Democratic ownership in the USA: a quiet revolution

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Abstract: A quiet ownership revolution is underway in the USA, one that holds tremendous promise for a new age of economic, social, and environmental justice. The old trio of conventional public, private, and non-profit ownership forms is no longer adequate to encompass the evolution and hybridisation of institutional forms currently underway. This paper offers a taxonomy of democratic ownership models, an exploration of new innovations emerging, and observations on how these models might be scaled up to create an economy of enduring, broadly enjoyed prosperity.

Keywords: democratic ownership; models; design; cooperatives; worker ownership; public ownership; USA; social enterprise.

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1 Introduction

Institutions of ownership, as invisible as they remain to most people, embody the underlying social architecture of our economy. The designs through which productive property is owned and controlled have shaped the core functioning of every society throughout history. This was true of aristocracies, where royalty and nobility owned most land and wealth; of colonialism, where absentee landlords and the imperial 'home' nation controlled and extracted resources from territorial possessions; of state socialism, in which the central government owned most productive property; and early stage capitalism, in which railroad kings, steel tycoons, and corporate financiers dominated the growing industrial infrastructure in nations like the USA and the UK.

In recent decades, economies around the world have become increasingly financialised. Various forms of property are now represented primarily as financial wealth, which is traded via 'innovative' and increasingly complex financial instruments. The vast majority of this financial wealth is held by a tiny elite. According to Credit Suisse, the richest 1% of the world's population now owns 50% of the globe's total wealth (Treanor, 2015). Even in the USA, often said to be more democratised than some older countries; over 75% of the wealth is held by the wealthiest 10% [Wolff, (2014), p.50].

Our present multiplying crises of the economy, society, and the environment are deeply entwined with the particular ownership design that has come to dominate most of today's economies – the large corporation, ownership shares of which are traded on public stock markets. Similar in design are other capital-controlled corporations, such as those held by private equity. As Michie (2017, p.5) writes, the capital-controlled model has "become prone to short-termism, and a lack of proper stewardship has led to a series of problems…" Among these problems are the relentless drive to reduce labour costs (through offshoring, internal relocation, and hostility to unions), efforts to externalise social and environmental costs as much as possible, the enshrinement of shareholder value above all other considerations, the decimation of local economies and small businesses, the use of off-shore tax havens and other tax avoidance mechanisms, and the establishment of an incentive structure that promotes financial speculation over productive investment. The problematic behaviours of these kinds of corporations are similarly found wherever a profit-maximising ethos reigns. Large conglomerates like Koch Industries, Cargill, or the Trump Organisation, for example, may be privately owned, but their behaviour is little different from their publicly traded counterparts. This dominant ownership model has many names but might best be thought of as *extractive ownership* [Kelly, (2012), p.11]. Extractive ownership is designed, primarily, for the extraction of financial wealth from the economy. When this model predominates, it forms the foundation of an extractive economy – built on the extraction of resources from the earth and of wealth from economic activity. Such an economy also tends to give rise to a polity where the wealthiest 1% extract power and control from the citizenry. However problematic this model, the traditional alternative of centralised and bureaucratised state ownership is, in most cases, equally unappealing. Yet the world is no longer limited by this false dichotomy, as it was for much of the twentieth century.

What has been emerging in recent years is an alternative vision of ownership for the common good, a new way of structuring the foundations of the economy to ensure equality, justice, sustainability, and participation that goes beyond the traditional remedies of after-the-fact distribution or regulatory methods. In the quest to transition to a fundamentally different kind of economy, changing the dominant form of ownership will be critical – it is arguably the central challenge, though this is not widely recognised. The change involves two aspects: altering the nature and purpose of ownership designs; and transitioning asset ownership from the hands of the few to those of the many. This paper examines both, in the context of the largely unrecognised ownership revolution currently taking place in the USA.

2 Naming an emerging family of ownership design

The new vision of ownership can be thought of as an emerging property ownership archetype that has yet to be recognised as a single phenomenon, in part because it has yet to have a widely agreed upon name. Cumbers (2012, p.7) calls it *public ownership* – defined "in its broadest sense as encapsulating all those attempts, both outside and through the state, to create forms of collective ownership." Kelly (2012, p.11) suggests the term *generative ownership*, to describe a variety of ownership styles aimed not at maximum financial extraction but at creating the conditions for life to thrive. Reports published by The Democracy Collaborative, a US-based research institute known for its commitment to both on-the-ground community economic development and comprehensive political-economic system change, have used terms like *broad-based ownership, democratic ownership, or inclusive ownership* to describe these models. This organisation, where the authors currently work, sees these kinds of ownership models as part of a broader phenomenon that is called *community wealth building*, a term that refers to a place-based, inclusive approach to economic development aimed at creating broad prosperity (Kelly and McKinley, 2015; Kelly et al., 2016).

For purposes of this paper, the term *democratic ownership* is used to indicate a family of models where ownership is broadly held, and/or is controlled by democratic means. The best models include both forms of democratisation: ownership and control. This two-part definition is based on the recognition that ownership is not a single phenomenon but is instead a bundle of rights that can be distributed in different ways to different parties (Honoré, 1961). These include the right to extract income or gain in value; the right of occupancy or use, as in the case of a home or land; the right to control the entity; and so on. Ownership, as law students are taught, is thus more like a bundle of twigs than a unitary concept. A typology of the different models in the family of democratic ownership design can be found below.

