# Creating a Stable and Equitable Economy

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# A look at the numbers...

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

**RICHEST 1%**

**BOTTOM 90%**

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.

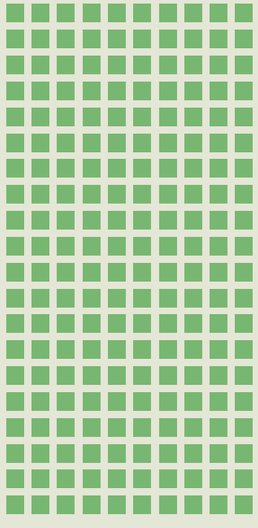
## 30 million

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

## $980 billion:

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

**CEO Average salary =** Worker Average Salary x 200



**Worker Average Salary**

## 200x

Amount that the top corporate CEOs in the US earn compared to the average worker.

## 10x

Amount that the top corporate CEOs in Japan earn compared to the average worker.

## 170

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.

**$100** spent at a **non–locally owned business:**

**$33 stays local**

**$100** spent at a **locally owned business:**

**$78 stays local**

In a city with a population of about 770,000 people, shifting just

## 10%

of spending to locally owned businesses would create:

## 1,600

new jobs

## $50 million

in new wages

## $137 million

in new economic activity

**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 hour-glass 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.

The goal is a New Economy that benefits all citizens and is based on real wealth. Real wealth has intrinsic value, as contrasted to mere exchange value. Life, not money, is the measure of real-wealth value. Examples include land, labor, knowledge and physical infrastructure. The most valuable examples of real living wealth are those that are beyond price: a healthy happy child, a meaningful living wage job, a healthy natural environment. Also called illusory wealth, phantom wealth is wealth that appears or disappears as if by magic. The term generally denotes money created by accounting entries or the inflation of asset bubbles unrelated to the creation of anything of real value or utility. The high-tech stock and housing bubbles are examples. Actualizing the New Economy vision requires a profound transformation of cultural values, institutional power and our ways of living.

David Korten
Living Economies Forum



**We must shift the economic system's defining values, overhaul the money system and bring about policies that support greater equitability for all citizens.**

## 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.

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 reducing life values to financial values.

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 species extinction rates, decreasing length of the average commute and reduction of infant morality, childhood obesity, teen pregnancy and divorce rates. These are among the indicators of the real performance of the economy in terms of its contribution, or lack thereof, to the well-being of society. The idea that it is possible to reduce assessment of the health and performance of the complex economies of modern societies to a single financial metric is itself highly questionable.

If we must reduce this complexity to a single index, then let it be an index based on real living wealth indicators, for example, the Happy Planet Index compiled by the New Economics Foundation in London.[1] 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 result is an indicator of the ecological efficiency with which a society's economy is producing a given level of physical and emotional well-being. The results demonstrate that it is possible to live long, happy lives with a relatively small environmental impact.

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

### Gross Domestic Product (GDP)

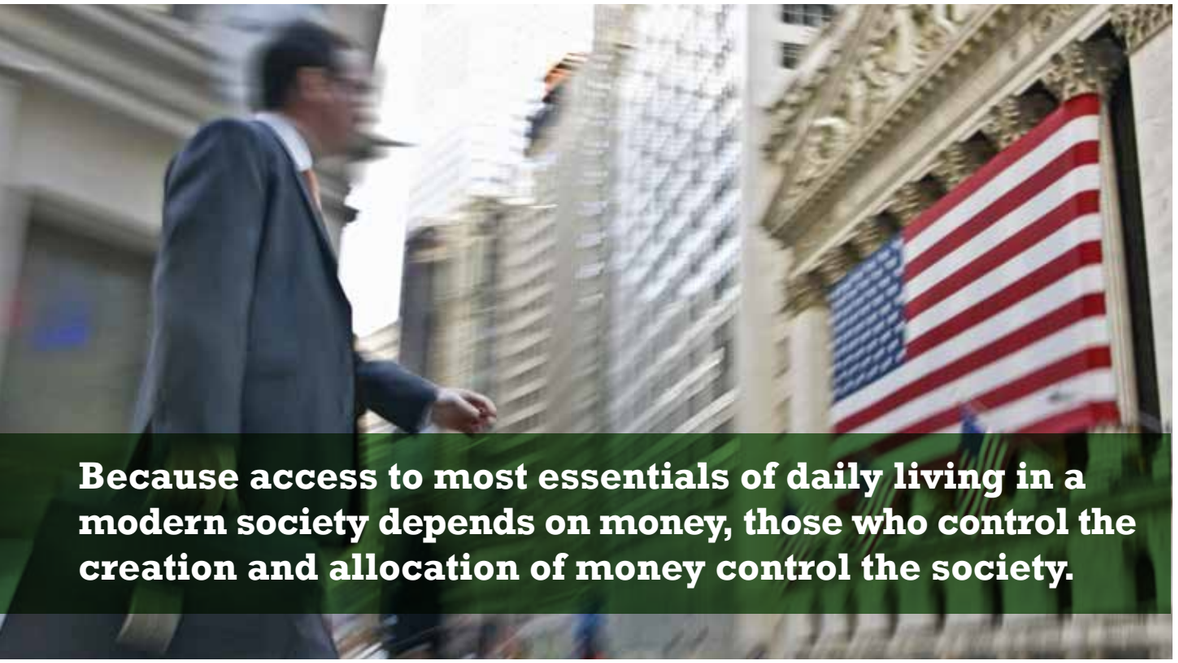
- Measure of a country's economic output, or how fast money is flowing through the economy
- Using it as our leading economic indicator results in a vast range of distortions—including positive growth associated with money spent on increased incarceration, toxic waste clean-up, weapons manufacture, etc.

