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# Municipal Development Bank

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Wednesday, August 05, 2009

[Contribution to the [Reimagining Society Project](#) hosted by ZCommunications]

## **Vision and Transition**

At the general level of a socialist vision, I think we have broad agreement that we want a participatory democracy of political and economic institutions that empower ordinary people to meet their needs without exploitation or oppression in an ecologically sustainable manner.

But we have differences on many particulars. What should be the respective roles of markets and planning? Which goods and services should be distributed free according to need and which should be distributed in exchange for the value of labor performed? What complex of production technologies are really reproducible on a sustainable basis with renewable energy and resources? What scales of organization of political and economic units optimize the sometimes competing claims of democracy, efficiency, and sustainability? How much participation in direct democracy versus delegation to representatives should there be in our political and economic institutions? How far can one city, region, nation, or bloc of nations move toward socialism in a world still dominated by capitalism and what does this mean for us when we have power at these levels?

Complicating the answers to these and other questions is that they are likely to have different answers at different stages in the transition to our socialist vision. For many socialists, planning will progressively supplant markets and the sphere of free goods and services will expand as purchased goods and services recedes, although how far this process can or should ultimately proceed remains a subject of much debate. The technologies and resources to be used in transition complicate the question of sustainable, reproducible production technologies. For example, should natural gas for vehicles and electricity replace much of oil and coal as the primary fuel to bridge the transition to a fully renewable energy system? Or is the investment in new natural gas infrastructure for that bridge too much of a diversion from immediate investment in energy efficiency and renewables? Proportional representation in legislative elections does not create directly democratic, participatory political forms, but in the US it would be open up political space for the independent Left that now has difficulty breaking through the two-party system of corporate rule, which the winner-take-all plurality system of elections strongly tends to perpetuate. We have now over a century of examples of governments led by socialists of various types at various levels—municipal, regional, national—trying to build socialism in a sea of capitalism, giving us much to study, debate, and learn from.

Socialists do not have to agree on answers to these sorts of questions in order to work together now. If democracy is at the core of socialist values, then a society moving toward socialism will work out the answers in practice, in a democratic manner, by trial and error and learning from mistakes.

That still leaves the difficult question of what do we fight for now? Few socialists would deny that building movements that fight for reforms is part of the revolutionary process. Reform movements create more socialists and build the socialist movement. New activists find out the system will not accede to demands that are perfectly reasonable and just. They find out that the political elites are not honest and responsive, but hypocritical and repressive. They find out that those radical socialists actually have good explanations for why these things are so.

But there have to be open socialists present in these single-issue reform movements if they are to develop into a socialist movement for systemic change. In the US, too many socialists have forgotten first political principle of the socialist tradition since the revolutions of 1848, namely, the political independence of the workers' movement for full democracy.

In the US, the political subordination of labor and other reform movements to the Democratic Party, a pro-capitalist party funded largely by capitalists, has led to serial single-issue reform movements, not a socialist movement. And the single-issue reform movements have little to show for their efforts because in the absence of a viable independent party of the Left, the Democrats have been able take the votes of the popular progressive movements—labor, civil rights, community, consumer, peace, environmental—for granted. The Democrats have used a combination of repression, co-optation of leaders, and pacification with token reforms to neutralize these movements, treating them as just another special interest in our mythical "pluralistic democracy" that is in fact dominated by a ruling class, its corporate state, and its two-capitalist-party system of rule that gives the illusion of choice—or the fear of Republican reaction in order to scare progressive voters into voting for the Democratic lesser evil.

Socialists also need to make the case within movements for more radical reforms, what Trotsky called transitional demands and Gorz non-reformist reforms, that is, structural reforms that make sense to people in their own terms but which the structures of capitalist economics and authoritarian politics cannot accommodate. Such radical reforms democratize power and can provoke a political crisis where the popular movement must advance with further democratization if it is not to be defeated by the reassertion of elite rule.

