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The Guru Is In

Mutual Benefit Entities

BY DAVID A. SMITH

JULY 29, 2021 6 MIN READ

As I showed in last month's *Guru*, under-reinvested urban neighborhoods are left behind or shortchanged on economic capital, political capital, municipal infrastructure, coordinated government policy and local income and earning power.

Successfully addressing these interconnected challenges takes more than good intentions, money and good programs – it requires the emergence of authentic community impact entities, self-organized and self-governed and rapidly evolving to its changing political-economic microclimate.

Today, many cities are sprouting entities called Business Improvement Districts, Community Land Trusts, Neighborhood Improvement Districts, Community Investment Trusts, business co-operatives and half a dozen more names. No matter their names, these homegrown entities exhibit deep structural similarities in their inception impetus, motivation, activities and challenges, and promise to catalyze underinvested urban neighborhoods. These recently launched neighborhood mutual benefit entities are surprisingly similar to both current emerging-world global practices and to two centuries' worth of American mutual benefit entity experience in uplifting impoverished or marginalized neighborhoods and people.

Mutual benefit entities self-organize at a neighborhood level. From what I've observed and deduced, both here at home and abroad, they find their way to converge on a self-reinforcing and self-sustaining set of elements that includes:

Agreed framework of founding principles, often set forth in an announcement, constitution or charter, and usually stated in explicitly moral terms.

Local leadership and governance. Leaders are local, and governance is both local to the place and widely shared among the members. Many use some form of consensus-oriented dialog akin to a town meeting or a non-member, one-vote approach. By extension, there is typically high decision transparency, especially at the outset.

Pooling of private resources for mutual benefit. Members regularly contribute to the entity their time, money or both – even if in small amounts.

Collective impact. Although the entity can deploy its resources for private benefit, all activities are viewed through the lens of collective impact.

Action and impact are externally observable in the community at large. Publicly visible benefit is a core objective.

Localized rapidly adaptive response. Autonomous governance allows for flexible action based on changing imperatives.

Cultural cohesion. Members feel kinship with each other, usually based on pre-existing shared affinity, whether ethnic, religious, linguistic or otherwise.

Member equity. Members derive economic and democratic power from their membership.

Personal trust networks among the members. It starts slowly and builds over time.

Personal connections between members and leadership. Leaders are accessible and 'just like us.'

Local voice for local impact. Members are expected to be vocal, and believe their voices are heard and acted upon.

Mutual benefit entities have a proud legacy in American Black history, dating back to antebellum times. In the 1780s, the Free African Union Society was founded in Newport, RI, and in 1787 there followed Boston's Free African Society. By 1830, similar societies had arisen in Charleston; New York; Chillicothe, OH; Baltimore; Philadelphia and Pittsburgh.

The earliest mutual assistance societies among free Blacks provided a form of health and life insurance for their members – care of the sick, burials for the dead and support for widows and orphans. Later societies sought to promote education and job training, especially for newly arrived African Americans, freemen and fugitive slaves.

Beyond health were employment, education and family aspiration. New York's 1833 Phoenix Society promoted education, and "outlined achievable steps to enroll Black children and adults in reading and writing classes, trade apprenticeships, lending libraries, lecture series and self-improvement groups – even providing clothing to children who could not otherwise participate."

Mutual benefit entities are a global phenomenon arising spontaneously in emerging countries. What has been true in America before is true throughout the world today: virtually every emerging country where I've worked has a home-grown population of such entities. They come by many names, and many origin stories, including:

- Village savings and loan associations (VSLAs) incubated by CARE globally;

- Savings and credit cooperatives (SACCOs), which have grown exponentially since 1955; and

- Tontines, as they are called in West Africa, for serial intra-member lending.

Importantly, the biggest challenge the societies have faced—whether in bygone America, emerging-world countries or 21st century America—has been lack of funds, both operating subscriptions (dues) and working capital.

While the number of societies attests to the wide-ranging efforts of northern free Blacks, most were hampered by low funds and low membership.

Many of those that survived and grew were kick-started by philanthropic benefactors who provided both organizational expertise and a birthright endowment.

Even as they grow, mutual benefit entities are virtually always highly localized and reach a maximum size where further growth erodes cultural cohesion, personal trust networks or localized touch – hence new or subdivided entities emerge, often as chapters of a larger trade association or network that is itself frequently established with the critical stimulus of an establishing endowment provided by a benefactor, such as a foundation.

I've personally worked with one of the most ambitious: Slum Dwellers International, today a network of 32 countries' federations of localized mutual benefit entities. SDIs' 'practices for change' capture core principles that echo those of historical American mutual benefit societies: savings schemes; central participation of women; enumerations of people and mapping of places; partnerships with complementary stakeholders; neighborhood [slum] upgrading; and peer-to-peer learning exchanges. Forming themselves into a network created visibility that attracted a major endowment grant from the Gates Foundation to enable SDI to launch the International Urban Poor Fund, a self-governed, self-managed fund.

And that is the mutual benefit societies' endgame of success: to evolve into formalized and sustainable cooperative enterprises in industries some of which are so humdrum we never even think of them—such as mutual insurers, credit unions or cooperative banks—that are, most importantly of all, self-governed and self-managed.

For Blacks, the benevolent societies served as an all-important training ground, which ultimately provided the knowledge and experience upon which Black insurance companies were founded.

When cities grow too big to provide localized community touch to every neighborhood, people who have lost the city's ear either find themselves silenced and forgotten…or they come together for collective voice, collective action, for mutual benefit. It's time to give them their past and present due.