

# Stanford SOCIAL INNOVATION<sup>Review</sup>

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## **Supporting Visions of New Economic Power** By Aaron Tanaka

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# SUPPORTING VISIONS OF NEW ECONOMIC POWER

Visionary solidarity economy projects are putting down roots in communities across the United States. But philanthropy will be needed for these seeds to bear fruit.

BY AARON TANAKA

Late-stage capitalism has produced multiple cascading crises around the planet. In the United States, the harms of these crises are concentrated in working-class neighborhoods and communities of color where there is a long history of violence, extraction, and neglect. But “where there is power, there is resistance,” as Michel Foucault, the French philosopher, famously said.

Domestically, we’ve seen this axiom expressed in diverse actions that have led to the abolition of slavery and then Jim Crow, the granting of women’s suffrage, and the passage of fundamental labor laws and the right to organize. And yet the struggle for democratic inclusion is nowhere near complete. We continue to see it expressed in fights for the rights of undocumented and incarcerated people, and in critical efforts to beat back voter suppression and the dismantling of democratic institutions.

This work is also reflected in growing calls for a just transition to a new, regenerative economy. This is the terrain the Center for Economic Democracy (CED) was founded to till. Power and resistance are bedfellows, but not all resistance translates into advances for our communities. As we envision fundamental alternatives to our current crises, the tools and tactics of our movements must adapt to the moment.

To build alternative economic infrastructure is to create space for political respite and community independence. Especially in moments of political rupture and struggle, mutual aid systems and collective economic infrastructure have proven essential. Building alternative economic and political institutions has helped meet immediate needs while fortifying a base from which to contest dominant rule.

## **PREFIGURATIVE APPROACHES**

The history of any oppressed group offers examples of meeting their own needs while finding ways to resist. In her 2014 book, *Collective Courage: A History of African American Cooperative Economic Thought and Practice*, economist Jessica Gordon-Lembard recounts a rich history of Black mutual aid and cooperatives as an integrated part of Black struggles from abolition to civil rights. And while more holistic economic and political power-building strategies continued and even received foundation support through the 1980s, the increasingly defensive orientation of the US

nonprofit industrial complex allowed these economic power strategies to decay through the early 2000s.

Visionary economic power building can accomplish more than just meeting immediate needs. It can also model the future we seek to create. In the last 10 years, perhaps aided by the Occupy movement’s popular renunciation of capitalist inequality, we have seen a resurgence of grassroots efforts to create alternative economic models to radically transform the economy. This trend has been accelerated by community leaders who understand that long-term climate resilience requires the re-localization of supply chains and economic infrastructure that meets community needs rather than chasing profits.

The early months of COVID-19 exposed these dynamics. Profit-first decision-making and rigid global supply chains made basic personal protective equipment (PPE), such as masks, hard to access in lower-income communities. In Boston, an immigrant women’s sewing cooperative under the Center for Cooperative Development and Solidarity (CCDS) was contracted by local grassroots organizations to produce hundreds of attractive reusable masks for their members.

In contrast to the temporary nature of strike funds, emergency mutual aid, and reinvestment campaigns, many alternative economy projects are intended as standing infrastructure that can meet the material needs of exploited communities while modeling non-capitalist forms of economic organization.

Renowned sociologist Erik Olin Wright describes these efforts as “interstitial” strategies that help grow the seeds of the new in the widening cracks of capitalism. In movement strategy circles, these approaches are sometimes referred to as “prefigurative” approaches, where we “show, don’t tell” the possibilities of the future. Wright saw cooperative, community-controlled institutions as not only essential to protecting and sustaining communities in moments of major geopolitical, ecological, and financial dislocation, but also as a vehicle for demonstrating—and critically, learning to inhabit—the structures of economic democracy that we envision for a just transition.

## **LAND, LABOR, AND CAPITAL**

At CED, we consider strategies for visionary economic power to democratize each factor of production: (1) land/ecology; (2) labor; and (3) capital. We further distinguish these factors and their governance between private sector, nonprofit/commons, and public-sector administration.

