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Perspectives on Poverty
in North Carolina



Popular Government

James Madison and other leaders in the American Revolution employed the term "popular government" to signify the ideal of a democratic, or "popular," government—a government, as Abraham Lincoln later put it, of the people, by the people, and for the people. In that spirit *Popular Government* offers research and analysis on state and local government in North Carolina and other issues of public concern. For, as Madison said, "A people who mean to be their own governors must arm themselves with the power which knowledge gives."

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Forty years have passed since then-governor Terry Sanford established the North Carolina Fund, a bold venture devoted to breaking the cycle of poverty in this state. The fund no longer exists, having gone the way of a number of Great Society and War on Poverty programs of the 1960s. Yet, despite some inroads, poverty and the problems that accompany it endure in many North Carolina communities.

What can be done today to combat poverty in North Carolina? This issue of *Popular Government* presents multiple perspectives: historical, political, demographic, socioeconomic, cultural, and educational. The articles offer no easy remedies. They begin, however, to describe the shape of poverty in this state, and they suggest strategies that public officials, business leaders, nonprofit organizations, citizens, and others might pursue.

The issue also includes six profiles called "Putting Perspectives to Work." These short pieces depict a cross-section of people who, from positions as diverse as corporate CEO and community developer, are helping to better the lives of the state's poorest residents and its communities in general.

—Anita R. Brown-Graham, guest editor,
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ON THE COVER

Housing conditions on the periphery of downtown Durham in 1964. Courtesy of Billy E. Barnes, North Carolina Fund photographer.

All photographs in this article are reproduced courtesy of Billy E. Barnes, North Carolina Fund photographer.



In the mid-1960s in North Carolina, there remained "tens of thousands whose family income [was] so low that daily subsistence [was] always in doubt." Left to right, top: Children playing in a public housing development in northwest Charlotte; a child in New Bern; middle: Haliwa (N.C. Indian) children in Halifax County; people protesting conditions at the McDougald Terrace housing development in east Durham; a child near downtown Durham; three children peering out of a house in Hanlet; bottom: a Lumbee (N.C. Indian) tenant farmer in Robeson County.



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Leadership and Politics in the War on Poverty: *The Case of the North Carolina Fund* James L. Leloudis



In the summer of 1963, America stood at a crossroads. A decade of civil rights activism had challenged the nation to fulfill its promise of equality and opportunity. Not since the Civil War and Reconstruction had citizens so fundamentally questioned the political and

social foundations of the republic. How the nation would answer was by no means clear. Alabama Governor George C. Wallace spoke for one possibility. In his inaugural address, he pledged, "Segregation now! Segregation tomorrow! Segregation forever!" Those words would eventually make him the point man for a resurgent politics of fear and resentment.



In North Carolina, Governor Terry Sanford laid out a dramatic alternative. On July 18, he announced the establishment of the North Carolina Fund, a unique nongovernmental organization designed to lift the burdens of racism and poverty:

In North Carolina there remain tens of thousands whose family

income is so low that daily subsistence is always in doubt. There are tens of thousands who go to bed hungry . . . There are tens of thousands whose dreams will die . . . These are the children of poverty who tomorrow will become the parents of poverty. We hope to break this cycle of poverty. That is

what the North Carolina Fund is all about.

Those words were one of the first salvos in what would become a national war on poverty.¹

Just as television images of attacks on civil rights demonstrators captured the public imagination during the 1960s, so did accounts of dilapidated

housing, malnourished children, and the hopelessness of the rural and urban poor. While campaigning for the Democratic nomination to the White House, John F. Kennedy witnessed firsthand the hardships of life in the coal towns and mountain hollows of West Virginia. Edward R. Murrow's landmark documentary, *Harvest of Shame*, brought national attention to the plight of migrant workers. John Kenneth Galbraith's *Affluent Society*, together with Michael Harrington's *Other America* and Dwight MacDonal's review of both books in *The New Yorker*, stirred the concerns of liberal policy makers and the general public. Meanwhile, dissident voices within the civil rights movement were beginning to drive home the point that, for more than a century, race had been a key component in the economic stagnation of the South.

Sanford and his advisers were among the first public servants to confront that connection between race and poverty and to realize its implications for the future of both the region and the nation. When Sanford took office in 1961, North Carolina's factory workers earned some of the lowest industrial wages in the nation; 37 percent of the state's residents had incomes below the federal poverty line; half of all students dropped out of school before obtaining a high school diploma; and of adults twenty-five years of age and older, a fourth had less than a sixth-grade education and were, for all practical purposes, illiterate.² Those conditions had long been a part of everyday life in the state. Public policies such as segregation, disfranchisement, antiunionism, and miserly expenditures on public education effectively maintained a racially divided and low-wage labor force. By the early 1960s, however, poverty was moving from the shadow of neglect to the forefront of public policy agendas. The civil rights movement, now at high tide, was challenging the nation to fulfill its promise

Public policies such as segregation, disfranchisement, antiunionism, and miserly expenditures on public education effectively maintained a racially divided and low-wage labor force.

of equality and opportunity. At the same time, technological innovation was revolutionizing the agricultural and manufacturing sectors of North Carolina's economy. Automation in the textile and tobacco industries and the mechanization of agriculture meant that employers' profits no longer depended so heavily on access to a large pool of unskilled labor. Displaced by these processes, thousands of men and women lacked steady employment, and many were migrating out of the state. North Carolina had a net out-migration of more than 250,000 people between 1940 and 1950. In the next decade, the number fell to 30,000, but that seemingly good news veiled a continuing loss by North Carolina and the rest of the South of 6–10 percent of young adults between the ages of twenty and thirty-five.³

In this context of upheaval and dislocation, Sanford sought to "awaken" the state to the human and social costs of poverty and racial inequality.⁴ The governor devoted his administration to diversifying the economy, improving public education, and reducing North Carolina's dependence on low-wage manufacturing. He and his supporters also signaled a willingness—indeed, an eagerness—to surrender segregation, as long as they could simultaneously control the pace and direction of change. For North Carolina progressives, poverty and racial discrimination became pressing concerns both because of the suffering they inflicted and because they threatened to block the path of the state's economic growth. Writing for a national audience in *Look* magazine, Sanford explained:

The President's Council of Economic Advisers estimates that racial bias deprives the U.S. of between \$13 and \$17 billion a year in increases in gross national product. In North Carolina, we know that we are 42nd on the list of states in per capita income because

Negroes don't have adequate economic opportunities. If their income equaled that of white citizens, North Carolina would jump to 32nd, at least.

The South badly needs new industry. But what manufacturers would expect to find a worthwhile market in an area where a large percentage of the population is on relief and likely to remain so? What space industry, which must compete mightily for physicists and engineers, would locate in a community ridden with hate and prejudice? The answer to these questions is already being given. In the last several years, new industry has with few exceptions gone most heavily into those Southern states making the most progress in civil rights.

Poverty, Sanford was quick to add, also exacted a terrible human price. "We can measure the costs of lost productivity, of lost purchasing power, and of the relief rolls," he contended. "But how do we measure the cost of a crushed spirit or a dead dream or a long-forgotten hope? What is the incalculable cost to us as a people when the children of poverty become the parents of poverty and begin the cycle anew?" The challenge posed by these observations was obvious but daunting. "How," asked the governor and his aides, "can we in North Carolina reverse trends, motivate people, reorient attitudes, supply the education and public services and the jobs that will give all our people the chance to become productive, more self-reliant, and able to compete in the complex but dynamic, exciting but perilous world of today and tomorrow?"⁵

Changing times required innovative strategies for uplifting the state's economically disabled citizens. To that end, Sanford and a well-connected coalition of business and educational leaders chartered the North Carolina Fund as a private, nonprofit corporation. Its purpose was to "enable the poor to become productive, self-reliant citizens, and to foster institutional, political, economic, and social change designed to bring about a functioning, democratic society."

Sanford chaired the fund and recruited an interracial board of directors representing all geographic sectors of the state. Day-to-day operations were overseen by Executive Director George Esser, a law and government professor at The University of North Carolina at Chapel Hill and a member of the Institute of Government faculty. Assisting him was a small staff of social workers, ministers, journalists, and

When Sanford took office in 1961, North Carolina's factory workers earned some of the lowest industrial wages in the nation; 37 percent of the state's residents had incomes below the federal poverty line; half of all students dropped out of school before obtaining a high school diploma; and of adults twenty-five years of age and older, a fourth had less than a sixth-grade education and were, for all practical purposes, illiterate.

academics. For its time that staff was remarkably diverse. At its peak it included roughly seventy-five employees, at least half of whom were either women or blacks.⁶

From 1963 to 1968, the fund drew the bulk of its financial support from the Ford Foundation (\$7,000,000), which was actively investing in similar projects of social reform elsewhere in urban America and throughout the postcolonial Third World; two local philanthropies, the Z. Smith Reynolds Foundation (\$1,625,000) and the Mary Reynolds Babcock Foundation (\$875,000), both of which were tied to influential banking and tobacco interests and had records of generous contributions to health and welfare reform; and agencies of the federal government, including the Office of Economic Opportunity and the Depart-

ments of Labor, Housing and Urban Development, and Health, Education, and Welfare (\$7,042,753). That five-year budget of \$16.5 million roughly equaled the state of North Carolina's average annual expenditure for public welfare during the mid-1960s.⁷

As the only statewide antipoverty agency of its kind, the North Carolina Fund played a notable role in shaping the Great Society initiatives that be-

Sanford, however, helped pioneer the Great Society from a position of relative weakness. By 1963 he already had begun to run afoul of opponents who objected to his economic plans and moderate stance on civil rights. They would repudiate the governor in 1964 by delivering his hand-picked successor a bruising defeat in the Democratic primary. Sensitive to that impending backlash, Sanford conceived



George Esser, right, director of the North Carolina Fund, and Governor Terry Sanford, fund originator, announce the nonprofit organization's first grants, in spring 1964. Both Esser and Sanford were once Institute of Government faculty members.

came the hallmark of Lyndon Johnson's administration. Both Sanford and Esser helped draft the Economic Opportunity Act of 1964, which launched a national assault on poverty, and a number of North Carolina Fund initiatives served as models for the national effort. Beginning in 1965, for instance, the fund helped to launch the Volunteers in Service to America (VISTA) program by training participants from all across the country. Since the fund's statewide assault on poverty began six to nine months before the national campaign, there was considerable interaction between Fund staff and White House aides, and over the next few years, they regularly passed programmatic ideas back and forth between fund headquarters in Durham and the Office of Economic Opportunity in Washington.⁸

of the North Carolina Fund as a means of keeping his reform agenda alive. As a private corporation, the fund did its work with foundation and federal government grants rather than state appropriations, and for that reason it had a unique capacity to bypass hostile lawmakers.⁹ Its purpose, explained Esser, was "to create the possible" by cultivating like-minded reformers on the local level and nurturing experimentation in antipoverty work.¹⁰ In that way the fund foreshadowed the proliferation of nonprofit social service

providers, both in the United States and around the world, that today stand along with government and business as a vital third sector in the development of social and economic policy.¹¹

The North Carolina Fund's first, and in some ways definitive, undertaking was its Volunteers program, which, during the summers of 1964 and 1965, brought a select group of college students face to face with the realities of poverty. The students—black and white, men and women—represented every college and university in the state. They gave a variety of reasons for signing on with the fund. Some spoke of a sense of Christian duty to help those who were less fortunate. Others—particularly the black students—described their own firsthand knowledge of poverty and discrimination. But the one theme that resounded in nearly all the students' writings was a conception of citizenship defined by the militarized culture of the Cold War and President Kennedy's call for patriotic self-sacrifice. "Because I am a concerned American," wrote Hugh Jones, a black student from the northeastern part of the state, "I think to

be able to help others is more than an opportunity; it is a duty that is part of the democratic form of government which we have." For Jones and others, battling poverty became a way of advancing the cause of social progress, achieving justice at home, and strengthening the nation for the global confrontation with communism. Guided by those principles, the volunteers dubbed themselves "Citizen Soldier[s]" in a national "War on Poverty."¹²

The students traveled to their assigned communities filled with idealism and convinced of their capacity to work

a transformation in the lives of the poor. Almost immediately, though, they encountered scenes so abject as to challenge comprehension. One young woman was stunned by the squalor and deprivation she witnessed in a "shack" not far from the campus of The University of North Carolina at Chapel Hill. "Only five of the children were home," she reported in her daily log. "We read to them and played with them. Those children do not know how to even look at a book . . . The place has a sickening smell—The children have sores and whelps from beatings all over them—They also have protruding stomachs."¹³

When faced with such suffering,

most of the volunteers turned—at least initially—to explanations that were both familiar and comforting. Never quite blaming the poor for their plight, the volunteers did locate the causes of poverty within a cluster of social and psychological inadequacies. The poor, it seemed, "believed in nothing and [had] no faith in their own capacities." Such views provided both emotional distance from hardship and assurance that the volunteers could "fix" the people they encountered. "All we had to

do was clean up this one generation," a former volunteer recalled many years later, "educate these people and lift them up, and it would be over with. We really believed that."¹⁴

A significant minority of the volunteers never escaped this way of thinking. For most, however, face-to-face encounters made it increasingly difficult to typecast the people they had come to serve. In the course of ten weeks in the field, students wrestled with the tension between "previously-held opinions and recently-gained impressions." Through personal en-

counters the volunteers moved—often haltingly—toward thinking about themselves and the poor in ways that were both new and emancipating.¹⁵

The Volunteers program was especially effective in exposing the limitations of white students' self-satisfied racial liberalism. Most of the white volunteers emphasized in their application essays both their capacity to "work with any ethnic group" and their commitment to interracialism, but putting those principles into practice was often harder than many students had ever imagined. Their summer experiences forced them to confront the oppressive power of racism—both their own and that which permeated the society at large. For many volunteers the test came in the intimate act of sharing a meal with black teammates or with members of a black community. Such associations violated one of the South's most deep-seated taboos. A sophomore from a small church-run college strained against the grip of "old southern customs" on her first day in the field. "Tonight we ate supper in a Negro school," she wrote in her daily log. "I felt a little nauseated, mainly because I had never before eaten in a Negro school, and I was becoming sick." That reaction so disturbed this student that she resolved to make the examination of her racial phobias one of her chief projects. "By the end of the summer," she promised, "I should feel completely different."¹⁶

Since the volunteers lived and worked in integrated teams, race matters posed a constant challenge. White students found few escapes from the contradictions of their racial views. One young man was infuriated when he and his teammates were "served poorly, ordered around, talked about, [and] called names" in a segregated restaurant. "Personally, I think that someone ought to bomb the place," he confided in his daily log. A few weeks later, however, the same volunteer reacted with only slightly less anger when a white female co-worker became too friendly with young black men in the neighborhood to which they were assigned.¹⁷

Such inconsistencies frustrated black volunteers. In weekly group meetings,



"I think to be able to help others is more than an opportunity; it is a duty that is part of the democratic form of government which we have."

—Volunteer, North Carolina Fund



Poverty reached high into the mountains of Watauga County in 1967.

Anne Henderson demanded to know why, whenever the team moved into new quarters, she was the last to get a roommate; she chastised white volunteers for describing the diet of poor families as “typical Negro food”; and she insisted that her teammates learn to pronounce “the word ‘Negro’” and abandon the polite disrespect of “Nigra.”¹⁸

Such confrontations exposed the ugly residue of racism, but even so, habituated ways of thinking and behaving were not easily changed. A young woman who worked as a teacher’s aide in an all-black elementary school, titled an entry in her log “My most embarrassing moment as a Volunteer (I forgot my children were Negro)”:

Last week I went downtown and bought paint for puppets faces, and paint for a puppet stage, and yarn to use for puppets hair. My selections were good, I thought. This morning I went to the room and asked each child to get his puppet. Then I showed them how to put on the hair—paint the face and features. One of the children said, “Miss Smith, where is the brown paint?” You see I had purchased “flesh

colored paint” and yellow hair, and black and brown hair—and the children wanted to make puppets like themselves. I almost died. I said very quickly. “Children since we are pushed for time we will not paint your puppets’ skin today. We will just try to get their hair on.” (I’m making a[nother] trip downtown before Monday.)¹⁹

In a similar situation, a group of white volunteers who worked with a black preschool teacher were at a loss to understand the woman’s coolness. “Mrs. Brown keeps herself very removed from us,” one of them wrote; “she’s the boss.” The relationship became so strained that the volunteers mentioned the problem to the local school superintendent, who surprised them by suggesting that they had given offense in ways they never understood. “He thought the reason for our cool relationship . . . was due to the fact that we were white . . . [and] she wanted to show she was perfectly competent and didn’t need our help.” In such circumstances the volunteers had to confront the paternalism that too often characterized their own la-

bors. They learned slowly—and sometimes painfully—the limitations of doing good. Effective reform could never be built from the relations of patron and client. It required instead that the volunteers engage their hosts as equals, acknowledging the fullness of their hosts’ claims to citizenship and capacity for independent action.²⁰

As the students began to translate that lesson into practice, they found themselves ensnared by the tangle of connections that tied racism and poverty to political power, class interests, and the privileges of whiteness. The volunteers experienced some of the stiffest resistance and indifference from where they expected it the least. Poor whites often were deeply suspicious of the fund and its activities. They had much to gain from the antipoverty program but, in their estimation, even more to lose from the prospect of racial leveling. In one white community after another, volunteers found themselves rejected as “communists,” “freedom riders,” and “civil rights demonstrators.” Except in the mountains, where the black population was small and was therefore perceived as less threatening than elsewhere in the state, the North

Carolina Fund made no significant headway in poor white communities.²¹

That rejection of the fund was reinforced by political leaders, who often were equally loath to lower the walls of segregation or to surrender the prerogatives of class that racial discrimination helped sustain. Local officials invited the volunteers into their communities with the hope of securing additional funds for social services and for improvement of poor residents' job skills. They never meant for the program to disrupt established lines of authority, power, and privilege. Indeed, local leaders often worried about the potential of the fund's work to catalyze and give legitimacy to organizing initiatives within poor neighborhoods. A young man named Marc White belonged to a team of volunteers assigned to work with the parks and recreation department in a Piedmont town with a large black community. At first, White felt excited by the promise of the job. But the wariness of white civic leaders quickly became apparent when White and his teammates set out on their own to help parents build a playground in a poor black neighborhood where the city had refused to provide recreational services. Such independent action prompted a tongue-lashing from the mayor. "The mayor launched a politely-phrased tirade," White reported in his daily log. "To wit, we, the volunteers, must remember that we were employees of [the city], and under the city's thumb. We are here to serve as requested, not to change the requests. In short, we are here to be un-creative, and not to fight poverty, but to play the city's conservative ball game."²²

When faced with such intransigence—and in some cases, even the threat of officially sanctioned violence—teams across the state adopted a common strategy: they hunkered down in black communities where they were welcomed and where they felt that they could make a meaningful contribution. As several volunteers explained, they took it on themselves to set "the pace for integration" and to model for others a vision of what "could be." One team set up a mothers club for poor women so that "they [might] investigate for playgrounds." Another

helped neighbors in a poor coastal community secure federal dollars for an after-school tutoring and recreational program that local officials refused to fund. In yet another community, a group of volunteers worked with poor parents to turn a summer playschool into a Head Start program. Such organizing efforts could go only so far in the course of ten weeks of summer work, but they reflected nonetheless a fundamental change in the students' understanding of citizenship—both their own and that of the poor. The volunteers had come to embrace activism no less than service as an essential element of democracy. Further, they had begun to argue that the poor had not only a responsibility to live as productive, self-reliant citizens but also a right to demand the preconditions of such citizenship: political standing, a living wage, decent housing, and quality schools.²³

The volunteers' expanded sense of citizenship helped steer the North Carolina Fund in dramatically new directions. At the end of their summer of service, many of the students complained bitterly about the ephemeral nature of their work. What good was it to tutor a child or to provide organized recreation, they asked, if the programs would disappear as soon as the summer ended? Others went even further and openly mocked the idea that poverty might be eradicated by rehabilitating the poor rather than addressing issues of politics and economics. "Taught one 7-year-old boy to tie his shoes," a volunteer quipped in her log. "Very important for breaking the cycle of poverty: if we're to help them lift

themselves by their shoe straps, it helps if their shoes stay on."²⁴

Those challenges resonated with new voices rising up from within poor communities themselves. In many places where the volunteers worked, the summer program provided a public stage for indigenous leaders who had their own ideas about how best to fight poverty. For instance, the men and women who had worked with Marc White to build a playground moved next to organize a rent strike and

picket city hall. They insisted that the streets in their neighborhood be paved, that garbage be collected more regularly, and that housing laws be enforced against white realtors and slumlords.²⁵ Such demands from below worked, in turn, to amplify incentives from above, as the Office of Economic Opportunity coupled federal dollars ever more tightly to the goal of ensuring the "maximum feasible participation" of poor people in the framing and implementation of anti-poverty initiatives.²⁶

By late 1965, North Carolina Fund officials were ready to shift course. They felt pinched by these pressures and frustrated by the intransigence that too often

had greeted their initial efforts. When the summer program ended in August of that year, the fund disbanded its Volunteers project.

A number of factors contributed to the decision. First, fund staff had grown increasingly concerned about the safety of the volunteers, the majority of whom were white women, as the civil rights movement heated up and violence directed at interracial groups intensified.²⁷ Second, and more important, federal



The North Carolina Fund began in late 1965 to direct its attention toward community organizing. It financed independent poor people's movements and began training former volunteers and the poor themselves as Community Action Technicians who would live and work full-time in the places they served.



*August 1965:
A second-year
volunteer
teaches Macon
County children
arithmetic.*

underwriting for the Volunteers program had run out by 1965, and fund leaders had not been able to locate another source of support. To continue the program would have required the fund to draw more heavily on its own resources at precisely a time when many within the organization were raising questions about the efficacy of spending money on middle-class volunteerism as opposed to developing the capacities of the poor. "It seems to me that the North Carolina Volunteers have done what they intended to do," observed staff member Betty Ward. "That is, they have demonstrated that college students, with their refreshing idealism and enthusiasm, can show us a different way of looking at the poor." Now it was time for something more. Ward and other fund leaders had come to the same conclusion as many of the student volunteers: "the real issues . . . were issues of power, and . . . not a whole lot was going to change . . . without changing internal power."²⁸

For that reason the North Carolina Fund began in late 1965 to direct its attention toward community organizing. It financed independent poor people's movements and began training

former volunteers and the poor themselves as Community Action Technicians who would live and work full-time in the places they served. In eastern North Carolina, for instance, the fund underwrote the People's Program on Poverty, an organization of black sharecroppers, domestic workers, and small farmers, and in Durham, the fund helped finance United Organizations for Community Improvement, which coordinated rent strikes and took charge of local civil rights protests. The goal in these and other such partnerships was not simply to deliver services but to give the poor the institutional and financial footing from which to press their demands.²⁹

Through this shift in tactics, the North Carolina Fund unleashed a wave of activism in poor communities across North Carolina. As the poor began to organize, picket, and protest, the fund's opponents became increasingly outspoken in their criticisms. One newspaper in the eastern part of the state insisted that the fund had steered the War on Poverty off its intended course. The editor saw "no reason why the anti-poverty program should be controlled by the poor any more than

social security should be run by the elderly . . . or the draft run by draftees." "Congress," he continued, "never intended that the 'poor' should run the anti-poverty war" but only that their views "should be taken into account." Another newspaper accused the fund of waging "guerrilla warfare," and in Congress, Representative James Gardner charged that the agency had "redirected the War on Poverty . . . into creating a political machine." For Gardner and his constituents, the North Carolina Fund promised not so much economic development as social chaos and political upheaval.³⁰

By 1968 the fund's future was in peril. The agency had expended its initial foundation grants, which had been awarded for a five-year period, and the national War on Poverty was under siege. When the fund's philanthropic backers offered to extend their support, its leaders declined. In part, they held to a vision of the fund as a temporary and experimental agency. The founders had no desire to see their work routinized. To allow such a development, they insisted, would be to sacrifice innovation to the very forms of inertia that had for so long crippled

the nation's response to its most needy citizens.

Even more crucial were considerations of the changing political climate. In North Carolina, as in the country at large, the political alignments that had made the War on Poverty possible were beginning to dissolve. Liberal Democrats were in retreat by 1968, scrambling to ward off a white backlash against civil rights and to answer charges that they were somehow responsible for the violence and disorder that engulfed many communities across

the state and the nation in that year. During the spring primaries, a significant minority of North Carolina's white voters rallied behind the presidential candidacy of George Wallace, and in the November elections, Richard M. Nixon became the first Republican to carry the state since Herbert Hoover in 1928. Like liberals elsewhere in the nation, the fund's architects saw few options but to settle for what seemed politically viable. They disbanded the fund and dug in to defend hard-won enhancements of federal transfer payments: Aid for Families with Dependent Children, Food Stamps, jobs programs, Supplemental Security Income, and Medicaid. Even though these programs did little to address the causes of poverty, they at least strengthened the safety net for the most vulnerable Americans.³¹

Fund officials did take steps to see that a number of initiatives would be continued. Esser and his staff helped create three new nonprofit organizations with specific goals: the Foundation for Community Development, which carried forward the work of grassroots organizing among the poor; the Manpower Development Corporation, which focused on job training and rural economic



Social change ... requires not only good intentions but also a willingness to confront and transform existing social and economic relations.

