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The New-Economy Movement

Gar Alperovitz | May 25, 2011

The idea that we need a “new economy”—that the entire economic system must be radically restructured if critical social and environmental goals are to be met—runs directly counter to the American creed that capitalism as we know it is the best, and only possible, option. Over the past few decades, however, a deepening sense of the profound ecological challenges facing the planet and growing despair at the inability of traditional politics to address economic failings have fueled an extraordinary amount of experimentation by activists, economists and socially minded business leaders. Most of the projects, ideas and research efforts have gained traction slowly and with little notice. But in the wake of the financial crisis, they have proliferated and earned a surprising amount of support—and not only among the usual suspects on the left. As the threat of a global climate crisis grows increasingly dire and the nation sinks deeper into an economic slump for which conventional wisdom offers no adequate remedies, more and more Americans are coming to realize that it is time to begin defining, demanding and organizing to build a new-economy movement.

That the term “new economy” has begun to explode into public use in diverse areas may be an indication that the movement has reached a critical stage of development—and a sign that the domination of traditional thinking may be starting to weaken. Although precisely what “changing the system” means is a matter of considerable debate, certain key points are clear: the movement seeks an economy that is increasingly green and socially responsible, and one that is based on rethinking the nature of ownership and the growth paradigm that guides conventional policies.

This, in turn, leads to an emphasis on institutions whose priorities are broader than those that typically flow from the corporate emphasis on the bottom line. At the cutting edge of experimentation are the growing number of egalitarian, and often green, worker-owned cooperatives. Hundreds of “social enterprises” that use profits for environmental, social or community-serving goals are also expanding rapidly. In many communities urban agricultural efforts have made common cause with groups concerned about healthy nonprocessed food. And all this is to say nothing of 1.6 million nonprofit corporations that often cross over into economic activity.

For-profits have developed alternatives as well. There are, for example, more than 11,000 companies owned entirely or in significant part by some 13.6 million employees. Most have adopted Employee Stock Ownership Plans; these so-called ESOPs democratize ownership, though only some of them involve participatory management. W.L. Gore, maker of Gore-Tex and many other products, is a leading example: the company has some 9,000 employee-owners at forty-five locations worldwide and generates annual sales of \$2.5 billion. Litecontrol, which manufactures high-efficiency, high-performance architectural lighting fixtures, operates as a less typical ESOP; the Massachusetts-based company is entirely owned by roughly 200 employees and fully unionized with the International Brotherhood of Electrical Workers.

A different large-scale corporation, Seventh Generation—the nation’s leader in “green” detergents, dishwashing soap, baby wipes, tissues, paper towels and other household products—has internal policies

requiring that no one be paid more than fourteen times the lowest base pay or five times higher than the average employee.

In certain states, companies that want to brandish their new-economy values can now also register as B Corporations. B Corp registration (the “B” stands for “benefit”) allows a company to subordinate profits to social and environmental goals. Without this legal authorization, a CEO could in theory be sued by stockholders if profit-making is not his sole objective. Such status ensures that specific goals are met by different companies (manufacturers have different requirements from retail stores). It also helps with social marketing and branding. Thus, King Arthur Flour, a highly successful Vermont-based, 100 percent employee-owned ESOP, can be explicit, stating that “making money in itself is not our highest priority.” Four states—Maryland, Vermont, New Jersey and Virginia—have passed legislation that permits B Corp chartering, with many others likely to follow.

Cooperatives may not be a new idea—with at least 130 million members (more than one in three Americans), co-ops have broad political and cultural support—but they are becoming increasingly important in new-economy efforts. A widely discussed strategy in Cleveland suggests a possible next stage of development: the Evergreen Cooperatives are linked through a nonprofit corporation, a revolving loan fund and the common goal of rebuilding the economically devastated Greater University Circle neighborhoods. A thoroughly green industrial-scale laundry, a solar installation company and a soon-to-be-opened large-scale commercial greenhouse (capable of producing about 5 million heads of lettuce a year) make up the first of a group of linked co-ops projected to expand in years to come. The effort is unique in that Evergreen is building on the purchasing power of the area’s large hospital, university and other anchor institutions, which buy some \$3 billion of goods and services a year—virtually none of which, until recently, had come from local business. Senator Sherrod Brown is expected to introduce national legislation aimed at developing Evergreen-style models in other cities. (Full disclosure: the Democracy Collaborative of the University of Maryland, which I co-founded, has played an important role in Evergreen’s development.)

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Along with the rapid expansion of small and medium-size businesses committed to building the new economy has come a sense of community and shared mission. Staff, managers and owners at many of these companies are finding more opportunities to share ideas and pool resources with like-minded professionals. The American Sustainable Business Council, a growing alliance of 150,000 business professionals and thirty business organizations, has emerged as a leading venue for such activity. Most members are “triple bottom line” companies and social enterprises committed to the environment and social outcomes as well as profits.