In the realm of land, we have seen significant growth in housing justice groups that are moving to acquire land from private markets to shift them into community land trusts (CLT). CLTs meet the housing and land needs of communities while modeling a non-capitalist form of land allocation and stewardship, based on democratic resident governance and prioritizing human needs over private greed. Inspired by our historic Dudley Street Neighborhood Initiative CLT, which controls over 30 acres of land, including 227 affordable homes, the Greater Boston area has grown from two CLTs to eight in less than a decade.

In the realm of labor, we have seen the rapid rise of worker-owned cooperatives, which are structured to distribute economic power to all workers. Workers, not shareholders, elect the board, and profits are distributed to employees based on hours worked, rather than enriching shareholders or management. While cooperative labor formations have a long history in our communities (whether Black Americans, Indigenous, or immigrants from the Global South), after a period of historical

amnesia, we are seeing their resurgence, especially among low-wage workers of color. The number of employee-owned cooperatives, while still small, has grown by 30 percent since 2019, to some 612 cooperatives across the country.

In the realm of capital, we have witnessed the proliferation of new strategies to build community-controlled, movement-aligned financial vehicles. Reflecting the intent of the original credit unions, organized communities are modeling the democratic allocation of capital as an alternative to profit-maximizing markets that currently mediate our investing decisions. Building investment and philanthropic vehicles that are accountable to mission over profit not only facilitates the funding of cooperatives and community trusts, but also creates space for democratic participation in the development of our own communities. In Boston, groups such as Boston Ujima Project are animating the principles of local self-determination by managing a \$5 million investment fund through direct democratic processes.

What distinguishes these visionary economic power-building strategies from conventional efforts to “out-capitalist the capitalist” are both their relationships to organized “people power” groups, but also their unique democratization of governance and ownership, whether in land, labor, or capital.

### **CREATING STRONGER COMMUNITIES**

But how do democratic ownership and governance translate into the overall power and health of a community? And why are those outcomes

distinct from those generated by traditional capitalist modes of development? We see at least three major differences.

**1. Promoting just economies through democratic governance** | When key stakeholders—workers, residents, or communities—are formally empowered to make decisions, companies, real estate projects, and capital funds are more likely to enact pro-social policies and activities than shareholder-controlled ventures. When workers run a cooperative, they are less likely to tolerate unsafe working conditions or callously pollute their own neighborhoods. When communities control land and capital, these resources can be geared toward meeting collective needs, rather than pursuing the highest private returns. In these cases, economic decision-making is devolved from the ownership class to communities, where material conditions are better met, and these “high road” entities offer an alternative to extractive corporations. Although multi-stakeholder, inclusive governance does not guarantee against unsavory behavior, the collectively negotiated voices of workers and communities will more reliably move toward justice than unaccountable owners.

**2. Redistributing value and ownership** | Traditional economic development focuses on building private asset ownership in historically marginalized communities. The resulting increase in home ownership or minority-business growth is undoubtedly preferable to the current racial wealth divide, and all efforts for reparations and redistribution at scale should be prioritized. But traditional economic development, even when successful, sees the benefits of those assets accrue to a relative few, and rarely to the most disenfranchised members within our communities.





In contrast to individualized, trickle-down community development, cooperative and collective structures are designed to distribute benefits more equitably to more value creators and stakeholders. In a worker co-op, for example, as profits are redistributed to employees, more people will gain from those profits. Solidarity economy projects are designed to retain value within the communities that create it.

Furthermore, since these prefigurative structures are designed to meet human needs rather than maximize profits, the financial efficiency of these approaches is often overlooked. In a land trust, for instance, a homeowner is limited by how much they can re-sell their property for, which effectively caps the profits that a seller can capture. A traditional economic development lens might lament the below-market equity value accrued to the homeowner. But this approach views wealth as an end in itself, rather than a means to procuring necessary provisions such as housing. From that perspective, the seller's "lost profits" from failing to sell at the top of the market are also the "discount" that allowed past and future homeowners to achieve the goal of housing in the first place.

