Here is a fun question guaranteed to stump your friends, family, and party guests: Can you name the leader of Switzerland? Trust me—no one ever knows the answer. And the reason is simple. It hardly matters.

Switzerland is arguably the most decentralized nation in the world. Each of its twenty-six states, called cantons, retains a high degree of autonomy for governing its own affairs, including the official language spoken. Cantons have their own constitutions and parliaments, and each has enacted radically different policies with respect to education, labor, welfare, and the economy. Within the cantons, moreover, are 3,000 relatively autonomous local governments.
called communes that are the most important political units in the lives of the eight million Swiss people.

Swiss direct democracy is practiced through frequent referenda held at the federal and canton levels. A national referendum, which can be placed on the ballot with 50,000 signatures, can overturn any act of parliament. One hundred thousand signatures will place an affirmative proposition for a national vote, though it then must be approved by a majority of the country and a majority of the cantons.

The president comes from a collegial, seven-member Federal Council, chosen for a four-year term by an elected two-body legislature. Council members typically assume no more than one-year presidential terms, and the office of president carries no more power than that held by the other six members. Federal powers are largely restricted to topics that absolutely require national coordination, such as currency and railways. Even in the area of foreign policy, where other national governments boldly assert monopoly power, the studious neutrality of Switzerland means that the office of the presidency matters little.

By many metrics, the country’s performance is exceptional. It has a remarkably stable economy, where the per capita Gross Domestic Product or GDP (in real dollar terms) is the second highest in the world. It came in third in the 2015 Human Development Report issued by the United Nations, which measures income, education, and life expectancy. The 2016 Environmental Performance Index places Switzerland sixteenth for safeguarding the environment. According to the CIA World Factbook, Switzerland currently ranks eighteenth (of 144 nations) in income equality, and the country just recently voted on a national referendum on whether to provide a “basic income” to every citizen (the proposal lost).

Switzerland is far from a utopia, and some of its blemishes and shortcomings will be highlighted shortly. But its decentralized structure suggests a compelling possible direction for systemic transformation of the United States. Indeed, given our embrace of states’ rights—reflected in the Tenth Amendment to the Constitution, which states: “The powers not delegated to the United States by
the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people”—the Swiss model could be considered deeply in tune with American history and values. Moreover, for those seeking progressive transformation, the recent election of Donald Trump as President and his swift appointment of cabinet members who are committed to paring back national government mean that perhaps the only space left open for serious reform is at the state and local level.

Core Goals

Even though Americans wax enthusiastic about “states’ rights,” few are willing to truly say “let Oregon be Oregon, and let Alabama be Alabama.” Almost everyone, left and right—including many of the esteemed contributors to this series—dream about imposing their visions of utopia on the rest of the country. But in a country of 330 million diverse views, the only utopia possible may be a local one built by like-minded neighbors. That is why I believe that our own next system should allow every community to pursue its own dreams.

The principle at the core of decentralization is subsidiarity, a fancy word essentially meaning DIY (“do it yourself”). If you can accomplish your own goals personally, without harming anyone else, subsidiarity encourages you to go ahead and do so. The concept is infused with an expansive notion of personal freedom and natural rights. It tries to fully tap the power of the local “commons,” which David Bollier defines as “a self-organized system by which communities manage resources…with minimal or no reliance on the market or State.” If collective initiative is required, focus on the community level. If there’s a very good reason the community level won’t work, then—and only then—bump it up to the state level. If state action won’t work, then move it to the national level. When all is said and done, a world embracing subsidiarity has powerful local governments, less powerful state or regional governments, weak national governments, and highly circumscribed international institutions.

Subsidiarity has several virtues. It embodies a bias toward action, and catalyzes participatory democracy in the locales people care about most. It’s efficient, in
that it mobilizes collective action without requiring the involvement of unnecessary decision makers or bureaucrats. But it’s also flexible and pragmatic by recognizing that a few decisions, like deployment of nuclear weapons, have to be made at higher levels of governance because there’s a deeply shared understanding that allowing every town to “go nuclear” would be too dangerous.

Yet Americans are surprisingly skeptical of this pure form of decentralization. Our brief early history under the Articles of Confederation, when states had their own currency, trade practices, and foreign policies, was and remains regarded as a chaotic time when we were vulnerable to recapture by the British monarchy. Progressives are quick to point out that “states’ rights” historically has provided a cover for slavery, secession, and segregation, and even today is used by “red states” to exclude nonwhites from full participation in elections. Conservatives, even those who call themselves strict constitutionalists, are equally eager to use central power to wipe out progressive local initiatives like abortion clinics, pro-LGBT ordinances, municipal minimum wages, or sanctuary cities (protecting illegal immigrants from being rounded up and deported).

The truth is that outside a rather small faction of principled libertarians, whose views can be found in politicians like Ron Paul and the scholars of the Cato Institute, most Americans would be delighted to inflict their parochial vision of happiness on recalcitrant countrymen. And that, in my view, is the central reason American politics today has become so toxic. If more of us could embrace “live and let live,” if we were willing to give every geographic area an opportunity to create its own utopia, Americans might be thrilled to reengage with politics. And as a country, a million local experiments would greatly improve our decision making at every level of governance.

