Creating a Stable and Equitable Economy

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A look at the numbers...

The richest 1% of Americans own as much wealth as all of those in the bottom 90%.

**RICHEST 1%**

**BOTTOM 90%**

$980 billion: Bush Administration tax cuts for the wealthiest 5% of households in America between 2001 and 2010.

<table>
<thead>
<tr>
<th>CEO Average salary</th>
<th>Worker Average Salary</th>
<th>200x</th>
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</table>
| Worker Average Salary | x 200 | Amount that the top corporate CEOs in the US earn compared to the average worker.

<table>
<thead>
<tr>
<th>Worker Average Salary</th>
<th>10x</th>
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| Amount that the top corporate CEOs in Japan earn compared to the average worker.

<table>
<thead>
<tr>
<th>Worker Average Salary</th>
<th>170</th>
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| Number of full-time employees (with benefits) an American company could hire if the average top corporate CEO earned only 10 times the salary of the average employee.

Only one-half of work-ready US adults have full time jobs.

1.7 million: Number of new jobs in renewable power generation, building retrofitting and renewable transportation fuels that will be generated by 2018.

30 million: Number of permanent, full-time jobs that would be created over the 15–20 years by eliminating payroll taxes.

$100 spent at a non–locally owned business:

<table>
<thead>
<tr>
<th>$33 stays local</th>
<th>$78 stays local</th>
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<tbody>
<tr>
<td>$100 spent at a locally owned business:</td>
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In a city with a population of about 770,000 people, shifting just 10% of spending to locally owned businesses would create:

<table>
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<th>1,600 new jobs</th>
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<tr>
<td>$50 million in new wages</td>
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<tr>
<td>$137 million in new economic activity</td>
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See fact sources in notes section starting at page 416
The economy is a complex phenomenon that is best judged by the outcomes it creates. But when jobs go overseas and the gap between the rich and poor widens, when profits come before people, and when quality of life factors like happiness and environmental health are left out of the equation, then it seems as if we need something better. We need a new operating system. It’s time for a new economy that’s dedicated to building a better world, one that is life-supporting instead of a wealth-creation system that disproportionately benefits a narrow segment of society and mortgages our natural assets.

Economic transformation hinges upon changing the rules of the game so that...

Millions of green economy jobs get created in the next few years instead of the next few decades

Made in America and buying local become the norm again

The middle class gets widened instead of looking like an hourglass between the ultra-rich and the poor

We adopt bold ideas like taxing pollution and consumption instead of employment

Progress is measured in new ways

Billionaires and millionaires pay higher tax rates than the people who clean their offices

Concern for the public good must become the animating force of our economic order.

Marjorie Kelly
Lighting the Way to a New Economy

Life or money: that is our choice. The current system serves predominantly money. Our task is to replace it with a New Economy that serves life. My vision of the new economy is a global system of human-scale, interconnected Local Living Economies that function in harmony with local ecosystems, meet the basic needs of all people, support just and democratic societies and foster joyful community life.

Building a New Economy

We must shift the economic system’s defining value from money to life; its focus of decision-making power from global corporations and financial markets to local people and communities; and its defining purpose from growing profligate consumption to supporting healthy, joyful living.

David Korten
Living Economies Forum

Redefining Economic Indicators

Gross domestic product (GDP), a measure of the country’s economic output, is often used as a measure of the economy’s beneficial performance. But GDP is essentially a measure of how fast money is flowing through the economy. Using it as our leading economic indicator results in a vast range of distortions. Growth in expenditures on incarceration, toxic waste clean-up and weapons manufacture all contribute to GDP, but are reflections of social and economic failure—not success.

We must shift the economic system’s defining values, overhaul its focus of decision-making power and its defining purpose. And we must replace it with a New Economy that serves life. My vision of the new economy is predominantly money. Our task is to replace it with a New Economy that serves life. My vision of the new economy is a global system of human-scale, interconnected Local Living Economies that function in harmony with local ecosystems, meet the basic needs of all people, support just and democratic societies and foster joyful community life.

We get what we measure, so let’s measure economic performance against living wealth indicators of the health of people, communities and natural systems. Real economic performance is properly measured in terms of such things as improvements in air quality and health of people, communities and natural systems. GDP is essentially a measure of how fast money is flowing through the economy. Using it as our leading economic indicator results in a vast range of distortions. Growth in expenditures on incarceration, toxic waste clean-up and weapons manufacture all contribute to GDP, but are reflections of social and economic failure—not success.

If we must reduce this complexity to a single index, then let it be an index based on living wealth indicators, for example, the Happy Planet Index compiled by the New Economics Foundation in London.

As we replace financial indicators like GDP with living wealth indicators that focus attention on real economic performance, we can see more clearly the benefits of reallocating real-wealth resources from weapons to peace, from increased incarceration, toxic waste clean-up, weapons manufacture, etc. to the well-being of society. The idea that it is possible to live long, happy lives with a relatively small environmental impact.

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If we must reduce this complexity to a single index, then let it be an index based on living wealth indicators, for example, the Happy Planet Index compiled by the New Economics Foundation in London. It is a composite of three indicators: life expectancy, life satisfaction or happiness and the ecological footprint, an indicator of the economy’s per capita environmental burden.

The problem begins with the practice of reducing everything to a financial metric. This puts the emphasis on the economy’s financial performance, which often translates into its phantom-wealth performance, rather than its real-wealth, living world performance. Indices like the Genuine Progress Indicator modify GDP to correct for certain distortions and are a step in the right direction, but they retain the limitation of reduc-
Because access to most essentials of daily living in a modern society depends on money, those who control the creation and allocation of money control the society.