**3. Empowering cultural agency** | Those of us involved in building prefigurative economic institutions know that cooperation and governance can be difficult. Movement Generation says that "what the hands do, the heart learns." When workers are disempowered and communities are disregarded, we will believe that we are never meant to govern. Conversely, community-based economic alternatives not only help meet material needs and model the values we espouse, but also create new spaces for working-class people and people of color to control assets and develop the muscles for economic self-governance. Whether a worker-owner, land trust steward, or democratic investor, the prefigurative structure reclaims the decisions that the one percent makes for us and asserts our capability and right to self-determination. Inhabiting positions of economic power can facilitate new learning, hone real skills, and build confidence that a democratic economy is not only possible but also necessary.

With each experiment in community ownership and governance, new cohorts of leaders gain a taste of economic self-determination, thereby whetting the appetite for more. Since 2013, people aged 12-25 have been empowered to allocate \$1 million in city funds through a participatory-budgeting process. Ten years later, some of those individuals are now young adults who are leading the call for Boston to expand participatory budgeting to the whole city using tens of millions of tax dollars.

### **POLICY-PROJECT SWING**

As communities reintegrate solidarity economy approaches to complement broader political organizing efforts, the benefits of prefigurative strategies should not be overlooked. In fact, the borders dividing economic, political, and cultural power are largely oversimplified, potentially obfuscating the nature of integrated power. We have outlined ways that community ownership makes for more socially responsible firms, more effectively meets consumer needs, and builds appetites for economic democracy. But these benefits also have direct consequences for our communities.

Controlling assets and distributing surplus profits will position our communities to more successfully support political agendas, fund candidates, and elevate causes that reflect our interests. Better resourced, organized communities can also promote and socialize counter-hegemonic worldviews, whether through ownership of media and arts, promoting culturally reflective education, or celebrating cooperative culture in contrast to greed-is-good ideology.

To operationalize this analysis, we have pursued multiyear strategies at CED that leverage intersectional political, cultural, and economic power. As we build community power to force policy change, these legal and regulatory shifts can generate new economic power building for oppressed communities. Conversely, solidarity economy projects can create popularity and cultural momentum for democratic practices, which can spur political victories that further fortify those projects.

For example, in 2011, following work by environmental justice groups, Massachusetts passed a zero-waste bill that requires large restaurants and institutions to compost their organic waste. This law was a victory for environmental justice communities, but also created a new demand for organic composting services. To capture the new market, two prominent grassroots worker centers seized the opportunity to establish a new worker-owned composting business, known as Cooperative Energy, Recycling, and Organics (CERO) Co-op. Later, other co-op advocates pushed the City of Boston to begin a lending program to support worker ownership, making their loan to CERO their first ever to a worker co-op. Here, a new policy helped enable a new community ownership project, which inspired further action to win additional government support for that project.

Similarly, the Boston Ujima Project was formed as a voluntary membership organization for the city's working-class communities of color to democratically invest our savings in the local economy. As Ujima members gain experience and confidence in our right and capacity to collectively govern finance capital, a new campaign has emerged to establish a democratic public bank in Massachusetts. The proposed state bank would not only direct capital to community intermediaries such as Ujima, but also the bank would be structured with the principles of democratic governance that Ujima embodies. In this case, the "project" creates cultural momentum for a broader policy intervention that brings those practices to scale.

We call these approaches the "policy-project swing," where we seesaw between public policy strategies and prefigurative economic development initiatives, all while leveling up community power and ownership and revealing new horizons for contestation and transformation.

Notably, "resist and build" strategies take time to express and depend on ecosystems of organizations, rather than single actors, to scale successive victories over time.

These projects all offer narrative inspiration that advances the belief that we can and should control our own economy. Of course, exercising increased community control over land, labor, or capital does not resolve the many pressures these entities will face as islands in a sea of capitalism. But we contend that this economic infrastructure, though far from utopian, can preview democratic alternatives to capitalism while increasing the power and influence of our communities. □

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