It’s confusing to contrast federalism with decentralism, because the Federalists, like James Madison and Alexander Hamilton, were advocating greater centralization, while the anti-federalists, like Patrick Henry, were advocating greater decentralization. But both groups found common ground in constructing a relatively decentralized system that protected minorities. They understood that when decentralization becomes a cover for majority abuse of minorities, enormous
injustices can occur. Subsidiarity therefore works best in a system of rights protecting citizens against encroachment by hostile national, state, or local laws. A Swiss-inspired system change in the United States thus would continue to protect African Americans, Latinos, women, and people with disabilities against unequal treatment by government or discrimination in “public accommodations.” The Bill of Rights, in other words, would remain a cornerstone of a decentralized United States.

Subsidiarity also requires an open marketplace, where entrepreneurs and small businesses flourish. It would be preposterous to grant communities political freedom yet deny them the economic freedom to materially sustain that political freedom. But because the United States also must manage corporations that operate over many states or even many countries, higher levels of power are necessary to break up monopolies and ensure robust local competition. Here, Switzerland, with its gigantic and often secretive banks, is not a particularly reassuring model. Better to imagine the era of President Theodore Roosevelt, who used antitrust tools to break up giants like Standard Oil. Decentralized power means that we should do everything possible to keep businesses in every sector diverse, small, and competitive.

An open market implies minimizing the scope and power of the public sector. For example, corporate subsidies would be eliminated top to bottom. In Systems of Survival, the late regional economist Jane Jacobs, a committed decentralist, argued that when the guardian sector (her term for the appropriate role of government) took on the functions of the mercantile sector (her term for business),
“monstrous hybrids” resulted. Corporate subsidies represent an example of wasteful government overreach that often wind up facilitating corrupt transactions between politicians and businesspeople. A recent reminder of this occurred in Virginia, where governor Bob McDonnell and his wife were convicted of accepting personal favors from a zealous entrepreneur seeking state money for a magical elixir made from tobacco plants.

Another core goal of subsidiarity is self-reliance, which is important for economic, political, and environmental reasons. Contrary to simplistic critiques from free-traders, local self-reliance does not mean withdrawing from the national or global economy. It means engaging the world from a position of strength. Local self-reliance enables a community to grow its income, wealth, and jobs through diversification, which in turn multiplies the number of sectors that not only can meet local demand but can also penetrate global markets.

The final core goal of a decentralized United States, implicit in many of the principles above, should be a sense of solidarity with the rest of humanity across the planet. This is another departure from the Swiss, who arguably have embraced such an expansive view of neutrality that some have accused them of becoming accomplices to war crimes. Letting the Nazis use Swiss roads and banks may have spared the country conquest by Hitler, but it hastened the deaths of millions of others in Europe. Subsidiary, remember, demands that challenges that cannot be addressed at lower levels must be addressed at higher ones. And there’s no doubt that some global problems—drugs, child pornography, arms trade, pandemics like Ebola, and climate disruption—require global collaboration. Under the system envisioned here, every community has a solemn duty to engage with other communities worldwide to solve these problems. We can quibble about the best forms for international engagement—personally I favor nonviolence over violence, and collaboration over coercion—but total isolationism is morally impermissible.

Major Changes Needed

Many Americans embrace the above principles rhetorically: Local action, free markets, small government, basic rights, global responsibility—almost every
serious presidential contender in recent memory says variations of these things. But political practice bears almost no relationship to the rhetoric. Debates over states’ rights, for example, tend to pit Republicans (who supposedly favor them) against Democrats (who supposedly support big government’s incursions against the states). In fact, once in power, Republicans have happily grown Washington around their pet priorities, such as the military, intelligence gathering, and criminal enforcement. The overall trajectory of national government in the United States, even under presidents like Ronald Reagan, has been toward the greater accretion of power. The term “imperial presidency” was deployed mostly by liberals in the 1960s to criticize the Vietnam War, and now has been invoked by conservatives to criticize President Obama’s executive actions on everything from immigration to healthcare. Sadly, both sets of critics are correct—and blind to their own leaders’ transgressions.

The United States has a relatively free market, but one doesn’t have to be a Milton Friedman fundamentalist to see enormous room for improvement. Contrary to the principles enunciated above, corporate welfare is now running at several hundred billion dollars per year at the national level, and at least at eighty billion dollars at the state and local level. Anti-trust laws need to be beefed up, and dominant corporate players like Wal-Mart Stores, Bank of America, and Tyson Food need to be broken apart. Conservatives understandably complain about the United States imposing high business taxes that drive many of our largest corporations offshore, and in a more decentralized system, federal business taxes could and should be greatly reduced.

Self-reliance runs deep in the American character. It found expression in early American writers like Ralph Waldo Emerson and Henry David Thoreau, and continues to live in “buy-local” and community resilience movements. Yet it’s fair to say that outside major cities, most Americans live in highly specialized, highly dependent economies. For example, despite more than a decade of local food promotion, almost no area grows locally more than a few percentage points of the raw foodstuffs it consumes. The Michael Porters of the world who have implored communities to focus on a small number of globally competitive niches—and
ignore the rest of the economy—have been all too successful. The next system envisioned here would counsel the opposite: Diversify your economy to increase your self-reliance and, ultimately, multiply your competitive niches for export.

