DOLLARS & SENSE REAL WORLD ECONOMICS

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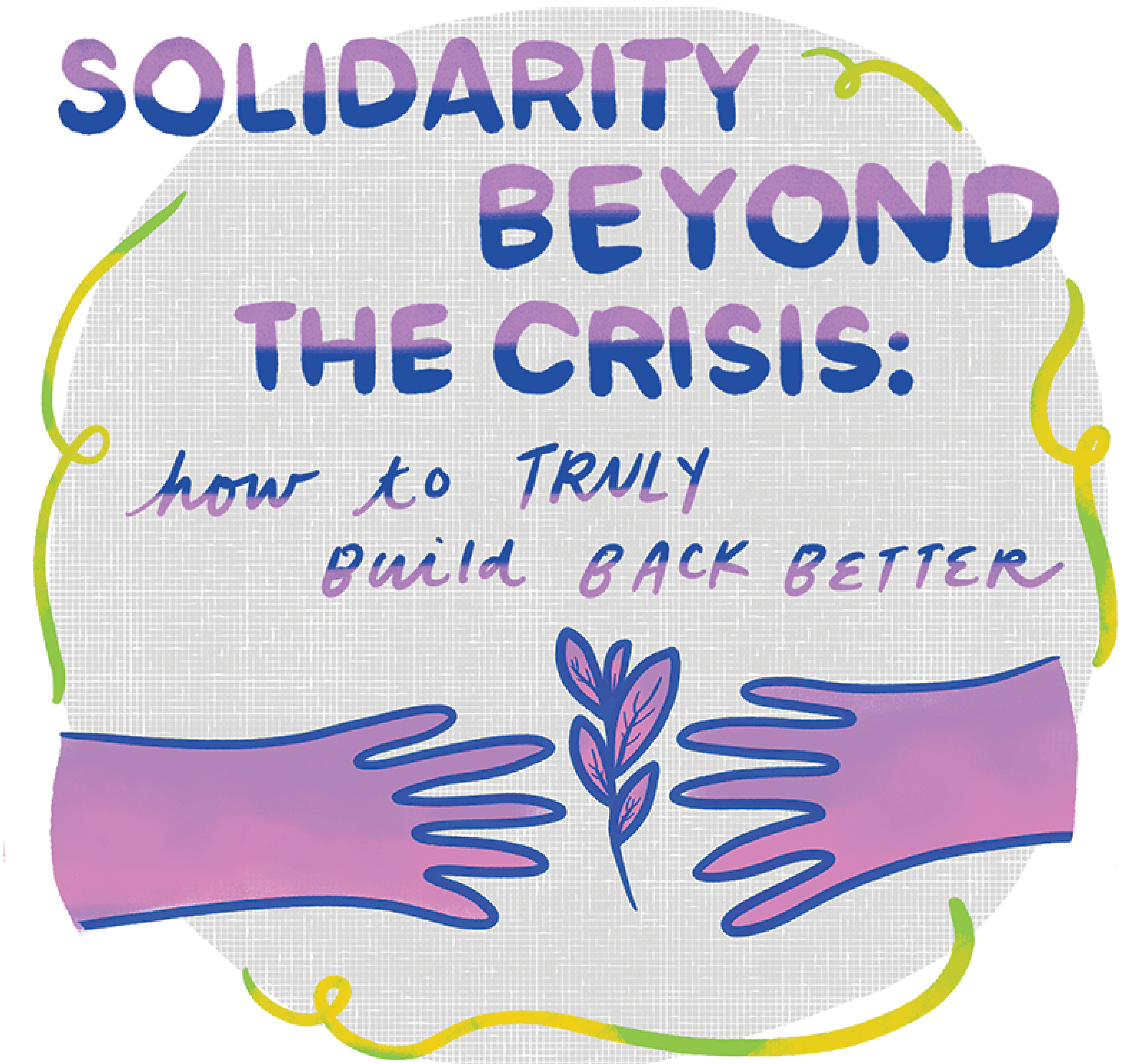

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In the aftermath of the wreckage caused by the Covid-19 pandemic, Democratic presidential nominee Joe Biden's promise to "build back better" is more of an attempt to restore the old order than to create a fairer, sustainable, and resilient economy. Biden has refused to endorse proposals for a Green New Deal, defunding the police, and universal healthcare, making it clear that he is more committed to evading structural reforms than advocating for them. Despite the longest economic expansion in U.S. history and record-low unemployment rates leading up to the pandemic, the Covid-19 crisis has revealed that millions of American workers are just two or three missed paychecks away from the brink of starvation and homelessness. The miles-long lines snaking around blocks at food banks and perilous stays in motels without electricity are stark reminders that the foundations of the pre-pandemic economy were shaky. Biden's misplaced political calculation that people long for a return to the civility of the Obama presidency belies the reality that Obama's policies put vast swaths of the American public in the dire straits that the pandemic has only worsened.