The North Carolina Fund, like the War on Poverty, fell victim to racial divisiveness and Americans' continued refusal to come to terms with issues of class in a purportedly "classless" society.³² But although its programs have been long forgotten by most North Carolinians, their legacies survive in the communities they touched and in the lives of the former volunteers. Miriam Dorsey, a Raleigh native and a fund veteran, has built a career around political activism. At the end of her summer of service, she thought briefly about joining the Peace Corps but ventured instead to Washington. She secured a staff position with North Carolina Representative Richardson Preyer and, enticed by a study of wage discrimination in Congress, found her way onto the Capitol Hill Woman's Political Caucus during the early 1970s.³⁴ Dorsey eventually chaired the group and was thoroughly caught up in the women's movement that was taking shape around the country. Her interests brought her back to North Carolina in 1977 to join the administration of Governor James B. Hunt, Jr. She served the governor as executive director of the North Carolina Council on the Status of

development; and the Low-Income Housing Development Corporation, which promoted the construction of affordable housing. Many people on the fund staff went to work for one of these organizations, and both the Ford Foundation and the Office of Economic Opportunity continued to provide some funding for them. But with the fund's demise, the antipoverty effort in North Carolina lost its place at center stage in the state's politics. Indeed, of these three spin-off organizations, only the Manpower Development Corporation survived over the long term.³²

Women and as his senior policy development analyst and women's policy adviser. In the latter capacity, Dorsey authored landmark legislation on domestic violence in 1979 and spearheaded the unsuccessful campaign to have North Carolina's General Assembly ratify the Equal Rights Amendment during the early 1980s. Today she credits her work as a volunteer for giving her life a guiding purpose. "Everything I have done since that summer . . . has been trying to broaden civil rights for different groups of people," she explains. "Whether it's race or sex or class, civil rights is the basic thing I have been working for all these years."³⁵

Emily Coble, who served with Dorsey during the summer of 1964, has led a quieter but no less committed life. After leaving the fund, she signed on for two tours with the Peace Corps and then returned to North Carolina to begin work as an elementary school teacher. Today she runs a bilingual classroom for Spanish-speaking children of migrant farm workers. Just as thirty years ago she delighted in working with the impoverished children in a fund-supported playschool, now she feels a commitment to helping new immigrants make their way in an oftentimes hostile and unwelcoming world. A self-described "stranger in a strange land," Coble relies on memories of her volunteer summer to supply her with the ability "to be tolerant, to appreciate, to respect, and to care."³⁶

In 1996, Coble and other veterans of the North Carolina Fund gathered for a reunion and a conference with a new generation of community volunteers. Together with more than two hundred high school and college students, policy makers, and representatives of charitable foundations, they discussed and debated the experiences of the past, the lessons of history, and the challenges of contemporary times. Even in the 1960s, when the economy was growing and national leaders stood committed to equal opportunity, local communities as much as the federal government were key battlegrounds for change. Today, in an age of welfare reform and devolution, that

is as true as ever. The story of the North Carolina Fund and its student volunteers therefore has much to teach North Carolinians, and Americans generally.³⁷

First, the story is a reminder of the importance of activist citizenship in a diverse democracy. The young people who attended the Volunteers program reunion were intensely concerned about the continuing issues of racial justice and economic equality. Nevertheless, they work in an environment that is constrained in powerful and sometimes contradictory ways by the legacies of the past. Lacking either direct experience or deep appreciation for the critical role of community organizing and political mobilization, many of today's young community volunteers see only two viable means of effecting change: as providers of direct service to poor communities or as power brokers in the public policy arena.

That is, in part, no accident. Today's community service movement often reflects lessons learned during the 1960s about the political messiness and unpredictability of volunteerism. Much of the literature on service learning, for instance, focuses more on the moral development of volunteers than on the role of service in contesting political power. Similarly, the enabling legislation for AmeriCorps, the national service program established in 1993, draws a sharp distinction between service and activism. For instance, AmeriCorps volunteers can work to winterize the homes of the poor, but they would violate the terms of their contract by joining with "labor unions" or other "partisan political organizations" to demand the enforcement of housing codes. One way to break this impasse is to explore the work of the fund volunteers and to recover historical memories of their experiences. Social change, they remind the current generation of policy makers, requires not only good intentions but also a willingness to confront and transform existing social and economic relations.³⁸

The recovery of historical memory is not just the work of scholars; it is, perhaps more importantly, the work of ordinary citizens as well. Volunteer programs—ranging from Habitat for

Humanity to Teach for America and campus service-learning curricula—have proliferated over the last decade. What is striking, however, is how little these undertakings are informed by a knowledge of their predecessors. To fill that void, the country needs a concerted research effort to explore the history of volunteerism in contemporary America and its effects on individuals, communities, and the larger polity. It also needs volunteer and service-learning

1965 to the development of indigenous leadership within poor communities, but if the agency made a mistake, it was in seeing that goal as inconsistent with a sustained and robust program of student volunteerism. With the shutdown of the Volunteers program, the fund lost much of its ability to build broad-based support for its work; student activists—both black and white—had fewer opportunities to establish relationships across the racial



programs that actively promote an intergenerational dialogue. Only in these ways can America begin to prepare citizen-volunteers who are neither ignorant of the past nor bound by it.³⁹

Finally, the story of the North Carolina Fund volunteers underscores the role of interracial, cross-class alliances in nurturing an inclusive, democratic society. The fund was surely right in turning its attention after

Top: Under a nonprofit organization created by the North Carolina Fund (the Manpower Development Corporation), tobacco and peanut harvesters displaced by machines learned new skills, such as wood-working. Bottom: As part of an emphasis on promoting self-sufficiency, a fund volunteer teaches a Salisbury mother how to make clothes for her children on a sewing machine.

divide; and the poor found it increasingly difficult to secure the allies they required to pursue their rights and needs.⁴⁰ As William Julius Wilson and others have argued, these are precisely the kinds of coalition-building and boundary-crossing activities that are needed to combat "the rising inequality in American society." "The true task before us," Wilson maintains, is for "the American people, and especially the leaders of the poor, the working classes, the displaced and the marginalized, the downsized and the deskilled, to set aside differences and work together" on a common agenda.⁴¹

Today the United States faces problems similar to those confronted by Sanford and his colleagues forty years ago: rapid technological change, growing income inequality, smoldering racial hostilities, and a workforce increasingly ill equipped to meet the challenges of a global economy. In remarks to the North Carolina Fund conference in 1996, Sanford lamented his generation's inability to address these issues adequately. They had not lost the War on Poverty, he insisted; "they [had] abandoned the battlefield." He was excited to see young activists committed to the ideals of the North Carolina Fund, and he urged them to be "more persistent" in fighting poverty and racial injustice. For all its limitations, Sanford counseled this new generation of citizen soldiers, the fund still offered a model of what "could be."⁴²

Notes

Portions of this essay were previously published as Robert R. Korstad & James L. Irelouis, *Citizen Soldiers: The North Carolina Volunteers and the War on Poverty*, 62 *LAW AND CONTEMPORARY PROBLEMS* 177 (1999).

1. Terry Sanford, *Poverty's Challenge to the States*, in *ANTI-POVERTY PROGRAMS* 77, 81-82 (R. O. Everett ed., Dobbs, N.Y.: Oceana Publications, 1966).

2. Memo from Billy Barnes, Director of Public Information, to George Esser, Executive Director, North Carolina Fund (n.d.), Series 8.2, North Carolina Fund Papers, Southern Historical Collection, The Univ. of N.C. at Chapel Hill (hereafter NCF Papers). The only overview of the North Carolina Fund and its work appears in EMILY HERRING WILSON, *FOR THE PEOPLE OF NORTH CAROLINA: THE Z. SMITH*

REYNOLDS FOUNDATION AT HALF-CENTURY, 1936-1986, at 65 (Chapel Hill: University of N.C. Press, 1986). Useful descriptions of the fund's early years are Sanford, *Poverty's Challenge*, and George H. Esser, Jr., *The Role of a State-Wide Foundation in the War on Poverty*, in *ANTI-POVERTY PROGRAMS* 77, 90 (R. O. Everett ed., Dobbs, N.Y.: Oceana Publications, 1966).

3. For background on the political economy of North Carolina, see PETE DANIEL, *STANDING AT THE CROSSROADS: SOUTHERN LIFE IN THE TWENTIETH CENTURY* (New York: Hill and Wang, 1986); GAVIN WRIGHT, *OLD SOUTH, NEW SOUTH: REVOLUTIONS IN THE SOUTHERN ECONOMY SINCE THE CIVIL WAR* (New York: Basic Books, 1986); PAUL LUEBKE, *TAR HEEL POLITICS: MYTHS AND REALITIES* (Chapel Hill: University of N.C. Press, 1990); and PHILLIP WOOD, *SOUTHERN CAPITALISM: THE POLITICAL ECONOMY OF NORTH CAROLINA, 1880-1980* (Durham, N.C.: Duke Univ. Press, 1986). On out-migration, see C. HORACE HAMILTON, *NET MIGRATION TO AND FROM NORTH CAROLINA AND NORTH CAROLINA COUNTIES FROM 1940 TO 1950* (Raleigh: Agricultural Experiment Station, North Carolina State College, 1953); C. HORACE HAMILTON, *THE NEW SOUTH: ITS CHANGING POPULATION CHARACTERISTICS* 8, 75, 76 (Chapel Hill: Carolina Population Center, The Univ. of N.C. at Chapel Hill, Sept. 1970); and Esser, *The Role of a State-Wide Foundation*, at 95.

4. This "awakening" is, in and of itself, fascinating. It suggests, in part, the effects of the cultural and political amnesia created by the 1950s. Southern liberals of the 1930s and 1940s often possessed incisive understandings of poverty and offered sophisticated prescriptions for change. Nevertheless, the students and the liberals of the 1960s had to "discover poverty" all over again, and they did so within a Cold War and culture-of-poverty framework that was much less useful than the class framework of earlier generations. See JOHN EGERTON, *SPEAK NOW AGAINST THE DAY: THE GENERATION BEFORE THE CIVIL RIGHTS MOVEMENT IN THE SOUTH* (Chapel Hill: University of N.C. Press, 1994); MICHAEL B. KATZ, *IN THE SHADOW OF THE POORHOUSE: A SOCIAL HISTORY OF WELFARE IN AMERICA* (New York: Basic Books, 1986).

5. Terry Sanford, *The Case for the New South*, *LOOK*, Dec. 15, 1964, pp. 81, 83-84; Sanford, *Poverty's Challenge*, at 78; Esser, *The Role of a State-Wide Foundation*, at 96. Excellent discussions of the relationship between white business leaders and the civil rights movement can be found in ELIZABETH JACOWAY & DAVID R. COLBURN EDs., *SOUTHERN BUSINESSMEN AND DESEGREGATION* (Baton Rouge: Louisiana State Univ. Press, 1982).

6. Three Years of Change: Narrative History of the North Carolina Fund, p. A-3, Series 1.1.1, NCF Papers; Sanford, *Poverty's Challenge*; Esser, *The Role of a State-Wide Foundation*; WILSON, *FOR THE PEOPLE OF NORTH CAROLINA*. For more information on the fund's board members and their backgrounds, see

TERRY SANFORD, *BUT WHAT ABOUT THE PEOPLE?* 128 (New York: Harper & Row, 1966).

7. For a detailed breakdown of contributions to the fund, see Emily Berry, "One Building Block in the Battle": The North Carolina Fund and the Legacy of Leadership 5 (unpublished honors thesis, The Univ. of N.C. at Chapel Hill, 1996), and Records of the North Carolina Fund Inventory 19-20, Southern Historical Collection, The Univ. of N.C. at Chapel Hill. For North Carolina expenditures on public welfare, see *THE BUDGET, 1965-67*, vol. 1, at 218 (Raleigh, N.C.: Edwards and Broughton Co., n.d.); *THE BUDGET, 1967-69*, vol. 1, at 174 (n.p.: n.p., n.d.); and *THE BUDGET, 1969-71*, vol. 1, at 194 (n.p.: n.p., n.d.). The role of the Ford Foundation in urban antipoverty efforts is most recently discussed in Alice O'Connor, *Community Action, Urban Reform, and the Fight against Poverty: The Ford Foundation's Gray Areas Program*, 22 *JOURNAL OF URBAN HISTORY* 586 (July 1996).

8. Three Years of Change, at A-1; Sanford, *Poverty's Challenge*, at 82; Esser, *The Role of a State-Wide Foundation*, at 108. The relationship between the fund and the Office of Economic Opportunity is documented in the extensive correspondence files in Series 1 of the NCF Papers.

9. LUEBKE, *TAR HEEL POLITICS*, at 158-59. A close account of the 1964 Democratic primary can be found in JAMES R. SPENCE, *THE MAKING OF A GOVERNOR: THE MOORE-PREYER-LAKE PRIMARIES OF 1964* (Winston-Salem, N.C.: John F. Blair, 1968). The only biography of Sanford is HOWARD E. COVINGTON, JR., & MARION ELLIS, *TERRY SANFORD: POLITICS, PROGRESS, AND OUTRAGEOUS AMBITIONS* (Durham, N.C.: Duke Univ. Press, 1999). On the creation of the fund and the political logic of its establishment as a private, nonprofit corporation, see Three Years of Change, at A-4, and SANFORD, *BUT WHAT ABOUT THE PEOPLE?*, at 125-29.

10. Esser, *The Role of a State-Wide Foundation*, at 92.

11. See PETER F. DRUCKER, *MANAGING THE NON-PROFIT ORGANIZATION* (New York: Harper Business, 1992).

12. Hugh Jones (pseud.), Application Essay, Series 2.1.3, NCF Papers. "Citizen Soldiers" is from Interview with Johnette Ingold Fields (Oct. 18, 1995), Southern Oral History Program Collection, Southern Historical Collection, The Univ. of N.C. at Chapel Hill (hereafter SOHP). The records of the North Carolina Fund are open to researchers with one important restriction. To protect the privacy of the volunteers, the Southern Historical Collection has requested that individual names not be published in reference to application essays and daily logs.

13. Daily Log (Aug. 4, 1965), Series 2.1.3, NCF Papers.

14. Application Essay, Series 2.1.3, NCF Papers; Interview with Johnette Ingold Fields.

15. Daily Log (June 14-17, 1964), Series 2.1.1, NCF Papers.

16. Application Essays, Series 2.1.3., and Daily Log (June 22, 1964), Series 2.1.1., NCF Papers.

17. Daily Log (June 25 and Aug. 6, 1964), Series 2.1.2., NCF Papers.

18. Anne Henderson (pseud.), Daily Log (July 1 and 14, 1964), Series 2.1.2., NCF Papers.

19. Daily Log (July 30, 1965), Series 2.1.3., NCF Papers.

20. Daily Log (July 24 and Aug. 26, 1964), Series 2.1.1., NCF Papers.

21. Daily Log (Aug. 16, 1965), Series 2.1.3., NCF Papers.

22. Marc White (pseud.), Daily Log (June 6 and 28, 1964), Series 2.1.2., NCF Papers.

23. Adisa Douglas, North Carolina Volunteers' Survey (unpublished survey conducted by author and on file with author, n.d.); Daily Log (June 30, 1964), Series 2.1.2., and Daily Log (July 26 and Aug. 14, 1965), Series 2.1.3., NCF Papers.

24. Daily Log (July 1, 1964), Series 2.1.1., NCF Papers. Another volunteer complained openly of superiors and local officials who "appeared to be self-satisfied with the mere fact of the Fund." See Daily Log (Aug. 19, 1964), Series 2.1.1., NCF Papers.

25. Chris Gioia, "How to Get Out of Hell by Raising It": Race and Politics in Durham's War on Poverty" 32-54 (unpublished honors thesis, The Univ. of N.C. at Chapel Hill, 1996); OSHA GRAY DAVIDSON, *THE BEST OF ENEMIES: RACE AND REDEMPTION IN THE NEW SOUTH 153-85* (New York: Scribner, 1996).

26. The term "maximum feasible participation" was inserted into the language of the Economic Opportunity Act by White House aides who wanted to make sure that poor people themselves, not just politicians and social welfare professionals, were involved in the design and implementation of antipoverty programs. For a critical view of this effort, see DANIEL PATRICK MOYNIHAN, *MAXIMUM FEASIBLE MISUNDERSTANDING* (New York: Free Press, 1970).

27. See Interview by Emily Berry with George Esser (Oct. 17, 1995), cited in Erika LeMay, *Battlefield in the Backyard: A Local Study of the War on Poverty 23* (unpublished M.A. thesis, The Univ. of N.C. at Chapel Hill, 1997).

28. Betty Ward, untitled manuscript (Jan. 3, 1966), Series 2.1.4., NCF Papers; Interview by Emily Berry with Diane Sasson, former volunteer (Oct. 28, 1995), SOHP. See also Esser, *The Role of a State-Wide Foundation*, at 102.

29. LeMay, *Battlefield in the Backyard*; Gioia, "How to Get Out of Hell by Raising It"; Lisa Gayle Hazirjian, *The Daily Struggle: Poverty, Power, and Working-Class Life in Rocky Mount, North Carolina, 1929-1969* (Ph.D. dissertation in progress, Duke Univ.).

30. *PPOP Owes CADA an Apology*, HERTFORD COUNTY HERALD (N.C.), Feb. 20, 1967; *The Local Poor Have Their Say*, NORTHAMPTON NEWS (N.C.), Aug. 4, 1966; Memorandum from Representative James Gardner to George Esser (Nov. 21, 1967), Series 8.2., NCF Papers. For more on these matters, see LeMay, *Battlefield in the Backyard*; Gioia, "How to Get

Out of Hell by Raising It"; and Hazirjian, *The Daily Struggle*. On the history of race and class in the definition of American citizenship, see Rogers Smith, *American Conceptions of Citizenship and National Service 237*, in *NEW COMMUNITARIAN THINKING: PERSONS, VIRTUES, INSTITUTIONS, AND COMMUNITIES* (Amitai Etzioni ed., Charlottesville: University of Va. Press, 1995).

31. On the guiding vision of the North Carolina Fund as a temporary, experimental agency, see Esser, *The Role of a State-Wide Foundation*; Memorandum from George Esser (n.d.), Series 1.2.6., NCF Papers; and *Three Years of Change*, at A-4. For a general account of the waning of the War on Poverty and 1960s-era reform, see ALLEN J. MATUSOW, *THE UNRAVELING OF AMERICA: A HISTORY OF LIBERALISM IN THE 1960s* (New York: Harper & Row, 1984).

32. On the phase-out of the North Carolina Fund, see Memorandum from George Esser (n.d.), Series 1.2.6., and Transcription of Tapes of Interview of George Esser by Patricia Maloney Alt on January 2, 1970, Series 5.3., NCF Papers. For information on the continuing work of the Manpower Development Corporation, see its website, www.mdcinc.org.

33. See JILL QUADAGNO, *THE COLOR OF WELFARE: HOW RACISM UNDERMINED THE WAR ON POVERTY* (New York: Oxford Univ. Press, 1994).

34. Richardson Preyer was the protégé of Terry Sanford who was defeated in the 1964 Democratic gubernatorial primary. He was elected to the U.S. House of Representatives in 1968.

35. Interview by Emily Berry with Miriam Dorsey, former volunteer (Mar. 1, 1996) (on file with the author).

36. From the text of a speech by Emily Coble, Presentation on Cultural Diversity (Nov. 16, 1995), cited in Berry, "One Building Block in the Battle," at 113.

37. For coverage of the reunion and conference, see Ben Stocking, *Groundbreaking North Carolina Fund Provides Inspiration*, NEWS & OBSERVER (Raleigh, N.C.), Dec. 14, 1996, p. A3.

38. In reflecting on the fund's work, Sanford emphasized the importance of contesting political and economic power. "The [fund's] first impact," he wrote, "was to upset the existing power structures within communities so that changes in the status-quo could occur. In most cases, this amounted to radical changes in community relations and activities—but this we did knowingly, realizing that positive results would occur when existing structures are challenged by the new." See Sanford, *Poverty's Challenge*, at 82. For a general discussion of community service in the 1990s, see ROBERT COLES, *THE CALL OF SERVICE* (New York: Houghton Mifflin, 1993). For the prohibition on political activism in the AmeriCorps program, see National and Community Service Trust Act of 1993, Pub. L. No. 103-82, tit. I, § 132, (1993). For more on AmeriCorps policies and practices, see also

COMMISSION ON NATIONAL AND COMMUNITY SERVICE, *WHAT YOU CAN DO FOR YOUR COUNTRY* (Washington, D.C.: the Comm'n, 1993); CORPORATION FOR NATIONAL SERVICE, *EXPANDING BOUNDARIES: SERVING AND LEARNING* (New York: the Corp., 1996); Jill Zuckman, *Pared Funding Speeds Passage of National Service*, 51 CONGRESSIONAL QUARTERLY WEEKLY REPORT 2160 (Aug. 7, 1993); Harris Wofford & John P. Walters, *Should the Federal Government Try to Stimulate Volunteerism through Its National Service Program?* 6 CQ RESEARCHER 1097 (Dec. 13, 1996); and Jim Zook, *National-Service Program Hurt by Politicking over Its Future*, CHRONICLE OF HIGHER EDUCATION, June 16, 1995, p. A29.

39. There also is much to learn from other volunteer programs created in the 1960s, especially the Peace Corps, VISTA, and the Appalachian Volunteers (AV). Recent studies of all three programs emphasize the strong relationship between voluntarism and citizenship and the role of volunteers both in the United States and overseas in stretching the capacity of American society to accommodate the views of the poor. Two recent studies of the Peace Corps are FRITZ FISCHER, *MAKING THEM LIKE US: PEACE CORPS VOLUNTEERS IN THE 1960s* (Washington, D.C.: Smithsonian Inst. Press, 1998), and ELIZABETH COBBS HOFFMAN, *ALL YOU NEED IS LOVE: THE PEACE CORPS AND THE SPIRIT OF THE 1960s* (Cambridge, Mass.: Harvard Univ. Press, 1998). The story of VISTA and AV volunteers in Kentucky and West Virginia is detailed in Marie Tyler McGraw, *Staying On: Poverty Warriors in West Virginia*, 8 JOURNAL OF AMERICAN CULTURE 93 (Winter 1985), and Thomas J. Kiffmeyer, *From Self-Help to Sedition: The Appalachian Volunteers in Eastern Kentucky, 1964-1970*, 64 JOURNAL OF SOUTHERN HISTORY 65 (Feb. 1998).

40. A prescient analysis of the need for middle-class volunteers in the fight against poverty is found in GUION GRIFFIS JOHNSON, *VOLUNTEERS IN COMMUNITY SERVICE* (Durham: North Carolina Council of Women's Organizations, 1967). The North Carolina Fund sponsored Johnson's study but seems largely to have ignored her recommendations for a continuation of volunteer programs.

41. WILLIAM JULIUS WILSON, *THE BRIDGE OVER THE RACIAL DIVIDE: RISING INEQUALITY AND COALITION POLITICS 1*, 128 (Berkeley: University of Cal. Press, 1999). For the value of community service in addressing the fragmentation of American life, see also STEVE WALDMAN, *THE BILL: HOW THE ADVENTURES OF CLINTON'S NATIONAL SERVICE BILL REVEAL WHAT IS CORRUPT, COMIC, CYNICAL, AND NOBLE ABOUT WASHINGTON* (New York: Viking Books, 1995).

42. Tim Caldwell, *Can the Mountaineer Lead the Nation? The Origins of Community Action and the War on Poverty in North Carolina 53* (unpublished honors thesis, The Univ. of N.C. at Chapel Hill, 1995); Stocking, *Groundbreaking North Carolina Fund*.

The Changing Face of Poverty in North Carolina

James H. Johnson, Jr.



North Carolina is widely recognized as a hub of international commerce and “transnational population movements” (movements of people from other countries, especially Mexico and other parts of Latin America).¹ Emblematic of its enlarged

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role in the world economy, the state’s aggressive efforts to recruit U.S.–based multinational corporations and to attract direct investment from foreign companies reportedly harnessed \$41 billion in new investment during the 1990s, including \$6.1 billion from foreign companies.² Moreover, during the same decade, large numbers of native- and foreign-born migrants flocked to the state to take advantage of the burgeoning employment opportunities.³

The state’s jobless rate hovered around 4 percent for most of the 1990s. That rate was indicative of a full-

employment economy, one that was creating far more jobs than there were people to fill them.⁴ Under such tight labor-market conditions, wage rates typically rise as employers compete for available workers. That appears to have happened in North Carolina in the 1990s. Real personal income per capita (in 2001 dollars) grew from \$23,600 at the beginning of the decade to \$27,935 at the end, an 18 percent increase.⁵

However, the 2000 Census revealed that the incidence of poverty in North Carolina also increased during the 1990s, by 15.5 percent (compared

with a 6.8 percent increase nationally), creating what some have called a “poverty paradox.”⁶ How could poverty increase so sharply amid such prosperity?

This article answers that question by analyzing post-1990 changes in the incidence of poverty and describing current manifestations of poverty in North Carolina. In this article, “poverty” is defined as insufficient family income to cover basic needs.⁷ The article assesses North Carolina’s contemporary poverty problem on three geographic scales (state, region, and place of residence) and on three demographic dimensions (age, family type, and race or ethnicity), using data compiled by the U.S. Census Bureau. As background, it begins with a brief review of the recent history of the poor in America.

Trends in Poverty in the United States

Concerns about America’s poor ebbed and flowed throughout the twentieth century, especially in the post-1960 period.⁸ Before World War II, the poverty problem received limited public policy attention, and that attention abated after the war. Poverty did not become a priority policy issue again until the early 1960s.⁹ Since then, public policies implemented to alleviate poverty in America have ranged from very liberal to extremely conservative.¹⁰ Reflecting this vacillation, the absolute and relative sizes of the U.S. poor population have fluctuated widely over the last forty years. (For data on the poverty status of the U.S. population for selected years between 1960 and 2001, see Table 1.)



Bob E. Boring

During the 1960s the prevailing view in America, in both political and policy circles, was that poverty was a structural problem, characterized by racial discrimination and systematic exclusion in all walks of life.

The Poor in America, 1960–2001

During the 1960s the prevailing view in America, in both political and policy circles, was that poverty was a structural problem, characterized by racial discrimination and systematic exclusion in all walks of life.¹¹ This view led to the first major federal efforts after World War II to address poverty: the War on Poverty and the Great Society programs launched by President Lyndon B. Johnson.¹² As a consequence of these programs, the number of people living in poverty in the United States decreased

significantly, from 39.9 million people in 1960 to 25.3 million in 1970, or from 22.2 percent to 12.5 percent of the population.

But these antipoverty programs were short-lived. The Vietnam War assumed center stage in the early 1970s, resulting in a redirection of federal resources. Moreover, beginning with the election of Richard M. Nixon as president, poverty began to be seen as a function of human or personal failings rather than a structural problem. As a consequence of these developments, America’s assault on poverty was substantially curtailed. The result was an increase—absolute and relative—in the size of the poor population, from 25.3 million people in 1970 to 29.3 million in 1980, or from 12.5 percent to 13.0 percent of the population.

During the 1980s, political attitudes toward the poor swung even farther away from Johnson-era views.¹³ Both the Reagan and the (G. H. W.) Bush administration argued that the poverty problem, especially its resurgence

Table 1. Poverty Status of the U.S. Population, Selected Years, 1960–2001

Year	All People (in thous.)	Poor People (in thous.)	Percent Poor
1960	179,503	39,851	22.2
1970	202,183	25,272	12.5
1980	225,027	29,272	13.0
1990	248,644	33,585	13.5
2000	278,944	31,581	11.3
2001	281,475	32,907	11.7

Table 2. Work Status of the U.S. Poor Age 16 and Up, Selected Years, 1980–2001

Year	Total (in thous.)	Worked		Worked Year-Round Full-Time	
		Number (in thous.)	Percent	Number (in thous.)	Percent
1980	18,892	7,674	40.6	1,644	8.7
1985	21,243	9,008	42.4	1,972	9.3
1990	21,242	8,716	41.0	2,076	9.8
1995	23,077	9,484	41.1	2,418	10.5
2000	20,836	8,425	40.5	2,436	11.7
2001	22,245	8,530	38.3	2,567	11.5

Source for Tables 1 and 2: U.S. Bureau of the Census, Current Population Survey, Annual Demographic Supplements, Poverty and Health Statistics Branch/HHES Div., available at www.census.gov/hhes/poverty/histpov/ (last visited Mar. 8, 2003).

during the 1970s, was a product of 1960s-era liberal policy making.¹⁴ In their eyes the federal welfare program—Aid to Families with Dependent Children (AFDC), in particular—was the culprit.

