Using State and Local Policies

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I share my fellow symposium authors' commitment to making the United States a more socially equitable, sustainable, and democratic society than we now have, achieved in part through much more widely distributed citizen-ownership claims on its residual surplus and commons and the encouragement of more cooperative ways of producing wealth.[1] My reasons are also about the same as theirs: moral outrage and prudential consequentialist concern about America's current economic and political equality, crony capitalism, political dysfunction, and degradation of public goods of all kinds; interest in reviving or creating new institutions and customary practices to energize a thinking democratic public; hope that wider citizen ownership and more cooperative production can get us both greater dynamic market efficiencies and social equity with deep political support. I think in particular that dividend returns to wide ownership, and the efficient supply of more public goods in necessities of all kinds, would be welcome antidotes to declining labor market incomes. I believe that wider ownership of capital would encourage more socially responsible business, both directly through shareholder power and via the competitive threat to irresponsible capital that investment in responsible business could provide. And I believe that, in America's Lockean rock 'n' roll political wilderness, an "ownership society" that was more than rhetoric might have great popular appeal. So it could be that rare and beautiful thing—a radically democratic political project with real legs.

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I'll skip over national politics in this essay. Not because it is unimportant, but because of doubt about the near-term possibility of finding much comfort there. I hope I'm wrong. Naturally, there are any number of potential federal guarantees and drivers one could imagine. Thad Williamson imagines some of the desirable constitutional supports. To his list I would add something on preemption. I'd like to see a "progressive federalism." This would limit it to state law actually contrary to the aims or minimal requirements of federal law, not to action consistent with its aims but exceeding those requirements—a "floors not ceilings" approach to federal limits on state power—that also broke with the notion that federal "occupation" of some field closed off all further possibilities. It would explicitly seek to harness state innovation to improving policy.[2]

State and local government, as compared to federal government, employs seven times as many civilians, accounts for four times the share of government non-defense consumption and investment, and spends seven times the share of GDP.

And along with such changes in constitutional understanding, I can imagine all manner of desirable acts of Congress, or Secretarial guidance to agencies, or changes in regulation, or Presidential executive orders: to provide credit enhancement or technical assistance and evaluation to any of the new institutions and projects we'd like to build; or more demanding performance requirements on many of the projects the federal government now supports; or reserving a pool of taxpayer money and regulatory forbearance for worthy "reverse RFPs" from groups of localities seeking to partner with the feds on something useful; or simply more of the competitive grants in areas of desired innovation for which the Obama administration is already famous, but with transformative ends.

It would be great if all or any of this happened. But I want to concentrate on what might be done absent such support, and that probably needs to be done if that is ever to be forthcoming, viz. action at the level of state and local government. Here too, however, a broad, intentional, organized popular politics for transformation politics is largely absent, though not from a lack of capacity.

In the United States, state and local government is by far the largest and most active part of government, and arguably the most important part. Largest since, as compared to federal government, it employs seven times as many civilians (19.8 million vs. 2.8 million); accounts for four times the

share of government non-defense consumption and investment (81 percent vs. 19 percent); and, excluding military and mandatory spending, spends almost seven times the share of GDP (11.1 percent vs. 1.6 percent).[3] *Most active* since state and local government enacts far more regulations and law than national government. State legislatures alone (so, not counting our 3,000-plus counties or 30,000-plus cities and towns) enact seventy-five times the number of laws that Congress does. *Arguably most important* since, by constitutional design and more than two centuries of accumulated custom, it holds the only plenary and most commonly-used government powers. State and local government has initial, primary, or final responsibility for the construction, maintenance, or regulation of virtually all everyday non-military public goods and physical infrastructure, including public safety and health, education, environment, housing, land use, energy, water, communications, transportation, many civil rights, and (*via* its control over voting rights and campaign finance) representative democracy itself. Over the past generation, the devolution of even greater responsibilities to it has made state and local government even more important to the general welfare.

