

#OCCUPYTHEFUTURE

DEMOCRATIZING WEALTH:
NOTES TOWARD AN EVOLUTIONARY
RECONSTRUCTION OF THE
AMERICAN SYSTEM

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INTRODUCTION: DEMOCRATIZING WEALTH

The struggle of the 99% against the 1% is fundamentally a struggle to alter the distribution of wealth: While a mere 400 people at the top own more wealth than the bottom half of society taken together and the top 1% has greater net worth than the bottom 90%, 46.2 million Americans live in poverty.

Changing America's near-feudal patterns of ownership is necessary if the suffering brought on by endemic poverty and deepening economic insecurity is to be brought to an end. A highly unequal distribution of wealth also produces a highly unequal distribution of political power. Supreme Court Justice Louis Brandeis put it bluntly: "We can either have democracy in this country or we can have great wealth concentrated in the hands of a few, but we can't have both."

How, in fact, might we go about changing the distribution of wealth? The historical record offers two main models: The first and most well-known strategy is *reform*. Given a capitalist economic system whose market structure and growth imperatives impel it towards ever-increasing concentrations of wealth, reform seeks to correct for this tendency "after the fact"—for instance, by attempting to check corporate power with regulations and by redistributing wealth through progressive taxation.

The crisis we face today reflects the failure of precisely this approach: Our political institutions are no longer able to keep pace with the engines

of inequality running at the heart of the economic system. Thus corporations enjoy constitutionally protected “free speech” at our expense and the Koch brothers write legislation to dismantle the last remnants of the progressive safety net—all the while a sitting Democratic president tries his best to package austerity measures in a palatable way.

The second model is *revolution*: wealth is confiscated and redistributed by popular fiat that overturns the existing legal basis of property relations. While no doubt satisfying to some, even if it were possible, a look back at most revolutionary history shows that moments of expropriation are often quickly undone, with wealth and power re-concentrating in the hands of post-revolutionary elites.

So how might we go about changing the distribution of wealth if neither reform nor revolution are adequate? To the extent feasible, of course, progressive taxation cannot be abandoned. And beyond that? Beneath the radar, a new paradigm has been quietly emerging over the past decades. It is one in which countless local experiments are slowly paving the way for something that might be called “evolutionary reconstruction.” Instead of regulating wealth (reform) or seizing wealth (revolution), a third option is now on the table: *steadily democratizing wealth over time*.

Evolutionary reconstruction sets out to make changes in the underlying institutional building blocks of the system. It strives to insert new institutions into the system, transforming it piece by piece into one that moves slowly toward a more equal and more democratic society.

To be sure, establishing new institutional foundations, community by community, is only one of many strategies needed—ultimately larger scale institution changing efforts are clearly also necessary in connection with the financial and health care systems, as well as the large corporate sector. Nevertheless, something powerful is quietly underway, something to build upon...

This pamphlet, first in a projected series, explores a few of many, many new wealth democratizing efforts now under way. In thousands of local experiments, millions of people are already thinking outside the box, laying down foundations for a new economy that might one day truly be called a “commonwealth.” The mechanisms considered below are largely small scale, community based solutions, which, although relatively modest in scope, clearly illuminate many of the basic principles upon which such an economy might be built. Numerous efforts that also involve new ownership strategies have also been developing at the state level in many parts of the country. We hope in subsequent pamphlets to

present information on these efforts, as well as on related proposals for regional and national applications of the underlying principles of wealth democratization.

—Gar Alperovitz

A few resources for further reading

- My book *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy* is a comprehensive overview of the basic picture sketched above, and will be available in mid-November of 2011 in an updated edition. More information on the reissue is available at garalperovitz.com/abc
- My recent article in the Fall 2011 issue of *Dissent*, “Neither Reform nor Revolution: A New Strategy for the Left,” provides an in-depth analysis of the prospects for what I call “evolutionary reconstruction.” You can read this online at dissentmagazine.org/article/?article=4056.
- Much of the material in the subsequent pages comes from a website created and maintained by the Democracy Collaborative called Community-Wealth.org, which tracks new forms of democratized ownership and provides extensive information for researchers, policy activists, and practioners.



