The Power of Place: An Analysis of Chicago's Neighborhood Opportunity Funds

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Abstract

To address growing inequalities, cities across the nation have turned to place-based funding strategies. In Chicago, the Neighborhood Opportunity Fund (NOF) provides grants to fund startup activity of local entrepreneurs in disinvested areas. Many of the contemporary challenges of cities today reflect the neoliberal assumptions of late twentieth-century policies. These solutions claim that market-driven processes, and not state intervention, are sufficient to promote positive, socially neutral development and growth. As one of the most segregated cities in the United States, Chicago stands as an example that these neoliberal policies exacerbate inequalities and actively exclude low-income, communities of color. With widespread neoliberal urban development, this paper seeks to show why municipal governments must consider realigning efforts to better empower local communities with the substantive tools and power to address neighborhood needs by using place-based strategies as a start to addressing racial inequalities.

Chicago personifies the “modern-day tale of two cities” and the growing inequality that characterizes most U.S. urban areas (Mendell, 2020). Roughly fifty years of neighborhood disinvestment have blocked some residents, usually communities of color, from accessing the networks, resources, and experiences needed to survive, operate, and thrive (Dymski, 2005; Martin & Sunley, 1997; Wilson, 2012). What we know today as the defining characteristics of the North, West, and South Sides of the city are found in neighborhoods shaped by a long history of discriminatory actions, practices, and policies.

As a response to the Great Migration of 1916, the Chicago Real Estate Board permitted practices like *restrictive covenants* and *redlining* that banned Black individuals from purchasing housing or accessing loans in certain areas on the South Side. These legal contracts gave White communities the power to contain and control how people from the South settled into the city. After World War II, massive waves of White communities fled into the suburbs to purchase homes; while at the same time, African American and Hispanic families resided in overcrowded, unsafe public housing like Cabrini Green. These developments were located in the same communities that had already endured disinvestment perpetrated by previous discriminatory covenants. While this historical account is far from comprehensive, it is clear that inequality is both a historical practice and current reality as we observe the expanding racial wealth gap, the results of neighborhood disinvestment, and even the disproportionate COVID-19 cases, deaths and vaccine distributions (Malsky, 2021).

As a response, Chicago and municipal governments across the nation have been promoting a variety of place-based strategies (Aceves & Greenberg, 2015; Neiman, 2020). These solutions are based on the belief that public expenditure in underserved geographical areas will foster long- term private investment and ultimately generate sustainable capital gains (Neiman, 2020; Theodos & González, 2019). Essentially, these strategies use physical location as a proxy to address racial disparities. For context, there are a variety of place-based strategies currently utilized in Chicago. *Protect Chicago Plus* acted as a place-based launch of vaccine distributions in fifteen target communities where residents have been most likely to contract and die from COVID-19 (City of Chicago, 2021). Additionally, the *Neighborhood Opportunity Fund* targets grants to fund startup activities for local entrepreneurs in underserved areas, mostly on the South and West sides as a part of the City's place-based *Invest South*

West initiative (City of Chicago, 2019). As more and more cities are turning to place- based strategies to address social inequalities, it is crucial to understand their potential efficacy. Racial disparities by neighborhood suggest that placed-based strategies in conjunction with a racial equity framework are necessary to mitigate poverty and allow for a move toward just inclusion in the United States.

The following sections draw on foundational approaches to political economy. Together they help us analyze just one example of a place-based strategy, Chicago's Neighborhood Opportunity Fund (NOF). While they may not be solely sufficient, I believe place-based strategies have the potential to powerfully complement a racial equity framework that explicitly names and addresses individual and systemic discrimination in the city and nationwide. To begin, I will provide a brief overview of key approaches to political economy.