**Distorted**

### Genuine Progress Indicator (GPI)

- Starts with same personal consumption data that the GDP is based on
- Adjusts for factors such as: Income distribution
- Adds factors such as: Value of household & volunteer work
- Subtracts factors such as: Costs of crime & pollution

**Holistic**



**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.**

healthcare and environmental rejuvenation, from prisons to rehabilitation, from suburban sprawl to compact communities, from automobiles to public transportation, from fossil fuels to energy conservation and development of sustainable energy sources, from mining to recycling, from advertising to education and from financial speculation to financing local entrepreneurship.

## 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 that create family wage jobs producing real goods and services—and makes credit scarce and expensive for Wall Street speculators and predators. In short, we need to fundamentally restructure the money system to look much like it did before the wave of deregulation that began in the late 1970s, based on locally owned independent, cooperative community banks and credit unions with a clear mandate to fund local homeowners and responsible businesses.

In the new money system, individual states would each have their own state-owned bank to issue credit for public investments. In addition the Federal Reserve would be a true federal central bank that operates transparently in the public interest to oversee money supply management and issue interest-free credit to the federal government rather than issuing it to private banks to in turn loan to the federal government at interest for purely private gain.

Wall Street's useful and essential functions—serving 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.



## Slows BarQ: 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 Slows 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're so underserved commercially that small mom n' pops make a lot of sense."[1]

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, Slows 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.

Photo courtesy Glenn Triest Photographic, www.triestphoto.com

**Slows BarBQ** has become a household name, bringing **people and hope** back into the downtown.

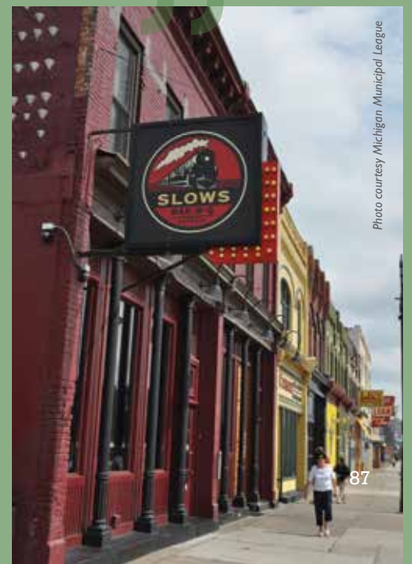



Photo courtesy Michigan Municipal League.

*American Planning Assoc. 2009 Great Street Pitch, courtesy the City of Greenville.*

*In South Carolina, Greenville's Main Street was once lined with numerous vacant buildings, but with the city's long-term commitment to planning and implementation during the past 30 years, Main Street has turned into a magnet of commerce and social activity that is now expanding into neighboring areas.*

## Transitioning From the Old Economy to a New Economy

The larger change strategy has three primary elements: first, change the cultural stories that frame our understanding of the nature and purpose of the economy and its defining institutions. Second, create a new economic reality from the bottom up through efficiency and self-reliance. And third, change the rules of the game at local, national and global levels to support ecological balance, equitable distribution and living democracy over environmental destruction, wealth concentration and political corruption.

Rather than tweaking Wall Street rules to reduce the fraud and delay the next financial crash, we need to get on with bringing forth the strong, green Main Street living economies that put people to work providing

**What is created by human choice can be changed by human choice.**

their communities with food, shelter, water, education, healthcare, public safety and other basic needs of daily life. The work of economic transformation begins with articulating and spreading a New Economy vision. As a society, we cannot create a future that we cannot see in our collective mind.

The work begins with spreading a vision of 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. Although, it is an epic, even audacious, undertaking, we now have the knowledge and communication capabilities necessary to achieve it. No single organization is going to achieve such an audaciously ambitious agenda on its own, but fortunately many are contributing to this agenda. From the New Economy Network and the Business Alliance for Local Living Economies (BALLE) to the New Economy Working Group and Business for Shared Prosperity, along with many others, individuals and organizations are making distinctive contributions to the New Economy vision.

Every transformational social movement begins with an idea that spreads through a conversation to challenge a prevailing cultural story and ultimately displace it with a new story of unrealized possibility. The civil rights movement changed the story on race. The environmental movement is changing the story about the human relationship to nature. The women's movement changed the story on gender. The future of humanity lies in the balance, and millions of people the world over are rising to this great challenge. Now is the hour. We have the power. We are the ones we've been waiting for.

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*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.*

*Photo courtesy Ben Fisher/GAVI Alliance*

*Photo courtesy Royal Family of Bhutan*

> There is more to life than money and it's time we focused not just on GDP but on GWB – general wellbeing.

## Measuring National Happiness and Well-being

To help guide national policy, the UK government will measure the subjective well-being of its citizens.

"It's time we admitted that there's more to life than money and it's time we focused not just on GDP but on GWB – general wellbeing," said UK Prime Minister Dave Cameron.[1]

The project aims to measure the country's progress in more than national income, which only offers an economic outlook. The British government wants to know how its citizens think and feel about the quality of their lives and the Office of National Statistics will include quality-of-life questions with their regularly scheduled household surveys.[2]

"Wellbeing can't be measured by money or traded in markets. It's about the beauty of our surroundings, the quality of our culture and, above all, the strength of our relationships," said Prime Minister Cameron. "Improving our society's sense of wellbeing is, I believe, the central political challenge of our times."[3]

The UK is not the only country looking beyond GDP. In 2009, French President Nicolas Sarkozy commissioned a report about alternative measures of happiness, which recommended measuring material well-being.[4] In Bhutan, the "Gross National Happiness" indicator is the main indicator of the country's development. Ecuador and Bolivia incorporated *buen vivir* (living well) into their constitutions.[5] In the US, Maryland is experimenting with the Genuine Progress Indicator, which examines 26 different quality of life indicators. [6]

Many examples here in the US show that national income clearly does not measure a nation's welfare. Fortunately, there a few innovative governments and growing awareness for the value of measuring progress that makes life better for its citizens.

