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AN ANALYSIS OF THE STATE OF THE ECONOMY IN SOUTHEAST SAN DIEGO

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The title of this paper forces me to begin by exploring the definition of the word economy. My reason for this is to be somewhat assured that those who read this paper will better understand my remarks and my frame of reference from which those remarks are formed.

The word "economy" is described by Webster in the New Collegiate, as follows:

1. The management of household or private affairs and especially expenses.
2. Thrifty use of material resources: frugality in expenditures; a means of economizing, the efficient and sparing use of the means available for the end proposed.
3. The system of arrangement or mode of operation or functioning of something.
4. The structure of economic life in a country, area or period.

In an analysis of an economy of an area it will also be helpful to remind ourselves of how Webster defines another word "economic." It is defined as:

1. Relating to or based on the production, distribution and consumption of goods and services.
2. Having practical or industrial significance or uses.

With those definitions in mind, let's take a look at Southeast San Diego.

Southeast San Diego is an area within the City and County of San Diego that has a population, according to the 1980 U. S. Census, of 104,000 and is comprised primarily of Blacks, Hispanics, Asians and other ethnic groups. Some Whites also live in the area. The median family income is $17,000 as compared to a little over $20,000 for the San Diego region. There is high unemployment in the area, ranging from 2 - 3 times higher than for the City of San Diego. The level of education of Southeast residents is below the level of the City and County of San Diego. Thirty percent of the resident work force is not fully employed, and only 34% of southeast residents graduate from high school as compared to 66% for the City of San Diego.

Southeast San Diego is primarily a residential community, located in close proximity to downtown San Diego, and is easily accessible by freeways from other sections of the region.

The Southeast San Diego community basically consists of a workforce that fills jobs outside the southeast area. Of the 380 active businesses identified in the Southeast Economic Development Corporation's (SEDC) study made in 1981, most are of modest size with 22% reporting annual gross sales of less than $25,000 with two or less employees, and 66% under $500,000. These businesses employ approximately 3,700 people with roughly 1,400 (38%) being from the Southeast area. The area is generally underemployed, undereducated and has a lower household income

than the City of San Diego as a whole. In SEDC's study of the Southeast's redevelopment areas, it was found that area residents perceived crime, unemployment, gangs/vandalism, deteriorating neighborhoods, and poorly maintained streets as serious problems. The area generally suffers from a poor image from other areas primarily because of the problems just mentioned.

The Southeast area as an economy, is lacking in several respects. First, the area does not provide nearly enough jobs for its residents. It has no industry to speak of and therefore cannot produce the jobs that an industrial based economy could produce. Even if industry were attracted to the area, Southeast does not produce the income to support the business activity that would be necessary to generate jobs. Jobs fuel an economy. Jobs produce income, income produces consumption, increased consumption produces more jobs, more jobs produce more income, which again produces more consumption, and the circle continues. The key to a healthy Southeast economy is to produce enough income in the area to stimulate the economy there. How can this be done? The state of the economy in Southeast San Diego is not good by comparison to other communities in San Diego. Economic development by definition is a long term process. So a plan ranging over many years must be structured and put into action. And the plan must take into account the inter-relationships of politics and education.

In the above portion of this paper I have pointed out the problems confronting those who would be interested in considering

the economic development of Southeast San Diego and the subsequent enhancement of the quality of life of its residents. In the remaining portion of this paper I will discuss the areas that I believe are important and applicable in developing a solution that will lead to the economic development of the area.

A step in the direction of economic development is control of the land in the area where development is to take place. Development takes place on land (except in space) and on land is built those facilities that generate income for companies and individuals. Owners of land determine its use, and the proper use of vacant and built-on land in Southeast is necessary for its development. Therefore, those who take it upon their shoulders to see that Southeast is developed economically must influence the control of land use. Since owning the land provides much of the leverage in determining its use, a capital formation vehicle is needed to buy land and property.