For example, in the current economic crisis, socialists are right to join with others in demanding extended unemployment benefits. But a socialist movement could have demanded that auto workers stay employed and the US manufacturing base be revived by converting much of the auto industry to the production of much needed trains and buses for public transit and wind and solar energy products for renewable energy. We could have mobilized popular support with the demands for jobs and socially useful green production and explained that the only practical means of doing so would be nationalizing the bankrupt automakers (at bargain prices

when their shares hit rock bottom) and democratically restructuring them under worker and community control. But apart from a caravan to Washington by a militant minority of autoworkers and a few internet op-eds from some radicals, no strong movement raised these demands.

## **Municipal Socialism**

Given the organizational weakness and fragmentation of the US Left, I think we need to focus much of our efforts at the level of municipal politics, the only level where the Left in the US at this time can realistically build the trust and critical mass needed to build enough power to make structural changes.

I want to suggest a demand that such municipal movements should raise. We should campaign in our cities for municipal development banks, public versions of Mondragon's co-op bank, the Caja Laboral Popular Sociedad Cooperativa de Credito, which would provide technical assistance and financing to develop co-ops and other community-owned businesses in our cities.

I am thinking of this demand as first of all relevant in the US. Municipal politics is not only the arena in which a Left can have a significant impact in the immediate future. It is also the case that municipalities in the US have more autonomous powers than in most other countries. Although the degree of home rule varies somewhat among the among the states, municipalities generally have the power to legislate, zone, invest, purchase, tax, police, borrow, issue securities, issue local currencies, operate enterprises, employ residents to construct and operate public works and provide public services, spend public funds on almost anything, and even expropriate private property for public purposes by eminent domain.

I also believe that municipal development banks should be relevant to other countries as a way to build socialism from below with real participation in grassroots institutions of political and economic democracy. While the Mondragon co-op bank is one model, the communal banks in Venezuela, even though scaled to the neighborhood rather than the municipality, offer another model, particularly in their grassroots-democratic governance structures.

In Syracuse, New York, the Green Party has been able to put demands for public enterprise on the city's policy agenda. We have convinced the city to spend \$150,000 on a feasibility study of public power to replace National Grid, the privatized former state-owned electric utility in the UK that owns much of the electric transmission and distribution network in the northeast US as well (see [www.cnypublicpower.net](http://www.cnypublicpower.net)). We are building support in a campaign for municipal broadband system that we believe can provide cable TV, internet, and phone services under community control at lower cost and with better technology than its competitors: the existing franchisee, Time-Warner, the new arrival, Verizon, and the satellite based competitors (see <http://syracusebroadband.org>).

We are now hoping to build on those initiatives with a demand that the city establish a Municipal Development Bank with a business planning department to help plan, finance, develop, and advise community-owned enterprises.

The bank would have a consumer credit business. It would take deposits from local residents and businesses and make consumer and mortgage loans. While the city is served in the consumer loan area by a steadily growing community development credit union, the Syracuse Cooperative Federal Credit Union, some other employer-based credit unions, and one remaining locally-owned commercial bank, all the other banks are branches of large regional, national, and multinational banks. The working class and people of color neighborhoods in the city have suffered from decades underinvestment due to redlining, dating back to the Home Ownership Loan Corporation of the New Deal (see the actual redlining maps at <http://syracusethenandnow.org/Redlining/Redlining.htm>).

While there is a definite need to improve consumer credit, there is an even greater need for business investment and business planning. Community development credit unions cannot fill this need in New York State at least because the big banks succeeded in lobbying for a law that limits business loans to a small percentage of a credit union's loan portfolio. That is one reason why we need to municipalize the business investment process. The other is the need to socialize the entrepreneurial function to more aggressively promote job creation and business development in Syracuse, which is a city suffering from not only redlining against its working class, but abandonment by absentee-owned capital, especially industrial capital.