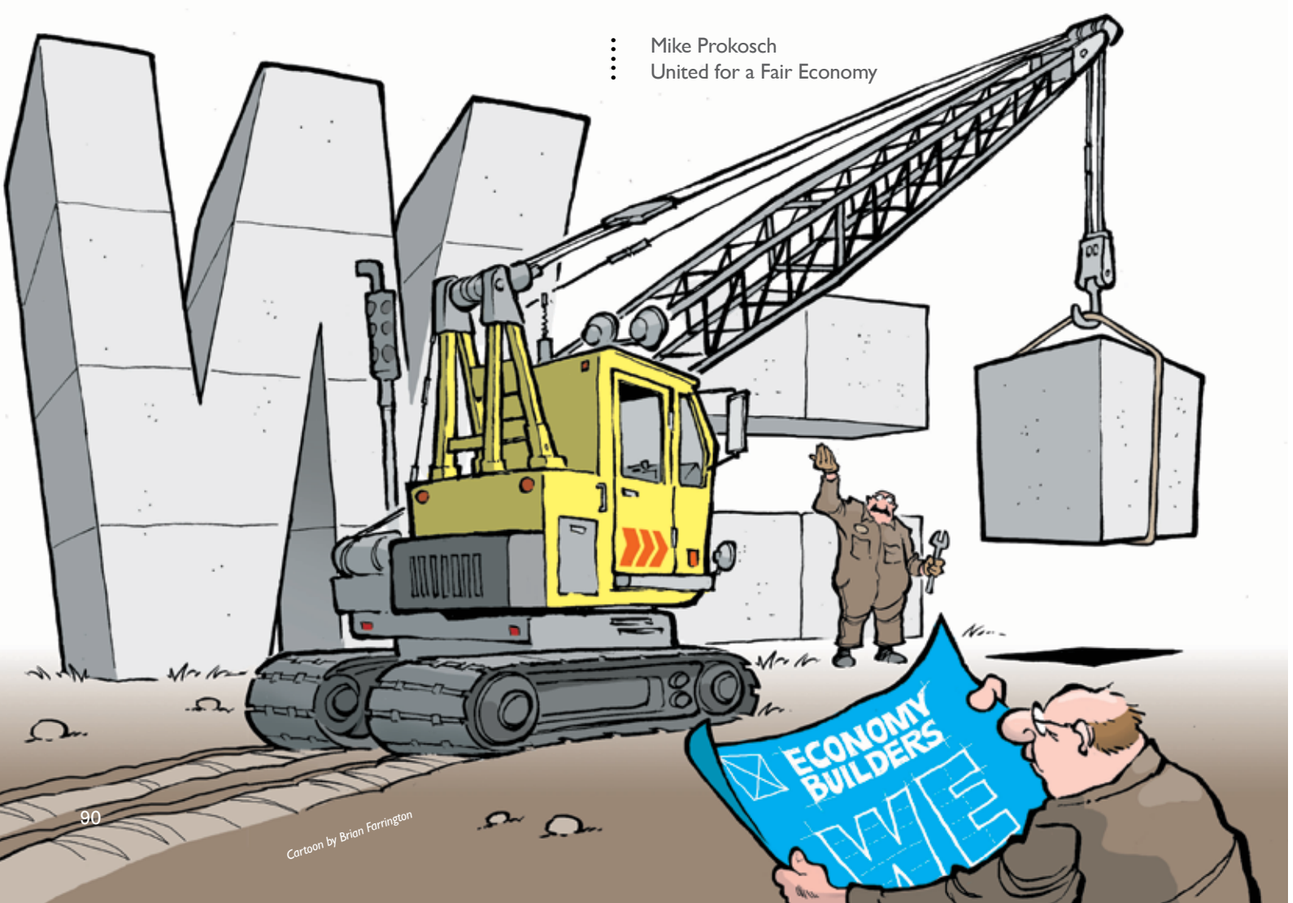
**from the editor**

# 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.[1] 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.[2] Fair taxation and good jobs are essential to reversing this trend and constructing a strategy for building a fair and just economy.

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,




Mike Prokosch
United for a Fair Economy

Cartoon by Brian Farrington



**Despite our economy being mired in the deepest recession since the 1930's, people in the top 1% continue to own as much wealth as all of those in the bottom 90% combined.**

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.[3] In fact, a new policy developed by the Obama administration would give companies that pay a living wage an advantage when bidding on government contracts.[4]

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."[5]

## 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 22 cents out of every dollar in national income.[6] Just 1 percent of the population controls

Photo courtesy Borealis Breads

*Workers at Borealis Breads (Wells, Maine) earn a living wage plus benefits.*

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.[7] Tax cuts for the wealthy made little sense when they were passed, and it is unconscionable that they were extended through 2012.[8]

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.

### Percentage of Federal Budget Paid by Corporations

1940's Now

This difference allows some companies to evade $30 billion in taxes every year.

It's not just mid- to low-income earners that support these measures. 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 for education, health and other vital services. These millionaires are among the 700 business leaders and individuals in the top 5 percent of the wealth bracket. They are using their tax breaks to fight for tax policies that benefit all Americans.

In a *New York Times* op-ed entitled "Please Raise My Taxes," Reed Hastings, chief executive of Netflix wrote,

**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.**

Photo credit AP Photo/Paul Sakuma

*Reed Hastings, chief executive of Netflix giving a keynote address in 2009.*

> *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

**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.**

Photo courtesy Abernathy Family Photos

Photo courtesy Library of Congress

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

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,[13] and nearly 45 percent of Danes graduate from a college or university.[14] 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 movements 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.

