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America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy

Gar Alperovitz

Introduction

How do we detect when a society is in trouble—*real* trouble? What canary in the coal mine signals danger? The real signs of major trouble are to be found not only in huge deficits, unemployment, even terrorism. The time to pay close attention is when people begin to lose belief in things that once mattered profoundly—like the most important values that have given meaning to American history from the time of the Declaration of Independence: *equality, liberty, and democracy*.

The long trends are ominous: the beginning point of the following study is the painful truth that there is now massive evidence that for decades Americans

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have been steadily becoming *less* equal, *less* free, and *less* the masters of their own fate.

The top 1 percent now garners for itself more income each year than the bottom 100 million Americans combined. Even before the war on terrorism produced new threats to civil liberties, the United States (as a conservative judge, Richard Posner, has observed) criminalized “more conduct than most, maybe than any . . . non-Islamic nations.”

And repeated studies have shown the majority of Americans know full well that something challenging and fundamental is going on with “democracy”: Four out of five in a recent assessment judged that “[g]overnment leaders say and do anything to get elected, then do whatever they want.” Another study found that seven out of ten felt that “people like me have almost no say in the political system.”

We tend to dismiss such signs of trouble. Most political debate focuses on who wins this or that election or

on immediate problems like medical costs, tax cuts, unemployment. Some writers sense that something deeper is at work—that, for instance, with the radical decline of labor unions and the rise of the global corporation, the balance of power between labor and corporations that once kept US politics within a certain range simply no longer operates. (The administration of George W. Bush in significant part reflects this shift in underlying institutional power.)

But the idea that the American “system” as a whole is in real trouble—that it is heading in a direction that spells the end of its historic values—is difficult, indeed all but impossible, for most people to grasp.

It is, however, the first major contention—or rather, observation—at the core of this study. Moreover, as we shall see, though the evidence is rarely confronted, it is a contention that is not at all difficult to support. Indeed, it is obvious to most people when they reflect on the long-developing trends in connection with equality, liberty, and democracy.

If the critical values lose meaning, politics obviously must also ultimately lose moral integrity. Cynicism, apathy, and a sense that the powerful control, no matter what, must grow until, finally, recognition that current

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political processes are at a dead end quietly becomes endemic. The polls already indicate that beneath a patina of conventional political concern, the basic elements of such an understanding are not far off.

Beyond this, if equality, liberty, and meaningful democracy can truly no longer be sustained by the political and economic arrangements of the current system, this defines the beginning phases of what can

only be called a *systemic* crisis—an era of history in which the political—economic system must slowly lose legitimacy because the realities it produces contradict the values it proclaims.

Moreover, if the system itself is at fault, then self-evidently—indeed, by *definition*—a solution would ultimately require the development of a new system.

For most Americans the idea that a “different system” might be possible is something very few have considered. With the collapse of the Soviet Union—and the decline of older, more democratic visions of socialism—what, specifically, would it mean to “change the system”?

Furthermore, the United States today is the most powerful political-economic system in world history. To most Americans, the notion that ways might ultimately be found to transform the institutions at its very core seems utterly utopian and impractical—even if one had an idea of what an alternative system might entail.

The conventional wisdom, of course, leaves us at a dead end. The old ways don’t work, but no one even imagines the possibility of systemic change.

Or so it seems.

The fact is, just below the surface level of media attention, theorists, policy makers, and informed citizens have been generating an extraordinary range of new ideas in recent decades . . .

The appeal of many of these ideas, moreover, reaches across traditional left-right political divisions. They deal in a thoroughgoing way with matters ranging from the local and mundane to the radical and systemic—including: How to build democracy with a small d in each community as a basis, ultimately, of rebuilding Democracy with a big D in the system as a whole. How, as technology advances, to ensure that people have enough free time and security to have real rather than illusory freedom of choice. And how—the ultimate and most important issue—the vast wealth of the nation can be managed so as to directly democratize its benefits.

Even if it were possible to bring together the emerging new thinking to define the outlines of a system that might in principle be able to sustain equality, liberty, and democracy—and do so in ways better than either US capitalism or its traditional socialist rival—could such an exercise ever have meaning in the real world of politics?

Systemic change involves questions of how property is owned and controlled—the locus of real power in most political economies. The ownership of wealth in the United States is more concentrated even than income: the richest 1 percent of American households are now estimated to own just under half of all outstanding stock, financial securities, trust equity, and business equity! At the heart of the new thinking is a

different principle—that the ownership of wealth must benefit the vast majority directly. . . . Especially interesting, accordingly, is the evidence assembled in the following pages of long-developing trends that have produced thousands of new worker-owned firms, community-owned enterprises, even state and national examples of alternative ways wealth might be owned to benefit small and large publics.

