"If you don't like capitalism and you don't like socialism, what do you want?"

The Possibility of a Pluralist Commonwealth and a Community-Sustaining Economy

by

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It is increasingly obvious that the United States faces systemic problems. When protestors occupy Wall Street and Ben Bernacke, the Chairman of the Federal Reserve, not only responds to the protestors, but actually casts the actions of the protestors in a favorable light, it is clear these are not ordinary times: Testifying to the Joint Economic Committee of Congress, Bernanke observed that the protestors "blame, with some justification, the problems in the financial sector for getting us into this mess, and they're dissatisfied with the policy response here in Washington. And at some level, I can't blame them."[i]

Income and wealth disparities have become severe and corrosive of democratic possibilities. The economy is in tatters. Unemployment, poverty, and ecological decay deepen day by day. Corporate power now dominates decision-making through lobbying, uncontrolled political contributions, and political advertising. The planet itself is threatened by global warming. The lives of millions are compromised by economic and social pain. Our communities are in decay.

Is there any way forward?

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For the most part, serious scholars and activists have addressed the possibility of progressive change in capitalist systems from one of two perspectives: The “reform” tradition assumes that corporate institutions remain central to the design and structure of the system and that “politics” in support of various “policies” (e.g. taxation, spending, incentives, regulation) will contain, modify and control the inherent dynamic of a corporate dominated system. Liberalism in the United States and social democracy in many countries are representative of this tradition. The “revolutionary” tradition assumes that change can come about only if the major corporate institutions are largely eliminated or transcended, usually but not always by violence—often precipitated by a crisis collapse of the system, leading to one or another form of revolution.

But what happens if a system neither “reforms” nor collapses in “crisis”?

This is essentially where the United States finds itself today. Put slightly differently, we believe the United States is entering a potentially decades-long period characterized by a situational logic of this kind. In a context of “neither reform nor crisis collapse” very interesting strategic possibilities may sometimes be viable. Such possibilities are best understood as neither “reforms” (i.e. policies to modify and control, but not transcend corporate institutions) nor “revolution” (i.e. the overthrowing of corporate institutions), but rather a longer term process that is best described as an *evolutionary reconstruction* – that is, systemic institutional transformation of the political economy that unfolds over time.

Like reform, evolutionary reconstruction involves step-by-step nonviolent change. But like revolution, evolutionary reconstruction changes the basic institutions of ownership of the economy, so that the broad public, rather than a narrow band of individuals (i.e., the “one percent”), increasingly owns more and more of the nation’s productive assets.

We suggest that such processes of evolutionary reconstruction are becoming observable in many parts of the current American system, and that they are likely to become of continuing—and potentially system-altering—force over time.

One area where this logic can be seen at work is in the financial industry. At the height of the financial crisis in early 2009, for example, some kind of nationalization of the banks seemed possible. It was a moment, President Obama told banking CEOs, when his administration was "the only thing between you and the pitchforks."[ii] The President chose to opt for a soft bailout engineered by Treasury Secretary Timothy Geithner and White House Economic Adviser Lawrence Summers; but that was not the only choice available: Franklin Roosevelt attacked the "economic royalists"[iii] and built and mobilized his political base. Obama entered office with an already organized base and largely ignored it.

When the next financial crisis occurs – and in the judgment of many experts, it will, perhaps soon – a different political resolution with more systemic changing consequences may well be possible. (If not the next crisis, the one after that, or the one beyond…) One option has already been put on the table. In 2010, thirty-three Senators voted to break up large Wall Street investment banks that were "too big to fail."[iv] Such a policy would not only reduce financial vulnerability; it would alter the structure of institutional power.

Nor is an effort to break up banks, even if successful, likely to be the end of the process. The modern history of the financial industry—to say nothing of anti-trust strategies in general—suggests that the big banks, even if broken up, will ultimately regroup and re-concentrate as 'the big fish eat the little fish ' and restore their domination of the system. So what can be done when "breaking them up" fails?

The potentially explosive power of public anger at financial institutions was evidenced in May 2010 when the Senate voted by a stunning 96-0 margin to audit the Federal Reserve's lending (a provision included ultimately in the Dodd-Frank legislation)—something that had never been done before.[v] Traditional reforms have aimed at improved regulation, higher reserve requirements, and the channeling of credit to key sectors. But future crises may bring into play a spectrum of sophisticated proposals for more radical change offered by figures on both the left and right. For instance, a "Limited Purpose Banking" strategy put forward by conservative economist Laurence Kolticoff would impose a 100% reserve requirement on banks.[vi] Since banks typically provide loans in amounts many times their reserves, this would transform them into modest institutions with little or no capacity to finance speculation. It would also nationalize the creation of all new money as Federal authorities, rather than bankers, directly control system-wide financial flows.