Changing the Money System

Money is merely a number of no intrinsic value created from nothing when a bank issues a loan. Yet, because access to most essentials of daily living in a modern society depends on money, those who control the creation and allocation of money control the society. We have allowed Wall Street to achieve monopoly control of the creation and allocation of money and thereby to make its values and priorities the values and priorities of the society.

We need a financial system that makes credit readily available at favorable rates to Main Street businesses and individuals, serves as a depository for savings, financing home ownership and business development, insuring against risk and clearing check and credit card transactions—can all be organized in ways that are more efficient, accountable and responsive than the current Wall Street model. The New Economy goal is a money system designed to assure transparency and public accountability, and a stable non-inflationary money supply responsive to community needs.

Creating Greater Equitability

In a finite world of limited real resources, the only way to meet the needs of everyone is for income and ownership to be equitably distributed through policies that support living wages, progressive taxation, quality public health and education service and broad participation in home and business ownership. The equitable participation in income and ownership is an essential foundation for democracy and a real market economy.

We were raised in America to believe that capitalism is synonymous with a market economy, democracy and human liberty. Turns out it isn’t true. The term capitalism means “rule by capital,” which means rule by the owners of capital. It was originally used to refer to an economy in which ownership of the means of production is monopolized by a small financial elite for its exclusive benefit to the exclusion of the interests of the rest of the society. Our current Wall Street–dominated economy is a capitalist economy—and we bear the consequences.

Sloows BarBQ: Building Restaurants, Community and Hope in Downtown Detroit

No city makes headlines for economic depression more often than Detroit, Michigan. Troubled by the loss of manufacturing jobs, followed by crime and political corruption, downtown Detroit is now littered with vacant lots and condemned buildings. While the Motor City is not the prettiest place today, many entrepreneurs see a city ready to be rebuilt for the New Economy.

After buying a once-prime storefront for pennies on the dollar, Phillip Cooley co-founded Sloows BarBQ to start a successful restaurant and help his city because, “If I’m here, and I actually go out and I’m part of the community, I can actually do something and make a difference in Detroit. You don’t have a lot of chains choking out smaller stores, so in this city people work together. We’ve so underserved commercially that small mom n’ pops make a lot of sense.”

Cooley and his partners cook with fresh, locally sourced ingredients, sell local beer and wine, and frequently volunteer at and donate food for community events. As a result, Sloows BarBQ has become a household name, bringing people and hope back into the downtown.

Now Cooley’s focus is on rebuilding Roosevelt Park, a plaza that sits in front of the dilapidated Michigan Central Station. Cooley believes that with a little work from community volunteers the park can become a premiere destination for sports, music, and theater. Bringing visitors to the park would encourage the city to redevelop the enormous, vacant train station, opening the doors for thousands more entrepreneurs to follow in Cooley’s footsteps.
What is created by human choice can be changed by human choice.

David Korten is cofounder and board chair of the Positive Futures Network, which publishes YES! magazine. His most recent book is Agenda for a New Economy: From Phantom Wealth to Real Wealth. His other books include The Great Turning; From Empire to Earth Community; the international best seller When Corporations Rule the World and The Post-Corporate World: Life After Capitalism. Korten has MBA and PhD degrees from the Stanford University Graduate School of Business, served as a Harvard Business School professor and, for 30 years, worked as a development professional in Asia, Africa and Latin America.
Building a “We” Economy

What do you want out of our economy? A good job? A decent living? Affordable housing? Security in your old age? A “we” economy (versus an “I” economy) would provide these basic economic human rights of stability and fairness.

The gap between the rich and the poor is a better measure of the health of our economy than the S&P 500 or the Dow. Today, the concentration of privately held wealth is at its highest peak since 1929, the year the financial markets crashed and gave rise to the Great Depression of the 1930s. At that time, 25 percent of the population was out of work. Despite the fact that our economy is still recovering from the deepest recession since the 1930s, people in the top 1 percent continue to own as much wealth as all of those in the bottom 90 percent.

Some people say that if we get the economy going again, everyone will do fine. That is, “A rising tide lifts all boats.” We’ve learned, though, that not everyone has a boat. If you don’t have a job, a college degree, housing and healthcare you can afford, your feet may be stuck in the mud when the economic waters start to rise. When millions of people are stuck on the bottom without decent jobs or housing, we all pay for the extra education and social services they need, the extra police and prisons. It’s not much use being the richest country in the world if we “can’t afford” those basic economic rights.

Making Every Job a Good Job

Devoted to the principle that people who work full-time should not live in poverty, the living wage movement began in Baltimore in 1994 when the city passed an ordinance requiring businesses to pay employees a living wage while working on city contracts. A living wage is usually defined as the minimum hourly wage required to cover the costs of housing, clothing, food and other essential living expenses. Since then, over 120 communities have followed suit, some setting wage floors more than twice the federal minimum wage, and some requiring various benefits.

Some US employers have voluntarily increased pay rates to a living wage and believe it’s also good for business. Borealis Breads, a bakery in Maine, pays its 60 employees a living wage plus benefits. Not only has the company noticed an improvement in recruiting and retention of employees, but it has also been a good marketing tool. Owner Jim Amaral believes that customers are willing to pay a “little bit extra to a socially responsible company.” He said, “We’re not just selling bread, we’re selling the company. Paying living wages, and letting people know that you do it, makes a tremendous amount of sense.”

