



Davey Tree Expert Company is the largest employee-owned company in Ohio.



Staff members of Broadway Bicycle School in Cambridge, Massachusetts, a worker-owned co-op since 1972.



Employee-owners of New Belgium Brewery in Fort Collins, Colorado. Founded in 1989, New Belgium was the first wind-powered brewery in the U.S.





Boston Phoenix

MORE BULLISH THAN YOU THINK

Want some economic good news? Credit unions, employee-owned businesses, public banks—the “new economy” is breaking out all over.



Preparing baguettes at King Arthur Flour in Norwich, Vermont. The company was founded in 1790, and became employee-owned in 1996.

HISTORICALLY, MOST ECONOMIC systems revolve around who owns the wealth. As an economist and historian, this is the question I bring to any discussion about our current economic crisis and any future “new economy” we might imagine.

While *income* distribution is important, *wealth* distribution is much more unevenly allocated in American society, and it gets very little attention. Let’s quickly look at the numbers.

The richest 400 people in the U.S. own more wealth than the bottom 60 percent of the population. That’s more wealth (stocks, bonds, and businesses, but also houses and cars) than the bottom 150 million Americans. And the top 1 percent owns almost 50 percent of the society’s productive investment assets (corporate stocks, bonds, and privately held businesses, excluding cars and houses).

When you ask who owns the productive assets of the society, then you’re asking who owns American capitalism. The answer is: The top 1 percent owns just under half of it.

With this kind of wealth distribution, what we have is literally a medieval structure. I don’t mean that figuratively. It is a feudalistic structure of extreme power and wealth. And it is anathema to democracy to have that kind of concentration. This distribution of wealth—and the the fact that the top 1 percent has, over the last 30 years, increased its share of income from about 9 percent to about 20 percent—tells you something about the political/economic power harnessed to achieve that end.



The “new economy movement” that is building momentum around the country asserts that you can’t have a democratic society unless you democratize the ownership of wealth as well.

Here are six examples of where that’s happening right now:

1 More than 130 million Americans are involved in co-ops or credit unions—that’s 40 percent of society. The key concept in co-ops and credit unions is the democratization of ownership in some form. Take credit unions, for example: They are democratized “banks” that suggest practical ways to begin to build, however tentatively, in the direction of a more democratic economy. These kinds of alternatives are not marginal. Credit unions hold roughly \$1 trillion in deposits. All told there are more than 29,000 cooperatives in the United States; they have more than \$3 trillion in assets, employ 857,000 people, and indirectly support 2 million jobs.

2 Most people don’t realize there are more than 10 million Americans involved in worker-owned companies—another way to change and democratize ownership. Ten million is 2.8 million more than are members of unions in the private sector. There are also more than 4,000 neighborhood corporations whose purpose is to, well, serve their neighborhood. There are 2,000 public utility companies in the country; 25 percent of American electricity is “socialized” and produced by co-ops and public utilities.

3 Land is also being owned in a new way. Twenty years ago land trusts were really on the margin. A land trust is formed when you draw a circle around a group of buildings in scattered sites in a specific community and put those properties under a nonprofit corporation or city ownership.

If you own land through a nonprofit or

municipal land trust, you can control the gentrification process, so that housing prices don’t go up, driving out the poor. This used to be a very unusual strategy. Now Irvine, California, is using the model for what it ultimately hopes to be 5,000 land trust housing units. Cities around the country are beginning to realize that land trusts are a good way to deal with gentrification. And they help deal with revenue problems, because through land trusts, housing subsidies are recycled in a way that makes them go much further.

It used to be the case that when a public investment was made—mass transit being the most obvious and common one in many cities—businesses would settle around the stations, and land prices would go up there. A city would let the developers take over the development process, and then try to tax back the gains made from the public investment. But that’s a declining trend, an old model. Now what’s happening—in places such as Washington, D.C.—is that municipalities are setting up public ownership of the land and capturing the revenues directly through leases to businesses that reflect the high value of being near the stations. This model and the land trust model involve a change in ownership; both democratize it through some public or quasi-public ownership.

4 Companies that are set up to do social good are developing in many parts of the country. In 2010, Maryland became the first state to establish “B Corporations.” B Corps are another form of using productive wealth to benefit society. What does that mean? If you set up a traditional corporation, legally you are required to use the profits to benefit shareholders. If you put too much money into good social programs, you are subject to a legal challenge, because that’s not your job under the corporate charter. However, a B Corporation is a special corporation set up so that investors know from the outset that part of the business’ mission

is to serve a socially beneficial purpose. Six other states have now established B Corps. This emerging pattern of democratization is happening in various parts of the country.

5 Banks are another example. The banking crisis got people very upset about banking problems. North Dakota, for more than 90 years, has had a state-owned bank. It’s a public bank set up in the Progressive Era. Operating with the support of business leaders, farmers, co-ops, and others, it’s a very successful, highly respected enterprise—and its profits go back to the state. Many are now asking, “Can we move in this direction at the state level in other parts of the country?” Now, 19 states have introduced legislation to start or explore similar kinds of banks.

