
Geoff Gilbert

“Strong people don’t need strong leaders.”
- Ella Baker

“Without new visions we don’t know what to build, only what to knock down. We not only end up confused, rudderless, and cynical, but we forget that making a revolution is not a series of clever maneuvers and tactics but a process that can and must transform us.”
- Robin D.G. Kelley

The Democratic Party’s current left-wing resurgence shows that significant popular support exists for an expanded vision of fundamental rights for all people: rights to public health care and higher education; affordable housing; living-wage jobs; and a Green New Deal that transitions human society to ecological sustainability while also reducing inequality. But what are the best institutional means to provide this expanded vision of fundamental rights? This paper argues that we must stop expecting or hoping that highly centralized state and corporate institutions, which reserve rights to ownership and control for the few, will produce any results other than those that benefit the few. I argue that in order to provide an expanded vision of fundamental rights we must create a democratic political economy comprised of institutions that are themselves democratic and controlled by the people they are meant to serve. Guided by Karl Polanyi’s insight that the fictitious commodification of labor, land, and money has made human society an accessory of the economic system, I propose a vision for creating, starting at the city level, democratic systems for controlling land, labor, and money. The vision—inspired by global movements including the Zapatistas in Mexico, the Movement

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of Landless Workers in Brazil, the Kurds in Rojava in Northern Syria, and the municipalist movement in Spain—calls for democracy in the workplace through worker cooperatives, local democratic ownership and control of land through land banks, community land trusts, and a land value sales tax, and democratic banking through public banks at the city level. By demonstrating the viability of democratic political economy institutions at the local level, organizers can amass resources to build toward broader systemic transformation.

Introduction

Our society has long been defined by intersecting material and social inequalities between people of different racial, gender, class, sexual, religious, and national identities. These inequalities are rooted in the liberal capitalist political economy through which we have historically produced and allocated our society’s material resources. Liberal capitalism drives our society’s continued and expanding inequalities of economic wealth and political power. Capitalism has overtaken democracy, subsuming popular participation in designing the institutions that impact our material lives, and “the market” has become a realm of human activity that we are told exists beyond the reach of political institutions.

Our society cedes a primary social power to capital owners; the power to plan how the things we need in order to live are produced and distributed. As a consequence, most of the people who live in our society are now politically and economically disenfranchised. Over half of the country possesses zero net wealth, a pattern of wealth distribution that has

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1 See bell hooks, *Understanding Patriarchy: No Borders*, http://imaginenoborders.org/pdf/zines/UnderstandingPatriarchy.pdf (Describing “imperialist white-supremacist capitalist patriarchy”); ANGELA DAVIS, *WOMEN, RACE, CLASS* (1983) (Exploring the intersections of systems of racial, gender, and class power throughout U.S. history); HARSHA WALIA, *UNDOING BORDER IMPERIALISM* (2013) (Arguing that geopolitics is defined by border imperialism, a global system of racialized apartheid rooted in the global capitalist political economy); KEANGA-YAMAHITTA TAYLOR, *FROM #BLACKLIVESMATTER TO BLACK LIBERATION* (2016) (Explaining the connections that the U.S. black liberation tradition has repeatedly made between structural racism and class oppression).

2 I accept Immanuel Wallerstein’s definition of capitalism as a system of production that prioritizes endless accumulation of capital. By liberal capitalism I mean the confluence of individualist liberalism and market capitalism in Europe in response to the European revolts of 1848. The main institutional elements of liberal capitalism are capitalist units of production supported by states, led by elected representatives, that provide relatively limited popular democratic input in the governance of society, including the political economy, through widespread (though hardly universal) suffrage to citizens, expansive access to primary and secondary education, and protection from the most harmful excesses of the capitalist mode of production, including harms in the workplace, in housing, and in public health. See IMMANUEL WALLERSTEIN, *WORLD-SYSTEMS ANALYSIS: AN INTRODUCTION* (2007 Duke University Press)(2004).
remained consistent for the roughly 100 years for which we possess recorded data. The twenty wealthiest Americans own as much wealth as the bottom 150 million and just twenty percent of the population owns over eighty percent of all equity in public corporations. The Fortune 500, today’s economic royalty, accounts for over seventy percent of annual GDP, up from fifty-eight percent in 1994, and markets are becoming increasingly less competitive, as nearly every industry is more concentrated than it was a generation ago. Six media corporations own nearly all of the media content that people in the U.S. read, watch, or listen to, meaning both that the production of political information is very concentrated and that most U.S. media content—and much of our information about the workings of our political and economic system—is produced to facilitate the corporate media business model of selling corporate advertising.

The law-making process reflects this underlying material and cultural power structure, as the policy preferences of a privileged wealthy few who finance political campaigns—disproportionately white heterosexual cisgender Christian men—dominate the legislative and regulatory processes that are the basis of our law making. Unsurprisingly, the policy preferences of the privileged few do not reflect the needs of the many. Our carbon-based energy system leads us closer to planetary ecological collapse. The never-ending “war on

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7 See generally ROBERT MCCHESEY, DIGITAL DISCONNECT: HOW CAPITALISM IS TURNING THE INTERNET AGAINST DEMOCRACY (2013).
drugs,” mass incarceration and the prison-industrial complex, militarized domestic security forces, and militarized borders are the neoliberal political economy’s answer to the disproportionately black and brown “surplus populations” that multinational corporations have created in the U.S. and around the world. Corporate control of innovations in communication and transportation technologies during the last half-century has made the labor of these surplus populations less necessary to multinationals as they seek to recapture ever-greater returns on surplus production. Meanwhile the “war on terror” and ever-new forms of U.S. special forces and CIA paramilitary activity in Africa, Latin America, and the Middle East act as the military hard power that enforces the U.S. government and corporate preference for the “free trade” approach to global hegemony.

Another way is possible. Many of our social systems were created during times of material scarcity. With the advent of new technologies during the 20th century, we now live in a new era of human history defined by material abundance. It is now technologically possible for all humans to live with substantive dignity and freedom: all humans could enjoy enough shelter, food, clothing, education, health care, communications and transportation.


technology, leisure time, and so on. U.S. per capita production increased more than sevenfold during the twentieth century—from $6,740 in 1900 to $49,930 in 2000, in 2016 dollars. Last year, the U.S. economy produced the equivalent of $223,639 for every family of four. The advent of automation and other labor-saving technologies makes this even more possible. Humanity does not face an economic problem of scarce resources; we face the political problem of governing our abundance and creating a democracy in which everyone can participate in controlling the systems that provide the things we need in order to live meaningful and joyous lives.

The power that capital owners have amassed, especially since the neoliberal transformation in the early 1980s, must be overturned in order to create an egalitarian democratic society in which everyone has power over their everyday lives and our collective fate. This impulse has begun to be expressed electorally in the U.S. with the emerging significance of grassroots-financed electoral organizing from groups including Justice Democrats, the Democratic Socialists of America, and Brand New Congress, all of which support candidates focused on creating public financing for elections and a political economy organized to provide some of the fundamental things that people need to live: affordable housing, health care, education, living-wage jobs, ecological sustainability. Many federal, state, and city politicians have begun to be elected on this general platform.

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1. See Id. at 45 (Houghton Mifflin Company 1998)(1938)(Explaining that U.S. institutional economists, including Thorstein Veblen, have long argued that, on technical grounds, humans have developed the capacity to produce material abundance for everyone).
6. Federal politicians elected on the platform include Representatives Alexandria Ocasio-Cortez (NY-14), Rashida Tlaib (MI-13), Ilhan Omar (MN-5), and Ayanna Pressley (MA-7). State politicians include Julia Salazar, a New York State Senator, and city politicians include Chokwe Antar Lumumba, Mayor of Jackson, Mississippi. For more on state and city politicians, see Kate Aronoff, The Democratic Socialists Scored Some Big Wins. Here’s What They’re Planning Next, IN THESE TIMES (2017): http://inthesetimes.com/article/20686/democratic-socialists-of-america-election-left-win. For more on Chokwe Antar Lumumba, see Matthew Cunningham-Cook, Chokwe Antar Lumumba’s Election Marks a New Era for Jackson – and for the South, IN THESE TIMES (2017): http://inthesetimes.com/article/20108/chokwe-antar-lumumba-jackson-mississippi-mayor.
A consensus is emerging that the response to concentrated political and economic power and looming ecological collapse is a policy platform of expanded fundamental rights for all people—in particular, rights to housing, health care, education, a living-wage job, and a Green New Deal. However, exploration of the best means for providing these fundamental rights is only just becoming part of mainstream political conversation. Broadly speaking, advocates of capitalism have long argued that capitalism, in which capital owners plan the political economy, is the system most capable of producing the greatest material prosperity.21 Socialist critics of capitalism have argued that a state-planned political economy is the best system for producing the basic necessities that everyone needs.22 This paper argues that neither capital owner planning nor socialist state planning is capable of providing freedom and prosperity for everyone, as each relies on highly centralized institutions controlled by relatively few people.23 We cannot continue to expect, or to hope, that highly centralized state and corporate institutions, which reserve rights to ownership and control for the few, will produce any results other than those that, first and foremost, benefit the few.

Instead, if we want to live in a world that is democratic and egalitarian, we must create a political economy defined by institutions that are themselves democratic and egalitarian. Mass movements throughout the world, primarily in Global South countries where people have long been excluded from power and marginalized by the liberal capitalist tradition, have begun to experiment with solidarity economies rooted in direct democracy and community control of production. Examples include the Zapatistas in Chiapas, Mexico,24 the Landless Workers Movement in Brazil,25 and the Kurds in Rojava in Northern Syria.26 The theories and practices of today’s solidarity economy movement were developed in the alternative democratic political economy experiments of mid-1980s Latin America, led primarily by

2 See generally Erik Olin Wright, Envisioning Real Utopias (2010).
indigenous and poor or working-class people.7 Over the last decade in the United States, solidarity networks and institutions have emerged and continued to grow, such as the Malcolm X Grassroots Movement in Jackson, Mississippi,8 the New Economy Coalition, the Southern Grassroots Economies Project, the Eastern Conference for Workplace Democracy, and the U.S. Federation of Worker Cooperatives.9

The ideas and institutions at the core of the solidarity economy differ from liberal capitalist institutions in at least three ways. First, solidarity economy institutions shift the primary location of economic justice action from centralized state institutions (which simply tax and redistribute) to the site of production itself: the workplace. Solidarity economy institutions seek to provide rights to decision-making and profits for all workers and members of the surrounding community who the production impacts. Second, they seek to transform all places of collective decision-making—including workplaces and political legislatures—toward direct democracy and to make these collective decision-making spaces less reliant on representative democracy. Third, they are committed to a racial and gender reparations framework for divesting from status quo institutions and investing in the institutions of a democratic political economy. In a democratic political economy, the ends cannot justify the means, as the means inherently shape the outcomes that they might produce. Institutions that seek to create a democratic and egalitarian society must be democratic and egalitarian themselves.

This paper builds upon solidarity economy theory and practice in order to provide the beginnings of a systemic vision for a democratic political economy rooted in direct democratic control of land, money and the production of material necessities. The solidarity economy framework that I describe focuses on the local level for at least three reasons.

First, democratic decision-making can only exist at a relatively small scale. To address this issue of scale, primary planning institutions should exist at the city and community level, and these institutions should coordinate with one another across region, nationally, and internationally. Within this locally-based confederated framework, the principle of subsidiarity—that is, centralized organizations should only be formed when cooperation between decentralized organizations is necessary—should guide coordination between city-level planning units.

Second, the local level is the scale at which it is most possible for us to create the building blocks of what Angela Davis describes as an abolition democracy, a society in which we have

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7 See Marta Harnecker, A World to Build: New Paths Toward Twenty-First Century Socialism (2013). See Ethan Miller, Other Economies Are Possible, DOLLARS & SENSE (July/August 2006),
abolished the institutions that advance the dominance of any one group over another.” Emphasis on the local level allows us to create the in-person spaces through which people can transform our relationships to ourselves and one another and learn to practice participatory democracy together.6 Lived experience with participatory and egalitarian culture can expand our political and social imaginations, providing paths for people to learn how to practice, and to prefigure, the egalitarian and participatory ideals of the system that we seek to build.7 Third, emphasis on the local level provides a viable path for mobilizing people and resources and for building power. Creating local institutions demonstrates proof-of-concept, and it captures and consolidates resources that can be used to build additional institutions. Furthermore, local emphasis gives economic justice organizers the ability to start small and build an institutional base from which to expand until they have built enough power to win direct contests with the reigning hegemony.8 Organizing in this way allows for gains to be

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6 Angela Davis, Abolition Democracy: Beyond Empire, Prisons, and Torture 91 (2005) (Advancing the term “abolition democracy,” used by W.E.B. DuBois in Black Reconstruction, to describe a democratic society in which we have abolished the institutions that advance the dominance of any one group over another - including prisons - and create new democratic institutions that provide everyone with everything we need in order to live, including housing, education, healthcare, among other things). See also Patrisse Cullors, 132 Harv. L. Rev. 1684 (Stating, “We define abolition as a praxis that roots itself in the following principles: people’s power; love, healing, and transformative justice; Black liberation; internationalism; anti-imperialism; dismantling structures; and practice, practice, practice.”)

