Building the Democratic Economy

A new economic order is being designed and constructed around the country.
From Reformation to Transformation

There is a lot of hand-wringing right now about how polarized our politics are, but there is also something very noteworthy and, we believe, encouraging about the debates we’re seeing—not the debate over whether we patch the wounds of our economy and politics with red bandages or blue ones, but the debate around how the whole political economy is designed, and who it serves.

The work of The Democracy Collaborative and its Next System Project has therefore never been more relevant in the minds of thought leaders and activists interested in going beyond patchwork reforms (that are vulnerable to rollbacks) to deep transformation of how our economy works.

At the root is the idea of a “democratic economy”—that the transformation starts with doing for the economy what our nation’s founders envisioned for our political system: make it of, by and for the people, not of, by and for the privileged few.

We have been able to drive a vision of the democratic economy to the forefront in several key areas in 2019 by translating system-changing ideas into implementable policy solutions that are being carried forward by a growing array of elected officials, activists, organizers and thought leaders. Here are a few examples that you will read more about in this magazine:

- We have added two critical ideas to the Green New Deal debate: that a just transition is best driven when key institutions like utilities are under public ownership, and that institutions like the Federal Reserve should use their power to bail out the planet, not the big banks.
- A “right-to-own” proposal giving workers the first chance to buy a company before it is sold off or closed has been embraced by politicians in both the US and the United Kingdom.
- Also embraced on both sides of the Atlantic is a proposal that democratic publicly owned pharmaceutical companies could transform the pharmaceutical sector and produce better outcomes for our economy, health and democracy.
- Partnering with People’s Action and other groups, we helped design and advance a plan for a national homes guarantee, which adds considerable policy substance to the principle that housing is a human right.
- Against the tide of privatization and austerity economics, we continue to highlight the benefits of democratic public ownership of services and reclaim the history of public sector innovation in the US and beyond.

As we put forward bold ideas about what the democratic economy of the future might look like, it is important to highlight the ways in which that economy is already coming into being. That’s most notable in the approach to community wealth building that has now taken off in the UK, inspired by our success with the Evergreen Cooperatives in Cleveland, that was featured this year in both The New York Times and The Guardian. It can also be seen in our anchor collaborative work, where health systems and universities around the country are leveraging their procurement and investments to stabilize and revitalize local communities.

Yes, these are times of enormous—sometimes seemingly insurmountable—challenge. But the stories in these pages should give you hope that with bold ideas for system change we are already re-drawing the boundaries of possibility for the world we must create together.

Dana Brown is director of The Next System Project and co-director of theory, research and policy at The Democracy Collaborative.
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By Gar Alperovitz and Johanna Bozuwa

Less than 100 years ago, electricity was far from a given for all Americans. As late as the mid-1930s, decades after most US cities were fully wired, nine out of 10 rural families made do with kerosene lamps and pumped water by hand. Privately owned power companies were unwilling to invest in anything that did not produce extravagant profits, so rural communities were not prioritized.

The answer—though not called by this name—was “democratic socialism.” President Franklin D. Roosevelt launched the Rural Electrification Administration (REA) in 1935 to provide tools for rural families to band together to build publicly or cooperatively owned utilities. REA brought electric power to more than 90 percent of rural America by 1953.

We need similar urgency and public action to avert climate catastrophe. The Green New Deal—which calls for a 10-year mobilization to meet 100 percent of power demand through “clean, renewable and zero-emission energy sources”—requires not just new green technologies but a reimagining of the way the pieces fit together. We need a system rebuilt from the ground up with institutions of democratic, rather than private, control.

Seventeen percent of our electricity came from renewables in 2018, including hydropower. Getting from here to 100 means we need to build around five to six times the renewable capacity we currently have, all while phasing out gas-powered heating and oil-fueled vehicles in favor of new, electric-powered models and increasing energy efficiency.

We know that in a warming world, we need a more resilient, smarter infrastructure to cope with the realities of extreme weather events, changing conditions and new, intermittent sources of power, like wind and solar. One key way to get there is to downsize parts of our current monolithic grid into smaller, community-sized units, interlinked but capable of operating independently in an emergency. Here, community- or neighborhood-size renewable energy installations could be owned and operated for the benefit of the communities they serve, not a giant power company’s investors.

Today’s corporate energy utilities once again stand as impediments to a viable energy future. More interested in fleecing ratepayers than in sustainability, they desperately guard their fossil fuel...
Neighborhood-size renewable energy installations could be owned and operated for the benefit of the communities they serve.

investments, lobby regulatory agencies and donate to preferred politicians.

The new Sunset Park Solar project in New York City is a perfect example of the sort of initiative a Green New Deal could finance across the nation. Uprose, one of the oldest community-based Latinx organizations in the city, partnered with several groups, including the state government agency NYC Economic Development Corporation, woman-owned solar installer 770 Electric and consumer-owned cooperative Co-op Power, to install community-owned solar on top of the Brooklyn Army Terminal by the end of 2019. When finished, it will serve 200 low-income residents with electricity that’s cheaper and more resilient in the face of potential climate-related grid disruption.

At larger scales, different forms of democratized ownership begin to come into focus. Public ownership at the city level cuts out investors demanding higher rates and allows for long-term and holistic community investment. Residents of Boulder, Colo., have waged a multi-year struggle to take their electric utility into public ownership for the explicit goal of transitioning to clean energy. Cutting their contract with investor-owned utility Xcel would free them from the company’s historical foot-dragging on renewable energy deployment, allowing them to make their own decisions about how to transform their grid.

At the state level, campaigns to take power systems back into public hands are making strides. In California, the failures, greed and bankruptcy of the statewide grid operator, PG&E, has prompted activists to push for public ownership instead of an investor bailout. In Rhode Island, the Democratic Socialists of America’s #NationalizeGrid campaign against power company National Grid is picking up steam. In January, Rick Savage, a Republican and business owner from Bethel, Maine, responded to the possibility of a public utility quite straightforwardly: “Creating Maine Power will reduce costs to businesses like mine, put the control back in our hands, and put money back in our pockets as Mainers.”

The Green New Deal could give communities the much-needed financing, legal authority and capacity to kick out investor-owned utilities in favor of community-run, renewable-powered ones by launching a Community Ownership of Power Administration, akin to Roosevelt’s REA.

We also need to think about large-scale planning that can structurally shift entire systems to serve the many. Here, another program of the original New Deal shows what can be done: The Tennessee Valley Authority (TVA), a government-owned corporation created in 1933, was part rural electrification program, part agricultural management, part river management and part jobs program for a region of the country hit hard by poverty. A large-scale experiment in regional planning, TVA now provides wholesale energy to seven states and 10 million customers.

It should be noted that TVA backed away from an initial vision of more bottom-up democratic control, and its record on equity is far from perfect. When building its dams in the 1930s, it used eminent domain to take over farming land and failed to adequately support displaced black farmers. Its environmental record, too, is spotty, marred by large hydropower dams, nuclear and coal power.

But TVA still offers a model of the kind of large-scale planning that could today allow us to develop—in a more democratic, racially equitable and ecologically appropriate way—at-scale infrastructure designed to provide cost-effective renewable power to millions.

Alternatively, we can look to the New Deal vision of Sen. George Norris (R-Neb.), one of the original architects of the TVA, who helped make his largely conservative state the only one entirely served by public power systems. Norris urged the creation of “seven little TVAs” operating across the country as anchors of economic democracy. Such regional-scale initiatives could be leveraged to support a just transition now—without reperpetuating the harms of the first New Deal.

Imagine windswept plains redeveloped into centers for wind power, regional strategies for transitioning workers from extractive industries to renewables, regional consortiums investing in publicly owned solar and storage, a massive jobs program to retrofit homes for greater efficiency, and fully electrified regional transit systems.

This is the level of ambition we need to make the Green New Deal work. The technology to get us to 100 percent renewables is there; the question is how we redesign the system fast enough and for the people. If our goal is to save and even improve human lives, the new system has to bake in equity and democracy at every level—from the community to the regional and beyond.

This is an edited version of an article originally published in the May 2019 issue of In These Times.
The birthplace of the coal-fueled Industrial Revolution and the world’s leading carbon emitter can undo the damage they have done through coordination on Green New Deal policies centered in energy democracy.

By Johanna Bozuwa and Carla Santos Skandier

The narrative surrounding the Green New Deal championed by climate activists in the US and the UK is one of sweeping action to address the climate crisis, huge government investment in public infrastructure, and repairing the historical harms of communities disproportionately affected by pollution and climate change. But how specifically does the Green New Deal unleash itself from the imperatives of our current political economy—the constant need for growth, the resource (and often colonialist) extraction, the firm corporate grip on the body politic—and move towards an economy based on democracy, justice, and sustainability?

One strategy is clear: the transformation of the energy sector through public ownership. Specifically, this means tackling the issue of fossil fuel extraction by prompting a federal buyout of the fossil fuel majors, engaging in regional planning and enterprise to shepherd a just transition for communities and workers, and kicking out a fossilized investor-driven energy system and replacing it with a system of energy democracy.