Make Taxes Fair

Over the past third of a century, tax changes have given the very rich more and more of our nation’s pie. Statistics from the past few years tell the story. The top-earning 1 percent of the nation’s families are getting almost half of the country’s wealth. Between 2001 and 2010, the top percent of households received $980 billion in tax cuts introduced by the Bush administration. Tax cuts for the wealthy made little sense when they were passed, and it is unconscionable that they were extended through 2012.

Fair taxation is an excellent way to break up this kind of excessively concentrated wealth and fund programs and services for a “we” economy. Here are a few actions that could have far-reaching consequences:

• Raise capital gains taxes (taxes on stock and speculation) and dividends. Right now, most capital gains are taxed at 15 percent, and the Obama administration plans to increase this to 20 percent. That means billionaires are paying the same or lower tax rates than their secretaries. The capital gains rate should be raised at least to the top marginal tax rate—35 percent.
• Close corporate tax loopholes. We can start to restore a reasonable level of corporate taxation by closing the overseas tax havens that allow some companies to evade $30 billion in taxes every year.

• Raise the top marginal income tax rate. In 1970, the richest people in the country paid 90 percent of their top income (on everything they made over about $400,000) in taxes. Now the top rate is 35 percent. The tax burden was shifted onto the rest of us who can least afford it. The new Fairness in Taxation Act proposes new tax brackets ranging from 45 to 49 percent for incomes starting at $1 million.9

• Set the basic exemption for the federal estate tax at $2 million. This reform would exempt about 99.7 percent of the households in the US. The estate tax was created so that dynasties of wealth would not take over the country.

A group of American millionaires is calling for an end to the tax breaks that have benefited them but left the rest of the country with debt and dwindling budgets.

Like my peers, I’m very highly paid. The difference between salaries like mine and those of average Americans creates a lot of tension, and I’d like to offer a suggestion. President Obama should celebrate our success, rather than trying to shame us or cap our pay. But he should also take half of our huge earnings in taxes, instead of the current one-third.10

Most Americans agree; 61 percent of people polled said they would like to see taxes for the wealthy increased as the first step to tackling the deficit.11 Raising the tax rate for the wealthiest Americans could generate more than $78 billion in new revenue annually that could be invested in education, infrastructure and other programs that benefit the public.12

Lifting All Boats

What can we do with the money? We can level the playing field and give everyone a fair chance at a decent life by funding programs that benefit everyone, such as universal childcare and free public higher education. Such services are federally funded elsewhere. In Denmark, all state schools from primary through graduate-level are almost completely free,14 and nearly 45 percent of Danes graduate from a college or university.15 With universal programs, nobody gets left out. Middle-income families won’t have to go into debt to pay for childcare and a college education. Universal programs lift everyone up to the same basic level and give everyone a fair chance to go farther. Universal programs have another advantage: They are really popular. In France, everyone gets childcare, so everyone supports it. That nationwide support makes it hard for any political party to attack childcare or cut down the coverage people are used to.

What Does a “We Economy” Look Like?

Forty years ago, the labor movement, the civil rights movement, the women’s and gender freedom movement pushed our country toward a more equitable and fair society. What will the economic justice movement of our time look like?

• It will include coalitions, for example, community organizations and unions getting together and pressuring big corporations for community improvements and better wages.

• People of color will be likely leaders.

• It will be global because the corporations and banks that have the wealth are global.

• Most importantly, we will build solidarity and trust through working together and mutual support.

What will the economic justice movement of our time look like?

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Mike Prokosch is a popular economics educator and organizer in Massachusetts. He is currently working on a green jobs-green justice campaign at Community Labor United in Boston and, in his spare time, on the Fund Our Communities—Cut Military Spending 2.5% campaign nationally. He’s also on the board of United for a Fair Economy (www.faireconomy.org).
Job Training for the New Green Economy: Green Opportunities

Before becoming involved with Green Opportunities, Demetrius (“D”) Wallace had no high school diploma, no job and little direction. Then he, along with eight other unemployed young men and women, climbed mountains, planted gardens, built structures, installed solar panels, captured rainwater, weatherized homes and restored damaged ecosystems. The 15-week program, launched by the nonprofit Green Opportunities designed build skills and confidence, put D and the other participants on a path to a green collar career.1

Upon completing the program D’s first assignment was with a local solar installation company, FLS Energy. He helped convert an old landfill into a solar farm. Along the way, he learned soldering skills in preparation to become a solar panel installer on massive solar panel installations.2

“I got a career, and I never thought I was going to have one—[working with GO and FLS Energy] makes you think about the long-term. You recognize what being a man is. You wake up and do it every day. It feels good to belong to something right.”3

D wasn’t the only one to benefit from Green Opportunities’s pilot program. Of the eight participants, six completed the full program and all six went on to jobs or paid apprenticeships with local businesses and non-profits. Since its inception, Green Opportunities has provided training for hundreds of Asheville men and women between the ages of 16 and 24. Along the way, participants have weatherized over 50 homes and more than 1,200 public housing units.4

Dan Leroy cofounded Green Opportunities in 2007 as a service-based training program, designed to prepare youth for green careers in the context of climate-action projects. “We believe that unless we consciously embrace social justice objectives along with environmental and economic ones, the green economic boom will leave poor, under-served communities behind,” said Leroy. “True sustainability seeks to maximize Triple-Bottom Line benefits, addressing the economy, environment and social justice.”5
Moving the Green Jobs Movement Forward

Phaedra Ellis-Lamkins  
Green For All

When it comes to building a thriving economy that creates millions of American jobs and is rooted in environmental stewardship—it’s time to stop tinkering. The need for success is greater than ever. Bold action is required. We need to rebuild the pillars of our economy so that it can provide every American with the chance to enjoy a happy and prosperous life. And we can and must do it in a way that heals the planet instead of hurting it. Over the long run, that’s the only solution.