In the spirit of building truly participatory structures that are grounded in a "nothing about us without us" approach to structural reforms, we asked leading movement organizers and thinkers across the United States: What does it truly mean to build back better? The answers we received shared a unifying set of demands requiring deep social and economic transformations of our existing society. In response to the multiplicity of crises we face, the best way to build back better is to build a solidarity economy—an economic system founded on collective ownership and direct democracy; one where workers control their workplaces, residents control their housing, and communities are truly in charge of their investments and governments.

Our Workplaces

The least powerful workers and businesses typically bear the brunt of any recession; someone must always take the hit. And it is workers who, while essential to the functioning of the economy in boom times, are sacrificed at the altar of capitalist accumulation in downturns. Six months after the beginning of the lockdowns, the affluent have recovered nearly all of the jobs they lost due to the pandemic, while 80% of the millions of jobs lost are concentrated in the bottom half of the income distribution. While the stocks of major corporations soar to new vertiginous heights, a majority of small businesses (58%) are worried that they will have to close permanently due to Covid-19. Statistics like this have prompted Joe Guinan, a senior fellow at The Democracy Collaborative, to warn of an "Amazon recovery," one in which, as small, locally based businesses die off, "big businesses and corporate behemoths hold an even greater share of the market, billionaires get richer (and more numerous), and inequality is supercharged."

To counter this takeover by corporate monopolies, activists have been encouraging states and municipalities to create local economy preservation funds. Inspired by the history of the Great Depression, progressive groups across the country are calling for a new version of the Reconstruction Finance Corporation (RFC), which existed from 1932 to 1957. The RFC purchased ownership stakes in thousands of corporations and used its position as a major shareholder to do things like limit executive pay. In a presentation to the National League of Cities, Marjorie Kelly, a senior fellow and the vice executive director of The Democracy Collaborative, explained that this reimagined version of the fund would invest in or outright buy out local companies in danger of failing because of the pandemic. The goal would be to relaunch these businesses when economic conditions will allow them to thrive. The fund would have a new mandate to support the local economy and, in some cases, create a more inclusive ownership structure that allows workers or the broader community to share the wealth that the business generates.

Take, for example, the Main Street Phoenix Project, a local economy preservation fund in Boulder, Colo. It was created by a group of business and community leaders who have committed to advancing employee ownership of the businesses they rescue. The group intends to raise $6 million that it can use to buy equity stakes in local restaurants and other small businesses, with the goal of building "a more equitable and resilient main street economy based on quality jobs, employee ownership, and vibrant neighborhoods." Local leaders in Broward County, Fla. and Asheville, N.C. have expressed interest in starting similar projects. In New York, a bill in the State Legislature proposes to raise funds for business investments through bonds sold to the Federal Reserve's Municipal Liquidity Facility, which shows one way such a fund could scale nationally. Similarly, in California, the Worker-Owned Recovery Coalition is advocating for the state government to provide financing, technical assistance, and outreach for transferring ownership of small businesses to their employees.

Our Homes

Samuel Stein, housing policy analyst for the Community Service Society of New York and author of *Capital City: Gentrification and the Real Estate State*, says that the converging crises of the moment demonstrates a number of key facts quite clearly: "good and stable housing is fundamental to personal and public health; wages have not kept up with rising housing costs; and speculation and over-leveraging put a lot of landlords in a precarious position." Even billionaire real estate developer and Donald Trump booster Stephen Ross agrees, telling the New York Times in a meandering and contradictory interview: "In the city, we overbuilt like crazy and we had bad leadership. We were growing to the point where nobody could really afford to live here."

The outstanding $1.6 trillion in mortgages for multifamily residential real estate will become harder to service if a quarter of renters stop paying, reducing landlords' cash flow dramatically. Already in April, 20% of landlords feared being unable to pay their own mortgages. Despite sanguine hopes that the rental market would rebound in July and August, the number of empty apartments in Manhattan soared to 13,000 as New Yorkers fled the city and brokers were unable to find new tenants to fill vacancies. Back in April, in anticipation of a wave of evictions, Representative Ilhan Omar of Minnesota proposed the Rent and Mortgage Cancellation Act, tasking the federal government with paying landlords and lenders on behalf of renters. Omar's bill would also provide funds for state and local governments, nonprofits, and community land trusts to purchase distressed properties. Since Congress has been unwilling to provide renters with any assistance, and state and local government eviction moratoriums only postpone rent payments and delay evictions, this may be the end of housing as we know it, as activists are taking direct action to deal with the long-simmering housing crisis in this country.