In terms of solidarity, we already have many healthy connections with the rest of the world. The “World Giving Index” currently ranks the United States as the number two country in the practice of private charity. But when it comes to foreign policy, US leaders have long been obsessed with spreading influence through the barrel of the gun. While there have been periodic blooms of “municipal foreign policy” (in the state and local anti-apartheid divestment campaigns in the 1980s, for example), local governments in the United States—unlike their counterparts in, say, the Netherlands and Germany—have been reluctant to work internationally. 13

Principal Means

Meaningful devolution of the United States will require the careful shrinking of the national government orchestrated alongside the careful expansion of state and local governments, and neither will be possible without a renewed public embrace of the concept of federalism. To accomplish this will require, at a minimum, a public movement around very subtle shifts in the law.

For example, subsidiarity will require a fundamentally narrower approach to “preemption,” a term courts use when they hold that a federal law is superior to a state law. Today, federal courts are sometimes—and unpredictably—willing to knock out state laws that might conflict with federal law or intrude on a field in which the federal government has “occupied.” A narrower approach to preemption would permit any state and local law unless a federal law expressly forbids it or compliance with the federal and state laws is impossible. (If, for example, the federal government says stores must be open on Sunday and a state law says they must be closed, no business could possibly comply with both laws.) The Supreme Court could narrow grounds for preemption, but recent court decisions (knocking out local campaign financing laws) seem to go in the opposite direction. The faster recourse might be for Congress to pass a law stating very narrow criteria for preemption, which a non-activist Court might treat as binding.
Ultimately, however, shrinking the federal government will require an overhaul of entitlements and the military. Of the 3.8 trillion dollars in the 2015 federal budget, entitlement programs (primarily Social Security and Medicare) add up to 2.45 trillion dollars (or 64 percent) and the military and intelligence programs add up to 598 billion dollars (or 16 percent). That means that all the heated arguments between Democrats and Republicans are just over discretionary spending that constitutes a measly 20 percent of the budget.

Decentralizing the United States could mean eliminating core entitlement programs, but it’s better to imagine gradually handing them over to state and local governments for their own administration. For example, the Social Security trust fund might be divided up on a per capita basis and given to fifty-plus state administrators. Unlike the federal administrators, who have presided over funds being lent to cover irresponsible congressional spending, more enlightened state administrators might decide to invest the funds in local businesses or state economic development projects. Over time, states would assume complete responsibility for the programs. Progressive states might decide to expand the retirement benefits for their residents and assess greater annual contributions, while conservative states might give more discretion to residents about how much they save and where they invest their savings. Why shouldn’t states be allowed more influence over such an important program? As Republicans are fond of saying, “it’s your money.”

Similar shifts could be made in other entitlement programs, such as SNAP food benefits or healthcare subsidies (elaborated below), again through a two-step process: First, return to states programmatic funds proportional to their populations and allow them greater discretion on how to spend their share to achieve the same goals. Second, over some number of years, roll back the federal contribution and allow states to expand, contract, or revamp their programs as they see fit. Through all of this, states would need to be mindful not to redesign programs to exclude constitutionally protected minorities (by, for example, reducing entitlement coverage of women or African Americans).

As for cutting military expenditures, it’s hard to imagine this happening without a sea change in how Americans define “security.” Many widely held beliefs fuel
today’s bloated military establishment: that security requires unilateral deployment of the world’s largest military force; that military solutions to global problems trump economic or ecological ones; and, that serving as the world’s police force is our unique right and responsibility. To reduce spending on this goliath, we need not go as far as the neutrality-loving Swiss, who spend 0.7 percent of their GDP on the military. Even scaling our military ambitions back to, say, the British or the French levels (about 2 percent of GDP is directed to the military, while we spent 3.3 percent) would allow us to cut the US government expenditures by 234 billion dollars per year.\textsuperscript{16}

What would ultimately remain under federal jurisdiction would be those functions that enjoy broad support by the American public. Besides a smaller military force, those functions might include: the federal courts, national transportation systems like the highways and air traffic control, oversight of interstate commerce, the preparation of national statistics, border enforcement, air quality standards, public health programs—all areas where some degree of national coordination is essential. Even in these areas, however, regulations could be simplified with more details left to the states. With a stronger presumption against federal preemption, states would have fewer fears that devolution will upend their local quality of life. If you want stronger protections for unions or tougher controls on carbon emissions, you can still have them, \textit{but just at the state level.}

**Geographic Scope**

The decentralization of the United States envisioned here could take place within the current structure of the country—that is, within our fifty states, which contain more than 3,000 counties and more than 36,000 localities. While there are virtues to some of the alternative models like regional or bioregional governance, the fact is that these are just fanciful ideas. There are very good historical, legal, and cultural reasons that our existing divisions are in place, and why impose their restructuring on an already ambitious decentralization agenda?

That said, there is no reason that two or more localities, counties, or states could not voluntarily combine themselves into a regional body if they wanted better
possibilities & proposals

economies of scale. The Compact Clause of the constitution already facilitates thousands of interstate agreements on ports, border enforcement, and utility management. In a decentralized United States, these agreements would become more common, and involve cities and counties collaborating on problems they cared deeply about.

Decentralization should not stop at the border of a state. An embrace of subsidiarity might lead some states to move some programs to their counties or municipalities. Perhaps retirement funds or anti-poverty programs could be devolved to the local level, where residents could creatively shape these programs to fit more exactly with local needs. Devolution within a state, however, ultimately requires that local tax power be expanded so that increased responsibilities can be adequately funded. (Remember, a healthy decentralized system would tax and spend more collectively at the local level than at the state level, and more collectively at the state level than at the federal level.)