Partly the lack of state innovation has to do with the structure of our current federalism. This, given the absence of much national economic regulation, is highly competitive and works off a very low floor. States race against each other to lower demands on firms for workplace or environmental performance, while regularly dipping into public revenues to package private rewards (subsidies, abatements, etc.) to lure business investment. As Greg LeRoy and the team of researchers he has led at Good Jobs First have been documenting for years,[4] and the *New York Times* recently noted, such nationally pointless subsidies cost the public more than $80 billion each year.[5]

But while subsidizing local corporations may seem like the only viable way for economic development, better methods exist. Whether called high-road development or community wealth building, cities and states, by identifying and leveraging existing community assets and building local equity and ownership, increasing local economic multipliers to spur locally oriented economic growth, build local economic development capacity by providing technical assistance that fosters local economic development and ownership, and expanding local investment capacity can achieve far superior local economic development results.[6]

A number of studies have demonstrated the power of supporting locally rooted and anchored economic development. For instance, a 2007 study of

San Francisco found that every $1 million spent at local bookstores created $321,000 in additional economic activity in the area, including $119,000 in wages paid to local employees. While the same $1 million spent at chain bookstores generated only $188,000 in local economic activity, including $71,000 in local wages. The study further found that if residents shifted 10 percent of their spending from chains to local businesses, the result would be $192 million in additional economic activity in San Francisco and almost 1,300 new jobs.[7]

The value of technical assistance that supports local ownership is well documented too. Nowhere is its importance more obvious than with fostering democratic employee ownership. Economist Robert Avery of Cornell has noted that, "The majority of boomer wealth is held in 12 million privately owned businesses, of which more than 70 percent are expected to change hands in the next 10–15 years." Avery further estimated that the wealth transfer over the next twenty years would total $4.8 trillion.[8] As John Logue, the late Founding Director of the Ohio Employee Ownership Center at Kent State University, noted, "The failure to plan for business succession is the number one cause of preventable job loss in this country."[9] For the majority of family businesses that lack an obvious successor, an ESOP or a worker cooperative can be a valuable, tax-advantaged way to exit, but it will only happen if business owners are aware of the availability of this alternative.

Of course, state and local policy can help develop the bases for a more democratic political economy more broadly speaking. In this symposium, Gar Alperovitz and Steve Dubb outline four critical principles for developing a democratic economy. These are: "[1] democratization of wealth; [2] community, both locally and in general, as a guiding theme; [3] decentralization in general; [4] and substantial but not complete forms of democratic planning in support of community, and to achieve longer term economic, democracy-building and ecological goals." Here I outline a few specific areas where state and local policies enacted now can help support the development of this pluralist commonwealth vision.

Economically Targeted Investments

Cities and states invest relatively large streams of money. Increasingly, under the rubric of Economically Targeted Investments, investors and policy makers are considering investment strategies that promote broad-

based sustainable development. Economically targeted investment (ETI) entails investments with rates of return comparable to conventional investment options, but that also improve the economic well-being of a region by stimulating job and business creation; increase or improve the stock of affordable housing, or improve infrastructure. ETIs are not an asset class in and of themselves, meaning that they do not exhibit a common set of performance tendencies and are not subject to common regulation. Instead, ETI is an investment perspective that highlights a range of often-overlooked financial opportunities, and offers both social and financial returns.

ETI is particularly valuable because it helps to deal with capital gaps, which are areas of investment underserved by markets. These include housing loans for low-income individuals, financing for small and medium-sized businesses, certain types of infrastructure development in low-income urban areas, and private lending in low-income areas. For example, small firms must rely on private debt financing, yet over the past decade, small business lending has declined nearly 10 percent as a percentage of total business lending.[10] Banks have increasingly moved their investments away from small commercial loans, for other higher return and shorter-term investments. This makes small business lending a key opportunity area for ETI. ETI identifies areas where profitable investments can be made, but which markets have missed due to inconsistent time horizons or imperfect information.

Economically targeted investment entails investments with rates of return comparable to conventional investment options, but that also improve the economic well-being of a region.

In order to promote ETI, cities and states must develop both the pool of resources available for ETI and the pool of projects that fit the criteria of ETIs, both on the supply-side and demand-side. Enhancing the ETI supply entails increasing the pool of investments that cities can direct towards areas underserved by financial markets. Institutional investors in the United States are a key potential source of capital, with over $20 trillion in funds under management.