AFDC, they contended, destroyed the work ethic, bred long-term dependency, and encouraged a range of other

antisocial or dysfunctional behaviors, including out-of-wedlock births, family disruption, and illegal activities revolving around gangs, drug dealing, and other criminal activities, especially in the nation's cities.¹⁵ The problem,

they asserted, was not material poverty but moral poverty.¹⁶ They also believed that the antipoverty programs of Johnson's Great Society had slowed the economy by sapping taxes from productive investments that would have spurred economic growth and job creation.¹⁷

To combat these problems and behaviors, the Reagan and Bush administrations severely cut federal spending on social programs (especially AFDC) and sought to eliminate government regulations viewed as crippling industry and private enterprise.¹⁸ Their policies, especially their efforts to deregulate the business environment, drastically altered economic opportunities for the nation's most disadvantaged citizens, especially those in U.S. cities.¹⁹

In particular, the business policies accelerated the decline of employment in highly unionized, high-wage, central-city manufacturing and accelerated the flight of capital away from U.S. cities, toward Third World countries, leaving behind a substantial population of jobless or underemployed poor.²⁰ In part as a function of these effects and in part as a consequence of cuts in a host of 1960s-era social programs, the poor population continued to increase during the 1980s, reaching 33.6 million, or 13.5 percent of the U.S. population, by 1990.

During the 1990s the poor population declined for the first time since the 1960s, from 33.6 million (13.5 percent of the population) at the beginning of

the decade to 31.6 million (11.3 percent of the population) at the end. This decline occurred despite prognostications that poverty would increase substantially after the enactment of the most sweeping welfare reform legislation since the War on Poverty—the Personal Responsibility and Work Opportunity

Reconciliation Act of 1996 (PRWORA).²¹

An effort to respond to past criticisms of the social welfare system, PRWORA was intended to reduce dependency on welfare by imposing time limits on receipt of welfare.²² However,

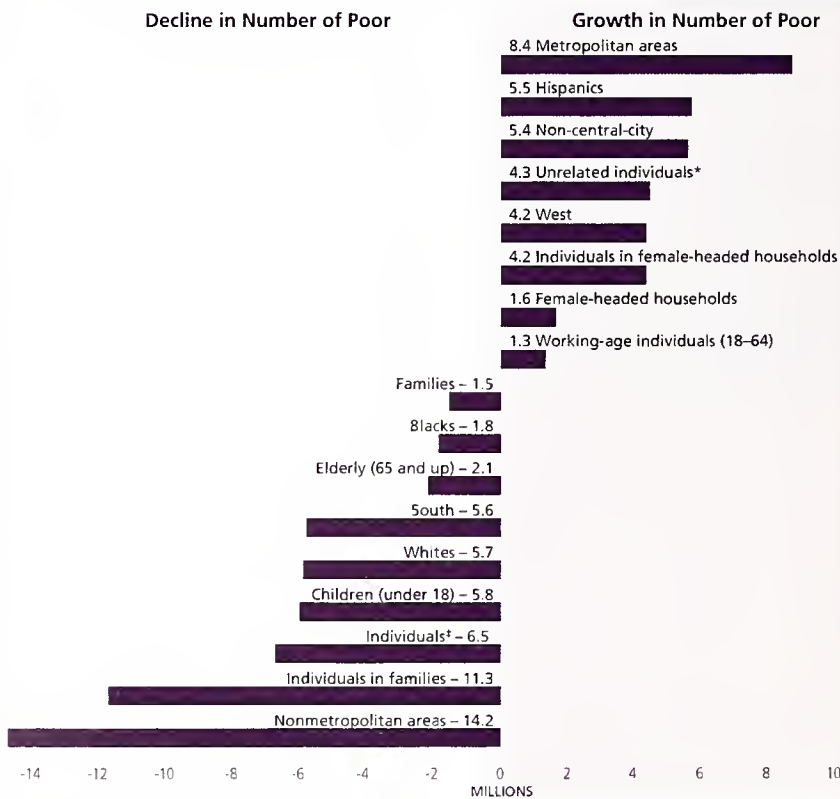
reflecting the structural view about the underlying causes of poverty, it also provided a range of supports designed to encourage and facilitate the transition to work for former welfare recipients. Thus, in contrast to the liberal policies of the 1960s and the conservative

policies of the 1980s, this legislation was decidedly centrist, representing a carrot-and-stick approach (welfare incentives and supports combined with welfare time limits) to alleviating poverty.²³

The successful implementation of the reforms in the 1996 legislation was aided tremendously by the decade-long economic boom, which created a large number of entry-level jobs that matched the skill levels of the long-term welfare-dependent population.²⁴ But the recent economic downturn has adversely affected the federal government's effort to move former welfare recipients to the world of work, as well as the structure of employment opportunities in the U.S. economy more generally, especially for workers with few skills.²⁵ Because of the massive layoffs spawned by corporate scandals and business failures, the U.S. poor population increased by 1.3 million in 2000, bringing the total to 32.9 million in 2001. As a result, the share of the U.S. population that was poor increased from 11.3 percent in 2000 to 11.7 percent in 2001.

Because of the massive layoffs spawned by corporate scandals and business failures, the U.S. poor population increased by 1.3 million in 2000, bringing the total to 32.9 million in 2001.

Figure 1. The Changing Profile of the U.S. Poor, 1960–2001



*The absolute number of poor people not in families.

*The absolute number of poor people

Source: U.S. Bureau of the Census, Current Population Survey, Annual Demographic Supplements, Poverty and Health Statistics Branch/HHES Div., available at www.census.gov/hhes/poverty/histpov/ (last visited Mar. 8, 2003).

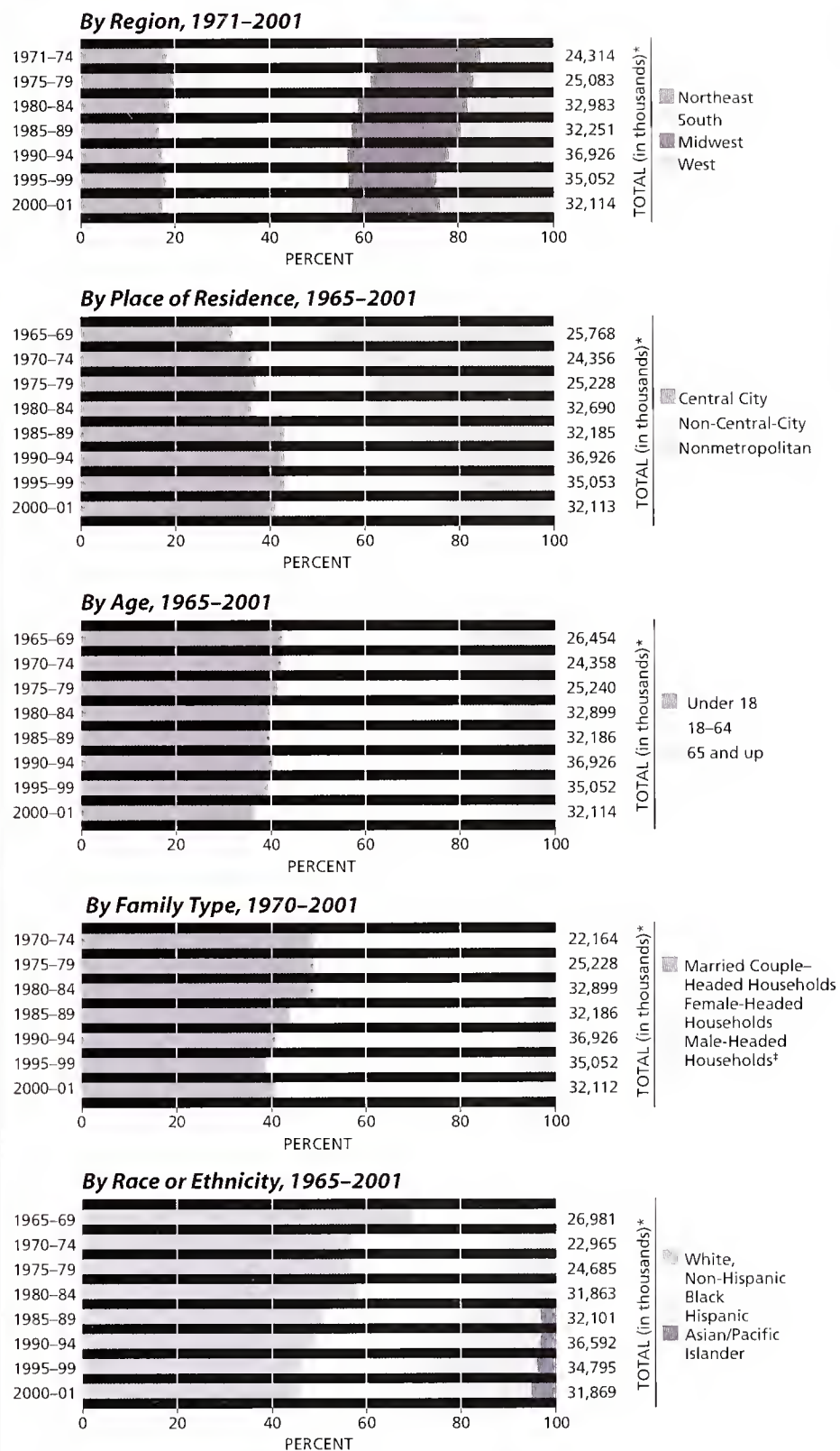
Uneven Effects of Past Efforts to Alleviate Poverty

Despite the fluctuations in the absolute and relative sizes of the U.S. poverty population over the last forty years, there were 6.9 million fewer poor people in the U.S. in 2001 than there were in 1960. This absolute decline occurred in the midst of a 56.8 percent increase in the total U.S. population—from 179.5 million in 1960 to 281.5 million in 2001.

But past efforts to alleviate poverty in the United States have been unevenly distributed, resulting in major shifts in both the demographic composition and the geographic distribution of the poor. Significant inroads have been made with some groups and in some areas, but major challenges remain with other groups and in other areas (see Figure 1, page 16).

In 2001 there were 11.3 million fewer poor people living in families, 1.5 million fewer poor families, 6.5 million fewer individual poor people (the absolute number), 5.7 million fewer poor whites, 1.8 million fewer poor blacks, 5.8 million fewer poor children (people younger than eighteen), 2.1 million fewer poor elderly (people sixty-five and older), 5.6 million fewer poor southerners, and 14.2 million fewer nonmetropolitan poor people in the United States than there were forty years earlier. (“Nonmetropolitan” includes “exurban,” referring to counties outside a metropolitan area but about to be annexed because of urban sprawl, and “rural,” referring to counties that are geographically removed from a metropolitan area). However, there were 4.2 million more poor people in female-headed households, 4.3 million more poor unrelated individuals (people not living in families), 1.6 million more poor female-headed families (as defined by the Census Bureau), 5.5 million more poor Hispanics, 1.3 million more poor people of working age (18–64 years old), 8.3 million more poor people living in metropolitan areas (including 2.9 million in central cities and 5.4 million in suburbs), and 4.2 million more poor people in the West than there were in 1960. (For profiles of two North Carolinians trying to alleviate poverty for selected

Figures 2–6. Distribution of the U.S. Poor



*Across Figures 2–6, totals vary because the statistics are for different poverty indicators and often data for one or more of the years in the time intervals are missing.

†Data on male-headed households were not available for 1970–74.

Source: U.S. Bureau of the Census, Current Population Survey, Annual Demographic Supplements, Poverty and Health Statistics Branch/HHES Div., available at www.census.gov/hhes/poverty/histpov/ (last visited Mar. 8, 2003).

David Moore: Man of the Affordable House

For the Reverend David Moore, head of the Metropolitan Housing Community Development Corporation (MHCDC) in Washington, North Carolina, affordable housing for low-income seniors is a no-brainer. Having worked and paid taxes most of their lives, many of these seniors now depend on monthly Social Security payments of less than \$1,000. A “decent” one-bedroom apartment, though—one with central heat and air conditioning, in a clean, safe neighborhood—can easily eat up half that.

In 1996, when MHCDC built Metro Arms, a twelve-unit development for seniors in Washington, “it filled overnight,” Moore recalls. Now MHCDC operates six developments—179 units in all—for elderly renters, who generally pay less than \$100 per month.

MHCDC’s developments are new and energy-efficient, so utility costs generally are lower than average. They offer laundry facilities, transportation services, a community of other seniors, and a management staff who can check on residents daily. In addition, Moore says, the apartments are well built, attractive, and designed “so you can get from the bedroom to the living room with the least amount of resistance.”

“If I can’t do all that, then I haven’t succeeded,” he says. Moore also is pastor of Metropolitan AME Zion Church in Washington, and it was under his leadership that the church formed MHCDC in 1990 to serve low-income residents of Beaufort, Pamlico, and Hyde counties. It has since expanded to much of eastern North Carolina and parts of Virginia and South Carolina and operates a small business center, a soup kitchen, and a homeless shelter.



AMBER VAZQUEZ

Also, two incorporated agencies got their start under MHCDC’s leadership: Metropolitan Community Health Services, a rural health clinic, and Metropolitan Community Credit Union.

Of the five-hundred-plus units of special needs housing built by MHCDC, housing for seniors accounts for more than a third. Financing comes from Section 202 senior citizen housing funds, administered by the U.S. Department of Housing and Urban Development (HUD). The funds pay for land, construction, rent subsidies, maintenance, and management fees. Obtaining such financing is extremely competitive; each year HUD approves funding for only about a hundred units for all of North Carolina.

“If we had five thousand units, they’d be filled in less than a month. The need is crucial, and the problem will not be solved by HUD’s yearly allocations,” Moore says. “Affordable housing could and should be so much easier. Everyone realizes there’s a need. This is not rocket science. You don’t have to have a Ph.D. in houseology. All you’ve got to do is care.”

—Eleanor Howe

groups, see the sidebars on this page and page 22.)

Undergirding these statistics are five shifts that have transformed the face of poverty in the United States over the last forty years. The first shift is the decline of the South’s share of the U.S. poor and the concomitant increase in the West’s share (see Figure 2, page 17). In the

early 1970s, close to half of the nation’s poor was concentrated in the South. Thirty years later the South’s share of U.S. poverty had decreased to 40 percent. As the South’s share declined, though, the West’s share increased, from 16 percent in 1971 to 24 percent in 2001. As explained later, this shift was due in part to the influx of poor

Hispanic immigrants into the United States over the last three decades, most of whom settled—at least initially—in the Southwest.²⁶ Throughout this period the Northeast’s and the Midwest’s shares of the nation’s poor remained relatively stable—in the 17–23 percent range in both regions.

Changes in the types of communities in which the nation’s poor reside constitute the second shift. As the United States has become more urbanized, so has the poor population. In the mid-1960s, almost half of the nation’s poor resided in nonmetropolitan areas (see Figure 3, page 17). By 2001, only 22 percent resided in such areas. Today a majority of the U.S. poor live in metropolitan areas, with significant concentrations both inside and outside central cities.

The third shift occurred in the age composition of the U.S. poor. In general, the shares of the U.S. poor under age eighteen and over age sixty-five decreased, while the share of the U.S. poor age eighteen to sixty-four increased sharply (see Figure 4, page 17). Historically, poverty among people of prime working age was primarily due to their not having jobs. However, as the U.S. economy has been structurally transformed from goods production to service provision, a growing contingent of the U.S. labor force constitutes the “working poor” (see Table 2, page 15).²⁷ Skill deficits or other constraints (for example, lack of affordable child care, inferior public school education, lack of economic opportunities in close proximity, and employer bias) have relegated these people to part-time jobs that are mainly in the service sector of the U.S. economy, or to full-time jobs that pay wages below the poverty level, provide few (if any) benefits, and offer no prospects for upward mobility.

The family types in which the poor find themselves reflect the fourth major shift. Poverty among all families declined by 18 percent over the last forty years, but poverty has become less concentrated in families headed by married couples and more concentrated in female-headed families. The latter type accounted for half of all family poverty in 2001 (see Figure 5, page 17). This

shift has been termed the “feminization of poverty.”²⁸

Changes in the racial and ethnic complexion of the nation’s poor population constitute the fifth shift. Heightened immigration—legal and illegal—from Mexico, other parts of Latin America, and Southeast Asia is principally responsible for the increasing diversity of the nation’s poor.²⁹ The white share declined from 70 percent in the mid-1960s to 46 percent in 2000–01 (see Figure 6, page 17). During this period the black share declined from 30 percent to 25 percent. These declines have been offset by increases among immigrant groups, especially Hispanics. Since the early 1970s, the Hispanic share of the nation’s poor has grown from 11 percent to nearly 25 percent. This shift explains, at least in part, the growing concentration of the nation’s poor in the West.³⁰

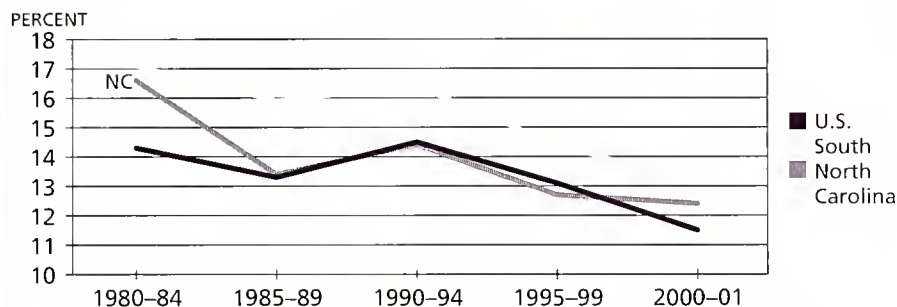
The Contemporary Face of Poverty in North Carolina

The contemporary face of poverty in North Carolina reflects, in many ways, the geographic and demographic changes that have occurred at the national level over the last forty years. Since the early 1980s, North Carolina poverty rates have roughly paralleled national rates (see Figure 7). The rates for the state and the nation have been consistently lower than those for the South. In 2000 the state’s poverty rate (12.3 percent) was not significantly different from the nation’s rate (12.4 percent), but it was much lower than the South’s rate (13.9 percent) (see Table 3, page 20). However, the incidence of poverty increased much more rapidly in North Carolina (15.5 percent) than it did nationally (7.4 percent) and in the South (3.9 percent) during the 1990s.

Three questions probe the sources of this rapid growth in North Carolina’s poor population:

1. In what regions of the state, and among which demographic subgroups, did the incidence of poverty increase most rapidly during the 1990s?
2. What accounts for or explains the

Figure 7. Change in Poverty Rates of the U.S., the South, and North Carolina, 1980–2001



Source: U.S. Bureau of the Census, Current Population Survey, Annual Demographic Supplements, Poverty and Health Statistics Branch/HHES Div., available at www.census.gov/hhes/poverty/histpov/ (last visited Mar. 8, 2003).

- net growth in North Carolina poverty during the 1990s?
3. What effect did absolute and net changes in the size of the poor population have on poverty rates in North Carolina?

To answer these questions, the next sections assess North Carolina poverty through the same lenses as in earlier sections regarding U.S. poverty: region, place of residence, age, family type, and race/ethnicity (see Table 3, page 20).

Changes in the Incidence of Poverty

With regard to region, the greatest increase in the incidence of poverty occurred in the Piedmont (25.2 percent), which had nearly 90,000 more poor people in 2000 than in 1990 (see Figure 8, page 21). Characterized as the technology zone and the higher education hub of North Carolina, this region experienced most of the state’s total population and employment growth during the 1990s. That suggests that some of the poverty was imported from outside the region.³¹

In terms of place of residence, poverty increased more rapidly in metropolitan areas (by nearly 105,000, or 22.5 percent) than in nonmetropolitan areas (by almost 24,000, or 6.6 percent; see Figure 9, page 21, and Table 3, page 20). Only one of the state’s metropolitan areas (Fayetteville) experienced an absolute decline in the incidence of poverty during the 1990s, and even there, the decline was very small (–104, or –0.3 percent) (see

Table 3, page 20). Among the remaining ten metropolitan areas, two experienced increases in the number of poor people in the 20–29 percent range (Jacksonville and Charlotte), two in the 30–39 percent range (Asheville and Greensboro), and three in the 60–80 percent range (Raleigh, Hickory, and Wilmington).³² Within the state’s metropolitan areas, the relative increases in the incidence of poverty were similar in central city (22.9 percent) and suburban (21.7 percent) counties, but the absolute increase was much greater in the former (about 68,000) than in the latter (nearly 37,000).

In terms of age, poverty increased most rapidly, on both an absolute and a relative basis, among 18–64 year olds—by nearly 120,000, or 29.5 percent (see Figure 10, page 21). By comparison, youth poverty increased by about 38,000, or 14.0 percent, while poverty among the state’s elderly actually decreased by about 26,000, or 17.6 percent.

With regard to family type, male-headed households with no spouse present experienced the greatest relative increase in the incidence of poverty during the 1990s (125.7 percent, or nearly 38,000) (see Table 3, page 20). However, the greatest absolute increase occurred among female-headed households with no spouse present (almost 42,000, or 13.8 percent). This is consistent with the feminization of poverty observed nationally.³³

In terms of race or ethnicity, the incidence of poverty grew most rapidly among Hispanics (see Figure 11, page

Table 3. Profile of the North Carolina Poor, 1990–2000

	All Income Levels, 2000	Below Poverty Level, 2000	Percent Below Poverty Level, 2000	Poverty Population Change, 1990–2000	Percent Change, 1990–2000
United States	273,882,232	34,087,251	12.4	2,344,387	7.4
South	97,437,335	13,569,265	13.9	503,971	3.9
North Carolina	7,805,328	958,667	12.3	128,809	15.5
By Region					
Tidewater	589,450	81,277	3.8	6,295	8.4
Coastal Plains	1,709,377	287,515	16.8	19,408	7.2
Piedmont	4,292,267	445,859	10.4	89,845	25.2
Mountain	1,214,234	144,016	11.9	13,261	10.1
By Place of Residence					
<i>Metropolitan</i>	5,268,243	572,340	10.9	104,979	22.5
Central City	3,358,845	365,407	10.9	68,102	22.9
Suburban	1,909,398	206,933	10.8	36,877	21.7
<i>Nonmetropolitan</i>	2,537,085	386,327	15.2	23,830	6.6
Exurban*	1,981,554	297,966	15.0	22,237	8.1
Rural	555,531	88,361	15.9	1,593	1.8
By Specific Metropolitan Statistical Area					
Asheville	219,147	25,800	11.8	6,437	33.2
Charlotte	1,468,447	137,215	9.3	28,117	25.8
Fayetteville	284,529	36,391	12.8	-104	-0.3
Goldsboro	109,083	15,097	13.8	N/A	N/A
Greensboro	1,220,586	127,104	10.4	35,575	38.9
Greenville	127,835	26,001	20.3	N/A	N/A
Hickory	334,747	32,802	9.8	14,475	79.0
Jacksonville	131,038	16,917	12.9	2,967	21.3
Raleigh	1,146,182	117,472	10.2	45,724	63.7
Rocky Mount	139,952	22,161	15.8	N/A	N/A
Wilmington	228,902	29,540	12.9	13,171	80.5
By Age					
Under 18	1,932,359	311,053	16.1	38,130	14.0
18–64	4,948,841	525,366	10.6	119,812	29.5
65 and up	924,128	122,248	13.2	-26,133	-17.6
By Family Type					
Married Couple–					
Headed Household	5,091,093	273,695	5.4	20,091	7.9
Male-Headed Household	369,095	68,025	18.4	37,886	125.7
Female-Headed Household	1,147,144	344,146	30.0	41,828	13.8
By Race and Ethnicity					
White	5,651,390	477,510	8.4	58,031	13.8
Black	1,657,228	379,349	22.9	2,240	0.6
Asian/Pacific Islander	111,101	11,403	10.3	4,190	58.1
Hispanic	361,827	91,076	25.2	79,034	656.3
White Non-Hispanic	5,501,865	444,465	8.1	N/A	N/A

*N/A = Not available

**"Exurban" refers to counties on the periphery of a metropolitan area

Source: U.S. Bureau of the Census, Census 2002 Summary File 3 (SF 3), 1990 Summary Tape File 1 (STF 1), available at factfinder.census.gov/servlet/DatasetMainPageServlet?_lang=en, last visited Mar. 8, 2003.

21). Statistics from the 2000 Census reveal that the state's Hispanic population increased by nearly 400 percent, or 302,000, during the 1990s. Poverty among this group grew much more rapidly, increasing by 656.3 percent, or about 79,000. The state's Asian/Pacific Islander population experienced a 58.1 percent increase in poverty, but the absolute numbers were small (nearly 4,200). The relative increase in the incidence of poverty among both whites (13.8 percent) and blacks (0.6 percent) during the 1990s was below the statewide average (15.5 percent).

Net Growth in Poverty

In 2000, North Carolina had almost 129,000, or 16 percent, more poor people than it had in 1990. Geographically, large absolute increases in the state's Piedmont region (nearly 90,000), metropolitan areas (almost 105,000), and central-city areas (about 68,000) were responsible for 70 percent, 81 percent, and 53 percent of this net growth, respectively. (The numbers do not total 100 percent because the geographic categories overlap. For example, the Piedmont numbers include data on some of the metropolitan areas.)