## **The Syracuse Context**

Syracuse is like many rust belt cities of the Upper Midwest and Northeast US. It grew up around its manufacturing base and by 1900 ranked among the nation's 30 most populous US cities. It was nationally known for its cars, candles, typewriters, time clocks, china gears, soda ash, steel, shotguns, steam engines, men's shoes, garment presses, mincemeat, cans, boilers, radiators, and lanterns. It manufactured more different articles than even New York City. Due to the diversity of its industries, it suffered much less than most cities during recessions.

But with every recession since the 1973-74 recession, absentee-owned corporations have moved production to regions with cheaper labor, lower taxes, and laxer regulation. Manufacturing employment peaked in the early 1970s at 53,000 in the Syracuse metropolitan area. It was still at 47,600 in 1990 and 45,100 in 2000, reflecting manufacturing stagnation but not catastrophe. The 2000s have been catastrophic, with employment in manufacturing slipping below 30,000 for the first time in 2009. The metropolitan region lost 17,900 manufacturing jobs, or 38 percent of them, in the last decade from June 1999 to June 2009.

The result is a working class without work and its attendant consequences:

- Syracuse has the third highest poverty rate—and the highest black poverty rate—among the central cities of the largest 100 metropolitan areas in the US, according to a 2005 US Census survey.
- The city's population is down 40 percent, from a peak of 220,000 in 1950 to 137,000 today.
- One in five homes are abandoned in the predominantly minority neighborhoods of the city, where people of color are 45 percent of the city's population.
- Of the 2,169 FHA loans issued in Syracuse between 1996 and 2000, 29 or 1.3 percent went to predominantly minority neighborhoods compared with 1,694 or 78.1 percent that went to white neighborhoods
- The only public housing built recently in the city is the county "Justice Center" jail, which is filled to overflowing with hundreds of low-income youth.
- The graduation rates in the four city high schools ranged between 38 percent and 52 percent in 2009.
- 25 percent of city residents are illiterate and 25 percent are barely literate.
- The city faces a recurring structural budget deficit approaching 10 percent of the city operations budget.

All this takes place as Syracuse tries to revitalize its city economy in a national economy with an enormous debt overhang, with household and corporate debt far surpassing the much publicized government debt. Masses of borrowers will be paying back a small elite of creditors in interest, principal, and tax payments for many years to come—reducing consumer demand, business investment, and economic recovery for just as many years.

The Big Boss isn't coming back. GE, GM, and Allied Chemical are long gone ghosts of their former selves. Smith Corona went to Mexico the day NAFTA passed. Carrier went to China. Syracuse China went out of business. New Process Gear shut down in July 2009, with its owner, Magna International, sending the work of 3500 autoworkers to South Korea and the money to Germany to buy a car company, Opel. Decades of a bipartisan policy of passively waiting for businesses to locate in tax-abated Enterprise and Empire Zones or respond to many other tax and subsidy incentives has failed to revive business and the economy in the city.

Nor is Uncle Sam going to save Syracuse. The \$787 billion economic stimulus, which was only one-third of the shortfall in aggregate demand, pales in comparison to the \$12.8 trillion lent, spent, or committed in guarantees to the financial industry and the over \$5 trillion committed to overseas wars and military spending over the next eight years by the new administration—a higher level of military spending than any time since World War II, higher than any year of the Vietnam War, the Cold War, or the Afghanistan and Iraq wars so far.

The combination of taxes and probably inflation to pay for the wars and bailouts precludes any strong economic recovery nationally for many years, let alone substantial federal resources for an urban policy to rebuild cities in decline like Syracuse.

## Creative Public Enterprise

What all this means for cities like Syracuse is that its citizens are going to have to do it themselves. The city government needs to be the lead developer. It needs to take a much more direct role in developing local businesses. It will take creative public enterprise—a municipal development bank, public power, municipal broadband—to provide the economic infrastructure and services for the development of new community-owned enterprises whose ownership structures anchor them, and the wealth they create, to our community, unlike the absentee-owned corporations that abandoned Syracuse.