A decentralized United States would be hypervigilant about only signing treaties that protect local rights. Many of the trade agreements the country entered over the past generation shifted from the worthy objective of tariff reduction to the indefensible objective of regulatory harmonization. Specifically, parts of the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA) contain provisions that override state and local environmental

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laws that are deemed “unscientific” by corporate-influenced judges, that restrict the ability of government agencies to buy or invest locally, and that prevent communities from imposing labels that might identify products containing GMOs or made by child labor. These agreements would need to be repudiated or revamped to allow localities: to set any nondiscriminatory standards they wish; to buy and invest in local businesses, just like corporations can; and to label anything they want as an exercise of free speech. This framework is actually consistent with the US Constitution and Supreme Court jurisprudence on the Commerce Clause. The decentralist sensibility that guided the Founding Fathers should never be negotiated away.

**Temporal Scope**

The transition envisioned here probably could not occur in less than a generation. Washington politics have become so dysfunctional that Congress and the President can’t even agree on fixing bridges anymore, let alone fundamentally reforming the political system. But perhaps what national politicians can agree upon is just giving the states permission to experiment. And with that experimentation, political forces might begin to see the virtues of a grand bargain around decentralization: Red states can become redder, if blue states can become bluer.

An example of an issue where permission to innovate might be useful is tax reform. A powerful argument is now being made across the political spectrum to shift taxes away from “goods” we want more of (like income, sales, property development, and value-adding business) to “bads” we want less of (like tobacco, pollution, carbon emissions, nonrenewable resource use, and high-frequency stock trading). For fairness purposes, some states and localities also might wish to keep a greatly simplified but progressive individual income tax to compensate “losers” from such a tax shift, but many different approaches are imaginable. An impediment to such a tax shift is arguably the Commerce Clause of the Constitution. Producers of oil, gas, and coal will almost surely challenge a state’s carbon tax on the grounds that it infringes on interstate commerce. A mere declaration by Congress, however, that a state carbon tax was permissible—a bill that would cost zero federal dollars—would be binding on the courts, eliminate legal worries, and facilitate local experimentation.
Note that the framework suggested here doesn’t require states and localities to change their tax systems. It simply opens the possibility of exploring alternatives. If legislators were willing to allow states more latitude to do things they might find abhorrent in their own states, we could begin to have a deeper conversation about what really works.

“Wave elections” happen every now and then in American politics, placing the White House, the Congress, and the Senate in one party’s control. The 2016 election narrowly has put in place a Republican supermajority, and now one can imagine it moving entitlement programs back to the states—or eviscerating them so profoundly that many states would bolster their own safety nets. Similarly, a future Democrat supermajority might dismantle parts of the national security state. President Trump has promised to revamp or repudiate the WTO and other overreaching trade agreements, though he will surely face opposition from members of both parties. The biggest problem now, however, is that neither party has produced an exceptional leader capable of articulating the decentralist perspective with coherence and consistency.

If the current stalemate in Washington (elaborated below) continues much longer or if the federal government dismantles programs many deem essential, states and localities are going to realize that they will have to take initiatives on their own. If federal entitlement programs go bankrupt, states will have to create their own programs (many have done so already, in the form of portable, state-managed 401k’s). If the federal government continues to underfund infrastructure programs, the states will have no choice but to repair their own bridges with their own money. Dysfunction at the top, in other words, may naturally lead to accelerated innovation and action at the bottom.

**Theory of Change**

Few would argue with the observation that Washington has become increasingly dysfunctional. Not only is the national government incapable of addressing major problems, but it is afflicted by shutdowns, credit defaults, endless lawsuits, and deepening cynicism. Two seasoned political observers, Thomas Mann and
Norman Ornstein, argue that one almost has to go back to the Civil War to find a less functional federal government.\(^\text{18}\)

Some reforms that could improve the functionality of Washington are plausible. A switch of one or two votes on the Supreme Court, for example, might rescind the *Citizens United v FEC* decision (allowing unlimited campaign donations as part of protected Free speech), reduce the role of money in politics, and increase the competitiveness of elections.\(^\text{19}\) But most of the judges on President Trump’s list of leading contenders for the Supreme Court would disfavor such reforms.

Even if the federal government functioned better, its inherent liability is that it just too big to succeed at very much—period. The larger the country gets, the more difficult it is to involve citizens in a meaningful democratic process. Engagement, participation, and creativity increasingly require local groups to work on local problems.

It’s not just a coincidence that most governors are less ideological and more pragmatic than their peers in Washington. They are expected by their populations not to bloviate ideologically but to get things done. The rationale for subsidiarity—that political action is quicker, smarter, and less polarized at the state and local level—is precisely what is driving greater interest in decentralization by conservatives and progressives alike.

Most decentralists detest any attempt to nationalize healthcare, even a milque-toast, insurance-based program like Obamacare. Personally, I viewed it as better than no reform at all, because a national consensus had formed that the previous reality, where patients with preexisting conditions were prevented from obtaining any insurance at all, was morally unacceptable. But that said, I believe the
Obama Administration foolishly overreached with its healthcare reforms and paid a huge political price for it. It would have been smarter to have learned from our decentralist neighbor to the North.