We dream of nation where prosperity is shared; where there is genuine equality of opportunity; where income, wages and taxes are fair; and where communities are healthy and safe with opportunities for recreation and personal growth. A great nation is one where individuals of varying degrees of wealth come together to work for economic justice to create a "we economy."

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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 25% campaign nationally. He's also on the board of United for a Fair Economy (www.faireconomy.org).*

Photo courtesy AP Photo/Tony Gutierrez

*Keisty Sample and her daughter Zaria read through a nutrition booklet while attending a nutrition education class at the WIC office in Dallas.*

## Closing Tax Loopholes and Funding Key Priorities

There are lots of ideas and conflicting opinions about how to solve the country's budget and deficient woes. Raising taxes or cutting programs are the most commonly proposed solutions.

For example, House Appropriations Committee proposed budget cuts for the Special Supplemental Nutritional Program for Women, Infants and Children (WIC) by $833 million in 2012. The program, which has been in operation for 40 years, provides nutritious foods to low-income pregnant women, new moms, babies and children who have been identified as nutritionally at risk.[1]

These cuts will eliminate assistance to 325,000 to 475,000 eligible mothers, infants and children. However, aside from cutting off assistance to people who need it, such cuts may actually increase other costs. Economists estimate that every $1 invested in WIC saves between $1.77 and $3.13 in healthcare costs in the first 60 days after an infant's birth by reducing the number of low-birth-weight babies and improving child immunization rates. It is estimated that the program has saved more than 200,000 babies from dying at birth.[2]

Instead of slashing funding for programs that help people and raising taxes for working Americans, ending excessive tax breaks and collecting existing taxes could go a long way toward funding valuable programs. For example, the $833 million in proposed WIC cuts equal roughly one week's worth of the Bush administration tax cuts for millionaires.[3] Corporate tax breaks and special interest loopholes are other examples. America's most profitable corporations avoid hundreds of billions of dollars in taxes annually through tax havens, industry-specific provisions and other corporate tax preferences. The IRS estimates that $5 trillion is currently held in tax haven countries, and an independent study found that nearly two-thirds of corporations pay no taxes at all.[4]

## TOP 5 Worst Corporate Income Tax Avoiders

| Company | 2010 Profits | Federal Income Taxes (35% rate) |
|---|---|---|
| Exxon Mobile[5] | $30.5 billion | Paid 18%; paid none in 2009 |
| General Electric[6] | $14.2 billion | Paid none; $5.2 billion of profits in US |
| Chevron[7] | $19 billion | Paid under 8%; paid none in 2009[8] |
| Boeing[9] | $4.4 billion | Paid .03%; recently received a new $35 billion Pentagon contract |
| Citigroup[10] | $4 billion | Paid none; received $45 billion in bailout funds in 2008 |



from the editor

go! green opportunities

"True sustainability seeks to maximize Triple-Bottom Line benefits, addressing the economy, environment and social justice."

## 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 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]

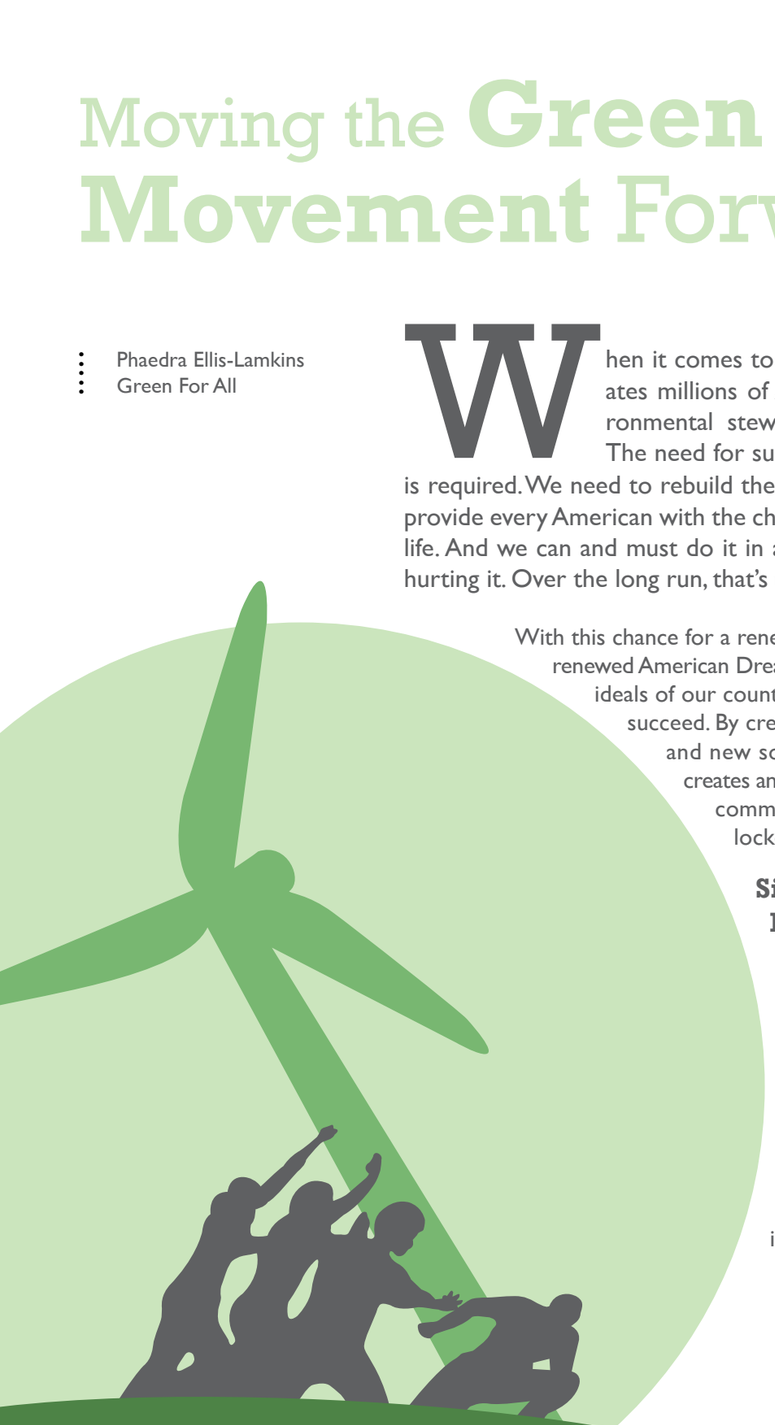
Dan Leroy cofounded Green Opportunities in 2007 as a service-based training program, designed to prepare youth for green careers in the context of climate-action projects. "We believe that unless we consciously embrace social justice objectives along with environmental and economic ones, the green economic 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.