7 See M.K. Gandhi, Constructive Programme: Its Meaning and Place, The Navajivan Trust (1945) (Describing the concept of the constructive program whereby people begin to build the larger society that we seek by creating local examples of the bigger institutions that we need, including institutions for community control of land and of the means to produce and distribute the material necessities of life). See John Stuart Mill, Tocqueville on Democracy in America 200-201, in Essays On Politics And Culture, ed., Gertrude Himmelfarb (Garden City, NY: Doubleday, 1962) (Stating, “We do not learn to read or write, to ride or swim, by being merely told how to do it, but by doing it, so it is only by practicing popular government on a limited scale, that the people will ever learn how to exercise it on a larger.”)


9 Antonio Gramsci, Ed. David Forgacs, The Antonio Gramsci Reader: Selected Writings 1916 – 1935 222-245 (NYU Press 2000) (Building power in this bottom-up, cumulative manner reflects insights concerning Antonio Gramsci’s conception of the war of position, whereby Gramsci argued that people movements seeking to build a new hegemony should seek to steadily build power and avoid zero-sum contests before they have built enough power in order to win such direct contests).
won before the entire political struggle is won, and for successive gains to amplify one another.

Additionally, this paper aims to add a dimension of legal analysis to solidarity economy theory and practice. Capitalist ideology and practice shape our laws in at least two general ways. First, as described above, corporations dominate the legislative and regulatory processes at all levels of government—far from being opposed to one another, big government effectively works for big business. Second, capitalist ideology and practice transform land, labor, and money into distinct forms of property that specific institutions possess the ability to create and control. This second element, a main focus of the paper, is a key element of our society’s regime of property laws that allows for twenty-six billionaires to own as much wealth as 3.8 billion people around the world, while billions of people around the world, including in the US, live without access to many basic necessities.

The first section of the paper reframes neoclassical economic theory and the questions that its theorists ask. I argue that the choice we face is not between a centrally planned political economy and a “free market,” an ostensibly unplanned political economy. Instead, I contend that humans plan all political economies, as humans create them, and we must choose how we shape the human power that plans our political economy. I argue that neoclassical theorists of the political economy hide the subjects they empower as planners—the owners of capital. Revealing the choice we’ve made to empower a privileged few of us to plan our political economy, I argue that we should instead create democratic institutions through which we can all plan the political economy together for our collective benefit.

Sections two through five of the paper explore the ways in which capitalist ideology and practice produce and reproduce land, labor, and money as specific forms of property, and detail the solidarity economy institutions through which people have begun to democratize land, labor, and money. Each section emphasizes the need to create solidarity economy institutions within a racial and gender reparations framework so that people historically excluded from the liberal capitalist economy can lead in the creation of solidarity economy institutions.

The second section examines land ownership and use. I first analyze how property law transforms land into a financial vehicle through which landowners pursue profit. Property law provides landowners the right to profit from the sale of land and the right to relatively unqualified land use. In doing so, property law creates a land-use planning system through which landowners prioritize profit. The section then explores how we can transform property rights associated with land. Building on the work of the political economist Henry George and the many global efforts to create community land trusts, I argue that a land value tax can de-commodify land. I also consider how communities can use land banks to acquire land, which can then be transferred to community land trust ownership in order to provide a foundation for a democratic system of land ownership and land-use planning.

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1. See Footnote 10.

The third section focuses on the structure of the workplace, where we all combine our labor with various forms of capital in order to produce everything in our economy. I first discuss how the modern corporation is authoritarian in structure. I then examine the institutional form of the worker cooperative, a business within which all workers have rights to profit and governance on a “one person, one vote” basis. By creating worker cooperatives, we can build a society in which we all control our own labor and the goods and services that we produce.

The fourth section analyzes money creation. I describe how private banks create most of our society’s money and how governments, through a variety of mechanisms, create the value of the currencies in which money is denominated. I argue that the status quo effectively allows banks to privatize money creation and to plan our money system. Taking inspiration from today’s Modern Monetary Theorists, I then explore how we can build upon past and current models for public banking in order to create a democratic money creation system built around city-owned banks. I sketch how we can use democratically-controlled city-owned banks in order to coordinate the creation of money that is used to finance the production of all of the things that we need in order to live.

The fifth section examines city government policy and how local place-based wealthy institutions—hospitals, universities, and philanthropic foundations—can use their substantial resources to support local solidarity economies. The section begins to reimagine the quasi-public mission of these institutions and the ways that they can be accountable to the communities in which they are based. I also discuss how local organizing will be required to pressure these institutions to shift their resources to support local solidarity economies.

I aim to help redefine the theoretical terrain within which we discuss economic planning and thinking. We should focus on the question, “who should possess the power to plan?” and dispel the illusion that planning is guided by the mythical “free market.” I hope that this paper will provide grassroots social justice organizers with a vision for local institutions through which we can expand ongoing efforts to build a democratically planned political economy.

**I. A Political Economy Planned by the People: Toward Democracy, Away From the “Free Market”**

This section presents an overview of a vision for a democratically planned economy. First, I analyze how capital owners plan the capitalist political economy, and how theorists of the liberal political economy obscure capital owners’ role as planners by appealing to the false ideal of the “free market” economy. Second, I present five principles that can help to shape an egalitarian transition to the solidarity economy institutions for democratic political economy planning: 1) radical inclusion; 2) decentralization; 3) democratic governance; 4) reparations; and 5) capital that serves people.

Though beyond the scope of this paper, a holistic vision for a democratic political economy must reach many, if not most, sectors of the economy, including democratic
processes for producing energy,8 ecologically sustainable mass transit,7 community-financed media,9 and broadband infrastructure.10 The recent policy proposal for a Green New Deal acknowledges this intimate connection between ecological sustainability, the elimination of all forms of oppression and inequality, and political economy transformation.11

A. The Myth of the “Natural” or “Free Market” Economy

A long tradition of political, economic, and social thinking has been to glorify the defining elements of the liberal capitalist system in which we currently live. Of course, a rich socialist economist tradition—socialist often being a signifier of dreams for a more just world12—has been engaging with liberal capitalist thought for centuries,13 with a welcome resurgence in recent decades.14 In the aftermath of the 2008 global economic crisis, a host of scholars15 have

8 See John Farrell, Beyond Utility 2.0 to Energy Democracy, Institute for Local Self-Reliance (2014).
9 See Richard Gilbert and Anthony Perl, Transport Revolutions: Moving People and Freight Without Oil (2010).
13 Erik Olin Wright, Envisioning Real Utopias 1 (2010).
reinvigorated the long tradition of critical legal analysis of liberal capitalism. Other legal thinkers have been indirectly asking this question by analyzing and proposing non-capitalist political economy projects, especially at the local level.

There is no monolithic or unified capitalism. Capitalism exists primarily as a mode of production rooted in the European Enlightenment vision of the political economy. Liberalism—which imagines its subjects as individual capital owners who interact with one another through commercial markets that are minimally managed by a state constituted of elected representatives—is the ideology that justifies and helps to reproduce a capitalist mode of production in frequently shifting institutional forms.

Political economy is fundamentally about planning. The political and economic theorist Karl Polanyi understood that humans plan all political economies—they are human creations, after all—even if liberal laissez-faire arguments tend to hide the subjects they empower as economic planners—the individual owners of capital—by focusing attention on the supposedly maximal social welfare that they claimed they could achieve. This is capitalism’s defining feature: even as it has and continues to shift in its specific form, capitalism is a political economy planned by the individual owners of productive capital, who have been and continue to be disproportionately white, straight, cisgender men.

Legal Realists, writing in the early 20th century, understood that narratives of a “free” market or “natural” property rights were normative ideological claims that obscure the functioning of power in the political economy. Morris Cohen argued that the distinction

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* Legal Realist analysis in the early 20th century and the Critical Legal Studies and Critical Race Theory movements of recent decades all engage in different forms of critical legal analysis of liberal capitalism.


* Polanyi argued that liberal laissez-faire arguments that the economy was a separate private sphere that must be protected from the state were simply an ideological strategy employed by capitalists to protect the economy that they owned from democratic planning. See Johanna Bockman, Ariane Fischer, and David Woodruft, _Socialist Accounting by Karl Polanyi: with preface socialism and the embedded economy_, 43.5 Theory and Society, 385, 404 (2016).

between public and private law was false.⁶ Cohen criticized descriptions of property as governed by private law that mediated the ‘natural’ relationship between a person and a thing. Instead, Cohen argued, property is a relation between the owner of a thing and other individuals in reference to that thing.⁸ Additionally, Robert Hale argued that since property law governed the relationship between people in reference to their ownership and control of material things, the state involved itself in the property regime through its governance of competing claims by different people to the same property.¹⁰ Thus, the economy—and property rights—is an inherently political system of mutual coercion. There is no “free” market; humans create markets and the shape that markets take, far from a “natural” revelation, is a decision that humans make. Markets are fundamentally sites where humans coordinate with each other and exercise power over one another.

Today, neoliberal arguments justify continued economic planning by individual owners of capital, the privileged few. David Singh Grewal and Jedediah Purdy summarize what they call the “four overlapping premises that mark the neoliberal attitude.”¹² The first is an “efficiency-based ‘market fundamentalism’”: the claim that individual property and contracting rights are the best means to increase aggregate social welfare and that the state is only justified to intervene in the economy in order to correct market failures, placing the state in the role of manager of markets that are planned and controlled by capital owners through their interactions. The second premise, a related expression of “market fundamentalism,” is the belief that strong property rights, implicitly belonging to individuals, best protect the equal freedom and dignity of individuals—this is the normative claim against which the Legal Realists argued. The third premise, a “pessimistic denial” of democratic politics and public institutions, holds that democratic economic alternatives, implemented through public institutions, are futile and will backfire. This premise is used to argue against democratic claims for the state to produce better economic outcomes for society at those times when the “market fundamentalist” agenda inevitably fails to deliver on its promises. The final premise seeks to set the bounds for political imagination by demonizing specific policy options that threaten the core of the “market fundamentalist” agenda, such as nationalizing banks or creating publicly-owned industries.

Creating institutions through which everyone has rights to ownership and control of land, labor, and money is the key material program required to create a democratic system for planning our political economy. Through building these institutions, we can begin create the lived experiences through which people can transform their relationships to themselves and

⁶ Morris R. Cohen, Property and Sovereignty, 13 Cornell L. Rev. 8, 12 (1927).
⁷ Id.
⁹ David Singh Grewal and Jedediah Purdy, Introduction: Law and Neoliberalism 77 Law and Contemporary Problems 2, 7 (2014); See also David Harvey, A Brief History of Neoliberalism (2005).
one another and learn to embody egalitarian culture and participatory democracy, which can help move us toward a practice of abolition democracy.  

(A Note on Market Exchange)

Above, I argue that humans possess the ability to choose the form and the rules of the markets through which they exchange goods and services. A democratic political economy planning system can utilize market exchange in order to produce information about the relative cost of using different resources.

The Austrian School of economics built its arguments around the price system produced through market exchange. While Austrian School economists, including F.A. Hayek and Ludwig von Mises, advocated for the market exchange price system, Hayek also insisted, “...it is not necessary for the working of this [price] system that anybody understand it.”

Theodore Burczak argues that Hayek saw price information as an epistemological problem. Hayek thought that individuals could not even know their own desires, let alone communicate that information to one another. Mired in epistemological indeterminacy, the market exchange system became for Hayek the best and only feasible mechanism to communicate that which can’t be consciously articulated by humans. For Hayek, the price system need not be understood because it can’t be understood, nor could any other mechanism coordinating the subjective desires of many individuals.

Many socialist economists in the early 20th century agreed with the Austrian School that the market exchange price system is the best mechanism for producing information about the relative cost of using different resources. However, many socialist economists disagreed with the Austrian School’s contention that understanding the market exchange price system was beyond human comprehension.

Oskar Lange emphasized the development of computing power as transformative for the ability for humans to understand, and eventually reproduce, market decisions.

Lange argued that the success of neoclassical economists in building price equilibrium models demonstrated that planning of the market exchange system by people other than capital owners was possible, since these models themselves are synthetic market planning mechanisms.

By mathematically modeling market exchange,
humans could begin to learn how to plan the market by democratic means, as opposed to allowing it to be planned by capital owners.

I mention this to assert that a democratic political economy planning system can and must use market exchange in order to produce information about the relevant cost of using different resources, for we live on a planet with finite resources. However, we can create democratic market actors along with a system for cooperative exchange between market actors based on production for human need rather than our current market system based on competition and production for profit. By doing so, we can create systems for democratic political economy planning that, instead of being controlled by markets, use markets for democratically determined ends.

**B. Five Principles for Democratic Political Economy Planning**

Having explored how theories of liberal capitalism obscure who the planners of a capitalist economy really are, I introduce here five principles that can begin to guide an egalitarian transition toward solidarity economy institutions for democratic political economy planning. The principles are useful only if they contribute to the production of social justice; the goal of this approach is a society in which all people have broadly equal access to the necessary material and social means to live flourishing lives. I also acknowledge that the principles are incomplete—they are not intended to constitute a comprehensive theory. In this way, the five principles, as well as the solidarity economy institutions described in this paper, are meant to be prefigurative. Building solidarity economy institutions is intentionally a learning process through which we can learn how to transform our political economy and society toward abolition democracy on a larger scale. As we build solidarity economy institutions defined in part by these principles, our experiences within solidarity economy institutions and the movements we build to create them can transform the ways that we relate to ourselves and to one another. We can end the practices through which we dominate one another and create a society that values our individual and collective humanity.