On the left, the economist Fred Moseley has proposed that for banks deemed too big to fail "permanent nationalization with bonds-to-stocks swaps for bondholders is the most equitable solution..." Nationally owned banks, he argues, would provide a basis for "a more stable and public-oriented banking system in the future."[vii] Most striking is the argument of Willem Buiter, the Chief Economist of Citigroup no less, that if the public underwrites the costs of bailouts, "banks should be in public ownership…"[viii] In fact, had the taxpayer funds used to bail out major financial institutions in 2007-2010 been provided on condition that voting stock be issued in return for the investment, one or more major banks would, in fact, have become essentially public banks.[ix]

Nor is this so far from current political tradition as many think. Unknown to most, there have been a large number of small and medium-sized public banking institutions for some time now. They have financed small businesses, renewable energy, co-ops, housing, infrastructure and other specifically targeted areas. There are also 7,500 community-based credit unions. Further precedents for public banking range from Small Business Administration loans to the activities of the U.S.-dominated World Bank. In fact, the federal government already operates140 banks and quasi-banks that provide loans and loan guarantees for an extraordinary range of domestic and international economic activities. Through its various farm, housing, electricity, cooperative and other loans, the Department of Agriculture alone operates the equivalent of the seventh largest bank in America.[x] And just recently, under pressure from American business, Congress re-authorized the Export-Import Bank to support U.S. trading interests.[xi]

The economic crisis has also produced widespread interest in the Bank of North Dakota, a highly successful state-owned bank founded in 1919 when the state was governed by legislators belonging to the left-populist Nonpartisan League. Between 1996 and 2008, the bank returned $340 million in profits to the state.[xii] The Bank enjoys broad support in the business community, as well as among progressive activists. Legislative proposals to establish banks patterned in whole or in part on the North Dakota model have been put forward by activists and legislators in Oregon, Massachusetts, Illinois, Maryland, Washington, Minnesota, Florida, Vermont, Idaho, Hawaii, Louisiana, and Virginia. Campaigns to create similar institutions have been launched in Maine and California**.** [xiii] In Oregon, with strong support from a coalition of farmers, small business owners, and community bankers, and backed by State Treasurer Ted Wheeler, a variation on the theme —"a virtual state bank" (i.e., one that has no storefronts but channels state-backed capital to support other banks) may be formed in the near future.[xiv] How far the various strategies may develop is likely to depend on the intensity of future financial crises, the degree of social and economic pain and political anger in general, and the capacity of a new politics to focus citizen anger in support of major institutional reconstruction and democratization.

That paradoxically a long era of social and economic austerity and failing reform might open the way to more populist or radical 'evolutionary reconstructive' institutional change—including various forms of public ownership—is also suggested by emerging developments in health care. Here the next stage of change is already underway. At first, it is likely to be harmful, characterized by Republican efforts to cut back the mostly unrealized benefits of the Affordable Care Act, passed in 2010. The first stages, however, are not likely to be the last. Polls show overwhelming distrust of and deep hostility toward insurance companies. We can also expect growing public anger to be fueled by media accounts of stories like that of Gambino Olvera, an uninsured paraplegic, who was dumped on skid row in nothing more than a soiled hospital gown by Hollywood Presbyterian Hospital in 2007.[xv]

Cost pressures are also building up—and, critically, in ways that will continue to undermine U.S. corporations facing global competitors, forcing them to seek new solutions. The federal Center for Medicare and Medicaid Services projects health care costs to rise from the 2010 level of 17.5 percent of GDP to 19.6 percent in 2019.[xvi] It has long been clear that the central question is to what extent, and at what pace, cost pressures ultimately force development of some form of single-payer system —the only serious way to deal with the underlying problem.

A new national solution is ultimately likely to come about either in response to a burst of pain-driven public outrage, or more slowly through a state by state build up to a national system. Massachusetts, of course, already has a near universal plan, with 99.8 percent of children covered and 98.1 percent of adults.[xvii] In Hawaii, health coverage (provided mostly by non-profit insurers) reaches 91.8 percent of adults in large part because of a 1970s law mandating low cost insurance for anyone working twenty hours a week.[xviii] In Vermont, Governor Peter Shumlin signed legislation in May 2011 creating "Green Mountain Care," a broad effort that would ultimately allow state residents to move into a publicly funded insurance pool—in essence a form of single-payer insurance. Universal coverage, dependent on a federal waiver, would begin in 2017 and possibly as early as 2014.[xix] In Connecticut, legislation approved in June 2011 created a "SustiNet" Health Care Cabinet directed to produce a business plan for a non-profit public health insurance program by 2012 with the goal of offering such a plan beginning in 2014.[xx] In all, nearly 20 states will soon consider bills to create one or another form of universal health care.