With this chance for a renewed economy also comes a chance for a renewed American Dream, a renewed commitment to the loftiest ideals of our country—that everyone deserves a chance to succeed. By creating new waves of investment, new jobs and new sources of wealth, a green economy also creates an opportunity to lift up our most vulnerable communities—those that have too often been locked out, left behind or forgotten.

Signs of Progress: Portland Leads the Way

We are already making progress toward this goal.

Take Portland, Oregon. It has developed a groundbreaking program to provide local residents with energy-efficiency retrofits to their homes. The Clean Energy Works Portland program is driving an increase in the demand for these home improvements, which is in turn creating more business for local contractors and more jobs for local workers, all while decreasing CO2 emissions. Using federal money to build a revolving loan fund, these improvements pay for themselves over time with money saved on energy bills.

More than just a retrofit program, Clean Energy Works includes wage and benefits standards, local hiring requirements, targeted hiring for disadvantaged workers (and contractors) and a screening process for contractors to ensure a solid track record. The goal is not just to put people to work today—but also to put them into careers that can support families. Green jobs need to be sustainable to the planet—and to workers.

The success of this program is serving as a model for different communities across the US, including an expanded initiative in Seattle. It’s also the model for a key component in Sacramento’s Greenwise Initiative, an effort to transform the region into the nation’s next green hub. Riding the wave of innovation that already puts Sacramento on the map as one of the top green cities in the US, the Greenwise Initiative calls for retrofitting 200,000 existing homes—or 25 percent of the region’s housing stock—and 60 million square feet of school facilities over the next ten years, while ensuring quality jobs are provided for communities in need.

Zooming Out: The National Picture

Green jobs, despite the economy, are consistently one of the most promising employment sectors in the country. The number of green jobs grew 9.1 percent between 1998 and 2007, two and half times faster than job growth in the economy as a whole. One million green jobs were created and saved by the American Recovery and Reinvestment Act’s clean tech investments through 2010. A US Conference of Mayors report...
forecasts that renewable power generation, building retrofitting and renewable transportation fuels will together generate 1.7 million new jobs by 2018.4

Large-scale investments in green technologies coupled with policy supports are critical for turning this vision into a reality. The Apollo Alliance proposes an investment of $50 billion per year over ten years to create 5 million jobs in industries such as renewable energy, energy efficiency, transit and transportation, and research development and deployment of clean energy technologies. The Center for American Progress and the Political Economy Research Institute call for spending $100 billion over two years to create 2 million jobs in building retrofitting, expansion of the transit and freight rail grids, construction of a smart electrical grid, wind and solar power.6

Investments in clean energy technologies are driving innovation and job creation all over the country. Since 2003, Pennsylvania has invested more than $1 billion in renewable energy projects. As a result of investments and policies, there are now thousands of companies in the green energy industry with more than 350,000 employees. Projects range from a 3.2-megawatt wind project and energy-efficient lighting systems to an 11,000 solar panel installation. Pennsylvania has been recognized as one of the fastest-growing states for wind energy and is expected to be among the top five for solar energy by the end of 2011.7

The creation of green jobs was also a key component to former Mayor Richard Daley’s plan to transform Chicago into the greenest city in America. A City program, Greencorps Chicago, provides paid nine-month training programs in landscaping, weatherization, environmental remediation, electronics recycling and household hazardous materials processing to individuals with strong barriers to employment and people leaving the prison system. The program is estimated to add 5,000 to 10,000 jobs annually. Additionally, the city has leveraged its purchasing power to attract businesses, ultimately spurring green job creation. When the City committed to purchase solar panels, it attracted two solar power manufacturers to locate their operations in Chicago.8

Our success is now transforming the green jobs movement into a movement that looks to green the entire economy, regardless of the industry. What the Future Can Look Like

Our success is now transforming the Green Jobs Movement into a movement that looks to green the entire economy, regardless of the industry. Key to doing so is cleaning up not only the way we generate electricity, but

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also the way we fuel our vehicles, manufacture goods and grow our food. The industries and processes involved in those tasks are all still maturing, but promising.

No matter how energy-efficient we make our buildings, we still must generate the electricity we use more cleanly. Renewable energy is beginning to grow but comes nowhere close to providing all of our electricity. As it expands to meet that goal, it will generate jobs and wealth as much as it does power. What’s more, this expansion will fuel a similar expansion in America’s long-struggling manufacturing sector.

We cannot overestimate the importance of a thriving manufacturing sector to revitalize our economy and ensure it is an inclusive one. An economy that churns out service sector jobs does not create enough demand to reignite our economic engine. Our success requires rebuilding the middle class and replacing low-wage service sector jobs with high-wage manufacturing jobs—typically good high-paying jobs that provide workers health benefits and a living wage. Historically the vehicle into the middle class for a large percentage of workers without a college degree, manufacturing jobs pay 21 percent more in wages and benefits than the entire economy average.9

Renewable energy technologies can be an important driver of these types of jobs. Luckily, manufacturers of renewable energy technologies already have operations across the US and are creating jobs. Vestas, a world leader in wind energy, is investing about $600 million at three Colorado locations that together are expected to employ more than 2,000 workers. SolarWorld recently opened a $440 million, 480,000-square-foot plant in Hillsboro, Oregon. The plant, said to be the largest solar cell producer in North America, is projected to have a payroll of 1,000 within three years. A wind turbine blade producer has become the largest private employer in Grand Forks, North Dakota, where more than 900 people are employed. The company hopes to create a workforce of comparable size at its operation in Little Rock, Arkansas.10

Once this power is cleanly generated, we will need to efficiently deliver it to American buildings. This requires a new, modernized “smart grid.” Building this grid will generate a significant number of jobs in every state in the country.

