

## The Latest Trends in Sustainable Communities

Solutions invited two pioneers in local and regional economic development to discuss new trends in sustainable communities.

By [Gar Alperovitz](#), [Michael Shuman](#)



*Scott McCracken / Flickr*

Pike Place Market in Seattle, Washington is a popular place for small local farmers, merchants and craftspeople.

**MH:** Michael Shuman

**GA:** Gar Alperovitz

### On Economic Development

**MS:** Economic development currently counsels communities across the planet to attract and retain global business. Implicitly this assumes that local business is irrelevant. My belief is that prosperity flows from three alternative principles of economic development that prioritize local business. We should maximize the percentage of jobs in locally owned or locally controlled enterprise. We should maximize local self-reliance, not as a way of disengaging from the rest of the world, but as a way of engaging with the rest of the

world from a position of greater strength. And we should identify, celebrate, and spread great models of high labor and environmental standards in local business.

**GA:** I can accept all three of those and I would add one. At the local level, I think that some forms of cooperative or democratic ownership become important. There are several reasons— one of which is, the culture of cooperation in some form is a culture of community that I think needs to be nourished. Another is because major problems happen politically if you don't democratize ownership. Concentrated wealth has ways of creating political power, and as small businesses that start small become larger they can generate interest groups and institutional power that subverts both the local community and national community, to say nothing of an ecological vision.

**MS:** A culture of cooperation also can mean an alliance of small private businesses that improve their competitiveness by working together. So, for example, in the Business Alliance for Local Living Economies (BALLE), local business members mentor one another, lobby for public policy, and engage in joint financing arrangements. These initiatives involve all kinds of local businesses: sole proprietorships, cooperatives, even local public enterprises.

**GA:** I'm very impressed with BALLE and I think that to the extent they can infuse environmental and community values and build alliances and networks of businesses that share principles of community and environmental sustainability I think it's a big plus. And they've also been very open to cooperatives, and very open to our effort to build up the Evergreen Cooperatives in Cleveland, so I think there's a natural alliance between BALLE and efforts to democratize ownership at all levels. It's the groups that are not interested in the BALLE operation that are simply trying to make money, have no interest in the environment, and are trying to cut costs, that are a cause for concern.

**MS:** It was one of your books, *Rebuilding America* (written with Jeff Faux), that first convinced me about the importance of local ownership as a way to improve environmental performance. If you have a community economy that depends on footloose global companies, any time you raise environmental labor standards it's very easy for these companies to flee and decimate a local economy. This gives them huge political leverage to thwart environmental progress. If you have a higher percentage of businesses that are locally owned and rooted, the local political sphere can raise environmental and labor standards with confidence that the existing businesses will adapt rather than flee.

**GA:** To the extent that you can give the mayor and city council an option that is not bribing some big corporation to come in temporarily before they run off to get the next bribe somewhere else, to the extent that you can give her that option of economic viability under local development, everybody gains—except the people trying to come in and get a special tax benefit that they don't deserve.

**MS:** A diversified economy with many kinds of locally owned businesses is also a recipe for more prosperity, which is necessary to address all kinds of other challenges—whether environmental restoration or retirement insecurity. Two interesting studies on this point were published in 2010. One in the *Harvard Business Review* was a regression analysis of more than a hundred municipalities that showed that per capita job growth was positively related to the presence of small businesses. Another study from Penn State a few months later showed that per capita income growth was correlated not just to small but also to locally owned businesses.

**GA:** In the Cleveland model—in which a sophisticated complex of worker-owned companies are supported in part by university and hospital procurement—small businesses in the region understand that they benefit from cooperative enterprises. My new book, *What Then Must We Do?*, suggests that what we need is a community-sustaining economy because if you don't have community at the local level, if people don't experience it in real terms culturally, politically, economically, it's impossible to envision having a larger community of the nation or the region or the state built on those values.