The first socialized medical system in Canada was in the province of Saskatchewan, which is geographically and politically proximate to Montana. In 1946 that cowboy republic guaranteed free hospital care for most of its residents. Eleven years later, the national government passed the Hospital Insurance and Diagnostic Services Act, which agreed to pay for half of any provincial healthcare reform that met certain basic characteristics like comprehensiveness, universality, and portability. By 1961, ten provinces were participating, each experimenting with various reform ideas consistent with the national objectives. The learning from these programs brought about a Canadian consensus that the government should gradually expand its coverage into a national system that still allows substantial flexibility by the provinces. Today, this program is enthusiastically supported by all of Canada’s political parties (though each would enact different reforms to improve it).

A decentralist-minded Obama Administration might have reformed healthcare in the United States by setting broad goals for coverage and inclusion of the uninsured, offering states matching funds, and leaving it to governors and state legislatures to implement the details. Some states would have chosen, as Massachusetts had under Governor Mitt Romney, an Obamacare-like expansion of the private insurance system through subsidies. More progressive states might have created a statewide public insurance pool or perhaps even a state-run medical system. Conservative states might have created an expansive system of medical savings accounts. States choosing similar systems might have been encouraged to form interstate pools to achieve better economies of scale. This approach would have given every state a positive, creative incentive to construct a medical system that comported with its own values.

Interestingly, this is exactly the direction of reform recently proposed by former Senate leader Tom Daschle (a Democrat who was Obama’s first pick to oversee healthcare reform) and former Republican House speaker Newt Gingrich. In
a remarkable op-ed, they argue that the way Congress could move ahead with healthcare reform is by allowing some states to bolt from Obamacare if they have a better plan for providing the same degree of universal coverage.\textsuperscript{21}

The Obamacare debate proves that whenever a national mega-plan is shoved down the throats of recalcitrant states, they will do everything in their power to block it. Devolution offers a more constructive theory of change, and the chance to channel the vast hot air that goes into blocking hostile national legislation into constructive state experimentation. Let a thousand flowers of innovation bloom in our fifty “laboratories of democracy.” I’m deeply skeptical of many conservative solutions—public education vouchers, flat taxes, cash-based welfare programs—but I’m really curious to see how these ideas might work when given a chance. Maybe my views are wrong. All of us should be more open to persuasion.

A decentralized United States could be a place of expanded learning. In this kind of world, social movements become more important, more powerful, and more responsible. The ability to test ideas at the state level, rather than hurling theoretical invec-tives at the national level, means that movements will be held more accountable.

Decentralization also better inoculates the country against crises. The growing discourse around resilience worldwide is really about how to help communities handle the unexpected, whether natural earthquakes, manmade climate disruptions, capital flights, or pandemics. A country of increasingly self-reliant communities is, by definition, better able to cope with unexpected catastrophes. When one community is overwhelmed, more self-reliant neighboring communities will have the capacity to help.

Some Specifics: Economy

Even though Switzerland is known for its big banks, it actually has a vast, competitive, and powerful small-business sector. Indeed, it’s the home to the largest complementary currency system in the world run by the WIR Bank (formerly the Swiss Economic Circle), with 80,000 members, roughly 80 percent of which are small and medium-scale businesses, and assets of over five billion US dollars.
Since 1934, the network has facilitated loans and sales among members by using an internal currency (alongside Swiss francs) guaranteed by member assets.

A Swiss-inspired economic model for a decentralized United States would be rooted in a highly competitive market economy dominated by small and medium-scale businesses. A growing body of evidence suggests that this is exactly what regions need to prosper. For example:

A 2010 study appeared in the *Harvard Business Review* under the headline “More Small Firms Means More Jobs.” The authors wrote, “Our research shows that regional economic growth is highly correlated with the presence of many small, entrepreneurial employers—not a few big ones.” The authors further argued that the major preoccupation of economic developers—how to attract global companies—is fundamentally wrong-headed: “Politicians enjoy announcing a big company’s arrival because people tend to think that will mean lots of job openings. But in a rapidly evolving economy, politicians are all too likely to guess wrong about which industries are worth attracting. What’s more, large corporations often generate little employment growth even if they are doing well.”

Another study published shortly thereafter in the *Economic Development Quarterly*, a journal long supportive of business attraction practices, similarly finds: “Economic growth models that control for other relevant factors reveal a positive relationship between density of locally owned firms and per capita income growth, but only for small (10-99 employees) firms, whereas the density of large (more than 500 workers) firms not owned locally has a negative effect.”

A paper published in 2013 by the Federal Reserve in Atlanta, which performed a regression analysis of counties across the...
United States, found statistically significant “evidence that local entrepreneurship matters for local economic performance… [T]he percent of employment provided by resident, or locally-owned, business establishments has a significant positive effect on county income and employment growth and a significant and negative effect on poverty…”24

But can smaller businesses compete in a globalized world economy? Broadly speaking, local businesses have done remarkably well at competing, despite the best efforts of economic developers to kill them through neglect or subsidizing their global competitors. And two basic facts underscore this conclusion: First, if local businesses were becoming less competitive, we would have seen jobs shift from the local half of the economy to the non-local half. In fact, when the spectacular growth of home-based businesses in the United States is properly accounted for, there has been no shift whatsoever for almost a generation.25 Second, if local businesses were becoming less competitive, their profit rates would be lower than those of big businesses. Yet the most recent tax data available from the Internal Revenue Service show that in 2012 net revenue from sole proprietors, which most small businesses either are or start out as, generated three times more net income per receipt dollar than C corporations.26 In Canada, not a wildly dissimilar nation next to the United States, the most profitable businesses have ten to twenty employees and are 63 percent more profitable than big businesses.27

Within this framework, one can still imagine competitive state economies manifesting a wide range of features, as befits the “laboratories of democracy.” For example, states might:

- enact tougher anti-trust laws;
- have large public sectors leading industries like healthcare and banking, or keep their public sectors tiny;
- provide tax incentives to companies that form themselves as Benefit corporations (embracing high labor and environmental standards), as low-profit companies, or as cooperatives;
have aggressive economic planning mechanisms, or remain highly laissez-faire;
experiment with issuing their own currency (as many local governments did in the United States during the Great Depression).