Despite the bold ambitions of the Green New Deal resolution present-
ed in Congress earlier in 2019 by Rep. Alexandria Ocasio Cortez (D-N.Y.) and Sen. Ed Markey (D-Mass.), the crucial missing piece is a supply-side plan to stop fossil fuel extraction. This is by no means exclusive to the Green New Deal: the Paris Agreement fails to mention fossil fuels altogether.

To stay within a 1.5 degrees Celsius world and avoid climate catastrophe, close to 85% of all known fossil fuel reserves need to stay in the ground. That would require securing public control of existing private (and already-leased public) fossil fuel reserves.

**Quantitative Easing for the Planet**

The most timely way to do that is through a national buyout of the top publicly traded fossil fuel companies, using the tool deployed during the 2008 financial crisis known as quantitative easing (QE). Through QE, the Federal Reserve was able to create over $3.5 trillion between 2008 and 2014, which was then used to bail out banks, insurers, and even the automobile industry—all without burdening taxpayers or spurring runaway inflation. Likewise, the Bank of England created almost half a billion pounds in order to stabilize the UK’s banking sector.

For less than a third of the cost, these central banks could accomplish something much more transformative by buying out the majority of fossil fuel companies’ publicly traded shares and securing control. Answerable to the public and without the growth imperative, the government would be much better poised to manage the winding down of existing and planned fossil fuel extraction and production, as well as stopping new developments that are clearly outside the carbon budget. This would also deliver a much-needed knockout blow to the entrenched political interests of fossil-fuel CEOs and shareholders that would reverberate across the globe, clearing the path for governments—in direct consultation with affected workers and communities—to design, build, and govern a genuinely just transition.

We can find a historical example in the original New Deal. Former US President Franklin D. Roosevelt created the Tennessee Valley Authority in 1933 to electrify rural America and to serve as a major jobs initiative. Today the TVA is the largest public power company in the US, still serving many of the surrounding states with electricity. TVA’s history is tied to racial discrimination, but we could imagine a series of locally controlled regional authorities with a different outcome: communities co-creating plans for decarbonizing and revitalizing their local economies, with racial equity at the center.

**Community Ownership of Power Administration**

That requires laying the groundwork for the next renewable energy paradigm of “energy democracy.” The commitment to a community-controlled and just renewable energy system is gaining momentum. The major structural impediment is for-profit energy utilities. In the last couple of years, however, communities fed up with political power plays and climate inaction have led a surge of utility takeover campaigns. They range from local, such as an effort in Boulder, Colorado, to take the utility into the city’s hands and the Switched On London campaign, to transatlantic, such as the “#NationalizeGrid” campaign against National Grid, a UK for-profit company operating in both “New” and “Old” England. The Labour party took this vision a step further in 2019 with a proposed full takeover of “the Big Six” energy utilities in the UK.

These efforts also have a precedent in the original New Deal. When investor-owned utilities refused to bring electricity to rural areas, the Rural Electrification Administration provided patient capital along with legal and technical expertise so farmers and communities could band together and start their own electric utility cooperatives or public enterprises.

A similar national-level entity—the Community Ownership of Power Administration—could be created today to deploy much-needed financing and capacity-building to design and build publicly run energy utilities. Municipalities, regions, or whole states or provinces could take the reins from their for-profit utilities and, based on energy democracy, invest on such priorities as energy efficiency, shared sustainable energy infrastructure, and good jobs to do it all.

The UK, which birthed the coal-fueled Industrial Revolution, and the US, historically the world’s leading carbon emitter, must recognize their duty to rapidly decarbonize and to untangle the web of historical harms caused by the exploitative economic conditions that they imposed around the world.

Choosing incrementalism over radical action is to choose a path to economic and climate chaos. The alternative, US-UK transatlantic coordination on Green New Deal policies that move toward energy democracy, could change in positive ways the very foundations of both economies.

**Despite the bold ambitions of the Green New Deal resolution, the crucial missing piece is a supply-side plan to stop fossil fuel extraction.**

Johanna Bozuwa and Carla Skandier are co-managers of the climate and energy program at The Democracy Collaborative. This article is drawn from “Shifting Ownership for the Energy Transition in the Green New Deal: A Transatlantic Proposal” in the report by the UK research organization Common Wealth, Road Map to a Green New Deal: From Extraction to Stewardship.
As the price of insulin tripled over the past decade in the US, we have seen a terrifying uptick after decades of decline in death-by-insulin-rationing as well as an increase in diabetes-related complications like amputations. All this is because patients cannot afford to take their medicine as prescribed. Developed nearly a century ago in a public lab in Canada, insulin is one of the more egregious examples of the dire consequences of pharmaceutical industry extraction.

In the richest country in the history of the world, the effects of this extraction are particularly striking. Life expectancy is on the decline, a full third of Americans report not taking medications as prescribed due to cost, the profit-fueled opioid epidemic has decimated communities, and the vast majority of the costly “innovation” coming from the pharmaceutical industry is clinically meaningless.

The noxious trends we see from this sector—skyrocketing prices, recurring shortages, increasing post-market safety issues, increasing financialization (which contributes to inequality, itself an indicator of health outcomes)—are all natural outcomes of an industry oriented around the singular goal of maximizing profit. To get different outcomes, we need a different design.

The Next System Project report, *Medicine for All: The Case for a Public Option in the Pharmaceutical Industry*, lays it out clearly: developing a public pharmaceutical sector for the US presents a systemic approach to these issues, superseding the need for piecemeal reform that could be later rolled back. Furthermore, public pharmaceuticals would produce improved outcomes for our health, economy and democracy even in the absence of other interventions such as patent reform, anti-trust action, or changes to our health insurance system.

Countries around the world have already effectively modeled public ownership in the pharmaceutical sector. Around the world, these public pharmaceuticals engage in research and development (R&D), production and distribution of everything from basic chemical inputs to first-in-class biologics. From China and India to the UK, Sweden, the Netherlands, France, Cuba, Brazil, South Korea, and beyond, public enterprises play a key role in ensuring consistent, safe and adequate supplies, containing costs, and directing innovation towards the most pressing public health needs.

Based on initial legal and regulatory analysis, case studies from public pharmaceuticals around the world, and best practices in democratic public ownership across sectors, we suggest a full supply chain “public option” in pharmaceuticals for the US to include: 1) a national public R&D institute engaged in full cycle drug development of essential medicines, 2) state and local public manufacturers, and 3) regional public wholesale distributors.

Managed in the public interest and with appropriate transparency and accountability measures, US public pharmaceuticals would stand to make significant positive contributions to our economy, health and democracy. Profits returned to public balance sheets could be invested upstream in social determinants of health and publicly owned pharmaceutical companies could be powerful anchor institutions contributors to thriving local and regional economies across the nation.

A public pharmaceutical R&D institute would accelerate innovation, reduce waste and assure public ownership of inventions, helping secure long term access to medications. Use of public, unitary pricing mechanisms would provide critical information about the flow of money through the pharmaceutical supply chain, empowering both citizens and lawmak-
Unlike the United States, all United Kingdom residents have access to public health care free at the point of service through the National Health Service (NHS). However, like the US, they are dependent upon an investor-owned pharmaceutical industry that uses publicly funded research and development to maximize private profits. The system of privatized medicines has led to extortionate prices and patients denied access to life-saving drugs. In one particularly egregious example, the NHS has been unable to offer patients the cystic fibrosis drug Orkambi for years because its makers refuse to lower its £104,000 price tag. Rejecting and rationing drugs is increasingly commonplace in the NHS because of the unsustainable demands of drug manufacturers.

In September, TDC’s Dana Brown and Thomas M. Hanna teamed up with Heidi Chow of Global Justice Now (UK) and Diarmaid McDonald of Just Treatment (UK) to issue a working paper, “Democratic public ownership in the UK pharmaceutical sector” calling for a public pharmaceutical option in the United Kingdom.

Greater democratic, public control over the research, development, production, and sale of medicines would help the UK fulfill its obligations to ensure the right to health for all. It would also be consistent with, and reinforce, the principles of the NHS. Delivering universality and equity is crucial to ensuring that the public healthcare system is accessible for all, and that could increase the number of secure, high-quality jobs.

The report concludes that bringing research, development, and production of drugs into democratic, public ownership would not only lead to more innovative and affordable medicines system but could also increase accountability and participation in the delivery of products that are key to the right to health. Creating or building out public enterprises that are driven by public interests would be the first step to ensure that the storied NHS can sustainably treat patients with innovative new drugs as well as deliver the large-scale investment necessary for creating high-quality jobs and equitable economic development.

**Dana Brown is the director of The Next System Project.**

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**IMPACT**

The idea of a pharmaceutical “public option” has gained significant political traction in recent months both in the United States and the United Kingdom.

In the US, 2020 presidential candidates Sen. Elizabeth Warren and Sen. Bernie Sanders have embraced the idea. Warren introduced a bill that would create the public Office of Drug Manufacturing with a mandate to produce generic drugs to end shortages, restore competition, and combat spiking prices. Sanders, at a forum in October, said he would “absolutely” support a public option in pharmaceuticals. “So you think we’re going to sit back and allow the pharmaceutical industry to engage in price-fixing, holding the American people hostage? Of course we’re not going to do that.”