In Newark, New Jersey, a nonprofit neighborhood corporation employs two thousand people to build and manage housing and help run a supermarket and other businesses that funnel profits back into health care, job creation, education, and other community services. In Glasgow, Kentucky, the city runs a quality cable, telephone, and Internet service at costs far lower than commercial rivals. In Harrisonburg, Virginia, a highly successful company owned by the employees makes and sells cable television testing equipment. In Alabama the state pension fund owns a major interest in many large and small businesses. In Alaska every state resident as a matter of right receives dividends from a fund that invests oil revenues on behalf of the public at large.

The emerging changes in these and hundreds (indeed, thousands) of other related instances involve new institutions—and the process of change is different from that which we commonly understand in connection both with traditional politics and traditional systemic change. Typically, political *reform* involves *policies* that improve or clean up around the edges of existing systems. Typically, *revolution* involves changing the *institutions* at the core of the system, often violently. What is happening in several key areas involves the steady building of a mosaic of entirely different institutions but in a manner that is both peaceful and evolutionary.

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Even a very widespread evolutionary build-up of new local and state institutions, of course, would be a far cry from system-wide restructuring. I believe, however, that such developments may have significant implications beyond their immediate impact. Importantly, they are exploring principles of ownership in everyday life that have broader applications at other levels. The deeper question taken up in the following pages is whether the emerging political-economic context might ultimately open the way to building upon and beyond the new ideas, on the one hand, and upon

the emerging trajectory of practical institutional development, on the other.

Either at some point a new strategic approach will have to be found, or issues of central importance to workers and to ethnic, racial, elderly, gender, family, and other constituencies on both the left and the right are likely to become increasingly and profoundly compromised. The growing pain levels point to the likelihood, ultimately, of a backlash—especially as the pressures the Bush era has unleashed continue to hit home.

Furthermore, the growing national fiscal crisis inevitably forces attention to the extraordinary income and wealth controlled by elites and major corporations. Quite apart from matters of equity, there are very few other places to look for resources. With the decline of traditional twentieth-century progressive strategies, a new and more militant “twenty-first-century populism,” which targets those who control the lion’s share of the nation’s income and wealth, is already beginning to take shape in states as different as California, Virginia, and New Jersey. Far-reaching ethnic and demographic changes—and the coming minority status of non-Hispanic whites—are likely to reinforce the pressures leading to change as the twenty-first century unfolds.

The trajectory that points toward an ever more sharply focused challenge to corporations and elite concentrations of income and wealth, moreover, is beginning to converge, even now, with the developing trajectory of change defining a host of alternative institutions in which wealth ownership benefits the public directly—and in which community-based democratic practice is important.

The Pluralist Commonwealth: Equality, Liberty, Democracy

We often forget that it was once simply assumed the United States would move inevitably in the direction of ever greater equality. A 1963 *American Economic Review* article observed that “most recent studies” of US economic history take for granted that “since the end of the depression the nation’s wealth has been redistributed and prosperity has been extended to the vast majority.” A respected group of researchers declared, “The United States has arrived at the point where poverty could be abolished easily and simply by a stroke of the pen.” The title of an important book by the liberal economist John Kenneth Galbraith proclaimed the “Affluent Society.”

Such assumptions now appear strange, indeed, unreal. Statistical studies show growing, not diminishing, inequality. Writers like Galbraith have been forced to a radical reassessment: “Alas, I am not nearly as optimistic now as then. . . . [T]hose who dismiss the

pro-affluent movement of these past years as a temporary departure from some socially concerned norm are quite wrong.”

Compensation of the ten most highly paid CEOs averaged \$3.5 million a year in 1981. By 1988 it had jumped to \$19.3 million. By 2000 it was \$154 million—an increase over this period of 4,300 percent.

In 1948 Nobel laureate Paul Samuelson had attempted to illustrate the extent of inequality in his popular economics textbook with the following example: “If we made . . . an income pyramid out of a child’s play blocks with each layer portraying \$1,000 of income, the peak would be far higher than the Eiffel Tower, but almost all of us would be within a yard of the ground.”

By the closing years of the century, Samuelson found that the Eiffel Tower no longer adequately expressed the orders of magnitude involved. He replaced it with Mount Everest.

Consider an even deeper problem: “As American democratic institutions begin their third century,” political scientist Robert Putnam observes, “a sense is abroad in the land that our national experiment in self-government is faltering”

In the 1960s roughly two out of three regularly told pollsters they believed government was run “for the benefit of all.” Asked in 1999, “Would you say the government is pretty much run by a few big interests look-

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ing out for themselves, or that it is run for the benefit of all the people,” a mere 19 percent said that it is run for all. Fully 75 percent now felt that government was run for the benefit of special interests.