In many ways the council operates like any advocacy group attempting to lobby, educate and promote legislation and strategies. Thirty-five leaders recently met with Labor Secretary Hilda Solis, for instance, to make clear that the US Chamber of Commerce does not speak for all American business, to seek her help with specific projects and issues, and to fill her in on a range of environmentally and socially concerned economic efforts that definitely do not do business as usual. The names of some of the council’s constituent organizations offer a sense of what this means: Green America, Business for Shared Prosperity, Social Enterprise Alliance, Count Me In for Women’s Economic Independence, California Association for Microenterprise Opportunity. Although ecological concerns are at the top, the council’s agenda is highly supportive of other progressive social and economic goals. A recent blog by Jeffrey Hollender, chair of the council’s advisory board (and former CEO of Seventh Generation), attacked the US Chamber of Commerce for “fighting democracy and destroying America’s economic future.”

The Business Alliance for Local Living Economies (BALLE), made up of more than 22,000 small businesses, is another rapidly growing organization that works to strengthen new-economy networks. BALLE brings together locally owned efforts dedicated to building ecologically sustainable “living economies,” with the ambitious long-term goal of developing a global system of interconnected local

communities that function in harmony with their ecosystems. The group's Mid-Atlantic Regional Hub, the Sustainable Business Network of Greater Philadelphia, recognizes area businesses that "demonstrate a strong social and environmental impact while also making a profit." A recent example is GreenLine Paper, a company that produces green products and works to preserve forests and prevent climate change. By participating in the network, GreenLine Paper gains brand recognition and promotion, as well as marketing, policy support, technical assistance and access to a like-minded coalition of businesses.

Sarah Stranahan, a longtime board member at the Needmor Fund, recalls having a sense in late 2009 that large numbers of Americans were beginning to understand that something is profoundly wrong with the economy. Bearing this in mind, with a small group of other activists she brought leaders of diverse organizations together in early September of that year to explore ways to build a larger movement. The New Economy Network (NEN), a loosely organized umbrella effort comprising roughly 200 to 250 new-economy leaders and organizations, was the low-budget product of their meeting. NEN acts primarily as a clearinghouse for information and research produced by member organizations. "However, our most important role," says Stranahan, who serves as the network coordinator, "has been to help create a larger sense of shared common direction in a time of crisis—a sense that the new-economy movement is much greater than the sum of its diverse parts."

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Several initiatives have begun to deal systematically with fundamental problems of vision, theory and longer-term strategy. The New Economics Institute (NEI), which is in formation, is a joint venture that brings together the former E.F. Schumacher Society and the New Economics Foundation, in Britain. Among the environmentalists and economists involved are Gus Speth, David Orr, Richard Norgaard, Bill McKibben, Neva Goodwin, John Fullerton and Peter Victor.

"For the most part, advocates for change have worked within the current system of political economy," says Speth, a former adviser to Presidents Carter and Clinton, onetime administrator of the United Nations Development Programme and the recently retired dean of the Yale School of Forestry and Environmental Studies, who has emerged as one of the new-economy movement's leading figures. "But in the end," Speth declares, "this approach will not succeed when what is needed is transformative change in the system itself."

NEI is teaming up with other organizations, like the progressive think tank Demos, on several projects. One shared effort is attempting to develop detailed indicators of sustainable economic activity. As many scholars have demonstrated, the gross national product indicator is profoundly misleading: for instance, both work that generates pollution and work that cleans it up are registered as positive in the GNP, although the net real-world economic gain is zero, and there is a huge waste of labor on both sides of the effort. Precisely how to develop a "dashboard" of indicators that measure genuine economic gain, environmental destruction, even human happiness is one of NEI's high priorities. Another is a detailed econometric model of how a very large economic system can move away from growth as its central objective. Related to both are earlier and ongoing Great Transition studies by the Tellus Institute, a think tank concerned with sustainability.

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A less academic effort concerned with vision and long-term institutional and policy reform is the New Economy Working Group, a joint venture of the Institute for Policy Studies (IPS) and *YES! Magazine*. Among other things, the working group (which includes people, like Speth, who are concurrently involved in other initiatives) is attempting to create detailed designs for state and local banks in support of new-economy institutional development. (The longstanding Bank of North Dakota is one important precedent.) The larger goal of the Working Group is to advance a coherent vision of an economy organized around sustainable local community economies. John Cavanagh, on leave as director of IPS, and his wife, Robin Broad, a professor of international development at American University, emphasize the importance to

developing nations of communities that provide economic, social and environmental “rootedness” in an “age of vulnerability.” David Korten, board chair of *YES! Magazine* and author of *Agenda for a New Economy*, stresses a radically decentralized domestic market-based vision of “self-organizing” communities that rely almost entirely on local resources. He envisions a trajectory of cultural change that could not only reduce conventionally defined economic growth but even reverse it—in part to make up for past ecological and resource destruction, and also to deal with global warming.