One can also observe a developing institution-changing dynamic in the central neighborhoods of some of the nation's larger cities, places that have consistently suffered high levels of unemployment and underemployment, with poverty most commonly above 25 percent. In such neighborhoods democratizing development has also gone forward, again paradoxically, precisely because traditional policies — in this case involving large expenditures for jobs, housing and other necessities — have been politically impossible. "Social enterprises" that undertake businesses in order to support specific social missions now increasingly comprise what is sometimes called "a fourth sector" (different from the government, business, and non-profit sectors). Roughly 4,500 not-for-profit community development corporations are largely devoted to housing development. There are now also more than 10,000 businesses owned in whole or part by their employees; nearly three million more individuals are involved in these enterprises than are members of private sector unions. Another 130 million Americans are members of various urban, agricultural, and credit union cooperatives. In many cities, important new "land trust" developments are underway using an institutional form of nonprofit or municipal ownership that develops and maintains low- and moderate-income housing.[xxi]

Although the financially stressed popular press covers very little of this, the various institutional efforts have also begun to develop innovative strategies that suggest broader possibilities for change. In Cleveland, Ohio, an integrated group of worker-owned companies has developed, supported in part by the purchasing power of large hospitals and universities. [xxii] The cooperatives include a solar installation and weatherization company, an industrial scale (and ecologically advanced) laundry, and soon a greenhouse capable of producing over three million heads of lettuce a year. The Cleveland effort, which is partly modeled on the 85,000-person Mondragón cooperative network, based in the Basque region of Spain, is on track to create new businesses, year by year, as time goes on. However, its goal is not simply worker ownership, but the democratization of wealth and community building in general in the low-income Greater University Circle area of what was once a thriving industrial city. Linked by a community-serving non-profit corporation and a revolving fund, the companies cannot be sold outside the network; they also return ten percent of profits to help develop additional worker-owned firms in the area.

A critical element of the strategy, moreover, points to what is essentially a quasi-public sector planning model: Hospitals and universities in the area currently spend $3 billion on goods and services a year—none, until recently, from the immediately surrounding neighborhood. The "Cleveland model" is supported in part by decisions of these substantially publically financed institutions to allocate part of their procurement to the worker-co-ops in support of a larger community-building agenda. The taxpayer funds that support programs of this kind do double duty by helping, too, to support the broader community through the new institutional arrangements. The same, of course, is true for a range of municipal, state, and other federal policies available to local businesses, including employee-owned firms.

Numerous other cities are now exploring efforts of this kind (including Atlanta, Pittsburgh, Amarillo, Texas, and the metropolitan Washington, D.C. area.) Related institutional work is now underway, too, through the leadership of the United Steelworks, a union that has put forward new proposals for a co-op-union model of ownership.[xxiii]

Another innovative enterprise is Market Creek Plaza in San Diego. A project of the Jacobs Center for Neighborhood Innovation, Market Creek Plaza is a mixed use commercial-retail-residential development, anchored by a Food 4 Less supermarket. The project was conceived, planned, and developed by teams of community members working with the Jacobs Center. Together they assembled a diverse package of public and private funding for the $23 million Phase I project (ultimately, the total value of the project, which involves master planning and redevelopment of a total of 52 acres of land, is estimated to reach $700 million in public and private investment).[xxiv]

Market Creek Plaza is also a green project, and aims to expand to become a transit-oriented village with 800 units of affordable housing and extensive facilities for nonprofit organizations. The project has restored 1,400 linear feet of wetlands, while generating 200 permanent jobs (70 percent filled by local residents), provided 415 residents with a 40-percent ownership stake in the project, and generated $42 million in economic activity (in 2008).[xxv]

Yet another arena of institutional growth involves municipal development. By maintaining direct ownership of areas surrounding transit station exits, public agencies in Washington, D.C., Atlanta and other cities earn millions capturing the increased land values their transit investments create. The town of Riverview, Michigan has been a national leader in trapping methane from its landfills and using it to fuel electricity generation, thereby providing both revenues and jobs. There are roughly 500 similar projects nationwide.[xxvi] Many cities have established municipally owned hotels. There are also nearly 2,000 publicly owned utilities that provide power (and, increasingly, broadband services) to more than 45 million Americans, in the process generating $50 billion in annual revenue. Significant public institutions are also common at the state level. CalPERS, California's public pension authority helps finance local community development needs; in Alaska, state oil revenues provide each citizen with dividends from public investment strategies as a matter of right; in Alabama, public pension investing has long focused on state economic development (including employee owned firms).[*]

Although such local and state ownership is surprisingly widespread, it can also be vulnerable to challenge. The fiscal crisis – and conservative resistance to raising taxes – has led some mayors and governors to sell off public assets. In Indiana, Governor Mitch Daniels sold the Indiana Toll Road to Spanish and Australian investors.[xxvii] In Chicago, recently retired Mayor Richard Daley privatized parking meters and toll collection on the Chicago Skyway, and even proposed selling off recycling collection, equipment maintenance, and the annual "Taste of Chicago" festival.[xxviii]

(How far continuing financial and political pressure may lead other officials to attempt to secure revenues by selling off public assets is an open question. On the other hand, public resistance to such strategies, although less widely publicized, has been surprisingly strong in many areas. Toll road sales have been held up in Pennsylvania[xxix] and New Jersey[xxx], and newly elected Chicago Mayor Rahm Emanuel recently rejected an attempt to privatize Midway Airport as previously attempted by Daley.[xxxi] An effort to transfer city-owned parking garages to private