## **On Public Procurement and Banking**

**MS:** Equally important is not just local procurement power but local investment power. The bank of North Dakota is a really good model, almost a hundred years old. It's the only state-owned bank in the United States. Public ownership of the bank is a little bit of a misnomer, because it's mostly taking funds coming into the state from taxpayers or federal transfers and then putting it on deposit in local banks and credit unions scattered across the state. The result is that credit per capita in North Dakota is just about the highest in the country.



The New Era Windows factory, Chicago, represents a broad movement to support worker-ownership in the face of growing hardships in the US.

**GA:** And you can take a second step, in that you can invest locally by depositing public tax receipts in local banks that invest in communities. And there are now some 20 states that have considered some legislation to establish public banks. The key questions are how do we get adequate capital into our communities? And how do we use public resources in a better way?

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**MS:** Another challenge to the kind of public or institutional procurement you described in Cleveland and to state-owned banks in general is a whole raft of contrary federal laws, constitutional principles, and treaty obligations. This is where the political design of localization is really important. One of my favorite words is subsidiarity. We should do as much as we can locally unless there there's a good reason we can't, and then and only then do we act at a higher level. But we violated the principle by foolishly tying ourselves to the World Trade Organization and the North Atlantic Free Trade Agreement, which future courts might use to declare local procurement and local investment by public bodies to be illegal. We're going to have to do a lot of work to revise and democratize these trade principles.

**GA:** The average procurement officer in a large corporation or large hospital or university is used to dealing with certain vendors. To shift her priorities to a) localism, b) cooperative and small business localism, and c) long term community sustaining values is a very important process. The other thing that we need to consider is the issue of big corporations. What we've seen in many cities is that they have the power to dislocate entire communities when they leave. Unless we are also building a strategy and vision ultimately for large order structures that help sustain communities, we probably are going to lose out in many cases, because they have enormous power. What we're really talking about is building enough political power either to constrain them to a community sustaining vision, or in some cases, make them into public entities. I like to remind people that the old conservatives developed an entire theory of why big corporations often captured the regulatory agencies and they argued that if you broke them up, they would have the power to regroup. And so, some of the great conservative economists argued in those instances the only option was to make them into public utilities. And I think they were right, and we ought to incorporate that into our thinking about the longer term in order to stabilize community.

**MS:** As I was driving here I was just listening to a debate on the radio between a nominally conservative analyst and a nominally liberal one. The liberal one was talking about the virtues of federal stimulus on behalf of various

big companies, while the conservative was arguing on behalf of breaking up the big banks as a way of insuring market power for communities. Our old political labels are now confusing and unhelpful.

**GA:** I think we are entering a very unusual era of political and economic crisis. Some people think of a crisis as a great collapse out of which will come a revolution, and others that the pendulum will swing and there will be a reform movement. I think we're into something that is quite distinct. I think the system is neither reforming nor collapsing. So it's a period of long decay, stagnation, and temporary reforms. Also it is a period for slow growth and development at the local level—either a new alternative will be developed or things will get worse. I'm moderately optimistic about a long reconstructive process as opposed to revolution on the one hand and reform on the other. The term I've been using is evolutionary reconstruction—the rebuilding and evolving of institutions over time, starting with community and then moving up to higher levels only when necessary.



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Sí Se Puede! (We Can Do It!) Women's Cooperative is an eco-friendly housecleaning business in Sunset Park, Brooklyn. Sí Se Puede is run and owned by recent immigrants interested in taking control of their own working lives.

## On Local Investment

**MS:** For me, the biggest systemic design questions concern capital—and not just banking capital. In the United States right now our banking assets are at about \$8 trillion but our securities assets are at \$30 trillion. So I am intensely interested in how we move long-term capital into local business. When I talk to audiences, I ask how many bank at a local bank or credit union, and most of the hands go up. When I ask them how many have at least 1% of their pension funds in a local business, maybe one hand stays up (and often that person is mistaken). The United States – and most industrialized countries—have set up long-term savings and pension systems that systematically overinvest in global companies and underinvest in competitive local business. About half of U.S. jobs are in small and medium scale businesses, so an efficient capital system would be allocating roughly half our long-term capital—\$15 trillion—to them. We've got to remove this huge subsidy to global business.