Voting—one bottom-line test of democracy—also declined dramatically. In the 1960 presidential election more than three out of five of those eligible voted; only slightly more than half did so in 2000. Less than 40 percent now bother to participate in congressional elections (understandably, since partisan redistricting has made almost 400 of the 435 seats in the House of Representatives all but impossible to contest!) An angry Republican senator, John McCain, describes the American political system as “an elaborate influence-peddling scheme in which both parties conspire to stay in office by selling the country to the highest bidder.”

Another obvious source of the “democratic deficit” is the enormous power of giant corporations. Careful academics, like the former president of the American

Political Science Association, Charles Lindblom, put the point this way: "It is the large enterprises that pose obstructions to political democracy . . . Through their spending and relations with government officials they exercise much more power than do citizens . . . [This is] a mammoth violation of the political equality deemed necessary for genuine rather than spurious democracy."

Another political scientist, Carl Boggs, is less restrained: "[T]he largest corporations are able to dominate virtually every phase of economic, political, and cultural life; they set the agenda for nearly every dimension of public policy."

Finally, consider the matter of liberty.

At the most obvious level, the war on terrorism has brought extraordinary threats to traditional American liberties. Georgetown University law professor David Cole writes: "Secrecy has become the order of the day. Criminal proceedings are governed by gag orders—themselves secret—preventing defendants or their

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lawyers from saying anything to the public about their predicament The Patriot Act authorizes never-disclosed wiretaps and secret searches in criminal investigations without probable cause of a crime, the bedrock constitutional predicate for any search."

Nor is this the worry only of liberals. An angry conservative, William Safire, charges, "Intimidated by terrorists and inflamed by a passion for rough justice, we are letting George W. Bush get away with the replacement of the American rule of law with military kangaroo courts." Safire goes on, "These used to be the Great Unwatched, free people conducting their private lives; now they are under close surveillance by hundreds of hidden cameras. . . . This is not some alarmist Orwellian scenario; it is here, now, financed by \$20 billion last year and \$15 billion more this year of federal money appropriated out of sheer fear."

Fear of crime also has fueled what the African American columnist, the late Carl Rowan, termed a "wild zeal" to guarantee personal safety and the willingness of many judges to countenance a "retreat from our historic protection of civil liberties and privacy rights" In 2002 one in eight black men age twenty to thirty-four was in prison or jail.

For serious conservatives, liberty inherently requires small government, but here the underlying structural trends are also daunting. Not only is government big, but even when Republicans have been elected there is

little evidence that its basic scale can be significantly altered. Indeed, government increased as a share of the economy during each of the first years of the George W. Bush presidency—from 18.6 percent in fiscal year 2001 to an estimated 20.2 percent in fiscal year 2004

Liberty in traditional conservative thought also depends on maintaining the underlying institutions of free-market capitalism—above all the independence, culture, and energy of the entrepreneur. The entrepreneur once did play a central role in the system—but

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this was more than a hundred years ago. Today roughly 90 percent of working Americans are employees—a very different kind of individual.

Equality: Beyond Tax-and-Spend

Traditional redistributive political strategies which aim to deal with inequality are based on what are sometimes called "after-the-fact" methods. It is accepted that capitalist economic systems as a matter of course produce highly unequal distributions of income. It is hoped that "after the fact"—after the basic income flows have been generated—progressive taxation, combined with various social programs, can alter the underlying patterns

But clearly this paradigm was in trouble even before the administration of George W. Bush [has] added to the difficulties. Galbraith's summary judgment [of the well-understood realities] is trenchant: "The only effective design for diminishing the income inequality inherent in capitalism is the progressive income tax. . . . That taxes should now be used to reduce inequality is, however, clearly outside the realm of comfortable thought."

In recent years a range of theorists who have confronted the issue squarely have increasingly come to the judgment that, if change is ever to occur, an assault must ultimately be made on the underlying relationships that have produced the inequality trends in the first place—especially those involving ownership and control of the nation's wealth.

Former secretary of labor Robert Reich, for one, urges a wealth-related, shift in focus: "The asset elevator has been lifting America's wealthy to ever-higher vistas, without their moving a muscle (except, perhaps, to speed-dial their brokers). Current tax law is lifting them, and their children, even higher. Hence the case for allowing the rest of America on the elevator, too."