Cooperatives are one of the oldest and most established tools for democratizing wealth and counteracting the power and domination of the 1%. A cooperative is any business that is governed on the principle of one member, one vote, and they have existed in America since Benjamin Franklin and other Philadelphia residents created a mutual fire insurance company in the 1750s. Presently more than 130 million Americans are members of the 29,000-plus cooperatives that operate nearly 73,000 places of business, employ 850,000 people, have \$3 trillion in assets, and generate more than \$500 billion in revenue. This includes the nation's 7,446 traditional credit unions that have almost 100 million members and member-owner deposits totaling nearly \$1 trillion.

Worker cooperatives that apply these democratic principles to the workplace are vital components of the “evolutionary reconstruction” approach. In Cleveland, an innovative network of worker-owned cooperatives has been formed that includes a state-of-the-art “green” laundry cooperative, a solar panel installation and weatherization cooperative, and a commercial greenhouse cooperative that will produce 3 million head of lettuce and 300,000 pounds of herbs a year. A portion of the cooperatives’ profits will be invested in establishing new ventures as time goes on. In this way, the Cleveland model draws upon the precedent of the 85,000+ person Mondragón Cooperative Corporation in the Basque

region of Spain, the largest and most successful integrated network of workers cooperatives in the world.

For more information, see:

- Community Wealth: Coops
<http://community-wealth.org/strategies/panel/coops/index.html>
- Credit Union National Association
<http://www.cuna.org>
- National Cooperative Business Association
<http://www.ncba.coop>
- US Federation of Worker Cooperatives
<http://www.usworker.coop>

**PUTTING THE PIECES TOGETHER:
BUILDING COMMUNITY WEALTH AND REAL DEMOCRACY**

Serious attempts to democratize wealth must be holistic, comprehensive, and address the economic needs of the entire community. Each of the mechanisms detailed here work best not in isolation, but when combined into resilient, mutually-reinforcing systems. For example, the Cleveland model is more than just a network of linked worker cooperatives. It also includes a community newspaper cooperative, a land trust, and a community loan fund to finance new cooperatives. Moreover, the businesses are tied to the massive purchasing power of local large-scale “anchor institutions” such as hospitals and universities, which are far less likely to move across the globe in search of the cheapest labor possible (as did the industrial corporations that once formed the backbone of Ohio’s economy.) The new economy being built in the Cleveland model is thus stabilized by these large institutions, weaving together a network based in place, not just profit.



COMMUNITY LAND TRUSTS

Affordable housing is both a fundamental human right and one of the few available methods of building wealth for most families in the 99%. However, the foreclosure crisis and runaway gentrification has forced millions of Americans out of their homes. Community Land Trusts (CLTs) have risen to prominence as a method of protecting and strengthening local communities and families against both gentrification and foreclosure. A CLT is a non-profit organization that purchases land on behalf of the community and then sells or leases the land to homebuyers with a restricted deed that compels the resident, when they leave, to sell at a (lower) price set by a pre-determined formula, making sure that the good deal the first buyer gets is passed on to future generations of buyers, thereby keeping the house permanently affordable.

CLTs prevent gentrification and speculation while at the same time building the wealth of community residents. They also help prevent foreclosures. In 2010 just 1.3% of CLT homeowners were delinquent on their payments, compared to 8.57% in the traditional housing market. Additionally, less than half of one percent of CLT homeowners were in the foreclosure process, ten times less than traditional homeowners.

Currently there are around 200 communities in the United States operating or establishing CLTs. One notable example is the Champlain Housing Trust in Burlington, Vermont that now provides accommodation

to 2,000 households as well as loans, grants, and training programs. In California, the city of Irvine is in the process establishing a city-wide CLT with 10,000 housing units—around 10% of the city’s entire housing stock.