Foundational Approaches to Political Economy

The theories of neoclassicism, Keynesianism, and neo-Marxism present useful frames for understanding the rationale and effectiveness of place- based strategies such as Chicago's NOF. The neoclassical understanding
of political economy, for instance, imagines a self-regulated market as the most efficient mechanism to distribute resources and capital among consumers and producers. In this line of thinking, under a scarce environment, consumers rank and pursue their preferences given limited resources in a manner that preserves choice and is assumed to be rational. As a result, the welfare of both parties is said to improve, being mutually beneficial so long as the transaction is noncoercive. Given the assumptions of a *laissez faire* position by the state and perfect competition in the market, individual agents are said to be equipped to proficiently carry out transactions independent of government regulation and should the market stray from perfect competition, the state subsequently steps in to limit externalities and restore competition (Caporaso & Levine, 1992).

Within this approach, welfare is inextricably tied to the freedom of choice, and thus neoclassicists maintain that since a market proficiently combines preferences and resources together to satisfy consumer needs, with time, the market will clear disparities by way of “the invisible hand.” The resulting inequalities in society, neoclassicists claim, are thus, justifiable since free market-processes are the best way to distribute goods and services.

A Keynesian approach to political economy rejects the idea of a proficient combination of preferences and resources and stresses the tendencies of a capitalist system to generate instability and inequality by underutilizing the resources at its disposal. Keynesian thinkers therefore view the state as a necessary stabilizing force. Because inequality is viewed as intrinsic to capitalism, and then exacerbated while moving through market processes, the intervention of an impartial oversight body is necessary (Caporaso & Levine, 1992; Martin & Sunley, 1997).

Historically, Keynesian policies have been employed after periods of substantial economic downturn to mitigate inequalities and reignite nationwide recovery. After the Great Depression, President Franklin D. Roosevelt began the foundation of the modern welfare state through the New Deal, a set of programs and policies created to bolster the nation’s recovery from the depression and provide basic sustenance for many citizens amidst widespread job loss. These policies established the social security system, created the Fair Labor Standards Act to set a minimum wage, abolished child labor and mandated the 40-hour work week, and catalyzed other state interventions to ensure citizen well-being (Semuels, 2018). Additionally, as a result of the Civil Rights era, the federal government initiated a set of expansive policies that were found to decrease the Black-White wage gap by 20%. Such Keynesian strategies demonstrate that state intervention is necessary to mitigate existing inequalities and individual suffering.

As an example, one might say that diversity, equity and inclusion (DEI) efforts in employment settings serve as an example of a Keynesian strategy to mitigate market-driven inequalities. If there were no explicit DEI efforts in recruitment and workforce development, selected candidates would naturally reflect the existing social networks of the staff and thereby reinforce inequality. And if an organization or company already lacks diversity and inclusion, this inequality would clearly be exacerbated throughout the processes of the organization itself. Therefore, the state body provides the infrastructure, coordination, and redistribution needed to stabilize wealth production and allocation (Caporaso & Levine, 1992). Only with strategic intervention by the state, says the Keynesian perspective, can the market effectively distribute resources and goods.

A Neo-Marxian understanding of political economy extends the argument against capitalism through a more multi-faceted understanding. In the neo-Marxist view, capitalism is simply not redeemable. “The political institution defines and protects the interests of [the capitalist] class and it does so on its own initiative” (Caporaso & Levine, p. 77, 1992). Assuming a society divided by class conflict, market success hinges on the economic exploitation of workers (Caporaso & Levine, 1992), leaving the working class politically disenfranchised, as well as economically and socially deprived (Harvey, 2012). This approach claims that economic class is what defines the political agenda and since affluent individuals are often acting as elected representatives, there is an unconscious protection of class interests that perpetuates class inequality in policy (Caporaso & Levine, 1992). Rather than finding solutions in policy, Marxian thinkers bring critical reflexivity into solutions by asking society to address intersections of class and privilege and by focusing on movement building between the people themselves, specifically the working class (Mayer, 2013). With inherent class conflict in a capitalist society, awakening class consciousness and bolstering collective action will foster societal improvement. It is important to note that the state of improvement as defined by the Neo- Marxian perspective is not universally agreed upon (as demonstrated by the variety of Marxian theories such as Marxist revolutionary politics, Marxist social democratic politics, and Marxian state theory) (Caporaso & Levine, 1992).