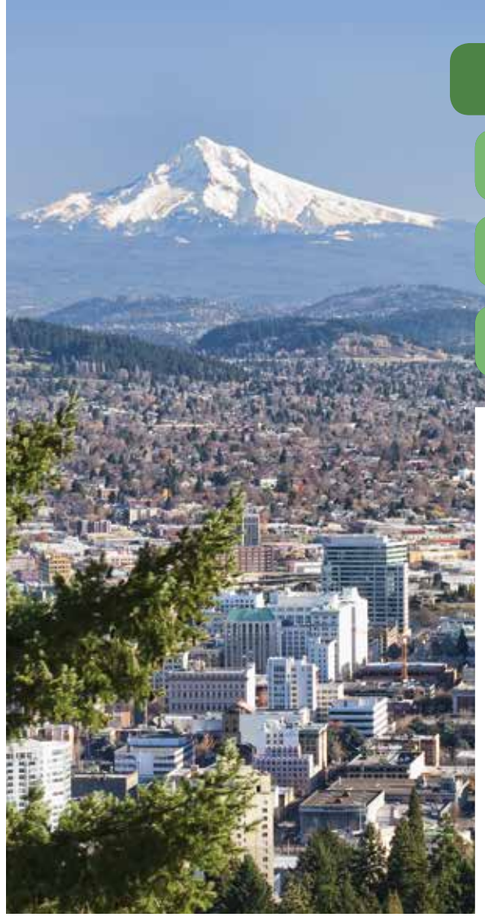


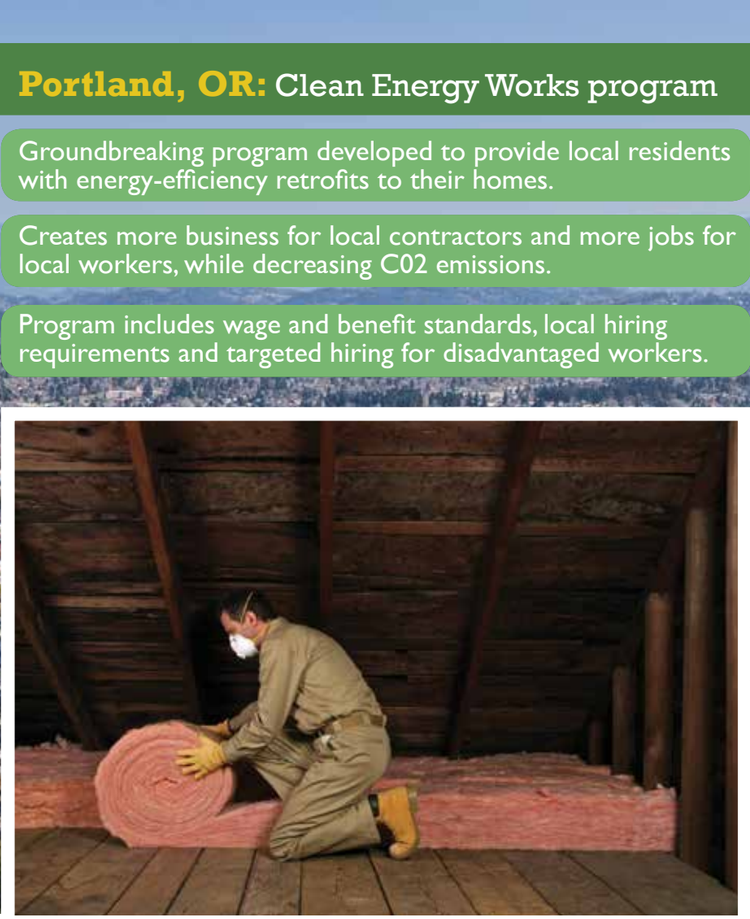
## Signs of Progress: Portland Leads the Way

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







**Portland, OR:** Clean Energy Works program

- Groundbreaking program developed to provide local residents with energy-efficiency retrofits to their homes.
- Creates more business for local contractors and more jobs for local workers, while decreasing C02 emissions.
- Program includes wage and benefit standards, local hiring requirements and targeted hiring for disadvantaged workers.

more business for local contractors and more jobs for local workers, all the 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.[1]

## 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.[2] One million green jobs were created and saved by the American Recovery and Reinvestment Act's clean tech investments through 2010.[3] A US Conference of Mayors report

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One report forecasts that renewable power generation, building retrofitting, and renewable transportation fuels will together generate

**1.7 million new jobs by 2018**

**Our success is now transforming the green jobs movement into a movement that looks to green the entire economy, regardless of the industry.**

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.[5] 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]

## 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

*Two Greencorps Chicago crew members work in a community garden.*

*Photo courtesy Greencorps Chicago*

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

**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.**

**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.**

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.*

# Make It in America

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.