For more information see:

- The National Community Land Trust Network
<http://www.cltnetwork.org>
- Community Wealth: CLTs
<http://community-wealth.org/strategies/panel/clts/index.html>



FINANCIAL INSTITUTIONS DESIGNED TO SUSTAIN COMMUNITIES, NOT EXPLOIT THEM

Creating a financial system that works in the interest of the 99% rather than against it is a fundamental component of a new democratic economy. Fortunately, in the shadows of the Wall Street behemoths whose shortcomings are documented all too well, such a system already exists in every state and thousands of local communities. Community Development Financial Institutions (CDFIs) have emerged as a vital component of this new system. CDFIs are community banks, community development credit unions, micro-enterprise funds, loan funds, and venture capital funds that use \$41.7 billion in assets to meet the credit and finance needs of low-income families, community development corporations, and other community based organizations. CDFIs not only create and retain hundreds of thousands of local jobs, they also offer an alternative to the highly exploitative “payday loan” industry that ruthlessly operates in many low-income communities, often charging effective annual interest rates as high as 400%.

On a larger scale, fourteen state legislatures are now considering establishing state banks similar to the highly successful Bank of North Dakota

(BND). Established in 1919 by the left-populist Nonpartisan League, the BND has returned \$340 million in profits to the state over the past fourteen years and has received broad support from the business community as well as from politicians, residents, and activists.

For more information, see:

- Community Wealth: CDFIs
<http://community-wealth.org/strategies/panel/cdfis/index.html>
- Public Banking Institute
<http://publicbankinginstitute.org>
- Opportunity Finance Network
<http://www.opportunityfinance.net>



ECONOMIC DEVELOPMENT BY AND FOR THE COMMUNITY

Decades of economic inequality and growing poverty have left their mark on communities across America where many of the 99% live. Empty factories, foreclosed houses, vacant lots, crime, and unemployment affect not only inner-city areas, but also increasingly many suburban communities. Across the country, new institutions are emerging to meet the challenge of growing locally anchored economies in the communities shortchanged and abandoned by the 1%'s development agenda. Community Development Corporations (CDCs) are community based non-profit organizations that develop residential and commercial property in order to rebuild local economies that are owned and controlled by the local community. Today, there are now more than 4,500 CDCs in every state and almost every major city. Prior to the economic collapse, these organizations were producing an average of 86,000 housing units and 8.75 million square feet of commercial and industrial space per year.

A prominent example is the New Community Corporation in Newark, New Jersey which owns and manages a shopping center, 1,700 housing units for seniors and families, a 102 family facility for the homeless, a job training program, a School of Practical Nursing, a 180 bed extended

care facility, a youth and adult automotive training center, and a School of the Culinary Arts.

CDCs and related development strategies can help communities mobilize to build real economic power, a critical need in areas where years of disinvestment have eroded the power of the communities to shape their own destinies. In Boston, the Dudley Street Neighborhood Initiative won the right of eminent domain over 1300 abandoned properties in the community, and subsequently brought CDCs and a comprehensive community land trust together to transform nearly half of these vacant properties into affordable housing, parks, playgrounds, a community greenhouse, new schools, and community centers. Another Massachusetts community organization, the Alliance to Develop Power in Springfield, has developed a “community economy” comprised of a host of cooperative and traditional businesses totaling around \$80 million in revenue annually, with community gardens and even a small financial business that provides an alternative to pay-day lenders. With roughly 10,000 members, the non-profit can ensure community control and accountability, and has created an institutionalized capacity to launch advocacy campaigns around public policies and other issue areas of relevance to the community, from meeting ecological challenges to defending immigrants’ rights.

For more information, see:

- Community Wealth: CDCs
<http://community-wealth.org/strategies/panel/cdcs/index.html>
- New Community Corporation
<http://www.newcommunity.org>
- Dudley Street Neighborhood Initiative
<http://www.dsni.org>
- Alliance to Develop Power
<http://www.a-dp.org>
- National Alliance of Community Economic Development Associations
<http://www.naceda.org>

HOW CAN WE REALLY CHANGE

the increasingly unequal distribution of wealth in the United States? What kinds of economic structures can we look towards for models of a new economy, one which puts communities ahead of corporations? This pamphlet explores some of the exciting new developments at the grassroots that point toward an “evolutionary reconstruction” of economic and political life, by and for the 99%.