And former chief counsel to the US Senate Finance Committee Jeff Gates holds: “[A]bsent an accompanying ownership-participation element, unbridled free enterprise is destined to throw both the social and economic system badly out of balance.”

The emphasis on wealth (rather than simply income) by these writers and others involved in the quietly growing reassessment has brought with it a related emphasis on underlying institutions (rather than simply policies). One specific line of development stresses the possibility that workers might own their own companies, a straightforward idea that if extended and applied across the board implies a political-economic system quite different from both traditional socialism and corporate capitalism.

Radical economists Samuel Bowles and Herbert Gintis begin their analysis by agreeing that political progressives need to reconsider failing traditional approaches: “[E]galitarian strategies should abandon what has hitherto been an exaggerated emphasis on ...

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tax and transfer policies.” Not only is this a political dead end, but asset-based redistribution, they urge, “can use markets to discipline economic actors.” Indeed, they hold that worker-owned firms ultimately may prove to be “more efficient than the capitalist firm, in the technical sense that the democratic firm uses less of at least one input to produce the same output.”

Another major strategy begins with the observation of Washington University expert Michael Sherraden that the federal government already provides very large indirect tax subsidies to encourage asset ownership by middle- and upper-income Americans.

Sherraden suggests that if such huge subsidies can be given to middle- and upper-income groups to encourage savings, incentives also should be used to develop asset holding among the poor. He proposes a system of Individual Development Accounts (IDAs) through which the government would directly match the savings of the poor—thus doubling, their efforts and allowing low-income individuals to benefit from the ownership of capital.

A related proposal by Robert Kuttner aims to provide each child with a \$5,000 capital grant at birth and up to \$1,000 a year thereafter until age eighteen. Kuttner estimates that if conservatively invested, such an amount will produce a capital fund of roughly \$50,000 per individual at maturity.

“Imagine if instead of being promised at birth that you will get a Social Security pension decades in the future ... you were given a trust fund based on bonds or stocks whose returns; would constitute your social transfer,” comments Richard Freeman. “The incompetent poor would then be more like the incompetent rich: they would have income from assets that would let them live at some basic level, without depending on income transfers.”

A coherent proposal that develops the full institution-changing logic of wealth-holding ideas is that of the Nobel laureate British economist, the late James Meade. Under Meade’s approach, taxation of large-scale wealth produces funds to be used, first, to pay off the national debt, and second to accumulate surplus public capital. The surplus, in turn, is invested in corporate stock by investment trusts and other private financial institutions. The “beneficial ownership” of roughly half the nation’s capital in this proposal is ultimately passed on to the public in the form of a “social dividend,” distributed “free of tax to every citizen ... which depends solely upon the age of the citizen, a distinction being drawn between the payment to a child or to an adult of working age or to a pensioner.”

Catalogued in this study are profiles of some of the literally thousands of practical, on-the-ground efforts that illuminate how wealth-holding principles like these have developed in communities and at the state level throughout the nation over the last several decades

Democracy: From the Ground Up

What of the central question of democracy itself? Many have noted the trends of failing belief, the radical decline in voting, the massive role of money and corporate influence in lobbying, media, and elections—and in general, the large numbers who surveys show feel that “our national experiment in self-government is faltering.” That millions of Americans believe “people like me have almost no say in the political system” has been a wake-up call for many on the left, right, and center.

The work of Harvard political scientist Robert Putnam kicked off a major debate on one aspect of the problem.

Putnam probed well beneath such surface-level issues as the fall-off in voting to focus instead on local citizen associations, networks, formal and informal clubs, neighborhood groups, unions, and the like. Large numbers of Americans, he suggested, were now both actually and metaphorically “bowling alone” rather than in association with others. Putnam suggested that a decline in associational activity, in turn, had produced a decline in trust and “social capital”—foundational requirements of democracy in general.

His response was straightforward: the nation should develop as many ways as possible to encourage local involvement—the only way, he held, Americans could hope to renew the basis of democracy throughout the larger system.

Quite apart from Putnam's studies, general analysis, and recommendations (many of which were challenged by scholars), of particular interest was the explosive reaction to his argument—and the reorientation of strategic concern it represented. The outpouring of interest his first rather academic article on the subject produced revealed that Putnam had struck a powerful nerve. "Seldom has a thesis moved so quickly from scholarly obscurity to conventional wisdom," observed former White House aide and political scientist William Galston.

Especially important was what was *not* at the center of attention: Putnam and many who responded to him did not focus on national parties, national interest groups, national lobbying, national campaign finance laws, or national political phenomena in general. What he and they focused on was the "micro" level of citizen groups and citizen involvement. Here, at the very local level, was now the place to begin to look for democratic renewal.