The UK’s Labour Party in 2019 released a “Medicines for the Many” proposal that included a plan to allow the government to override patents permitting private and public production of medicines when deemed necessary for public health. The party platform also includes a call for democratic, publicly owned drug manufacturing at a scale sufficient to combat shortages and pricing issues.

Thus, a democratically-controlled pharmaceutical industry working for the public good would be a powerful example for—and important pillar of—the new economy we so desperately need to ensure the long-term health and wellbeing of communities.

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**Stronger Public Pharma Would Benefit the UK**

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The working paper identifies how the key principles of democratic public ownership can apply in the pharmaceutical sector, making the case for public ownership in both R&D and production, and setting out a vision for meaningful public engagement and participation, and transparency measures.

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In December 2008, a month before the end of his presidency and with the smoldering embers of the world economy strewn around him, George W. Bush sat down for an interview with Fox News’ Bret Baier. Struggling to justify the massive economic interventions his administration had just engineered, Bush put his cards on the table. “I’m a free-market guy,” he explained, “But I’m not gonna let this economy crater in order to preserve the free market system.”

In a matter of months, decades worth of carefully constructed neoliberal narratives around the ineffectiveness and impropriety of government involvement in the economy came crashing down as first the Bush, then the Obama administration pumped hundreds of billions of public dollars into the balance sheets of major financial companies, creating trillions in new money, and, in some cases, taking control of private and quasi-private corporations.

The 2008-09 financial crisis demonstrated that one of the most powerful tools that government (especially at the federal level) has at its disposal is nationalization—the process of bringing previously privately controlled assets (businesses, land, real estate, services, natural resources, etc.) under public authority. Yet activists, policymakers, and even socialists in the US in recent times have often been afraid to discuss or even propose nationalization as a policy option. This is due, in part, to a misreading of the country’s economic and political history as one in which private ownership and free markets reign supreme and unchallenged. In fact, in just the hundred years between 1909 and 2009, the federal government nationalized hundreds of businesses across a wide variety of economic sectors—including railroads, banks, arms manufacturers, telecommunications networks, mines, electric utilities, department stores, car makers, and many, many more.

In a new report for the Next System Project, *A History of Nationalization in the United States: 1917-2009*, I have attempted to document the long and rich tradition of nationalization in the United States—from gunmaker Smith & Wesson during World War I, to the Tennessee Electric Power Company (TEPCO) during the New Deal; to literally hundreds of companies in a wide variety of sectors during and after World War II and into the 2000s.

In December 1917, President Woodrow Wilson nationalized the nation’s railroads which, at that time, was one of the largest industries in the country, employing around 2 million people and accounting for approximately one-twelfth of the entire economy. Under private ownership, the rail system was falling into disarray. The multitude of competing companies were in financial distress but continued to prioritize returns for their shareholders over investment in tracks, trains, and stations. This led to coordination problems as well as crumbling infrastructure and poor service.

Following the government takeover, the rail network was integrated, badly needed repairs were made to tracks and stations, and thousands of new cars and engines were ordered. Moreover, wages were increased for workers, ensuring that organized labor fully backed the effort. After the war, in an early attempt at economic democracy, railroad unions were ultimately unsuccessful in their push for
permanent public ownership and operation through a multi-stakeholder board with equal representation from workers, officials, and the public.

During World War Two, the government nationalized hundreds of companies. One of the more interesting examples was the Montgomery Ward department store chain. The company’s anti-labor, free-marketeer chairman, Sewell L. Avery, refused to abide by orders from the National War Labor Board to abide by union contracts. In early 1944, President Roosevelt ordered the Commerce Department to seize the company’s main factory in Chicago and federal troops forcibly removed Avery from his office. Later that year, the government went further, nationalizing Montgomery Ward facilities in several states.

By the late 1960s, the private railroads were once again in disarray. Following the collapse of one giant railroad corporation, Penn Central, Congress passed the National Railroad Passenger Service Act (signed by President Nixon), which formed the National Railroad Passenger Corporation (now known as Amtrak).

As we prepare to enter the second decade of the 21st century, and as our communities face multiplying and intensifying economic, ecological, social, and political crises, it is critical that we utilize every policy tool at our disposal. For example, when the next financial crisis occurs, rather than bailing out or temporarily nationalize failing banks, we could demand long-term public ownership as a way to definancialize our economy, break up large concentrations of capital, and provide necessary funding for priorities like the Green New Deal.

While nationalization is certainly no panacea, and not universally applicable to every situation, it should be de-stigmatized and seriously considered.

Thomas M. Hanna is research director at The Democracy Collaborative and the author of Our Common Wealth: The Return of Public Ownership in the United States. A version of this article originally appeared in Jacobin.
Let the Workers Take Charge

By Peter Gowan

Back in April 2019, the broadcasting company Univision announced it had sold Gizmodo Media Group (a digital media company whose websites included Gizmodo, The Onion, Kotaku, Splinter, Jezebel, Deadspin, and The Root) to a private equity firm, Great Hill Partners.

At first, the CEO of the newly formed G/O Media said there were no layoffs anticipated for the company’s 233 unionized employees. That lasted less than a week; Variety reported on April 30 that 25 employees lost their jobs. In July, The Daily Beast was reporting that the company “has gone about slashing costs and changing the business significantly” in ways that alarmed the staff. By the end of October, much of the staff of Deadspin, a site known for its coverage of the intersection of sports, culture, and politics, had quit in protest of a management edict to “stick to sports.”

It turns out that workers and contributors were right to worry that the websites’ new private equity overlords would squeeze these editorial properties to maximize profit at the expense of editorial mission and quality. This is the private equity business model, after all, and it would be naive to expect anything else.

But what if there was an alternative? Wouldn’t it be better if these workers had the right to block the Great Hill sale and buy the company themselves, turning it into a worker-owned business, with financial and technical assistance from the government?

According to a YouGov Blue poll commissioned by The Democracy Collaborative, 69 percent of Americans say yes: workers should have the right to purchase their workplaces before any other buyers when they are up for sale or slated to close. This includes absolute majorities of Democrats, Independents, and even Republicans, as well as absolute majorities among all generations and racial groups. Even more astonishingly, only 10 percent of Americans say they oppose giving workers the right of first refusal to buy out their business.

The Democracy Collaborative released a report that could help make this right a reality.

WORKER OWNERSHIP

Let the Workers Take Charge

Sixty-nine percent of Americans say workers should have the right to purchase their workplaces before any other buyers when they are up for sale or slated to close.

How the right-to-own mechanism works

Laura wants to sell the company she owns, Laura’s Bread, to Derek for $3 million.

Laura registers her intent to sell with the Sales and Closures Office.

Derek deposits $3 million in escrow with the SCO.

The SCO notifies workers at Laura’s Bread about the proposed sale.

Workers choose whether or not to use this opportunity.
reality. Precedents already exist in several places. If you are a tenant in an apartment building in the District of Columbia and your landlord wants to sell the building, you have a legal right to join with other tenants and buy out your homes under the city’s Tenant Opportunity Purchase Act. Similarly, if you are a worker in Italy and your workplace is being closed, you have a legal right to get together with your coworkers and purchase it under the country’s “Marcora” legislation.

Both jurisdictions provide financial and technical assistance for such buyouts, and in both places the policies have been in force for decades, giving tens of thousands of people opportunities to own their homes or workplaces.

In a time when millions of baby boomers who own small and medium-sized businesses are retiring, potentially sparking massive layoffs as the firms close or are bought up by private equity companies, isn’t it a no-brainer to give workers the right to intervene themselves—to say, “We are going to buy the business, take it into our own hands, and run it ourselves”?

The concept of a right of first refusal would be a modest but important challenge to the absolute authority of owners to do whatever they please. It would maintain their right to choose when to leave the business, and to set a price at which they were willing to sell, but would take away their absolute right to shutter a viable company or sell it to an asset-stripping private equity firm. Owners who are closing or selling a business are moving on to something else. But their workers are left behind, and should therefore have priority in controlling the future of the business.

The Democracy Collaborative report proposes that companies being sold or closed would be held in escrow for a period of time. Workers would be given the right to choose a trustee, or have one appointed on their behalf, and would be made aware of how much they needed to pay to exercise the right of first refusal. They would then be given access to a range of new dedicated sources of capital for worker ownership transitions, including ones that would mandate repayment not in the form of money but in such forms as changes in company practices to be more environmentally sustainable or actions to rectify legacies of discrimination and inequality in the workplace.

The workers’ trustee would prepare a proposal to purchase the company, and workers would vote by card check on whether to go forward with it. Depending on the firm, this might involve a contribution from the workers, but they would also be able to access a public sector loan with repayments based on income (so low-income workers would not have to pay until they were in a better financial position).

Not every company being sold or closed would or even should be bought by workers. But few in the US today would agree that every company stripped and shut down by vulture capitalists was doomed to that fate. Many of them could have been saved, and the workers who wanted to save them were never given the chance.

There are thousands of workers across America who already own their companies as cooperatives. The right-to-own policy would give millions more a right to join their ranks. Politicians who endorse it could find a groundswell of approval from workers of all races, genders, and parties united behind a new economic right that gives them greater control over their futures. We call that freedom.

Peter Gowan is senior policy associate for The Next System Project.
To Raise Incomes, Build Wealth

Broad-based ownership of capital is the way to address income inequality and alleviate poverty.