Institutional investors can pursue ETI through a range of investment vehicles.[11] Private equity can be used to finance infrastructure, real estate, or business investments. In these cases, institutional investors must either develop in-house capacity to evaluate investment opportunities or must work with a reliable intermediary, like a city government. Alternatively, they can offer a debt-based fixed income product to invest in real estate or

businesses. This could come in the form of a credit enhancement product, in which the institution loans its credit rating to a municipality or city agency, or some type of debt security. These vehicles differ in the organizational capacities they demand and in their administrative costs.[12]

Pension fund managers are also beginning to acknowledge the collateral benefits that accompany strategic investing of pension fund assets. Obviously, under no circumstances can pension fund trustees adopt policies or practices that violate their fiduciary responsibilities. However, to the extent that trustees can accomplish other goals without sacrificing performance, it makes sense to investigate opportunities for geographically targeted infrastructure investment and locally or regionally-targeted economic development. Furthermore, ETI is advantageous because of its longer time horizon and counter-cyclical nature, relative to traditional asset classes.

Most pension funds will not invest more than 5 percent of their assets through an ETI strategy. However, as of 2007, public-sector pension funds had committed approximately $11 billion to ETI.[13] The Dallas (TX) Police and Fire Pension system became the first U.S. pension fund to invest directly in a major road project with its investment in TxDOT's LBJ managed express lanes project on I-695 in Dallas.[14] The Contra Costa County (CA) Retirement System and the Los Angeles (CA) City, County, Fire and Police Pension Fund have both devoted portions of their funds to ETI.[15] New York City uses a portion of its pension assets to provide capital (via indirect investment) for low, moderate, and middle-income housing construction and improvement. As of December 31, 2011, the five-year overall return on the pension funds' ETIs was 7.00 percent, compared with Barclays US Aggregate Bond Index, with a five-year return of 6.50 percent.[16]

When overseeing institutional investment in public projects, cities should pay attention to certain potential ethical pitfalls. On one hand, elected officials must prevent the development of patronage relationships between private and public sector actors. Pension funds should make public calls for proposals and emphasize transparency, in order to encourage competition for financing and avoid perceptions of favoritism. On the other, a focus on profitable returns may lead towards investments in privatized facilities and the loss of public sector jobs. These tensions are unavoidable, but pension funds can proactively develop general evaluation policies on harm to public sector jobs or workplace issues at privatized facilities.[17]

Another potential issue is scale. Some pension funds may not have enough resources to invest in ETI projects, while also assuring that this

investment is a sufficiently small proportion of their total investments. Cities can create common investment vehicles with which various pension funds can invest in ETI projects. The Bay Area Family of Funds, run by the non-profit Bay Area Council, ties both private and public sector investors into a regional initiative to promote business growth in low-income communities.[18] The New York Public/Private Apartment Rehabilitation program, "finances multifamily buildings in the five boroughs. Working with eight private and not-for-profit lenders, the funds issue forward commitments to provide permanent, long-term mortgages for the rehabilitation or new construction of multifamily buildings that will remain affordable for the long term. For calendar year 2011, $127 million has been invested and/or committed for 3,382 units of affordable rental housing."[19]

Increasing ETI demand entails the creation or identification of socially beneficial investment opportunities. City and state governments have a wide range of actions they can take in this regard. Governments can enact a range of policies that incentivize socially beneficial development. These programs may foster any number of aims; from environmental sustainability, to affordable housing, to job creation. Many cities have passed legislation that channels new growth in socially beneficial ways. These policies often mandate that new construction, infrastructure, or business creation is consistent with particular performance standards. Both San Francisco, CA,[20] and Dallas, TX,[21] have passed Green Building ordinances, requiring that new construction and upgrades of existing buildings must meet certain national energy efficiency and environmental design standards (e.g. LEED, see the High Performance Building section). With respect to affordable housing construction, localities can pass inclusionary zoning regulations like the Montgomery County (MD) Moderately Priced Dwelling Law. This law requires that 15 percent to 20 percent of residential construction in new multi-home developments be restricted to affordable housing (also see Housing Chapter).[22] Cities can pass regulations to structure new business creation in a manner that protects downtowns and preserves local businesses. Fearing the detrimental effects of big-box retail, the town of Boxborough, MA updated its commercial zoning to prohibit construction of any retail structure larger than 25,000 square feet.[23] By stemming the growth of large retailers with outside ownership, who will often locate their stores outside of city centers, this preserves market space for smaller locally owned retailers and makes investment in downtown business districts more attractive.