**GA:** Again I would extend it to investing in the kinds of worker owned companies and cooperatives that are now exploding around the nation, all of which are more anchored locally. And there could be many more in the

direction that we're talking about to sustain and support certain private activities and private investment strategies. So that's a big part of the puzzle: how you begin moving capital in another direction.

**MS:** I agree we need to make it easier for Americans to invest in local securities or co-op shares. We also need to create local stock markets that enable people to buy and sell those shares. (A company I'm working with now, Mission Markets, is actually beginning to do this.) And we need local investment funds that place these liquid local securities into diversified portfolios, including mutual funds. It's an evolutionary process. In the United States we made an important first step last year when President Obama signed the JOBS Act. Once the Securities and Exchange Commission does its regulatory homework, small investors will find be more easily and inexpensively able to put money into small companies.

**GA:** Sure, but at some point, for instance with transportation, there's also going to be large-scale production. That production could be targeted to stabilize communities. And if you think at higher levels of scale, where there is going to be large public money spent anyway, it's necessary to think of our politics and long term policy in terms of longer "evolutionary reconstruction." We need to demand that large-scale technology be used in ways that stabilize communities, built primarily on the principle of cooperative and small business community stability.

## **On A New Systemic Vision**

**GA:** What we're talking about ultimately is a political movement as well. Unless a community sustaining vision at the local, national, regional, and international level builds political power around a new vision, the vision will not succeed.

**MS:** And it's not just the right vision of politics but a deeper abiding commitment from citizens to participate in it. The quality of the sustainable communities depends on the degree and sophistication of citizen engagement. We cannot have sustainable communities built on millions of couch potatoes. People need to step up and take control of their lives for sustainable communities to work.

**GA:** I want to underline that because when you get to national and regional structures that are much bigger, unless there is a powerful democratic movement built from the grassroots up with a different vision, power at the national level will subvert it. I've been giving a lot of thought recently to scale questions. We tend to forget how large the United States is, and that it presents peculiar problems for a community building vision. (You could drop Germany into Montana). To get participatory democracy it probably requires decentralization, and since most states are probably too small and the country too big, that means regional restructuring will ultimately be necessary.

**MS:** Obama's healthcare initiative might have found more political support if he had tried, more modestly, just to facilitate regional experiments. Maybe the state of Rhode Island is too small to launch its own single-payer healthcare system, but perhaps a regional consortium of New England states could have done so. When you look at Sweden or other countries in northern Europe, we're really talking about 5 to 15 million people who have made successful single-payer systems work. And if a bunch of conservative plains states wanted to create great medical savings accounts, following the advice of the Heritage Foundation, great! I think a number of the problems that we face in this country are sufficiently complex, and the politics sufficiently polarized, that the

only way forward is if the federal governmental makes it easier for states to experiment with a variety of approaches. And this raises one other point I wanted to put in this conversation. Both you and I have our origins in the progressive movement. And yet, I think throughout our lives we have found moments and interesting opportunities for working with very principled conservatives.

**GA:** In the local experiments that we've been involved with, including ownership of the "means of production" by workers—worker co-ops—small business people and people at the local level who may call themselves conservatives are very supportive.

**MS:** The one final point I would like to add to our discussion is that an abiding mission of sustainable communities must be not only to create the best systems we can at the local level but also to share what works globally.

**GA:** One of the things I think is happening is the networks are beginning to form, the ideas are beginning to develop, the experiments are developing around the world, at the local level, and some at the state level. The question really is whether or not we are able, not only to build the international and national and local networks who share a community vision, but to have the sophistication and seriousness to realize that we are building elements—from local on up—of a systemic vision.

**MS:** Amen!

## References

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