



## **Kiss Me: I'm the Nonprofit Economy**

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### **Our Updated Challenge: Building the (Co-) Ownership Society**

*Editors' Note: The following interview with Gar Alperovitz serves this sector with a major challenge. Alperovitz believes that the ground we have lost in recent years with regard to our social contract provisions should alert us to the need for a broad new strategy. This strategy draws from previous eras in which a new form of social contract is experimented with before it is parried at a national level. In this case, Alperovitz focuses on the concept of ownership and wealth development, posing a more collective model against an individual model of ownership. Clearly, this kind of social experimentation is entirely native to us and in our imaginings, such activity could conceivably address and link many problems of social exclusion. But is this the way to go? To give us some additional perspective we have asked Rick Cohen, a veteran of community building work to comment; and to help make Alperovitz's ideas a little more concrete, we have asked Bob Agres, of the Hawai'i Alliance for Community-Based Economic Development (HACBED) to discuss a strategy they have pursued at both local and state levels.*

**NPQ:** Please frame some of the issues related to what the political environment means for people who intend to strengthen their communities. Is there some other way that people should be approaching this work in these times?

**GA:** Broadly, I think we are going through a systemic crisis, not simply a political crisis. And by that I mean that the assumptions that people have had for the last three decades about the relationship between politics, social and economic programs, and the economy are now radically out of date. And I don't think the pendulum is going to swing back in any serious way.

Three fundamental factors have changed the way in which the balance of power in the system is organized—irrespective of the current administration. The first major change in this country and many other countries is that organized labor, which is a key part of the political equation, has gone from 35.5 percent of the overall labor force to 7.3 percent in the private sector and is likely to continue to decline. This has shop floor implications, but more importantly it undermines one of the key factors that has balanced corporate political power at the national level—it has further weakened all efforts to enact progressive programming, and whether we like it or not, will continue to do so.

The second major change that I see is the change in the South. First, the civil rights movement changed the Old South, but thereafter the exploitation of implicit and explicit racial divisions has meant that the whole complexion of power in the United States has moved to the right. We have

fundamental divisions in our society along racial lines, and this weakens the possibility for progressive social and economic programs of a traditional kind.

**NPQ:** Can you explain that a little bit further?

**GA:** Well, it's very easy in one sense: If you look at the map, you can see that the heart of the red states is the old Confederacy. The organization of power by implicitly and sometimes explicitly dividing the races and splitting and conquering has been a mainstay of conservative politics since 1964. This is at the center of politics in the "New South." The implicit and explicit exploitation of racial divisions, particularly in the South, has helped elect radical conservatives—and this in turn has produced greater support for greater conservative economic as well as social policies on the national level. The Bush era is no accident.

The third big change is that globalization is undermining jobs and strengthening the power of corporations as opposed to communities and workers all over the world.

Although I think that at some point there may be a Democrat elected president, in the near term I don't think this would change the basic trend of growing inequality and difficulty in moving social programs through the federal government. So I think we are in for a long haul of things getting worse before they get better. However, I don't think that this is the end of the story. I think we are building up to very serious times of potentially historic change.

**NPQ:** How did we end up here? Why could we not depend on the old political forces to move things back from the extreme directions in which they've moved?

**GA:** The truth is, what is called social democracy in Europe and what is called liberalism here and what is called the welfare state in general is in decline all over the world. There are very fundamental factors at work here. We are living in an era where the welfare state in general is under attack, but we have special conditions here that make it worse. We have had a very minimal welfare state to start with. At its maximum, the welfare state got to roughly 33 to 34 percent of the gross domestic product (GDP) whereas in most European countries it is in the 40 to 50 percent range. Every other advanced country in the world has healthcare programs or universal social services, but we have a weak welfare state historically—and the reason for that in significant part has to do with racial divisions, weak organized labor, the size of the country, and a variety of other historical factors.

Secondly, we have a very unusual kind of aberration at the heart of our politics. The South should always have been a conservative Republican bastion. For a century after the Civil War it happened to elect Democrats because Lincoln was a Republican. This aberration modulated things for a long while because the South would vote for Democratic presidents. That's over, and we are back to deeply conservative politics in the South—which in turn translates now into national politics.

Finally, the decline of labor is really fundamental. It means that there is very little institutional capacity to politically balance the corporations. As I say, the model that we have grown up with,

the social-democratic or “liberal” model, is in decline worldwide, and given our unusual history we are in greater and faster decline than most other nations.

This obviously means at some point we are going to need an alternative. I think we have to look at this time in history as a time of laying the foundations for something very different and very new, or else we are simply going to continue in a rear guard action as a resistance movement moving backwards as the deep trends get worse and worse. I have tried to sketch some of the outlines of both a near term and a long term alternative which seem to be emerging in my recent book, *America Beyond Capitalism*.