Is it possible to have Democracy with a Big D in the system as a whole if you do not have real democracy with a small d at the level where people live, work, and raise families in their local communities?

The heart of the larger foundational argument—and this is a critical emphasis—might be put thus: Is it possible to have Democracy with a Big D in the system as a whole if you do not have real democracy with a small d at the level where people live, work, and raise families in their local communities? If the answer is no, then a necessary if not sufficient condition of rebuilding democracy in general is to get to work locally.

Putnam's thesis is only one of a group of arguments that focus primary attention on what goes on in local communities. Indeed, an important and expanding group of theorists have picked up on the more demanding "small d" Tocqueville-Mill argument that an authentic experience of participation in local government decision making is essential if democracy is to be meaningful. A forceful statement of the more fundamental judgment is that of political scientist Stephen Elkin, a theorist who stresses that citizens must experience the actual use of power: "Civic associations cannot do [this] job: The element of authority is missing. " Again, "for citizens to have any concern for the public interest . . . they must have the experience of grappling

with its elements. For any significant number of citizens this can happen only through local political life."

The argument that nurturing democracy with a small d is necessary if big-D Democracy in the system as a whole is ever to be renewed brings into sharp relief some of the real-world conditions required to make this meaningful . . .

The issue is not simply one of distribution. *City Limits*, an aptly titled study by Harvard political scientist Paul Peterson, demonstrates that as a result of the underlying relationships, policy choices are often "limited to those few which can plausibly be shown to be conducive to the community's economic prosperity The "democracy with a small d" question is whether there can be any meaningful democratic *decision making* when allocations to achieve business priorities implicitly preempt alternative choices The conclusion—though not always brought into clear focus by theorists concerned with democracy and civil society—is inescapable: if the local foundations of democracy are to be meaningfully rebuilt, this also requires an approach to achieving greater local economic stability that does not rely so heavily on traditional business-oriented strategies. If municipalities are to be "delivered from their present economic bondage," political scientist David Imbroscio observes, they must find ways "to promote economic vitality in their jurisdictions via the implementation of 'alternative' economic development strategies based on something other than capturing-footloose investment."

Democracy: Inequality and Giant Corporations

A second line of attack on what many now call the "democratic deficit" zeroes in on the multiple ways the organization of the larger economy impacts democratic life.

For one thing, until the foundational question of whether some other way to reduce inequality is confronted and resolved, it is unlikely that the *democratic* question of how to curb the influence of money in politics can be effectively dealt with

The implications different economic arrangements have for democratic practice are also obvious in connection with the political influence of large corporations We are here at the very heart of the system problem. The key question: Is there any way to achieve democratic control in the face of the self-evident power of giant enterprises? Are there *any* viable longer-term alternatives?

A host of studies have documented some of the most obvious realities. The large corporation regularly

1. influences legislation and agenda setting through lobbying;
2. influences regulatory behavior through direct and indirect pressure;

**Genetic Prospects: Essays on
Biotechnology, Ethics, and Public Policy**
(Volume II of the Institute for Philosophy and
Public Policy Studies series)

While the collapse of the Soviet Union has diminished the force of George Orwell's *1984*, the other great dystopian tract of the twentieth century, Aldous Huxley's *Brave New World*, is timelier than ever. The ongoing process of genetic science may well revolutionize medicine and human reproduction, and it may end by giving us the ability to transform the human species itself. This new power has raised hopes that we will solve a range of genetically based problems that afflict us. It has also evoked fears that we are on the verge of a "post human" future in which precious but necessary norms regulating individual and social life will be set aside. Will we have the moral and political wisdom to avoid the pitfalls in using new biotechnologies?

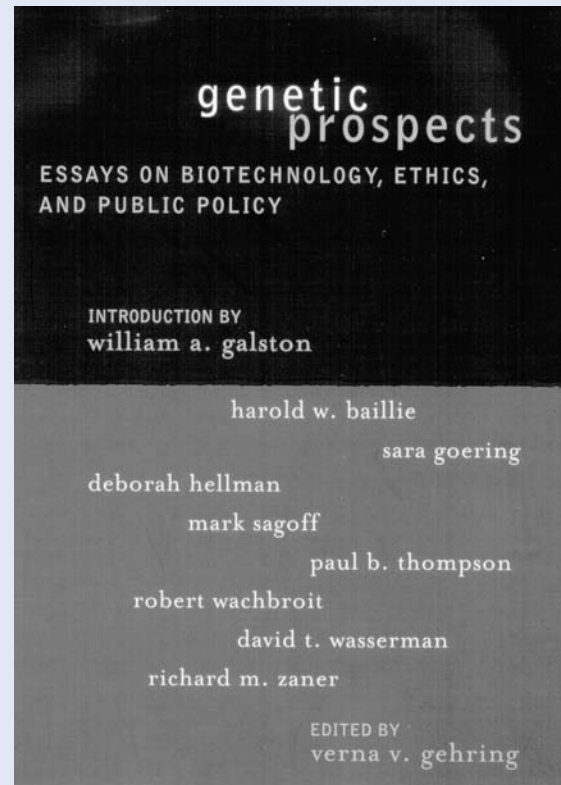
Genetic Prospects considers the resources from which the needed norms and maxims might be drawn, scrutinizing carefully the contributions of common sense, religion, and moral sentiment. Taken together, the essays in this volume apply philosophical analysis to address three kinds of questions: What are the implications of genetic science for our understanding of nature? What might it influence in our conception of human nature? What challenges does genetic science poses for specific issues of private conduct or public policy?