While there is no unified Neo-Marxian outlook, Henri Lefebvre's "*right to the city*" provides a relevant framework for envisioning urban solutions outside of the state (Purcell, 2013). To create a just society, politically and economically disenfranchised groups have to claim their right to the city, the right to change and reinvent oneself and one's city by mobilizing collective power, and recreate the city themselves. He believes the city exists as a microcosm for society at large, acting as the driver for historical, widespread change. This neo-Marxian principle imagines a new contract of citizenship that involves "urban inhabitants" envisioning and fully participating in remaking the city as their own because "the city belongs to those who inhabit it" (Purcell, pg. 149, 2013).

After the 1960s, the world as a whole shifted toward neoliberalism as a result of post-war sentiments and globalization (Mayer, 2013). Moving away from welfare, these policies focused on austerity measures and market discipline to foster city growth. For example, the welfare state began to adopt workfare programs, created work-hour eligibility requirements for services and additional stipulations that emphasized autonomy. Cities
were running by what Peck labels "austerity urbanism" in which the social welfare state was purged of fiscal resources, government became decentralized to allow for private enterprise, and municipal expenditures were tightly controlled (Peck, 2012). Contemporary market patterns and policies have been framed by these neoliberalist practices, as demonstrated by the decline in unionization today, prevalent cost containment policies, loose government regulation and standards, and management short- termism (Lambert, Haley-Lock and Henly, 2012; Stout, 2013). In the context of neoliberal urban development, neighborhood disinvestment is just one outgrowth of the color-blind, market-driven ideologies that have allowed for inequalities to grow unchecked (Dymski, 2005; Mele, 2013).

Neighborhood Disinvestment as an Urban Issue

Market-driven urban governance perpetuates an instability that is inherently discriminatory. It encourages accumulation in some areas while prompting disinvestment in others. If multiplier effects posit that initial capital investments create even greater returns from positive spillover over time, it is fair to say that the inverse is also true for disinvestment—there is a decumulative effect. In this case, peripheral neighborhoods are affected by the negative spillover effects of these structural decisions. These are the conditions for what Wilson (2012) labels the "urban underclass"—lower- income households, typically communities of color, in highly concentrated areas of *decumulation* (i.e., intentional disinvestment).

The spatial configuration of resources and investment mold the poverty landscape that we observe in cities today (Dymski, 2005). Neighborhood disinvestment in Chicago is characterized by significant racial segregation and wealth inequality, coming with economic and social costs (Mendell, 2020; MPC, 2017). Communities of color are systematically cut off from the pathways needed to obtain the desired outcomes since these neighborhoods are often absent financial institutions, thriving commercial corridors, and adequate educational opportunities (Wilson, 2012). The Metropolitan Planning Council's (2017) report, *The Cost of Segregation*, paints a clear picture of how segregation harms and inflicts those in disinvested communities but also our city as a whole.

Even further, it siloes communities of varying races that cause us to focus on others' differences, propagating harmful, individualist explanations of poverty. Each and every Chicagoan deserves the *right to their city*: to imagine, play, create, and—most importantly—connect with those around them (Purcell, 2013). Neighborhood disinvestment prohibits this human experience from being realized by hoarding wealth in selected communities and preventing residents from relating to one another.

Chicago's Neighborhood Opportunity Fund

Since the 1980s, wealth and wage gaps between whites and communities of color have increased exponentially, pushing mobile Chicagoans into the suburbs or surrounding states and isolating many neighborhoods on the City's South and West sides (Mendell, 2020; Wilson, 2012). Wilson (2012) explains that this economic deprivation constructs barriers to accessing the social networks required to succeed— networks that are more readily available in neighborhoods of affluence (Theodos & Gonzalez, 2019). It is important, however, to explicitly acknowledge that these neighborhoods are systematically created and not individually perpetuated. Despite disinvestment, redlining, restrictive covenants, and more, these communities remain of great unity, imagination, and creativity that continue to forge pathways to welfare by using the assets they do have (MPC, 2017).