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*See also Leigh Phillips, Michal Rozworski, People’s Republic of Walmart: How the World’s Biggest Corporations Are Laying the Foundation for Socialism 20-30 (2019) (Arguing that large multinational corporations like Walmart and Amazon have proven correct Lange and other socialist economists of the socialist calculation debate, as Walmart and Amazon use modern computing power to conduct non-market planning with respect to production and distribution within their own firms.)

6 These principles are informed by Amna Akbar’s “borderlands” approach to leadership. See Amna Akbar, Borderlands: Policing Reimagined (unpublished).


8 See Chris Dixon, Another Politics: Talking Across Today’s Transformative Movements 82 (2014) (Describing “activist efforts to manifest and build, to the greatest extent possible, the world we would like to see through our means of fighting in this one”).*
Before describing the five principles, I think it is important to note that, while institutions
can provide an egalitarian form, our society is currently characterized by an interlocking
political ideology, what bell hooks describes as “imperialist white-supremacist capitalist
patriarchy” that devalues women, people of color, Indigenous people, people with non-
binary genders, people with non-heteronormative sexualities, and others. Any governance
regime will reproduce these intersecting forms of oppression if it does not include a proactive
anti-oppression program. In order to proactively create a culture that values the humanity
of all people, the egalitarian legal-institutional forms of a democratic political economy must
be part of a larger cultural project to reimagine leadership and accountability along the lines
of Amna Akbar’s ‘Borderlands’ theory.

The ‘Borderlands’ theory of leadership centers the voices and experiences of the people
made most vulnerable by the racialized capitalist political economy. If democratic political
economy planning is not accountable to these groups of people, it is not a genuine alternative.
Of the ‘Borderlands’ method, Akbar writes:

[It] focuses on the voices and lived experiences of people of color, poor people, immigrants,
and other structurally vulnerable people as a way, in part, to learn about how law functions,
what ends it serves, and the tensions between the aspirations and the realities of our society.
Those people normally viewed as exceptional or marginalized become central. The gambit is
that this shift in focus will move our understanding of the problems facing law—and our larger
society—and our aspirations for the type of change required if we cannot abide by the status
quo.”

The ‘Borderlands’ vision takes as inspiration the perspective on leadership expressed in
the Movement for Black Lives platform, one that “elevat[es] the experiences and leadership
of the most marginalized Black people, including but not limited to those who are women,
queer, trans, femmes, gender nonconforming, Muslim, formerly and currently incarcerated,
cash poor and working class, disabled, undocumented, and immigrant.” The solidarity
economy must be led by and produce results for the most marginalized people, for we can
only create a world in which everyone’s humanity is recognized and valued when the

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“See Rahul Varman and Manali Chakrabarti, “Contradictions of Democracy in a Workers’
Cooperative” (2004). See Joan Meyers and Steven Peter Vallas, “Diversity Regimes in Worker
Cooperatives: Workplace Inequality under Conditions of Worker Control” (2016); See also Genna
Miller, “Gender Trouble”: Investigating Gender and Economic Democracy in Worker
Cooperatives in the United States” (2012).
“Movement for Black Lives Platform, https://policy.m4bl.org/platform. See also Black Youth
Project 100, Agenda to Build Black Futures, http://agendatobuildblackfutures.org/our-
agenda/download-full-agenda/.
humanity of the most marginalized people is explicitly recognized and valued." All of the legal rights and policy programs that follow must be held accountable to a ‘Borderlands’ perspective that makes central people who are currently viewed as exceptional or marginal.

ii. The Five Principles

The five solidarity economy principles are: 1) radical inclusion; 2) decentralization; 3) democratic governance; 4) reparations; 5) capital serves people. These five principles are a new expression of a broad concept, economic democracy."

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* I want to give credit to activists and scholars associated with the Movement for Black Lives for strongly promoting this principle. See Movement for Black Lives platform ("There can be no liberation for all Black people if we do not center and fight for those who have been marginalized. It is our hope that by working together to create and amplify a shared agenda, we can continue to move toward a world in which the full humanity and dignity of all people is recognized"); See also KEEANGA-YAMAHTTA TAYLOR, FROM #BLACKLIVESMATTER TO BLACK LIBERATION 193-194 (2016) ("The aspiration for Black liberation cannot be separated from what happens in the United States as a whole. Black life cannot be transformed while the rest of the country burns. The fires consuming the United States are stoked by the widespread alienation of low-wage and meaningless work, unaffordable rents, suffocating debt, and poverty. The essence of economic inequality is borne out in a simple fact: there are 400 billionaires in the United States and 45 million people living in poverty. These are not parallel facts. There are 400 million American billionaires because there are 45 million people living in poverty. Profit comes at the expense of the living wage. Corporate executives, university presidents, and capitalists in general are living the good life—because so many others are living a life of hardship. The struggle for Black liberation, then, is not an abstract idea molded in isolation from the wider phenomenon of economic exploitation and inequality that pervades all of American society; it is intimately bound up with them.").

* A concept which, itself, is not new. See GAR ALPEROVITZ, AMERICA BEYOND CAPITALISM (2005) (Arguing for a “Pluralist Commonwealth” that emphasizes bringing investment under democratic control from the ground up starting at the community level). See MICHAEL ALBERT AND ROBIN HAHNEL, THE POLITICAL ECONOMY OF PARTICIPATORY ECONOMICS (1991) (Arguing for a system of participatory Economics, or ParEcon, where local consumer councils effectively place orders for all goods and services with worker coops). See PAT DEVINE, DEMOCRACY AND ECONOMIC PLANNING (1988) (Arguing for negotiated coordination, a system of planned democratic investment, where a national planning body, consisting of elected representatives, allocates resources to negotiated coordination bodies made up of worker self-managed enterprises organized by industry and region). See DAVID SCHWEICKART, AFTER CAPITALISM (Rowman & Littlefield 2011) (2002) (Arguing for a system of economic democracy that maintains markets for the exchange of goods and services while experimenting with forms of public and cooperative ownership of productive capital). See JOHN ROEHR, ED., ERIK OLIN WRIGHT, EQUAL SHARES: MAKING MARKET SOCIALISM WORK (1996) (Arguing for a system of market socialism where everyone owns shares in the corporate economy, allowing everyone to have a measure of control over economic investment).
The first principle, radical inclusion, means that solidarity economies must make space for everyone to participate—this especially includes people who have been most marginalized by the status quo: women, Indigenous people, people of color, transgender people, people with non-binary sexualities, among others. A general reparations framework for financing the democratic political economy (described below) must make available affordable training for anyone who wants to participate in solidarity economies but who lacks the necessary technical skills.

The second principle, decentralization, is opposition both to centralized state and corporate power. Solidarity economies seek to transform the shape that democracy takes, with power located close to the ground and independent from both highly centralized state and corporate institutions. Solidarity economies are not just limited to democratic control of standard businesses.” They also include democratic control of organizations like schools, media, arts, sports, and entertainment organizations, as well as new policing and conflict mediation institutions that might eventually make police and prisons obsolete.

For millions of people to coordinate across geographic regions and for billions of people to coordinate across the world, however, newer, more centralized institutions will also have to be formed. However, such solidarity economy forms of coordination should be faithful to the principle of subsidiarity, meaning centralized organizations should only be formed when cooperation between decentralized organizations is necessary to achieve specific objectives. For example, with respect to activities that benefit from economies of scale or require coordination amongst many people and across significant geographic space—like public health insurance or infrastructure investment for a program like a Green New Deal—institutions that pool resources in a centralized manner and create rights for decentralized local allocation of these centralized resources would likely be necessary.

The third principle, democratic governance, means that solidarity economy businesses must be committed to the principle of “one-person, one-vote” for all workers, for both management and profit-sharing decisions.” Within the solidarity economy framework, one’s rights within an organization, especially the workplace, are determined by one’s participation in the organization, not the amount of money they invest in it. Thus, within solidarity economies, rights to governance and ownership of an organization derived from participation in that organization are more important than the capital or property rights derived from financing it.

The fourth principle, reparations, means that the injustices created within the old liberal capitalist system must be made right as a key element of a transition toward an egalitarian democratic political economy. The distribution of global wealth is currently extraordinarily unequal and inequitable, in no small part due to historical (and ongoing) state and corporate discrimination against women, Indigenous people, and people of color, among others.

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7 For example, businesses that produce food, transport all kinds of goods, or mine for raw resources

People made vulnerable by current status quo institutions must be made materially whole through reparations before any new system can claim to be just and equitable. Though I advocate here that reparations must be a fundamental element of a transition to a different and just social system, I believe that the form that reparations take should be determined by people who are owed reparations.7

The fifth principle, “capital in service of people,” means that people, not capital, will plan the economy in pursuit of social justice. Broadly speaking, two types of capital exist: producer and consumer capital. Producer capital is the wealth that is invested to generate the income and profits that become the consumer capital we use to buy everything we need. Concentration of producer capital is the primary tool that the few use to rule the many. Producer capital must be decentralized through democratic ownership and control of the businesses that are the economy’s producers, while consumer capital must remain individually controlled. By placing producer capital under decentralized democratic control, people can produce for themselves, rather than for the sake of producing more producer capital, as is the case in our current liberal capitalist system.

II. Democratic Land: The Land Value Tax and the Community Land Trust

Having proposed five principles that can help to shape an egalitarian transition to the solidarity economy, I turn to the first set of key institutional building blocks of a democratic planning system—that is, the system for owning land and controlling land use. Access to affordable housing is highly racialized and a primary driver of racial wealth inequality and millions of new homes need to be built in order for everyone to have access to affordable housing.7 This section analyzes the specific form of property that land has become within the liberal capitalist status quo and explores solidarity economy institutions—community land trusts and land banks—through which we can make land available for affordable use, including for housing.


The 19th century political economist Henry George observed that there is a misalignment between the production of land value and the assignment of profits from the sale of land. Landowners, George argued, do not create land value. Everything that happens around a given piece of land increases its value—including, but not limited to, infrastructure investment, surrounding commercial and residential investment, the existence and quality of schools, and employers in the area. As goes the real estate industry maxim concerning land value: location, location, location. George argued that land value is socially produced, because location, or the creation of things on surrounding land, determines land value.

Yet, current property rights associated with land ownership allow landowners to keep for themselves the increase in financial value of the land that they own, as landowners are allowed to sell land to the highest bidder and to effectively keep the entirety of the proceeds from the sale of land. By allowing landowners to keep the proceeds of the sale of land to the highest bidder and by allowing landowners to use land with only relatively minimal restriction, we have created a land use system that landowners plan. One product of this landowner-controlled system is our society’s racialized and class-based housing segregation, whereby over 13 million people, disproportionately black and brown people, live in high-poverty neighborhoods, a figure that has doubled since 2000. This system also drives our country’s ongoing housing affordability crisis, including the most recent iteration of racialized urban displacement, known popularly as gentrification.

George argued for a realigning of the social production of land value through a land-value tax, which would tax 100 percent of any gain on the sale of land at the point of sale. Under a land-value tax, ownership of land and ownership of structures on land are treated differently. The tax socializes any gains from the sale of land, returning the proceeds to the public treasury, because all increases in land value are socially produced. The property on the land, however, is treated as property that its owner has the right to sell—it is not subject

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to the 100 percent land-value tax. A land-value tax takes away the right to sell land from landowners, in that landowners can sell land, but they cannot keep the profit from the sale.

Reconstituting land rights in this way removes the ability of landowners to use land as a financial vehicle; it is, as Janelle Orsi explains, an unpacking of the “bundle of rights” that our current laws attach to land ownership. Allowing for landowners to profit from the sale of land creates a system where land is not shared, which makes land seem more valuable, in a financial sense, than it actually is. The right of a landowner to profit from the sale of land creates a land use system driven by a speculative marketplace, one in which the investment decisions of landowners constitute our society’s plan for land use without concern for everybody else who must use land in order to live. Eliminating this potential use for land, which benefits primarily—if not exclusively—landowners, removes the main vehicle by which landowners control land use. It can clear the way for a system of land use that doesn’t advance racialized inequality and that makes land available for the provision of human needs—including housing, enjoyment, and use for production of goods and services, each of which our current property regime treats as subservient to landowners’ imperative to use land as a vehicle for financial investment.

Implementation of a land-value tax is a centralized means for reform—it requires action at the city, state, national, and international levels and would affect all sales of land within the geographic area that a legislating body controls. This is just one system-level land-use reform that could begin to transform our land use system from one that is controlled by landowners to one that is controlled by everyone.

A. The Community Land Trust: Prefiguring the Social Ownership of Land

Many people around the world are pursuing the goal of a land-value tax—alignment of land value with human needs for land use—in a decentralized manner by creating community land trusts, a legal vehicle for owning and controlling land.7

8 Id.
The community land trust (CLT), an institution created by black farmers in the U.S. South during the 1960s, prefigures a land-value tax system by creating individual plots of land within the larger capitalist landowning system where land use is detached from the right to profit from the sale of land. CLT’s place land ownership in a not-for-profit corporation (CLT corporation) structured as a cooperative governed membership organization, with membership open both to those who lease land from the CLT and to other members of the surrounding community. The CLT corporation is typically governed cooperatively by its members, as determined by its bylaws. It retains ownership of the land, while members own what they build on the land.

The key to the CLT land use model is that when members build on the land, they agree that they can only sell their property to the CLT corporation. The CLT corporation continues to own the land under the structure, for a predetermined price, which facilitates the CLT corporation’s capture of rising land value. This agreement allows the CLT to continue to provide affordable housing and land use. For land owned and controlled by a CLT, land value is insulated from the speculative real estate market and CLT members determine land use democratically.