Formed in response to a proposed rezoning of the Inwood neighborhood of New York City, the Northern Manhattan is Not for Sale Coalition argues that only community control of housing will deliver affordable and secure housing for low-income residents of color. Their counterproposal to the developers and city government aiming to gentrify their neighborhood is to create a community land trust (CLT), which promises to keep housing affordable by separating ownership of land and buildings, while creating wealth for working class families through the distribution of capital gains. With community representatives on its board of trustees, a CLT retains ownership of the land, which is the more speculative component of property values. Instead of traditional sales, a CLT typically offers "homeowners" a long-term lease. Homeowners can sell their house or apartment but never the land beneath and can only keep a predetermined portion of the profits if prices have increased. As Cheryl Pahaham, co-chair of Inwood Legal Action, a member of the coalition, explains, “community ownership and stewardship will create stable communities and enable people to move up the economic ladder, educate their children, and support other family members, and will facilitate entrepreneurship.”

Illustrations and centerfold by Laura Chow Reese (laurachowfun.com).

Pahaham draws on the history of the tenant-led community housing movement in the 1970s that created models like the Tenant Interim Lease (TIL) program and Housing Development Fund Corporation (HDFC) cooperatives. These programs emerged in response to New Yorkers’ activism against what Pahaham characterized as “systematic landlord abandonment and arson.” The “Decade of Fire,” as it came to be known, was epitomized by dystopian images of entire city blocks ablaze in the South Bronx, and these flames were fanned by racism, landlord neglect, and austerity. Landlords, viewing their housing stock solely as investments, chose to burn their buildings down to collect insurance payouts, sometimes with tenants inside, instead of paying the mortgage and maintaining livable conditions for low-income residents. Despite the origins of cooperative housing in the self-determination of New Yorkers to take back their neighborhoods and rebuild their torched homes, Pahaham questions whether the city’s commitment was a genuine attempt to uphold the promise of affordable, cooperative housing. “If [New York City] was committed to this model of cooperative-owned housing, we would not have million-dollar HDFC apartments on the market, we would not have TILs disappearing inexplicably, and there would be a frank and fair and open discussion and planning and reckoning for those TILs and HDFCs that were struggling.”

According to Jason Wu, housing attorney at the New York Legal Aid Society, “for the past decade, the City has removed numerous buildings from the TIL Program and taken away the opportunity of cooperative homeownership from working class tenants of color. These buildings are then transferred to developers as rental properties, with little to no oversight.” Housing activists have learned from the failed policies of the past decades and are therefore now advocating for more profound challenges to landlords’ power. Wu argues that “when buildings are removed from the TIL Program, they should be given the option of joining a CLT, instead of being transferred to developers that prioritize profits over people.” While much about the future of housing and urban development is uncertain, Cheryl Panaham, co-chair of Inwood Legal Action, emphasizes that “one thing is clear—we cannot go back to the rental market that routinely deprived tens of thousands of city residents of stable housing. That it was normal for city schools to educate 100,000 to 110,000 homeless kids every year is outrageous and incredibly offensive. Thanks to the Black Lives Matter movement, which is pushing for change and has politicians focused on the need to change, we have an opportunity to aggressively push for alternative models of housing, to demonstrate that housing justice is racial justice.”

Our Money

Difficulty accessing financing is the biggest barrier to converting businesses and housing to collective ownership, therefore, democratizing finance is essential for the solidarity economy sector to grow. Our current financial system does an awful job of meeting people’s needs. The fact that we have a booming stock market while millions of people lose their jobs and homes demonstrates how little the fortunes of the financial sector are tied to ours. In response, solidarity economy activists have proposed community-controlled investment funds and public banks. The Seed Commons, a network of nearly 30 community-controlled funds in the United States, is small, but it demonstrates what is possible if small business owners and cooperatives could borrow from their neighbors instead of predatory banks.