To address this history, Chicago utilizes the Neighborhood Opportunity Fund (NOF), a place-based policy. The NOF takes the form of a public grant available to fund commercial projects located on the South and West sides of the city (City of Chicago, 2019). Its premier goal is to cultivate sustainable development in historically underserved communities by building community assets, supporting local businesses, and catalyzing new commercial projects. Originally, Mayor Rahm Emanuel's administration implemented this strategy in 2016 as a matching fund (Quiq, 2019). Ultimately, the eligibility and the need for upfront capital inhibited many applicants from the communities that needed these resources the most. In response, Mayor Lightfoot absorbed the NOF into the *Invest South West* initiative and expanded the grant to cover 100 percent of project costs if the owner and employees were residents of NOF-eligible target areas (Sabino, 2020). The fund prioritizes longevity, selecting applicants based on the following categories: project readiness, financial feasibility, construction implementation plans, and catalytic impact in their neighborhood (City of Chicago, 2019). With these adjustments, the NOF bridges the gap that many businesses face during the earlier stages of their development (Theodos & Gonzalez, 2019).

Viewed in terms of the political economy, the NOF occupies in an interesting position. Its strategy foundation is predominantly Keynesian since it presumes that neighborhood disinvestment can be mitigated through government-initiated reallocation of capital from downtown development (Caporaso & Levine, 1992; Dymski, 2005). Specifically, the grant aims to bolster commercial corridors of disinvested neighborhoods in order to provide needed services and amenities while also producing social capital and preserving neighborhood identity (Theodos & Gonzalez, 2019). Because developers and planners would otherwise invest in areas of preexisting affluence to capture positive spillover (Dymski, 2005; Martin & Sunley, 1997), the NOF is designed to reallocate downtown wealth to neighborhoods that would otherwise be neglected. If downtown developers commit a portion of their revenue towards the NOF, the City permits them to purchase larger amounts of space (City of Chicago, 2019). Because it is consistent with recognizable Keynesian frameworks of mitigating the shocks of capitalism's instabilities, the NOF is publicly perceived as a small business development fund that balances out the downtown hyper-investment and its inevitable counterpart, rapid neighborhood disinvestment (Bennet, et. al., 2017; Quiq, 2019). However, there are distinct neoclassical elements of the NOF as well. Ultimately, the fund preserves freedom of choice. As long as a project is feasible and ready, entrepreneurs are free to choose what they produce in light of their understanding of their community's needs (Quiq, 2019). Additionally, it upholds market participation as the ideal standard. Once provided with the needed equity, entrepreneurs are able to jump-start their projects, thus promoting participation and catalyzing even more activity in their local economy (City of Chicago, 2019; Theodos & Gonzalez, 2019). These traits are characteristic of neoclassicism because they believe in the efficacy of market-driven processes.

To provide broader context, there are myriad place-based strategies across the nation that further reflect Keynesian strategies as fuel for neoliberal development. New York's *Change Capital Fund* focuses on funding community-based organizations that support cross-sector social service needs (Aceves & Greenberg, 2015). Other, more common, place- based strategies establish tax incentives in qualified opportunity zones to attract private investors in commercial or real estate investments (Neiman, 2020). With dominant patterns of neoliberal development, the issue of neighborhood disinvestment is clearly not a Chicago-specific affliction. However, this variety demonstrates that place-based programs all converge at the point of a key Keynesian assumption: public intervention can and will encourage the private investment needed to reinvigorate underserved areas (Neiman, 2020).

The NOF reform that came with the Lightfoot administration made the funds more readily accessible for its targeted recipients, local entrepreneurs (Spielman, 2020). As previously discussed, many place-based policies do not provide the needed equity for local businesses but rather aim to attract external private investment. Conversely, the NOF offers to cover both costs and provide network connections when policymakers understand that market participation is understood to be both economic and social (Theodos & Gonzalez, 2019). One can credit the NOF for this funding structure because it does allow for grants and funding to acknowledge social patterns observable along geographic lines, such as race; patterns that neoliberal financialized discourse tends to ignore (Bennett, et. al.; Mele, 2013). That said, given the perpetual disinvestment of Chicago's South and West Sides, place-based funding structures like the NOF are not fully sufficient for cultivating anti-oppressive and equitable practices for community investment.