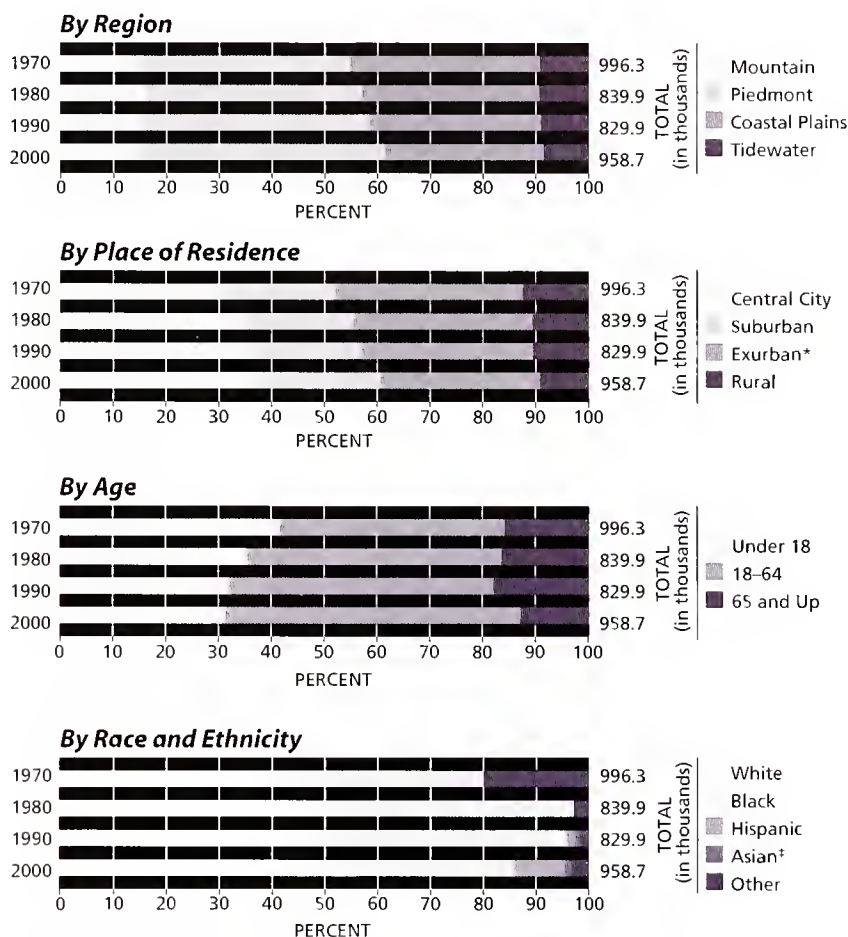
In terms of specific metropolitan areas, absolute increases in the poor populations in Raleigh–Durham–Chapel Hill, Greensboro–Winston-Salem–High Point, and Charlotte–Gastonia–Rock Hill (S.C.) together accounted for 86 percent of the state's net growth in poverty during the 1990s.

Demographically, Hispanics (61 percent) and individuals in male-headed (29 percent) and female-headed (33 percent) households accounted for a majority of North Carolina's net growth in poverty during the 1990s.

Effect on Poverty Rates

In general, the highest poverty rates in 2000 were not in the communities in which the greatest increases in the incidence of poverty were registered during the 1990s. For example, poverty rates were higher in the Tidewater (13.8 percent), Coastal Plains (16.8 percent), and Mountain (11.9 percent) regions than in the Piedmont (10.4 percent), the region experiencing the greatest absolute growth in poverty.

Figures 8–11. Distribution of the North Carolina Poor, 1970–2000



*"Exurban" refers to counties on the periphery of a metropolitan area

†Data on Hispanics and Asians were not available for 1970 and 1980.

Source: North Carolina State Data Center, available at <http://sdc.state.nc.us> (last visited Mar 8, 2003).

Poverty rates also were higher in nonmetropolitan areas (15.2 percent) than they were in metropolitan areas (10.9 percent). Demographically, poverty rates were higher for the under-eighteen (16.1 percent) and sixty-five-and-older (13.2 percent) age cohorts than for the eighteen-to-sixty-four cohort (10.6 percent), even though poverty grew most rapidly during the 1990s among the latter group.³⁴

Why is this the case? Because the areas (the Piedmont and the metropolitan areas) and the age cohort (18–64) that registered the greatest absolute increases in poverty also experienced rapid growth in their nonpoor populations during the 1990s. Statistically this influx had the effect of lowering their poverty rates.

Why is there a high poverty rate among North Carolina's population

under age eighteen? A substantial proportion of the state's youth live in single-parent households, which are more likely to be poor than married-couple households. In fact, female-headed households with children under age six had the highest poverty rate of any demographic subgroup in the state in 2000 (48.4 percent).³⁵ In some neighborhoods in the state's metropolitan areas, the poverty rate for this demographic subgroup exceeded 70 percent.

What accounts for the high poverty rate among the state's elderly? A significant percentage of this demographic subgroup may have no pension or other safety net for their retirement years. This situation is especially problematic for elderly widows and widowers.

In terms of race or ethnicity, the poverty rate was higher among blacks

Ivan Parra: An Asset to the Latino Community



When the Latino Community Credit Union opened in Durham, North Carolina, three years ago, Ivan Parra remembers, "it took us a long time to get people comfortable to use an ATM. Culturally we Latinos prefer to relate more to people than machines, so it was a process of educating people that it's okay and safe."

To Parra this cultural disconnect is one of the biggest barriers to building assets among the state's growing Latino population, and he has worked hard to bridge that divide. For seven years he was director of El Centro Hispano, a Durham-based social service and advocacy agency for Latinos that helped found the credit union in partnership with the State Employees Credit Union, the North Carolina Minority Support Center, and Self-Help, a statewide community development lender.

In 1995 Parra immigrated from Bogota, Colombia, with his wife, a native of Dunn, North Carolina, to be closer to her family. With a degree in family therapy and experience working in a community nonprofit agency in one of Bogota's poorest neighborhoods, Parra accepted an Americorps position with Catholic Social Ministries. Local Catholic and Episcopal churches had just started El Centro Hispano, and it needed some leadership. Parra's supervisor in Americorps (a national service program) assigned Parra to the job.

Early this year he resigned to become director of the new Latino Community Development Center. A major goal of this statewide organization is to help the Latino Community Credit Union, which is based in Durham and has

branches in Charlotte and Raleigh, grow throughout North Carolina while strengthening grassroots Latino organizations across the state.

For its mostly low-income Latino members, the credit union provides "the tools they need to access the financial system," Parra says. In Latin America, financial transactions often are based on cash or take place in *cooperativas* (similar to credit unions). Banks are seen as the preserve of the wealthy, or a high risk, given the region's historically unstable governments and economies.

"This attitude is transferred when people come to the United States," Parra says. "That's why financial education is so important." It is difficult to navigate a system one doesn't understand. People used to living month to month don't easily grasp the need for long-term planning, he adds, and many need to develop "a culture of savings."

Because few credit union members have much formal education or are fluent in English, classes in personal finance—from writing a check to buying a house—are taught at a rudimentary level, using the English-as-a-second-language approach, with a lot of role-playing.

Members with no credit history may obtain loans of around \$500. When they repay the loan, that is reported to the credit bureau, and "then they can do things like rent apartments that would have been denied them, or buy a car at a lower interest rate, or even qualify for a mortgage," Parra explains. "People don't realize all the alternatives that are accessible to them."

—Eleanor Howe

(22.9 percent) than among whites (8.4 percent). However, Hispanics—the state's fastest-growing population—registered the highest poverty rate in 2000 (25.2 percent).³⁶ Given North Carolina's booming economy for most of the 1990s, employers' increasing aversion to hiring black workers is probably responsible for the persistently high poverty rate among blacks. (Research shows that employers perceive blacks, especially males, to be lazy, inarticulate, untrustworthy, and dangerous.)³⁷ For Hispanics, whom employers perceive to be far more reliable and trustworthy than black and other native workers, the poverty rate was high primarily because they filled many of the low-wage jobs in the North Carolina economy during the 1990s.³⁸

Conclusion

Contemporary poverty in North Carolina reflects trends occurring nationally over the past forty years: the urbanization of the poor, the feminization of poverty, and the growing diversity of the poor, which is driven by immigration, especially from Mexico and other parts of Latin America. Continuing their historical trend, poverty rates remain high in the state's nonmetropolitan areas, but during the 1990s the greatest absolute gains occurred in the state's metropolitan communities. Poverty rates remained relatively low in these areas, though, because the areas were magnets for both poor and nonpoor population growth.

The Piedmont region and the state's metropolitan areas were magnets because of the state's job growth, which also was concentrated in these areas during the 1990s. Despite overall poverty rates that were lower than the statewide rate, the poverty rates for Hispanics, blacks, and female heads of household in the Piedmont and metropolitan areas were much higher. Poverty grew among these demographic groups in part because many of the jobs created during the 1990s were temporary and part-time positions in the service sector. Many of these jobs were filled by Hispanic newcomers, who were specifically recruited by employers to fill jobs in the low-wage sector, and by former

welfare recipients (mainly female heads of household), who were forced into the world of work by the 1996 welfare reforms (explained earlier).³⁹ Although black poverty did not increase substantially in absolute terms, the rate remained high in part because of the negative stereotypical prism through which employers viewed the unskilled and semi-skilled, especially those with a prior brush with the law.⁴⁰

Notes

1. John W. McCurry, *Rival Carolinas Seek Industry Diversity*, 48 SITE SELECTION 98 (Jan. 2003); Karen Addy Rhodes, *RTP: Past, Present and Future*, TRIANGLE NEWCOMER MAGAZINE, Summer-Fall 2002, p. 22; James H. Johnson, Jr., et al., *A Profile of Hispanic Newcomers to North Carolina*, POPULAR GOVERNMENT, Fall 1999, p. 2; Robert Suro & Audrey Singer, *LATINO GROWTH IN METROPOLITAN AMERICA: CHANGING PATTERNS, NEW LOCATIONS* (The Brookings Institution Survey Series, Census 2000, Washington, D.C.: Center on Urban and Metropolitan Policy, Brookings Inst., July 2002).
2. Investments by foreign-owned firms are especially important because such firms typically pay wages that are 15 percent higher than those paid by domestic companies. Over the last twenty years, employment in foreign-owned companies with operations in North Carolina reportedly increased from 34,000 to 225,000. That is further evidence of the state's growing importance in the world economy. Partly as a consequence of these investments, the gross state product—defined as the value of goods and services produced in the North Carolina economy—increased by 72 percent between 1987 (\$149 billion) and 2000 (\$256 billion). Edward Martin, *The Great Divide*, BUSINESS NORTH CAROLINA, Feb. 2001, p. 18; Michael L. Walden, Trends in the North Carolina Economy, Presentation at the Orientation Session for New North Carolina Legislators, William and Ida Friday Center, The Univ. of N.C. at Chapel Hill (Jan. 16, 2003).
3. Johnson et al., *A Profile of Hispanic Newcomers*; KAREN D. JOHNSON-WEBB, RECRUITING HISPANIC LABOR: IMMIGRANTS IN NON-TRADITIONAL AREAS (New York: LFB Scholarly Publ'g, 2003). "Native-born migrants" are migrants who became U.S. citizens at birth. They include people (1) born in the United States, (2) born in Puerto Rico or a U.S. outlying area, or (3) born abroad of American parents. All other migrants are foreign born.
4. It has been estimated that "as many as 33,000 jobs a year were added to the local economy" in the late 1990s. Amy Martinex, *The Economy's Next Act . . .*, NEWS & OBSERVER (Raleigh, N.C.), Jan. 19, 2003, p. 1E;

Employment Security Comm'n of N.C., Labor Market Information, 2003, available at www.ncesc.com/lmi/laborStatsMain.asp (last visited Mar. 8, 2003).

5. Walden, Trends.
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Poverty's Enduring Tradition in Rural North Carolina:

How Do We Respond?

Billy Ray Hall



Situated on a quiet peninsula flanked by the Albemarle and Pamlico sounds in northeastern North Carolina, Tyrrell County once was called Place of the Sweet Bay Tree by local Indians. Today it is home to protected wildlife sanctuaries, fertile farmland—and one of the highest poverty rates in the state. For generations of families, poverty has come to be a devastating, disheartening way of life, permeating nearly every segment of the community and leaving an indelible mark not only on the 23 percent

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of county residents who live in poverty but on everyone else as well.

“Poverty, unfortunately, is something we all live with, day in and day out, here in Tyrrell County,” says Mavis Hill, executive director of the Tyrrell County Community Development Corporation. “We’re a small county of about 4,100 people, so when you have nearly a quarter of your population living in poverty, the impact of that is far-reaching.”

A major part of the problem is jobs, or rather, the lack of jobs in a county that still relies heavily on traditional farming, fishing, and forestry trades while the world increasingly becomes more technology driven. With virtually no industry except a seafood processing company in Columbia, nearly 38 percent of Tyrrell County workers commute each day to jobs in neighboring counties.

Graduating high school seniors searching for job opportunities often choose to relocate, making it all the more unlikely that potential business investors will find Tyrrell County attractive.

“When you talk about the cycle of poverty, this is what you’re talking about—not just the cycle within families but the cycle within the community,” Hill said. “Over time, not being able to get out of poverty makes the whole community lose hope, so our first task, as community developers, is to knock down those walls and build some hope for these people, layer upon layer.”

The poverty rate in the county is even higher among young people—about 31 percent—so much of Hill’s work at the community development corporation focuses on job skills training for teenagers in the predominately minority

community of Columbia, the county seat. The corporation's highly successful Youth Corps gives young people training in conservancy by putting them to work in the nature preserves along the Albemarle Sound. Other programs offer help in managing responsibility and resolving conflicts.

For the people of Tyrrell County and more than 900,000 other North Carolinians throughout the state struggling to break free from the cycle of poverty, hope is hard to hold onto. For state lawmakers, local government officials, and community leaders grappling with the issue, finding an effective means of fighting poverty is no easy endeavor. What will it take to loosen poverty's firm grip on North Carolina's rural communities and families? A better public school education? More lucrative business incentives? More effective regional economic development partnerships? As North Carolina moves into the twenty-first century, making strides against the state's enduring tradition of poverty will no doubt be one of its greatest challenges. This article suggests actions that state and local leaders can take to counter that tradition. (For a profile of what one foundation leader is doing, see the sidebar, opposite.)

The Rural Face of Poverty in North Carolina

Until fairly recently, North Carolina seemed to be gaining ground in the fight against poverty: census figures over the last three decades showed a modest drop in the number of state residents living in poverty. Today, though, the number is on the rise. According to the 2000 Census, North Carolina's current poverty rate is 12.3 percent. Only eighteen states have higher rates.

Poverty is an especially poignant issue in rural North Carolina, where about 14 percent of the population, more than 15 percent of the elderly, and more than 18 percent of children wake up each day to poverty. The North Carolina Rural Economic Development Center (hereinafter Rural Center), a nonprofit organization serving the state's eighty-five rural counties, defines "rural" as having a

density of fewer than 200 people per square mile based on the 1990 U.S. Census. More rural North Carolinians than urban residents live in poverty. With fewer employment and educational opportunities, rural people and families are more likely to get caught up in a cycle of poverty. "Persistent poverty," defined as a countywide poverty rate of more than 18 percent for three consecutive decades, is an exclusively rural problem in North Carolina. All twenty counties in the state experiencing this phenomenon are rural. An analysis of 2000 U.S. Census data by the Rural Center reveals striking figures on rural poverty in North Carolina:

- Geographically, the counties with the highest rates of poverty are located in the coastal plain and the mountains, which are almost entirely rural.
- Rural people and families are likely to earn much less than their urban counterparts. The per capita income for rural counties is \$17,579, compared with \$23,162 for urban counties.
- Minorities are more likely to live in poverty than whites, especially in rural counties.
- The poverty rate for female-headed households is higher in rural counties than in urban ones, 31 percent versus 23 percent.

Exacerbation of Poverty by Natural Disasters, Rising Unemployment, and Manufacturing Losses

Poverty is not just a social issue affecting a segment of North Carolina's population. It is an economic issue affecting the whole state. The unemployed and the underemployed represent lost productivity for the North Carolina economy and higher expenditures for all levels of government. Children who grow up in poverty are

less likely to secure adequate jobs as adults and are more likely to engage in crime during their lifetime.¹ Further, although welfare rolls have declined significantly since Work First (the state's welfare reform initiative) was implemented eight years ago,² the number of low-income families needing assistance through food stamps, Medicaid, and unemployment benefits is increasing.³

Recent statewide events have weakened the economy, placing further burdens on poor families and communities. Hurricanes Fran and Floyd, which together caused about \$12 billion in losses to North Carolina businesses and agriculture, drained state and local budgets while creating enormous needs for housing development, public health initiatives, and assistance

for families and communities in eastern North Carolina that already were struggling. The state's four-year-long drought took an extreme turn during summer 2002, causing another \$1 billion in losses.

Meanwhile, general economic conditions are creating a disaster of another sort. Short-term effects of the 1998 tobacco settlement and an economic downturn that began in early 2000, along with long-term global economic restructuring, have led to large-scale job losses. Manufacturing closings accelerated in the late 1990s because of changes in U.S. trade policies, leaving tens of thousands of low-skilled workers without higher-wage jobs, a majority of them in rural communities. A Rural Center analysis of the North Carolina Employment Security Commission annual unemployment data shows that unemployment in rural North Carolina in 2002 was 7.6 percent, with 150,701 rural North Carolinians out of work.

In this time of economic restructuring, the issue for state and local leaders is what they can do to address the needs of low-resource communities.

Poverty is an especially poignant issue in rural North Carolina, where about 14 percent of the population, more than 15 percent of the elderly, and more than 18 percent of children wake up each day to poverty.

Valeria Lee: From Farmer to Foundation Builder

The mandate of North Carolina's Golden LEAF—to respond to the changing economies of tobacco-dependent and economically distressed communities—is almost as vast as the tobacco-settlement money that supports it. Since 1999, Golden LEAF (Long-term Economic Advancement Foundation) has given out more than \$32 million in such disparate areas as office park expansion, a steeplechase park in Hoke County, and tobacco processing.

Yet for Valeria Lee, the foundation's president, the charge is specific and urgent: to prepare people to take advantage of opportunities, and to make sure the opportunities are there. A native of rural Halifax County in eastern North Carolina, Lee knows firsthand the social and economic divide between the state's rural and urban areas. She also knows a bit about making the most of opportunities. Like a lot of families in Halifax County, hers depended on tobacco for its livelihood. Tobacco was the main cash crop on the family farm and was a family endeavor that included Lee, her three sisters, her grandparents, and other relatives. Growing up, she was "involved in the production, from planting to tilling, harvesting to curing, and grading to marketing," Lee recalled recently, adding that tobacco income was the basis of her college education.

After earning a bachelor's degree and two master's degrees, Lee joined the Z. Smith Reynolds Foundation in Winston-Salem, North Carolina, where she was program officer for fifteen years. Other credits include founding a noncommercial public radio station, helping organize the North Carolina Rural Economic Development Center, and running for secretary of state.

Since taking on the leadership of Golden LEAF in 2000, she has worked hard to spread opportunity—and the training to take advantage of it—throughout the sixty-one targeted counties.

So in Wilson, low-skilled farm and factory workers, who typically make \$6.75 an hour, learn to install and maintain industrial equipment for \$17.50 per hour. In Johnston County, workers laid off when a tobacco plant closed are targeted individually by case managers for training and referrals. In Greene County a literacy program motivates parents to get basic academic skills and encourages their children to stay in school. And in Rocky Mount a call center uses telephone technology and a sophisticated database of jobs, training opportunities, day care services, and transportation resources to help the hardcore underemployed in twenty eastern North Carolina counties find a job and keep it.

"We're looking at training opportunities for specific industries and companies so those who most need employment can get it," Lee explains. "But we're also helping some people move into jobs where the skill level and academic requirements are not so high." Grants through the state's college system are training electric line workers, truck drivers, mid-level

managers, teachers, and workers in hospitality, tourism, and the state's growing wine industry—and providing scholarships for enrollees.

Another major thrust of the foundation is to help small farmers have more agricultural options. "For many people, the farm is not the main source of income," Lee acknowledges, "but we are trying to use much of our grant making to help them at least supplement the

"The new economy is very much knowledge-based and technical and global, and it can be as applicable to the most depressed areas of eastern North Carolina and the mountains as to the cities."



family income." Consequently, grants are funding research, development, and marketing for everything from soybeans, Christmas trees, and sweet potatoes to goat cheese, bloodroot, and exotic mushrooms—with results not necessarily limited to small farmers. "Someone farming ten acres might be able to grow hot peppers, but we know large corporate farmers can grow them as well and may then have a job for someone who is not a farmer," Lee adds.

"It's that mix we are always mindful of: job opportunities, small business opportunities, farming opportunities, and overall economic development opportunities. The new economy is very much knowledge-based and technical and global, and it can be as applicable to the most depressed areas of eastern North Carolina and the mountains as to the cities. In my mind, if we don't make it the economy of all of North Carolina, we will continue to have disparities."

—Eleanor Howe

A Comprehensive, Coordinated Strategy at the State Level

Given the current economic troubles, policy makers may be tempted to give a low priority to combating poverty. In my view that would be a crucial error. What is needed is a plan that focuses on poverty, is comprehensive, and integrates strategies across sectors—health, education and job training, welfare, housing, business, finance, and others. While protecting current investments, state policy makers could start laying the foundation for future initiatives that more aggressively attack poverty and improve economic opportunity. The following recommendations may offer a starting place.

Recommendation 1: Establish a job creation strategy that targets rural, low-income communities.

Rural North Carolina needs jobs that can help people living in poverty earn a living wage. As a result of dramatic change brought about by economic restructuring, recession, and large-scale disasters, North Carolina should consider adopting a comprehensive jobs-development strategy that bolsters existing businesses and fosters new growth. To address the growing income gap between the rich and the poor, especially in rural areas, strategies would create opportunities for self-employment, small business development, and access to capital. State leaders might consider the following possibilities:

- Balance large-scale recruitment efforts with a strategy of small business development and retention. Small business has been a mainstay of North Carolina's rural economy for more than a century. Its importance, however, has increased in the last fifteen to twenty years as major employers, particularly in agriculture and traditional manufacturing, have suffered severe job losses. In rural North Carolina, 76 percent of firms have fewer than ten employees, and a significant percentage of those firms are "microenterprises"—that is, businesses with one to four

employees.⁴ North Carolina should consider bringing its resources to bear on start-up and expansion of small businesses, including incentives and support for business planning, training, and capital resources.

- Support innovative financing options that target low-income entrepreneurs. Access to business capital is crucial for start-ups and expansions, yet it is not readily available for people who have sound ideas but do not qualify for traditional bank loans. Strategies such as providing low-income entrepreneurs with access to capital and lending money to microenterprises offer people assistance in putting their ideas to work. For example, the Rural Center's Capital Access Program provides a reserve fund that protects North Carolina's financial institutions against losses from loans made under the program. The protection enables these institutions to increase lending for business start-ups, expansions, and modernization. North Carolina needs to continue supporting microenterprise lending and capital access programming and investigate other financing options, including grant and loan combinations.

Recommendation 2: Ensure that the education and workforce development needs of low-income children and adults are met.

To compete for good jobs and live well in an increasingly complex world, North Carolina's children and youth must have a sound basic education. However, rural educational achievement continues to lag, leaving many rural children and youth ill prepared to become part of the workforce. Promoting achievement for all students will require a strategic, multilevel approach that builds on best practices in rural education. For those living in poverty, additional supports may be necessary, as many youth and adults find that current jobs require advanced skill levels. For those who find that their skills are no longer needed when jobs are lost, strategies must be in place to retrain them. For example:

- ***Create a school funding model that serves students in poor communities.*** With adequate resources, students who live in poverty can achieve at high levels. Adequate resources would support special services and programs that can improve a complex assortment of difficulties underlying low achievement: inadequate school facilities, out-of-date materials, noncompetitive teacher salary supplements, and insufficient technology. Many schools do not have adequate resources because the community in which they are located cannot afford to pay. North Carolina should consider establishing a funding formula ensuring that students in low-income rural communities have access to a high-quality education. Models that provide dollars to school districts based on the number of students receiving subsidized lunches offer promise.
- ***Invest in early childhood or early elementary education programs.*** Programs such as Smart Start, Head Start, and family literacy are demonstrating success in helping children enter kindergarten ready to succeed. More at Four (a program that funds classrooms that target at-risk four-year-olds not being served by other high-quality early childhood programs) shows similar promise. Gains from these programs, however, can be lost once children begin elementary school. North Carolina should consider establishing an academic transition program to build on gains from preschool programs. It also should continue to place high priority on early reading intervention to ensure that students are reading at grade level by the end of the third grade.
- ***Provide low-skilled workers with full access to literacy and basic skills training.*** Only by improving their skill levels can lower-paid workers improve their job prospects. North Carolina should consider mobilizing its forces to ensure that every working adult is aware of and has ready access to basic skills and literacy programs. These programs will need to include instruction in English as a second language.



- **Provide dislocated workers with opportunities for retraining and job counseling.** As manufacturing jobs disappear in rural communities, low-skilled workers will have increasing difficulty finding jobs of comparable skill level. North Carolina might work to ensure that retraining opportunities coupled with job counseling are available. These programs need to be particularly sensitive to the needs of low-income workers.

Recommendation 3: Provide resources to low-income workers to remove barriers to work.

North Carolina should consider ensuring that rural residents—especially the working poor—can work. Families

should be well informed about their options and the services that can make a difference in getting and keeping a job. Here are some possibilities:

- **Equip low-income workers with the skills and support base necessary to succeed on the job.** North Carolina might expand its programs of job readiness and development to ensure that low-income workers new to the workforce acquire strong job skills. The state also might encourage the sorts of one-on-one coaching, mentoring, and personal support efforts that now are being demonstrated through innovative faith-based initiatives.

As manufacturing jobs disappear in rural communities, low-skilled workers will have increasing difficulty finding jobs of comparable skill level.

For example, Asheville-Buncombe Community Christian Ministry provides job-readiness instruction, case management, and transportation services to clients moving from welfare to work.

Truth in Youth and Family Services, in Brunswick County, couples life-skill classes with apprenticeships in local businesses.

- **Provide high-quality, accessible child care for low-income workers.** Safe, reliable, affordable child care is critical to working parents. Because quality child care makes for better outcomes for poor children, North Carolina might consider expanding its program of subsidized child care.

Recommendation 4: Establish strategies that move low-income workers toward economic stability.

Many people with limited incomes do not accumulate the financial assets that can help them become more stable. Some families may not have enough income just to cover their needs, but other families may be hampered by policies and practices, like lack of incentives and high-cost lending, that reduce their ability to save. North Carolina should consider removing obstacles to wealth accumulation and support innovative practices that lead to economic stability. Strategies that might accomplish these goals are as follows:

- **Establish a state earned income tax credit.** The earned income tax credit adds to the after-tax earnings of low- to moderate-income people. The credit acts as a supplement to wages after payroll taxes. Sixteen states have adopted such a tax credit, using it in a variety of ways to reduce child poverty and increase savings and disposable income.⁵ North Carolina should consider establishing an earned income tax credit. If the tax credit were set at 15 percent of the federal calculation, a family receiving a federal credit of \$2,000 would receive a state credit of \$300.
- **Continue implementation of individual development accounts (IDAs).** IDAs are savings and investment accounts, similar to IRAs, designed for the working poor. Participants receive financial planning advice and assistance in setting up the accounts, and their investments are matched by an IDA program provider up to a 2 to 1 ratio. Results from an evaluation of the two state-sponsored IDA demonstrations in North Carolina indicate that IDAs have enabled low-income people to save successfully for the purchase of a home.⁷ However, to sustain and expand IDA programs, additional dollars will be needed for program administration. During the demonstration phase, funds were used primarily for account matching. North Carolina

should continue implementation of its program and reconsider funding local program administration.