**NPQ:** Can you be explicit about what you think will get worse?

**GA:** Well, first, political power is not going to increase major taxation and will not significantly increase social programs. Discretionary domestic programs as a percentage of GDP have gone down 40 percent since 1981. Such programs now represent about 3 percent of the GDP, and the percentage is falling. That reflects the underlying power relationships. Many of the programs in this figure are unrestricted programs—the kinds of programs that people in the nonprofit sector particularly need to focus on and worry about.

In addition to that, the emerging problems with Medicaid and Medicare will obviously put additional burdens on federal and state budgets. And these levels of government, in turn, do not have a significant political capacity to increase taxes and revenues. That’s what I’m talking about—given the power shifts we do not have the potential for a viable political agenda that would allow us to swing the pendulum back—at least not very far. The squeeze is on and will continue for the next decade, at the very least. There are other problems as well. Union organizing, for instance, now faces enormous legal and administrative challenges. The emerging political-economic context will be markedly different from what most people have experienced in the past 20 or 30 years. It is a context of decreasing capacity to implement traditional strategies to achieve significant shifts at the national level. As I said, we may elect a Democrat, but I don’t think that the fiscal and political power trends will change much.

**NPQ:** How does this compare with other historical or major political and economic shifts we have experienced in this country?

**GA:** I’m a historian as well as an economist, and when things progressively get worse in this way it is often a prelude to a massive reassessment. I think we are at the beginning of this—an agonizing reassessment of how we understand and deal with the underlying problems facing this society.

Although I believe the old options are on the way out, let me emphasize that we nonetheless need to do everything we can to sustain as much of the traditional social program as we can. Working to hold the line on policy, and if possible, to achieve small gains, is very important. However, I think what we will get from this effort will continue to decrease and that the capacity to solve social and economic problems through traditional spending will also diminish.

**NPQ:** Based on your assessment, things are looking fairly gloomy. Do you see any long term hope?

**GA:** My own assessment is that there are two or three major emerging issues that suggest longer term hope. The first involves populist rather than liberal tax strategies. A populist tax strategy is one that puts 95 to 98 percent of the population on one side of the line and 2 to 5 percent on the other side. Such an approach is different from trying to get more tax revenues from the 20 percent who live in the upper-middle-class suburbs in order to pay for low income programs. In California this past year, voters overwhelmingly approved a proposition increasing taxes on people making over \$1 million. The increased funds from this will be used for mental health programs. In New Jersey, they have increased taxes on people making over \$500,000 and have used that money to offset regressive real estate taxes. They are considering something similar in Connecticut with folks who make over \$1 million, and a recent poll showed that 73 percent favored such a populist tax, including 67 percent of Republicans. I think we are going to see more efforts of this kind which increase taxation at the very top. On the other hand, I see this as only a very partial offset to the big trends.

The really important actions I think are likely to come from the various ways in which communities build up ownership of wealth themselves—in order to gain power, in order to begin even to fund some social programs, but most important, to begin to lay down the outlines of a new paradigm for larger state and national programs and policies. This is very long term in nature, so many people find it hard to grasp the quiet changes going on and their longer term potential implications. Moreover, the most interesting ones are the least studied. For instance, in many parts of the country municipalities are going into business to produce revenues to help solve some of the problems they can't solve with taxation because of the political limits blocking new taxes. Many are doing this with the support of both Democrats and Republicans. Neighborhood community development corporations in some areas are also making money in order to finance some neighborhood social programs in the spirit of the very first generation of CDCs. Another form of this is nonprofits going into business in order to fund services. At a larger scale are related state programs using public pension fund assets to help stabilize jobs and stabilize the tax base in local communities and provide housing in certain areas.

A wholly different area, also important, involves institutional developments which keep jobs in the community—and which also change the nature of how wealth is owned. Important here are co-ops and worker-owned companies. Enterprises owned by the people who work in them don't get up and move to Mexico. They both provide workers with assets and strengthen the tax base, thereby also helping support public services. There are other very interesting strategies emerging in some of the states as well—notably, for instance, in Alaska and Alabama. In Alaska, state ownership of oil wealth is turned into profits which are passed on to the citizens directly as a matter of public policy. In the red state of Alabama, public investment of pension funds helps create and stabilize many kinds of industries—including worker-owned companies.