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3. influences elections via large-scale campaign contributions;

4. influences public attitudes through massive media campaigns;

5. influences local government choices through all of the above—and adds the implicit or explicit threat of withdrawing its plants, equipment, and jobs from specific locations;

6. influences choices at all levels by virtue of the simple fact that in the absence of an alternative, the economy as a whole depends on the viability and success of its most important economic actor—a reality that commonly for ces citizen and politician alike to respond to corporate demands.

One of the main "countervailing" forces checking

the political powers of the corporation has been or ganized labor. With the steady decline of labor union membership, however, there has also been a weakening of labor's direct and indirect capacity to constrain corporate influence. Corporations now commonly account for three out of every four political donations in congressional elections—outnumbering labor contributions almost 14 to 1.

A former president of the American Political Science Association, Charles Lindblom, concludes his prizewinning book *Politics and Markets* with this judgment: "The large private corporation fits oddly into democratic theory and vision. Indeed, it does not fit."

It is increasingly clear that the effectiveness of regulatory strategies is extremely limited in many areas,

Praise for *America Beyond Capitalism*

"At a time when the national media's been transfixed by the imperialist adventures and crony capitalism of the Bush administration, Gar Alperovitz discovers that not only have the seeds of a legitimately democratic political economy been planted, they are bearing fruit. Addressing a range of necessary changes, from urban design to health care to the distribution of wealth, Alperovitz's Pluralist Commonwealth is the kind of careful, well-researched, and practical alternative progressives have been seeking. And it's more—visionary, hopeful, even inspirational. I highly recommend it."

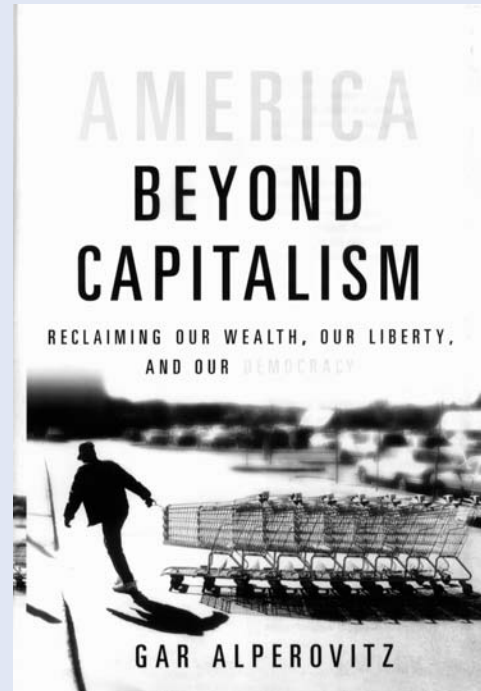
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and under attack in several others. During the final decades of the twentieth century, deregulation occurred in connection with trucking, airlines, railroads, telecommunications, energy transmission, and large sectors of the financial services and banking industry. Corporations also have been able to develop powerful lobbying and other tactics to influence federal agencies and commissions established to oversee their functioning. Although the Enron, WorldCom, and other scandals forced its hand in certain areas, the administration of George W. Bush has been particu-

larly aggressive in challenging traditional regulatory strategies.

At this stage of the reassessment process, no fully comprehensive proposal has as yet been put forward that even in theory confronts the many-sided challenge to democratic practice presented by the power of the large corporation. Various thinkers have, however, begun to offer a number of suggestions that move in the direction of a comprehensive approach that might one day plausibly be combined with other emerging ideas to produce an integrated strategy . . . These proposed

partial solutions center on the legal status of the corporation; the role of public and quasi-public “stakeholders”; the degree to which the corporation can be democratized from within; and the leverage that public or quasi-public ownership of corporate stock can confer.