The Dudley Street Neighborhood Initiative (DSNI) in Boston, Massachusetts is an example of an existing CLT. DSNI operates a land trust that has turned 30 acres of vacant land, acquired in part through eminent domain authority, into 225 affordable homes and extensive public community space, including a 10,000 square foot community greenhouse and an urban farm. Aside from growing food, the DSNI employs high school students as community organizers, operates a youth mentorship program, and provides other after school and technical programming for neighborhood youths. Further, through the DSNI, the community organizes and advocates for community needs, such as by ensuring that resident minority and women owned businesses are represented on neighborhood construction projects.

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B. Land Banks: Acquiring Land for Social Ownership and Use

A primary barrier to creating more CLTs is that land—in the absence of a land-value tax—is very expensive. Landowners, who plan our current land use system, generally treat land as a financial asset. Thus, the system is designed to produce a high cost for land. Communities who want to create CLTs must either raise significant amounts of money or acquire land at below-market prices. Once the CLT has acquired the land, it can ensure long-term affordable use for housing, recreation, and commercial purposes.

Around the US, city governments have begun to help CLTs acquire land and financing at below market rates through at least three different mechanisms: 1) land and housing unit transfer, along with city financing to CLTs to acquire land and housing units from a local city agency; 2) inclusionary zoning whereby private developers transfer land and affordable housing units to CLTs; and 3) creation of land banks with the authority to transfer city-owned land and privately-owned land to CLTs at no cost or at below-market prices. The first two approaches promote CLT growth within the current system—each makes below-market land, housing, or financing available to people who want to create CLTs. The third approach creates a public institution—a land bank—that can constitute the beginning of a

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* Inclusionary zoning requirements can definitely help CLTs acquire land and housing units, depending on the details of the city inclusionary zoning policy. A very strong policy would require two things: 1) private developers make a certain percentage of the units in their developments affordable; 2) after building the units, private developers sell the unit at the affordable rate to a CLT (and possibly donate the land underneath or include some sort of covenant in the sale that would guarantee indefinite access to the land under the unit by the CLT). A less strong policy would increase the duration of affordability requirements, let developers know that CLTs are available to purchase housing units at the affordable rate, and hope that the private developer choose to sell their affordable units to a CLT, perhaps in order to minimize management and regulatory compliance costs.


* Cities have also helped establish and enlarge CLTs through equity investments, low-interest loans, conveyance of public lands, and conveyance of publicly owned housing units. These policies exist in a pretty fragmented way across the country—each of the following cities have made below-market financing and/or land conveyance available to specific CLTs: Boston, Massachusetts; Delray Beach, Florida; Albuquerque, New Mexico; Portland, Oregon; Minneapolis, Minnesota. No city, to my knowledge, has a coherent policy that combines many of these approaches to consistently direct significant resources toward CLT development. Below are some examples of what exists around the country.
democratic land-use planning system, which de-commodifies land, treating land as space upon which people need to live. For these reasons, I focus on land banks.

Multiple US cities have created land banks. Though land banks and CLTs are not working together with any kind of frequency, great potential exists for collaboration between community-controlled land banks and CLTs. Land banks are not by community-controlled per se, but there are at least a few ways to ensure community control over land banks. One approach would be to give land banks the three following basic powers.

First, land banks should be given the power to possess authority to acquire title to land that was previously owned by either the city or private owners, and in particular privately-owned land in low-wealth communities that is vacant or underutilized. Developers frequently drive urban gentrification by purchasing land in low-wealth communities, leaving the land vacant—which drives down surrounding land prices—and purchasing additional surrounding land before developing housing and mixed-use projects that are marketed to people with

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5 In Detroit, Michigan, the City Council created the Detroit Land Bank Authority (the land bank) in 2009. The land bank controls 93,000 parcels of land. As of the end of 2016, the land bank had sold 5,660 side lots to neighbors at $100 per lot and had auctioned roughly 1,400 still-livable houses to new buyers. See John Gallagher, Despite missteps, Detroit Land Bank proves its worth, DETROIT FREE PRESS (2017), http://www.freep.com/story/money/business/columnists/2017/02/04/detroit-demolition-kildee-land-foreclosure/96833026/. In Philadelphia, Pennsylvania, an activist group, Campaign to Take Back Vacant Land, successfully organized to pressure the Philadelphia City Council to create the Philadelphia Land Bank in December 2013. The land bank does not have independent authority with respect to the acquisition of tax delinquent properties, as it needs prior approval from various city entities before it can acquire property, eliminate liabilities, or transfer already acquired property. The land bank is authorized to transfer its property at below-market prices if the proposed use would create beneficial community impact, though all conveyances, exchanges, sales, transfers, leases, grants, or mortgage interests in real property of the land bank are subject to approval by the Vacant Property Review Committee and the City Council by resolution. See City of Philadelphia, Bill No. 130156-A (2013), http://takebackvacantland.org/wp-content/uploads/2014/03/Final-Philadelphia-Land-Bank-Bill-REV-priorities.pdf. See Sandy Smith, Philadelphia Has a New Plan for Its 43,000 Vacant Lots, NEXT CITY (2017), https://nextcity.org/daily/entry/philadelphia-land-bank-2017-vacant-lots. In Baltimore, Maryland, the Baltimore Housing Roundtable has developed and is organizing around its “20/20 New Vision for Development,” which calls for an annual commitment of $20 million for jobs for city residents to deconstruct vacant buildings and lots and $20 million for creating a community controlled housing sector, emphasizing CLTs. The plan includes creation of a land bank to transfer title of vacant and underutilized property to CLTs. See Peter Sabonis and Matt Hill, Community + Land + Trust: Tools for Development Without Displacement, The Baltimore Housing Roundtable (2013), https://www.nesri.org/sites/default/files/C%2BL%2BT_web%20copy.pdf.

higher income and wealth who did not previously live in the community.” Providing land banks with the authority to acquire this land—through purchases at a negotiated, below-market price”—can eliminate the forces that allow for gentrification by giving communities the opportunity to re-develop their own land. To ensure that this re-development process is not used to displace people who can no longer afford to live on the land that they own, the land bank should not be able to acquire tax-delinquent land on which people live.

Second, land banks should be given the power to eliminate liability—especially accumulated property tax liability—attached to the land they acquire. Cities currently promote gentrification through policies that approach tax-delinquent land with the primary purpose of recovering delinquent property taxes. Cities often foreclose on tax-delinquent land in low-wealth communities and sell the land in a tax lien sale to private investors, whereby cities can expect to recover roughly 70 percent of the delinquent taxes.” The tax lien system facilitates private developer land acquisition at below-market prices; without this sale, private developers would have to buy the full tax liability along with the land. By allowing land banks to eliminate tax liability associated with the land they acquire, a new system would facilitate community purchase of land at below-market prices.

Third, land banks should be given the power to transfer the unencumbered land to a CLT, with either a full or significant subsidy from the land bank. Ideally, land banks would convey land to communities at no cost, ensuring long-term highly affordable use. Additionally, the land bank, by its own power or by working with another city agency, could facilitate low- or no-cost (grant) financing of affordable housing construction on the land that it transfers to CLTs. This would allow communities to afford to construct housing and other facilities for community use on the CLT-owned land.

The combination of CLTs and land banks is a potentially powerful local building block through which we can begin to create, from the ground up, a system of democratic land ownership and land-use planning. People can organize at the city level to pressure city governments to create community-controlled land banks with the power to both acquire land for public use at below-market costs and to finance the construction of affordable housing and other structures on the land that the community determines they need. Land banks can then transfer ownership and control of the land and the structures on the land to CLTs.

* See generally Jason Leslie Combs, Using Jane Jacobs and Henry George to Tame Gentrification, 74.3 American Journal of Economics and Sociology 600 (2015).

Grassroots organizing can force municipal governments support the transfer of land to community-controlled land banks at below-market prices. I imagine this municipal government power as similar to eminent domain, in that it empowers one party (the community-controlled land bank) to take possession of land for public use from another party (the current land-owner) at a price determined by the municipal government.


* Idr.
which can ensure that the land and everything on it remains owned and controlled by the community. Through community-controlled land banks and CLTs, we can model how we can govern the not-yet-created larger system, which will be aided by centralized actions (including legislative creation of a land-value tax), in a decentralized manner whereby local units of democratic community ownership and control of land use coordinate with one another.

III. Democratic Labor: The Worker Cooperative

This section examines the solidarity economy institution for democratic workplaces: the worker cooperative. The section compares the worker cooperative to the investor-owned corporation, contextualizes worker cooperatives with respect to other types of cooperative businesses, and briefly examines two examples of worker cooperatives: Cooperative Home Care Associates in the Bronx, New York and the cooperative manufacturing sector in the Emilia Romagna region of Italy.

The modern corporation provides rights to profit and governance exclusively to the financial investors who purchase the corporation’s equity. Financial investors, and the corporate managers who represent their interests, possess unaccountable and arbitrary authority over the company’s workers and most, if not all, aspects of the workplace. Elizabeth Anderson describes this modern corporate structure as “private government” akin to dictatorship.8 Ironically, Marjorie Kelly notes, this arrangement violates classical liberal market principles, as it provides one group, financial investors, with the value that another group, workers, produces.9

Though the bylaws and articles of incorporation determine the structure of any given worker cooperative, the ideal type of worker cooperative that I describe in this section transforms power within the business by limiting the rights to governance and profits that investors (capital owners) can buy. The two defining characteristics of worker cooperatives are allocation of governance and profit-sharing rights.10 Worker cooperatives provide governance on the basis of the democratic principle of “one-person, one-vote,” whereas traditional businesses facilitate capital investor purchase of governance rights.11 Profits, or what cooperatives call surplus, are typically distributed to worker-owners in proportion to the

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11 Id.
amount of work they put into the business, whereas in a typical business profits are allocated in proportion to capital investment, which, for public corporations, is typically in the form of stock ownership. This, thus, worker cooperatives create rights to governance and surplus for every worker, whereas traditional businesses create rights to governance and profits only for capital investors.

The worker cooperatives’ expansion of rights to profit and governance can benefit both workers and the communities in which workers live. Worker owners can attain economic security, wealth generation, and democratic economic participation, while communities benefit from the positive social externalities and economic sustainability that cooperatives produce. Worker cooperatives are far less likely to change geographic location, because worker owners are more tied to place than are capital investors, and worker cooperatives keep surplus local, circulating it throughout the local economy. Work cooperatives can

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7 Perhaps the most famous example of the impact of cooperatives on a local economy is that of the Mondragon Cooperative Corporation in Spain’s Basque Region. Mondragon is network of 102 federated cooperatives - connected through the cooperative network’s own bank, Caja Laboral - that employs over 73,000 workers and produces advanced industrial and consumer goods for sale in Spain and in world markets. Mondragon has built relatively widely shared wealth in the region - Mondragon managers cannot make more than 6 times a firm’s lowest paid employee. See WILLIAM FOOTE WHYTE, KATHLEEN KING WHYTE, MAKING MONDRAGON: THE GROWTH AND DYNAMICS OF THE WORKER COOPERATIVE COMPLEX (Cornell University Press 1991)(1988).
8 See Edward Martin, Ariana Martin, Jeffrey Martin, Social Reform and Worker Cooperatives: Countering Economic Inequality, 7.1 Global Virtue Ethics Review 50, 66 (2014) (Finding worker-owners are far less likely to be laid off than typical employees, especially during economic downturns).
9 See Marjorie Kelly, Powerful, Under-used tool for reducing income-inequality: broad-based ownership, THE HILL (2016), http://thehill.com/blogs/congress-blog/economy-budget/293725-powerful-under-used-tool-for-reducing-income-inequality (Finding employee-owned firms pay 5 to 12 percent more in wages than traditional firms and that employee-owners typically have more than double the retirement savings of employees who are not owners). See Gabriel Burdin and Andreas Dean, New evidence on wages and employment in worker cooperatives compared with capitalist firms, 37 Journal of Comparative Economics 517, 526 (2009) (Analyzing the plywood industry in the US, finding cooperatives pay higher wages than traditional firms, with price increases translating more directly to wage increases).
also create the potential for building community power" by aggregating the market power of low-income individuals and communities who otherwise, as individuals, would be powerless market actors. For these reasons, people all around the world have begun turning to worker cooperatives as a vehicle for equitable economic development.

Worker cooperatives are a prefigurative model, focused on the site of the workplace, for a larger systemic transformation aligned with the principles of a democratic political economy. Worker cooperatives are one of multiple types of cooperatives. Consumer cooperatives—a common example being cooperative grocery stores—provide rights to governance and surplus for consumers of a business, and surpluses are typically returned to consumers through relatively low prices. Credit unions are financial cooperatives that offer financial services and loans to their depositor-members—they can make financial services available to otherwise underserved communities, and can keep any surplus generated from the provision of financial services flowing within, rather than out of, communities. Producer cooperatives facilitate individual businesses, which may be formed as cooperatives or traditional businesses, to jointly purchase supplies and equipment and/or to jointly process and market their goods. Cooperatives can also take a hybrid form that combines multiple membership structures. The key principle shared by all these different forms of cooperatives is that rights to ownership and control are allotted based on participation, whereas traditional capitalist business forms allocate rights to ownership and control based on financial investment.