One other step in the development of Southeast is to increase the amount of income into the area. This can be done in several ways:

1. By developing a number of small industrial sites to employ the residents.

2. By providing the residents with skills that will enable them to be employed outside the area.

3. By retraining residents for employment in jobs that pay higher wages.

4. By attracting more higher income people to live in the area.

If the amount of income into the area increases, the need for business services will increase. These services will be housed in buildings that will be built on the land that is in Southeast. The lease or rental of these buildings produce income for its owners. Provision of these services generates jobs available to the residents. These additional jobs provide additional income. This income creates more consumption and so on.

Another point in the development of Southeast is to raise the educational level of its residents. There needs to be a group of people who monitor the schools in Southeast and develop programs to ensure that Southeast school children are better educated. The group must analyze the educational system that serves the children and correct whatever problems that exist. The group must address the issue of parent involvement and uninvolvement and take whatever steps necessary to improve the education of the children.

In order to develop the Southeast area economically, the image of the area must be changed to attract people who will live or invest in the area. These people will have to perceive the area as being safe to live in and invest in. Therefore, attention must be payed to the crime rate as well as to improving the blighted areas that exist.

An additional step in this development is to educate the residents toward economics and economic development. Economic development should become the battlecry of the 1990's like civil

rights and freedom were in the 1960's. This education must be aimed at every level from preschool to the elderly. Communication through every medium at our disposal should be directed at educating towards economic development: what it means, how one participates, how one benefits. How to make your money work for you through economic development should be the objective of those in charge of the communication mediums.

To accomplish the five steps mentioned above which are: (1) control of the land; (2) increasing the income in the area; (3) raising the level of education among area residents; (4) changing the image of Southeast; (5) educating residents toward economics and economic development requires great amounts of time, commitment and money.

Each of these is a scarce resource that must be generated in order to tackle the problems that confront Southeast San Diego. While time and commitment are necessary ingredients, I consider money, or capital as we use it here, as being the most important of the three. This is because time and commitment can be purchased with money. Therefore, a number of capital formation vehicles must be formed along with companies to enter into different areas of the development process. Capital is needed to purchase land, build buildings and provide entrepreneurs with funding to start and expand their companies. Resources of capital must be generated through individuals pooling their money collectively through profit and not-for-profit vehicles, and through the creation of venture capital vehicles. Along with

capital formation must come business management formation. Business management, like capital, is generally available within the broad area of San Diego, but in short supply within Southeast. Therefore, both capital and management skills must be brought in to achieve economic development in Southeast. Without both of these together, economic development cannot take place.

It is unlikely that Southeast San Diego will ever experience the industrial and commercial development needed to provide jobs for the greater proportion of its residents. However, it is possible for the area to obtain a higher level of social and economic well-being through leadership that can mobilize the community behind a plan of economic development. That plan must address the areas discussed in this paper if the plan is to be successful. I would recommend at this time that a community-wide task force on economic development in Southeast San Diego be formed with the charge of developing a plan to economically develop Southeast San Diego and to include in that plan the financial vehicles and strategies needed.

In conclusion, the writer has approached this topic of economic development in Southeast San Diego as purely an economic problem. The writer chose not to address the issues of race and discrimination and the effect they have on the conditions in Southeast. It is my belief that if racial discrimination were completely eradicated in America today, tomorrow the economic conditions in Southeast would still be the same and the remarks in this paper would be unchanged. However, it could very

appropriately be argued that the five steps toward economic development discussed in this paper could be accomplished with much more ease in the absence of racial discrimination. Any plan of economic development in an area in America where two thirds of its residents are non-white, assumes the problems generated by racial discrimination.

It is preferable to me, and I believe more constructive, to develop a plan of economic growth for the Southeast area and address the problems of racial discrimination as they arise during the implementation of that plan.

Finally, some remarks must be made concerning the feasibility of such a plan being implemented once it is developed. The solutions that are stated in this paper require an enormous amount of energy. But if the group that develops the plan can skillfully organize its implementation, the plan's goals can be achieved. Organization is the key to implementing the plan. We need to understand very clearly that it is not resources that Blacks lack, it is the inability to organize and mobilize those resources to achieve common goals. Proper organization of the Southeast community for the efficient and effective use of resources is a must. The Southeast area, like the underdeveloped countries of the world, needs only the minds and the will of its people in order to move forward.