- **Enforce a policy that combats predatory lending.** Easy access to credit can begin a cycle in which those with poor credit look to high-interest, high-cost cash-advancing options or borrow money through other high-interest lenders. North Carolina needs to continue aggressively combating predatory lending practices, including unscrupulous mortgage brokering and payday lending.

Strategic Investment at the Local Level

Local leaders also need to develop and invest in a comprehensive set of strategies that build wealth and remove barriers to education and work. What is required to develop a plan for such investment is action that addresses immediate needs, supports development of financial assets for future stability, and maximizes resources.

Recommendation 1: Focus resources on helping low-income workers build financial assets.

Rural leaders have long recognized that entrepreneurship can help solve many of the economic difficulties of rural communities. Local leaders across the state have successfully planned for small business development by building on community assets and resources. In low-income communities, support structures need to be in place to help potential entrepreneurs and current small business owners move ideas to reality. Strategies might include a variety of support and information services:

- **Develop the capacity for entrepreneurship and business ownership.** Business ownership and entrepreneurship flourish in environments that support the various needs that come with owning one's own business. Local leaders need to be encouraged to develop ways to link prospective business owners to business planning resources, and to promote the development of support services that help small businesses

gain access to telecommunications, computer services, financial services, and marketing resources. Local leaders also need to be encouraged to promote entrepreneurship education for both adults and youth. Such programs as NC REAL (Rural Entrepreneurship through Action Learning) and the Teen Entrepreneurship Program of the Adolescent Pregnancy Prevention Coalition of North Carolina have shown positive outcomes through hands-on entrepreneurship experiences.

- **Provide information on the full range of financing opportunities available to low-income entrepreneurs.** For those who have had difficulty entering the marketplace, access to capital for start-ups and expansions is crucial. Local leaders can help small business owners get access to capital by providing them with information on program options.
- **Create opportunities for financial literacy training and credit counseling.** Understanding how banks operate, how to manage credit, and how to prioritize expenses and income for maximum return on investment helps small business owners increase their probability of success. Frequently, poor credit is the biggest hindrance to people looking to move out of poverty and gain economic self-sufficiency. Credit counseling services often are part of larger community-based programs or packages of services affiliated with housing, small business, family self-sufficiency, faith-based strategies, and IDA programs looking to create positive economic outcomes for families. Local leaders should consider encouraging the development of financial literacy programs in the community.

Recommendation 2: Expand affordable homeownership opportunities for low-income families.

Home equity constitutes 60 percent of family wealth. However, fewer than 49 percent of rural North Carolinians are homeowners. Affordable housing is a

critical need in rural North Carolina. In many poor rural communities, lack of housing stock and housing in need of rehabilitation are key issues. Additionally, homeownership often is hindered by debt and poor credit. Local strategies include housing development and home buyer education programs:



Fewer than 49 percent of rural North Carolinians are homeowners.

- **Develop affordable-housing initiatives.**

Private and public partnerships can be found throughout the state to increase the stock of affordable housing. Local leaders can advocate for affordable-housing strategies and encourage the development of policies that support affordable-housing projects.

- **Establish home buyer education programs.** Home buyer education, which may include training both before and after a purchase, provides first-time home buyers with financial and home-maintenance information critical to purchasing a home and preserving their new asset. This strategy has been effective in lowering delinquency rates.

- **Create mechanisms like IDAs that help people save for homeownership.** Local leaders who do not currently have such a program in their area might investigate this strategy as a means of supporting low-income prospective homeowners. An IDA also can be used to save for a business or for educational expenses.

Recommendation 3: Strengthen partnerships with community and faith-based organizations.

Since the late 1980s, the North Carolina Rural Economic Development Center has administered an economic development grants program to spur activity by minority-controlled community development corporations in low-wealth communities. These organizations offer a host of programs and

services that build assets, from business services to small-business incubators, business planning to lending, housing counseling to construction, job counseling to training, child care to after-school tutorials, and health awareness campaigns to health screenings. Faith-based organizations also have a part to play and are receiving

increased attention not only for their service role but also for their role in economic development. Following are some possible strategies for local leaders:

- **Partner with community development corporations and other nonprofit organizations to develop strategies for economic development.** Community development often is a shared objective across organizations and institutions. Active community organizations are essential to building strength in rural North Carolina, and in many low-income and minority communities, these organizations stimulate economic development and provide support services for rural workers and families.

Community development often is a shared objective across organizations and institutions. Active community organizations are essential to building strength in rural North Carolina, and in many low-income and minority communities, these organizations stimulate economic development and provide support services for rural workers and families.

- **Partner with churches and other faith-based organizations to meet critical needs in rural areas.** A decade ago the North Carolina Rural Economic Development Center launched the Church Child Care Initiative to stimulate faith-based activity in meeting the child care needs of working families. As this activity grew, so did the expectation that faith-based organizations would serve other roles in rural communities. As welfare reform moved rural people from welfare to work, rural churches provided job readiness and skills training, job counseling and crisis management, transportation, and other support services. Local leaders need to encourage such faith-based initiatives and link them to government services.

Conclusion


State and local leaders need to act with resolve in establishing policies and practices that will enable North Carolina's rural families to build assets leading them to self-sufficiency. The first step is for the state to develop a plan focused on poverty and integrating strategies across the various services that must contribute to solutions. Building on current initiatives, such a plan would attack poverty more aggressively and improve economic opportunities for low-income rural people. Solutions do not rest with approaches that deal with income alone. They must include those that provide and protect assets.

Notes

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The Missing Link: Using Social Capital to Alleviate Poverty

Anita R. Brown-Graham



This issue of *Popular Government* opens with a testament to the North Carolina Fund, a bold initiative begun in 1963 to break the cycle of poverty in many communities in this state. Firmly committed to addressing the critical connection between employment and poverty, the fund's leaders devoted 43.7 percent of its financial resources to job training, placement, and creation for residents of the state's poorest communities. Today, public and private agencies continue to create economic opportunities in low-income places, but in some areas of the state, poverty stubbornly resists a variety of attempts at mitigation.

An increasing number of voices, including academics, policy makers, and

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members of the popular press, suggest that an intangible asset called "social capital" is the missing link between poverty and prosperity. Social capital refers to relations among individuals, organizations, communities, and other social units that result in tangible economic benefits such as jobs,¹ and social capital's advocates claim that these relationships or networks are key to providing greater economic opportunity for residents of impoverished communities.

Can social capital really explain why some places prosper economically while others languish? Perhaps it can,

insomuch as people in communities endowed with a rich stock of social networks are in a stronger position to "develop the capacity to address the problems of poverty, to rebuild their communities, and to achieve a measure of control over their lives."² As Robert Putnam (who is widely credited for the renaissance of social capital theory) explains of his examination of successful communities in Italy,

These communities did not become civic simply because they were rich. The historical record strongly suggests precisely the opposite: They have become rich because they were

The Geography of Opportunity: Poverty as a Consequence of Place

The Challenge

By definition, all poor people face some economic and social constraints. However, those living in communities with high levels of poverty face increased challenges. As neighborhood income rises from poverty levels to the middle-income range, school quality, personal safety, and job access all tend to increase. Studies show that, irrespective of their individual household's income, children who live in impoverished communities are more likely to have poor cognitive development, lower IQs, and behavioral problems.⁴ They also are more likely to drop out of school⁵ and less likely to work⁶ or earn a living wage as adults.⁷ Researchers have termed these effects the "geography of opportunity."⁸

There are numerous theories explaining how residential locations affect people's life opportunities and outcomes. These include a "skills mismatch theory," which suggests that

low-skill workers, who increasingly reside among other low-skill workers, are ill suited for many of the jobs being created in today's market; a "spatial mismatch theory," which posits that low-skill jobs still exist but have been moved out of places where most low-skill workers live; and a "queue theory," which acknowledges a number of entry barriers to some workers that are removed in times of labor shortages but re-erected in times of economic downturn.⁹ An exhaustive review of those theories is beyond the scope of this article. Instead, the article accepts that (1) resources are not equally dispersed

across North Carolina and (2) there are constraints on the ability of some residents to relocate from low-resource communities to take advantage of the opportunities that exist in more affluent places.

Today the poor are increasingly likely to live in communities with higher-than-average poverty rates. This is true for both urban and rural communities,¹⁰ although there are fewer poor rural areas overall than there were in the 1960s, and rural areas are not as segregated by income, employment type, and housing value as urban communities are. In determining the physical boundaries of these communities, scholars look at a geographically defined area where residents are presumed to share both common space and some common circumstance.¹¹ The urban "community" is usually a neighborhood. In rural areas, "community" typically connotes a larger geographic area. A small rural county's residents might well consider the county to be the primary community.¹²

For purposes of this article, "high-poverty communities" are defined as counties with poverty rates exceeding 20 percent and metropolitan census tracts with poverty rates exceeding 30 percent. In North Carolina, 13 rural counties and 95 metropolitan census tracts in 35 cities meet the definition of high poverty (see Figures 1 and 2, page 34). There are another 20 rural counties with poverty rates between 16.6 and 19.6 percent and another 205 metropolitan census tracts with poverty rates between 20 and 30 percent.

In both urban and rural communities, people living in areas of concentrated poverty "experience a social isolation that excludes them from the job network system that permeates other neighborhoods and that is so important in learning about or being recommended for jobs that become available."

civic. The social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development, as well as for effective government. Development economists take note: Civics matters.³

This article attempts to define social capital and assist readers, especially community developers, in recognizing its role in connecting residents of poor communities to job opportunities. The first section describes the likely life prospects of those who reside in the state's economically distressed communities and describes the role of community development in revitalizing these places. The article's second section addresses the role of social capital in these communities. The third section looks at traditional job placement programs and suggests that they fail the people who need them most because they do not consider and compensate for those clients' lack of social capital. This section offers recommendations for community developers seeking to build social networks that enhance employment.



In both urban and rural communities, people living in areas of concentrated poverty "experience a social isolation that excludes them from the job network system that permeates other neighborhoods and that is so important in learning about or being recommended for jobs that become available."

borhoods and that is so important in learning about or being recommended for jobs that become available . . .”¹³ This isolation contributes to the joblessness and underemployment that are prominent features of poor communities by causing residents to be less competitive candidates for jobs.

Competitive job candidates are those who—in addition to possessing the personal attributes, education, and technical skills required in the marketplace—have the necessary contacts and relationships with employers or other recruitment and hiring sources. If competitiveness is a function of both qualifications and contacts, then the structure and quality of networks are likely to influence greatly the quality of jobs for which a job seeker can compete successfully. For residents of poor commu-

nities, the lack of contacts with labor markets can make a well-paying job an elusive goal. In communities where the employed are concentrated in very low-wage, low-skill jobs, connections to jobs exist, but the kinds of jobs likely to be obtained from those networks may not be particularly attractive because they do not pay enough to make ends meet and they offer no prospects for advancement.¹⁴ In other communities, large-scale unemployment becomes “intergenerational,” and “residents and whole communities drop out of the information loop about leads, qualifications, behavioral expectations and wage levels.”¹⁵ Moreover, the schools and job training programs responsible for preparing the workforce in these communities also can become disconnected from the market over time.¹⁶

Community Development’s Response to Poor People in Poor Places

What does all this mean for “community developers,” the people who help develop the economic, physical, and social infrastructure of low-income communities?¹⁷ It means that community development agencies, which are typically either not-for-profit community-based organizations or local government units, face formidable challenges in helping residents find jobs.

Community developers use three general approaches to link residents of poor communities to adequate-paying jobs: residential mobility strategies, place-based initiatives, and personal mobility programs. “Residential mobility strategies” open up housing

Figure 1. **Counties with Poverty Rates Exceeding 20 Percent**

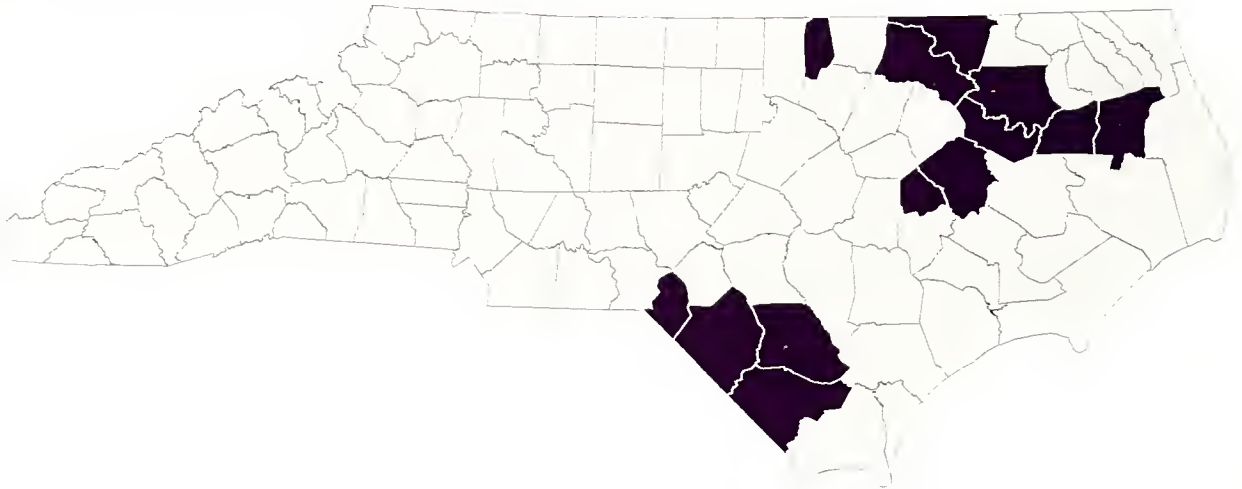


Figure 2. **Metropolitan Census Tracts in 35 Cities with Poverty Rates Exceeding 30 Percent**



Source for Figures 1 and 2: U.S. Bureau of the Census: Census 2002 Summary File 3 (SF3), available at <http://factfinder.census.gov/servlet/BasicFactsServlet> (last visited June 30, 2003).

Kel Landis: A CEO Who Remembers His Roots

opportunities in areas where job prospects and other conditions are presumably better.¹⁸ These strategies have become more popular recently because a small but growing number of scholars have suggested that the challenges of economically distressed communities lie in economic market factors that cannot be overcome.¹⁹ These scholars and some community developers contend that efforts might be better focused on providing residents with opportunities to leave their struggling communities for more prosperous places.

Other community developers, decriing any strategy that appears to abandon distressed communities, view lower-income places as underused markets with rich economic opportunities. For these developers, a better strategy is to identify the competitive advantages of conducting business in distressed areas and structure the proper incentives to lure reluctant businesses into these neglected markets. The public sector's role, they say, is to invest in the physical, financial, and human capital needed to correct market failures and make these communities more attractive to the private market. In essence, these community developers argue for "place-based initiatives," which attempt to bring new resources and opportunities to distressed areas in order to stimulate job creation.²⁰ (For a profile of a corporate CEO who is seeking to bring resources to impoverished communities in eastern North Carolina, see the sidebar on this page.)

Finally, "personal mobility programs" seek to link residents of poor communities with jobs located elsewhere.²¹ These programs allow residents to reside in one place and work in another. They typically provide transportation options, such as van pools, to residents.

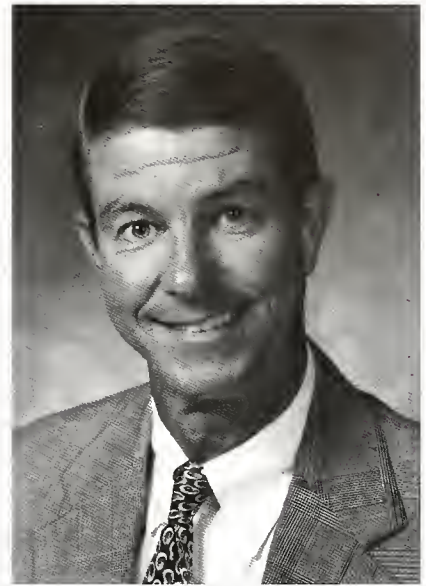
The North Carolina Fund had programs based on each strategy. Its Mobility program, established in 1965, recruited 1,136 unemployed rural people in coastal and mountain counties and moved them and their families to jobs in the industrial areas of the state. Its largest place-based initiative, Manpower Improvement through Community Effort, contacted 10,000 families to assist them in meeting their

Kel Landis III knows the facts by heart: of the 41 counties in eastern North Carolina, 9 rank among the 20 poorest counties in the United States; 37 have almost stagnant populations and unemployment rates between 3 and 12.5 percent; and 33 count more than 20 percent of their children living in poverty and are officially classified as "distressed" by the state.

Landis knows all this because he is chief executive officer of RBC Centura Banks, Inc., which is based in Rocky Mount. But, he contends, "a lot of people don't know these statistics of shame about the plight of eastern North Carolina or that we have such disparities in the economy of our state." As co-founder of the Foundation of Renewal for Eastern North Carolina—FoR ENC—he is determined to change both public awareness and the future of the region.

Landis's concern for the region is rooted in both his professional and his private life. RBC Centura has a large presence in eastern North Carolina, and the economic health of the area is important to the bank's well-being. Also, Landis grew up in Rocky Mount; his father, Kel Landis, Jr., worked with one of RBC Centura's predecessors, and his wife, Belinda, was his high school sweetheart. After college at The University of North Carolina at Chapel Hill, where he received both a B.S.B.A. and an M.B.A, Landis worked briefly for a bank in Winston-Salem before being wooed back to Rocky Mount by Centura Banks in 1988. Seven years later, he was made president of the bank, and in 2001 when Centura Banks and the Royal Bank of Canada merged, Landis was named chief executive officer. His work with FoR ENC grows out of his deep passion for the region.

Not yet a year old, FoR ENC is creating an advisory board with representatives from all forty-one counties and organizing a broad-based economic summit. "We think that by getting everybody at the table—whether it's the community colleges, the univer-



sities, nonprofits, business—and working together and marketing the whole region, then we can come up with some better outcomes," Landis says. "It's all about working together toward a brighter future for eastern North Carolina, about vision and coordination for the whole region."

Shifts in manufacturing, which in the past were cyclical, now are permanent. From 1997 to 2000, thirteen of eastern North Carolina's counties lost 500 to 10,000-plus manufacturing jobs. "People have got to be retrained, and we've got to reinvent ourselves," Landis says. Eastern North Carolina also needs regional air service, broadband access, and better roads.

"And we've got to get some leadership back into these communities," Landis continues. "Now, nobody comes back home. We're hoping for some real creative thought and some transformational ideas. If we go to someone and say, 'Here are forty-one counties and three million people,' they may find it attractive to think about."

Landis acknowledges that there are no easy answers but adds, "We're going to make sure we don't wake up ten years from now and say, 'Why didn't we try to do something about this?'"

—Eleanor Howe

employment needs through local resources. Finally, the statewide manpower programs operated by the fund's Manpower Development Corporation advocated for public transportation to allow people to commute from where they lived to jobs.²²

The North Carolina Fund's integration of the three approaches reflects current thinking that the economic position of distressed communities depends on some combination of the following factors: (1) improving the aggregate performance of the regional economy so that jobs can be created, (2) formulating programs specifically targeted to make jobs created outside the communities accessible to their residents, and (3) targeting development strategies to stimulate economic revitalization in distressed communities so that some jobs will be located in them. Unfortunately, community developers are well aware that when jobs are created either outside or inside dis-

trressed communities, low-income people get few if any of the new jobs, and the quality of the jobs they do get may be poor.²³ This is true even of residents with "skills, the acquisition of credentials and the display of 'appropriate' attitudes."²⁴ The following section suggests why this is the case.

Social Capital: The Missing Link?

Social Capital Defined

"Social capital" refers to the networks among people that enhance their access to tangible benefits. Expanding the amount of a community's social capital thus can be seen as an "investment in social relations with expected

returns."²⁵ The social relations can be either informal face-to-face interactions or formal membership in civic organizations or social clubs. Although Robert Putnam is widely credited with popularizing the term "social capital," the concept first emerged nearly a century ago amidst observations that



Henry Lowmyr News & Observer

If a hurricane struck a poor rural community, bonding social capital could offer immediate practical help—food, comfort, assistance in cleaning up, and so forth. Bridging social capital might provide longer-term support—shelter or informal credit—and help tackle problems needing collective action. Linking social capital would be needed to provide access to a broader range of assets—for example, official aid.

strengthening social networks among citizens could solve the then-dire poverty in rural Appalachia.²⁶ In recent years the concept has been revived, extended, and contested, stimulating new thinking about its role in combating poverty.

The analytical model of social capital used in this article can be split into three strands: bonding social capital, bridging social capital, and linking social capital.²⁷ Each strand represents a potential contributor to economic advancement and community revitalization strategies. "Bonding social capital" refers to the strong ties among immediate family members, neighbors, close friends, and

business associates sharing similar demographic characteristics. It also is reflected in community-based organizations, which allow community residents to act collectively. Strong local institutions provide a foundation for binding individuals together and encouraging them to pursue collective needs and aspirations.²⁸ Even with strong bonding capital, however, poor communities will remain socially and economically isolated if they lack broader connections.

"Bridging social capital" refers to weaker ties among people who are from different ethnic, geographical, or occupational backgrounds but have similar economic status and political

influence.²⁹ In bridging relationships, people test new boundaries and try to gain a better understanding of the perspectives of others. Many professional and civic organizations foster bridging relationships.

Closely related to bridging capital, "linking social capital" embodies ties between individuals and those in higher positions of influence in formal organizations such as banks, agricultural extension offices, political bodies, schools, housing authorities, and the police.³⁰ These ties are the most likely to improve the economic position of poor people. Linking social capital reflects the notion that "[s]ocial capital is not just about getting by; it is also about getting ahead—gaining access to people and institutions that add information and decision-making clout."³¹

All three strands of social capital are critical to the economic development of distressed communities. If a hurricane struck a poor rural community, for example, bonding social capital could offer immediate practical help—food, comfort, assistance in cleaning up, and so forth. Bridging social capital might provide longer-term support—shelter or informal credit—and help tackle problems needing collective action. Linking social capital would be needed to provide access to a broader range of assets—for example, official aid.³²

Poor people typically have plenty of bonding social capital—links with people in similar circumstances to themselves. They have some bridging social capital—scattered friends, acquaintances, and distant relatives in other areas. But they have nearly no linking social capital—no "friends in high places"—to help them deal with commercial, educational, legal, or political concerns.³³

Social Capital Not a Panacea

Social capital is not a stand-alone strategy for developing low-income communities. As one of many assets important for the economic development of poor communities, it acts to leverage other assets and help communities create responses to the circumstances that constrain them. Financial capacity, a trained workforce, an adequate physical infrastructure,



Community developers must recruit neighborhood-oriented, community-based organizations—for example, community development corporations, churches, and youth programs—to engage low-income people handicapped in their job search by a lack of bridging and linking networks.

and supportive public institutions and policies are needed to develop rich and poor communities alike. Most low-income communities severely lack several of these important assets and must develop some combination of them, along with social capital, to take full advantage of economic development opportunities.³⁴

Some scholars herald social capital as “the most promising starting point for new directions in combating poverty.”³⁵ Others are less convinced. One particularly compelling criticism is that social capital has become all things to all people—and hence nothing to anyone.³⁶ The reason for the criticism lies in the imprecise definition of the term. Because researchers have attributed different meanings and measures to it, comparing research findings is difficult.³⁷

Moreover, even enthusiasts concede that social capital is not always good, and more of it is not necessarily better. Indeed, social capital can be dysfunc-

tional and counterproductive. Some forms are highly exclusionary, narrow in their group orientation, or in other ways contrary to community well-being and the public good.³⁸ Putnam has referred to this as the dark side of social capital. As he points out, the Mafia contains social capital but directs it illegally and toward narrow group gain at the expense of others.³⁹ Similarly, researchers have documented rural communities where high levels of social capital cause parochialism and inertia. The social networks are closely protected, and there is a strong distrust of “outsiders,” defined as anyone who was not born in the community.⁴⁰

Even ardent critics concede, however, that “analyses of social capital have highlighted an important aspect of socioeconomic behaviors which has been underemphasized by economists—the role of nonmarket relationships in determining individual and collective behavior.”⁴¹

A Social Capital-Based Model for Job Placement in Poor Communities

Jobs, Jobs, Jobs

Recent strategies to alleviate poverty have relied on the theory that an increase in private-sector jobs will produce an economic revitalization of poor communities and that a robust economy will create job opportunities for the poor. These ideas are supported, to a limited extent, by research and experience.⁴² However, the state’s history during the unprecedented prosperity of the 1990s suggests that even when the economy produces record numbers of new jobs, poor people do not necessarily benefit proportionally. In times of slower job creation, the predicament is worse.

This section of the article focuses on efforts to connect the poor to private-sector jobs. In particular, it considers the role of social capital in supporting residential mobility, place-based initiatives, and personal mobility efforts.

A Case of Urgency?

The present slow economy presents the most compelling reason to become earnest about connecting low-income people to jobs. “[I]n the game of musical chairs,” notes a team of scholars, “everyone does not get to sit down if there are not enough seats.”⁴³ Although jobs continue to be created, there are too few of them. Competition is fierce and many low-income communities emerge with insufficient employment prospects. Moreover, those fortunate enough to secure a job find their wages, benefits, and opportunities for secure long-term employment permanently buffeted by technological innovation and globalization. These forces are far beyond the control of any individual job seeker⁴⁴ and render low-income people seeking “entry-level, low-skills jobs”⁴⁵ especially vulnerable.

In addition to general economic conditions, two recent federal laws have raised the significance of job training and placement, or “workforce development,” as it is now more commonly called. The first law, the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), made

job training and placement efforts for low-income people particularly important as federal welfare reform sought to eliminate the long-term eligibility for welfare benefits of employable applicants. North Carolina's programmatic response to the PRWORA, the Work First program, put approximately 113,000 low-income people into the state's labor market.⁴⁶

The second law, the Workforce Investment Act (WIA), passed in 1998, reflects the nation's emphasis on preparing people for jobs. The WIA addresses three types of job seekers: adults, dislocated workers, and youth, providing each with basic services. Although its provisions are not limited to any population, the statute mandates that priority for higher-level training services be provided to recipients of public assistance and other low-income people. The services include job search assistance, assessment and case management, and job training provided by local one-stop job centers.