By community-owned enterprises, we include a number of ownership forms, both public and private, including:

- Owner-Operated small businesses
- Community Corporations where voting shares are restricted to residents (like the Green Bay Packers, a big NFL franchise anchored to a small city by its ownership structure).
- A city-owned Community Investment Trust where economic assistance such as tax breaks are converted to voting shares in a conventional corporation
- Public Enterprises, like city-owned power and broadband services and the trash collection operation of the Department of Public Works;
- Worker and Consumer Cooperatives, including credit unions.

The development department of the Municipal Development Bank would be staffed with business planners and engineers who would identify market opportunities, conduct feasibility studies, develop prototypes, and incubate new businesses. It would plan businesses that meet community identified needs, arrange financing, hire and train the initial workers and management, and advise them as they got up and running. As the business generated revenues and its workers became capable of self-management, the business would pay off financing from the bank and that money would return to the bank for financing other businesses. While particularly suitable for worker co-ops, this same process could be used to set up owner-operated small businesses, public enterprises, and community corporations.

The bank could start immediately developing the retail outlets Syracuse needs in its neighborhood business districts, perhaps starting with the longstanding need for grocery stores which have abandoned the city in all but three of its more than 30 neighborhoods. The Municipal Bank's development department could plan such businesses, arrange the financing, hire the initial workforce and management, and advise it as it began operations. When it was up and running, it could be sold to the workers co-op, or perhaps as a worker and consumer hybrid co-op since consumers would want have say in the products it carried. The business planners might find that it would make business sense to develop a citywide network of neighborhood stores with shared purchasing and warehousing instead of independent groceries neighborhood by neighborhood.

The bank would also play a key role in developing sophisticated green agricultural and manufacturing enterprises, one of the two manufacturing sectors (besides defense related firms) where a cluster of firms and

university research institutes already exists in the area focused on renewable energy, environmental services, indoor air quality, and other environmental engineering.

## **Learning from the Mondragon Model**

The primary model here is Mondragon Cooperative Corporation in Basque Region of Spain and the central role played in its development by its co-op bank. The co-ops started in 1956 in Mondragon, a small city of 23,000, with a five-member co-op manufacturing kitchen appliances. By 2007, it had grown into a network of 150 worker cooperatives, 80 percent of them industrial or engineering, with over 104,000 workers. The co-ops form the largest manufacturing base in Spain. The network also developed the largest Spanish-owned grocery and retail store chain, which is a 500,000-member worker-consumer hybrid cooperative. The Mondragon co-op bank also had about 500,000 members with nearly 400 branches throughout Spain. The Mondragon Cooperative Corporation had \$23.6 billion in sales and \$46.3 billion in assets in 2007.

At the center of this rapid development over the last 50 years has been the co-op bank. Until 1991, the bank housed both a consumer loan division and an entrepreneurial division for developing new cooperatives. As the Mondragon cooperatives began to face more competition from big multinationals as Spain entered the European Union, they decided in 1991 to reorganize the bank's functions. The co-op bank would continue to focus on consumer and business loans. But the financing of new cooperatives was given to a new institution, the Central Intercooperative Fund, which was financed by the 10 percent of member co-ops' net income every year that previously went to the co-op bank. The Central Intercooperative Fund's mission is to provide patient venture capital to new co-ops. The technical assistance functions formerly housed in the co-op bank were devolved to consulting and engineering cooperatives.

What is most impressive is the success rate of new co-op start-ups. Only a few of the nearly 150 co-ops initiated by the Mondragon system have failed, compared to a failure rate of over 90 percent for new businesses in the US. Their business planning has a legendary thoroughness, producing book length plans full of detailed quantitative and qualitative analyses. This solid planning has enabled the co-ops to quickly adapt to fast changing technologies and jump into new opportunities ahead of the curve. They are currently expanding into wind, solar, and hydrogen power and expect that a quarter of the products its cooperatives will make in 2012 are not yet in production.