Other policies to increase ETI demand operate at the level of individual organizations. These include financing for small business pilot projects, business incubators, venture capital programs, and business-university partnerships. A more comprehensive form of individualized assistance is the 'economic gardening' model advanced by the city of Littleton, CO.[24] Here, the city has decided to promote economic development through the nurturing of local, innovative small businesses, in contrast to efforts to attract large outside companies. In this strategy, the city has three main roles: improving infrastructure, facilitating connections and providing information. The Littleton, CO government coordinates, blends, and targets these resources towards particular sustainable industries or marginalized communities, but the individual entrepreneurs must ultimately elect to utilize the resources.

Public Banking and Local Lending

While the Small Business Administration helps small businesses at the federal level, states can take action to improve credit access for local businesses. Unlike large business that can raise money in the stock or bond markets, small businesses are reliant upon bank loans.[25] Cheaper, more readily available bank loans would help entrepreneurs start new business as well as finance expansions of already existing small business. State governments can help increase the flow of capital to local businesses in several ways including establishing a state bank and creating a "lend local" program.

State legislatures should consider establishing a publicly owned state bank to spur local economic activity and facilitate small business growth. The bank would primarily encourage lending indirectly through participation loans in conjunction with private sector banks. By participating in these loans, the state bank would drive down the cost of the loan for both the participating bank and the customer and thereby allow for the loaning of more funds. The main source of liquidity and funding for the bank would be deposits from the state government and all state agencies which would be required to deposit funds in the state bank.[26] While the bank would eventually become self-sufficient, initial seed funding for the bank could come from the state General Fund, General Obligation Bonds, or another dedicated funding source.[27]

North Dakota has proven the value of such a system with their nearly century old model.[28] The Bank of North Dakota—the only state bank in

existence in the United States—was created by the state legislature in 1919. The Bank of North Dakota routinely turns a profit and then returns those profits to the state's General Fund. Since 1945 when the bank started transferring profits to the state government, it has given over $555 million to the general fund.[29]

Of course, legislatures should ensure that such a bank would be run by a professional, non-political staff—such as other commercial banks—and be overseen by a board of directors appointed by the governor and chaired by the state treasurer. According to the National Council of State Legislatures, there were nineteen bills pending in fourteen states as of May 2012 that would either call for study of the issue or create a state bank.[30]

States can also encourage lending to local businesses by creating a "lend local" program that encourages private banks to lend to local, small businesses. These programs provide dollar-for-dollar matches on all applicable loans with state funds deposited in the bank.[31] This reduces the risk of the loan to the bank because it knows an equal amount of funds are in its reserves. Participating banks would be required to pledge that the loans would go to local small businesses, and the state would provide an oversight role to ensure that this happens. Massachusetts adopted this model through the creation of the Small Business Banking Partnership in 2011, which encourages loans to small businesses by moving state funds to community banks. Massachusetts originally intended to only deposit $100 million, but the program was so popular that initial amount was expanded, and as of July 2012, the program had resulted in just over $250 million being moved to community banks. In order to participate, banks must disclose their lending activity on their own website and the Massachusetts Treasury website quarterly.[32] Also, qualifying banks are required to disclose their previous small business lending practices to the state before entering the program, allowing the state to ascertain if the bank is seeking out new, higher-risk loans and prevent banks from receiving state assistance on loans they would have made anyway.[33]

Anchor Institutions

Anchor institutions such as universities, hospitals and other large cultural institutions are often critical to the economic well-being of metropolitan areas. In more than half of the top 100 cities by population, an anchor is the largest employer. One in every fifteen large hospitals and one in every eight colleges and universities is located in an inner city.[34] The purchasing power

of these institutions is collectively in the billions of dollars, and they employ millions of people nationwide.[35] More importantly, they represent a significant proportion of the employment in their respective regions.[36] Their economic impact, however, is not what makes them a keystone of economic development strategy—it is their connection to a specific geographic place, the fact that they are unlikely to pick up and leave like so many businesses have, that makes them important.

Anchors play several key roles in local economies, many of which can be organized and directed to the benefit of the surrounding community, if the institution prioritizes community welfare and improvement, and if the capacity for productive partnership among stakeholders exists. Local government leaders can foster such partnerships by building strong relationships with institutional leaders and regularly convening them to discuss opportunities for collaboration. They can also take the lead on more structured initiatives like the ones described in this brief. In all cases, the surrounding community needs to be at the table, so their needs and priorities are taken into account.