Joe Guinan, vice president of theory, research, and policy at The Democracy Collaborative and executive director of The Next System Project, joined a panel discussion in June 2019 sponsored by The Century Foundation on “Raising Incomes on America: Debating the Best Path Forward.” This is an edited transcript of his remarks.

What I want to talk about is the need for a democratic ownership revolution in America. What I mean by that is the widespread democratization of the ownership of capital so that we widely distribute ownership and rights to the returns of capital.

It’s very much the case that what we need to be addressing is a 40-year problem. It’s very easy to get distracted by the current occupant in the White House, but it doesn’t matter who’s in the White House to some degree on some of these deep trends that we’re seeing with regard to income inequality, wage stagnation and certainly the concentration of wealth.

When you actually look at who owns wealth in America, it’s astonishing: 400 individuals who you could cram them into this room or onto a single airplane own as much wealth as the bottom two-thirds of Americans put together. I’d call it a medieval distribution of wealth except medieval historians would correct me and say there was a far more egalitarian distribution back in the Middle Ages.

This is the problem that we have to tackle and we need to go right to the heart of the institutional relationships of the economy that are producing these outcomes whether we have Democrats in control of the White House and Congress or not. What I think we need to be moving in the direction of is essentially plural forms of collective and broad-based ownership of capital and assets, which can take many forms. There’s a strong role for public ownership and municipal enterprise. There is collective capital ownership that can take the forms of public trusts or can pay out dividends, as the Alaska Permanent Fund does, which can get to some of the inequality issues we’ve been talking about.

There is also the opportunity to really democratize the heart of the economy and enterprise in the workplace. We face a huge opportunity, looking forward, in what’s being termed the silver tsunami,
which is that there is a massive wave of retirement coming up of baby-boomer business owners who have created the kinds of small- and medium-sized enterprises that really ought to be the lifeblood of this economy and of Main Street. Many of those businesses are going to be facing a massive succession problem. Often there aren’t children ready to take over and there may not be people ready to purchase those businesses, but waiting in the wings is private equity ready to asset-strip and throw away the carcass of many of them. So what we ought to do is seize this opportunity to really bring about a massive expansion of worker ownership so that people can actually benefit directly from the ownership and control of capital.

What greater aspiration could there be than ownership of your own job, ownership of your own company, of your own economic destiny?

We should be bringing about this transformation from both the bottom up and the top down. There is already a very large base to build on. There are something like 11,000 worker-owned firms in this country if you combine employee stock ownership plans and worker cooperatives. That’s more people who are worker-owners in America today that are members of unions in the private sector. So when we’re thinking about the institutional basis for the politics, this could be very important.

We could be bringing about conversions of these businesses by looking at some of the public programs that are available in support of small- and medium-sized enterprises. Often it’s the case that co-ops or other forms of worker ownership could fit with them, so there’s tweaking that we can be done with existing programs.

Legislation has already gone through this Congress and been signed by this president in support of new technical assistance and capacity building through employee ownership centers that will be created and so there’s a lot that we can do in that regard.

There are also some very innovative models being developed for supporting worker ownership using public procurements and the procurement of large nonprofit institutions—anchor institutions as we call them—and our own work in Cleveland, Ohio is one of the principal models. We’re using the hospital systems and the university there to redirect their procurement—$3 billion a year in a city that’s suffered deindustrialization and disinvestment—and actually putting it in support of a network of worker co-ops that are linked to the community and are providing goods and services that are needed by those institutions and good green jobs that are owned by the owners and workers in those companies. So there’s a lot that can be done from the bottom up.

We also need to move to scale very quickly and it’s very interesting to see the re-emergence of some old ideas on the left about how to bring about large-scale conversion to worker ownership.

Some of you will remember the debates that took place in Sweden in the 1970s and 1980s around what was called the Meidner plan—developed by Rudolf Meidner, the chief economist at the trade union federation there—which was essentially to create a share levy that would dilute the existing ownership over time and put it into a trust that would be collectively held by the workers, the unions and other stakeholders. Of course, there was a massive backlash against the Meidner plan, which would essentially have moved Sweden from a social-democratic economy to a democratic socialist economy over a number of decades, because there was no ceiling on what Meitner was proposing.

We’ve seen the re-emergence of this proposal across the pond in the United Kingdom under the banner of Labour leader Jeremy Corbyn and the work that’s being done to develop a radical policy agenda by Shadow Chancellor John McDonnell over there. He has announced what’s being called the inclusive ownership funds. The idea there is to take every company above a certain size and mandate a share issuance that would dilute existing holdings each year of 1% up to a ceiling that would give the worker-owners of that company a 10% ownership stake in that company. We’ve seen that idea come back over the pond here and being picked up by Sen. Bernie Sanders.

These very large-scale possibilities are the kinds of responses that we need that are commensurate with the scale of the challenge. If we really start to disperse capital in the ownership of assets in the economy in a different way, we will have a different basis to actually do some of the progressive policies that I think that we really need, and we won’t always be working against the grain as we have the last 40 years.
The “democratic economy” isn’t yet a term in common use, but it serves as a unifying frame to help us recognize the potential for system-level transformation.

By Marjorie Kelly and Ted Howard

When the US Constitution was written, the Industrial Revolution, engineered by the new aristocracy of the railroad barons and kings of capital, had not yet emerged. The word “corporation” appears nowhere in that document. But by 1813 John Adams was writing to Thomas Jefferson, “Aristocracy, like Waterfowl, dives for ages and then rises with brighter plumage.”

We’ve seen that happen throughout American history, from the Gilded Age of the late 19th century to the “new Gilded Age” of the 21st. Today we live in a world in which 26 billionaires own as much wealth as half the planet’s population. The three wealthiest men in the US—Bill Gates, Jeff Bezos, and Warren Buffet—own more wealth than the bottom half of America combined, a total of 160 million people. Meanwhile, an alarming 47 percent of Americans cannot put together even $400 in the face of an emergency, leaving most of us unprepared to face such ordinary mishaps as a flat tire or a child’s twisted ankle.

Our economy is not only failing the vast majority of our people; it is literally destroying our planet. It’s consuming natural resources at more than one-and-a-half times the Earth’s ability to regenerate them. We are razing the only home our civilization has, yet we remain caught inside a system designed to perpetuate that razing, in order to feed wealth to an elite.

The reason is that the system has a capital bias at its core, a favoritism toward finance and wealth-holders that is woven invisibly throughout the system. We might call it an “extractive economy,” for it’s designed to enable a financial elite to extract maximum gain for themselves, everywhere on the globe, heedless of damage created for workers, communities, and the environment.

Capital bias is often advanced by policy—as with lower taxes on capital gains than on labor income, bailouts for big banks but not for ordinary homeowners, or tax breaks given to large corpora-
tions that put small locally owned companies out of business. Yet capital bias also lies more deeply in basic economic architectures and norms, in institutions and asset ownership. Speculative investors holding stock shares for minutes enjoy the rights of owners, while employees working at a corporation for decades are dispossessed, lacking a claim on the profits they help to create.

We haven’t fully confronted the fact that corporations believe they have a fiduciary duty to systematically suppress labor and labor income in order to increase profit for wealthy shareholders. But that confrontation is starting, with an eye toward building a more democratic economy. These new approaches—such as chartering corporations to make them accountable to the public and giving equity shares to worker ownership funds, placing public ownership of utilities at the center of a Green New Deal, and creating public banks to finance a new, bottom-up community development paradigm—don’t seek to simply put back what’s being destroyed. They point to how a whole new system is being born now, in the belly of the beast. They herald a potentially profound shift from an extractive economy to a democratic economy.

The problem is that people by and large don’t see this—not even the people who are part of it. The work of employee-owned companies, impact investing, public banking, racial justice in economic development, local purchasing by anchor institutions, and more is being done in siloed activities all over the world.

It’s not that the new system hasn’t been named. It has too many names: “stakeholder capitalism,” the “solidarity economy,” “new economy,” “sharing economy,” “regenerative economy,” the “living economy.”

The struggle for new language is a sign of the times. We stand at a turning point where many share a sense of peril about the possibility of systemic collapse. As the old system fails, we’re losing the conceptual world that has given our lives meaning. We need new vision and new naming.

Socialism isn’t it. Capitalism isn’t it. An economy adequate to today’s challenges just isn’t there in those 19th-century paradigms. The “democratic economy” isn’t yet a term in common use. It’s offered here as a unifying frame for the movement that doesn’t know it’s a movement, aiming to help more of us recognize the potential for system-level transformation.

A democratic economy isn’t a top-down command economy. It isn’t capitalism plus more regulations and social safety nets, nor is it capitalism plus green technologies. Building a democratic economy is about redesigning basic institutions and activities—companies, investments, economic development, employment, purchasing, banking, resource use—so that the core functioning of the economy is designed to serve the common good.

Democracy needs to move inside the economy. Putting such values as sustainability or fairness on the outside of the system through regulation and social safety nets is like attaching barnacles to the side of a whale. These values need to be in the DNA. Anything less than deep redesign will likely fail to see us through the tumultuous era ahead for the earth community.

These new approaches don’t seek to simply put back what’s being destroyed. They point to how a whole new system is being born now, in the belly of the beast.