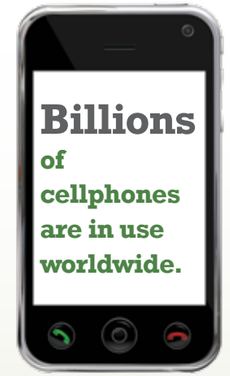
**But something has changed in recent years.** Today our manufacturing sector is half the size it was in 1960, while our financial sector is twice its size. In 2001, the first full year of the new millennium, 24 factories closed without being replaced every day—a factory loss every hour for the entire year, 24/7/365.[1] 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.[2] 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.[3]

Photo courtesy Laura Podgett

Eric Lotke
Campaign for America's Future

**Each manufacturing job supports four other jobs in the rest of the economy.**

**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.**



**Virtually none were made in America.**

**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.[4]

**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."[5]

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.[6] Germany has simply made a long-term

**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.**

**Countries with high wages and high standards are also outperforming us in global markets.**

**Germany ran a trade surplus of $246 billion in 2008, the same year America ran a trade deficit of $706 billion.**

**We need to restore our productive capacity for the next generations of America in the new world economy.**

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.[7] 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."[8]

**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.[9] America does not.[10] 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.

*Photo credit: Imaginechina/Corbis*

**Other countries make choices that work to their advantage.**

**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.**

*A factory worker manufactures photovoltaic cells for solar panels at the Eoplly New Energy Technology Co., Ltd., plant in Nantong city, east China's Jiangsu province.*

Photo courtesy United Streetcar

*United Streetcar manufactures modern streetcars in America, with parts made in America, and plans to be a pioneer in this new urban transit option. Employees are seen here with a completed car for Portland, Oregon's new streetcar system,*

In some cases, of course, American companies are ready and waiting. United Streetcar, a subsidiary of Oregon Iron Works, Inc., manufactures modern streetcars in America, with parts made in America, and plans to be a pioneer in this new urban transit option. United Streetcar's first customer was the City of Portland, soon followed by the City of Tucson. United Streetcar is betting that Americans will turn to streetcars as a form of urban transit, and that it can compete with the dominant manufacturers in other countries that enjoy advantages of experience, scale and consistent demand.

When Republic Windows closed its factory in Chicago in 2008, workers protested the wrongful denial of severance benefits. The protest caught the attention of Kevin Surace, CEO of Serious Materials of California, who 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, and he was right.[12] Surace bought the plant, rehired the workers and honored the agreement of the previous owner. Serious Materials is still expanding, fulfilling new market demand for high-performance, thermally efficient windows.

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.

**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.**

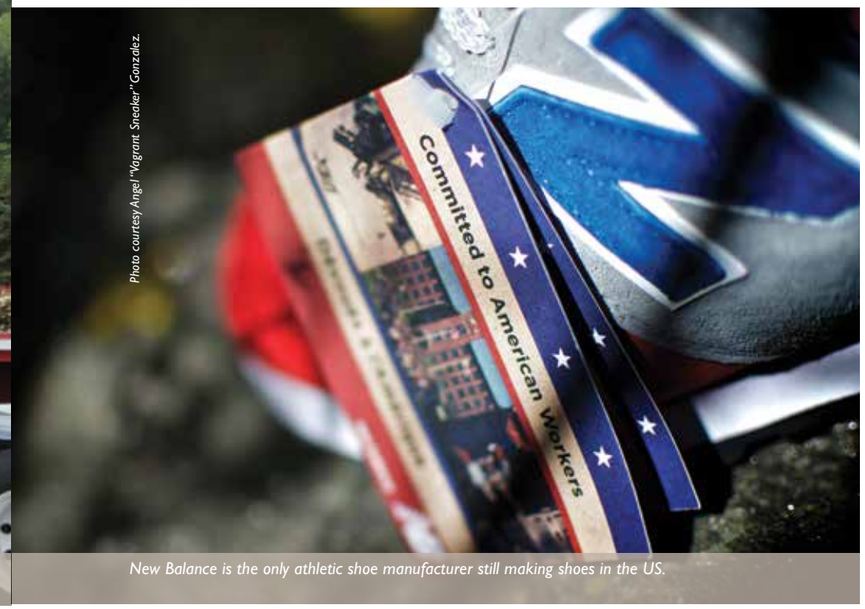



Photo courtesy Angel "Vagrant Sneaker" Gonzalez.

*New Balance is the only athletic shoe manufacturer still making shoes in the US.*

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.