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98 JOHNSTON BIRCHALL AND LOU HAMMOND KETILSON, RESILIENCE OF THE COOPERATIVE BUSINESS MODEL IN TIMES OF CRISIS 10 (2009).
100 Many cooperatives exist in the United States, though very few of them are worker cooperatives. Nearly 30,000 U.S. cooperatives operate at 73,000 places of business. These cooperatives own more than $3 trillion in assets and account for more than 2 million jobs. They generate more than $500 billion in annual revenue and more than $25 billion in annual wages. Americans hold 350 million memberships in cooperatives, nearly 340 million of which are consumer cooperatives, which generate nearly $79 billion in total impact from patronage refunds and dividends. See Steven Deller, Ann Hoyt, Brent Hueth, Reka Sundara-Stukel, RESEARCH ON THE IMPACT OF COOPERATIVES, UNIVERSITY OF WISCONSIN CENTER FOR COOPERATIVES, at 2 (2009).
Worker cooperatives are also one of many types of social enterprises, defined broadly as businesses that have a social mission in addition to financial profit. Employee Stock Ownership Programs (ESOPs) provide workers the right to profits, but not to governance.\textsuperscript{80} Benefit Corporations and B Corporations can create fiduciary duties for corporate directors and officers in addition to shareholder profit, like good working conditions, high wages, or environmental sustainability.\textsuperscript{81} An entire impact investing industry has been created to finance social enterprises so that capital owners can invest with values while still seeking a profit.

However, worker cooperatives are the key solidarity economy institution at the workplace level because, by providing workers with ownership and control of productive capital, they offer the greatest potential to build broadly shared wealth. Because workers are typically tied to a specific place and community for family and social reasons, worker cooperatives also encourage the creation of stronger communities, though it is still important for worker cooperatives to formalize their commitments to communities. This formalization could include writing bylaws that integrate the cooperative into its community by providing community members with input in key decisions, for example. It is also important to note that, though cooperatives are egalitarian in legal form, they do not, in and of themselves, eliminate racial, gender, and class discrimination in the workplace, given the intense inequalities that exist in our society. Worker cooperatives must take proactive steps in order to create egalitarian governance, culture, and work distribution, similar to the steps discussed above related to the ‘Borderlands’ theory of leadership.

\textbf{A. Economic Viability of Worker Cooperatives}

By virtue of their legal form, worker cooperatives create opportunities for workers to own and control productive capital that do not exist within the traditional company. Rights to surplus provide workers another means for building wealth and to increase savings. These rights allow a much larger percentage of the population to build wealth through business ownership. Worker cooperatives, and more broadly employee


\textsuperscript{81} The National Center for Employee Ownership estimates that, in the US, 6,669 ESOPs exist, which hold assets of nearly $1.3 trillion and cover over 14 million employees. See \textit{ESOPs by the Numbers}, NATIONAL CENTER FOR EMPLOYEE OWNERSHIP (2019), https://www.nceo.org/articles/esops-by-the-numbers.

ownership, have done just this—they have increased wages, business equity, retirement savings, and job security for worker-owners.

Worker-owned businesses typically build greater levels of wealth for workers than do traditional firms, since they do not pay executives exorbitant salaries and need not reserve profit for external capital investors. Employee-owned firms pay 5 to 12 percent more in wages than traditional firms. U.S. worker cooperatives have been found to pay higher wages than traditional firms in the same industry, and price increases translate more directly to wage increases than in typical firms. Employee-owners typically have more than double the retirement savings of employees who are not owners, and they are far less likely to be laid off than typical employees, especially during economic downturns. Worker cooperatives also have a far lower gap between their highest and lowest paid employees, and have been linked to faster employment growth than in traditional firms.

B. Scaling Up Worker Cooperatives: Two Examples


U.S. Federation of Worker Cooperatives, Worker Ownership, https://usworker.coop/what-is-a-
Worker cooperatives face significant barriers to getting started. Worker cooperatives must overcome barriers related to culture and education, business expertise, partnerships, financing, management and leadership, and organizational democracy.¹⁷ Two examples of successful existing worker cooperatives demonstrate both their potential to grow to scale and to create fundamental economic change: Cooperative Home Care Associates in the Bronx, New York, and the cooperative manufacturing sector in the Emilia Romagna region of Italy.

i. Cooperative Home Care Associates (Bronx, NY)

Cooperative Home Care Associates (CHCA)—the largest worker-owned cooperative in the United States, with over 2,300 employees, over 1,100 of whom are worker-owners—demonstrates that worker cooperatives can deliver real benefits for the most marginalized workers in the lowest paying sectors of the economy.

CHCA, a home health care company, is over 90 percent owned by women of color. Home health care is a low-wage industry considered very difficult to organize into traditional labor unions.¹⁸ Workers at CHCA, which has grown from a business with around 300 workers in the late 1990s to one with over 2,300 employees today, can become owners by purchasing a $1,000 equity stake, spread out over a period of five years.¹⁹ The workers have CHCA’s workers make $16 an hour including benefits—almost twice the industry standard—while averaging around 36 hours per week, compared to an industry standard between 25 and 30.²⁰ CHCA’s CEO-to-minimum-wage-worker ratio hit its peak in 2006 at 11:1, whereas the average CEO-to-minimum-wage-worker in U.S. businesses is estimated at somewhere between 296:1 and 373:1.²¹

ii. ‘Flexible’ Manufacturing in Emilia Romagna, Italy

worker-cooperative/. See also U.S. Worker Cooperatives: A State of the Sector, DEMOCRACY AT WORK INSTITUTE (2013).


¹⁹ Id.

²⁰ Demonstrating the numerous legal barriers worker cooperatives face as a lesser-known business entity, CHCA does not qualify as a minority-and-women-owned business qualified to receive preferential bids for city contracts because it is owned by over 1,000 people. Id.

²¹ Id.

²² Id.

The Italian manufacturing sector in Emilia Romagna—comprised primarily of small, locally owned businesses, many of which are worker cooperatives—demonstrates that smaller worker cooperatives can compete with larger firms and can compete in capital intensive and highly skilled industries like manufacturing. Emilia Romagna was one of the poorest and generally most devastated regions in Europe following the Second World War. Today, it’s among the ten richest of the European Union’s 122 regions. The region contains around 4.5 million people, around two-thirds of whom are coop members. Together, cooperatives produce roughly 30 percent of the region’s Gross Domestic Product (GDP). And, in 2006, Emilia Romagna had around 420,000 firms, roughly one firm for every nine inhabitants, meaning most of the region’s firms are small businesses.

In Emilia Romagna, small, highly specialized manufacturing firms—a ‘flexible’ manufacturing network—work together to bid for and fulfill government contracts and orders from larger firms. One key asset for the small firms, many of which are worker cooperatives, is the regional government’s economic development agency, Emilia-Romagna Valorizzazione Economica del Territorio (ERVET). ERVET publicly funds small business “industrial sector service centers” that support the region’s small businesses by providing shared services in research and development, purchasing, education and training, workplace safety, technology transfer, marketing and distribution, and exporting assistance. The service centers combine the advantages of economies of scale, by connecting small firms with one another, with the flexibility advantages that small businesses enjoy. They’ve helped to create a “flexible manufacturing” sector that supplies inputs for many high value-added producers located in the region, including companies widely known in the U.S., like Ferrari, Lamborghini, Maserati, and Ducati.

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127 Id.
129 Id at 3.
IV. Democratic Money: People-Planned Credit Creation and Allocation

This section criticizes the orthodox economic view that central banks create money through monetary policy aimed at regulating the aggregate money supply. It advances the emerging heterodox view that private banks create the majority of our new money denominated in currencies that states make valuable. After analyzing how money is produced, I review histories of public banking around the world and begin to sketch out a democratically-controlled solidarity economy banking system, where local public banks possess the exclusive right to extend credit, i.e. create money, and coordinate with each other to manage aggregate money creation and avoid inflation. Such a system can also create money through a reparations lens by making money available on a priority basis for people who have born the brunt of marginalization and extraction within the racialized capitalist status quo and by creating money for large public investment projects.^[39]

A. The Banking Status Quo and Modern Monetary Theory

The emerging heterodox view, Modern Monetary Theory, possesses at least two important political economy implications that I will explore here. First, states have been significant actors within all modern monetary systems, meaning that money creation is a political activity. The idea of a private banking sector is a myth that has never existed in practice. States create the value of a currency by choosing to accept money denominated in that currency as payment for taxation. Additionally, since states can always issue new money in their sovereign currency there is only an inflationary limit to a state’s capacity to spend. This means that, contrary to popular perception, there is no connection between tax revenue and state spending. Taxation creates the value of a sovereign currency, as the state’s requirement that people pay taxes in its sovereign currency creates the demand for money denominated in that currency. States can also use taxation to remove money from circulation when there is risk of inflation due to the supply of money outpacing society’s capacity to produce real goods and services.

Second, banks currently create most of the new money. They are not financial intermediaries that merely transfer spending power from savers to investors, as the orthodox monetary theory has argued for centuries. As I will examine, banks and states create new money through similar mechanisms. Banks use fractional reserve banking^[40] to create new


[^40]: Fractional reserve banking is a banking system in which only a fraction of bank deposits are backed by actual cash on hand that is available for withdrawal by depositors.
money whenever they make a loan or otherwise extend credit to a borrower. States possess the power to create new money by spending in their sovereign currency; however, the U.S. government currently finances most of its spending by issuing debt in the form of Treasury bonds that it sells to banks, institutional investors, and other governmental agencies.

**B. The State’s Active Role in the Status Quo Money System**

Investor-owned banks in the U.S.—and the Federal Reserve Bank in moments of crisis—currently create the country's new money. However, the money that they create is only accepted (considered valuable) because the U.S. government requires that taxes be paid in U.S. dollars and because these dollars are guaranteed by the full faith and credit of the U.S. government through a variety of mechanisms.

Arguments between the Metallist (orthodox) and Chartalist (heterodox) theories of the value of money contextualize the state’s role in supporting the value of its currency. The orthodox monetary theory, the Metallist approach, holds that money’s value is linked to its scarcity, meaning that money is valued as is any other commodity, by the demand that exists for money in relation to its supply. The Metallist approach rests on this assumption, even though money is a medium of exchange that lacks any inherent value, distinguishing it from all other commodities. The Federal Reserve Bank has assumed the Metallist belief that the value of money is determined by its supply. This is why interest rates are the primary tool that the Federal Reserve Bank uses to affect the monetary system. By manipulating interest rates through the purchase and sale of Treasury bonds, the Federal Reserve Bank increases or decreases the price of accessing credit, thereby increasing or decreasing the money supply. Additionally, the Federal Reserve Bank changes the interest rate at which it lends money to banks in order to affect the money supply.

Modern Monetary Theory (MMT) argues that money is a creature of law and its value is determined by the belief in its worth by those who accept money as payment. The state ensures the belief in the value of bank-created money. First, states demand that taxes be paid in their national currency, ensuring that the national currency will be widely accepted as payment, since everyone needs to pay taxes to the state in the national currency at the end of the fiscal year. This holds true for all states and their national money systems. Second, the Federal Reserve Bank makes below-market rate loans available to its member banks through the discount window, funds that banks use in order to make loans to others at higher

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11 Id at 2-3, 29.
rates of return. Third, the Federal Deposit Insurance Corporation insures $250,000 per depositor, assuming bank liabilities as its own so that banks can extend more credit (create money) than they could otherwise. Additionally, states enforce all contracts involving the exchange of money for other forms of property. Through each of these means, states create the value of a currency. That is, states create the legal framework within which people can enforce their contractual rights to receive money—and the property for which they exchange money—at its stated value.135

The interrelated histories of state taxation and state-denominated currency support the Chartalist argument that state action provides the widespread trust in the stated value of money. The cultural anthropologist David Graeber, building on the work of economists Alfred Mitchell-Innes and G.F. Knapp, finds that ancient states created markets—and the currency exchanged within markets—in order to provision their armies.136 As Graeber explains, provisioning armies was a logistical challenge, with important political implications, for ancient states. In order for the army to directly provide the provisions its soldiers needed—food, clothing, housing, etc.—the army would need to employ a huge amount of people to produce these provisions. Ancient states devised a political-economic solution to this challenge. States began to pay soldiers in coins—its state currency. At the same time they demanded that every family in the state’s sovereign territory—and in the territories its armies were conquering—were obliged to pay those coins back to the state in the form of taxes. By doing so, the army gained access to the entire territory’s system of production. The people living in the territory needed to acquire coins in order to meet their tax obligations, so they exchanged food, clothing, housing, etc., for the soldier’s coins. Thus, ancient states produced currencies, creating their value with force and other administrative functions (including creating the coins) in order to provide what the state deemed a public purpose: the provisioning of armies.137 Modern states continue this legacy today.

The key implication of banks creating money, the value of which is supported by the state, is that banking (money creation) is inherently a public or political activity. Scholars describe the inherently public or political nature of banking in various ways. L. Randall Wray views the monetary system as a public monopoly whereby states create monetary systems in order to achieve public purposes, as defined by the state.138 Christine Desan argues that the contemporary banking system is a constitutional creation, whereby the early U.S. government

136 DAVID GRAEBER, DEBT: THE FIRST 5,000 YEARS 46-52 (Melville House 2014).
137 Id. See also L. Randall Wray, Keynes After 75 Years: Rethinking Money as a Public Monopoly, Levy Economics Institute (2011).
created its monetary system and made the political choice to cede its control to banks.10 Robert Hockett and Saule Omarova describe banking as a public-private franchise arrangement through which the government, as franchisor, “effectively licenses private financial institutions, as franchisees, to dispense a vital and indefinitely extensible public resource: the sovereign’s full faith and credit.”11 The analysis shared by each of these characterizations of banking is that the institution of money rests on the state’s creation and maintenance of the monetary system, and that states have effectively allowed banks to privatize the public good that is the money system.