Although the WIA focuses on a broader population than welfare reform does, the confluence of the two laws is obvious. One has created an unprecedented need for job training for poor people, and the other has created a fresh approach to that and other job training needs. Unfortunately, the prospects of success are uncertain at best. Long-term welfare recipients looking for a job, as well as workers displaced from farms or from traditional industrialized employment, will not succeed just because they "undergo some training process, get stamped on the forehead as 'certified,' and get sent out into the street to make it."⁴⁷ As one scholar explains, "Formal training and certification play a far less important role in the allocation of many jobs than informal referral and vouching by incumbent workers . . ."⁴⁸

Building Bonds and Bridges, and Leveraging Links

Because social networks act as informal brokers of opportunity, any effort to alleviate poverty must seek to build links between job seekers and job networks. So what can be done? Obviously, individual job seekers must be supported by

"organizations that can break paths, open doors, insist on quality services, and negotiate collectively with employers and governments."⁴⁹ The North Carolina Fund's Manpower Improvement through Community Effort program sought to provide such support when it sent field workers into three impoverished areas in eastern North Carolina to find the unemployed and underemployed and assist them in obtaining jobs with local businesses.⁵⁰

Today's community development organizations must take similar steps.

Community developers seeking to serve as agents in distressed communities have several options. First, they might invest more energy in workforce development. Second, they might try to understand better, and capitalize on, regional economies. Third, they might develop their own networks in order to build employment and business links for residents of the communities they serve. There already are promising pilots under way in North Carolina.

One particularly interesting effort is the New Choices Workforce Development Program, the labor of a community development consortium called Roanoke-Chowan Partners for Progress (hereinafter Partners). Partners includes local governments, not-for-profits, and other community-based organizations from Bertie, Gates, Hertford, and Northampton counties. Its lead organization is the Roanoke Electric Cooperative, a private not-for-profit organization committed to enhancing the economic opportunities of the impoverished region it serves. Partners identified health care as a growth sector in the regional economy and determined that Partners could serve as a broker to prepare and connect residents who lacked the skills and networks to job training services and regional health care employers. With funding from the Duke Endowment's Program for the Rural Carolinas, Partners has teamed up with the Roanoke-Chowan Hospital, the Hertford County Employ-

ment Security Commission's JobLink (the local one-stop center under the WIA), and the Gates County Cooperative Extension to build linkages on behalf of job seekers.⁵¹

As reflected by the New Choices Workforce Development Program, several groups are essential to establishing and expanding employment-enhancing networks: community

development organizations; community/neighborhood-based organizations; community colleges or other local employment training programs; economic developers (professionals who create jobs for a region, irrespective of the recipient, as distin-

guished from community developers, who focus on distressed communities and their residents); and regional employers (particularly businesses generating private-sector jobs) (see Figure 3). Working with those groups, community developers can connect residents to identified jobs through place-based initiatives, residential mobility, and personal mobility in the following ways:

1. Build on the bonding capital that exists within a community by using local social capital to deliver workforce development programs.

Typical workforce development programs do not recruit from specific communities and rarely generate neighborhood-level impacts. Programs that do focus on specific communities, particularly those with low-income residents, have meaningful advantages in engaging community residents who are not well served by mainstream systems. According to several studies of workforce development programs, convenient, good-quality, user-friendly services provided by a trusted community-based organization will draw residents who do not use the one-stop job centers mandated by the WIA and are not effectively served by other programs.⁵²

Community developers must recruit neighborhood-oriented, community-based organizations—for example,

Because social networks act as informal brokers of opportunity, any effort to alleviate poverty must seek to build links between job seekers and job networks.

Figure 3. **Conceptual Scheme of a Social Capital-Based Approach to Job Access**



community development corporations, churches, and youth programs—to engage low-income people handicapped in their job search by a lack of bridging and linking networks.⁵³ These organizations have “shown themselves to be able to arrange skills training and placement for a nontrivial number of neighborhood residents into jobs paying above poverty-level wages . . .”⁵⁴

Calling on community-based associations and organizations to participate in delivering job placement programs builds bonding social capital for individual job seekers and for community-based organizations. Job seekers will have new opportunities to interact with other job seekers in workforce development programs, thereby extending their information and referral network on both jobs and housing opportunities in more prosperous communities. These job seekers also will be able to pool their resources to support transportation to and from work located in communities outside the immediate neighborhood.

Also, participating institutions will strengthen their own bonding capital as they interact with other organizations supporting similar populations. As a result, the state will develop a network of organizations knowledgeable about and experienced at linking low-income residents to jobs.

North Carolina’s local governments have a rich and generally successful history of partnering with community-based organizations.⁵⁵ In community development most of the partnerships have focused on creating affordable housing. The same type of public-private partnership in workforce development has the potential to improve the effectiveness of programs, particularly for those residing in high-poverty communities.⁵⁶

The federal government has recognized the limitations of traditional job placement programs and the potential for community-based organizations to improve the outcomes of job placement for low-income job seekers. The U.S. Department of Labor’s Center for

Faith-Based and Community Initiatives is providing funding to grassroots organizations and other nonprofit community development organizations to work with the One Stop Career Centers/Workforce Development System in helping people find, retain, and advance in employment.⁵⁷

2. Create enabling environments for bridging and linking capital.

A community’s political and policy environment can encourage or discourage networks, particularly bridging and linking networks. An “enabling environment” is one that encourages networks. It includes good governance, a competent and transparent bureaucracy, and mechanisms to promote dialogue and resolve conflict among different groups.⁵⁸ Social capital for economic development can be built through community organizing that focuses on strategic planning, identifies community assets and liabilities, and involves community groups and residents in prioritizing objectives. In return, community residents can use social capital to ensure that economic development efforts improve their lives and strengthen their networks.

Community developers from the public, not-for-profit, and private sectors also need to establish and actively maintain stronger networks among themselves. A growing body of scholarship on social capital recognizes the role and importance of institutions and communities in economic development. If they are properly structured, opportunities for groups such as the chamber of commerce and the local community development corporation to work together on a job strategy provide breeding ground for bridging and linking capital for both the organizations and the people they serve. Such partnerships may allow employers to appreciate better the talent pool available in low-income communities, thereby correcting market misperceptions about both low-income communities and their residents. The corrections may result in the creation of jobs in places of high poverty or opportunities for people who live in these places to find jobs in the greater region.

3. Connect with employers in the regional economy.

"Any coherent jobs strategy for isolated poor communities must include an understanding of, and connection to, the regional economy."⁵⁹ Since insufficient jobs exist in these poor communities, community developers must connect their residents to the greater regional economy. In addition, community developers must connect themselves to employers in the regional economy in order to appreciate the labor needs of regional employers.

One connection strategy employed by community development is "sectoral employment interventions" (SEIs). SEIs target selected occupations within growing "industry sectors" (groups of firms that have some commonality, such as similar products, technologies, or markets) to capture jobs and training opportunities. At the same time, they reform systems that have excluded low-income workers from economic opportunities. To achieve this dual function, SEIs call for a partnership among job training providers, employers, and community-based organizations. The members of the partnership seek to understand the targeted industry, its labor practices, and its employment training system. In addition, SEIs "pay special attention to the hiring practices of employers: not only who they hired, but how they hired and where they hired from."⁶⁰ "On the basis of these analyses, SEIs structure comprehensive workforce development programs that not only prepare lower-skilled workers for jobs in the targeted sector, but also reform industry-wide hiring practices by helping employers address institutional barriers that block employment for poor workers."⁶¹ Barriers often include not having the right networks.

4. Invest in social capital.

Investing in social capital means giving direct support to existing and emerging civic organizations, especially those with membership that cuts across

economic lines. The public sector can invest in these organizations through grants for general operating support, partnerships to provide service delivery, and programs of technical assistance. This allows organizations to create bonds, bridges, and links for poor communities.

5. Do no harm.

At the very least, community developers should seek to ensure that their efforts do not undermine the social capital that already exists in communities. Past community efforts, particularly the federal Urban Renewal program (which ended in 1974), have been criticized for destroying the sense of community and the social networks that existed in low-income places (for example, by sometimes relocating the few people and businesses that could provide bridging and linking capital for their neighbors, and bulldozing neighborhoods).⁶² Assessments of social capital should be a part of community and economic development programs. Such assessments would prevent projects from weakening existing social capital and suggest ways to strengthen it.

Conclusion

Much of the conventional wisdom regarding social capital is summed up in the common aphorism "It's not what you know, it's *who* you know." It is wisdom born of experience that personal contacts matter in close competition for jobs. Experience teaches that family, friends, and associates are an important asset, one that can be called on in a crisis, enjoyed for its own sake, and used for material gain. As well, experience suggests that addressing individual poverty by finding jobs for people "is highly dependent on the extent to which individuals are embedded in a set of employment-enhancing social networks."⁶³ What experience and wisdom suggest, research explains. Studies on social capital make clear

that how people associate with each other, and on what terms, has enormous implications for their economic well-being, whether they live in rich or poor communities.

Social networks are not particularly amenable to policy intervention. State and local lawmakers "can not legislate friendship or informal job contacts or mentoring relationships . . ."⁶⁴ Neither can community developers simply will informal social capital into the programs they administer. At the same time, the power of social capital is "too evident to be ignored in public debate, policy, and planning."⁶⁵ Policy makers and community developers have little choice. They must find innovative ways to compensate for and build social capital—especially linking capital—in poor communities if they are to help the residents of those communities find jobs.

Notes

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14. HARRISON & WEISS, WORKFORCE DEVELOPMENT NETWORKS, at 36; BARBARA EHRENREICH, NICKEL AND DIMED: ON (NOT) GETTING BY IN AMERICA (New York: Metropolitan Books, 2001).

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33. *Id.*

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45. "Entry-level, low-skills jobs" are defined by the Bureau of Labor Statistics as "jobs that can be learned quickly and that generally do not require post-secondary education." HARRISON & WEISS, WORKFORCE DEVELOPMENT NETWORKS, at 10.

46. See *Work First—About Work First*, North Carolina Dep't of Health and Human Servs., at www.dhhs.state.nc.us/dss/ei/ei.htm (last visited Apr. 19, 2003).

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51. For more information on the New Choices Workforce Development Program, contact Curtis Wynn or Diana Mitchell, Roanoke Electric Cooperative, 409 North Main St., P.O. Box 440, Rich Square, NC 27869, phone (252) 539-2236, fax (252) 539-3021.

52. See MOLINA, MAKING CONNECTIONS; HARRISON & WEISS, WORKFORCE DEVELOPMENT NETWORKS; OKAGAKI ET AL., STRENGTHENING RURAL ECONOMIES.

53. *Id.* However, these community-based organizations should not seek to re-create the full spectrum of workforce development services. Instead, they should leverage their advantage in engaging residents and systematically link residents to existing workforce development programs and other resources that will lead to improved employment.

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56. I do not argue here that community-based organizations themselves should typically offer job training or creation. The skills needed to develop low-cost housing for poor people do not easily transfer to the development of jobs or training for jobs.

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From Little Canada to Marshall: Running North Carolina's Ridges

Leslie Anderson

As each odd characteristic little branch finally drains the fullness of its stream into the French Broad, so each individual person finally pours the ripeness of his personality into the region where he dwells. —Wilma Dykeman, *The French Broad*, 1955

Some western North Carolina communities participating in the Small Towns Revitalization Program have planted trees in their downtown areas.



STEVEN GAJ

Walk down Main Street in Marshall, North Carolina, nestled between the French Broad River and the mountain ridge, and you will come to the public library. In the late 1980s, it was cited as the worst public library facility in the state, and it still is. In this former retail store, you will find rain-splattered books, toilets that don't work, limited reference materials—and children in every nook and cranny. It is crowded, and sections of the building are unusable.

Marshall is the county seat of Madison County, right in the middle of southern Appalachia. Poverty, isolation, and lack of formal education and worldly experiences are harsh realities in sections of this and other North Carolina mountain counties. Television, movies, and cartoons have stereo-

typed residents of these mountains as “hillbillies,” projecting images that often are derogatory. They expect that audiences and readers will laugh at Lil' Abner, Snuffy Smith, and the Beverly Hillbillies.

One of the major television networks is currently scouting Madison County for the perfect “hillbilly” family for the latest “reality” show. The concept for “The Real Beverly Hillbillies” is to search the mountains for a back-in-the-holler/untouched-by-progress family, drop them in the lap of luxury, and watch what happens. The assumption is that the family will make fools of themselves for the fun and enjoyment of the rest of America.

Beyond Typecasting

From my experience living in western North Carolina and working in community development for more than thirty years, the complexities of life in these beautiful, nurturing mountains defy stereotyping, caricatures, and cultural pro-

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filing. Yes, some characteristics of mountain people touch close to the image: independent, isolated, poor. Yet on closer observation the reality is broader and multidimensional. The richness of the history, culture, landscape, and people creates a distinctive warp and woof of social fabric. There is wisdom, pride, sensibility, self-sufficiency, ingenuity, artistry, music, and story here.

A miracle is unfolding in Madison County. Despite economic realities, lack of experience, and no money for fund-raising advice, the people got organized, leapt into action, and pursued their dream of a new library. The community raised \$1.6 million for a facility on a new site. Most of the contributions came from local residents, including a generous donation of land by a local family. There also were investments of \$300,000 in state funds and \$450,000 from the Janirve Foundation, based in Asheville. Smiles and pride were abundant the day the leadership announced that it had achieved its financial goal. The dream of a beautiful library will soon be realized. Children will run through the doors, sit in comfortable chairs by a window, and enjoy the treasure trove of books, videos, music, and art surrounding them.

I had a front row seat in the early stages of the project. The planning committee asked me for short-term help in getting organized, collecting thoughts, and preparing a grant proposal. Working together for several mornings in the lower level of the Marshall Presbyterian Church, we wrote a story that flowed from the hearts of these community members. We dreamed beyond bricks and mortar to what a new library would really mean to the community for decades to come. We strategized about budgets, networking, and long-term maintenance. We identified goals and objectives.

Once we laid the foundation, they took it from there—and prevailed. Beyond acquiring books, computers, and reference materials, the successful library project has deepened community confidence, provided a home for local archives, refocused commitment on education, and taught valuable lessons about how to achieve a major community project.

Planning, Persistence, and . . . Payoffs

What a joy it is to work with groups like the Madison County Library planning committee that defy the odds, go for it, and achieve remarkable milestones for their communities. Over the years I have had the chance to watch that process numerous times as I have worked across the mountain region in various settings—as staff for the Girl Scout Council, as an employee of the City of Asheville in recreation and downtown development, and currently as the owner of an organizational and community development consulting firm and an adjunct faculty member of the School of Government. Since launching my firm, I have assisted some fifteen western

North Carolina communities with economic development and human services initiatives. From creek walks to storytelling to historic preservation, coming to know people in these small towns and being involved in their excitement and growth has been a special privilege.

The nonprofit organization HandMade in America offered me an exciting foray into helping communities across the region help themselves. HandMade's Small Towns Revitalization Program assists communities that want to preserve their sense of place, build on their culture and heritage, and strengthen their economic fabric. "The Small Towns program is about honoring the wisdom of our mountain culture," said Becky Anderson, executive director of the award-winning organization.¹ "The people of rural western North Carolina have always survived and thrived by their resourcefulness and creativity. Through the Small Towns program, we provide citizens with the structure to channel this resourcefulness into civic action and concrete results." (For more information about HandMade, the Small Towns program, and Becky Anderson, see the sidebar, page 44.)



Despite economic realities, lack of experience, and no money for fund-raising advice, the people got organized, leapt into action, and pursued their dream of a new library.

Research conducted by the Institute of Government on the Small Towns Revitalization Program revealed that small towns believe the HandMade model to be very effective.² As one citizen leader said about the program, "Things start[ed] out as a pipe dream . . . HandMade showed us what is possible." Another said, "A number of things have changed; . . . mostly it has been a result of the fact that the local people have realized they have the power to direct their own future."

Working with local citizens to seize the destiny of their communities is fascinating, invigorating, and, at times, frustrating. Restored courthouses. New businesses. Tree plantings. More pleasing facades. Special events. Better signage. Community pride. When results are evident and citizens know "we did it," it is a thrill for participants and consultants alike.

Losses and Lessons

Growing up, I lived with my family along a tributary of the St. Johns River, in Mandarin, on the outskirts of metropolitan Jacksonville, Florida. Mandarin was known as "the sticks," and the city kids called me and my friends "river rats" and "country bumpkins." Today Mandarin consists of walled residential communities, exclusive subdivisions, and franchised commercial areas. The old Mandarin, with its orange groves, alligators, sweeping live oaks, and stories of famous winter resident Harriet Beecher Stowe, is almost invisible.

Losing my home community to highways, stoplights, and concrete provides keen motivation to help communities in western North Carolina avoid the random and rampant development wave. After years of serving as Asheville's down-

Becky Anderson: Western Carolina Trailblazer

Ten years ago, hoping to revitalize the economy of western North Carolina by establishing the region as a premier source of exceptionally fine handcrafts, area residents formed the nonprofit organization Handmade in America. Handmade published a guidebook, *The Craft Heritage Trails of Western North Carolina*, covering the twenty-three counties in the area, and tourists and collectors began to follow.

Some of the area's smallest, most remote communities, however, seemed to have little to offer visitors and no staff or budget for ambitious redevelopment plans. "How do you assist a town that has only a mayor and maybe a part-time clerk? That's a big issue," says Becky Anderson, director of Handmade since its formation. "That's how the Small Towns Revitalization Program began, to help these very small, rural communities prepare themselves for a new tourism economy."

Having worked in regional development for three decades, Anderson knows the economic strengths and weaknesses of western North Carolina better than most. In the early 1970s, she ran the first federally funded day care program in the mountains, under the auspices of Land of Sky Regional Council, and later became director of community development for the council, which serves Buncombe, Henderson, Madison, and Transylvania counties. She moved on to lead community and economic development efforts for the City of Asheville, North Carolina, and the Asheville Chamber of Commerce but soon perceived that "industrial recruiting was not going to be our economic future here," she says. "Tourism was becoming more and more dominant, and we began to look at a creative economy. That's how HandMade began."

Three communities listed in the *Trails* guidebook and another, not included, wanted to do more to attract tourism, Anderson said, and so the Small Towns Revitalization Program was born. Starting with those four

communities in 1996, the Small Towns program has helped twelve communities, to date, market themselves by sprucing up their main streets with murals, pocket parks, tree plantings, or new entryways. The program, which was highlighted in a national study called *Solutions for America*, sponsored by the Pew Partnership, is successful, Anderson says, because communities must "have a team, a core group, before they come to us; it can't be one person." In addition, the program asks them "to go back to their history and heritage as the foundation for their development."

West Jefferson, for example, originally thought to market itself as a Bavarian village, Anderson said. The Ashe County community had historical ties to the railroad, but there was no longer a railroad or a depot. Eventually, reflecting the heritage of stunning frescoes in small Episcopal churches throughout the county, residents settled on creating a series of murals in the town. One West Jefferson mural highlights the seasons around Mt. Jefferson, another the area's musical heritage, and a third the old Virginia Creeper train that used to run through the town. The murals "set the tone and atmosphere that the arts were a dominant factor in the community and had a customer base," Anderson said. Since the murals were painted, twelve shops and galleries have opened on Main Street.

A key part of the Small Towns program is mentoring, meeting, and networking. Each community chooses as a mentor a town in western North Carolina it hopes to emulate, and because the twenty-three-county area is so large, meetings are held in regional clusters. At different meetings the mentoring towns present a how-to session and are invited to at least one other meeting a year. The towns share their problems and learn from one another. "This pulls us together as a region and gets us interested in each other," Anderson says. "What they have to do is forget that they are in



competition and remember that there is synergy. Synergy is far better than jealousy. A rising tide really does lift everybody." Bakersville and Chimney Rock, for example, shared information about developing creekside walks, including issues of right-of-way and access. Also, Chimney Rock followed Dillsboro's lead in installing decorative streetlights.

Whether other communities can revitalize around heritage, culture, and history remains to be seen. Can the model work in city neighborhoods, for example, where there may be more people living in two blocks than in all of West Jefferson, a small mountain community?

Anderson says there has been interest in the program from North Carolina state agencies, the tourism industry in the state's Piedmont area, and even from groups in Houston and Brooklyn, wanting HandMade's help in arts-based revitalization in city neighborhoods. For her, however, the question is not Can the model work elsewhere? but Why do people love where they live, and how do they share that with others? If a community can answer that question, it may attract others to live, work, and do business there.

—Eleanor Howe

town development director and helping smaller communities across the region through HandMade and the School of Government, I know that communities *can* chart their own futures, avoiding the fate of Mandarin. They can build sustainable economies that respect heritage, landscape, and culture and strengthen their civic health to boot.

Lessons from Communities

Helping a new community is like entering a new classroom. Here are some lessons that communities have taught me:

- Preconceived notions and assumptions must be released. Outsiders must enter communities with an open heart and an open mind. They must listen to the people they serve, to honor and integrate those people's values and beliefs into the work.
- Positive personal relationships are at the heart of effective development.
- Local ownership of a project is essential. Seeking out and developing the talents of local citizens, and motivating them to be engaged in a common purpose, are perhaps the most important tasks. Emphasis should be on building a community's capacity to sustain the program over time.
- Locally based community development work usually requires an extended investment of time and money. Assessing the situation and finding out the real reasons help is needed are vitally important, but putting time and money into direct service should be the goal.
- Collaboration and partnerships are essential in strengthening the economic and civic fabric of communities. The most important partnership is with the local people. Mountain people have been "done to" for generations. "Doing together" is the only respectful approach.
- Young people often are overlooked in community-building efforts. Children and youth should be included more intentionally and meaningfully.
- Progressive ideas and projects must show respect for the local setting and place: the landscape, the culture, and the history of the people they will affect.
- Community developers can be valuable linchpins between the community and outside resources, practices, and ideas.
- Comprehensive, custom-designed approaches are best. The fabric is complex; the problems are multifaceted. One size does not fit all.

Five Tons of Stuff

My first mountain home was in Cullowhee, where I enrolled at Western Carolina University in 1968. I was a social science major and probably acquired a touch of "wanting to fix it" as I learned more about the conditions and poverty of some mountain people. Then I heard about and visited Little Canada, in Jackson County.

In 1970 our college service club, Campus Gold, affiliated with the Girl Scouts, was asked to start a troop in Little Canada. Working on the project, we learned firsthand the difficulties of that poor, remote, desolate community. We set out to have an impact. One member mentioned the conditions to her former troop and church in Goldsboro, and the next thing we knew, a semitrailer truck arrived in Cullowhee. It carried five tons of stuff, mostly clothes. My club's concern and compassion suddenly became a major challenge. The dean of women wanted to know, "Where do you girls plan to put all this?" For the next few weeks we sorted, pitched, and packed clothes.

Then came another difficulty: finding someone, somewhere, to take what Little Canada could not use. The Jackson County Department of Social Services as well as departments of social services in several other counties agreed to take the excess, and several trucking companies consented to make deliveries for free.

As a young college student, I was one more in a long line of helpers who, although well intentioned, had to learn a valuable lesson. Through the tons of clothes, I learned that good intentions and stuff are not enough. I learned that throwing "things" at a situation does not change much for the better. I learned that making an impact requires pervasive strategies and time. I learned that I could not impose my imported cultural assumptions on a community.

As I reflect on years of promoting sensitive and sensible development, the scenes that replay for me are hundreds of successful civic projects similar to the Madison Library, and many community turn-around stories. I remember hard work, deep commitment, creative solutions, and close friendships. The memories are of sacred, sacrificial, and transformational moments. They defy the "hillbilly" image. Instead of laughing at television fiction, people should come and see the real thing—communities all over the mountains proudly taking control of their future—and applaud!

How do we, as public officials, leaders, helping professionals, and volunteers, approach the complex topics of poverty, economic development, and community development? As we work to improve our communities, let's remember: communities can be poor in cash and other resources, yet rich in fellowship, faith, and family; in scenic beauty and nature; in ideas and energy; in concern for their children. How can we connect with the community so that these treasures are preserved and together we have a positive impact?

Notes

1. Becky Anderson is not related to the author, but they are kindred spirits.

2. The Institute of Government participated in Solutions for America, a national research project sponsored by the Pew Partnership for Civic Change. From 2000 to 2002, Institute faculty examined HandMade in America's Small Towns Revitalization Program to understand why it has been successful in helping communities plan and carry out civic projects. The findings for the Small Towns project were aggregated with those for eighteen other sites across the country. For more information, contact the author at lesliea@ioa.com.



Education's "Perfect Storm?"

The Effect of Racial Resegregation, High-Stakes Testing, and School Inequities on North Carolina's Poor, Minority Students

John Charles Boger

In *The Perfect Storm*, Sebastian Junger recounts the last voyage of the *Andrea Gail*, a 72-foot "rake-stem, hard-chined western-rig swordfisherman" whose crew sailed out of Gloucester, Massachusetts, in mid-September 1991 in a late-season quest for swordfish.¹ After three weeks of grueling but unproductive labor on the Grand Banks off Newfoundland, the *Andrea Gail's* crew pushed its luck by sailing in uncertain autumn waters toward another fishing ground called the Flemish Cap, some 1,200 miles east of New England's coast. There the crew's luck appeared to turn, and by October 25, the *Andrea Gail* turned westward toward harbor, its hold stowed with 40,000 pounds of fresh swordfish.

Two days later, while the ship still was 750 miles out of home port, the captain received word of three developing weather systems: a hurricane brewing off Bermuda, a cold front descending from Canada, and a gale soon to form on the Grand Banks.² The captain had battled strong storms before and was determined to move his perishable cargo directly to market. He steered on toward Gloucester.

His fateful decision delivered the *Andrea Gail* into the eye of a once-in-a-century, threefold storm. By October 29, freak warm winds from late-season Hurricane Grace converged with the

colder Canadian low and the gale to produce conditions far deadlier than any one storm could have summoned—a "perfect storm" that whipped seas to an unfathomable fury. The hapless vessel and her crew, battling these unnatural forces, found themselves at the mercy of 70- and 80-foot waves. The *Andrea Gail* capsized and went down, all hands lost.

Three educational developments are currently gathering strength in North Carolina and the South: (1) resegregation of schools by race and socioeconomic class; (2) implementation of state and federal high-stakes accountability measures; and (3) continuing inequities in school finances and resources. Each development alone would present formidable challenges to well-meaning educational policy makers and administrators. Without careful foresight and planning, their convergence could reverse North Carolina's notable progress in the past decade in improving public education for all children. Together they could become public education's perfect storm.

Resegregation of Southern Schools

The first of these rapidly intensifying forces comes with the imminent end of fifty years of court-ordered school desegregation. During this period, hundreds of judicial and administrative decrees brought racial integration to public schools across the South, transforming it from the most segregated

region of the nation to the most integrated one. The era that now lies beyond court-ordered desegregation promises massive, still-uncertain changes in patterns of student assignment and enrollment that could reshape southern education for the coming generation.