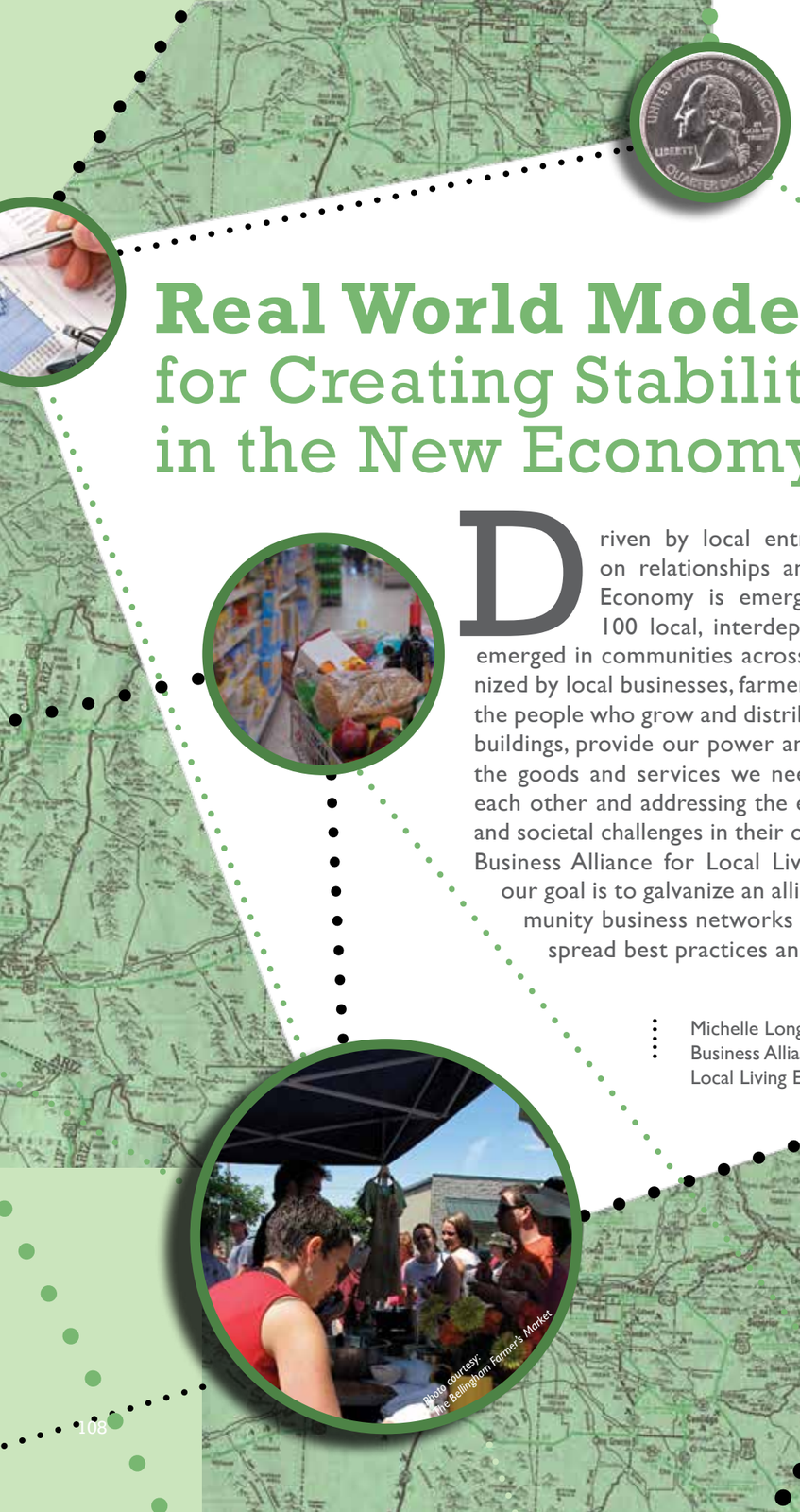
American consumers go last but they are not without power. Next time you see the cheap goods labeled "Made in China," know nearly half of the price advantage comes from currency manipulation, which lowers the cost of imports from China and raises the cost of our exports. Question whether the children's 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.

**Next time you see something labeled "Made in America," consider using your money to support your people and your vision of a better world.**

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.

.....

*Eric Lotke is research fellow at the Campaign for America's Future (www.ourfuture.org), a progressive research institute. He has published on subjects ranging from healthcare to manufacturing to infrastructure investment. Previously, he worked for over a decade in and around the justice system. He managed direct-service programs, litigated individual and class action cases and authored path-breaking research. Lotke has been an adjunct professor at the Georgetown Law Center, the George Washington Law School and the Northern Virginia Community College. He is also author of the novel,* 2044: The Problem Isn't Big Brother; It's Big Brother, Inc.



# Real World Models for Creating Stability in the New Economy

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.

Michelle Long
Business Alliance for
Local Living Economies

Photo courtesy: The Bellingham Farmer's Market

Photo courtesy of Lisamarie Babik, Kelly

Zingerman's Deli in Ann Arbor, Michigan is a model of local reciprocity and accountability. The Zingerman community of businesses is a $30 million company with 500 employees in a town of fewer than 100,000 residents.

## 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

**Driven by local entrepreneurs and based on relationships and real values, a New Economy is emerging.**

> 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

Photo courtesy The Mechanics Bank

*Eddie Downer (left of center) is the former chairman and third generation member of the founding family of The Mechanics Bank.*

banks headquartered in the San Francisco Bay Area. A key tenet is that the bank's money must be spent within the communities it serves. The founder, a former weekly newspaper publisher, postmaster, chairman of the school board for 25 years and a small-town mayor, understood the needs of local communities, and believed a community bank's justification for being was to serve those needs.

"We firmly believe that a community bank's activities, whether commercial or philanthropic, should benefit the people in the areas we serve," said Eddie Downer, former chairman and third-generation member of the founding family. "Being principally family-owned has given us the freedom to do things that large publicly traded companies cannot."

Socially responsible investing (SRI) is another proactive way to manage money. With an SRI approach, investors put their money to work building a more just and sustainable world while earning financial returns. Portfolio 21 Investments has been a pioneer in the field since 1982. This SRI fund only invests in companies that recognize environmental sustainability as a fundamental human challenge and a tremendous business opportunity. Their companies "design ecologically superior products, use renewable energy and develop efficient production methods for prospering in the 21st century."[1] They also are proud to note their independent ownership, which "gives us the autonomy to think for ourselves without the influence of outside shareholders or a parent company."