Another impressive feature is the how the co-ops keep their members working or training through the ups and downs of business cycles. When business declines in one co-op, worker-members are transferred, and retrained if need be, to work in other co-ops. When one co-op faced serious difficulties, 20 percent of the workforce was chosen by lot to take year off with 80 percent pay and free training for other work. If the co-op had been still been in trouble the next year, another 20 percent would have been chosen by lot to take a year off and the original 20 percent would return to work. These measures worked and the co-op thrives today (<http://www.yesmagazine.org/issues/the-new-economy/mondragon-worker-cooperatives-decide-how-to-ride-out-a-dov>)

The Mondragon system is not perfect. Alienation is an issue, especially in the larger co-ops, though less so than in comparable capitalist firms. While the members are workers and owners, class distinctions based on occupational hierarchies and income disparities between management and operatives remain an issue. But, again, compared to capitalist firms, the distinctions are much reduced. The income ratio between the lowest paid operatives and highest paid managers is 1 to 8 in the Mondragon complex, compared to 1 to 300-500 in the last decade in US capitalist firms.

The most disconcerting development of the Mondragon Cooperative Corporation has been its acquisition of capitalist firms and partnerships with capitalist firms in Spain and overseas in 16 countries, including Morocco, Brazil, and China. Nearly half of the 256 companies in the Mondragon Cooperative Corporation are not cooperatives and one-third of its workers are not co-op members. Global competition and currency, tariff, and supply considerations have all factored into the decision to acquire capitalist subsidiaries. These developments have created a moral quandary for the Mondragon cooperators, which they have yet to resolve. In January 2009, the annual Cooperative Congress of the MCC voted to open membership to non-Basques in other regions of Spain. How to offer membership to workers in foreign subsidiaries has been under exploration since the May 2003 Congress where they had decided as a first step to find ways for workers to participate in ownership and management in their non-cooperative companies. But converting these firms to cooperatives will be a challenge given that most of the countries do not have laws that recognize worker cooperatives or a cooperative movement and culture on which to base cooperatives.

I see these limitations of the Mondragon model as problems to avoid or solve, not reason to reject the whole model. What is most compelling in the model for a depressed city like Syracuse is its powerful economic development capacity, centered around the entrepreneurial division of the co-op bank.

I think it makes sense for a Municipal Development Bank to start with the original two-division model of the Mondragon co-op bank, with the consumer side taking in deposits and making consumer and small business loans, and thus building support for the bank as a whole, including its more risk taking venture capital and entrepreneurial division.

A Municipal Development Bank won't turn a city's economy around overnight. But it is a way to start. We should think about this in the spirit of some advice from Andres Duany, the New Urbanist city planner, who said, "What a city requires is slow, patient work by excellent government and many small investors." A Municipal Development Bank to develop cooperatives could be a significant part of the "excellent government" that has been missing. The people of cities like Syracuse can invest their labor in their communities even if they don't have any money to invest. By working in cooperatives, they can turn their sweat into equity, wealth for their families and their community, instead seeing it siphoned off by the absentee owners of capitalist firms.