This is excerpted from the book The Making of a Democratic Economy by Marjorie Kelly and Ted Howard.
A Popular Mandate for Change

The Democracy Collaborative worked with YouGov Blue in March 2019 to assess the level of popular support for key features of a democratic economy, including support for worker ownership, public enterprises and democratic control over key economic activities. We also sought to determine the extent to which respondents believed that government intervention was desirable to make sure the economy delivered basic social needs, and whether or not concern over deficits should override attempts to meet these needs.

Our results showed a strong overall preference for bold actions that would not only ensure that the economy works for all but would also give people more of a voice in the economy.

For example, 55% of respondents said they would support a policy that would require large companies to place 10 percent of their shares into a fund controlled by the employees. Similar proposals have been offered by Sen. Elizabeth Warren and Sen. Bernie Sanders.

Also, we found strong support for two of the boldest ideas in the Green New Deal debate: public control of energy utilities (55%) and public buyouts of energy companies for the purpose of winding down their fossil-fuel operations and transitioning workers to green energy jobs (47%).

The Democracy Collaborative/YouGov Blue poll surveyed 1,132 registered voters.

Worker ownership and economic priorities

Would you support or oppose a policy requiring companies with over 250 employees to put 10 percent of their shares into a workers fund, which would pay dividends out to the company’s employees?

28% 27% 7% 13% 16% 9%
Economic rights

Which of the following do you believe everyone should have the right to, even if it means government intervention to assure they are available?

Affordable housing

- Should definitely have the right: 51%
- Should may have the right: 14%
- Should not necessarily have the right: 8%
- Should not be considered a right: 22%
- Not sure: 6%

A job that pays at least a living wage

- Should definitely have the right: 52%
- Should may have the right: 16%
- Should not necessarily have the right: 7%
- Should not be considered a right: 19%
- Not sure: 5%

An income that can support them and their family

- Should definitely have the right: 50%
- Should may have the right: 18%
- Should not necessarily have the right: 7%
- Should not be considered a right: 20%
- Not sure: 6%

Would you support or oppose the government investing in a program to help city governments across America build new high-quality homes and rent them out at affordable prices?

- Strongly support: 31%
- Somewhat support: 24%
- Maybe: 8%
- Somewhat oppose: 16%
- Strongly oppose: 14%
- Not sure: 7%

Public ownership

Would you support or oppose a policy allowing the government to buy fossil fuel plants at fair market value and shut them down if the government is also able to create new jobs building and staffing green energy facilities for affected workers?

- Strongly support: 28%
- Somewhat support: 19%
- Maybe: 7%
- Somewhat oppose: 20%
- Strongly oppose: 14%
- Not sure: 11%

Would you support or oppose a policy instating citizen ownership of public utilities, in which the customers of a utility, rather than a smaller number of private investors, are its shareholders?

- Strongly support: 28%
- Somewhat support: 27%
- Maybe: 4%
- Somewhat oppose: 8%
- Strongly oppose: 17%
- Not sure: 16%

In the event of another financial catastrophe like the Great Recession, the government should...

- Reorganize failing banks as public institutions: 90%
- Do whatever it takes, even bailing out banks: 10%
- Not sure: 0%

The state of Alaska has established a “social wealth fund,” which invests government resources in stocks and bonds and uses the profits to pay a substantial dividend to every resident of the state. Would you support or oppose the creation of a federal version of this program?

- Strongly support: 30%
- Somewhat support: 27%
- Maybe: 5%
- Somewhat oppose: 10%
- Strongly oppose: 16%
- Not sure: 12%
The Congression Black Caucus’ annual conference was happening just a few blocks away on September 11, 2019, The Democracy Collaborative invited Drs. Julianne Malveaux and Ron Daniels to lead a discussion on reparations. They, among others, are leaders who fought for and won the establishment of the National African American Reparations Commission (NAARC) and are, by any metric, true revolutionaries in the struggle for our collective liberation.

The discussion by Dr. Malveaux, a noted economist, author, and educator, and Dr. Daniels, a longtime political scientist and activist who is now president of the Institute of the Black World 21st Century, centered less on how to enact reparations and more on why reparations must be an integral part of any new economic paradigm.

The advancements that can come with the making of a democratic economy can be undone in an instant so long as the culture of violence against Black life and progress remains the same.

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one White—got into an argument over a game of marbles. When the White boy’s father stepped in and began beating a child simply because his son lost a game, two worker-owners from The People’s Grocery stepped in to defend him. This attracted more Whites, including William Barrett, into the fray. The fight was eventually broken up, but William Barrett went on to report the incident to the local police, most of them former Confederates. A raid was then organized and six armed White men—most of them members of law enforcement—arrived at The People’s Grocery. The worker-owners, expecting White mob violence following the initial fight, were ready to defend their business and repelled the attackers.

Even as an act of domestic terrorism, the presence of law enforcement among the raiders was enough to guarantee the arrest of Thomas Moss and the other worker-owners. Later, a large group of White men in dark hoods surrounded the jail and dragged Thomas and two others out. They took them outside of Memphis where, in full view of reporters contacted in advance by the sheriff, they hung Thomas and the other worker-owners and dismembered their bodies with volleys of shotgun fire. They then fell upon the Black residents of Memphis themselves, shooting every one they saw. They stripped The People’s Grocery of everything valuable and after all of its worker-owners were either dead, imprisoned, or run out of town, they sold it to William Barrett at one-eighth the original price.

This story is just one of many thousands that, if placed within the main historical narrative we are taught, would implicate the entire American experiment as a long line of crimes against humanity. It makes it obvious that the tree of liberty is watered not by the blood of patriots, but by the blood of the slaughtered—and that from its branches hang the bodies of thousands. It makes it obvious why we find the tree rotten from the inside-out, having had death in its roots the entire time. It makes it obvious what then must be done with that tree.

A particular trauma comes with simply being an American of color, a trauma that comes with, in Dr. Daniels’ words, “cross-generational cultural, spiritual, mental, and physical scars.” It is those scars that necessitate color-centric spaces for us to work through that pain together without having to convince others that it exists or that it is valid. These spaces must first be created by people of color but, as we saw with our discussion, they do not have to maintain this exclusivity to still be powerful spaces for truth-telling and healing. That healing is at the core of reparations as a concept—not just a policy or a paycheck, but the acknowledgement of a great moral debt to those brutalized in service of a broken economic system. The question then, as Dr. Daniels told us, becomes whether or not our White allies are willing to listen and reckon with the sins of the past.

At the Democracy Collaborative, our vision for a future free from the extractive cycle of capitalism centers around the principle of a democratic economy. At its core, the democratic economy is meant to not just broaden control over the levers of economic power, but also to ensure that it is backed up by worker and public ownership. It is, in no small terms, the reclamation of capital to move beyond capitalism itself. However, as we saw with Thomas Moss and The People’s Grocery, economic advancement can be undone in an instant so long as the culture of violence against Black life and progress that our economy rests on top of remains the same. Put another way, we cannot merely change the vehicle we are in and expect the road to change with it. What the Democracy Collaborative hopes to build, then, is a new moral and ethical foundation for the democratic economy that centers liberation, racial and gender equity, and reparations for the sins of the past—only then can we ensure that the wounds of the past are healed, and that we do not merely recreate the extractive system we seek to transform.

To be sure, it will be a difficult path to travel, but it is the only path that will lead to not just a stronger, more unified movement, but also the foundations for a truly just and reparative society. It is a path that requires us to look unflinchingly at our history not as it has been presented to us, but as it truly occurred. It is a path on which only those who recognize the truth can walk—a truth that will set us, all of us, free.

Ronnie Galvin is vice-president for racial equity and the democratic economy at The Democracy Collaborative.

A postcard of a delivery driver outside the Black-owned People’s Grocery in Memphis, the site of a racist attack that led to the lynching of three of the Black co-owners and the destruction of the store.
Despite the position of the United States as the wealthiest nation in the history of the world, a staggering 43 million Americans and one in six children live in poverty—a level greater than that of its peers. Four in 10 Americans could not sustain living at the poverty level for just three months if their main source of income disappeared tomorrow. White family wealth remains seven times greater than African American family wealth and five times greater than Hispanic family wealth, as of 2016. These significant economic inequities, amplified by a long legacy of racial exclusion, create an impossible headwind in our nation to improving health and well-being if not addressed intentionally and systematically. Today, the difference in lifespan after age 50 between the richest and the poorest has more than doubled—14 years—since the 1970s, and communities a few miles apart experience life expectancy differences of more than 20 years. According to Philip Alston, United Nations US Special Rapporteur to the United States, “Americans can expect to live shorter and sicker lives, compared to people living in any other rich democracy, and the ‘health gap’ between the United States and its peer countries continues to grow.”

We must apply a health equity—as well as a racial equity—lens to our strategies, acknowledging both historical and systemic inequities as identifiable root causes of poor health that need to be explicitly named. Our communities and their leading institutions must therefore reevaluate the toolbox of solutions we bring to address these systemic problems.