Additionally, several cities are looking at using city deposits in a new way. Most recently, San Francisco and Portland, Oregon, have proposed legislation that would use city deposits to create either a credit union or a public bank. The funds would be directed back into the community, and preferably invested in various kinds of social enterprises.

6 Another stream of the new economy movement is primarily concerned with the environment. For instance, the Business Alliance for Local Living Economies (BALLE) is comprised of about 22,000 businesses that are devoted, as a matter of principle, to community and environmental sustainability. BALLE is growing by leaps and bounds, all over the country. Another example is the American Sustainable Business Council, which has 140,000 businesses members. The ASBC supports small- and medium-sized businesses, and it regularly attacks the U.S. Chamber of Commerce for its ecological blindness.

Almost all of these models are oriented toward community. The reconstruction and stabilization of the community is an explicit



Employee-owners of Johnny's Seeds, a 39-year-old company in Massachusetts.

Johnny's Seeds photo

goal in the new economy movement. One reason is that worker-owned companies and other locally anchored democratized efforts do not pull up stakes and leave. The workers live in these communities. When major corporations come into a state, studies show they are often lured with between \$200,000 to \$300,000 of tax incentives per job. When a better deal comes along, these corporations often leave. Worker-owned companies stay in the communities where people live.

IN 1977, I WORKED with a Youngstown, Ohio-based coalition of religious leaders, including Catholic Bishop James W. Malone. I was called to help them when the first major steel collapse in the U.S. occurred. Five thousand people lost their jobs in one day when Youngstown Sheet and Tube closed down. Today, that's not news, but in 1977 it was a gigantic story because it was the first big steel closing. Bishop Malone called together an ecumenical coalition, saying, "This city will decay if we can't bring our industry back." One steel worker suggested, "Why don't we take over this mill and put it to work, and why don't we do our politics in support of that?"

That sounded crazy at the time, but in fact, they really did their homework. They persuaded the Carter administration to finance very sophisticated studies, then came forward with plans—the kind of plans that are now found in many modern steel mills. They also got the administration to promise \$100 million in loan guarantees. They secured support from every major politician in the state of Ohio, including the conservative Gov. James Rhodes. They were ready to move forward with a serious plan. Alongside this they had a second, very sophisticated idea, one critical to the new economy movement. They said, "Even if we fail, we may put forward an idea that may help other people who might try to do this in other situations." As a result they put a major emphasis on getting the word out and teaching people about

their process and their plan. They knew they were injecting an important idea into political consciousness.

They *did* fail. In 1978, after the election, the Carter administration pulled back the money. Youngstown Sheet and Tube closed, and the city of Youngstown lost a massive amount of its population.

However, there are probably more worker-owned companies per capita in the

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state of Ohio now than in any other place in the country. A center was set up at Kent State University that began giving technical assistance to worker-owned companies. The Ohio Employee Ownership Center has mushroomed, helping hundreds of companies and retaining thousands of jobs. And along with many others, including the Cleveland Foundation and the Democracy Collaborative at the University of Maryland, the center has helped build an exciting new model for worker ownership: a network in Cleveland of green worker co-operatives, linked to a larger structure that includes metropolitan anchor institutions such as hospitals and universities. This successful project is now dubbed the "Cleveland model." It's catching on all over the country. There are explorations of this in Amarillo, Texas; Atlanta; Pittsburgh; Richmond, California; and Washington, D.C.

TRADITIONAL CHRISTIAN TENETS—as well as values from the Jewish tradition to which I belong—offer a powerful challenge to the wealth inequities we are currently experiencing. What is striking is that new economic and historical efforts provide new affirmations of ancient moral wisdom in ways particularly appropriate—and of great political relevance—for us today.

Leviticus 25 provides for a jubilee every 50 years to restore broadly distributed ownership of the commonly inherited land. While at other times the land may be traded and sold, "in the jubilee it shall be released, and the property shall be returned" (Leviticus 25:28). Under this law, a property right is always a temporary entitlement. God's original gift of the land, Leviticus 25 holds, instills in all productive resources the moral imperative of common access, if not equal benefits. Extreme inequalities of ownership and economic well-being can only mean that we have defaulted on the debt owed to God for the original gift of creation.

You may think I'm a utopian, but let me say this: I'm a cold-eyed political realist. If we're interested in jubilee and the human free-

dom at the root of democracy, then at some point the democratization of wealth needs to be one of our basic principles. And we need to build for the long haul, step by step.

Worker-owned cooperatives, land trusts, municipal part-ownership, and public ownership are among the various strategies to democratize ownership. It is possible, of course, that these innovations will simply remain modest though useful changes. But it is also possible that they will build over time to become forerunners of something far more important.

Many of the large national changes that occurred during the New Deal simply scaled up and applied the principles that had been developed locally and in state "laboratories of democracy" in the preceding decades. It is possible—perhaps even likely—that many related efforts and the work of thousands of committed people are preparing the groundwork of the next great progressive political era. ■

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