State-owned public banks—like the Bank of North Dakota—could finance the conversion of failing small businesses and residential properties into worker and housing co-ops, or the creation of new co-ops, either directly or via community-controlled investment funds. In October 2019, activists in California pressured the state government to allow cities to form public banks. The following month, the Governor of New Jersey, Phil Murphy, signed an executive order allowing cities in New Jersey to do the same. The Public Banking Institute wrote a letter to every state governor in April imploring them to set up public banks in each state to mitigate the upcoming financial collapse. Groups like the Philadelphia Public Banking Coalition are pushing their local government to heed this call. Federal Reserve support could, of course, turbocharge these efforts. Like private banks, public ones could lend to beleaguered small and medium businesses—including co-ops—through the emergency programs the Federal Reserve has set up for that purpose. Under the Paycheck Protection Program Liquidity and Main Street Lending Facilities, commercial banks originate the loans, but the Federal Reserve purchases 95% or 100% of the loans, respectively, from the banks, taking on nearly all risk that borrowers may not repay.

Our Governments

Our state and federal governments have failed to protect our lives and incomes. After passing the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress has essentially sat on its hands. National governments in other rich countries have done more to prevent job losses and provide families with the money they need to allow everyone to stay home until it is safe to return to work, without the fear of losing their jobs and homes, or going hungry. For instance, in Germany the government pays up to 80% of workers' salaries if their employers agree not to lay them off, keeping unemployment rates below 5% throughout the pandemic. In contrast, in the United States, unemployment peaked at 15% in April, and the more generous unemployment benefits included in the CARES Act expired in late July. Since then Republican governors and legislators have blocked further relief, forcing workers to choose between risking their lives by returning to unsafe jobs or their livelihoods by staying home. In April, 70% of Americans supported a stay-at-home order, and by August, even after months of quarantine, 59% still did. So far, the federal and many state governments have failed to respond to the wishes of the majority. Instead of tax cuts for the rich and bailouts and protection from lawsuits for big corporations, grassroots democracy would prioritize public health, worker safety, and support to renters and small business owners.

"We know that no matter who wins this election, we'll still wake up on November 4 in a world where the people who bear the brutality of racial injustice, climate change, and Covid-19 are still excluded from the table when it comes to solving these emergencies," explained Elizabeth Crews, director of Democracy Beyond Elections, a campaign led by the Participatory Budgeting Project. "We have to reimagine how we relate to and participate in the decisions that affect our everyday lives. We have to rebuild democracy to focus on real community-led decision-making that is equitable, accessible, and significant. The voices of marginalized communities must be centered in directly deciding policies and budgets."

Participatory budgeting, a process where residents meet in neighborhood assemblies to discuss projects and directly vote on the items that will be included in the municipal budget, has attracted growing interest. It is currently being implemented to varying degrees by over 110 local governments in the United States and Canada, including in major cities like New York and Chicago. In 2016, the Phoenix Union High School District in Phoenix, Ariz. became the first school district in the United States to use participatory budgeting to allocate district-wide funds. Earlier this year, the district's students decided to not renew the schools' agreement with the city's school resource officers for the 2020–2021 school year. It demonstrates the potential for participatory budgeting to achieve racial justice when politicians fearful of police unions fail to tackle the issue head-on. Rahel Mekdim Teka of the Participatory Budgeting Project says that the $1.2 million in now-available funds will be used to launch "a school participatory budgeting initiative that will center student, family, and community voices in redefining safety, and invest directly into that vision."

Not a Panacea

Co-ops, community land trusts, public banks, and participatory budgeting are not a panacea, especially if they continue to operate as islands of solidarity in a sea of capitalism. The vaunted Mondragón Corporation, the largest federation of worker co-ops in the world with over $13 billion in annual revenue, has been criticized for its lack of worker participation, use of temporary workers, and ownership of foreign subsidiaries. Still, the Mondragón Corporation has made the Basque economy more resilient, with unemployment 10% lower than in the rest of Spain after the country's housing bubble burst in 2010. Meanwhile, many of New York City's housing cooperatives have become unaffordable. Participatory budgeting projects tend to remain small, with politicians resisting attempts to give up control of public spending. Even in Porto Alegre, Brazil, where the Workers' Party created participatory budgeting to confront endemic corruption in municipal government, citizens were never able to control more than a relatively minor portion of the budget. Many public and development banks throughout the Global South in the 1970s and 1980s became vehicles for graft and nepotism until they were privatized as part of neoliberal structural adjustment reforms. Perhaps the major challenge for the growing solidarity economy movement is not simply to grow these institutions but to link them in ways where they reinforce one another and ensure they stay faithful to their missions.

How to Really Build Back Better

Not only has the pandemic economy thrown American society into open class warfare—it's now the billionaire class against everyone else. But in doing so it has also eroded people's confidence in elite brokerage. The powerful ruling class once entrusted with protecting the American people is now an unassailable institutional failure. In their absence, a new consensus has emerged: The only way to truly build back better is to build a solidarity economy. However the election results shake out, workers, organized and militant, are the solution to the struggles ahead.

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