Although the press does not much cover these various developments, they are no longer marginal. There are 11,000 substantially or wholly worker-owned companies with more people involved than there are members of unions in the private sector. There are 4000 community development corporations operating in communities all over the country (by some measures

6000). More than half the cities in a recent survey were involved in some form of public investment. Over 115 million Americans are members of co-ops. Most communities are doing far more than people realize—simply because there is so little media attention. A new Web site which reports on all this is: [www.Community-Wealth.com](http://www.Community-Wealth.com)

All these efforts are included in an entire realm of approaches which are sometimes called “capital strategies” or “wealth-oriented strategies,” or what I like to call a different “community building ownership society” which goes directly after how wealth is created and held. The hallmark of this approach is its attempt to establish ownership in a manner that benefits the community. These processes are moving forward, slowly but steadily—and I think there are reasons to believe the whole cluster will gather momentum in the next few years precisely because there are few alternatives given the national realities.

**NPQ:** So what you are talking about are really state strategies or very local strategies. What are we likely to see at the national level while that is going on?

**GA:** Yes, state and local strategies are the first step—but they are not the last step. I would again invoke historical precedents. Although in the first instance I have no doubt we will experience major cutbacks at the national level, over the long haul the problems and pain this is causing—and will continue to cause—are likely to generate a new form of backlash—and not simply one that tries only to re-enact the old programs (though whatever we can do here should be done). The longer term response I think will inevitably be built upon the foundations now quietly being experimented with at the grassroots level all over the country. People are so busy doing the hard work of keeping projects and programs alive that they often don’t realize how important their efforts are in a strategic sense. It’s time for more thoughtful, self-aware thinking. There are strategic issues as well as practical issues emerging at the local and state levels that that people need to confront and embrace. In the 1910s and 1920s in many instances what eventually became the Progressive Era reforms and also the New Deal at the national level were developed first at the state and local level. State and local efforts provided the precedents and experience and policy experiments and alliances which ultimately became the foundations for a coherent national strategy. I think that we are entering a similar period now, where we must concentrate a good deal of effort laying the groundwork at the state and local level for the kinds of programs and supporting policies which, ultimately, will require national action of a different political kind. In other words, local programs and new policies and new alliances are the learning ground for major national applications at a later point as the pain deepens.

What is really at stake is not just taxation of elite resources, but the question of who owns the nation’s wealth. Today, 48 percent of the nation’s investment capital is owned by a mere 1 percent of the population. What is quietly being developed at the local level is a new paradigm—one which is changing “who owns wealth” through institutions of the kind I have described in which the beneficiaries are neighborhoods, cities, states, workers. Moreover, I think new policy alliances are possible because I think you find many people at the local level who want practical solutions and are not as rigidly ideological as at the national level. You find Republicans as well as Democrats open to these kinds of solutions when the broad policy alliances are put together.

**NPQ:** It seems that this would be very complex matter. And it sounds like what is important to do here beyond experimentation is to develop almost a rhetoric that goes along with the way that you would envision building a revised economy. What is the theory? What are we thinking we are building?

**GA:** Well, I think that what we are working towards is a “community building ownership society.” I don’t have the perfect rhetoric for it, but it’s an alternative ownership society where the beneficiaries of wealth ownership are members of the local and state and national community rather than the elites.

But I don’t think it’s simply a matter of rhetoric. I think that action will be overwhelmingly driven by necessity—by social and economic disappointment, displacement and pain, and by the closing down of traditional alternatives. What’s really driving this over the long haul is that there aren’t many alternatives available other than the hard work of rebuilding from the ground up. So, I think that although people would much rather pass a national program where you spend large tax revenues and you spend them on social programs, that door is closed or closing, and I think the agonizing reassessment that is driving a good deal of the new development is simply necessity—starting at the bottom and building up. So I don’t think it’s just a matter of how we frame it and not just a matter of experimentation and rhetoric. I think that the traditional options available are closing in—leaving only the rebuilding option as the major long term possibility.

**NPQ:** So what do you think nonprofits need to think about or do to prepare themselves to take more of a leadership position in these types of things?

**GA:** Well, I think first they need to really begin to think through these larger issues. And that means reading books and getting into study circles and asking tough questions. I think people often at first give knee jerk responses to difficulties and try to do what they did last year. But I think we are at the end of that road, which means thinking harder about these very difficult historical problems. It is time to reassess.

Secondly, I think reaching out to—and experimenting with—new economic ownership strategies is an important new area of work. Nonprofits which don’t have experience in these kinds of endeavors and even those that do have to prepare themselves to think differently—they have to understand economic and human capital in a different way. There are also many specific challenges—above all, learning how both to maintain mission and simultaneously attempt new economic strategies.