Dirty electricity is certainly not our only significant source of pollution. Vehicles burning petrol-based fuels are massive emitters of the greenhouse gases that cause climate change. The transportation sector currently accounts for 28 percent of greenhouse gas emissions in the US, of which 64 percent are linked to personal vehicle use. Changing this reality will spark a number of American industries. Manufacturing highly efficient automobiles can revive our struggling automotive industry. In fact, the Cash for Clunkers program in 2009, which “provided consumers who traded in their old, gas-guzzling vehicles with vouchers worth up to $4,500 to pay for new, more fuel efficient cars and trucks […] created or saved over 60,000 American jobs and boosted economic growth by up to $6.8 billion.”11 The need for advanced high-storage batteries will also spur an increase in American manufacturing. Producing clean-burning advanced biofuels will replace dying fossil fuel industries.

Cleaning up our transportation also means expanding shared transportation, specifically public transport and rail. About 50 percent of all Americans do not have access to public transportation.12 Investing in our nation’s transportation infrastructure to expand our shared transportation network will not only decrease CO2 emissions and help our environment but will also put millions of Americans back to work in good high-paying construction, manufacturing and operations jobs. The existing public transit bus, rail vehicle and clean truck supply chains currently support approximately 40,000 US manufacturing jobs. Large-scale investments in the next federal transportation reauthorization legislation could increase these numbers substantially. The Apollo Alliance’s proposal to increase federal investments in transit and intercity rail to $40 billion annually could double transit ridership and support 300,000 manufacturing jobs and 3.7 million jobs total.13 Whether manufacturing clean and efficient buses, building new railway lines or designing and producing the trains of tomorrow, this will also create job, business and investment opportunities.

All told, green sectors remain a vast untapped source for creating American jobs and wealth.

**A Dream for a Nation**

When I heard the title of this book, I smiled to myself. The first thing that Green For All did as a new organization was organize the first national environmental conference led by low-income people and people of color. We held it on the 40th anniversary of Dr. Martin Luther King’s assassination, in Dr. King’s honor. And we called it The Dream Reborn.

How fitting, then, to write an essay now about the dream of a green high-road economy for America. As our country’s leaders—whether presidents, preachers or prisoners—have from the very beginning, we are building new American Dreams for the times we live in, for the new world of the 21st century. We are everyday people with an everyday dream: a safe, healthy, prosperous place for ourselves and our families.

I know I’m excited about working today to build that tomorrow. I hope you are too.

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Phaedra Ellis-Lamkins is the chief executive officer of Green For All (www.greenforall.org). Under her leadership, Green For All has become one of the country’s leading advocates for a clean-energy economy, and one of its most important voices on the intersection of economics and environment. Ellis-Lamkins has led Green For All to several groundbreaking policy victories at the federal, state and local levels, and has helped states like Washington and New Mexico pioneer state-level green jobs and energy-efficiency programs. Green For All is redefining the face of environmentalism through partnerships with popular artists to reach new audiences with a message about the benefits and opportunities of going green.
Made in America is more than just a slogan. For over 200 years and millions of Americans, it was a way of life. From the Model-T Ford to the Arsenal of Democracy, production was at the heart of our national identity. But something has changed in recent years. Today our manufacturing sector is half the size it was in 1960, while our financial sector is twice its size. In 2001, the first full year of the new millennium, 24 factories closed without being replaced every day—a factory loss every hour for the entire year, 24/7/365. First we lost rudimentary industries like textiles, furniture and paper. Next we started to lose core industrial capacity like shipbuilding and machine tools, and now we are losing high-end manufacturing like pharmaceuticals, aerospace and semiconductors. There are over 5 billion mobile phones in use worldwide and virtually none were made in the US. Solar cells were invented in America, but in recent years, we produced only a third as many solar cells as Japan or Germany, and a quarter as many as China.

This is not natural economic evolution. Our economy has not simply matured, replacing old industries like manufacturing with new industries in which America has the “comparative advantage”—high-end services like investment banking, software design or telecommunications. This is a loss with nothing in line big enough to replace it.

No matter what happens with top-end services, a country still needs things. Whether it is cars, computers or refrigerators, if we don’t make them here, then someone else gets our money. Yes, we ran a $146 billion surplus in services in 2010. But we ran a $645 billion deficit in goods in the same year. Between 2000 and 2010, America imported almost $7 trillion more goods than we exported.

The changes were the result of policy choices that can be made differently. Our tax code, for example, allows US companies to defer taxes on income earned overseas. This deferral not only reduces US tax revenues, it creates an incentive to move production abroad. In President Obama’s own words: “It’s a tax code that says you should pay lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York.”

Exported goods bring new wealth into the country, and producers of goods buy meals, haircuts, legal services and advertising from other sectors, spreading the wealth through the economy as a whole.

Other countries make choices that work to their advantage, like offering subsidies to induce strategic industries to relocate away from America. China started with textiles and consumer electronics but quickly moved up the value chain to aerospace and now semiconductors. In 2007, Intel accepted China’s $1 billion subsidy to open its new chip plant in Dalian. China knows that the advanced manufacturing techniques will follow the factory, along with the personal expertise, the R&D and, soon enough, the software design for the computers that use the chips.