[*] For further information on various community building efforts, see www.community-wealth.org. See also Democracy Collaborative of the University of Maryland, *Building Wealth: The New Asset-Based Approach to Solving Social and Economic Problems*, Washington, DC: The Aspen Institute, 2005.

ownership in Los Angeles also failed when residents and business leaders realized parking rates would spike if the deal went through.[xxxii])

At the heart of the paradoxical strategies of development in these varied and increasingly widespread illustrations is one or another form of democratized ownership—a form at the national, state, municipal and neighborhood level that stands in contrast to traditional ideas that only corporations or private businesses can own and manage productive wealth.

Nor should it be forgotten that at the height of the recent financial and economic crisis two of the nation's largest manufacturing corporations—General Motors and Chrysler—were nationalized *because the alternative was all but certain to be the collapse of the heart of the U.S. manufacturing economy in general.*

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How far might evolutionary reconstructive developments of these various kinds go if ongoing difficulties continue to create ever deepening pain and traditional policies, both liberal and conservative, fail to deal with growing social and economic pain?

One thing is certain: traditional liberalism, dependent on expensive federal policies and strong labor unions, is in a moribund state in the United States. The government no longer has much capacity to use progressive taxation to achieve equity goals or to regulate corporations effectively. Congressional deadlocks on such matters are the rule, not the exception. At the same time, ongoing economic stagnation or mild upturns followed by further decay—and "real" unemployment rates in the 15-16 percent range—appear more likely than a return to booming economic times.

Our contention is that, in fact, a different kind of progressive change is emerging—one that involves an extended, slow and difficult transformation of institutional structures and power.

Such efforts, over time, are also likely to offer possibilities for the bolstering of progressive political relationships. Liberal activists and policy-makers since the time of the New Deal and the Great Depression have implicitly assumed they were providing one or another form of "countervailing power" against large corporations. With the decay of this approach, evolutionary reconstructive efforts aim either to *weaken* or *displace* corporate power. Strategies like anti-trust or efforts to "break up" big banks aim to weaken corporations by reducing their size. Public banking, municipal utilities and single-payer health plans attempt slowly to displace privately owned companies. At the same time, community-based enterprises offer local public officials alternatives to paying large tax-incentive bribes to big corporations.

To be sure, a several decade long developmental trajectory of "evolutionary reconstruction" may fail to alter fundamental institutional relationships and political power balances, or result in only modest changes, as have most kinds of top-down national reforms. The era of stalemate and decay might simply continue and worsen. Like ancient Rome, the United States could simply decline, falling into the status of a nation fundamentally unable to address its social ills...

The alternative possibility—that a painful and sustained era of stalemate and decay may allow for the development and ultimate politicization of a coherent new long-term progressive strategic direction—is not to be dismissed out of hand, however. Such a direction would build upon the remaining energies of traditional liberal reform, animated over time by new populist anger and movements aimed at confronting corporate power, the extreme concentration of income, failing public services, the ecological crisis, and military adventurism. And it would explicitly advocate the slow construction of new institutions run by people committed to developing an expansively democratic polity—an effort that could give political voice to the new constituencies emerging alongside the new developments, adding a new, potentially powerful and growing element in support of longer term progressive change.[†]

New organizations like the Business Alliance for Local Living Economies (BALLE) and the American Sustainable Business Council (ASBC) have also been quietly developing momentum in recent years. BALLE, which has more than 22,000 small business members, works to promote sustainable local community development. ASBC (which includes BALLE as a member) is an advocacy and lobbying effort that involves more than 150,000 business professionals and thirty separate business organizations committed to sustainability. Leading White House figures and such Cabinet level officials as Labor Secretary Hilda Solis have welcomed the organization as a counter to the U.S. Chamber of Commerce. Jeffrey Hollender, Chair of ASBC's Business Leadership Council and former CEO of Seventh Generation, has denounced the Chamber for "fighting democracy and destroying America's economic future" because of its opposition to climate change legislation and its support for the Citizens United decision.[xxxiii]

At the heart of the spectrum of emerging institutional change is the traditional radical principle that the ownership of capital should be subject to democratic control. In a nation where one percent of the population owns nearly as much investment wealth as the bottom 99 percent (49.7 percent of total), this principle is likely to be particularly appealing to the young — *the people who will shape the next political era.*[xxxiv] In 2009, even as Republicans assailed President Obama and his liberal allies as immoral "socialists," a Rasmussen poll reported that Americans

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[†] Paradoxically, evolutionary reconstructive processes of institution-shifting change over an extended period of time may be more viable in the United States than in many European nations—in part because of the nation's traditions of decentralization, in part precisely because American liberalism's reform capacity has historically been weaker than most social democratic political formations in Europe. Moreover, the decline of American labor unions from 34.7 percent of the labor force in the 1950s to 11.8 percent now and only 6.9 percent in the private sector continues to further weaken traditional progressive reform capacities.