The Pluralist Commonwealth

Increasing numbers of Americans concerned with equality, liberty, and democracy have begun to despair that traditional strategies to achieve the nation’s most fundamental values simply no longer work. If corporate capitalism (to say nothing of the socialist model) appears unable to sustain equality, liberty, and democracy, is there any conceivable, logically coherent way forward?

It is possible to bring together critical elements of the evolving foundational thinking, and project and extend others, to define the underlying structural building blocks of a political-economic system “model” that is different in fundamental ways from both traditional capitalism and socialism.

The schematic model flowing from the various considerations emphasizes the systematic development of a robust vision of community democracy as the necessary foundation for a renewal of democracy in general.

If corporate capitalism . . . appears unable to sustain equality, liberty, and democracy, is there any conceivable, logically coherent way forward?

It prioritizes a variety of strategies to undergird local economies and thereby establish conditions favorable to nurturing local civil society associations and to increasing local government’s power to make meaningful decisions.

Partly to achieve such local democracy objectives—but for much larger reasons as well—the model also projects the development over time of new ownership institutions, including locally anchored worker-owned and other community benefiting firms, on the one hand, and various national wealth-holding, asset-based strategies, on the other. These ultimately would take the place of current elite and corporate ownership of the preponderance of large-scale capital.

At the national level a major new institution—call it a “Public Trust”—would be projected to oversee the investment of stock on behalf of the public, as state and other pension boards (and the Alaska Permanent Fund) commonly do today. Variations include allowing the proceeds to flow to individuals, to states, to municipalities, to the federal treasury—or perhaps to

fund such basic public services as education or medical care for the elderly.

Over time a fundamental shift in the ownership of wealth would slowly move the nation as a whole toward greater equality directly—through, for instance, worker-owned enterprises, and also indirectly—through a flow of funds from the larger asset-based strategies and investment on behalf of the public

Over the long arc of the twenty-first century and beyond, the flow of funds from such sources would also be allocated to help finance a reduction in the work week so as to permit greater amounts of free time, thereby bolstering both individual liberty and democratic participation

Finally, the emerging model implicitly moves in the direction of, and ultimately projects, a radical long-term devolution of the national system to some form of regional reorganization and decentralization—a strategic move important not only to democracy and liberty, but to the successful democratic management of ecological and other issues as well.

The overall system model defined by the critical structural elements might be termed a “Pluralist Commonwealth”—“Pluralist” to emphasize the priority given to democratic diversity and individual liberty; “Commonwealth” to underscore the centrality of new public and quasi-public wealth-holding institutions that take on ever greater power on behalf of the community of the nation as a whole as the twenty-first century unfolds.

Although at this stage of development the model is obviously general in form, certain features of the Pluralist Commonwealth’s political-economic architecture are striking. Of particular interest is that its basic elements, taken together, offer an integrated approach to dealing with a number of the fundamental power problems presented by large-scale economic enterprise in any system—capitalist, socialist, or other.

First, over time the model steadfastly attempts to nurture and rebuild democratic experience by supporting various mechanisms to make democratic practice real in the lives of citizens. The development of a meaningful democratic culture is foundational: a guiding judgment is that without attention to nurturing the conditions needed to support an active and engaged citizenry, very little can be done either in theory or in practice to achieve larger democratic goals.

Second, the model opens a steadily expanding wedge of time for individuals to participate in democracy. This is one of the Pluralist Commonwealth’s most important elements. Without time to participate, authentic democratic processes’ to constrain economic actors (be they private or public), and to monitor a revitalized public sector, are simply not possible.

Third, the model’s financial mechanisms also aim to

translate technological gains into greater equality—thereby offering long-term possibilities for equality of democratic participation in general and for challenging and containing the power of large-scale enterprise in particular.

Fourth, as in the case of modern public pension fund management, the change in ownership legitimizes the public's inherent right to ensure that major firms are made accountable to larger concerns—even as competitive practices are encouraged through a variety of well-established techniques

Fifth, the longer -range Pluralist Commonwealth vision ultimately and over the long haul also reduces the scale of public institutions that hold firms to account The modern for-profit corporation is for the most part unaccountable to the public—and contrary to traditional theory, in most cases unaccountable to its shareholders as well. As the Enron and other scandals have shown (and many scholarly studies demonstrate) managers and top executives largely run the system, dominating boards and annual meetings alike. Rarely are successful challenges to their power successful, even by major shareholders.