Some foreign countries have the advantage of lower costs because of cheaper labor and lower standards for environmental protection or workplace safety. Yet other countries with high wages and high standards are also outperforming us in global markets. Germany generally has higher wages and better benefits than America, and highly advanced production technologies. But Germany ran a trade surplus of $200 billion in 2010, the same year America ran a trade deficit of $500 billion. Germany has simply made a long-term commitment to move production abroad.
commitment to remaining an industry leader, investing in its research, its machinery and its people.

But even with the losses there is much to preserve. Manufacturing still constitutes 12 percent of US gross domestic product, 60 percent of US exports and 70 percent of private sector research and development. America still exports Ford trucks, Boeing airplanes and Gordon & Smith surfboards. We need to fight for our existing industries and expand into the next generation—solar cells, nanotechnology, titanium surgical tools. We need to restore our productive capacity for the next generations of America in the new world economy.

The American people understand this. A 2010 survey found 66 percent support for the proposition that "manufacturing is a critical part of the American economy and we need a manufacturing base here if this country and our children are to thrive in the future." The finding held across party lines—67 percent among Democrats, 66 percent among Republicans, 64 percent among independents. It had twice the level of support of a competing proposition that America can leave manufacturing and move into "new areas like high-tech or services."9

The path ahead is straightforward. First, we need to rebuild our infrastructure, the backbone of our economy. The US will not thrive in the 21st century unless we lift our economic infrastructure up to 21st century standards, and we can do it with American workers and parts made in America.

Other countries do it this way. When Canada or European Union members buy steel, coal, construction or telecommunications equipment for public purposes, they make every effort to buy it from producers in their own countries, and they negotiate that option into trade agreements. America does not. China exports more than 95 percent of its solar energy products to the US and Europe—but China requires that at least 80 percent of the equipment in its own solar power plants and 70 percent of its wind turbines be made in China.11

In some areas, we may need to be patient, as domestic manufacturers are not presently operating at scale or at capacity, and start-up costs may be incurred as they become more competitive. But Americans will be better off if taxpayer-funded projects take a little longer or cost a little more—if more of the money stays at home than disappears overseas.
Kevin Surace, CEO of Serious Materials of California, was in the market for a window manufacturing facility. Surace anticipated that the Obama administration would enact an economic stimulus package featuring investments in weatherization and energy efficiency, which would reinvent itself in the 1990s from a Steel City in decline into a combination economy with high-end manufacturing services in research and medicine, as well as cutting-edge manufacturing. The change grew from an active collaboration between business and government. Local leaders devised a comprehensive economic strategy that matched Pittsburgh’s local strengths with global opportunities. State leadership behind Governor Ed Rendell devised an economic stimulus package focused on infrastructure, transportation and research.

Exxel Outdoors, headquartered in Haleyville, Alabama, makes sleeping bags in America. Exxel produced 1.4 million bags in 2009, 30 percent of the nation’s market share. It uses environmentally friendly material and a highly efficient manufacturing process. Add in the cost of shipping from overseas, and Exxel comes out ahead of foreign rivals—even though it pays its workers fair wages with affordable healthcare.

Pittsburgh instituted a whole host of changes all at once. It reinvented itself in the 1990s from a Steel City in decline into a combination economy with high-end services in research and medicine, as well as cutting-edge manufacturing. The change grew from an active collaboration between business and government. Local leaders devised a comprehensive economic strategy that matched Pittsburgh’s local strengths with global opportunities. State leadership behind Governor Ed Rendell devised an economic stimulus package focused on infrastructure, transportation and research.

Pennsylvania enticed Gamesa, a Spanish leader in wind energy production, to open a factory in the Pittsburgh area to anchor a US expansion. Pittsburgh’s turnaround shows what can happen when our historical partnerships come back together.

Lastly, we need to stop getting fooled. “Free trade” isn’t an international ideology. It is a sales line and a political theory that’s entirely optional for every country. We need our government to look out for our people like the governments of other countries do. Far too often, our government seems to take the side of multinational corporations that benefit from foreign subsidies and foreign labor rates, but can still sell in America at American prices. Thus the interests of many nominally American businesses diverge from the interests of the American people.

American consumers go last but they are not without power. Next time you see the cheap goods labeled “Made in China,” know nearly half of the price advantage comes from currency manipulation, which lowers the cost of imports from China and raises the cost of our exports. Question whether the children’s toy has lead-based paint, the pet food has melamine or whether Chinese workers had fair conditions in the plant. Then consider whether there’s a different product you can buy with advantages other than price, and whether you can choose differently.

And next time you see something labeled “Made in America,” consider using your money to support your people and your vision of a better world. We’re all in it together.

The US will not thrive in the 21st century unless we lift our economic infrastructure up to 21st century standards, and we can do it with American workers and parts made in America.
Driven by local entrepreneurs and based on relationships and real values, a New Economy is emerging. Today more than 100 local, interdependent networks have emerged in communities across North America, organized by local businesses, farmers and entrepreneurs—the people who grow and distribute our food, build our buildings, provide our power and manufacture many of the goods and services we need. They are supporting each other and addressing the economic, environmental and societal challenges in their own home regions. At the Business Alliance for Local Living Economies (BALLE), our goal is to galvanize an alliance of these local community business networks and to connect them to spread best practices and engage in fair trade.

The New Economy is Built on Local Ownership

Local living economies ensure that economic power resides locally to the greatest extent possible, and that local entrepreneurs have the capacity to produce their communities’ basic needs. Abraham Lincoln said, “I like to see a man proud of the place in which he lives. I like to see a man live so that his place is proud of him.” This idea of local reciprocity and accountability is crucial to sustaining vibrant, livable communities and healthy local ecosystems.