under thirty were “essentially evenly divided” as to whether they preferred “capitalism” or “socialism.” The finding has been confirmed in additional polls. A December 2011 Pew survey, for example, found those aged 18 to 29 have a favorable reaction to the term “socialism” than "capitalism” by a margin of 49 to 43 percent. A 2010 Pew Research Center poll also found a majority of Americans now have an unfavorable view of corporations—down from nearly three quarters holding favorable views only twelve years before.[xxxv]

Even if many of the youth who prefer socialism to capitalism may well be unsure what “socialism” is, they are clearly open to something new, whatever it may be called. A non-statist, community-building, institution-changing, democratizing strategy could well capture their imagination and channel their desire to heal the world. It is surely a positive direction to pursue, no matter what. And plausibly it could open the way to an era of true progressive renewal, even one day perhaps step-by-step systemic change or the kind of unexpected explosive movement-building power evidenced in the “Arab Spring” and, historically, in our own Civil Rights, feminist and other great movements.

Themes of Emerging Systemic Design

A long painful era of social and economic decay, on the one hand, and of the slow buildup, community by community, state by state of democratizing strategies, on the other, may be understood also as the preliminary historical developmental work needed to clarify new principles for larger scale application. As in the decades prior to the New Deal state and local experimentation in the “laboratories of democracy” may suggest new democratizing approaches for larger scale system-defining institutions when the appropriate political moment occurs.

It is possible to begin to clarify the parameters of a systemic model (1) to which the various emerging trajectories of institution-building and democratization point —and (2) which are suggested by the logic of longer term challenges being created by issues of political stalemate, of scale, and of ecological, resource and climate change. Different in its basic structure both from corporate capitalism and state socialism, the model might be called "A Pluralist Commonwealth" (to underscore its plural forms of democratized ownership) or "A Community Sustaining System" to underscore its emphasis on economically and democratically healthy local communities, anchored through wealth-democratizing strategies as a matter of principle.

Four critical axioms underlie the democratic theory of a model that builds on the evolving forms and on structural principles appropriate also to the larger emerging challenges: [1] democratization of wealth; [2] community, both locally and in general, as a guiding theme; [3] decentralization in general; [4] and substantial but not complete forms of democratic planning in support of community, and to achieve longer term economic, democracy-building and ecological goals.

Democratization of Wealth. A beginning point is the simple observation that traditional "after-the-fact" redistributive measures depend upon power relationships that no longer hold. As noted, particularly important has been the decline of the labor union institutional base of traditional progressive politics. Hence, either another way forward is possible, or the power that attends high levels of income and wealth is likely to continue to produce growing inequality of income and wealth, on the one hand, and political power, on the other—and thereby also to subvert genuine democratic processes.

The various institutions briefly highlighted above—from co-ops to land trusts, and including municipal enterprise and state investing, as well as national financial, health, and manufacturing forms all challenge dominant ideologies which hold that private corporate enterprise offers the only possible way forward. They also help open new ways of conceptualizing practical approaches to meaningful larger scale democratization. The steady illumination of this principle has important political implications both locally and nationally, introducing new conceptions into American political dialogue in ways appropriate to American culture.

New wealth-building forms may also contribute directly to building progressive political power either, as noted, through the "displacement" principle or by offering local officials alternative strategies (or both). Historically, cooperative and other federations also helped establish institutional and organizational support for explicit political efforts in support of specific policies. Critically, worker-owned firms, co-ops, land trusts, municipal enterprises and the like help stabilize local community economies: Unlike major corporations, which commonly come and go (often after extracting large subsidies) such institutions tend to be anchored locally by virtue of their democratic ownership structure.

Community. A systemic model that hopes to alter larger patterns of distribution and power must also nurture a culture that is supportive of broad and inclusive goals, and in particular, must contribute to the reconstruction of principles of "community." In economic terms, building community means introducing and emphasizing practical forms of *community ownership* in systemic design, vision, and theory. In the Cleveland effort discussed above, the central institution is a community-wide, neighborhood-encompassing non-profit corporation. The board of the non-profit institution includes representatives both of the worker cooperatives and of key community institutions. Worker co-ops are linked to this (and to a revolving fund at the center), and though independently owned and managed, they cannot be sold without permission from the founding community-wide institution. The basic principle is that the effort should benefit the broader community, not only or simply workers in one or another co-op. Related to this is the fact that initial support is provided by the core institution. Future efforts in other settings will undoubtedly test further approaches to democratizing core community-wide institutions.

Furthermore, it is only because of the larger community-benefiting legitimating principle that serious political and moral claims on broader public support can be put forward with integrity, and with force. It is because the linked co-ops have a larger community-building purpose that major hospitals, universities and other community-serving institutions are also involved—and why public or public-supported funds are appropriately shifted to their support when possible. Individual co-ops, worker-owned firms, small business and the like, though important, inevitably represent distinct interests different from that of the community as a whole. Moreover the people who comprise the workforce at any one time do not comprise the entire community. The “community as a whole” includes older people, stay-at-home spouses, children, and the infirm.