Although many school districts remain under federal court order in mid-2003, the trend toward federal disengagement is clear. It is impelled by decisions by the U.S. Supreme Court beginning in the early 1990s, which held that the Court's chief constitutional concern was to reestablish local control by public school boards formerly operating under federal desegregation decrees.³

Yet even when federal judicial supervision ends, many southern school boards, including those in North Carolina, will find themselves currently prohibited from using this newly restored local control to ensure the continuance of racially integrated public schools. The explanation for this new constraint lies in two appellate court decisions that take away with one judicial hand the local control that the Supreme Court has offered with the other. These decisions, rendered by the U.S. Court of Appeals for the Fourth Circuit—with parallel holdings in the Fifth and Eleventh circuits—appear to forbid school boards from directly considering students' race as they make decisions about school assignments. Well-meaning educators, in short, may not act either to implement a good-faith

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belief that all American children in the twenty-first century need to be educated in multiracial schools or to avoid patterns of racially segregated student attendance that characterized an earlier era.⁴

On June 23, 2003, Justice Sandra Day O'Connor, writing for five members of the Supreme Court, upheld some uses of race by college and university officials in making admissions decisions. The decision, in *Grutter v. Bollinger*, strongly reinforces and indeed broadens the 1978 *Bakke* opinion of Justice Lewis F. Powell, Jr.⁵ The Court's decisive rulings undermine much of the rationale on which the

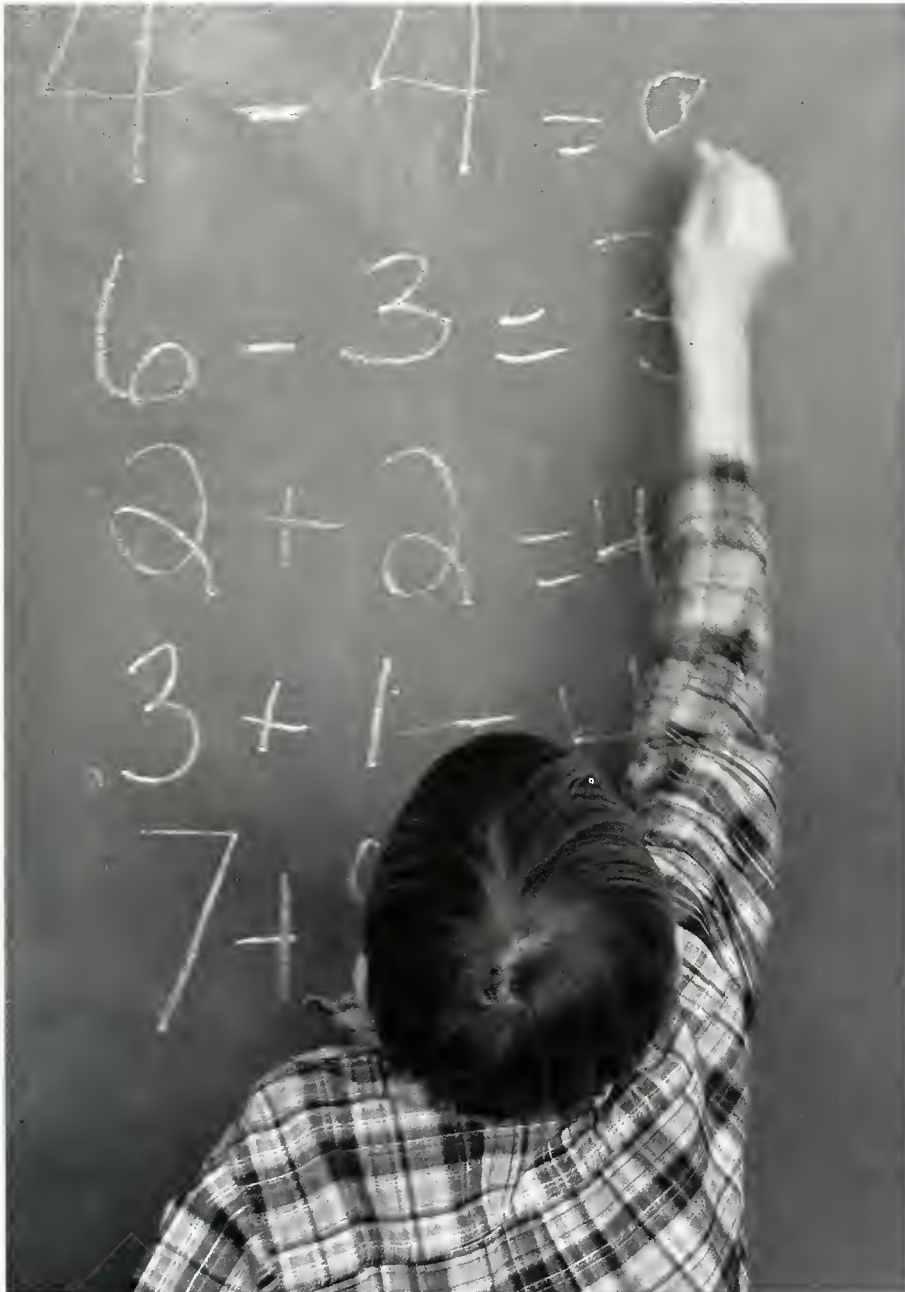
Fourth Circuit Court of Appeals built its 1999 decisions that currently forbid race-conscious student assignments in K-12 education. Still, the precise applicability of the *Grutter* decision to elementary and secondary education awaits a court test. Even if the decision is interpreted broadly, however, it only permits—it does not require—willing school boards to assign their students to further the goal of educational diversity. Without good faith commitment by southern school boards to continue to seek educational diversity, alternative student assignment policies threaten to re-create, in many urban and some rural southern school

districts, levels of racial and socioeconomic isolation not experienced by students in the South since the mid-1960s. This tendency may be exacerbated by a movement among many school boards to adopt student-assignment plans based on neighborhood schools, parental choice, or other mechanisms that maximize parents' options for their children at the potential cost of resegregating schools.

Moreover, if nonwhite students increasingly attend more racially segregated schools, the poverty levels of those schools will grow steadily. Nonwhite families in North Carolina are poorer than white families, on average, whether poverty is measured by current income or family assets. (For data on the distribution of the state's poor, see "The Changing Face of Poverty in North Carolina," on page 14 of this issue.) The high-poverty conditions that will inevitably accompany resegregation will, in turn, place children who attend resegregating schools at a substantially higher risk of poor academic performance—whatever their personal academic potential—simply because of the well-documented, adverse "school composition" effects of high-poverty schools.⁶ Racial resegregation also will result in the loss of the many educational benefits that researchers and lay people alike have ascribed to integrated public education.

Implementation of State and Federal High-Stakes Accountability Measures

School resegregation poses additional challenges as North Carolina steadily raises the educational bar through its state accountability system, now federally augmented by the No Child Left Behind Act (a restructuring of Title I of the Elementary and Secondary Education Act). During the past fifteen years, North Carolina has wholeheartedly embraced an accountability model known as the ABC's of Education. The system has been singled out as among the nation's best and most thoroughgoing. Yet with the arrival of the No Child Left Behind Act in early 2002, the state faces sweeping new accountability procedures.⁷ This federalization



of accountability marks a major departure for Congress. Never before has the federal government interjected itself so centrally into the curriculum and yearly goals of the public schools.

Later in this article, I address some implications of these educational changes for student achievement generally. Here I consider their potential impact on southern schools that are undergoing the termination of court-supervised desegregation.

Implications for Schools Terminating Desegregation

The new federal approach does require states to pay careful attention to the various student subpopulations of each school and to report annually on the achievement of students in "disaggregated" form—that is, by breaking down achievement on state tests according to the "race, ethnicity, gender, disability status, migrant status, English proficiency, and status as economically disadvantaged" of all students in each school and district.⁸ Nonetheless, I draw a pessimistic conclusion. In my judgment, without extraordinary intervention by state or local legislatures and school boards, these federal and state reporting measures will not reverse longstanding patterns of underachievement by poor and minority children. Instead, I fear, racial resegregation will interact with high-stakes accountability, even if inadvertently, to accelerate a division between "winner" and "loser" schools increasingly identifiable not merely by the relative successes or failures of their test-takers but by the races and socioeconomic status of their students.

The basic outline of North Carolina's accountability system was implemented statewide in 1995 in the ABC's of Education Act.⁹ The act requires end-of-grade (EOG) testing of every third-grade student in three core subjects—reading, mathematics, and writing—and it designates special "gateways" at the third-, fifth-, and eighth-grade levels, when promotion decisions will be given special attention. Every school in North Carolina now receives an annual rating under the ABC's statute. Unlike states that hold every school to a uniform performance

standard (for example, requiring at least 50 or 60 percent of all children to meet annual performance goals), North Carolina employs a complex formula to set specific growth goals for each school. In general, the formula weighs prior performance by students in each school, along with other demographic factors such as socioeconomic status and race. (Under the federal No Child Left Behind Act, North Carolina will simultaneously be required to develop and employ a single uniform standard for measuring growth in its schools, the measure of adequate yearly progress, or AYP.)

These annual performance measures have more than intangible significance for teachers. In 1997, North Carolina provided an annual bonus of \$1,500 to all teachers whose schools achieved higher than expected growth under the ABC's program and \$750 bonuses to all teachers whose schools met expected growth goals. The performance measures are accompanied by new state labels tied to overall school performance (such as "high growth," "expected growth," and "low-performing school"). These labels mobilize parents to pressure teachers and administrators, since parents can learn from the annual ABC's scores just how much their children's schools are improving.

For low-performing schools, the impetus for improvement can come not only from concerned parents but also from official "assistance teams." Dispatched by the State Board of Education, these teams have broad authority to investigate and review all facets of

school operations, evaluate teachers and other school personnel, and collaborate to design a school improvement plan. Further, if the school ultimately fails to improve, the team may recommend to the State Board that it dismiss the principal or replace the superintendent (if more than half the schools in the district are low-performing or if the superintendent fails to cooperate with the assistance team).¹⁰

As part of its commitment to accountability, North Carolina has eliminated "social promotion," the practice of allowing students who have not mastered the material in one grade to go on to a higher grade. The new EOG test scores will play a major role in the three new gateways (at third, fifth, and eighth grades), determining each year whether thousands of North Carolina children are promoted or retained. Moreover, high school students soon will be required to pass a battery of tests, first administered in the tenth grade, before they may receive a North Carolina high school diploma.

In North Carolina the retention rate increased in each of the three gateway grades during the 1990s, though the overall rates of retention remained relatively small. The State Board of Education acknowledges that retentions will likely increase from 6,327 in 1998–99 to 20,837 once all three gateways are in operation in 2002–03.¹¹ These figures seem low. In 2000–01 approximately 17.3 percent of all fifth graders and 30.8 percent of all African-American fifth graders failed to achieve at a proficient level (designated Level III under the ABC's approach) on their EOG reading tests.



I fear [that] racial resegregation will interact with high-stakes accountability, even if inadvertently, to accelerate a division between "winner" and "loser" schools increasingly identifiable not merely by the relative successes or failures of their test-takers but by the races and socioeconomic status of their students.

Since every student should pass the reading and the mathematics tests to avoid a risk of retention, the number of students at risk of retention under the ABC's was actually greater than the numbers just cited. In the 2000–01 school year, for example, 21.6 percent of all fifth graders and 38.0 percent of African-American fifth graders failed one or both of these exams.¹²

In a December 2001 report to the State Board of Education, a special commission charged with examining North Carolina's "achievement gap" (the gap in academic performance between whites and most minorities) confirmed these disparities between whites and African-Americans in EOG performance:

We can no longer afford to avoid the discomfort often associated with recognizing that ethnic culture (race) is somehow associated with [academic] failure.

The evidence is compelling. In every analysis of EOG test data from the ABCs program presented to the Commission over the past year, the factor of race was dominant in differentiating levels of achievement . . .

The most pronounced differential exists between the white student group with 82 percent achieving at or above grade level on the 2000–2001 EOG testing, while only 52 percent of African-American students were at or above grade level. Hispanic and American Indian students scored above blacks but considerably below whites and Asians.¹³

The overall gap between white and African-American student performance is large statewide, as it is in many other

states.¹⁴ However, some evidence indicates that it is especially large in schools that are more segregated. For example, among North Carolina's five largest urban districts, recently studied by three education experts from Duke University, the gaps in both reading and mathematics are higher in three more rapidly resegregating districts—Charlotte/Mecklenburg County, Greensboro/Guilford County, and Winston-Salem/Forsyth County—than in two more racially integrated districts—Raleigh/Wake County and Fayetteville/Cumberland County.¹⁵

Moreover, the higher rates of failure in the more rapidly resegregating districts are not evenly distributed among their elementary schools. Instead, as the research on the effects of poverty concentration would predict, the highest rates come in high-poverty schools within those districts.

In sum, the numbers and percentages of students who are retained under the state's ABC's of education system are likely to rise substantially, particularly in schools with higher percentages of African-American and Hispanic children and poor children. In school districts where schools are resegregating by race and socioeconomic class, these "failing schools" soon may either house especially large percentages of children who have been retained in grade, with all the increased risks for dropping out that researchers have identified, or effectively abandon any commitment to end social promotion, simply to keep their student cohorts moving through the system.

Perhaps the greatest virtue of accountability systems is their capacity to identify the particular districts, schools, and students that are not achieving at

desirable levels. To be sure, North Carolina's system accomplishes that task. Moreover, since the federal No Child Left Behind Act requires all schools to report their scores by race, ethnicity, limited-English proficiency, and family income status, even districts and schools that have overall high levels of student performance will no longer be able to ignore major cohorts of their student populations that may not be performing adequately. These are substantial pluses of the accountability system.

Yet once that identification has been completed, major work lies ahead. North Carolina's resegregating and high-poverty schools must be assured of receiving the human and fiscal resources they need: enough certified teachers to staff every classroom; smaller classes, especially in the earlier grades; experienced principals and staffers; sufficient funds for professional development; and resources to support meaningful after-school, English-proficiency, tutoring, special education, and other tailored programs that match those of schools in more affluent areas. Any shortfall of resources could quickly swamp thousands of struggling low-income and minority children in North Carolina. For as the American Educational Research Association has cautioned,

if high-stakes testing programs are implemented in circumstances where educational resources are inadequate . . . there is potential for serious harm. Policy makers and the public may be misled[;]. . . students may be placed at increased risk of educational failure and dropping out; [and] teachers may be blamed or punished for inequitable resources over which they have no control.¹⁶

Unintended Consequences of High-Stakes Accountability

Under an accountability system, a primary purpose of identifying low-performing schools is to take the necessary steps to improve them, thereby allowing every child to attain high academic goals. However, identifying schools that fall short in academic performance opens another possible

End-of-Grade Testing Parent/Teacher Report Public Schools of North Carolina Regular Test Administration

Reading (56 questions)		Developmental Scale	
Scale Score		230 240 250 260 270	
Intern Level:		I II III	
Student percentile rankings will be established Summer 2003 after state results for this new test are collected		Student	
Met Local Gateway for Reading		School	
System State 2002-03		System State 2002-03	
Data available Summer		Data available Summer	
Student's Lexile Score*		Typical grade: 7 class materials*	
Reading Categories - 1999 Curriculum			
Cognition - The initial strategies a reader uses to understand the reading selection. It recognizes the purpose and organization of the selection. It includes strategies like using context clues to determine meaning or summarizing to include main points			

The new EOG test scores will play a major role in the three new gateways (at third, fifth, and eighth grades), determining each year whether thousands of North Carolina children are promoted or retained.

Bill McNeal: Helmsman in a Storm

Befitting a man who has spent more than thirty years in public schools, Bill McNeal says he is "in the business of no excuses." This is especially true when it comes to closing racial and socioeconomic gaps in academic achievement.

In the two years since McNeal became superintendent of Wake County Schools, the district has posted impressive gains in end-of-year tests. Last year 89.4 percent of students in grades 3–8 scored at or above grade level, a 4.5 percent increase since 2000. Reading scores were up two points for all students, four points for black and Hispanic students; and math scores were up three points for all students, six points for blacks and Hispanics. In 1999–2000, 60.3 percent of black third graders were reading at grade level, compared with 92.7 percent of white third graders. In two years that 32.4 percent gap narrowed by almost a third, with 71.2 percent of black students reading at grade level, compared with 95.1 percent of white students. Math scores for eighth graders show similar patterns: 65.4 percent of black students scoring at grade level in 1999–2000, increasing to 71.5 percent two years later. For white students, the percentages were 93.6 and 95.1, respectively.

To McNeal the progress is substantial but not miraculous. "It's been hard work, a slow, painstaking process," he says. The district is committed to maintaining educational diversity in its schools and raising the achievement of every student (see page 54 of the accompanying article). Further, McNeal says, principals and teachers have taken the crucial "first step" and recognized that "we're absolutely responsible for the academic progress of every child."

His motivational secret? McNeal grew up professionally in the school system, starting as a junior high teacher in 1974 and working his way up as assistant principal, principal, assistant superintendent, then associate superintendent. He has known many of the system's principals a long time. "I believe they trust and respect me and what this district stands for,

and when I appeal to their sense of concern for all children, they respond. And I feel the same way about the teachers," he says.

Another component has been the Accelerated Learning Program, initiated by McNeal when he was associate superintendent as a three-hour tutoring program by certified teachers on Saturday mornings. Schools now have flexibility in designing their own programs, but the basics—extra money for extra teaching—still are intact. In the past two years, Wake County commissioners have pumped an extra \$20 million into the school system.

McNeal also has forged beneficial alliances with businesses and faith communities. Five hundred businesses



now are linked with individual schools and help with everything from donating equipment, like used copiers, to backing pay hikes for teachers. Among other benefits, the program "got business people into the schools so they could see them and talk intelligently about what's needed," McNeal says. Churches and other faith groups also have adopted schools and set up after-hours tutoring programs and, in some cases, in-house computer labs.

Can other districts duplicate Wake County's success? "You can replicate the goal. You can replicate the can-do attitude, the drive and push by top-level personnel," McNeal acknowledges. "But you'll still need financial resources to do everything we've done, to provide all the support pieces."

—Eleanor Howe

avenue for impatient parents: to move their children to schools where other students already are achieving at high levels. Scholars have long noted this classic exit pattern of response to failing schools.

North Carolina's school assignment patterns lend themselves to the exercise of such a choice in at least two ways. In districts that opt for neighborhood schooling, parental choice can take the form of selecting the "right neighborhood" for residence—one in which public schools are high-performing (and the racial mix is to the parents' preference). A large body of empirical evidence fortifies what most people know from common observation: entry into neighborhoods with more desirable public schools is usually more expensive, since home prices reflect the "premium" paid for the better-performing schools to which neighborhood children will go. The contrary tendency also manifests itself: poorer families find themselves relegated to less expensive housing in secondary or overcrowded neighborhoods within a school district, or to poorer districts. Their public schools run the risk of becoming high-poverty schools as long as assignments are bounded by local neighborhoods.

With its annual test scores and annual information about school performance, school accountability adds an aura of "certainty" to this general tendency of neighborhood stratification. Neighborhood ambiance or the economic profile of a community may be intangible. The performances of public schools now are available on the web, accurate to the decimal point.

Even when districts operate under assignment plans that allow parents to choose schools outside their neighborhood, "the educationally oriented parents and children . . . [will] demand and receive higher quality educational services than . . . consumers with less exacting educational tastes."¹

Indeed, that relative lack of educational sophistication among lower-income parents may explain one recent surprise under the federal No Child Left Behind Act. The statute empowers parents whose children attend failing schools to transfer their children to

higher-performing schools in the district. Although the act had immediate applicability (drawing on schools' scores on whatever statewide accountability tests had been employed previously), and although parents in 8,652 schools nationwide were immediately eligible to demand reassignment, apparently only "a trickle" of parents exercised the option in fall 2002.¹⁸

Just as parents who seek higher-performing schools for their children can choose between two basic strategies — stay and reform, or leave for a better school — so can most teachers choose between two basic strategies. The first is to redouble their efforts at their current school, hoping to improve the performance of their young charges. The second is to move to a school in which the overall performance of students already is higher.

A recent study of teacher transfers in Texas public elementary schools found "strong evidence that teachers systematically favor higher achieving, non-minority, non-low income students."¹⁹ To be sure, factors in addition to disappointing student test scores and loss of faculty bonuses might drive teachers from low-performing schools, including a desire to avoid more student disciplinary problems, poorer-quality facilities, or more unsavory neighborhoods. Since all these problems tend to occur more frequently in high-poverty schools, however, the effect is the same: good teachers tend to flee from segregated, high-poverty schools, while poorer or less experienced teachers stay.

A recent analysis of elementary school teachers in four school districts in North Carolina's Research Triangle reached a similar conclusion about relative teacher quality. Drawing on state records, the report found that "[s]chools in the Triangle with high numbers of poor children have the least qualified teachers and experience the highest rates of turnover."²⁰ The report contrasted one Durham elementary school where 82 percent of the children receive subsidized school lunches with another Durham school where only 11 percent receive the lunches. In the high-poverty school, "fewer than two-thirds of the teachers

were fully licensed, 44 percent had less than three years of experience, and the turnover rate was 52 percent." In the low-poverty school, by contrast, "93 percent of the teachers were fully licensed, more than half had 10 years of experience, and [only] 18 percent had less than three years of experience." Only 54 percent of the students in the high-poverty school passed state EOG exams in 2001, compared with more than 90 percent in the low-poverty school.²¹

A school superintendent in Johnston County, North Carolina, acknowledged that "finding teachers to work in schools with a large population of low-income students is difficult. 'Teachers don't want to work in those schools,' [Superintendent James] Causby said, though he added that there are exceptions."²² Superintendent Causby's observations about teacher preferences coincide with anecdotal information from the National Research Council that standards-based reform "may be making schools that are identified as low performing less attractive to teachers."²³ A respected educational researcher has found concern, especially among North Carolina principals who serve low-performing schools, that the state's accountability program may create incentives that will lure better-performing teachers to middle-class, white schools, leaving principals with few effective means to remove poor teachers already present in their low-performing

schools.²⁴ (Aware of this potential problem, North Carolina recently acted to provide financial incentives for teachers who decide to stay in lower-performing schools.)

I do not argue that the accountability approach is either misguided or inevitably doomed to failure. The light that it could shine annually on every district, school, and student statewide might prove essential in ensuring that all North Carolina children receive a high-quality education no matter where they live or what their parents' personal circumstances are. I do contend that when accountability measures are required of, and interact with, school systems characterized by growing racial and ethnic segregation, they threaten to exacerbate the isolation of African-American, Hispanic, Native American, and low-income children, with negative consequences for both the children's access to highly performing classmates and the prospect of the schools' attracting better, more qualified teachers.

Some sobering assessments of the effects of the accountability approach on racial and ethnic minorities already have come from the National Research Council. In 1999 it reported that only two systematic studies had been completed on the effects of these systems on student achievement. The first study, an examination of the Dallas, Texas, program, found "evidence of gains in student achievement for whites and Hispanics but not for black students."²⁵ The other study, an exami-



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nation of Charlotte. North Carolina's five-year experience with its Benchmark Goals Program, found "few or no gains from the incentive system."²⁶

Continuing Inequities in School Finances and Resources

The third force currently affecting southern education is the perennial tumult over educational resources. Most often it results in wide disparities between affluent districts and less fortunate ones. The former have modern facilities, well-qualified teachers, and an abundance of special academic programs. The latter have shortages of qualified teachers, large classes, and few specialized courses and programs for high-achieving or low-performing students.

Since 1970, several waves of lawsuits aimed at school finance reform, many in southern states, have invoked state constitutional principles of educational equality or adequacy to obtain judicial reordering of legislative outcomes that reformers have challenged as inequitable and unjust. Some believe that recent judicial or legislative decisions to direct more educational resources to needy schools and students might be a crucial educational counterforce, sufficiently powerful to neutralize adverse effects flowing from racial resegregation. If poor or predominantly minority schools have sufficient resources and adopt appropriate pedagogical and administrative methods, this argument runs, they do not need the benefits of a racially diverse student body.

North Carolina has experienced a vigorous constitutional attack on its school finance policies. In a 1997

decision, *Leandro v. State*, the North Carolina Supreme Court declared that the state's constitution promises every child "the opportunity for a sound basic education."²⁷ The court remanded *Leandro* to a specially designated trial judge, Howard Manning, charging him to give concrete meaning to both the general right of North Carolina students and the duties of state educational officials. Judge Manning rendered a series of opinions that appear to require the state to address the unmet educational needs of every at-risk child.²⁸

In his final opinion, he ordered that "every classroom be staffed with a competent, certified, well-trained teacher who is . . . implementing effective educational methods that provide differentiated, individualized instruction, assessment, and remediation to the students in that classroom." Further, he decreed that "every school be provided, in the most cost effective manner, the resources necessary to support the effective instructional program within that school so that the educational needs of all children, including at-risk children, to have the equal opportunity to obtain a sound basic education, can be met."²⁹

The trial court has announced that it will oversee the full implementation of its remedial orders. The state has appealed the lower court decisions, and the future of *Leandro* is uncertain at present. In appealing the *Leandro* mandate, the state is following a path well trodden by executive agencies and legislatures in other states, which have resisted judicially mandated redistribution of educational resources.

Even if *Leandro's* expansive orders are upheld, educational researchers are

divided over whether additional resources alone will suffice, in the long term, to overcome the structural challenges presented by high concentrations of low-income children in high-poverty schools. There also may be practical limits on the courts' power to compel legislatures to direct dollars disproportionately toward poor and minority schoolchildren. Moreover, the budgetary crisis now sweeping over American state and county governments, the most serious in over a decade, shows no signs of abating. The current taxation picture presents the prospect of long-term fiscal austerity for state educational establishments and hard choices among many pressing state needs.³⁰

This is disconcerting news since the new accountability approach promised to identify those who most need help and then, by steering public resources toward them, lift student performance.

Ignoring for a moment accountability's potential problems, I think that its most attractive face is its commitment to the democratic propositions that "all children can learn" and that the nation's public schools must deliver on that commitment.³¹ Yet two impediments stand in the way of achieving this great promise. The first is pedagogical, the second, political.