The New Economy will be made up of businesses like Zingerman’s Deli in Ann Arbor, Michigan. The founders started with the goal of creating the world’s best delicatessen. When they were ready for a new challenge and a chance to provide development opportunities for staff, they decided to scale up by “growing deep.” Rather than franchise nationally and “spend the rest of their lives flying around visiting second-rate versions of their own business,” they chose to vertically integrate and bring in new partner-owners with each new business.

Today, 17 co-owners have created a creamery to supply the deli and other local markets, a bakery, a candy company, a farm, a non-profit food bank, a consulting company, a publishing company and a full-service restaurant. Now the Zingerman community of businesses is a $30 million company with 500 employees in a town of fewer than 100,000 residents. Local non-profits erected a billboard thanking Zingerman’s for being in their town.

The New Economy Invests in Relationships

Founded in 1905 as an independent community bank, The Mechanics Bank has become one of the largest...
We firmly believe that a community bank’s activities, whether commercial or philanthropic, should benefit the people in the areas we serve.

Eddie Downer, former chairman of The Mechanics Bank

Where you bank and invest your money makes a difference. Imagine a national bank collaborating with borrowers to decide together on fair interest rates. Uniquely, this is exactly what investors and borrowers do together at RSF Social Finance.

Community banks, credit unions and local financial institutions do more lending to small businesses and family farmers. Non-profit organizations receive 2.5 times more support per employee from small businesses, and most new jobs are created by small businesses. This interdependence means that the vitality of any one is linked to the health of the others.

The New Economy Is Connected

Interconnected networks, because they show rich, deep models of what communities can be, are like Petri dishes or incubators. People say, “Aha! I see how!” and then they share ideas, learn from each other and create huge cultural momentum.

The northwest Washington BALLE network, Sustainable Connections, is one example of this momentum. Founded in 2002 in Bellingham, Sustainable Connections is today a non-profit network of local independently owned businesses that facilitates sustainable economic development by providing education, connections and market development. The network now has 700 member businesses, representing every sector of the local economy, including farmers, manufacturers, builders, non-profit organizations, service providers and retailers.

Sustainable Connections members are committed to sustainability and thinking local first. Their efforts in green building, renewable energy, sustainable agriculture and local manufacturing have led the National Resources Defense Council (NRDC) to name the community the nation’s “number one in progress toward urban sustainability,” and American Public Media’s Marketplace to call the community the “epicenter of a new economic model.”

Business members display the “Think Local, Buy Local, Be Local” logo on their storefronts and include it in articles and newsletters, invoices and advertisements. Businesses now get phone calls from people asking if they are local. Recent studies show that 60 percent of households in Bellingham choose independent retailers and services whenever possible.

In the ’70s, ’80s and ’90s, the county unemployment rate was higher than Washington State and national figures. Since Sustainable Connections’ inception, the county has experienced lower unemployment rates than state and nation rates. Plus, purchasing from local farmers is up five times over the rate of growth in other parts of the state, and businesses that start here are more likely to succeed than if they start elsewhere.
The New Economy Is Green

In the New Economy, local businesses are connecting the dots between emerging sustainable industries including sustainable agriculture, green building, energy efficiency and renewables, community capital and local zero-waste manufacturing. With a focus on their unique place, they are building innovative and diverse local economies that are community-based, green and fair.

An example of this place-based business model is the Energy Cooperative that started in 1979 when some Philadelphia residents wanted to use the concept of group buying power to get lower prices on heating oil. The Energy Cooperative now provides their members renewable electricity and biodiesel from sources as local as possible. They buy their solar power from the rooftops of their members and buy wind power from wind farms in Pennsylvania and neighboring states.

The worker cooperative and democratic workplace models continue to spread. For example, six worker-owned bakeries in San Francisco employ 125 workers and generate $12 million in sales annually. In the industrial sector, the United Steelworkers, with over a million members, has plans to develop manufacturing cooperatives in the US and Canada.

Shifting to the New Economy

The vision of the New Economy is audacious, but, to become a reality, it must be. Researchers who study complex human organizations and ecosystems have found that once a large complex system becomes corrupted it has almost an impossible time fixing itself. It can play at the edges, the equivalent of “business as usual plus a little recycling,” but it simply can’t imagine an entirely new way to do things. Instead, researchers have found that what does work is creating a safe space outside the dominant system for something truly new to be created from the ground up. We need Petri dishes. We need to catalyze, connect and strengthen local networks of independent business owners who have the autonomy to re-imagine their industries and who are collaborating in their particular place to create community-based, green, fair economies.

We are now seeing transformational successes led by local BALLE networks of entrepreneurs in small towns, large cities and rural areas, even in regions of high unemployment. There is nowhere we can say it won’t work, only that with more resources we could go further, faster.

We are seeing the bright lights of transformation. We need more pinpoints of light coming forward, and we are committed to connecting these lights into a luminous tapestry of national and international action.

Advancing the New Economy:

Find a BALLE network near you and patronize the locally owned businesses in your community.

www.livingeconomies.org

Move your money to a community bank or credit union:

www.moveyourmoney.info/find-a-bank

If you have money to invest, learn more about socially responsible investing:

www.socialinvest.org
The country is needlessly stuck. If we stimulate, we risk going over the debt cliff. If we merely stop adding debt, we risk leaving the economy in the ditch and official (i.e., hugely understated) unemployment stuck at destructively high levels.

America’s opportunity is to see its situation through a far more realistic framework, to escape a framework as rigid and destructive as the gold standard that did so much to bring on the Great Depression.

If one lowered the price of labor and increased the price of its only substitute, things, we would employ more people and conserve our natural resources. Economics 101.