(Put another way, as opposed to some theories that simply emphasize worker-ownership of specific enterprise, the model is based on a broader theoretical and cultural concept—namely, that the interests of the workers—and particularly workers in any particular sector—are not inherently and institutionally the same as those of the overall community understood in terms of its necessarily broader and more encompassing concerns. This is not to suggest that freestanding, worker-owned cooperatives are unimportant or to be left out of a comprehensive model. It is simply to suggest that any genuine effort to emphasize equality must come to terms with the fact that large order systemic models based entirely—rather than partly—on worker ownership, as urged by some theorists, are likely to develop power relationships of a particular kind. The workers who might control the garbage collection enterprises, for instance, are obviously inherently on a different footing from the workers who might control the oil industry in a model structured along pure worker ownership lines. Furthermore, worker-owned businesses operating in a challenging market environment can easily be overwhelmed by competitive forces that undermine larger social and ecological goals. Though to a degree regulations and after-the-fact efforts aimed at controlling the inherent dynamics of such models can modify and refine outcomes, they are unlikely to be able to alter the underlying conflicts of institutional interest and power involved.)

Decentralization. To emphasize the importance of local communities—and within that, of institutions of democratized ownership both of encompassing and of independent and diverse forms—is implicitly to emphasize, a third systemic design principle — namely, *decentralization in general*. This raises an additional challenging question: Can there be meaningful democracy in a very large system without far more rigorous decentralization than is commonly assumed in the United States?

It is a commonplace that Washington is now 'broken,' that decision-making at the center is stalemated, in decay. Part of this is clearly constitutional (e.g., the 'checks and balance' system, voting procedures in the Senate, the over-representation of small states, etc.) But part of the problem has to do with scale—and in two quite distinct ways. First, we rarely confront the fact that the United States is a very, very large geographic polity—one difficult to manage in general, or to manage through meaningful democratic participation in particular: Germany could easily be tucked into Montana; France into Arizona and New Mexico.[xxxvi] In the words of George F. Kennan, compared with most nations it is a "monster" country.[xxxvii]

Furthermore, it is very large in population—currently more than 310 million, likely to reach 500 million shortly after mid-century and in the "high estimate" of the U.S. Census Bureau possibly to reach or approach over a billion by 2100.[xxxviii]

Decentralization in these circumstances is nearly inevitable, and if the continental nation is too large and most states too small to deal with economic matters, what remains is the intermediate scale we call the region—a unit of organization much discussed in serious theoretical work by conservatives and liberals and radicals at various points in modern history—and a unit of scale, we suggest, that is likely to become of increasing importance as time (and population growth) go on. The question is almost certainly how to regionalize, not whether to do so—what powers to maintain at the center and what powers to relegate to various smaller scale units. The principle of subsidiarity—keeping decision-making at the lowest feasible level, and only elevating to higher levels when absolutely necessary—is implicit as a guiding principle of the emerging model. Making it explicit, we also suggest, is likely to become both inevitable and strategically critical.[xxxix]

Clearly we are discussing long-term change, not abrupt shifts in direction. Inherent in any long developmental effort of the kind suggested by "evolutionary reconstructive" processes is a profound need to clarify large order matters of principle. At each stage very serious questions need to be asked of specific projects—whether genuine democracy can be maintained without altering current patterns of wealth ownership, without nurturing a culture of community, and without dealing with the problem of scale, particularly as population and the economy grow in our continent spanning system.

Planning. A fourth principle involves the importance of democratic *planning*—and of two kinds (and including variations and contributions from the market). In the Cleveland effort the principle of community-wide economic benefit and stability is partly affirmed by the inclusive structure of the model. It is also affirmed, however, by the carefully structured relationship to institutions that can help stabilize the local “market”—in this case, the so-called “anchor institutions” (non-profit hospitals and universities) that rarely leave the community. As noted, the arrangement sketched above—in which such (significantly publically supported) institutions agree to purchase some part of their needs from new businesses that are owned by the employees and are part of the larger integrated community-wide effort—is, in fact, a planning system:

It is one that alters relationships between firms and the community, on the one hand, and the market on the other, and approximates a design in which community is a central goal (but with worker-ownership as a subsidiary feature)—and in which substantial support is provided through a partially planned market. Note carefully: *partially planned,* not totally planned. There are no subsidies involved, and outside competitors may challenge local firms. In principle, however, since there are much broader community benefits (including rebuilding the local tax base, and a better local economic environment for independent small businesses, co-ops, and worker-owned firms), the principle of support for the larger community-building effort is seen as both socially and economically important.