There is substantial evidence that the local economy retains a higher percentage of a dollar spent at a locally owned business than if that same dollar were spent at a non-local business. One of the most powerful ways an anchor institution can help build their local economy is to purchase goods and services from local businesses. The University of Pennsylvania, for example, has had a $94.8 million impact on West Philadelphia's economy by redirecting only 10 percent of its annual purchasing to local suppliers.[37] University Hospitals in Cleveland, OH, included local procurement and local hiring (by contractors) in the implementation of its strategic growth plan, Vision 2010. More than 90 percent of the businesses that received contracts during the five-year implementation of the plan were locally based.[38]

Local governments can partner with anchors to help them increase their local purchasing, but focusing on the supply chain provides an even more comprehensive approach, as demonstrated by Cleveland's Evergreen Cooperatives.[39] Evergreen is a joint venture between the City of Cleveland, the Cleveland Foundation, The Democracy Collaborative, and the three largest "anchor" institutions in Cleveland – Case Western Reserve University, the Cleveland Clinic, and University Hospitals. These institutions spend approximately $3 billion annually on contracted services alone, excluding wages and direct operating costs. Evergreen focuses on capturing those dollars locally, by providing services the anchors contract for. The project is based in the neighborhoods around University Circle, which

have an annual median household income of less than $18,500 and over 25 percent unemployment.

Evergreen establishes for-profit cooperative businesses that hire from the neighborhood and provide training geared to a long-term career with the company. Employee-owners buy in via a small deduction from each paycheck and earn an equity stake in the company after a six-month trial and training period. In eight years, an original equity stake in the co-op will be worth about $65,000. Evergreen Cooperatives has started Evergreen Laundry, Ohio Cooperative Solar and Green City Growers, which collectively employ seventy-five people and expect to employ a total of 135 to 210. The group is already planning additional start-ups.[40]

Anchor institutions can take steps to hire staff from adjacent neighborhoods, or from groups identified as underrepresented or with particularly high rates of unemployment. The University of Southern California has a program designed to promote hiring residents from surrounding neighborhoods, which includes hosting job fairs and a drop-in recruiting center. The program offers training in resume-writing and interview skills, and provides free professional development to current employees.[41] Columbia University partners with first source hiring programs that identify, screen, and refer potential candidates from low-income neighborhoods. Four Boston, MA-area hospitals participate in the Healthcare Training Institute,[42] a nationally recognized partnership that provides training and career-advancement services with a particular emphasis on helping low-income workers and community residents secure jobs paying family-supporting wages. Local governments can play a role in establishing these types of programs, particularly if they already use similar techniques to increase the local hiring of their contractors.

Anchor institutions are often significant landowners in cities…they have a vested interest in the state of local infrastructure and the viability of surrounding neighborhoods.

Anchors can also help strengthen the neighborhoods that surround them by encouraging their employees to purchase homes and live nearby. Such employer assisted housing programs target neighborhoods in need of investment and revitalization, and assist employees with rent, down payments or home improvements. The Yale Homebuyer Program, for example, has helped over 1,000 employees purchase homes since 1994. Eighty percent of the employees were first-time homeowners.[43] Employees of non-profit institutions in the Greater University Circle area of Cleveland, OH (including of Case Western Reserve University, Cleveland Clinic,

Cleveland Museum of Art, and University Hospitals) are eligible for a range of housing assistance, including one month's rent, up to $8000 in matching funds for exterior renovations, and between $15,000 and $30,000 in forgivable loans for the purchase of a home.[44]

Anchor institutions are often significant landowners in cities. As such, they have a vested interest in the state of local infrastructure and the viability of surrounding neighborhoods. Anchors are taking a more proactive role in real estate development as a way to spur economic development and to improve neighborhoods. In Memphis, TN, LeMoyne-Owen College created a community development corporation that leverages financing for development projects and has contributed to a $5,000 increase in per capita annual income in the surrounding neighborhood.[45] Syracuse University is working in partnership with the City of Syracuse, NY on the Connective Corridor project—a $42.5 million infrastructure investment funded by a combination of public and private dollars. This has spurred an additional $200 million in development in the corridor and central business district.[46] The University of Akron (OH), along with Summa Health System, Akron Children's Hospital, Akron General Health System, and other partners formed the University Park Alliance to improve the quality of life in, and raise the median income of, the neighborhoods surrounding the University. Investments of over $300 million have been made in real estate development, crime prevention, housing improvements, and construction and infrastructure improvements. The Alliance also leverages the talent at its member institutions to offer services such as tutoring and health screenings.[47]