For decades, governments have put their hands on the scale by taxing employment more and more. Payroll taxes in the US have grown from 1 percent of federal revenues when they were first introduced in 1937 to 40 percent today. (Progressives accepted payroll taxes for valued programs, and powerful interests fought other taxes tooth and nail.) The result has been ever growing, if largely invisible unemployment, and discouraged conservation. Actual unemployment in the US runs eight to ten times the official rate, which does not measure tens of millions who have accepted the unavoidable but who suffer greatly from dependency, less freedom of choice, more illness and less satisfaction. Sixty-eight percent of retirees, for example, think it was a mistake to stop working. But they aren’t counted.

The jujitsu is to change the relative price of people versus their only substitute—things. That means reversing the unintended price signal of the last decades by removing payroll taxes and adding compensating taxes on things. The decision-makers have myriad possibilities ranging from familiar options such as a gasoline tax (effective but sensitive) to pollution charges. Get America Working! has identified 22 options that together would at modest rates easily raise more than twice the payroll tax revenue. Consider just two examples:

- Every advanced economy except the US uses a Value Added Tax (VAT) as a major source of revenue. It is collected on the consumption of materials, energy and labor in stages as goods and services are produced and marketed. A non-labor VAT would produce hundreds of billions of dollars annually and send the clearest of messages.

The most fundamental economic choice every business, indeed every country, makes is what mix of the two key ingredients in production—people versus things (energy, materials, land)—it will put to work.

The result would be a 30 percent change in the relative price of using people vs. things. That is a price signal no one would ignore. Companies would substitute people for energy. Farmers would make more compost and use less chemical fertilizers. Human capital sectors would grow faster and natural resource intensive areas would shrink as a percentage of the economy.

This idea is, in fact, the most powerful way to break out of the old framework. A country can grow and reduce debt if it finds ways to become structurally far more productive. That’s a jujitsu move far beyond the ken of business cycle economics.

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that Central European nations boost employment by cutting payroll taxes.

In 2007, just before the economic downturn, Get America Working! studied 22 OECD economies and found that countries with payroll taxes below 30 percent have, on average, 11.5 percent more of their population working than countries with payroll taxes over 40 percent. Reducing payroll tax rates by just ten percent could boost employment by ten percent in the long term according to a leading labor economist. Offsetting taxes on things—ranging from energy to materials (e.g., timber and iron)—would roughly double that impact.

For a major new idea to fly, it must pass three tests. (1) It brings major advantages; (2) The tools needed to make it work are both effective and do not offend key actors; and (3) It is a big political win.

This simple idea is very probably the greatest opportunity our economy and society has to break out on the upside. It would mean:

- Roughly 30 to 40 million fulltime equivalent, permanent new jobs over a capital cycle (usually five to 25 years, but likely to be very much faster if the change in relative prices is as substantial as 30 percent).
- A sustainable higher growth rate as we put America’s largest unused resource, people and human capital, to work.
- Sharply reduced costs for individuals, families, business and government of paying for people not working.
- Huge reductions in many social costs. (Illness goes up sharply when a person is not contributing. Students who know there is no job ahead are demotivated. Drugs/crime/fear. And much more.)
- No debt incurred.
- The choice to cut taxes and/or invest in solving unaddressed common ills. Growing the economy and tax base at the same time that many public costs fall sharply makes this possible.

An energy-efficiency tax would apply to only the 25% least energy-efficient new cars, other appliances or machinery, and commercial buildings. Steadily self-adjusting, it would provide a powerful incentive to find and apply significant improvements.

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The chief political cost is fear that cutting payroll taxes will weaken Social Security. However, this tax shift (1) replaces a shrinking base (as the ratio of workers to beneficiaries worsens) with one that is growing (the value of natural resources increases with demand and scarcity), and (2) provides a growing overall economy able to afford a strong safety net. These realities explain why both big parties have advocated payroll tax cuts over the last five years.

As John Gardner (who was an early supporter) said, this is an idea that can bring America back together because it is about growing, not dividing the pie.

The idea works through the simplest, most effective, and most universally accepted tool—an price signal. There is/are no. (1) bureaucracies, (2) choosing of winners and losers, (3) delay, and/or (4) corruption. That is one of the reasons this idea has won support across the otherwise polarized ideological spectrum—from Charles Krauthammer to Paul Krugman and from Robert Reich to Richard Lugar.

The third prerequisite for an idea to fly is politics. Here is the alliance of forces each of which wins big once this idea goes into effect. (1) older people (two-thirds of men over 65 had a job in 1950; now 11 percent do); (2) those with disabilities; (3) many women; (4) young people; (5) those who have ever been institutionalized; (6) minorities; (7) many immigrants; (8) anyone who cares about any of the above; (9) anyone who cares for the environment; (10) workers (it is hard to push up wages with a 40 percent supply overhang in the labor market); and (11) almost all businesses (faster growth, less dependency and social ill costs, a good shot at lower taxes, etc.).

The blockage is that both big parties have advocated payroll tax cuts over the last five years.

So what is the blockage? This is a new framework. People cannot act on it until they see it. That is where you can help.

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William Drayton is board chair of Get America Working!, a nonpartisan, fuller employment policy citizen group that framed the payroll tax shifting proposal. Named by US News & World Report as one of America’s 25 Best Leaders in 2005, he is a MacArthur Fellow who pioneered social entrepreneurship and founded Ashoka: Innovators for the Public, a citizen movement of social entrepreneurs worldwide. He’s currently its CEO. He was previously a management consultant at McKinsey and Company, and faculty member at Stanford and Harvard, and assistant administrator of the Environmental Protection Agency (1977–1981) where he launched emissions trading among other reforms.