Two further related points of principle: One is that substantial local economic stability is clearly necessary if community is a priority and—critically—if democratic decision-making is also a priority (and to be meaningful in local communities): First, because without stability, the local population is unstable, tossed hither and yon by uncontrolled economic forces that undermine any serious interest in the long term health of the community. Second, because to the extent local budgets are put under severe stress by these processes, local community decision-making (as political scientist Paul Pierson in particular has shown) is so financially constrained as to make a mockery of democratic process.[xl]

Even more important to the larger systemic model is the judgment that an authentic experience of local democratic practice is also absolutely essential for there to be genuine national democratic practice (as theorists from Alexis de Tocqueville and John Stewart Mill to Benjamin Barber, Jane Mansbridge, and Stephen Elkin have argued.)[xli] To the degree this central judgment is accepted, some form of explicit public planning to achieve the local economic stability required to allow for genuine local democratic processes becomes absolutely essential as well.

In this context, too, experiments in participatory budgeting, stemming from innovations in Porto Alegre in Brazil, offer a good deal of promise. The basic idea is that citizens meet in popular assemblies throughout the city to deliberate about how the city budget should be spent. Most of these assemblies are organized around geographical regions of the city; a few are organized around themes with a citywide scope–like public transportation or culture. Attempts have been made to adopt elements of participatory budgeting in the United States, notably in Chicago. These efforts have definite limits since they are restricted to municipal budget decisions. Nonetheless, to the extent that the practice of participatory budgeting can be extended over time to municipal, state, regional and national economic planning and other questions, it could provide an important mechanism for increasing meaningful democracy.

Elsewhere we have suggested ways to think about larger scale system-wide planning approaches little different in principle than that exhibited on smaller scale in Cleveland by considering the nation's longer term mass transit and high-speed rail needs.[xlii] The United States has very little capacity to build equipment for any of this. (Though there is one small firm in

Portland, Oregon, in the main we assemble parts, most of which are produced by foreign companies.) When the next crisis generates future problems (perhaps again in the auto industry) a future systemic model might well use public contracts needed to build mass transit and high speed rail in ways that also help support quasi-public national and community-based firms—both to produce what is needed and simultaneously to help stabilize local communities.

It is again important to note that taxpayer money and commuter fares will inevitably finance the effort. The approach—which might appropriately involve joint public-worker owned firms—could clearly be applied in connection with other industries as well; and, again, some carefully structured forms of competition might be encouraged to keep the model on its toes.

A related point of principle has to do with community stability and global warming. It is not widely realized that community stability is required to help deal with climate change issues as well—and again for two quite distinct reasons. One is simply that it is impossible to do serious local "sustainability planning" that reduces a community's carbon footprint if such planning is disrupted and destabilized by economic turmoil. Stability is especially important in achieving high-density housing and in transportation planning. Stability is also important because it is very carbon costly, as well as capital costly, to continue our current policy of literally "throwing away cities." Unplanned corporate decision-making commonly results in the elimination of jobs in one community, leaving behind empty houses, half empty schools, roads, hospitals, public buildings and the like—only to have to build them again in the new location to which the jobs have been moved. The process is wasteful of capital and human resources in the extreme, but also extremely wasteful in terms of the carbon content both of the structures discarded—and then of replacements built anew in a different location.

It follows, quite simply, that any serious approach to achieving ecological sustainability in the nation's communities—one that can allow for the reduction of the carbon footprint of cities—requires a system of planning sufficiently robust to substantially stabilize communities.

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Democratization of Wealth (again) at Larger Scale. A systemic model aimed at dealing with economic issues, ecological challenges and local community stability must inevitably also come to terms with corporate power and corporate dynamics—especially in the era of global warming and resource limits. Publicly listed, large-scale corporations are subject to Wall Street's first commandment: Grow or die! "[S]tockholders in the speculation economy want their profits now," observes Laurence Mitchell, author of *The Speculation Economy*, "and they do not much care how they get them."[xliii] Indeed, if a corporate executive does not show steadily increasing quarterly earnings, the grim quarterly returns reaper that haunts the stock market will cut him down sooner or later.

Growing carbon emissions come with the territory of ever-expanding growth—both as an economic matter and above all as a political matter, where opposition to anything that adds costs is part and parcel of the basic corporate dynamic. And climate change in general and global warming in particular are *the* central challenges of the 21st century, challenges that go well beyond any we have previously faced.

Moreover, to the degree that businesses (including worker-owned businesses) are subjected to intense market competition, to that very extent most must also attempt to steadily expand sales, profits, and growth. If they do not they are likely to be severely punished by the markets, or, alternatively, competitors will find ways to achieve gains as *they* expand, often to the detriment of a less aggressive firm.