The pedagogical challenge is that no scholar or educator has yet identified a package of educational resources or practices that can, in a consistent and replicable manner, lift the performance of the children who most need educational assistance. This is a controversial statement, for educational innovators regularly claim that some new methods have worked or will work to transform children, classrooms, schools, and districts. There do exist marvelous and encouraging accounts of educational successes in the most straitened circumstances, where principals and teachers have accomplished educational wonders in schools filled with poor and minority children. North Carolinians also can tell such exceptional stories: On remand of *Leandro*, the trial court pointed to five schools in which achievement on North Carolina's EOG tests was outstanding. Most were in low-wealth school districts



The ABC's of Education Act requires end-of-grade (EOG) testing of every third-grade student in three core subjects — reading, mathematics, and writing.

without substantial resources, all enrolled student populations that were more than 50 percent African-American, Native American, and/or Hispanic, and all had more than 70 percent of their students eligible for subsidized lunches.

Yet very few who have studied public schools carefully have identified any particular combination of strategies with a high rate of replicable success. Indeed, one respected researcher concludes, ironically, that “[p]erformance-based reform of education makes sense because so little is known about the specific relationships between educational inputs and outputs. If those relationships were better understood, outcome goals could be achieved by focusing attention on

the inputs to the educational process.”³² Research suggests that two school resources have particular power to lift low student performance—high-quality teachers (teachers with high test scores and/or master’s degrees in their fields) and small class size.³³ But researchers often acknowledge that they “are not yet certain about how to make schools better or how to deploy resources effectively” and that “[e]ducational challenges facing districts and schools serving concentrations of disadvantaged students are particularly intense, and social science research provides few definitive answers about how to improve educational outcomes for these youngsters.”³⁴

This pedagogical uncertainty is real and serious. Although it does not warrant hesitation about addressing the problems, it does suggest that additional fiscal resources are not enough, at present, to ensure that “all children will learn.” That is especially true, cur-

rent research suggests, for low-income African-American, Hispanic, and Native American children who must learn

in high-poverty schools. Accountability systems can be helpful, even constitutionally indispensable (as North Carolina’s *Leandro* court has suggested).³⁵ However, if educators or legislators impose strict goals on teachers and administrators who work in racially and economically isolated schools (or on the students themselves), they may increase the risks of personal and professional failure, without providing any proven route to success.³⁶ This prospect seems especially pertinent in the southern states where public schools are rapidly resegregating by race and socioeconomic status, thereby creating

precisely the kind of educational challenges that the nation’s best educational experts have found so intractable in northeastern and midwestern central-city school districts.³⁷

The political challenge is equally formidable. Even in the states where courts have been willing to identify and enforce a right to education, real educational progress has come slowly. Courts have typically looked to state legislative or executive officials to prescribe the specific content of educational reform packages for redressing fiscal or resource inequities between districts. Yet legislatures in both the North and the South are under powerful pressure not to compromise their reliable political support from white, suburban voters by showering additional aid on failing schools in poor and minority districts with far less electoral clout.³⁸

Moreover, the sums that may be needed to purchase truly promising ed-



There do exist marvelous and encouraging accounts of educational successes in the most straitened circumstances, where principals and teachers have accomplished educational wonders in schools filled with poor and minority children.

ucational resources for low-performing students may require large increases in the current per-student spending in most states. One school finance expert has estimated that in states where present spending averages \$5,000, an additional \$2,000 per disadvantaged child may be needed for accelerated instruction, and an additional \$3,000 for “preschool and full-day kindergarten, qualified and adequately trained teachers, social and family services, and building maintenance and construction,” for a total of \$10,000 per child.³⁹

Even states like Connecticut, which has long directed extra dollars to poor and low-performing school districts under progressive, per-child formulas, and North Carolina, which has created supplemental funds for both low-wealth and small districts, seem unlikely to agree on the level of additional resources that may be required.⁴⁰ Moreover, in the view of an astute legal scholar of public education, racial dynamics may distort electoral choices on school finance. That is, the school finance reform campaigns that appear to benefit African-American and Hispanic children either have succeeded less often in court or, if judicially successful, have experienced significantly greater difficulty in commanding meaningful legislative enforcement.⁴¹

At present, resource disparities in North Carolina, and the South generally, are not the same as those in the underfunded, heavily minority urban school districts of the Northeast and the Midwest. North Carolina’s districts tend to be larger and more racially heterogeneous. Although the five low-wealth school districts that joined as successful plaintiffs in *Leandro* are disproportionately African-American, Hispanic, and Native American, the six high-wealth districts that intervened and also sought additional resources were racially far more typical of North Carolina and atypical of large, central-city districts in other regions.

Yet the struggles within southern state legislatures and the South’s larger school districts are real. Further, because of the growing racial segregation, those struggles pose the danger of becoming increasingly racialized, especially if in-

creasing segregation of North Carolina schools, and gaps in student achievement under the state and federal accountability goals, begin to pose the issue of additional resources in racial terms.

Conclusion

If North Carolina's public schools substantially resegregate, it seems highly likely that many of the majority African-American and Hispanic schools will become perennially low-performing. Their students' race and poverty status will become viewed, by both those students and their white peers, as predictive of school failure. Unacceptable percentages of students in these schools will be either retained in grade or passed without sufficient remediation, leading to a spiraling downward cycle of school difficulties and demoralization.

The Supreme Court's recent decisions in *Grutter* and *Gratz* appear clearly to repudiate the doctrinal foundation on which the Fourth Circuit Court of Appeals built its recent jurisprudence banning race-conscious student assignments. If those decisions are extended to the K-12 setting, as seems likely, they will allow well-intentioned school boards forthrightly to continue the school-assignment policies of the past thirty years that, despite their many deficiencies, have worked measurable progress for the South and its children of all races.

Within North Carolina and the Fourth Circuit, the model of school assignment that Wake County has chosen to pursue would, if adhered to over time, avoid much of the educational damage that this article has forecast. (For a profile of Wake County's superintendent, see the sidebar on page 50.) Wake County assigns students on the basis of socioeconomic status and academic performance: no school may have more than 40 percent of its children eligible for subsidized lunches or more than 25 percent of its students scoring below grade level.⁴² This approach actively resists the demographic trends toward high-poverty and

low-performing schools that set up sorting behavior by white and middle-class parents. Yet the capacity of the Wake County school board to sustain broad public support for these policies will be seriously tested in the coming few years, and other school districts may not find leaders willing to follow Wake County's example.

The judicial commitment exhibited in *Leandro* to meet the educational needs of every child is, in my opinion, salutary (although it has been rejected as a paradigm by other southern states, such as Alabama, Florida, and Georgia). Perhaps it will diminish the potentially adverse consequences of the developing system. Yet it is being challenged by the state, and if the North Carolina Supreme Court affirms these decisions, implementation of them must await the active cooperation of the legislative and executive branches.

Even if that cooperation flows freely, the evidence from numerous careful and unbiased studies—from James Coleman's work in the mid-1960s to the present—teaches that no discrete quantum of resources, separately delivered to racially and economically isolated public schools, can easily restore the cumulative educational injuries worked by their isolation. Chief Justice Earl Warren brought just such an insight to the nation in *Brown vs. the Board of Education*. Fifty years later, it is a lesson not only Southerners but all Americans need to relearn, for the sake of the nation's children and its democratic future.

Notes

This article is condensed from a longer article by the author entitled *Education's "Perfect Storm": Racial Resegregation, High Stakes Testing, and School Resource Inequities: The Case of North Carolina*, 81 NORTH CAROLINA LAW REVIEW 1375 (2003). It is used with permission.

1. SEBASTIAN JUNGER, *THE PERFECT STORM: A TRUE STORY OF MEN AGAINST THE SEA* (New York: Harper Paperbacks, 1997).

2. *Id.* at 119.

3. *Missouri v. Jenkins*, 515 U.S. 70, 89

(1995) (providing that court orders should eventually restore "state and local authorities to the control of a school system that is operating in compliance with the Constitution") [citing *Board of Educ. v. Dowell*, 498 U.S. 237, 248 (1991)]; *Freeman v. Pitts*, 503 U.S. 467, 489 (1992) (describing as "end purpose" of desegregation cases "to remedy the violation and, in addition, to restore state and local authorities to the control of a school system"). Almost three decades earlier, a very differently constituted Supreme Court, striving for the elimination of racial discrimination "root and branch," *Green v. County Sch. Bd.*, 391 U.S. 430, 437-38 (1968), had instructed the southern school districts practicing *de jure* segregation to "make every effort to achieve the greatest possible degree of actual desegregation" among students. *Swann v. Charlotte-Mecklenburg Bd. of Educ.*, 402 U.S. 1, 26 (1971).

4. See *Tuttle v. Arlington County Sch. Bd.*, 195 F.3d 698 (4th Cir. 1999) (per curiam), cert. dismissed, 120 S. Ct. 1552 (2000); *Eisenberg v. Montgomery County Sch. Bd.*, 197 F.3d 123 (4th Cir. 1999), cert. denied, 120 S. Ct. 1420 (2000). Although neither the Fifth nor the Eleventh Circuit Court addressed the permissibility of race-conscious student assignment policies in elementary and secondary schools, both courts rejected Justice Lewis F. Powell, Jr.'s basic conclusion in *Regents of the Univ. of Cal. v. Bakke*, 438 U.S. 265, 311-14 (1977), that achieving a racially diverse student body in college and graduate schools is a constitutionally permissible practice. They instead held, for different reasons, that colleges and professional schools may not routinely engage in race-conscious admissions practices. See *Hopwood v. Texas*, 78 F.3d 932, 944 (5th Cir.), cert. denied, 518 U.S. 1033 (1996) (rejecting racial diversity as sufficiently "compelling governmental interest" to survive Equal Protection Clause scrutiny); *Johnson v. Board of Regents of Univ. of Ga.*, 263 F.3d 1234, 1251-54, 1263-64 (11th Cir. 2001) (concluding that even if racial diversity remains compelling governmental objective under *Bakke*, university's use of race-conscious criteria to achieve that end is presumptively unconstitutional, since college admissions decisions may not employ racial criteria absent an "extraordinary justification"). The rationale of *Hopwood* and *Johnson* received a decisive blow from the Supreme Court in its recent decision in *Grutter v. Bollinger*, 71 U.S.L.W. 4498, 4501-02 (U.S. June 23, 2003) (No. 02-241) (holding, after discussing *Bakke* at length and after expressly citing lower court cases such as *Hopwood* and *Johnson* that have rejected *Bakke*, that "we endorse Justice Powell's view [in *Bakke*] that student body diversity is a compelling state interest that can justify the use of race in university admissions"). For the implications of these cases for North Carolina schools, see generally John Charles Boger & Elizabeth Jean

Bower, *The Future of Educational Diversity: Old Decrees, New Challenges*, POPULAR GOVERNMENT, Winter 2001, p. 2.

5. *Grutter*, 71 U.S.L.W. 4498; *Gratz v. Bollinger*, 71 U.S.L.W. 4480 (U.S. June 23, 2003) (No. 02-516). Five members of the Court in *Grutter* expressly endorsed educational diversity as a "compelling state interest" that could survive constitutional attack. The majority held further that judicial deference should be afforded to a "complex educational judgment" made by university officials about their need for such diversity (although the Court recognized "a constitutional dimension, grounded in the First Amendment, of educational autonomy" in the university setting that may have no direct parallel in the K-12 setting). The Court added that the "narrow tailoring" it has long required of state actors who engage in permissible, race-conscious actions "does not require exhaustion" by university officials "of every conceivable race-neutral alternative," though it does require "serious, good faith consideration of workable race-neutral alternatives that will achieve the diversity the university seeks." Illustrating its seriousness in demanding that race-conscious actions be narrowly tailored, a six-person majority in *Gratz* struck down the University of Michigan's undergraduate admissions procedures, which had awarded an automatic twenty points to every minority applicant seeking admission.

Together, *Grutter* and *Gratz* should amply confirm what the Fourth Circuit Court of Appeals begrudgingly accepted: that school boards can pursue "educational diversity" as a compelling governmental end. Moreover, the cases strongly suggest that willing school districts must be afforded much greater latitude in their steps to reach that end than the court in *Tuttle* and *Eisenberg* thought constitutionally acceptable. Indeed, if race-conscious admissions are deemed acceptable in the higher education context, where some applicants are denied admission, it should be much more acceptable in a K-12 setting, where all "applicants" are assured a place.

6. JAMES COLEMAN, EQUALITY OF EDUCATIONAL OPPORTUNITY 22, 302, 325 (Washington, D.C.: U.S. Dep't of Health, Education and Welfare, Office of Educ., U.S. Gov. Printing Office, 1966); ALISON WOLF, THE RELATIONSHIP BETWEEN POVERTY AND ACHIEVEMENT, Summ. at II (Washington, D.C.: Compensatory Educ. Study Group, Nat'l Inst. of Educ., 1977); MARY M. KENNEDY ET AL., OFFICE OF EDUC. RESEARCH & IMPROVEMENT, U.S. DEP'T OF EDUC., POVERTY, ACHIEVEMENT AND THE DISTRIBUTION OF COMPENSATORY EDUCATION SERVICES II-5 through II-6 (Washington, D.C.: USDE, 1986); JUDITH ANDERSON ET AL., POVERTY AND ACHIEVEMENT: REEXAMINING THE RELATIONSHIP BETWEEN SCHOOL POVERTY AND STUDENT ACHIEVEMENT 5 (Washington, D.C.: Office of Educ. Research & Improvement, U.S. Dep't of Educ., 1992).

7. No Child Left Behind Act of 2001, Pub. L. No. 107-110, 115 Stat. 1444 (2002). See *id.*, § 1111, 20 U.S.C. § 6311 [setting forth requirements, in various subsections of § 6311, (1) that all complying states adopt "single statewide State accountability system"; (2) that system be effective "in ensuring that all local educational agencies, public elementary schools, and public secondary schools make adequate yearly progress as defined under this paragraph"; (3) that states "include sanctions and rewards, such as bonuses and recognition, . . . to hold local educational agencies and public elementary schools and secondary schools accountable for student achievement"; (4) that they develop twelve-year "timeline for adequate yearly progress"; (5) that they implement "set of high-quality, yearly student academic assessments that include at minimum, academic assessments in mathematics, reading or language arts, and science"; (6) that these statewide tests be required of all students in at least three grades between third and twelfth; (7) that states develop annual report cards to announce their progress, school by school, toward their goals; and (8) that they specifically disaggregate their data so as to report on collective performance of students by race, ethnicity, gender, and status as economically disadvantaged].

8. 20 U.S.C. § 6311 (b)(2)(C)(v)(II).

9. 1995 N.C. Sess. Laws ch. 716.

10. N.C. GEN. STAT. § 115C-105.30 through -105.32 (hereinafter G.S.); G.S. 115C-325.

11. See North Carolina State Bd. of Educ., *Student Accountability Standards: Frequently Asked Questions* 8, available at www.ncpublicschools.org/students_promotion/faq.html (last visited Apr. 12, 2003).

12. 2000-2001 End of Grade Reading and Mathematics Composite for the State of North Carolina, Grade Level 5, available at www.ncpublicschools.org/vol2/rdsd/State/EOG/Composite/COMPOSITErmstate.html (last visited Nov. 25, 2002).

13. ROBERT E. BRIDGES, THE NORTH CAROLINA COMMISSION ON RAISING ACHIEVEMENT AND CLOSING GAPS: FIRST REPORT TO THE STATE BOARD OF EDUCATION 4, 21, exhib. 2 (Raleigh: NCCRA, Dec. 2001) (showing, for grades 3-8, 82.0 percent of white students, 78.6 percent of Asians, 60.0 percent of American Indians, 58.7 percent of Hispanics, but only 52.0 percent of African-Americans scoring at or above Level III on both the reading and the mathematics test in 2000-01). See also NORTH CAROLINA STATE BD. OF EDUC. & DEP'T OF PUBLIC INSTRUCTION, NORTH CAROLINA STATE TESTING RESULTS, 2000-01 at 53-54, 65, 68, 72 (Raleigh: NCSBE & NCDPI, Apr. 2002) (providing detailed statistics on students' passing rates on state EOG tests at third-, fifth-, and eighth-grade levels, disaggregated by race and ethnicity, which show similarly wide disparities at each grade level).

14. For information on the gap nationwide, see generally Larry V. Hedges & Amy Nowell, *Black-White Test Score Convergence since 1965*, in THE BLACK-WHITE TEST SCORE GAP 149 (Christopher Jencks & Meredith Phillips eds., Washington, D.C.: Brookings Inst. Press, 1998) (reporting on "every major national survey of high school students since 1965 that has tested both blacks and whites." *id.* at 167, and finding substantial but diminishing differences in performance nationwide).

15. Charles T. Clotfelter et al., *Segregation and Resegregation in North Carolina's Public School Classrooms*, 81 NORTH CAROLINA LAW REVIEW 1463 (2003).

16. AMERICAN EDUC. RESEARCH ASS'N, AERA POSITION STATEMENT CONCERNING HIGH-STAKES TESTING IN PREK-12 EDUCATION 1-2 (Washington, D.C.: AERA, July 2000).

17. James S. Liebman, *Voice, Not Choice*, 101 YALE LAW JOURNAL 259, 261 (1990) (suggesting why any apparently positive educational impact of private school education might be misleading, since educationally oriented parents might choose private education in disproportionate numbers). See also Amy S. Wells & Jennifer J. Holme, *The Effect of the Standards and Accountability Movement on Parents* (unpublished manuscript, Aug. 30, 2002, on file with NORTH CAROLINA LAW REVIEW) (exploring parental responses to accountability systems).

18. Lynn Olson & Erik W. Robelen, *Frustration Grows as States Await "Adequate Yearly Progress" Advice*, EDUCATION WEEK, July 10, 2002, pp. 1, 41 (providing state-by-state count of schools in which parents will have such choices); Erik W. Robelen, *Few Choosing Public School Choice for This Fall*, EDUCATION WEEK, Aug. 7, 2002, p. 1 (reporting that in school districts both large and small, rural and urban, fewer than 5 percent of eligible students were requesting transfers for fall 2002 term).

19. ERIC HANUSHEK ET AL., WHY PUBLIC SCHOOLS LOSE TEACHERS 19-20 (National Bureau of Econ. Research Working Paper No. 8599, Nov. 2002 rev.).

20. T. Keung Hui, *Teacher Picture Is Grim*, NEWS & OBSERVER (Raleigh, N.C.), July 2, 2002, p. A1.

21. *Id.* at A8 (offering 2001-02 data on poverty rates, student passing rates, and rates of full teacher licensure, advanced degrees, and national board certification for every elementary school in the Wake County, Johnston County, Chapel Hill-Carrboro, and Durham County school districts).

22. *Id.*

23. HELEN F. LADD & JANET S. HANSEN EDS., MAKING MONEY MATTER: FINANCING AMERICA'S SCHOOLS 272 (Washington, D.C.: National Academy Press, 1999).

24. HELEN F. LADD & ARNALDO ZELLI, SCHOOL-BASED ACCOUNTABILITY IN NORTH CAROLINA: THE RESPONSE OF SCHOOL

PRINCIPALS, Working Paper Series SAN01-13, at 24–25, 27 (Durham, N.C.: Terry Sanford Inst. of Public Policy, Duke Univ., July 2001).

25. LADD & HANSEN, MAKING MONEY MATTER, at 183, citing Helen E. Ladd, *The Dallas School Accountability and Incentive Program: An Evaluation of Its Impacts on Student Outcomes*, 18 ECONOMICS OF EDUCATION REVIEW 1 (1999).

26. LADD & HANSEN, MAKING MONEY MATTER, at 183.

27. *Leandro v. State*, 346 N.C. 336, 351, 488 S.E.2d 249, 254 (1997). Although the court emphasized the state's corresponding duty to provide this sound basic education to each child, it clarified that the state was not required to offer "substantially equal funding or educational advantages in all school districts." *Id.* at 349, 488 S.E.2d at 256. The North Carolina Supreme Court thus has joined the camp that is moving toward an "adequacy" approach, which focuses on school outputs, such as student achievement, rather than the older "equity" approach, which emphasizes the equalization of school inputs, such as funding or resources. Kelly Cochran, Comment, *Beyond School Financing: Defining the Constitutional Right to an Adequate Education*, 78 NORTH CAROLINA LAW REVIEW 399 (2000) (summarizing litigation outcomes in every state and evaluating transformation of legal theories at play, from earlier focus on attaining educational equality to more recent focus on ensuring educational adequacy).

28. The superior court found, among other things, that (1) thousands of North Carolina children are not receiving a sound basic education; (2) their subproficient performances on state accountability tests are an appropriate measure of that failure; (3) those most at risk of academic failure tend to come from lower-income families, from racial and ethnic minority backgrounds, from single-parent or homeless families, or from other social conditions of greater risk; (4) these at-risk children have the inherent capacity to succeed in school; (5) under the North Carolina Constitution, their early-life disadvantages can and must be offset by state-funded educational services, including prekindergarten programs; (6) they require additional help, programs, and resources from public schools to meet their educational needs; and (7) the first educational priority of the state must be to ensure "a sound basic education" for these and other children. Memoranda of Decisions, *Hoke County Bd. of Educ. v. North Carolina* (Wake County Super. Ct.), Oct. 12, 2000, at 142; Oct. 26, 2000; Mar. 26, 2001; Apr. 4, 2002, at 110.

29. Memorandum of Decision 109–10, *Hoke County Bd. of Educ. v. North Carolina* (Wake County Super. Ct., Apr. 4, 2002).

30. Alan Richard & Joetta L. Sack, *States Brace for Tough New Year*, EDUCATION WEEK, Jan. 8, 2003, p. 1 (reporting that current- and next-year state budget shortfalls are projected to total at least \$100 billion,

prompting Jane Hanaway, educational expert with Urban Institute, to predict that "[w]e're really beginning a significant, very serious period of resource trouble" in K–12 public education). See also *A 50-State Budget Snapshot*, EDUCATION WEEK, Jan. 8, 2003, pp. 18–19 (offering gloomy state-by-state account of 2003 budget situation and its likely impact on educational funding).

31. Regarding potential problems, "[a]s a recent National Research Council committee pointed out, it is not yet clear whether the guiding assumptions of standards-based reform are correct or that policies built on them will have their desired effect." LADD & HANSEN, MAKING MONEY MATTER, at 113 (summarizing conclusions set forth in NATIONAL RESEARCH COUNCIL, EDUCATING ONE AND ALL: STUDENTS WITH DISABILITIES AND STANDARDS-BASED REFORM 33–46 (L. M. McDonnell et al. eds., Washington, D.C.: National Academy Press, 1997).

32. Helen E. Ladd, *Introduction*, in HOLDING SCHOOLS ACCOUNTABLE: PERFORMANCE-BASED REFORM IN EDUCATION 15 (Helen E. Ladd ed., Washington, D.C.: Brookings Inst., 1996).

33. See Ronald F. Ferguson & Helen E. Ladd, *How and Why Money Matters: An Analysis of Alabama Schools*, in LADD, HOLDING SCHOOLS ACCOUNTABLE, at 277; William H. Clune, *Comments on Chapters Eight, Nine, and Ten*, in LADD, HOLDING SCHOOLS ACCOUNTABLE, at 362 [suggesting that "skilled teachers and teacher training, extra staff (or time) to reach individual students, and skilled management or coordination" are all important]; LADD & HANSEN, MAKING MONEY MATTER, at 145 (describing results of Tennessee Project STAR controlled experiments, which found student achievement gains from smaller class size, especially for minority students and for students attending inner-city schools).

34. LADD & HANSEN, MAKING MONEY MATTER, at 183 (emphasis omitted). Ladd and Hansen note specifically that none of these programs "can yet be said to be firmly established by research," although "many education policy makers are impressed with anecdotal evidence concerning the success of some or all of these programs." *Id.* at 124.

35. Memorandum of Decision 142, *Hoke County Bd. of Educ. v. North Carolina* (Wake County Super. Ct., Oct. 12, 2000) (finding that "[i]f the ABCs program were not in place, a similar accountability program would . . . be required so the State, and the public, could have a statewide accountability system to measure educational progress and . . . measur[e] whether or not each child is receiving the equal opportunity to obtain a sound basic education as the Constitution requires").

36. "[P]roductive intervention strategies for low-performing schools are a crucial component of a well-designed accountability system. In their absence, a school-based accountability system may become simply a

system for assigning blame rather than a system for improving student performance." LADD & HANSEN, MAKING MONEY MATTER, at 179–80.

37. *Id.* at 267–68 (noting that "[o]ne of the greatest challenges is how best to induce a productive use of resources in large urban districts serving disproportionate numbers of disadvantaged students. The productivity problems in these areas differ in some significant ways from those of suburban areas, and there appear to be no easy or simple solutions . . . Social science research currently provides few definitive answers about how to improve educational outcomes for these children)."

38. See *id.* at 97 [noting that "effort to raise spending in low-spending districts often requires higher state taxes or redistribution of locally raised revenues from wealthier to less-wealthy districts, both of which are highly unpopular among those whose tax burdens would rise or who would see their tax dollars go to educate children in another jurisdiction. Some of this opposition is individual and personal; some stems from more general antitax and antigovernment sentiments. Demographics also play a role. Racial cleavages sometimes come into play, as voters see minorities (especially those dwelling in cities) as primary beneficiaries of reform]."

39. Clune, *Comments*, at 359 (citing those figures but acknowledging that other research has suggested that amounts varying from \$2,000 to \$5,000 per at-risk child, above regular spending, may be sufficient).

40. See former CONN. GEN. STAT. ANN. § 10-262c through -262h (West 1986 & 1993 Supp.) [setting forth state funding formula that considered not only relative district wealth but also student educational needs, allowing an extra .25 (beyond a 1.0 for each child) if a child came to school from a poverty-level family and an additional .25 for each child with a performance on statewide achievement tests below a "remedial level"].

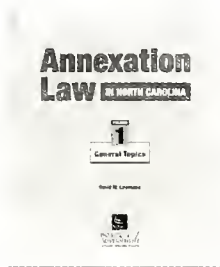
41. James E. Ryan, *The Influence of Race in School Finance Reform*, 98 MICHIGAN LAW REVIEW 432, 433 (1999) (contending that "minority school districts—particularly urban minority districts—do not fare as well as white districts in school finance litigation. . . and in the few states where minority districts have successfully challenged school finance schemes, they have encountered legislative recalcitrance that exceeds, in both intensity and duration, the legislative resistance that successful white districts have faced"); see also Douglas S. Reed, *Twenty-Five Years after Rodriguez: School Finance Litigation and the Impact of the New Judicial Federalism*, 32 LAW AND SOCIETY REV. 175 (1998) (reporting results from survey indicating that white citizens in New Jersey believed school finance reform to have been policy chiefly benefiting African-Americans, and tended to oppose its implementation).

42. Boger & Bower, *The Future of Educational Diversity*, at 11.

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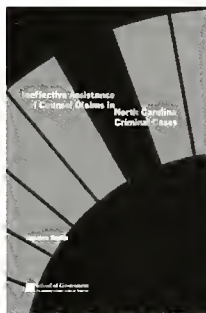
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