There is no denying that the NOF comes with loopholes that can overtly harm the communities it was purports to benefit (Neiman, 2020). While development is presumed to bring universal benefits, it is highly likely to gentrify and displace a neighborhood's current residents (Neiman, 2020). Supplemental policies and provisions, like affordable housing, must be taken into account to ensure that local development does not further exacerbate displacement of current residents and overall depopulation in Chicago. Additionally, the public nature of the grant forces recipients to navigate complex bureaucracy. These regulations and licensing procedures may deter targeted neighborhoods since many new entrepreneurs may not have the experience or knowledge to maintain eligibility (Quiq, 2019).

Conclusion

The limitations of Chicago's NOF ultimately challenge a primarily Keynesian assumption that the state is best situated to respond to urban inequalities. Indeed, a neo-Marxian lens would highlight the ways in which government perpetuates capitalism, and subsequently, inequality, permitting the oppression of lower-income populations (Caporaso & Levine, 1992). In this way, the NOF would be said to fit into the framework of current neoliberal urban development since the discourse of financialization supports the government justification to promote harmful investments without giving residents substantive input (Bennet, et. al.; Mele, 2013). Similarly structured public policies, like Tax-Increment Financing (TIFs), reveal that slush funds are often highly susceptible to government misuse and corruption, especially governments with a history like Chicago's (Dabrowski & Klingner, 2017; Spielman, 2020). These examples support the neo-Marxian claim that perhaps the state is not the capable or impartial body that is needed to mitigate urban challenges.

Chicago's NOF can be understood as, predominantly, a spatial Keynesian approach with elements of neoclassical principles, and thus one that invites a neo-Marxist critique. In recent history, neoliberal urban development has led to what we see now as "fragmented cities" - cities characterized by growing wealth inequality along racial and spatial divides (Dymski, 2005; Mele, 2013, p. 613). While the NOF does represent the goal of empowering historically underserved communities and mitigating city-wide inequalities, it is insufficient by itself. As previously discussed, Neo-Marxian frameworks invite us to bring critical reflexivity into the conversation by asking society to address intersections of class and privilege (Mayer, 2013). Even further, it demands that we try to envision what full participation in Chicago could and would look like—it demands that we try something new.

With inequality at the forefront of public discourse, government intervention must not waste this opportunity to provide substantive discretionary power to local communities and coalitions (Bennet et al., 2017). Social workers also must not shy away from economic frameworks in social policies but utilize them to sufficiently understand the complex processes at play in the social realm—because the economic is social. The goal must be a multi-dimensional framework that centers community choice, understanding that there are significant limitations of state policy intervention that are arbitrarily developed by policymakers and academic elites. This recognition suggests that we must reconsider the role of the state. As a funder and as a centralizing force, the state is sufficiently positioned to funnel its resources into powerful participatory solutions. In these instances, the state utilizes its inherent, formal power to equip local communities, aiming to foster cross-sector collaboration and local ownership because residents themselves are viewed as experts of their own experiences.

The reality of Chicago's inequality is not coincidental, and it has everyday repercussions that continue to endanger the lives of society's most vulnerable populations. We are living in the aftermath of our inherited history while at the same time, are charged with the responsibility to forge a new way. Policymakers and elected representatives must consider the role they play in perpetuating this inequality and blocking the true empowerment of the communities that are already doing the work of caring for their own. Place-based strategies in conjunction with participatory principles are necessary to ensure that discretionary power is placed back into the hands of communities of color.

For Chicago to become the just city we envision, we have to continue to understand the complexity of its "lived spaces," spaces that cannot and should not be reduced to neoliberal, financialized processes (Purcell, 2013). Rather, the spaces found within our city, especially its disinvested neighborhoods, hold the potential to foster the authentic connection, respect for difference and reimaging that our city truly needs (Purcell, 2013). With place-based strategies, equity can become a reality. The more that policies and strategies empower local interaction and participation, the closer we are to expanding the right to the city for all Chicagoans.

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