The destructive "grow or die" imperative inherent in the current market-driven system cannot be wished or regulated away. In addition to the overriding issue of global warming, countless studies have documented growing energy, mineral, water, arable land and other limits to unending growth—limits corporations are desperately trying to avoid through one or another technological fix that is often equally or more environmentally destructive (fracking, tar sands extraction, deep water drilling, etc.) Yet the trends continue: The United States, with less than 5% of global population, consumes 22% of the world's oil, 13% of world coal, and 21% of world natural gas.[xliv] In the brief period 1940-1976, Americans used up as large a share of the earth's mineral resources *as did everyone in all previous history*.[xlv]

At some point, a society like that of the United States that already produces the equivalent of over $190,000 for every family of four must ask when enough is enough. As Juliet Schor has argued, one important step it to shift the economy to encourage less consumption and more leisure time.[xlvi] A number of policy measures could help facilitate this shift, such as reforming unemployment insurance policy to encourage work sharing, changing government hiring practices to model shorter working hours, and changing labor policies to discourage excessive overtime. In addition to improving work-life balance for families, such a shift can also facilitate lower impact forms of consumption: taking the bike instead of the car or cooking at home instead of buying fast food are two obvious examples.

While a focus on restoring balance on a personal level is important, it is also necessary to confront the systemic dynamics that promote a continued focus on growth. As former Presidential adviser James Gustav Speth has bluntly observed: "For the most part we have worked within this current system of political economy, but working within the system will not succeed in the end when what is needed is transformative change in the system itself." [xlvii]

As a matter of cold logic, if some of the most important corporations have a massively disruptive and costly impact on the economy in general and the environment in particular—and if experience suggests that regulation and anti-trust laws in important areas are likely to be largely subverted by these corporations—*a public takeover becomes the only logical answer*. This general argument was, in fact, put forward most forcefully not by liberals, but by the founders of the Chicago School of economics. Conservative Nobel Laureate George Stigler repeatedly observed that regulatory strategies were "designed and operated primarily for [the corporation's] benefit."[xlviii] Henry C. Simons, Milton Friedman's teacher and one of the most important Chicago School thinkers, was even more forceful. "Turned loose with inordinate powers, corporations have vastly over-organized most industries," Simons held. The state "should face the necessity of actually taking over, owning, and managing directly…industries in which it is impossible to maintain effectively competitive conditions."[xlix]

Recent research on public and quasi-public forms of enterprise, contrary to conventional wisdom, also suggests new possibilities in this area: For example, between 2004 and 2008, 117 state-owned companies from Brazil, Russia, India, and China appeared for the first time on the Forbes 2000 global list of the world's largest companies. In 2009, three of the top five global companies by market value were Chinese state-owned firms: ICBC (Industrial and Commercial Bank of China), China Mobile, and Petro China.[l] Nor, research on both past and emerging developments suggests, is public enterprise necessarily inefficient.[li] Public enterprise in Great Britain, for example, allegedly under-performed, yet the numbers do not bear this out. Between 1950 and 1985, annual productivity growth in English public sector mining, utilities, transportation, and communications companies consistently exceeded private sector productivity growth in the same industries in the United States.)[lii] In the modern era, as Francisco Flores-

Macias and Aldo Musacchio document in a recent Harvard International Review article, state-owned enterprises in many areas are, or can be, as efficient as their private counterparts.[liii]*

Implicit in the above argument are also two judgments about the role of ideas (as well as ideology) in certain contexts: We have noted, first, the practical introduction into American culture of projects, models, and public efforts involving the democratization of wealth at various levels. In a nation with little experience with such ideas, the various forms may also be thought of as positive ways of challenging in everyday life what Antonio Gramsci termed the dominant hegemonic ideology. The introduction of such themes in local experience may also be understood as the necessary precondition of larger scale applications of the same principles at the appropriate moment.

At a very different level is the question of ideas in general—and when they may have meaningful impact. Rarely do important ideas matter in politics. What usually matters is the momentum of entrenched power. But not always… Sometimes—when the old ideas no longer explain the world, when it is obvious that something is wrong—then new ideas often matter, and matter a very great deal. The judgment implicit in the above argument is that now may well be such a time. Now, and continuing through the emerging era of stagnation, stalemate and decay:

As the global and domestic economic, political and climate change crisis both increase pain and force people to ask ever more penetrating questions, there is a need for—and hunger for—new understanding, new clarity, and a new way forward that is intelligible and intelligence. Accordingly, not only may the new "evolutionary reconstructive" models begin to suggest practical ways forward, they also suggest *ideas* about what might become of strategic political importance, hence offer hope of building longer term political common ground among serious activists and intellectuals.

Similarly, for many decades the only choices to many have seemed state socialism, on the one hand, or corporate capitalism, on the other—with one or another form of social democratic or liberal reform as perhaps a moderating form. When traditional systems either falter and fail, or appear in decline, ideas concerning the development of coherent new systemic designs also may become of far greater importance: They begin to offer specific answers to specific questions concerning whether a new system (or any system) may offer hope of genuine democracy, equality, community, and ecological sustainability.

A minimal goal of the above proposals, accordingly, is that they may offer hand-holds on processes of potentially important new forms of change (and therefor *strategy*), on the one hand, and on possibilities for systemic design, on the other—handholds that, in turn, may permit further refinement and ongoing development that may contribute to longer term change.

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