more independent and professional, or else came under the dominance of individual city council members in cities that have council districts (e.g., Marwell, 2004). Here is how one organizer explained the situation for community organizations in Cleveland by the late 1980s:

The few groups that remain from the ones that existed originally, exist more as service providers now than as organizing groups. It would be very difficult to sell to any of the foundations or to city government the concept of grassroots organizing. It is a failed concept. But, yes, the groups that do exist either exist as appendages of council people and are often very supportive of the individual council people, or are appendages of the housing development corporations that they once set up and controlled. (Cunningham, 2004, p. 64)

The CDCs that came to be the main inner-city nonprofits in most cities in the 1990s do not provide nearly enough low-income housing by any means, and there remain serious weaknesses in their programs from the point of view of those who would like to see major reforms in inner-city neighborhoods, as cogently argued by a sociologist who has worked with CDCs and other CBOs (Stoecker, 1997). But the Ford Foundation remains undaunted. In 1998, when only one in four of those who needed publicly supported housing could find it, the foundation released a report at the meetings of the National Congress for Community Economic Development entitled *Seizing Opportunities: The Role of CDCs in Urban Economic Development*. The report highlighted the accomplishments of approximately 50 CDCs in several major cities. It claimed that these organizations had invested more than \$135 million to develop 3.1 million square feet of commercial, industrial and retail property, helped channel more than \$140 million in investments for small businesses, and created or retained 10,719 jobs in the communities they serve.

The report went on to say there was one problem that was slowing further progress. There was not enough information available on these neighborhoods for potential business investors to see that they now have great potential for profit. It therefore took investors 18 months to three years to make a decision. So Ford proposed to cut that time in half. To that end, it began advertising the success of various franchises and chain stores, including Starbucks and Pizza Hut, in these neighborhoods.

Many other foundations agree with the Ford Foundation report. In 2003, the Local Initiatives Support Corporation received 169 grants ranging from \$10,000 to over \$3 million for overhead expenses. These grants are over and beyond what is provided by corporations to build housing. The top nine donors are listed in Table 2.

Table 2: Top nine donors to the Local Initiatives Support Corporation in 2003

1. Kansas City Community Foundation, MO	\$3,292,050
2. Fannie Mae Foundation, DC	\$3,000,000
3. McKnight Foundation, MN	\$2,100,000
4. McGregor Fund, MI	\$1,500,000
5. Walton Family Foundation, AR	\$925,000
6. Freddie Mac Foundation, VA	\$750,000
7. J. P. Morgan Chase Foundation, NY	\$750,000
8. Annie E. Casey Foundation, MD	\$700,000
9. Citigroup Foundation, NY	\$500,000

Even more foundation grants, 328, supported CDCs directly. For example, in 2002 the Acorn Housing Corporation received \$235,000 from the U.S Bancorp Foundation, \$150,000 from the Annie E. Casey Foundation, and \$100,000 from the J. P. Morgan Chase Foundation.

The Ford Foundation, on the other hand, no longer gives much direct support to the CDCs, thanks to the donations from its many allies. For the most part, it is trying out new programs now that the CDCs seem firmly entrenched. However, it does continue to support other organizations in the inner-city network. The latest Ford Foundation donations available when this was written (for 2003), reveal the following grants:

Table 3: Ford Foundation grants to inner-city advocacy and training groups in 2003

Center for Community Change	Washington, DC	\$1,665,000
National Community Development Institute	Oakland, CA	\$400,000
Local Initiatives Support Corporation	New York, NY	\$300,000
National Congress for Community Economic Dev.	Washington, DC	\$250,000
National Community Reinvestment Coalition	Washington, DC	\$200,000
National Training and Information Center	Chicago, IL	\$200,000
Community Renewal Society	Chicago, IL	\$140,000

Conclusion

Based on the history presented in this essay, and a look at the hundreds of grants for 2003 listed on the Foundation Grants Index CD-ROM v5.0 (now available in most university libraries), it seems likely that the inner-city network funded by the Ford Foundation and its allies in the power elite will be around for many years to come. From the foundations' point of view, the network has been a success in that the inner cities are relatively quiet and downtown building projects are possible. They also can point with pride to a set of organizations that provide some low-income housing.

From the point of view of the organizers and activists who hoped to achieve much more than they have been able to accomplish so far, there are difficult questions about whether it is possible to organize neighborhoods and put pressure on city government while at the same time trying to provide social services to low-income individuals and groups (e.g., Funicello, 1993; Shaw, 1999, Chapter 5). There are also issues about if and how it might be possible to combine direct-action tactics

with a political alliance with liberal and progressive elected officials.

In addition, there is the problem of whether an independent grassroots movement can be developed when it is dependent to at least some degree on the corporate funding that flows to it not only from foundations, but from the United Way and church-related groups, which are heavily dependent upon corporate largesse as well. After assessing the dilemmas that face a revitalization of neighborhood organizing, Cunningham (2004, p. 120) concludes his detailed participant-observation and interview study of organizing in Cleveland between 1975 and 1985 by asking whether nonprofits can maintain independence and legitimacy when they are dependent on outside funding:

The much-heralded Third Sector may not be a true sector after all. It may just be a colony of the powerful in the private and public sectors that use nonprofit organizations to hide or legitimize their agendas before the public.

He argues that the problem is made more difficult because direct-action organizing is expensive due to the fact that organizers have to be paid:

Compounding this problem is the very nature of Alinsky-style organizing. It is expensive. Alinsky developed his ideas for organizing through involvement in the organizing of the Packing House Workers in Chicago. Union organizers were funded through the CIO and member dues. Who would fund professional organizers for communities? The solution at the time in Chicago was the Catholic Church, followed by philanthropists such as Marshall Fields. It established a dependency on outside sources of funding. This is the chink in the armor of community organizing that organizations funded by internal sources -- dues for instance -- do not have to worry about. It may well be the fatal flaw in the entire idea of community organizing as it has developed since the 1930s. (Cunningham, 2004, p. 120)

He then explores some of the alternatives -- less reliance on paid professional organizers, the collection of dues from community residents, a relationship with the labor movement, or a wide mix of funding sources. None of these alternatives is an easy one to achieve, which is probably the main reason why neighborhood organizers came to rely on foundations in the first place.

While these issues are being debated, the neighborhood activists and staff involved in CBOs do the best they can. They walk the tightrope between organizing for social change and delivering social services. In their few spare moments, they struggle to keep their organizations afloat by applying for grants from various foundations and government agencies. Absent a large-scale social movement that transcends individual neighborhoods and cities, there is not much more they can do.

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