In addition to allowing banks to privatize the money system, states frequently choose to not use the money creating power that they possess. States have no limit on their spending power. Just like banks create new money when they extend credit, states possess the ability to create new money through public spending. Though the conventional wisdom states that the government’s ability to spend, like that of any spender, is constrained by its level of debt, Modern Monetary Theorists disagree for two reasons. First, the government possesses the power to tax, and thus can always recover the amount of money it needs in order to pay off its debt. Second, Modern Monetary Theorists argue that government debt should be considered an asset for the rest of the economy.12 In this sense, government debts are credits for everybody else. Additionally, the conventional wisdom is that too much public spending will produce inflation. Modern Monetary Theorists agree, but they argue that we are very far away from a level of public spending that would produce inflation. According to Modern Monetary Theorists, government spending does not create excess demand unless the total demand outpaces the economy’s real productive capacity—for example, the availability of physical resources, skilled labor, equipment and technical know-how.13

C. Banks Create Money; Banks Are Not Financial Intermediaries

The economist Hyman Minsky, writing primarily between the 1960s and 1980s, liked to say that “anyone can create money” but “the problem lies in getting it accepted.”\(^\text{10}\) The mainstream view is that banks act as money-lending intermediaries, lending out deposits that savers place with them. However, Minsky argued that banks are not simply moneylenders—they do not obtain money to lend out before making a loan. Instead, banks are money creators—and, as described above, banks have privatized money creation.

Banks create money every time they extend credit. When banks need money to meet a depositor’s withdrawal or to satisfy regulatory capital requirements, they do not turn to depositors, as the orthodox narrative (banks use money from depositors to make loans) proclaims. Banks acquire money from the Federal Reserve Bank, which in turn extends credit (i.e. creates money) that it deposits in the bank’s account with the Fed.\(^\text{11}\) The heterodox view’s core insight is that banks first create money when they identify an opportunity to make a profitable loan. Only after creating money through making a loan, a bank asset, do banks look for liabilities (money from depositors, from the reserve balances of other banks,\(^\text{12}\) from the Federal Reserve through its discount window,\(^\text{13}\) or other sources) to meet the accounting and regulatory requirements that they offset their newly created assets. In other words, credit creation creates deposits and savings, not the other way around.\(^\text{14}\)

A recent study from the Bank of England supports the heterodox account. The Bank of England’s researchers found that investor-owned banks, in any given year, create around 97 percent of new money by extending credit (making loans).\(^\text{15}\) Additionally, the Federal

(\(\text{Arguing that large corporations using their pricing power to increase profit margins at the expense of the public is a significant source of inflation)\).\)

\(^\text{10}\) Randall Wray, Why Minsky Matters 90 (2016).

\(^\text{11}\) Id at 91.

\(^\text{12}\) The Federal Reserve mandates that its member banks, which includes all of the large commercial banks, must hold reserve balances with the Federal Reserve in order to maintain reserve requirements. At the end of every business day, banks with surplus reserve balances lend reserves at the federal funds rate, which the Federal Reserve determines, to banks in need of larger reserve balances.

\(^\text{13}\) Federal Reserve member banks can borrow money from the Federal Reserve, typically on a short-term basis, at the discount rate in order to meet their reserve requirements or other liquidity needs. The discount rate is typically higher than the federal funds rate and lower than interest rates available to bank customers.


\(^\text{15}\) Michael McLeay, Amar Radia, and Ryland Thomas, Money creation in the modern economy, Bank of England’s Monetary Analysis Directorate 1 (2014), http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q1prerelease moneycreation.pdf. This means that what we traditionally think of as money—cash—only constitutes 3% of the money supply.
Reserve response during the 2008 economic crisis supports the heterodox account of banking. During this time of crisis, when many of the world’s largest banks faced the prospect of insolvency because they overestimated the value of mortgage loans that they held as assets, the Federal Reserve Bank plugged gaping holes in the banks’ balance sheets by buying toxic assets from the banks at pre-crash prices, creating $3.5 trillion in the process. This is known popularly as quantitative easing.10 Ben Bernanke, the Federal Reserve Chairman during the crisis, explained in testimony to Congress that the Federal Reserve Bank spends through keystrokes, as quantitative easing amounted to simply crediting the banks’ accounts at the Fed.10

In summary, banks create most of the new money within the status quo system. The idea of a private banking sector is a myth that has never existed in practice, as states, in addition to subsidizing bank lending in a variety of ways, create and maintain the value of the currency in which bank money is denominated. States possess the capacity to create money through public spending, though states often do not use this capacity. States do not need revenue from taxation in order to spend, as states, like banks, can simply create new money. A state’s capacity to spend is limited only by the prospect of inflation, which occurs only when the supply of money outpaces the economy’s productive capacity. And while tax revenue isn’t needed as a source of revenue for public spending, taxation is an important public tool that can be used to curb the threat of inflation.

i. The Banking System is Designed to Produce Bank Profit, Not Social Justice

Within the current banking system, banks make money creation decisions based on whether creating money will produce profit for the bank. The federal government—through Federal Reserve lending to banks, Federal Reserve management of interest rates, deposit insurance, and deferential regulation by multiple federal agencies—supports this bank-planned money system.11 There are three primary failures of this system: 1) it works to concentrate society’s wealth; 2) it is two-tiered, wherein poor and working-class people, who are disproportionately people of color, do not have access or only have access on relatively expensive terms; 3) it is inherently unstable.

First, the banking system, which finances the creation and ownership of wealth in capitalist economies, has concentrated wealth among relatively few firms, and has concentrated wealth within the financial sector of the economy. The Fortune 500, a new economic royalty, accounts for over 70 percent of annual GDP, and the 20 wealthiest Americans own as much wealth as the bottom 1.50 million. Markets become increasingly less competitive, as nearly every industry becomes more concentrated than it was a generation ago. The primary owners and managers of the giant multinational corporations, a privileged one percent of the population, owns over 40 percent of our country’s wealth, while just 20 percent of the population owns over 80 percent of all equity in public corporations. Additionally, the financial sector increasingly takes a greater share of the world’s resources for itself—today, the U.S. finance, real estate, and insurance sectors take 20 percent of GDP, compared to 10 percent in the 1940s—as it, too, becomes increasingly more concentrated. Corporate and bank profits are at an all-time high, while half of the population possesses zero net wealth. The banking system drives this increasing inequality.

Regarding the system’s two-tiered nature, approximately 25 percent of U.S. households are ‘unbanked,’ meaning they have no formal relationship with a bank, or are ‘underbanked,’ meaning they do not have access to affordable credit. In order to meet their short-term credit needs—which is required to supplement low wages in order to pay bills and to afford other basic necessities—these people must rely on payday lenders, check cashers, and other fringe banking institutions that charge significantly more than mainstream banks for basic services. Accordingly, over half of the U.S. population would not be able to access $2,000 in thirty days to respond to an emergency. The system’s two tiers exacerbate inequality, as the people with the least amount of wealth must pay higher prices in order to access basic financial services.

Third, bank-led money creation and economic planning is inherently unstable. The economist Hyman Minsky argued that instability is endogenous to the financial system, meaning that crises are produced from within the system, rather than from shocks to a stable system. Minsky called this the “financial instability hypothesis.” Minsky argued that the current banking system exists in between cycles and that bank activity is pro-cyclical, which means that banking activity increases as overall economic activity (economic growth) increases. Banks seek to create money to make low-risk loans. As banks make successful low-risk loans (i.e. loans that are repaid), both banks and firms become more optimistic, prompting them to take greater risk. Optimism encourages the risky behavior that ultimately leads to the crash. The banking sector’s pro-cyclical activity makes the banking sector an inherent source of instability within the economy.

The key to the banking system’s instability is that the banks, which create our economy’s money, make decisions without coordinating with one another. Firms see that their product is being sold at a profitable price, so they decide to produce more, and banks agree to finance this production. Yet many firms in a given industry make this decision at the same time without coordinating with one another, which leads to overproducing a good and collapsing its price. The firms then decide to reduce production, along with their employment of workers, which erodes their customer base, as their workers are also their customers. Any system is inherently unstable in which planners make decisions based on aggregate conditions without coordinating with one another.

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51 *Id.*
52 *Id.*
53 *Id.*
55 *Id.* at 31-34.
56 *Id.*
ii. Toward Democratic Banking: People-Planned Credit Creation and Allocation

By allowing investor-owned banks to create our money, we cede to them immense planning power over our political economy—power which they have used to create an extractive, unstable, unsustainable system. Decisions about what to finance significantly determine what is produced and at what cost it is made available for use. Additionally, money creation is incredibly powerful because money, a distinct form of property, can be used to acquire all other forms of property. This unique nature of money has allowed the current investor-owned banking system to acquire immense power relative to other economic sectors. We cannot have a democratically planned political economy without a democratically planned system for money creation.

This section will explore histories and current practices of public banking around the world, the history and current practice of public banking in the US, and some preliminary thoughts on how we can build upon many of these practices in order to begin to create a democratically-controlled solidarity economy banking system.

Before investigating public banking in greater detail, I want to acknowledge that, in addition to creating money, a banking system must provide other functions: 1) a payments system; 2) a range of financial services, including checking services, insurance, and retirement services; 3) short-term loans—primarily to households and firms; 4) long-term funding for purchases of financial assets; 5) housing finance. The current monetary system has created a safe and sound payment system. The goal of a payments system is to ensure that each money-creating institution, or bank, accepts money created by any other bank at its stated value. Since all of the large commercial banks maintain an account with the Fed, the Fed is able to clear bank payments between them all. A centralized public bank could continue to provide this function for democratically owned and controlled money creation institutions.106 Second, we already possess effective public models for checking services (Post office banking), insurance services, and retirement services (Social Security). Insurance is a task that centralized public institutions should provide, as it requires sharing risk among many people who pay in to the insurance pool in return for the right to use it when they need it—the FDIC’s deposit insurance and the Social Security Administration’s retirement insurance are good examples. Similar public institutions can expand the types of insurance they offer, including health insurance. As for checking services, post offices, are well positioned to offer at-cost checking services because they are located in every zip code throughout the country.107

106 Distributed ledger technology could eventually be utilized to create a more transparent payments system. See Robleh Ali, John Barrdear, Roger Clews, James Southgate, Innovations in Payment Technologies and the Emergence of Digital Currencies, BANK OF ENGLAND QUARTERLY BULLETIN (2014).

a. Histories and Current Practice of Public Banking Around the World

Public banking has had a significant presence throughout the world for the entirety of recorded human history. During the banking crisis of the 1930s, many countries created public central banks, development banks, and postal banks. Today, these different forms of public banks continue to exist throughout the world, including in some of the largest economies, such as Brazil, India, Germany, Japan, China, Canada, and Russia. During the neoliberal heyday of the 1970s, 1980s and 1990s, many public banks were placed under “independent,” private-bank influenced control and made to act as more conservative central banks. Many of the public banks that remain today act to supplement and build the power of the private banking and big business. However, even though it will be a difficult political struggle to bring new and existing public banks under democratic control, it is important to mention the histories and current practices of public banking in order to show that public banking is a viable banking model.

The neoliberal revolution effectively eliminated the existence of central banks that created credit for public use. However, there is no technical reason why central banks cannot resume creating credit in the public interest in the future. For large portions of the 20th century, the central banks of Australia, Canada, and New Zealand acted against today’s mainstream consensus and extended credit directly to businesses, providing their economies access to much more affordable credit than is available from the private banking sector. Beginning in the 1910s, the Commonwealth Bank of Australia, which the Australian government created without any capital reserves, began lending directly to Australian business backed only by the wealth and credit of the Australian government—the bank was creating new money through the extension of its loan just as private banks did then and do today. Until the late 1950s, the bank directly financed railway and power plant projects, schools, and even helped to create the Commonwealth Shipping Line, a rival to the dominant London-based shipping companies of the time. The Bank of Canada and the Reserve Bank of New Zealand acted similarly during the middle of the 20th century.