The biggest impediment to the spread of local business is arguably capital. Even though locally owned businesses constitute slightly more than half of the US economy, they receive far less than half of all banking capital and almost none of securities capital (which is four times the size of banking) tied up in pension funds, mutual funds, and insurance funds. This constitutes a huge capital market failure, and to the extent that it flows from poorly conceived banking and securities laws, it represents arguably the biggest subsidy the US government gives to global business.

There are many reforms the states could undertake to make more capital available to local business. Among the most interesting:

- Create a state-owned bank, like the Bank of North Dakota, which places unspent public funds and federal transfer payments on deposit in local banks and credit unions. Because a dollar deposited in a local financial institution is three times more likely to be lent to a locally owned business, this reform would have the effect of expanding lending from precisely those institutions most likely to pump up local prosperity.
- Expand the crowdfunding reforms that make it cheaper and easier for local businesses to issue intrastate securities, reforms already undertaken by more than thirty states.
- Create a state stock exchange, as the state of Michigan recently committed itself to exploring, to facilitate the resale of intrastate securities.
- Make it easier for grassroots groups to create neighborhood-scale investment funds, as the Canadian province of Nova Scotia did in 1998, and allow residents to put tax-deferred retirement savings into these funds.28
Enact a tax credit for investments in locally owned business. The Canadian province of New Brunswick now gives residents a 50 percent credit on provincial taxes when they invest at least 1,000 Canadian dollars in a local business.

Again, in a decentralized United States, only some states would embrace these ideas. That’s the nature of experimentation. Different states will approach reforms in radically different ways, including taking a pass. The only absolute requirement is the reform of federal securities laws to permit states to implement new ideas. Some of these reforms—for public banking, crowdfunding, and tax credits—are clearly legal now. Others, such as reforms of the Exchanges Act of 1934 or the Investment Company Act of 1940, might require “no-action” regulatory initiatives from the SEC or congressional action.

What will happen when trillions of dollars of investment capital, which up to this point have automatically gone to Wall Street, shift to Main Street businesses? Lower investor demand will depress the prices of Fortune 500 stocks, which might cause even more Americans to move their money into the local economy. Given the underlying competitiveness and profitability of local small businesses, the transformation of the economy in a decentralized United States could proceed with surprising speed.

Some Specifics: Society

The Swiss social safety net provides various kinds of national insurances (including retirement, unemployment, health, accidents, and disability), but social programs beyond those vary enormously from canton to canton. Generally speaking, Swiss social policy emanates from nonprofits funded by local governments, and when programs are proven to work well, they may be taken up by the canton or federal government. For example, public support for nursery school begins when children are anywhere from the ages of four to six, and publicly supported child care programs are robust in some communities and skeletal in others.
In a decentralized United States, the social policies of the fifty states also would be as diverse as their economies. Some states might embrace Swedish style social programs (financed by significantly higher taxes), while others might embrace private sector models. Whatever their choices, it’s worth noting that the prerequisite for successful social programs is a strong economy, because a strong private sector minimizes burdens on the public sector and also, in principle, allows for generous funding of social programs. By maximizing economic well-being in all kinds of communities, big and small, through a greater diversity of locally owned businesses, the model proposed here would have the best possible shot at solving various social challenges.

While many different kinds of antipoverty programs are defensible, here are some of the top ideas that states would hopefully consider:

- Grow the retirement programs they inherit from the national government, and expand the mandatory contribution that all workers make to their savings. These savings should be fully portable from job to job (or to self-employment). As noted, a number of states do this now, but foolishly do not provide participants local investment options.
- Adopt and expand the earned-income tax credits, to maximize the incentive of the poor to work.
- Provide employers with tax credits to maximize their incentive to hire the chronically poor, including residents with disabilities and prison records.
- Continue to make benefits available to the chronically poor, whether through cash supplements or in kind benefits, but condition them on acceptance of low-wage jobs provided by the government. Where the private sector is unable to provide jobs, the public sector should serve as the employer of last resort. Some of these jobs should be organized around meeting basic needs. For example, public housing could integrate community gardens and greenhouses that provide food enterprise jobs.
As noted earlier, a decentralized America would still have a strong Bill of Rights protecting Americans from discriminatory laws based on race, religion, ethnicity, and gender, but even in this arena there’s a need for state innovation. A decentralized union would permit a state to enact stronger protections of rights (based on their state constitutions) than those afforded under the US Constitution. The Supreme Court in principle recognizes this. For example, California was permitted to grant greater free speech rights to protestors in a private shopping mall than the US Constitution would provide. And states were permitted to allow same-sex marriage before it became a national standard. One could imagine “blue states” strengthening the rights of women, non-heterosexuals, and immigrants, while “red states” might strengthen the rights of the unborn and religious practice in public places.