It is possible, even likely, that the explosion and ongoing development of institutional forms, along with new and more aggressive advocacy, will continue to gather substantial momentum as economic and ecological conditions worsen. It is by no means obvious, however, how even a very expansive vision of such trends would lead to “systemic” or “transformative” change. Moreover, different new-economy advocates are clearly divided on matters of vision and strategy. Speth, for instance, sees far-reaching change as essential if the massive threat posed by climate change is ever to be dealt with; he views the various experiments as one vector of development that may help lay groundwork for more profound systemic change that challenges fundamental corporate priorities. Others, like David Levine, executive director of the American Sustainable Business Council, emphasize more immediate reforms and stress the need for a progressive business voice in near-term policy battles. What to do about the power of large private or public corporations in the long term is an unresolved question facing all parties.

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Obviously, any movement that urges changing the system faces major challenges. Apart from the central issue of how political power might be built over time, three in particular are clearly daunting: first, many new-economy advocates concerned about global warming and resource limits hold that conventionally defined economic growth must be slowed or even reversed. In theory an economic model that redistributes employment, consumption and investment in a zero- or reduced-growth system is feasible, but it is a very hard sell in times of unemployment, and it is a direct challenge to the central operating principle of the economic system. It is also a challenge to the priorities of most elements of the progressive coalition that has long based its economic hopes on Keynesian strategies aimed at increasing growth.

A related problem concerns the labor movement. Many new-economy advocates hold progressive views on most issues of concern to labor. In a recent letter supporting progressives in Wisconsin, for instance, the American Sustainable Business Council wrote that “eliminating collective bargaining is misguided, unsustainable and the wrong approach to solving deeper, more systemic economic issues”—hardly the standard Chamber of Commerce point of view! Still, the ultimate goal of reducing growth is incompatible with the interests of most labor leaders.

Although there have been tentative off-the-record explorations of how to narrow differences among groups, no direction for agreement has emerged. That some cooperation is possible is clear, however, from common efforts in support of “green jobs,” such as the Apollo Alliance (which aims to create 5 million “high-quality, green-collar jobs” over the coming ten years) and the BlueGreen Alliance, a partnership of major labor and environmental groups dedicated to expanding the quality and availability of green jobs. IPS director Cavanagh is working with a small group of theorists and activists on a plan for green jobs that attempts to integrate new-economy concerns with those of labor and other progressive groups, and to link the expanding local efforts with traditional national strategies.

A further line of possible long-term convergence is new interest by the United Steelworkers in alternative forms of economic enterprise—and, importantly, larger-scale efforts. The Steelworkers signed an agreement with the Mondragon Corporation in 2009 to collaborate in establishing unionized cooperatives based on the Mondragon model in manufacturing here and in Canada. (Mondragon, based in the Basque region of Spain, has nearly 100,000 workers and is one of the largest and most successful cooperative enterprises in the world.)

A third and very different challenge is presented by traditional environmental organizations. Speth, a board member of the Natural Resources Defense Council, has found very little willingness among his fellow board members to discuss system-changing strategies, even if understood as long-term developmental efforts. The traditional organizations spend most of their time trying to put out fires in Washington, he notes, and have little capacity to stand back and consider deeper strategic issues—particularly if they involve movement building and challenges to the current orthodoxy.

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For all the difficulties and despite the challenges facing progressive politics, there are reasons to think that new-economy efforts have the capacity to gather momentum as time goes on. The first is obvious: as citizen uprisings from Tunisia to Madison, Wisconsin, remind us, judgments that serious change cannot take place often miss the quiet buildup of potentially explosive underlying forces of change. Nor were the eruptions of many other powerful movements—from late-nineteenth-century populism to civil rights to feminism and gay rights—predicted by those who viewed politics only through the narrow prism of the current moment.

Many years ago, I was legislative director to Senator Gaylord Nelson, known today as the founder of Earth Day. No one in the months and years leading up to Earth Day predicted the extraordinary wave of environmental activism that would follow—especially since environmental demands are largely focused on morally informed, society-wide concerns, unlike those of the labor, civil rights and feminist movements, all of which involve specific gains important to specific people.

In my judgment, new-economy efforts will ultimately pose much more radical systemic challenges than many have contemplated. Nonetheless, new-economy advocates are beginning to tap into sources of moral concern similar to those of the early environmental movement. As the economy continues to falter, the possibility that these advocates—along with many other Americans who share their broader concerns—will help define a viable path toward long-term systemic change is not to be easily dismissed. In fact, it would be in keeping with many earlier chapters of this nation's history.

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