Another popular model is so-called “development banks.” In Brazil, the Worker’s Party created in the early 2000s the Banco Nacional de Desenvolvimento Economico e Social, or National Bank for Economic and Social Development. The bank has channeled national,

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167 Id. at 165-239.
168 Id. at 220 (Citing the example of the Alberta Treasury Branches, which, during the 1990s, came under the control of an independent board of directors and shifted away from policies of creating credit in the public interest toward the practices of today’s conventional central banks).
169 Id at 177-187.
170 Id at 199-209.
171 Id at 221-232.
172 Id at 47.
government-created credit into infrastructure projects including road construction, dam building, bridge building, museum refurbishing, public transport projects, mining companies, and slaughterhouses. In the early 2010s, three Brazilian federal government banks conducted approximately 40 percent of the country’s domestic lending and finance and are the primary lenders focusing on infrastructure projects and long-term lending to strategic economic sectors.\textsuperscript{175}

Similar examples of public development banks exist in many other countries. In India, the government nationalized the Imperial Bank of India in 1955 and renamed it the State Bank of India (SBI).\textsuperscript{176} In the late 1960s, the Indian government nationalized most of the SBI’s subsidiaries in response to the private banking sector’s inability to help produce widespread economic development. The result was a significant expansion of consumer and small business access to credit that contributed to the creation of millions of jobs and the economic growth that has made India one of the largest economies in the world today.\textsuperscript{177} In Canada, the public Alberta Treasury Branches extend credit to farmers and to small businesses.\textsuperscript{178} In Germany, the Landesbanken and Sparkassen non-profit banks and the public development bank called the Kreditanstalt für Wiederaufbau together extend credit to small businesses and infrastructure projects and have helped to finance the country’s green energy revolution.\textsuperscript{179}

Lastly, public postal banks provide retail banking to consumers who are otherwise entirely without access to private retail banking or who had been without access to affordable, non-predatory retail banking. Two prominent examples are the Japanese Postal Savings System (JPB) and New Zealand’s Kiwibank. The JPB provides both retail banking services to customers and directly funds government spending. The JPB dates back to 1875 and has been a key factor in the country’s enduring economic strength. It specializes in small retail accounts for low-income households and has built upon a massive deposit base from household savings. The JPB uses this base of savings to finance the government’s budget, which allows the government to make significant investment in the country’s infrastructure and in key export sectors of the economy without using tax revenue as a base for its spending.\textsuperscript{180} In New Zealand, Kiwibank, which launched in 2002, provides retail banking with an emphasis on rural areas where private banks had previously closed their branches. In its first five years, Kiwibank pulled 300,000 customers (in a country of 4 million people) away from private retail banks and consistently earns the country’s highest customer services

\textsuperscript{175} Id at 48.
\textsuperscript{176} Id at 54.
\textsuperscript{177} Id at 54-55.
\textsuperscript{178} Id at 217-220.
\textsuperscript{180} Id at 241-252.
ratings, which has forced many private retail banks to improve their services in order to compete.\textsuperscript{ii}

\textit{b. The History and Current Practice of Public Banking in the U.S.}

The U.S. also has its own long and varied history with public banking, from colonial times, to the Greenbacks that the Union used to finance the Civil War, to the Progressive era of the late 19th and early 20th century, to the Reconstruction Finance Corporation of the New Deal era. Today, North Dakota’s state-owned bank, the Bank of North Dakota, operates as the country’s only public bank.

During the U.S. colonial period, states including Pennsylvania and Massachusetts used public banking in opposition to the British banking sector in order to build the U.S. economy. In Massachusetts, the state government, lacking access to gold, created a paper money system in 1691 backed by the credit of the state and secured against future state tax revenues.\textsuperscript{iii} \textsuperscript{iv} In Pennsylvania, the Quakers created a fiat paper money system\textsuperscript{v} in the late 1600s and the state of Pennsylvania created its own public paper-money system in the 1720s.\textsuperscript{vi} The various state public banking systems provided them with monetary sovereignty and the British Parliament eventually responded by passing the Currency Act in the 1760s, which banned in the U.S. colonies the issue of new currency and the reissue of existing currency, and required that the colonies pay taxes to the British not in their own currencies but in silver, gold, or British banknotes.

The ability of the U.S. colonies to create their own currency became a key aspect of popular desires for revolt against Britain. Revolutionary assemblies in the colonies ended up financing the American Revolution in large part by issuing their own paper currencies.\textsuperscript{vii} Post-American Revolution, the various state paper currencies were highly vulnerable to speculative attacks—both from the British and from other states within the tentative union of former British colonies—which widely discredited the efficacy of paper currency.\textsuperscript{viii} As a

\textsuperscript{ii} Id at 231-232.
\textsuperscript{iii} Id at 121-122.
\textsuperscript{iv} By issuing paper money backed by the credit of the state and secured against future tax revenue, the Massachusetts state government was effectively issuing an IOU, usually called “bills of credit,” “treasury notes,” or “government bonds.” States, like the Massachusetts government, could use this paper money to pay its military. Local businesses would accept the paper money because states would either: 1) designate their money as “legal tender,” a money that must legally be accepted in the payment of debts; or 2) make the money redeemable at some later date in “hard” currency (typically silver or gold).
\textsuperscript{v} Fiat money is a government currency, like the U.S. dollar, that is not backed by a physical commodity, like gold or silver. Today, effectively all government currencies are fiat money.
\textsuperscript{vi} Id at 120-126.
\textsuperscript{vii} Id at 127.
\textsuperscript{viii} Id at 132.
result, the U.S. dollar remained on the gold standard until its collapse following the Second World War.

Public fiat money systems have resurfaced time and time again throughout U.S. history. President Abraham Lincoln issued Greenbacks, paper money similar to that issued by the U.S. colonial governments, to finance the Union’s efforts in the Civil War. By financing the war through Greenbacks, Lincoln’s government was able to avoid going into debt to British banks. Though proponents of the Greenbacks argued that the notes would retain their value so long as the government issued them in exchange for labor that produced an equivalent value in goods and services, critics arguing that the Greenbacks would produce hyperinflation eventually won out and the practice was discontinued. 145

During the Progressive Era, progressives advocating for antitrust reforms and adequate housing and workplace conditions, among other issues, saw government-issued credit as the path to break the power of the big banking and industrial monopolies and to provide economic independence to small business. The Populists of the late 19th century also identified government-controlled money creation as a key aspect of breaking corporate power and creating a cooperative commonwealth.146 Populists’ and Progressives’ decade-long fight for a government-issued money system was a key factor in the passage of the Federal Reserve Act of 1913. However, the Federal Reserve Act of 1913 brought a technocratic system that subverted the goals of the Populists and Progressives. The Act of 1913 purported to end the fractional reserve banking system that was popularly perceived as highly unstable and through which private banks created the majority of credit. The Federal Reserve, however, instead stepped in to stabilize the system by requiring banks to become members of the Federal Reserve and to hold certain levels of capital reserves. Under the Federal Reserve system, banks continued to create the majority of the economy’s credit and to borrow from the Federal Reserve to meet their reserve requirements. This remains the basis of the status quo today.

The U.S. government again turned to public banking during the crisis of the Great Depression. With the Banking Act of 1933, President Hoover and the U.S. Congress created the Reconstruction Finance Corporation (RFC) to provide financing for commerce, industry, and agriculture and to provide emergency financing to the banking system. The RFC was a quasi-public corporation, owned by the federal government and staffed by professionals recruited from outside the traditional civil service system. The RFC financed farm mortgages, agricultural producers, insurance companies, railroad companies, and infrastructure projects including dams and bridges. The RFC was financed without tax revenue. Instead, the Treasury Department provided its initial capital with a stock purchase of $500 million. The RFC raised an additional $52 billion over the next decade through bond sales to the Treasury

145 Id at 143-145.
146 Laura Grattan, Populism’s Power 55-56 (2016).
Department and a little over $1 billion through bonds sold to the public.\footnote{Congress disbanded the RFC in the 1950s.} North Dakota established the country’s only state-owned bank in 1919, the Bank of North Dakota (BND).\footnote{The state deposits the $6 billion of state tax collections and federal transfer payments it receives annually in BND, which then re-deposits the funds in credit unions and community banks throughout the state.\footnote{The bank currently has close to $7 billion in assets, and over the last 21 years, it has generated nearly $1 billion in profit for the state.\footnote{$400 million of that profit has been transferred into the state’s general fund, reducing the tax burden for state citizens and providing support for education and other public services.} Not unrelatedly, North Dakota has the most locally-owned banks per capita and consistently has close to the lowest level of unemployment of any state.} The key element of North Dakota’s state-owned bank is that the value of the money it creates is backed by the state’s full faith and credit. This means that the Bank of North Dakota’s lending is not directly backed by state tax revenue, i.e., the Bank of North Dakota is not collecting tax dollars and then lending those tax dollars to businesses. Instead, the bank of North Dakota, like a private commercial bank, creates credit (new money) when it extends loans. A system of city-owned banks could function similarly, with the value of the money the city banks create insured by the full faith and credit of the federal government.

c. Moving Toward Democratic Money Creation Today

A democratic banking system must be comprised of democratically owned and controlled institutions that coordinate with one another to create our society’s money. Such a system could take many forms.\footnote{I discuss here a democratically-controlled solidarity economy banking system that creates money in order to finance production for human needs. As I discuss in more detail below, the money created by this type of democratic money creation system can be used to finance collective action and democratic self-government.} See Hyman Minsky, Dimitri Papadimitriou, Ronnie Phillips, and L. Randall Wray, “Community Development Banking: A Proposal to Establish a Nationwide System of Community Development Banks” (1993), \textit{Hyman P. Minsky Archive}, Paper 160; Seth Ackerman, \textit{The Red and the Black}, \textit{JACOBIN} (2012), \url{https://www.jacobinmag.com/2012/12/the-red-and-the-black/}; \textit{JOHN ROEMER, ED. ERIK OLIN WRIGHT, EQUAL SHARES: MAKING MARKET SOCIALISM WORK} (1996); \textit{PAT DEVINE, DEMOCRACY AND ECONOMIC PLANNING} (1988); \textit{MICHAEL ALBERT AND ROBIN HAHNEL, THE POLITICAL ECONOMY OF PARTICIPATORY ECONOMICS} (1991).
discussed above, in order to facilitate production for human need, this system must create money through a racial and gender reparations framework that prioritizes creating money for people who have historically been excluded from the status quo.

The system, built around city-owned banks that coordinate with each other to produce our society’s credit, can draw on the examples of the Reconstruction Finance Corporation (RFC) and North Dakota’s state-owned bank. The legacy of the RFC is highly relevant to both public banking today and to any large public project, including the proposed plan for a Green New Deal. Much mainstream political discourse today focuses on how we will pay for—or cannot pay for—expansive progressive public spending programs. The RFC financed the New Deal without using any tax revenue and without any spending appropriation from Congress. Congress created the RFC by statute,\(^{16}\) which issued bonds that the Treasury Department purchased with money that it created—a very similar process to the Federal Reserve’s policy of quantitative easing.

A solidarity economy banking system can be controlled by communities through a method similar to that envisioned by the Levy Economics Institute’s proposal for a guaranteed jobs program, which calls for centralized funding to be controlled through proposals submitted by the users of the funds.\(^{17}\) Under such a system, priority could be given to proposals from democratically owned and controlled businesses and land planning institutions that are controlled by people who have been historically marginalized. Cities, in coordination with one another, could create total production plans based on the goods and services that people need to live. Businesses and land planning institutions could apply for funding in order to produce the goods and services identified as needed by the overall plan.

U.S. social justice movement organizations have undertaken campaigns to create public banks in many cities, including New York City, Oakland, Los Angeles, San Francisco, Portland, and Seattle.\(^{18}\) Additionally, The Next System Project, in the U.S., has proposed a public money creation program of $1.1 trillion to nationalize the largest 25 publicly-traded oil, gas, and coal companies, which could be placed under democratic management and repurposed

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to create mass public transit and the decentralized renewable energy production industry required to power it.\textsuperscript{22}

In the United Kingdom, both the Green Party and Jeremy Corbyn, the Leader of the Labour Party, have proposed a public money creation program called “quantitative easing for the people” to produce, among other things, energy-efficient public transportation, renewable energy production, recycling and other resource conservation industries, and public housing.\textsuperscript{23}

A solidarity economy banking system would enable the other interventions I propose, such as creating affordable, resident-owned housing on community land trusts and worker- and community-owned and controlled cooperatives that produce all of the goods and services that people need to live and thrive.

\textbf{V. Coordinating Investment of Existing Institutional Wealth:}
\textit{Mobilizing City Governments, Universities, Hospitals, and Philanthropic Foundations to Transfer Wealth Toward Solidarity Economy Institutions}

The first four sections of this paper have attempted to demonstrate that all political economies are planned by humans, and that the choice available to us is not whether or not to plan, but which humans will possess the power to plan. I then explored proposals for locally-controlled solidarity economies through which all people can own and control land, the productive capital that they combine with their labor in order to produce things, and money creation. In this section, I describe how local wealthy institutions located in cities throughout the country\textsuperscript{24}—city governments, universities, hospitals, and philanthropic


\textsuperscript{24} We can create these institutions in parts of the country where these institutions are not currently located. In doing so, these cities can be included within regional money creation planning, which can finance the creation of land planning institutions and cooperative businesses in these parts of the
institutions—can work alongside city-owned banks to coordinate democratically planned investment. Many of these institutions are susceptible to public pressure, as they receive significant amounts of public money and profess some combination of public, educational, or service missions. People can organize to force wealthy status quo institutions to support the transition to a democratically planned political economy.

Many of these wealthy status quo institutions—city governments, hospitals, universities, philanthropic foundations, and pension funds—should allocate resources and cede control of those resources to people who have been most marginalized in society—women, people of color, queer people, trans people, and indigenous people, among others. This reparations framework can begin to right the wrongs of past state and corporate disinvestment and exploitation through which these institutions have accumulated their wealth.

The reparations framework discussed here draws on three of many possible strategies for how these institutions can participate in building a democratically planned political economy, though it should not be construed as comprehensive in any way. Activists can organize locally to pressure city governments, private foundations, hospitals, colleges and universities, philanthropic institutions, and pension funds to work together to create trust funds with preferential access for grants for democratic political economy institutions, grants to new worker-owners purchase member-owner stakes in worker cooperatives, and direct subsidization of land planning institutions and worker cooperatives in racially concentrated high-poverty neighborhoods.

First, these institutions can invest directly in cooperatives with loans or equity purchases at no interest or at below-market rates. Nonprofit philanthropic foundations and colleges and universities can direct portions of their endowments toward no-interest and low-interest loans and equity purchases, as opposed to investments that prioritize maximum financial returns to their endowments. They can also make grants that: 1) provide income for worker-owners during the start-up phase before the business produces any revenue, and 2) support non-profit organizations that provide training to worker-owners and technical assistance—legal, accounting, business operations, etc.—to worker cooperatives.