A decentralized union also would hopefully see states showing more tolerance of communities that deviate from state norms. For example, the deep red Texas might still permit the bluish city of Austin to set a higher minimum wage and make abortion services more accessible. Or the deep blue Maryland might still permit a reddish Salisbury to experiment with ways of remedying discrimination other than affirmative action.

Those unhappy with the utopian inclination of their community or state could always resort to a time-honored tradition in the United States—they could move. This may seem cold-hearted toward those who lack the means to move, but it’s worth noting that US history is filled with migrations by those with strong grievances and limited means. And frankly, this is happening anyway, as Americans sort themselves into more ideologically homogeneous communities. While I view this as a problem—I’m one of those weird people who grew up arguing around the dinner table and who prefers neighbors who have different values than my own—I respect those who favor local homogeneity. The point is that a real democracy always confronts its members with the choice of whether to change, accept, or flee local policies they don’t like. A decentralized United States simply puts more responsibility on its citizens to make these choices mindfully.
Some Specifics: Environment

Local self-reliance offers a powerful new way to think about sustainability. A local economy that achieves a high level of self-reliance by using its own labor and natural resources imposes fewer demands on the resources of other localities. Energy self-reliant states, for example, will be hard to convince to go to war in the Mideast to protect “our oil.”

We should extend this further, however, to protect other global commons. In 1987, the Brundtland Commission, which made the case for urgent global action to deal with dramatically deteriorating global environmental conditions, defined the term *sustainability* as meeting the needs of the current generation without impairing the ability of future generations to meet their needs. Through a more decentralist lens, sustainability might be redefined as every community meeting its own needs, present and future, without impairing the ability of other communities to meet their own needs, present and future. Adding place to sustainability makes it more coherent, and reinforces the value of global solidarity.

Skeptics, of course, can point to examples of communities that will do as little as possible to manage their resources, world be damned. The phrase NIMBY, which refers to “not in my back-yard,” is about communities that refuse to do their part to solve collective problems—like providing land for their own garbage disposal. In a highly decentralized United States, NIMBY would be frowned upon but accepted, provided that the NIMBY community was not imposing new environmental problems on its neighbors. For those that were, higher-level legislation would be needed.

But far more important than the challenge of NIMBY is the opportunity from BIMBY—those communities that proclaim “*begin* in my back-yard.” For example, in the late 1980s, I helped organize a group of two dozen American and Canadian communities that entered into a quasi-treaty with one another called the Stratospheric Protection Accord (SPA). Frustrated with the lack of national action on reducing emissions of chlorofluorocarbons (CFCs) and halons, which science was just highlighting as creating a huge and dangerous hole in the Earth’s
ozone layer, these communities agreed to return home and use their local regulatory authority to slash local emissions. This local action ultimately reverberated into national action by both governments to convene what became known as the Montreal Protocols. Today’s largely aspirational treaty on climate change just signed in Paris will only become meaningful if similar kinds of local initiatives emerge to implement specific greenhouse-gas reductions.

In a decentralized United States, BIMBY would expand dramatically as communities shared with one another technologies, policies, and business models for increasing their local sustainability. This is already occurring through organizations like the ICLEI—Local Governments for Sustainability. Forget about relying exclusively on national governments to solve environmental problems—they are too compromised and too slow. The real action is, and will remain, at the state and local levels.

**Some Specifics: Polity**

“All politics is local,” House Speaker Tip O’Neill used to say, and local politics arguably constitute the most genuine form of political engagement. And the enthusiasm and excitement generated by a decentralized union are perhaps its strongest selling points. Moving the locus of political power downward means that the opportunities for grassroots empowerment are significantly greater. Today’s *Hunger Games* style of politics, characterized by phony, anonymous, top-down manipulation by corporations, billionaires, sclerotic political parties, pollsters, television ads, and staged events, can finally give way to genuine deliberation and action by people who actually know one another. The ideas promulgated by scholars like Benjamin Barber in *Strong Democracy* would actually have a chance of being implemented.

A decentralized union would hopefully change politics not only at the bottom but also at the top. As much as I would love to see the imperial presidency in the United States give way to the microscopic presidency of Switzerland, I suspect there is zero chance of this happening over the next few generations. But, within our existing constitutional order, it is possible to shrink the size and ambitions of the federal government, as more and more of its functions are taken up at the state and local level.
To facilitate a smooth transition to this model, a smart federal government might (to recap a few earlier points):

❖ Narrow grounds for preemption by the federal courts.
❖ Broaden state and local discretion for assessing taxes to cover increased responsibilities.
❖ Ensure that devolution of responsibilities is accompanied by commensurate devolutions of power, and that no mandates are imposed on states without adequate federal funding for at least a few years of transition. (Ultimately, again, states will have to swim or drown with these programs on their own.)
❖ Provide broad “compact” authority for noncontiguous places, whether states or towns, to facilitate collaborative agreements with one another whenever they need larger economies of scale (such as larger pools for health insurance policies). Frankly, any subject matter appropriate for state action should be made permissible through interstate compacts.

The federal government, while shrunken, would continue to oversee issues that must be national, such as foreign policy, immigration, air traffic control, water pollution, and currency. But it’s worth pointing out that even these issues could—and already do—benefit through decentralization.