Fostering Democratic Employee Ownership

Democratic economic participation can occur through direct worker participation on boards of directors, voting for directors, or labor-management committees with oversight authority. A strong democratic employee ownership community benefits cities and states in three key ways. First, democratic employee-owned firms create stable employment with high compensation. These firms are competitive. When combined with democratic participation, employee-ownership has been repeatedly shown to enhance firm productivity.[48] They require fewer layers of supervisory management, they give employees greater information about how to improve their jobs, and they give workers incentives to think creatively about their

work. Democratic employee ownership firms also pay well. A recent survey of employee-owned firms showed that employee-owned firms do not tend to simply replace wages with stock pay, but pay salaries around industry averages, such that stock ownership serves as supplemental compensation.[49] Unsurprisingly, workers who are owners also stay longer with their company.[50]

Second, democratic employee-owned businesses are less likely to leave town. Because workers are more place dependent than a business might be, employee-owned businesses are necessarily more grounded in their localities. While the rules vary by case, many employee-owned businesses require a supermajority vote by the employee owners in order to sell and relocate the business. While individual workers may relocate or move, the majority of the workforce is likely to remain in the community. Democratic, employee-owned firms also distribute wealth more broadly than conventional firms. When cities invest in local businesses through tax credits, preferential purchasing programs, infrastructure development, or training programs, investors who are not based in those cities may capture many of the benefits of these programs. In the case of employee-owned companies, the local community captures more of the resulting profits.

Third, democratic, employee-owned firms serve as a mechanism for citizens' direct participation in the promotion of their economic welfare. These businesses give local residents institutions with which to combat the volatile forces of global markets.[51] Employee owners can choose to manage their business in a manner that avoids high-risk investments, rapid growth strategies, or rapid disinvestment.[52] Furthermore, democratic employee-owned firms serve as incubators of democratic participation and avenues for economic empowerment. Particularly for groups often excluded from other avenues of political participation, democratic, employee-owned firms can be particularly important resources.

One key obstacle to the expansion of democratic, employee ownership is the lack of financial and technical resources available to companies considering this model. This is largely due to the lack of awareness about them. Studies of business school and economics curricula have shown that employee ownership is largely absent from standard entrepreneurship education.[53] Because of a lack of familiarity, banks are often hesitant to lend to worker-owned businesses, and to worker cooperatives in particular.

To remedy such issues, states like Ohio, Vermont, and Wisconsin have employee-ownership development centers.[54] Their mandate is to promote employee-ownership, through both individualized technical assistance, as well as resource and knowledge development.These centers provide guidance on start-ups and transitions; conduct surveys and needs assessments of employee-owned business communities; and develop support among key stakeholder groups like universities, small business development centers, and banks to increase awareness about employee-ownership. Some centers are also able to run small loan or grant funds for feasibility studies or costs associated with starting up employer-owned businesses.

Cities and states can work with these organizations and advocates within the cooperative community to promote cooperative development. The City of Madison, WI, together with the University of Wisconsin-Madison Center for Cooperatives and a group of local worker cooperatives, hosted the Madison Cooperative Business Conference in June 2012 to provide a networking opportunity across different sectors of the co-op community, explore best practices in cooperative development and design and brainstorm ways in which local government can support the cooperative economy. Upon returning from a trip to the Spanish Mondragón worker cooperatives, the Mayor of Richmond (CA) hired the country's first municipal co-op development coordinator. This co-op expert works with the nonprofit California Center for Cooperative Development to help start-up worker cooperatives put together a business plan and provide other technical assistance and training on the co-op business model.[55]

Employee owners can choose to manage their business in a manner that avoids high-risk investments, rapid growth strategies, or rapid disinvestment.

Finding financing for start-up businesses is difficult especially for start-up employee-owned businesses. Banks are often unsure about who will oversee the company or who will take responsibility if the business fails. At the municipal or county level, one solution is to create loan funds for majority employee-owned businesses.