It is commonly held that free-enterprise capitalism is the most efficient of all systems—certainly more efficient than traditional socialism—and that other possibilities must inevitably also be inefficient. Even at this stage of its development, however, there are reasons to believe the Pluralist Commonwealth could equal or possibly surpass the efficiency of real-world capitalism.

First, although some of the wastes and inefficiencies of capitalism are occasionally highlighted in the media, we are beginning to grasp just how vast these may be. The electricity crisis in California in 2000 and 2001 cost the state tens of billions of dollars. A conservative estimate is that over \$10 billion was directly attributable to market manipulations by private firms. Corporate scandals in 2001 to 2003 cost New York State alone an estimated \$13 billion. The Enron scandal cost workers and pension holders \$1 billion. The saving and loan bailout in the first Bush administration cost tax payers \$125 billion in direct costs, plus—an estimated additional \$275 billion in subsequent years for interest and increased service of the national debt. Lobbying by the oil, pharmaceutical, insurance, television, banking, and other industries regularly generates further billions of dollars of questionable federal subsidies. This is to say nothing of numerous widely publicized scandals and bankruptcies that give illuminated many other obvious and well-known, but commonly ignored, costs routinely associated with current economic practices.

Second, various quasi-public and public firms (e.g., worker-owned firms, municipal electric utilities) have been shown to be at least as efficient as traditional corporations—and in many instances, more efficient

Third, salaries paid to public managers in compara-

ble positions are far lower. For instance, William J. McDonough, then the president of the Federal Reserve Bank of New York, received \$297,500 in 2001, while William Harrison, the CEO of J.P. Morgan Chase, took home more than \$21 million. Top executives managing large state-run pension investments (e.g., CalPERS) received compensation of less than \$450,000 in 2001—while William Foley, the chairman and CEO of Fidelity National Financial, garnered more than \$13 million. Compensation for top executives in the Tennessee Valley Authority is regularly much less than compensation for executives managing major private electric utilities.

Fourth, it is clear that additional strategies to achieve economic efficiency are already being developed—and are likely to continue to be developed. [Numerous scholars] all have suggested ways to combine the public's interest in important economic activity with strategies to ensure the independence of strictly business decisions and the use of market discipline—and additional variations and refinements are likely to be put forward as time goes on

Critics of public involvement in economic matters commonly implicitly compare new approaches with the efficiency properties of a competitive but exceedingly abstract and rarefied free-market model. The result is a self-serving “heads-I-win, tails-you-lose” economic argument: traditional political-economic practices are evaluated “as if” they were (or should be) purely efficient free-market operations, ignoring what everyone knows to be the actual dynamics of corporate political-economic behavior. Meanwhile, alternatives involving proposed public strategies are evaluated “as if” they must inherently involve grave political-economic market distortions—ignoring studies that demonstrate the measured efficiencies of a wide range of available alternative practices.

The truth is, various forms of manipulating the market are central to the operation of the current corporate-dominated political-economic system, not peripheral to it. They come with the territory—as everyone knows full well when they shift their gaze away from abstract theory to the real world of oil company lobbying, drug company political payoffs, Microsoft anticompetitive maneuvering, Enron corruption, and Andersen accounting complicity.

The Pluralist Commonwealth model breaks the logic of the traditional argument—first, by challenging the utopian idea that most firms keep away from government in the current system; second, by developing various strategies that allow for both competition and increased citizen accountability; and third, by structurally changing ownership patterns in ways that achieve greater transparency so that when the inevitable problems, public or private, arise, they can be, openly debated and corrected. Finally, of course,

the model's shift to new ownership forms inherently recaptures for broader public use excessive funds that might possibly be garnered through corporate political maneuvering.

The central argument of this essay is that the first decades of the twenty-first century are likely to open the way to a serious debate about these and other systemic questions—and, further, that real world conditions during the coming period are likely to offer possibilities for establishing substantial practical foundations for a potential longer term systemic transformation in the era which follows.

The prospects for near term change are obviously not great—especially when such change is conceived in traditional terms. Indeed, although there may be an occasional 'progressive' electoral win, there is every reason to believe that the underlying trends will continue their decaying downward course. In many ways times are likely to get worse before they get better.

On the other hand, fundamental to the analysis presented in the preceding pages is the observation that for precisely such reasons we are likely to see an intensified process of much deeper probing, much more serious political analysis, and much more fundamental institutional exploration and development of the kind catalogued in these pages

Few predicted either the 1960s or the conservative revolution which followed. Major eruptions and political realignments are the rule, not the exception in American history. Large order institutional restructuring, we tend to forget, is exceedingly common in the long sweep of world history. The difficulty lies in pulling ourselves out of the present 'moment' to consider our own possibilities in broader, longer term historical perspective.

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