Despite these staggering challenges, locked in our communities are unbelievable resources that we could align, leverage, and deploy in more thoughtful and creative ways to lay the foundation for a more equitable and healthy society. These resources are anchor institutions, or nonprofit or public enterprises that are rooted locally because of their mission, physical investment, and/or the communities they serve and that have emerged as notable economic engines. Their ownership status creates greater accountability to the public and community and creates an opportunity for them to orient long-term in a way that benefits both their institution and their community’s most in-need residents.

Among the largest employers and purchasers, anchor institutions represent “sticky capital” that can be more effectively channeled to strengthen the local economy and address economic inequities. Health systems and universities are the most common anchors, but this group may also include local government, public schools, place-based philanthropy, public utilities, and other community-owned institutions.

Health systems and universities alone have expenditures of more than $1 trillion annually, have nearly $1 trillion in investment assets, and have more than 9 million employees. Their scale is enormous, and the potential for impact on these systemic problems is equally great. If a thriving and healthy community requires a focus on equity, then the challenge becomes to discover how these institutions can more effectively align their business operations with their missions of health care and education to tackle...
these structural and economic drivers of poor health. That approach is an “anchor mission.”

Leading health systems nationally are coming together to embed this strategy within health care more broadly through the Healthcare Anchor Network, a national collaboration of more than 30 health systems seeking to improve health and well-being by building more inclusive and sustainable local economies.

An anchor mission is a commitment to intentionally apply an institution’s long-term, place-based economic power and human capital in partnership with its community to mutually benefit the long-term well-being of both. It requires going beyond traditional notions of corporate social responsibility and rethinking the very foundation of the institution’s role and how it deploys its economic and social assets in the community.

Without embedding a core set of principles to guide its approach, an anchor institution is likely to perpetuate the same inequities we currently face. It is important to consider how the policies and practices implemented by the institution take into consideration the following factors with a systems approach:

(1) health, racial, and economic equity;
(2) community connectivity;
(3) individual agency; and
(4) place-based impact.

The degree of current inequities previously outlined creates a sufficient moral imperative to act. Still, defining this imperative by community and context is often step one. It is critical to helping activate a new coalition needed to tackle these problems and lay the foundation for collaboration through new practices, such as reorienting everyday purchasing, hiring, and investment to disinvested zip codes and disconnected residents.

This article is excerpted from the chapter “Rethinking the Mission of Health Systems: Improving Community Health as Anchor Institutions” in The Practical Playbook II: Building Multisector Partnerships That Work. David Ansell is the senior vice president for community health equity at Rush University Medical Center, Michellene Davis is executive vice president at RWJBarnabas Health, and David Zucker- man is director of healthcare engagement at The Democracy Collaborative.

IMPACT

Across the country, anchor institutions are beginning to understand and leverage the power of their economic assets to address social and economic disparities and revitalize local communities. The Anchor Collaborative Network (ACN) was initiated in January 2019 to build a shared movement of anchor institution collaborations that are working to accelerate equitable, inclusive strategies that respond to local needs and challenges.

City-based or regional anchor collaboratives exist in many different communities and serve various functions. Twenty-nine communities were represented in The Democracy Collaborative’s first anchor collaborative convening in June 2018. Today a growing number of cities and regions are taking a collaborative approach in which anchor institutions increase their impact and their effectiveness by pursuing shared goals. Some examples include:

- In Cleveland, Ohio, institutions within the Greater University Circle area elected to adopt individual anchor strategies with their institutions and work collaboratively to address stark economic disparities in adjacent neighborhoods. One result was the launch of the Evergreen Cooperatives, worker-owned businesses that meet anchor institution supply-chain needs.
- The city of Rochester, New York, under the leadership of Mayor Lovely Warren, helped launch the Office of Community Wealth Building and a nonprofit cooperative business development corporation, OWN Rochester. Together, these organizations are working to create jobs and build wealth in low-income communities through connections to anchor-institution demand.
- Preston, England launched a comprehensive economic development model that incorporates public energy, public pension funds, financial institutions, and anchor institutions. Within this framework, anchor institutions and local government are working to leverage their procurement power to support locally owned businesses and cooperatives.
- In Albuquerque, New Mexico, the first collaborative initiative of Healthy Neighborhoods Albuquerque focused on sourcing local produce. HNA is now exploring workforce development programs to support locally owned businesses and cooperatives.

ACN working groups plan in the coming months to produce case studies, toolkits and other educational information to assist cities, anchor institutions, and partner organizations in learning about and advancing anchor mission work.

This is excerpted from the Anchor Collaborative Network report, Anchor Collaboratives: Building Bridges with Place-Based Partnerships and Anchor Institutions.
Tiana Caldwell testifies during a congressional briefing on the Homes Guarantee proposal in May before Reps. Ayanna Pressley (D-Mass.) and Jesus “Chuy” Garcia (D-Ill.). The Democracy Collaborative’s Peter Gowan also participated in the briefing.

Details of Tiana Caldwell’s encounter with the nation’s housing crisis will be all too familiar to people who have read the news stories about how high rents and high health care costs can catastrophically collide.

“I got evicted by my landlord because I was diagnosed with ovarian cancer for the second time,” the Kansas City resident explained in an episode of The Next System Podcast. She couldn’t work and thus could not keep up with her rent payments, even though her husband was also working. “I was actively in treatment and very sick, and I was

Turning a Right Into a Reality

The National Homes Guarantee is a detailed plan to address the nation’s housing crisis.
homeless, my husband still working and me still working when I could.”

Caldwell’s period of homelessness was relatively short, but the nightmare was not over. She found a house that she and her family could move into, but the rent was $2,000 a month and required a $2,000 security deposit. She managed to pull that considerable sum of money together so that she could move in, only to be confronted with a new crisis.

“The first night that we all took showers the first night we were there, sewage backed up through the house. I’m talking standing water with actual human feces in it. You could see it, smell it. You could taste it in the air,” she said. “We couldn’t stay there… The health department said that it was uninhabitable.”

Not only was she once again without a home, she also lost the $4,000 because of a system in Kansas City that she said fails to protect tenants from unscrupulous landlords, even in cases of clear malfeasance. “They sent notices to the landlord, but there was no real action taken against them,” she said. “No offer of getting any payment back or giving any money back or any of that. So we were out $4,000.” It was another six months before she was able to find another permanent home, she said.

Stories like that of Caldwell—who is now working with the organization Kansas City Tenants to fight for stronger protections for tenants and more affordable housing—were the driving force behind the writing of A National Homes Guarantee, a proposal released by the grassroots activist organization People’s Action with help from a group of experts that included Next System Project researcher Peter Gowan.

Gowan also appeared on The Next System Podcast to discuss the proposal, along with Christy Respress of Pathway to Housing DC, Stephanie Bastek of Washington-based Stomp Out Slumlords, and Tara Raghuveer, a housing organizer for People’s Action based in Kansas City.

The Homes Guarantee report notes that “in 2019, a full-time worker earning minimum wage cannot afford a two-bedroom apartment in any county—urban, suburban, or rural—in the United States. Twenty-one million households, disproportionately people of color, spend over 30 percent of their income on housing. Only one in five households that qualify for federal housing assistance receives it.” In addition to those sobering realities, “Over 3 million families and individuals are experiencing homelessness.”

The last time the federal government made a serious commitment to expanding affordable housing was during the time of President Franklin D. Roosevelt and the New Deal—and even then, that commitment allowed the perpetuation of housing discrimination and structural racism. The Homes Guarantee aims to address this legacy. The plan calls for:

- Building 12 million social housing units and eradicating homelessness
- Reinvesting in existing public housing
- Protecting renters and bank tenants (homeowners, especially victims of predatory lending, who are beholden to lenders and other financial institutions)
- Paying reparations for centuries of racist housing policies
- Ending land/real estate speculation and de-commodifying housing

“I think that at the core of what we’re trying to get at is that the function of housing in this country and what it has been for a very long time is as a commodity, something for people to make profit on and not something that people need to live in,” Gowan said during the podcast.

“So when you have situations like Tiana’s situation or the situation of the other tenant leaders that are involved in this movement who are experiencing significant hardship—whether that’s because of poor conditions in housing, unaffordable housing, homelessness, and criminalization of being homeless, skyrocketing rents, predatory foreclosures by banks after loans made on predatory terms—all of this has at its root this idea that housing is a commodity and not a place to live in. So what we try to do with the homes guarantees and the core policy proposals about it is first that we need to start moving away from this profit orientation and stabilize people who are already in place.”

The proposal was the subject of a congressional briefing in May. Members in attendance included Reps. Jesus “Chuy” Garcia (D-Ill.) and Ayanna Pressley (D-Mass). Elements of the homes guarantee are in legislation introduced by Rep. Ilhan Omar (D-Minn.) called the Homes for All Act. It is cosponsored by Congressional Progressive Caucus chair Rep. Pramila Jayapal (D-Wash.).

If such a plan were to become reality, said Respress, whose organization implements a housing-first strategy to address homelessness, “I could predict one effect. We could actually end homelessness…. It’s a math problem. We can’t expect outcomes without the dollars behind it and without the investment. Our budget will be that guide, whether we’re going to end homelessness in our country or not.”

“WHAT WE TRY TO DO WITH THE HOMES GUARANTEE IS ... START MOVING AWAY FROM THIS PROFIT ORIENTATION AND STABILIZE PEOPLE WHO ARE ALREADY IN PLACE.”
Next-Generation Enterprises

A new vanguard of mission-led employee-owned companies has important lessons to teach about the corporate ownership designs needed for a sustainable economy.