Third, I think that locally and at the state and national level we need to reach out to the different folks involved in these different areas who are also experimenting—the CDC people, the worker ownership people, the co-op people, the city ownership people. Most people don’t know others in their own community who are working in different, potentially allied sectors. Fourth, we need to reach, too, to other activists—for instance those involved in the Wal-Mart fight—and to other value constituencies in the churches and among groups concerned with race and gender. I think bringing people together at the local and state level to begin talking about a common agenda of rebuilding which includes new ownership ideas and does not duck the question of who owns wealth is a critical step. If it is true that we are in a systemic crisis, where the old balance is no

longer there, then either there is going to be a new way forward or there will be no way forward. And it will require rethinking and reaching out.

**NPQ:** The question would then be: Are the strategies up to the challenge given that there is this larger economic trend in the economy that is concentrating capital and making it more mobile? We might like the alternative to be building economic and employment and production models where local people are involved in decision making and reap the benefits, but is the scale at which that work is done equal to the system challenge you describe?

**GA:** First, let me say that I think the globalization argument has been overdone by the press. Eighty-nine percent of American jobs are not in manufacturing. This is a service economy, which means that most of the local economies in most cities are within the city. In fact, “intracity trade”—i.e., trade within the community—has grown from 40 percent to about 60 percent over the past four decades. Over the next decades probably a mere 5 to 6 percent of the labor force will be involved in manufacturing. So much of the discussion of trade in the press is about how the Chinese and the Mexicans can make things cheaper. But that’s really a very small part of the picture.

Second, let me suggest something rather radical—but something which is obvious to anyone with any sense of history: Major change, and major new social movements creating change, are the rule, not the exception in history, both in this country and around the world. And always it seems impossible—before things begin to move. People with little sense of history tend to emphasize the limits of the current moment. They tend to look at the current period as a “snapshot” that is fixed forever in time. A far more creative approach is to see the current “moment” as part of an ongoing movie which has a past, present, and—most interesting—a possible long term future as well. My personal heroes are the people working in states like Mississippi on civil rights issues in the 1930s—the people who had the vision and determination in much more difficult circumstances than our own to understand this—and then to work to establish the foundations which allowed and indeed became the achievements of the 1960s.

**NPQ:** But do we just create something new? Shouldn’t we resist some of the changes that are wreaking havoc in communities?

**GA:** Yes, that is precisely what I would argue. We have to walk on two legs. You have to resist the negative trends as best you can, on the one hand, while you lay the positive new foundations, on the other.

**NPQ:** How do we persuade people to take on this new cause? It seems to us that people to some extent have lost faith. What is the rallying cry that doesn’t take us someplace that we don’t want to go?

**GA:** There are several things which I think are going to help provide us with a rallying cry: First, a lot of what people are in fact already quietly doing is rebuilding in their own communities. There is an enormous amount going on which is not covered by the press in terms of rebuilding communities, organizing community wealth, and community development. Also, the idea that you have to rebuild from the bottom up is a very American idea. It unites a lot of people. Second,

another inherently popular notion is the idea that the kind of ownership society we want is one in which the wealth benefits the community. But third, the central fact that we must confront is that moving forward requires people to think historically as historical actors—not just as activists—and I think this too is possible in the United States—as the civil rights, feminist, environmental, and, yes, even the conservative movement (which was once marginal and out of power for three decades)—have shown over the course of our history. New energies are also released when this happens. There is a huge difference between “doing a project” and really thinking about and seeing how a specific project might be linked to others to build a longer term trajectory of large order political, policy, and indeed national system-oriented change.

I am a historian and a realist. It is possible that nothing will ever change. Perhaps. That too must be faced. On the other hand, this is a very rich society. If the wealth were to truly benefit the community in wholly American ways, there is very little that could not be done. The certain way to make sure that nothing can ever change is to assume this to be true and then to do nothing—i.e., precisely what the other side hopes and expects. The alternative is to assume that our time in history also includes the possibility of change—and then like the civil rights workers and like the folks before the New Deal, attempt to lay the foundations for that change—and to think self-consciously and with awareness about this and to get serious about it rather than simply wring one’s hands about how things are going sour at this moment. I have been traveling around the country a good deal recently. My own sense is that just beneath the surface of what the media covers there is a quiet force building up of people willing to roll up their sleeves for the long haul—people who are ready to attempt to build a new way forward, over time, slowly but steadily—and above all with serious determination.

## **Resources**

*America Beyond Capitalism* by Gar Alperovitz, [www.americabeyondcapitalism.com](http://www.americabeyondcapitalism.com)

*Building Wealth: The New Asset-Based Approach to Solving Social and Economic Problems* by The Democracy Collaborative and Steve Dubb and Gar Alperovitz available at [www.community-wealth.org](http://www.community-wealth.org)