## Other Models

As far as I have been able to find out, no municipality has initiated a development bank with the business development mission I am proposing here. In 2001, Matt Gonzalez, then a Green Party member of the San Francisco Board of Supervisors, got a motion adopted to have the board's Office of the Legislative Analyst research existing municipal banks. The resulting memo ([http://www.sfgov.org/site/bdsupvrs\\_page.asp?id=5022](http://www.sfgov.org/site/bdsupvrs_page.asp?id=5022)) found a few examples of municipal banks around the world. Most served as financial intermediaries for municipal bonding, including many in Western Europe, Maine, Vermont, and Jakarta, Indonesia, although the latter was being privatized at the time. A Christian Democratic government had created the Bankgesellschaft in Berlin, Germany soon after reunification. It was a community development bank, 56 percent city-owned, with a focus on financing cultural and social enterprises, not business development, and was experiencing financial difficulties by 2001. In China, there was the Beijing Municipal Commercial Bank focused on consumer deposits and loans. And in Russia, there was the Moscow Bank for Reconstruction and Development, which owned all or part of 200 firms and the Bank of Moscow, one of Russia's largest. But it is clear from other sources that this bank is a pillar of the state capitalist financial oligarchs in the new Russia, not a model of democracy and socialism (see, for example, <http://www.washingtonpost.com/wp-srv/inatl/longterm/russiagov/stories/moscow121997.htm>).

There are also some municipal banks in Scotland that serve strictly as depository institutions, not credit institutions, much like the old US Postal Savings System of 1911 to 1966 that provided a safe interest-bearing depository for the savings of people not served by other banking institutions.

The Community Bank of the Bay is a community development bank that is 10 percent owned by the city of Oakland. It provides financing for local economic development, but not the kind of entrepreneurial and technical assistance that the Mondragon co-op system does (see [www.communitybaybank.com](http://www.communitybaybank.com)).

We do have one very successful example of public banking in the US—the state-owned Bank of North Dakota. Founded in 1919 after socialists and populists of the Nonpartisan League swept into office, it has the mission of "encouraging and promoting agriculture, commerce and industry" in North Dakota. Under state law the bank is the State of North Dakota doing business as the Bank of North Dakota. All state funds and funds of state institutions are required by law to be deposited with the Bank of North Dakota, although deposits are accepted from any source. The bank has returned a profit to the state every year since it was founded and neither Democrats nor Republicans have ever proposed to privatize this successful government operated bank. The Bank of North Dakota does not provide in-house technical and entrepreneurial assistance on the Mondragon model, but it does stand as a positive example of public enterprise that contradicts widespread canard in the US that government cannot run anything well.

Another model to draw from is the network of co-ops developed with municipal support by Left local governments in the Emilia-Romagna region around the city of Bologna, which has transformed that region from one Europe's poorest into one of its wealthiest since World War II. Three percent of each co-ops net income is required by law to go into a fund to finance new cooperatives. Government agencies provide

technical assistance to co-op development. The Italian co-ops employ over 250,000 workers, mainly in manufacturing and construction. One of the notable features of the manufacturing cooperatives in Italy is their flexible manufacturing networks which allow small to medium sized co-ops of highly-skilled workers to combine and recombine to fulfill different small orders of customized industrial parts from around the world. This kind of labor flexibility gives workers more job security. These flexible manufacturing networks may be transferable to the environmental services, engineering, and manufacturing cluster developing in the Syracuse region.

### **Venezuela's Communal Banks**

These new institutions are socially-owned neighborhood banks. They are capitalized by the national budget and further allocations are encouraged by the national government from state and municipal budgets. They are described by the Venezuelan government as the "financial arms of popular power" institutionalized in the communal assemblies and councils. Communal banks are chartered by the national Fund for Microfinanced Development (FONDEMI), which provides technical assistance in setting them up. Their mission is to finance small business and cooperatives, community infrastructure and service projects, and consumer loans for home improvements and personal emergencies, as well as provide technical assistance and training in communal budgeting as well as enterprise development. Their officers are members of the communal councils, which are elected by communal assemblies of 200 to 400 families in urban areas and 10 to 40 families in rural areas and indigenous communities.

250 communal banks were chartered when they were first initiated three years ago. Today, there are about 3400 communal banks with a combined budget of \$1.6 billion. The communal banks assist in the development of cooperatives, whose development is supported by the National Superintendence of Cooperatives (SUNACOOB). Over 100,000 co-ops with 1.5 million members were registered with SUNACOOB by mid-2006.