Several cities have established loan funds specifically for worker cooperatives. In Richmond, CA, the mayor's office helped to establish a worker cooperative revolving loan fund. In Minneapolis, MN, the Northcountry Cooperative Development Fund is a private sector community development financial institution (CDFI) specializing in

financing to worker cooperatives. They collect and manage a revolving loan fund called the "Worker Ownership Fund", which collects contributions from worker cooperatives around the country. The New York City Council awarded a $150,000 grant to a Brooklyn worker cooperative to incubate several new worker cooperatives and helped the group establish a connection to NYC Small Business Services.[56] Lastly, the Evergreen Cooperative Development Fund in Cleveland, Ohio collects and manages contributions from the member worker cooperatives under the umbrella of the Evergreen Cooperatives. While the worker cooperatives are private and the Evergreen Cooperative Development Fund is managed by a non-profit organization, the City of Cleveland supports the initiative by linking local anchor institutions to the cooperatives through preferential purchasing agreements.

Procurement can lead to high-road development if the right measures are taken. Contracting with employee-owned businesses will not only retain money in the local economy, but will also support development associated with economic democracy and employee-ownership. No state and local governments currently give employee-owned firms preferences in procurement and contracting decisions as a matter of policy. Several cities, however, contract with worker-owned cooperatives. The City of Northampton, Massachusetts, has, since 2007, contracted with Pedal People, a worker cooperative that picks up trash on bicycle. Pedal People collects trash and recycling from over eighty receptacles in downtown Northampton and Florence and bikes it to local compactors.[57] The City of Berkeley, California, has, since 1994, contracted with Pedal Express, a worker-owned bicycle courier cooperative. Pedal Express delivers inter-office mail to city departments and agencies dispersed in and around the city. The cooperative also provides staff coverage in the City's mailroom on an as-needed basis.[58]

In Indiana, the state's ESOP "linked-deposit" program allows the state treasurer's office to link its routine purchase of certificates of deposit, or CDs, from state financial institutions to companies in need of capital to complete an ESOP transaction. The Indiana treasurer's office regularly invests state funds by purchasing certificates of deposit. In order to assist companies forming an ESOP to borrow funds at low interest rate, the treasurer purchases certificates of deposit that provide a slightly lower interest rate, but in exchange requires the financial institution to reduce the interest rate on the loan made to the company.

Cities and states can also give preference to employee-owned firms through purchasing for anchor institutions. As mentioned above, in Cleveland, OH, the Cleveland Clinic, University Hospitals, the VA Hospital, and Case Western University have all participated in roundtables to help identify key purchasing needs and have committed to using the Evergreen Cooperatives as suppliers.[59]

Conclusion

Given current political and economic realities, policymakers who are committed to community building and economic development need to think newly and boldly about how to achieve their goals. To be sure, this task will not be easy. But state and local activists are not lacking policy tools. Among these are supporting economically targeted investments, developing local publicly owned banks, leveraging local anchor institutions, and supporting democratic employee ownership. By employing these mechanisms in a coordinated and strategic manner, state and local activists can help create the basis for a transition to a much more democratic economy.

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NOTES

1. With their permission, I draw feely in what follows from recent joint work with colleagues at COWS (Center on Wisconsin Strategy) and CAP (Center for American Progress), forthcoming as a two volume guide to progressive policies for states and cities. Thanks to SEIU Local 32BJ for its support of this project.

2. Richard B. Freeman and Joel Rogers, "The Promise of Progressive Federalism," in *Remaking America: Democracy and Public Policy in an Age of Inequality*, ed. Joseph Soss, Jacob Hacker, and Suzanne Mettler (New York: Russell Sage Foundation, 2007), 205–27.

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4. Greg LeRoy, *The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation* (San Francisco: Berrett-Koehler, 2005).

5. Louis Story, "United States of Subsidies: As Companies Seek Tax Deals, Governments Pay High Price," *New York Times*, December 2, 2012, A-1.

6. On community wealth building principles, see Gar Alperovitz, Steve Dubb, and Ted Howard, *Rebuilding America's Communities: A Comprehensive Community Wealth Building Federal Policy Proposal* (College Park: Democracy Collaborative, 2010), 23–24.

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