Consider the issue that many scholars assume to be impossible to decentralize: foreign policy. Despite legalistic pronouncements that states and localities have no role in US foreign policy, the fact is that they have been active players since the early days of the Constitution. And these activities actually are enumerated and protected by the Constitution:

❖ The First Amendment guarantees the right of local elected officials to speak out on foreign policy, using a broad range of tools such as public education, lobbying, and resolutions.
❖ The Fifth Amendment accords local elected officials a privilege
to travel internationally, which they have frequently used to enter trade agreements, push human rights causes, and oppose wars.

The “market participant” exemption of the commerce clause allows state and local governments broad authority to invest in, or enter contracts with, those foreign entities they like; and to divest from, and avoid doing business with, those entities they detest (though recent trade agreements chip away these rights). 36

While state and local authorities are forbidden from entering international treaties, they are allowed to enter federally permitted international “compacts” and almost any international contracts.

The militia clause of the Constitution even gives states a modest role to play in US military policy.

And the Tenth Amendment reminds us that all ambiguities should be resolved in favor of state power.

Consequently, we’ve already seen profound instances in which state and local governments have changed US foreign policy. Nuclear freeze resolutions by city councils brought the Reagan Administration to the negotiating table with the then Soviet Union around nuclear arms control. Divestment campaigns upended Reagan’s policy of “constructive engagement” with apartheid South Africa and brought Nelson Mandela to power. Sister cities with Nicaragua basically wrecked Reagan’s efforts to overthrow the Sandinistas. The list goes on and on.

It’s true that state and local authorities do not have viable military options for their foreign policy (the rules of engagement for state militia are quite circumscribed), but this is a plus. After all, if the objective of a decentralized United States is to reduce military spending, we will want all levels of government—including state and local officials—to use nonmilitary means like persuasion, education, trade, aid, and exchanges. This is the powerful argument Benjamin Barber makes in his recent book, If Mayors Ruled the World. 37

Political engagement, of course, is never automatic, even at the local level. States and localities will need to implement new institutions to engage citizens more
effectively, including citizen advisory commissions, online engagement between civil servants and citizens, apps that increase the flow of grassroots information (like where the potholes are), and participatory budgeting (as practiced in Brazil, which gives voters the opportunity to set dollar amounts on different priorities). Whatever the next system of the United States, these innovations will be valuable. Decentralization just increases the probability of their adoption.

Conclusion

Perhaps the strongest argument for a decentralized United States is that it is happening already. With the federal government hopelessly gridlocked, state and local government have had to step into the void and increasingly meet the needs of their citizens. Looming cuts of the federal government led by the Trump Administration will only hasten this trend. Wouldn't it be better if we moved power and resources to those levels of government mindfully rather than haphazardly?

Readers who still imagine their own ideology prevailing no doubt bristle at this vision. Progressives who were excited about the presidential campaign of Senator Bernie Sanders of Vermont dream of a national political realignment that will enable the United States to look more like northern Europe. Conservatives who enthusiastically elected Donald Trump imagine remaking the United States into a highly deregulated, corporate-friendly nation. To all of you, let me offer one final bucket of ice water: The chance of any of you succeeding politically in a country of more than 330 million people rooted in some state and local autonomy is slim to none.

The best any of us will achieve in such a large, diverse country is the opportunity to remake our own community into exactly the place where we would like to live. Whatever your community looks like, rest assured that most of your fellow Americans won't want to live there. But if each of us can move just a little closer to our own utopias, we will all be more satisfied and embrace that famous French expression “Viva la difference!”

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Notes:


3 Yale Center for Environmental Law and Policy, Global Metrics for the Environment (New Haven, YCELP, 2016), 18.


10 This observation comes from nearly three dozen studies I have done of the local economies and local food economies of cities across the United States. See, e.g., Michael H. Shuman, “The 25% Shift: The Benefits of Food Localization for Boulder County and How to Realize Them” (Boulder, CO: Transition Colorado, February 2012).


12 Charities Aid Foundation, CAF World Giving Index 2015, November 2015 (monograph).


14 See, e.g., McComish (Arizona Free Enterprise) v. Bennett, 131 S.Ct. 1672 (2011), which invalidated Arizona’s Clean Elections Act provision matching a candidate’s funds if his or her opponent exceeded a statutorily set threshold.


See historic data produced by the Bureau of Labor Statistics.


Even this definition will be unsatisfying to some. For example, some believe that protection of nature should not be up to any community to decide—it should simply be a foundational principle of governance. In a decentralized United States, some communities would be free to implement more demanding conceptions of sustainability.


For more on the ICLEI and their work, see: http://www.iclei.org/.


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Michael H. Shuman is an economist, attorney, author, and entrepreneur. He’s also an adjunct instructor at Simon Fraser University in Vancouver, a Fellow at Cutting Edge Capital and at the Post-Carbon Institute, and a founding board member of the Business Alliance for Local Living Economies (BALLE). He has authored, coauthored, or edited nine books. His most recent book, which just published by Chelsea Green in May 2015, is The Local Economy Solution: How Innovative, Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity. One of his previous books, The Small Mart Revolution: How Local Businesses Are Beating the Global Competition (Berrett-Koehler, 2006), received a bronze prize from the Independent Publishers Association for best business book of 2006. A prolific speaker, Shuman has given an average of more than one invited talk per week, mostly to local governments and universities, for the past thirty years. He has lectured in forty-seven US states and eight countries. He blogs regularly at www.michaelhshuman.com.
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James Gustave Speth, Co-Chair, Next System Project

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