Second, hospitals, city governments, and colleges and universities can direct their purchasing power to consume products that worker cooperatives produce. This stable source

country. Through this planning mechanism, we can create more cities throughout the country. Doing so will help keep cities small enough so that city governments can be democratically controlled. It can also be a key tool for infrastructure planning that can ensure ecological sustainability. See Thad Williamson, Steve Dubb, and Gar Alperovitz, Climate Change, Community Stability, and the Next 150 Million Americans, The Democracy Collaborative (2010).


See Darity, supra footnote XXX.
of sales would help worker cooperatives start and expand. Additionally, worker cooperatives could further leverage this nonprofit purchasing power to attract even more investment, since a traditional lending institution is more likely to lend to a coop if the coop has long-term purchasing agreements from stable and wealthy purchasers. Eventually, city government and college and university consumption should be incorporated into regional production planning.

Third, large nonprofits can use their wealth both to offset the risk that currently makes it difficult for anyone to invest in worker cooperatives, and to provide vouchers that allow people who are asset-poor to buy member equity stakes in worker cooperatives. Through loan guarantees, nonprofits can use a portion of their wealth as high-risk capital that would absorb the first losses if a start-up worker cooperative or an expansion of an existing cooperative fails to provide its expected financial return.\footnote{Marjorie Kelly and Violeta Duncan, \textit{A New Anchor Mission for a New Century}, THE DEMOCRACY COLLABORATIVE, at 26-27 (2014).} By absorbing this risk, nonprofits would facilitate greater investment in cooperatives by traditional lending institutions, wealthy private investors, and small investors, many of whom currently are unable to invest their relatively small amount of savings in risky investments. Socially conscious economic actors could also create investment matching programs for high-poverty neighborhoods through which they allocate resources to these neighborhoods, while also ceding control of these resources so that local communities can determine for themselves the shape that their local sustainable economics should take.

These three strategies can begin the process of transferring significant portions of existing philanthropic and quasi-public institutional wealth to people who have historically been excluded from the status quo political economy—the same economy through which these institutions have amassed their wealth.

\textbf{A. Coordinated Institutional Investment}

The fourth section of this paper discusses a solidarity economy banking system in which city-owned banks possess exclusive power to create new money. This section focuses on how philanthropic and quasi-public institutions that currently possess significant wealth—and city governments, for which city-owned banks will create money—can participate in a democratically planned political economy.

\textbf{B. City Government Policies}

Cities have long been identified as a potential site for political transformation due in large part to their smaller size as a political unit, compared to a state governments or the federal
government. The general idea is that with greater physical proximity—both between citizens themselves, and between citizens and public representatives—the politically active population of a city can more effectively organize and demand accountability from public representatives. The increased possibility of democratic organizing at the local level makes public banks at the city level best suited as the primary planning institutions for democratic money creation, which is in turn coordinated regionally and nationally. Three general new economy development approaches have begun to emerge in cities’ economic development strategies: 1) an anchor approach; 2) an ecosystem approach; and 3) a preference approach.

With the anchor approach, city governments provide business loans and other support to worker cooperatives while also emphasizing connecting worker cooperatives with anchor institutions as large-scale consumers. Anchor institutions are major civic institutions, like hospitals, universities, museums, and libraries. They are often overlooked as economic engines for cities, even though they typically control millions in annual procurement dollars.

The anchor approach has seen success at starting worker cooperatives at a larger scale, like with the Evergreen Cooperatives in Cleveland, Ohio. In 2008, the Evergreen Cooperatives partnered with local anchor institutions to start three worker-owned cooperatives: a laundry service, a hydroponic greenhouse, and a solar panel installation company. Today, the three cooperatives combined employ over 200 people, over half of

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26 See David Harvey, Rebel Cities: From the Right to the City to the Urban Revolution (2012); Murray Bookchin, The Next Revolution: Popular Assemblies and the Promise of Direct Democracy (2015).


29 Id at 10.

whom have been in prison at some point in their lives, and they have helped to launch a Fund For Employee Ownership that will make funds available for workers to purchase existing businesses and convert them to worker-owned businesses.

With the ecosystem approach, city governments, through seed funding and direct technical programs, try to increase the local capacity to provide educational, outreach, technical assistance, and financial support for start-up worker cooperatives or for conversions of existing traditional firms to worker cooperatives. The approach tries to develop long-lasting interactions between the variety of local human, cultural, legal, market, and policy features that relate to business formation, growth, and expansion. Growth and financing is pursued on many fronts, by trying to connect social entrepreneurs to financiers, creating local knowledge and social support for the cooperative economy, and through developing local laws supportive of cooperative development. The approach has been successful so far at starting many small cooperatives.

With the preference approach, city governments develop bid preferences for verified or certified worker cooperatives able to meet city procurement needs, and may also offer other supports like tax forgiveness, financing, or fast track permitting. Currently, at least 75 percent of cumulative disclosed federal and state public contracts go to just 965 large corporations. The preference approach aims to transform this government subsidization of big business into subsidization of investment in democratic political economy institutions. Oakland, California and Berkeley, California have started the process of developing the first city ordinances in the country whereby cities create rights to preferential procurement for worker cooperatives, eliminate city business taxes and fees for cooperatives, subsidize lending to worker cooperatives, and make grant money available to nonprofits that provide education and technical assistance in support of worker cooperatives.

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20 Jordan Heller, One of America’s Poorest Cities Has a Radical Plan to Remake Itself, HUFFINGTON POST (2018), https://www.huffpost.com/entry/cleveland-ohio-poorest-cities-regeneration_n_5bf2e9d5e4b0f32bd58c1374.


23 Id. at 14.

24 Id.

25 Id. at 3.

26 Philip Matera, Subsidizing the Corporate One Percent: Subsidy Tracker 2.0 Reveals Big-Business Dominance of State and Local Development Incentives, GOOD JOBS FIRST (2014).

27 Camou at 18-20.
C. Anchor Institution Purchasing Power - Hospitals and Universities

Universities and hospitals, generally immovable entities, can be anchor institutions for local democratic political economies. Every year, U.S. universities purchase over $10 billion of goods and services, including food, energy, cleaning, landscaping, laundry, computer software, and construction. Hospitals purchase over $600 million of similar goods and services every year.

Universities and hospitals are also institutions with public missions that receive significant public financial support. They are often tax-exempt non-profits, and they receive billions of dollars each year of taxpayer support through research grants, federally backed student loans, and Medicare and Medicaid spending. Aligning with their public missions, universities and hospitals could contract with cooperatives to provide the goods and services that they need, rather than with corporations. This way, many worker-owners—as opposed to a small number of corporate shareholders and executives—could take home the profit. Further, a commitment by these anchor institutions, which are seen by lenders as steady customers, could help cooperatives raise the money they need in order to increase their production. Keeping profits local with worker-owners can also produce an economic multiplier effect, as profits spent in the surrounding communities create and expand the customer base for even more local businesses.

D. Philanthropic Grantmaking

Philanthropic foundations managed over $880 billion in assets in 2015. In order to maintain tax-exempt 501(c)(3) status, a private foundation must give away five percent of its previous year’s assets in the form of grants. All together, foundations gave over $62.8 billion

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"The Evergreen Cooperatives in Cleveland, Ohio is an example of the anchor-based approached to coop development. In 2008, the Evergreen Cooperatives partnered with local anchor institutions to start three worker-owned cooperatives, a laundry service, a hydroponic greenhouse, and a solar panel installation company. See Gar Alperovitz, Thad Williamson, and Ted Howard, *The Cleveland Model*, THE NATION (2010), https://www.thenation.com/article/cleveland-model/.


"Id."
in grants in 2015, an average of around seven percent of philanthropic foundation endowments. The average grant was close to $300,000.

If even a fraction of the billions of dollars that private foundations make in grants each year went toward developing solidarity economy institutions, the impact could be enormous. Private foundation grants can finance technical assistance for worker cooperatives. They can finance education around building a democratic political economy, convene local public and private leaders, and engage private donors as partners. Grants can act as risk capital, by financing loan guarantees, that can encourage additional investment from individuals and other institutional investors, like university and private foundation endowments, charitable religious institutions, pension funds, and traditional lenders.

Private foundations can also cede control of the resources they provide to the communities that they intend to help. By creating area-specific loan pools, private foundations can match or multiply the amount of investment in worker cooperatives in a given low-income area. This way, worker cooperatives in low-income areas, where worker-owners do not have the wealth required to buy initial capital stakes in a worker cooperative, could have their initial worker-owner buy-in significantly, and possibly completely, subsidized.

As is well documented, foundation grants often come with conditions. The idea expressed here is that foundations possess the resources to support solidarity economies and people can organize to pressure foundations to make those resources available with as few conditions as possible.

E. Endowments - Universities and Philanthropic Foundations

Around 800 colleges and universities around the U.S. have over $516 billion in assets in their endowments. The ten schools with the largest endowments have assets of $180 billion. Universities hire professionals to manage these tax-exempt assets, which they typically invest in high-risk assets, like funds that match the gains of the stock market or in private

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25. Id.
28. Id at 22.
29. Id at 26-27.
32. Id.
equity firms and hedge funds. Additionally, as discussed above, philanthropic foundations managed over $890 billion in assets in 2015. These assets are the endowments that philanthropic foundations use to generate investment returns, a portion of which finance their grantmaking activities. Both college and university endowments and philanthropic foundations typically invest in safe assets, like government bonds and funds that match the gains of the stock market, and then use a portion of the returns to make their charitable grants. Endowments typically earn annual returns above five percent. None of that income is taxed. Endowments also typically pay millions of dollars in management fees to private equity firms and hedge funds, despite the fact that, over the long run, private equity and hedge funds investments do not outperform investments in funds that simply track the stock market. This money could be directed toward direct lending to solidarity economy institutions, especially worker cooperatives across all economic sectors.

Endowments can manage the high risk of investing in start-up worker cooperatives in multiple ways. First, they can invest in financial institutions, like community development financial institutions (CDFIs), or social funds that lend directly to coops and social enterprises. Second, endowments can partner with philanthropic investors, like the grantmaking units in philanthropic foundations, to provide risk capital that would absorb losses on investments to worker cooperatives before the endowments. Third, endowments can invest a small amount of their assets in worker cooperatives, meaning that even if the cooperative failed, the endowments would not be exposed to a loss of a significant amount of its assets. Along the same lines, many endowments and other institutional investors—like banks, credit unions, social investment funds or investors, faith-based institutions, and possibly pension funds—can invest small amounts of their assets in shared loan funds as a way of spreading the risk of investing in coops.

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99 Id.
100 Id.
103 CDFIs that prioritize lending to worker cooperatives include The Working World, the Cooperative Fund of New England, and the Shared Capital Cooperative.
104 RSF Social Finance is one example of an investment fund that invests exclusively in social enterprises and nonprofits: http://rsfsocialfinance.org.
Conclusion

Inequalities of power define our society. As the divide between the powerful and everyone else continues to reach new extremes, our political process, too, produces new extremes.

In this paper, I argued that in order to equitably distribute power, we must create democratic institutions that empower all of us to plan the political economies through which we produce everything that we need to live. To do so, we must reimagine democracy as defined by direct participation in every institution that affects our lives, and move away from the classical liberal representational democracy that has empowered elected politicians to act as mediators between a demobilized citizenry and the powerful owners of the economy who finance political campaigns. We must acknowledge that economic inequality, especially at its current extremes, is incompatible with political equality. To make democracy a real possibility in this country, we must embed democratic decision-making into each of our society’s institutions and shift government power to be as local as possible.

I appreciate the many challenges associated with creating the kind of social transformation I describe in this paper. Of course, many logistical challenges exist when creating new institutions, especially while facing opposition from powerful status quo institutions. Additionally, the vision I describe for a solidarity economy planning system must address challenges involving the scale of power—because people have only begun to create local solidarity economy projects, we have not yet had an opportunity to experiment with democratic planning at a system level. Decentralizing power to local levels—the city and smaller—will allow each of us to more fully control our own lives, yet some level of centralization will be required so that decentralized communities can work together. Imagining away the need for centralized authority can be appealing, but the real task is to give such power a concrete and emancipatory form. To guide us, we can adhere to the principle of subsidiarity, by which institutional authority remains local until a need arises that requires authority be moved to a more central institution representing multiple decentralized localities. This tension, between the lived benefits afforded by decentralization and the need for levels of centralized coordination, will likely always remain. We must constantly acknowledge and engage this challenge through the practice of building and maintaining democratic political economy institutions.

Above all, this paper argues that the ends do not justify the means, and that the form the means take shapes the form of possible ends—and the results that means can produce. A democratic and egalitarian society can only exist if its institutions are democratic and egalitarian. We cannot continue to expect, or to hope, that highly centralized state and corporate institutions, which reserve rights to ownership and control for the few, will produce any results other than those that, first and foremost, benefit the few. The election of Donald Trump made more visible to the mainstream some of the violence of the status quo, which has produced a crisis mindset among many of us who now wonder how we can possibly, amidst such discord, create a society where we make decisions together democratically. We must begin to confront this seemingly insurmountable challenge by creating institutions that
prefigure the kind of world that we want to eventually create. The participatory ethic, which runs throughout worker cooperatives, community land trusts, and other solidarity economy institutions, offers a pragmatic vehicle through which we can begin to create the visionary end of a self-governing society characterized by freedom and justice for all.