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, a pioneering financial services company offering lending, investing and giving services. They are committed to shifting from "financial transactions that are complex, opaque and anonymous to those that are direct, transparent and personal."

**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.[2] 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.

### Since Sustainable Connections' inception:

Photo courtesy of Sustainable Connections

*Sustainable Connections hosts a Farm to Table Trade meeting in Northwest Washington, gathering buyers, producers, processors and distributors from multiple counties.*

- The county has experienced **lower unemployment rates** than the state and nation as a whole.
- **Purchasing from local farmers is up 5x** over the rate of growth in other parts of the state.
- Businesses that start here are **more likely to succeed** than if they start other places.

**This interdependence means that the vitality of any one is linked to the health of others.**

The New Economy is... Green

## 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. When they were unable to find a source of renewable heating oil, the co-op spun off a new company to produce biofuels from local restaurants' waste grease. Today the co-op's annual sales are about $5 million.

## The New Economy Has More Opportunity

In 1965, the ratio between CEO pay and average company pay was 24-to-1 in the US. Since the mid-90s, CEOs of major corporations have been earning more than 200 times the average compensation of workers.[3] Compare that to Japan, a country with one of the lowest pay gaps, where CEOs earn on average 10 times more than the average worker.[4]

The Cleveland Foundation, as part of its Greater University Circle Initiative, is spearheading a new strategy for democratizing wealth creation through the Evergreen Cooperatives. The cooperatives, based on the Mondragon model in Spain, give individuals who would normally be excluded from ownership opportunities the chance both to gain stable employment and to become equity owners in the businesses where they are employed. To date, four new businesses have launched: a commercial green laundry facility, a solar and weatherization installation service, a food production greenhouse and a community newspaper. Within five years, the organization hopes to have ten businesses that provide 500 living-wage jobs.[5]

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.[6]

## 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.

The New Economy has... More opportunity

Photo courtesy kennejima (flickr)
Photo courtesy Dr. Bjorn (flickr)

*Arizmendi Bakery (below) and the Cheeseboard Pizza Cooperative (above) are two of the six worker-owned bakeries in San Francisco that together employ 125 workers and generate $12 million in sales annually*

### Advancing the New Economy:

1. Find a BALLE network near you and patronize the locally owned businesses in your community. www.livingeconomies.org
2. Move your money to a community bank or credit union: www.moveyourmoney.info/find-a-bank
3. If you have money to invest, learn more about socially responsible investing: www.socialinvest.org

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*Michelle Long, BALLE's first executive director, sat on the board between 2003 and 2009, and is currently once again the executive director of the Business Alliance for Local Living Economies (www.livingeconomies.org). BALLE, an alliance of 80 community business networks comprising 22,000 independent businesses, is the nation's fastest-growing network of socially responsible businesses. Long was the co-founder and executive director of Sustainable Connections in Bellingham, Washington, one of BALLE's oldest networks. She is also the author of* Local First: A How-to Guide, *and of the how-to manual,* Building a Community of Businesses.

Bill Drayton
Get America Working!

# Switching Taxes to Get America Working

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.

How could we do that. The simplest way would be (1) to eliminate payroll taxes, which would reduce the cost of hiring by roughly 17 percent, and (2) to keep the government budgets whole by adding equal new revenues by taxing things (materials, energy, land, pollution) roughly 12 to 13 percent.



**The most fundamental economic choice every business, indeed every country, makes is what mix of the two key ingredients in production—people vs. 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.

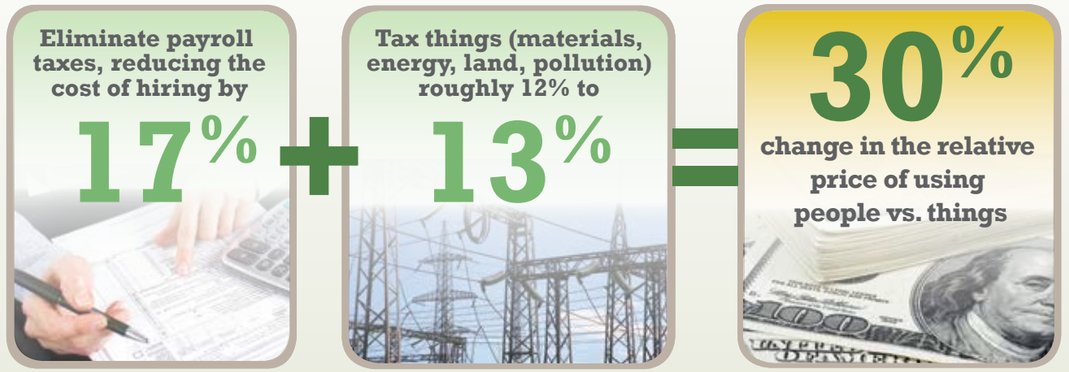
The most fundamental economic choice every business, indeed every country, makes is what mix of the two key ingredients in production—people versus things (energy, materials, land)—it will put to work.

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[1] 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.

## Lowering the Price of Labor, Increasing the Price of "Things":




**This is a price signal no one would ignore. This idea is the most powerful way to break our of the old framework. A country can grow AND reduce debt if it finds ways to become structurally far more productive.**

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.

• An energy-inefficiency tax would apply to only the 25 percent 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.

This is not a radical idea. Across Europe and, increasingly, now Asia and Latin America, countries are cutting payroll taxes. The International Monetary Fund advises countries to cut payroll taxes to increase employment. Since 2000, more than a dozen European nations have reduced their payroll tax rates. The World Bank recently recommended 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.[2] Reducing payroll tax rates by just ten percent could boost employment by ten percent in the long term according to a leading labor economist.[3] 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.

**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—a 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 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.

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

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.

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.*