President Hugo Chavez described the purpose of the communal banks on June 11, 2009: "From the beginning, communal banks have been an essential part of the project whose aim is to transfer power to the people and communities, which is an expression of how socialism can be constructed from small things, from the foundations, in order to democratize access to the excluded people" (Bolivarian News Agency, "Communal Banks: three years of transferring power to the people," June 22, 2009).

What seems most relevant for a municipal development bank in a city like Syracuse from the Venezuelan model is its grassroots democratic structure. A federated structure grounded in neighborhood assemblies seems the ideal for governing the municipal bank. Rather than a board appointed by the mayor and city council, or elected at-large by the city's voters, a board composed of representatives elected by neighborhood assemblies in each of the city's 30 or so neighborhoods would more democratically govern the municipal development bank. In turn, the bank could allocate a portion of its loan capital to the neighborhood assemblies

on a per capita basis for financing neighborhood improvements. The board should also, on the model of the Mondragon co-op bank, include members elected by the affiliated co-ops that contribute 10 percent of their net income to the co-op bank.

Developing neighborhood assemblies and integrating them into the structure of the city charter and governance is another demand of the Syracuse Green Party, which may not precede the creation of a municipal development bank. We will have to deal with that complication when we get to it.

## **Worker Cooperatives**

Worker cooperatives are particularly suitable for the kind of development we need in an economically depressed city like Syracuse. In a worker cooperative, each worker is an owner with management and income rights. Management rights are exercised with each worker having one vote in setting basic policies and, in a larger cooperative, in electing the board of directors, which in turn hires and supervises management. The income rights mean workers receive shares of the net income of the enterprise in proportion to the labor each of them contributes. This form of economic organization has several advantages for economic development.

It spreads income, wealth, and ownership far more widely than other enterprise forms. It develops people as it develops the economy. When people are expected to act like owners, they are more likely to do so. Their income depends on being responsible managers as well as effective workers. Co-ops only grow to a size where the economies of scale maximize net income per worker. With capitalist corporations, the object is to maximize total mass of profits, which can result in growing larger than the optimum net income per worker.

These features of worker co-ops mean they tend to have higher productivity. One analysis found the Mondragon cooperatives had 7.5 percent greater productivity than comparable large capitalist firms and 40 percent greater productivity than comparable small and medium capitalist firms (Henk Thomas and Chris Logan, *Mondragon: An Economic Analysis*, Boston, 1982). The incentive structures of worker co-ops encourage greater productivity. First, co-ops don't grow beyond the optimum economies of scale due to their goal of maximizing income per worker, whereas conventional firms continue growing in their quest for maximal total profits even though it means diseconomies of scale that hurt productivity. Second, more effective work means more income for co-op workers, whereas more effective work does not improve the income of hourly work in a capitalist firm. Third, the smaller, more human scale and democratic management of the co-ops means a better work environment and less alienation and labor-management.

The smaller size of co-ops tends to make market entry easier for new co-ops when new employment is needed. For all these reasons, the municipal development bank should prioritize the development of worker cooperatives.

## **Needed: An Independent Socialist Movement**

The most difficult hurdle for a municipal development bank in US cities may not be the political struggle to win its initiation, but recruiting qualified people to staff its business development arm. The culture and "ethic" of capitalism pervades not only those with managerial skills, but also the working class.

Several waves of movement for community economic development, employee ownership, and cooperatives have come and gone since the 1960s in the US. In each wave, one of the recurrent problems has been the shortage of what came to be called "social entrepreneurs:" people trained in business, economics, or engineering who chose to work, generally for lower pay, for alternative economic enterprises instead of capitalist firms. The capitalist "ethic" that praises maximizing self-advancement over community advancement also affected the long-term commitment of rank and file participants to the goals of community development projects, various forms of employee ownership, and cooperatives. The spirit of community and cooperation rose with each movement wave, only to fall just as quickly as each wave receded.