By Sarah Stranahan and Marjorie Kelly

The multiplying crises we face today are entwined at their root with the particular form of ownership that dominates our world: the publicly traded corporation.

The revenue of the 1,000 largest corporations represents roughly 80 percent of global industrial output. The publicly traded company has an overriding interest in creating profits for shareholders, which is a goal that tends to displace all other aims. These giant corporations and this ownership structure now hinder our ability to adapt to a new era of finite resources.

The reason is found in their core ownership design: the owners—i.e., shareholders—are large in number, geographically remote, disengaged from companies, and lacking in commitment and responsibility. These owners, focused on profits and share price, are not positioned to be the stewards guiding companies into a new era of deep ecological sustainability.

True sustainability is fundamentally a moral aim. The question then becomes what ownership design allows owners, and hence executives, to act as “moral agents,” which is a “precondition for decisions supportive of the economy-in-Planet,” as sustainability expert Carina Millstone explains so eloquently. What is needed is companies with different kinds of shareholders—fewer in number, close to the firm, engaged, committed to a common social or environmental mission.

In our research at Fifty by Fifty, which wants to see 50 million employee owners in the US by 2050, we identified the mission-led employee-owned company as the current design most suited to an “economy-in-Planet.” Using both quantitative and qualitative research methods, we explored the nexus of employee ownership, social equity, and environmental sustainability, and found that mission-led employee-owned companies significantly outperformed their peers in terms of social and environmental impact. These companies have important lessons to teach about the kinds of corporate ownership designs needed for a sustainable economy.

More than 50 mission-led employee-owned companies are already operating in the US. They represent a viable design for “next-generation enterprises,” more suited than publicly traded companies to meet the challenges of the 21st century. These companies are numbered among the nation’s 450 worker cooperatives as well as the 2,000 employee stock ownership plan companies that have at least 30 percent employee ownership.

We found that mission-led employee-owned firms are not confined to the margins of our economy. They include such well-known brands as Eileen Fisher, King Arthur Flour, Clif Bar, Dansko, and Gardener’s Supply.

They include Recology, a $1.2 billion waste management and recycling firm that is committed to “a world without waste,” where garbage truck drivers can earn $100,000 per year. Also included are nearly a dozen solar installation companies, growing numbers of craft breweries, and high-tech firms such as Chroma Technology, a maker of optical filters in rural Vermont, where workers with just high school educations can earn six-figure salaries.

Additionally, there are traditional manufacturing companies like Mission Bell Manufacturing of Morgan Hill, California; NewAge Industries of South Hampton, Pennsylvania; and Woodfold of Forest Grove, Oregon. There are also investment management companies such as Zevin Asset Management and Trillium Asset Management, both of Boston; environmental consulting firms such as EA...
Engineering of Maryland; and firms such as Cooperative Home Care Associates in the Bronx, which employs more than 2,000 of women of color often excluded from the traditional labor market.

Next-generation enterprise—the mission-led employee-owned firm—is a bottom-up solution that is quietly spreading. Visionary entrepreneurs are showing the world it is possible to build and preserve businesses that operate with strong social and environmental values, and that these values can continue to be realized long after the founder is gone. The emerging model of the mission-led employee-owned firm offers a hopeful glimpse of how business might operate in an economy that truly works for people and the planet.

To analyze the environmental and social impact of different ownership designs, Fifty by Fifty conducted quantitative research, using publicly available data measuring the social and environmental impact of B corporations. Having this data available was valuable, because the companies under study are private firms, which generally do not release financial or social impact data.

Using data collected by the nonprofit B Lab, we compared worker impact scores, environmental impact scores, and overall B scores of 20 employee-owned B corps to 20 B corps without employee ownership. We then compared these companies to similar samples of employee-owned companies that were not mission-driven, and to conventional “benchmark” companies, neither employee-owned nor mission-driven (many firms choose to take the B Lab assessment even though they are not B corps).

Our quantitative findings demonstrate that mission-led employee-owned firms outperform their peers, with average B scores nearly 21 percent higher than similar non-employee-owned firms. The employee-owned firms had average worker impact scores nearly twice those of non-employee-owned firms, and average environmental impact scores on par with their peers.

We concluded that employee ownership, in and of itself, does not guarantee sustainable practices. It is the combination of strong mission with employee ownership that is essential to long-term sustainability. It allows founder-led firms with strong values to preserve and enhance these values into the next generation of ownership. These findings were confirmed when our analysis showed that of the 47 employee-owned B corporations we identified, 37, or nearly 80 percent, had been named Best for the World by B Lab in either 2017 or 2018.

Employees steered in a mission-driven, ecologically sensitive company culture were in a good position, when given ownership, to keep this rich culture and mission alive.

We saw this with Cindy Turcot at Gardener’s Supply, who began with the firm 35 years ago in customer service and data entry, and today is president. She is also a national leader in employee ownership.

We saw it at Heritage Aviation, where founder Dave Stillier implemented open-book management and over two years transitioned to employee ownership. “As a result, we’ve made huge strides,” he said. “The business and the employees have really flourished.” Employee-owners aided the company’s adoption of a deeper environmental commitment, including reducing its carbon footprint, operating a LEED-certified Gold building, and installing a wind turbine and solar panels. In the context of its dual commitment to employees and the environment, the company became a benefit corporation in state law. “The Benefit Corporation law requires that we consider more factors than just the sale price in exercising our board duties,” Stillier said, insulating the company from a requirement to sell to the highest bidder.

We saw this at South Mountain Company, a 100 percent employee-owned green design/build firm on Martha’s Vineyard that was one of only two companies rated best for employees and best for the environment by B Lab. It builds “22nd century” buildings that are low impact and energy efficient.

“It’s hard to imagine that future employee owners wouldn’t care about the environmental impact in our community,” founder John Abrams told us, “because people who work here live here, raise their families here, and are deeply connected to the island.”

Our research found that it is in transferring ownership to employees that a founder’s vision and values—generally the source of a firm’s commitment to people and the planet—can continue to be realized long after the founder is gone. This is a very different trajectory than sale to private equity or to a large corporate competitor, which tends to have a very different outcome: a squeezing out of social and ecological mission, and a narrowing of mission to short-term profit maximization.

This was seen in two longitudinal studies where we examined what happens to firms after the founder leaves—in one case when the firm is sold to employees, or, in the other, when it is sold to capital ownership.

We saw that companies sold to outside investors often found themselves sold again and again, in the process jetisoning the values of founding entrepreneurs who sought to create businesses that accomplished multiple goals: earning a profit but also providing good jobs, supporting their communities, and building a sustainable future. The employee-owned, mission-driven firms, by contrast, not only survived but thrived. Their missions remained intact and robust, and the companies succeeded financially.

The mission-led employee-owned firm at this point in history is a voluntary model. It shows how ethical company leaders can mold a company to deliver positive social and environmental outcomes—past the era of the founder—to sustain mission over time, while also succeeding as a business. Ultimately, ownership and governance of existing major corporations must be redesigned toward the same ends. Voluntary change alone will not be enough.

In fact, no single design element alone—not employee ownership, not benefit corporation status—will deliver the outcomes we desire. We need a set of checks and balances. We need democratized ownership. Society long ago democratized government. But we have never democratized the economy. The mission-led employee-owned firm is a beacon showing the potential path ahead.

Marjorie Kelly is co-founder of Fifty by Fifty and also serves as the executive vice president of The Democracy Collaborative. Sarah Stranahan is senior editorial associate at The Democracy Collaborative working with the Fifty by Fifty project.
The Evolution of American Money

Money is a work in progress. Here is a brief history of the evolution of the monetary system from colonial times to the creation of the modern Federal Reserve.

1691 – The American colonies began issuing their own paper scrip as an advance against future tax revenues. These “bills of credit” were government IOUs or promises to pay. The colonies flourished as a result, but some colonies wound up overprinting and devaluing their currencies.

Early 1700s – The colony of Pennsylvania refined the new system of government-issued paper money by forming a “land bank,” which made loans collateralized by land. The scrip returned to the government on repayment, eliminating the inflation problem when colonial governments issued more scrip than they collected back in taxes. Except for an excise tax on liquor, interest on these loans funded the government without taxes, and without inflation or government debt.

1751 – King George II banned the issue of paper scrip in the New England colonies; and in 1764, King George III banned it in all the colonies. The colonies rebelled and returned to issuing their own paper money, called the Continental. From 1776 to 1781, they waged and won a war against Britain, funded with this homegrown money. But the British responded by massively counterfeiting and speculating against the Continental; by the end of the war it was virtually worthless.

1791 – Lacking sufficient gold and silver coins to pay the nation’s debts and run an economy, Treasury Secretary Alexander Hamilton resorted to the “fractional reserve” banking system used by the Bank of England. The First US Bank, established in 1791, was 80 percent privately owned; but it was chartered by Congress to issue paper banknotes, ostensibly backed by gold but backed by only a fraction of the necessary reserves, allowing many more notes to be issued than there was gold in the vaults, expanding the money supply.

