The Making of a Democratic Economy: How to Build Prosperity for the Many, Not the Few

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“A democratic economy is about completing in the economic realm the work begun by the founders in the political realm.” So write Marjorie Kelly and Ted Howard of the Democracy Collaborative in the first pages of their new volume, The Making of a Democratic Economy. Confronting wealth and economic inequality, decentralizing power, and prioritizing the needs of the poor are hardly new topics in social, political, and economic discourse. But the authors’ solutions aren’t exactly the traditional answers of a bigger welfare state or a collectivized economy. Rather, the book explores the astonishing successes of grassroots community organizing, employee-owned businesses, and nonprofits that are intentionally carrying out a vision of social justice and community wholeness instead of profit-seeking and power consolidation. Thriving alternatives to enterprise capitalism do exist.

Of course, “a democratic economy is [not] a utopia in which all our problems will be solved. What it does mean is that it’s possible to design ordinary economic activity to serve broad well-being, not to extract maximum profits” (p. 4). The average corporation embodying Milton Friedman’s neoliberal orthodoxy has, after all, a “fiduciary duty to systematically suppress labor and labor income—and weakening environmental regulation—in order to increase profit for wealthy shareholders” (p. 6). This alternative arrangement has many names: “stakeholder capitalism, the solidarity economy, new economy, sharing economy, regenerative economy, the living economy;” (p. 7) etc. Its principles are (pp. 22–24):

1. Community: The common good comes first.
2. Inclusion: Creating opportunity for those long-excluded.
3. Place: Building community wealth that stays local.
4. Good work: Putting labor before capital.
5. Democratized ownership: Creating enterprise designs for a new era.
6. Sustainability: Protecting the ecosystem as the foundation of life.
7. Ethical finance: Investing and lending for people and place.
Each chapter looks at a real-world case study of each principle at work. The first case study is the ground-breaking work of Nick Tilsen in South Dakota. Pine Ridge Reservation is known for being the poorest county in the United States, with Third World conditions. But Nick, his family and crew used cooperative and community principles, and innovation, to improve the conditions of Native Americans, from Native American Natural Foods (NANF), which primarily sells Tanka (Bison) bars, to the 34-acre Thunder Valley Community Development Corporation, which facilitates locals to build sustainable housing—including passive solar energy design, 100% water reclamation, and net zero energy efficiency. Nick, now the president of the NDN Collective, knows full well the destruction of the welfare state and the effects of generational trauma, and apparently has tapped into a remarkable recipe for recovery, regenerative production, and restoration.

The second case study (Chapter 3) looks at the story of Tyrone Poole, a formerly homeless African American who became an entrepreneur in Oregon to develop Prosper Portland, a city economic development organization focused on racial and gender justice. Readers learn not only a lot about listening and including the excluded, but about how “a democratic economy recognizes the rights of property, yet balances those with other human rights—an inclusive right to human flourishing, the primary aim of protecting the common good, the moral obligation to atone for harms committed” (p. 49).

The third case study focuses on the principle of place with the University of Hospitals in Ohio. This nonprofit has focused on benefiting its local area, and serves as an anchor institution because they’re anchored in place, not inclined to abandon their community as profit-maximizing corporations did. These anchors are being harnessed to buy goods and services from local businesses that hire, train, and empower local residents, thus recycling wealth in the community, in contrast to absentee corporations that draw wealth out of the community. (p. 3)

The principle of “good work” comes out in Chapter 5, which looks at Cooperative Home Care Associates in the South Bronx. The employee-owned model sits in stark contrast to others:

The tenuous relationship shareholders have with public corporations—with shares held for minutes by those who do not know
the names of ‘their’ corporations—is dignified by the name ownership. Workers who go to a company every day, producing its wealth, are dispossessed ... Asset ownership is foundational to creating a worker-centered economy. (p. 69)

Readers also stumble on some rather eye-opening statistics illustrating the disparity between stagnating wages and expanding corporate profits since the early 2000’s.

The next chapter looks at the ESOP (Equity Stock Ownership Program) model of employee-ownership with EA Engineering. ESOP programs were only recently made practical through tax legislation, but 6,600 firms already exist in the US, including popular retailers like Scheels All Sports. ESOPs are more resilient during recessions and the average equity share for those in an ESOP is about ten times the average retirement account for American households (p. 84).

In a somewhat different chapter on sustainability, the authors suggest that the Federal Reserve’s policies for bailing out the banks can be used to essentially bailout “the planet” (p. 91). The argument is simple: the planet is more important than the financial system, so QE should be used to incentivize and finance green energy.

Finally, Chapter 8 looks at ethical finance, which is an extension of all the previous chapters into the realm of banking. The authors look at central bank alternatives, public banks, cooperative banks, and invert the purpose of banks from profit to the common good in a brief look at the financial sector of London and the UK.

The authors then reflect on the nature of systematic change in the Conclusion:

The system arises from our “shared social agreements about the nature of reality,” Meadows said. We all know today’s economic reality: Investors are owners and employees are hired hands. The corporation is an object that can be bought and sold. Financial wealth is the scarcest commodity and therefore the most precious. Its growth is ideally limitless. Fiduciary duty to investors is the most important moral duty in the investing and corporate world. GDP and balance sheets count everywhere that counts. Income labor is an expense to be reduced. There’s no such thing as too much profit or too much wealth. People are poor because it’s their own fault.

A different paradigm doesn’t start with capital as the center of the universe. It starts from the point of view of life. And reality
looks something like this: there’s only one system, the earth, which is precious beyond measure. The economy and everything in it are subsets of this one system. There are limits to growth. Companies are human communities; living systems, and workers are naturally members. Wise stewardship of our common assets, our common well-being, is the aim of the economy, its institutions, and activities. (pp. 112–13)

The book then features a lengthy appendix that lists all the different organizations, think tanks, and institutes largely aligned with the goals of the book: “The aim is ownership locally rooted there, and broadly held. Instead of decision making by an absentee elite, power is brought back within the circle of community … the focus is on assets, not problems—on empowerment, not dependency” (p. 116).

_The Making of a Democratic Economy_ is an easy-to-read, informative, and inspiring book. Being a resident of South Dakota, hearing about Pine Ridge woes my whole life (from a privileged position), and regularly driving by the NDN Collective offices in Rapid City, I was particularly moved to learn about things happening right under my nose that I had not yet learned about. The book also collaborates well with others (Rosen, Case & Staubus, 2005; Blasi, 2014) on the growing success of and interest in employee-owned businesses, which seems to be the most practical and sustainable way to (a) systemically decentralize power, (b) improve the conditions and lives of the average worker, and (c) shrink the gap between the wealthy and the poor. While I would rather read about why modern central banking should be permanently abolished instead of—like the ring of power in _The Lord of the Rings_—“harnessed” for the good of the planet, one cannot fault the authors for pointing out the obvious hypocrisy of bank bailouts amidst far greater “crises.”

The most important contribution of the book, however, may be that it offers a “radical hope” (p. 116). As one of those millennial associate professors gone adjunct running wild in the gig economy and a faithful member of the “doomer generation” regularly inundated with news about melting glaciers, evangelical fascism, police brutality, and skyrocketing suicide rates spurred by a global pandemic, I found the book refreshing, welcome, and stabilizing. Somewhat in the spirit of Jürgen Moltmann (1993), Christian entrepreneurs and economists will also greatly appreciate an alternative vision of a more sane, people-centered,
and hopefully peaceful political and economic existence that does not look unlike “the Kingdom of God” portrayed in the Gospels and Acts.

Note


References