I know from 22 years of personal experience in construction that working in a cooperative is better than either being the employee of a contractor, where the pay is too low, or being the contractor, where the income can be higher but the work load is all consuming. In the worker cooperative that I helped form with a group of young anti-nuclear activists who were committed to renewable energy as well as cooperatives, I received the full value of the income I felt I had earned without bearing the entire management burden of keeping up on the latest technology and construction practices, preparing bids, supervising work, bookkeeping, and doing the payroll and tax paperwork.

Our worker co-op was focused on energy audits and retrofits for efficiency and solar and wind applications. When the Reagan administration repealed the Carter administration's low-end subsidies and high-end tax credits, modest as they were, our market shrank dramatically. The co-op disbanded, with some of the members going back to school and others like myself staying in the business as workers and/or contractors. I tried repeatedly as a contractor, now doing mostly new home construction and renovations, to interest workers I had hired in forming worker cooperative. But I got no takers. These workers whose experience had been as workers for contractors or as contractors themselves. The co-op idea seemed like pie in the sky to them.

In the 1990s, I worked for federation of cooperatives and community organizations trying to develop cooperatives in low-income neighborhoods in Syracuse. It was difficult to maintain funding from the member organizations or foundations. They had little faith that cooperatives could contribute significantly to economic development. It was also difficult to change the expectations of the people I was trying to organize into cooperatives whose experiences were in capitalist firms or in nonprofits funded by government or foundation grants. Often the people I was organizing chose to form a nonprofit and seek grants to deliver services instead

of forming a cooperative that generated its own revenues from providing goods or services.

What I take from these experiences over the last 40 years is that what we are missing in the US is an organized socialist movement that is independent of the Democratic Party and its myriad nonprofit satellites, advocacy groups that despite their formal nonpartisan status in fact count on electing and lobbying Democrats to get reforms. In practice, this strategy means, even for activists who are privately socialists, dropping all systemic critiques of capitalism and arguments for socialism in public activity in the interests of being "realistic" political players who will be taken "seriously" by Democratic politicians. But because they pose no threat of taking their votes elsewhere, they have very little influence on the policies the Democrats pursue. Thus these activists are not being realistic at all. Meanwhile, the case against capitalism and for socialism is not heard in broad public arenas, but only in the margins of academia, a small universe of Left media, and a very small group of very small socialist organizations.

When movements take off is somewhat mysterious. The flammable material may all around and the sparks may be flying, but it is impossible to predict when a spark will finally light a fire. But what is needed to start a movement is not so mysterious. The first thing is that its ideas must be propagated, not held back for later when "objective conditions improve." The second is that the people propagating the ideas must organize themselves. The US is full of private, unorganized "socialists." But what kind of socialist is one if not active in a socialist organization.

The demand for a municipal development bank is the kind of demand socialists can raise in depressed US cities to raise the socialist idea and organize socialists around. It doesn't have to have the label "socialist" all over it. We raise it in Syracuse as Greens for a Municipal Development Bank, not as Socialists for a Socialist City Bank. The important elements are the substance of the demand and the political independence of the organization making the demand. It is a transitional demand: not a demand for abstract "socialism," but for a concrete way to create jobs and economic development in a city that desperately needs more jobs and businesses.

If the idea begins to take hold, like our campaign for a city-owned power utility, our opponents will try to dismiss it as "socialism." We can count on the Right (which includes the pro-capitalist Democratic politicians) to do that. We can be glad at that point that they take us seriously enough to attack us and give us the opportunity to argue that if this "socialist" program works better, so much the better for socialism. As Gandhi is famously reputed to have said, ""First they ignore you. Then they ridicule you. Then they fight you. And then you win."

I am raising this demand for a Municipal Development Bank as a Green candidate for the Syracuse Common Council in November's general election. You can see how we are presenting this demand and follow the campaign at [www.howiehawkins.org](http://www.howiehawkins.org).