1830s – The First US Bank was followed by the Second US Bank, which was shut down by Andrew Jackson in 1836. Jackson paid off the national debt, but without a national bank issuing a national currency, the money supply shrunk, causing a severe recession. The void was filled with banknotes issued by commercial banks, marking a period of “free banking” that lasted until the Civil War. The notes were supposedly backed by gold; but again, far more notes were issued than there was gold. The system was unstable and was plagued by bank runs.

1863 – President Abraham Lincoln revived the colonial system by issuing $450 million in US “Greenbacks,” which were not backed by gold but were 100 percent backed by the government. The Greenbacks not only funded about 40 percent of the Union’s Civil War effort but helped finance a period of unusual growth, including the construction of the Transcontinental Railroad. The Greenback program was halted after Lincoln’s assassination in 1865.

1863-64 – The National Bank Act established the national banking system and a uniform national currency backed by government bonds. Federally chartered national banks could issue this currency as banknotes bearing their own names. State and local banknotes were eliminated by heavy taxation.

1870s – Blocked from issuing their own banknotes, bankers unwilling to join the federal system devised a system of “checkbook money,” creating money simply by writing it into their customers’ accounts as deposits when they took out loans.

1913 – Following a severe bank panic in 1907, the Federal Reserve was established to backstop bank runs with a national gold reserve. Federal Reserve Notes became the official national currency.
It’s Time to Rethink Money

Money hasn’t always been the bills and coins we have right now. The definition of money always changes, and we can change it in a way that benefits people.

By Ellen Brown

We have entered a new millennium, which needs a new vision and business plan to manifest its true potential. The technological revolution is rapidly changing the face of finance, yet we continue to operate our banking system on a 19th-century model.

Today money is created as digits on computer screens; but we still perceive it to be a “thing” like gold that is in limited supply and must be mined, bought or borrowed before it can be lent. Attempting to conform to that model, banks engage in all sorts of sleight of hand to make it appear they are borrowing money they have actually created on their books.

The result is an unstable matrix of debt built on debt that has been highly lucrative for the web-spinning financiers but highly risky to the economy, effectively enslaving people by fraud.

The debt-growth model, however, has now reached its inevitable limit. There is no longer real “growth” but just new debt servicing old debt, as the parasite devours its host. Our monetary system needs a radical overhaul to bring it into the 21st century; and to bring that about, we first need to reconceptualize what money is and how it enters the economy.

Today, money is just an IOU, a debt or promise to repay, an agreement between parties that can be modified to suit the times. If the people collectively agree that certain work needs to be done, they can issue the money to pay for it, just as the American colonists did through their colonial governments.

The medium of exchange needed to bring workers and materials together does not need to be borrowed before it can be spent. It can be generated on the national credit card and repaid with the productivity it creates, as was successfully done in the New Deal era in the United States and in many other countries at various times. The government’s ability to rebuild the nation’s crumbling infrastructure, feed and house the population, provide universal medical care and higher education, and preserve and restore the environment is limited only by the availability of materials and workers (including machines) necessary to get the job done.

Not just the federal government but people individually can become their own bankers, “monetizing” their own future ability to repay. That is actually what we do now when we take out a loan, with the bank acting as guarantor. If the system were publicly owned and operated like a cooperative on mutual credit principles, money could be created and extinguished organically in response to the needs of trade, in a community currency system in which the “community” was the nation itself. The power to create money can also be recaptured by state and local governments, by forming their own publicly owned banks on the model of the state-owned Bank of North Dakota.

Reliance on costly private capital for financing public needs has limited municipal growth and reduced public services, while strapping future generations with exponentially growing debt. By eliminating the unnecessary expense of turning public dollars into profits for private middlemen, a public banking system using 21st-century technology can fund the goods, services and infrastructure required to satisfy the needs of the people and the economy without unsustainable debt, taxation or environmental degradation.

Ellen Brown is chair of the Public Banking Institute and a fellow at The Democracy Collaborative. This article is excerpted from Banking on the People: Democratizing Money in the Digital Age, published by The Democracy Collaborative. The complete version of “Money in the US: A Timeline” can be found on thenextsystem.org.
I had something like a vision not long ago as I was enjoying my breakfast. It began when I looked out the kitchen window and saw, instead of my front yard, a community going about its everyday affairs.

I now spend some time almost every day looking through this window and observing the changing scene. My conclusion, based on what I have seen, is that I am viewing a vision of a new, much better and, to me, a very attractive America. It's clear to me that the people I am watching are building this new America themselves—in their homes, neighborhoods, and communities—without waiting for big government or anybody else.

Some huge differences jumped out right away. Do you know the expression “going local”? These folks are really doing it. They are rooting economic and social life in their own local communities. They try hard to live closer to work, walk more, and drive less. They love their locally grown food. They make a lot of things in shops and factories that we today import from far away.

Local businesses there stay rooted and keep money in the community. Co-ops are a big deal, especially worker-owned ones, as are other types of innovative enterprises, including for-profit/not-for-profit and public-private combinations. Part of the idea is to get away from control by giant corporations and absentee owners.
As enterprises there have shifted to local ownership and control, and as the people have come to realize that cooperation is more powerful than competition, the importance of the profit motive has shriveled to about nothing. Sappy as it may sound, businesses are operated to do good. They debate a lot about what is in the common good—what best serves the commonwealth—but at least they know where they want to go, and it is not the endless search for profit and the creation of false needs through advertising.

The world I am viewing runs on 100% community-owned renewable energy, and the people there manage their lives and their work and play so that they live lightly on the planet and are not contributing to climate change. They demand environmental regulations that protect from toxic chemicals. They teach kids to love and appreciate nature and encourage schools to pursue “no child left inside” programs. And they are protecting a lot of open space, natural areas, and wildlife. Natural beauty counts a lot for them. And they see humans as part of nature, not something above it.

Another thing I have noticed is that these folks have broken the habit of consumerism. No more “shop ‘til you drop.” Instead, it’s “do more, own less, rent the rest.” They have found a new work-life balance, working fewer hours and freeing up time for hobbies, skill development, volunteering, exploring nature, participating in the arts, sports, and more. Instead of searching for meaning and acceptance through what they own and what they buy, they seek real abundance in what truly matters, the things that bring happiness and joy: family and friends, the natural world and its beauty, spirituality and worship, meaningful work, diversity of many types, and giving rather than getting.

The focus on local life also contributes to neighborhoods that are safe and resilient—and fun places to live. People play a lot in this new America, including the adults. Instead of feeling isolated, distrustful and threatened, neighborhoods and social groups are knit together, and they respect and care for each other. People are very active in local government, schools, community groups and religious organizations. They prize the religious, cultural, racial and gender diversity in their midst, There are not only communities; there is a sense of community.

It is interesting that they have also come to see themselves as citizens of the world, at least as much as they think of themselves as citizens elsewhere. It seems they have learned in school that both global governance and local governance are important.

Impressively, I have not seen any real poverty or homelessness in this new America. There are differences in income, but there is an agreed top and bottom. Equal rights are paired with actual equal opportunity, and the status of women and nonbinary people matches that of men across all walks of life. People also give top attention to how children and young people are doing—in their education, their right to loving and drug-free environments, good nutrition and health care, and freedom from violence. Parenting is a big deal and highly respected, and there is plenty of time for it.

To support their approach to life, they have developed measures of real community wealth—not overall gross domestic product but a Genuine Progress measure they have developed. They joke that GDP doesn’t stand for “gross domestic product” for “grossly distorted picture.” I saw a bumper sticker, “The Best Things In Life Aren’t Things.”

When I look away from this window, I realize that the place I have seen would be a really great place to live. It also occurs to me that each of these positive things I’ve observed is to some degree already underway in America. When we look around, we see individuals and families and communities pioneering in all these areas, and more. Now, that’s encouraging.

My time peering into this possible world has stimulated a big question, maybe the biggest question of all. Is it possible that we Americans still have it in us to use our freedom and our democracy in powerful ways to create a new America, similar to the vision in the window or perhaps even better?

Together, we could pursue a positive vision of an America where:

- the “pursuit of happiness” brings steady improvements in the well-being of people and nature, as well as greater joy in people’s lives—from families and friends, from work and creativity, from shared diversity, from worship and song;
- the American Dream is realized as each person achieves her or his human potential, accomplishments made possible by access to free education and health care, economic opportunity, supportive communities, and, even more basically, equal rights and personal freedom, including the freedom to be different;
- the benefits of economic activity are widely and equitably shared, and no one has too much and no one too little;
- democracy lives strong as honest, competent government of the people, by the people, for the people, and where there is separation not only of church and state but corporation and state;
- the virtues of simple living, self-reliance, and deep respect for nature predominate, and where we know we are all close kin to wild things;
- and we stand together with our fellow humans in awe and humility before the creation, secure and unafraid.

These have been our American traditions at times in the past, and they are being reawakened across our land today. Shouldn’t they beckon us with a new American Dream, one that builds on the best of who we were, and are, and can be? Perhaps that is the quiet message of the special window. Building a beautiful future starts with a beautiful dream we share.

James Gustave “Gus” Speth is a distinguished fellow and co-chair of The Next System Project at The Democracy Collaborative. He is also a longtime environmental movement leader and author.