Whatever it is called, the family of democratic ownership designs is much larger than many people realise. Some of these models have been growing rapidly in the USA. Worker cooperatives, for example, may remain small in absolute number, yet interest in this model has increased substantially. In New York City, the number of worker co-ops is on the verge of nearly tripling from a mere 23 existing in 2014 (Abello, 2016). Another form of worker ownership much larger in quantity is the employee stock ownership plan (ESOP), which did not exist until the 1970s, and now covers around 10.5 million workers (NCEO, 2016). Community land trusts – a form of community, non-profit ownership and control of land – were virtually unknown before 1970, and now number around 270, and are found in nearly every state in the nation (National Community Land Trust Network, 2017). Credit unions – one-member, one vote financial institutions – have now surpassed 110 million memberships and \$1.3 trillion in assets (CUNA, 2017). Moreover, in all of these areas, and many others, exciting new developments, experiments, and variants are emerging – and, in some cases, intersecting with public policy to offer new pathways to scale and relevance.

The rapid emergence, acceptance, and innovation of democratic ownership forms offers some grounds for optimism in an otherwise troubling economic landscape. Greater ownership and participation in the economic sphere offers the possibility not only of more equal and inclusive distributional outcomes, but also broader benefits such as greater civic engagement (Pateman, 1970; Budd et al., 2017), health and wellness [Bambra, (2011), p.193], and environmental sustainability (Millstone, 2017). Should these models succeed in scaling up, they may one day form the foundation for a generative, inclusive, living economy – and a truly democratic society. Moreover, such models could also prove to be the testing ground for the kind of democratic, responsible corporate governance design principles that society might one day apply to capital-controlled corporations.

3 History of democratic ownership models

Interest in democratic ownership models is not a new phenomenon. The history of capitalism is replete with examples of individuals and communities struggling to regain or retain control over their productive capacities. Like today, past efforts to establish democratic ownership designs have often occurred during moments of crisis or destabilising increases in the concentration of wealth and elite control. The early cooperative movement in the 19th century, for instance, was "part of a general effort by the working classes to self-help in order to counter the excessive growth of wealth concentration in the hands of capitalists" Zamagni writes (2017, p.98).

One powerful example of this was the move by the people of the state of Nebraska to become an all-public power state, such that today every resident and business gets its electricity from one of 166 community-owned entities (Nebraska Power Association, 2017). This began in the 1920s, when residents of the state watched with alarm as large, for-profit electric holding corporations – often owned or backed by Wall Street banks – moved in and began buying up and taking over smaller, locally controlled public and private electric systems. These corporations, using their financial and political power, dramatically consolidated the power industry, as more than one-third of the state's local utilities were taken over by private corporations. In 1930, advocates of publicly owned utilities – including powerful Nebraska Senator George W. Norris – grew tired of corporate abuses and took a revenue bond financing proposal straight to the voters, bypassing the corporate-controlled state legislature. The measure was approved overwhelmingly. That move was followed by a series of state and federal laws supporting the development of publicly and cooperatively owned utilities, ultimately leading to the state enjoying 100% public power by 1949 (Southwest Museum of Engineering, Communications and Computation, 2007).

Similarly, for much of America's history farmers have struggled under the weight of market pressure and exploitation by powerful economic interests. In the wake of the Civil

War, as historian and poet, John Curl (2012) writes, "the small farmer became a tiny link in a great chain, dominated and impoverished by bankers, merchants and middle-men" (p.76). In 1867, farmers formed the National Grange of the Order of Patrons of Husbandry ('the Grange') and began developing purchasing and marketing cooperatives to protect farmers – including hundreds of cooperatively owned grain elevators, warehouses, cotton gins, supply stores, machine shops, and insurance plans. In the 1880s, responding to the same pressures, the Farmer's Alliance began to emerge, eventually involving several million people in three regional alliances. Like their predecessors in the Grange, the Farmer's Alliance turned to cooperative ownership of stores and processing facilities as well as cooperative purchasing and marketing [Curl, (2012), p.112]. Over the years, many other farmer and agricultural worker organisations experimented with democratic ownership forms, and today there are roughly 2,100 agricultural cooperatives nationwide with nearly $90 billion in assets and 191,000 employees (USDA, 2016). The cooperatively owned agricultural financing company CoBank – formed from the merger of 11 of the 13 longstanding Banks for Cooperatives in 1989 – now has $126 billion in assets and returned a patronage dividend of $588 million to its member-owners in 2016 (CoBank, 2017).

Even with success stories like these, democratic ownership has remained at the periphery of debate in the present extractive corporate system, unable to move to scale in a way that could widely alter deteriorating political economic trends such as rising inequality or the domination of politics by corporate money. This may be on the verge of changing, however, amid an explosion of promising innovations in democratic ownership design. Moreover, many within this ownership revolution are beginning to understand and articulate their work as part of a larger movement to fundamentally restructure the foundations upon which the entire political economy rests. This is the aim of the emerging movement for a 'new economy', 'solidarity economy', or – as the current authors would have it – 'democratic economy'.

4 A typology of democratic ownership models

While the field of democratic ownership has been studied widely, a clear and accepted typology of designs for the modern era is only beginning to emerge. Because of the sheer abundance of experimentation and on-the-ground projects, it can be difficult to see that a unified phenomenon is at work. At the same time, because of the emergence of hybrids today that cross boundaries, creating solid and settled categories can be difficult. As a starting point for discussion and work by others, this paper suggests the following typology. It begins with conceptualising a single *family* of democratic design. Within it, one can separate out five broad categories, in which there are various specific *models* and variants.

4.1 Public ownership

This category encompasses federal, regional, state, county, and municipal ownership. It embraces enterprises that range from the large state-owned oil companies prevalent in many nations, through large publicly owned ports and airports, down to municipal electric utilities, community broadband networks, and state and local publicly owned banks (like the state Bank of North Dakota and the Sparkassen in Germany). Also included are entities that are not traditionally conceived of as enterprises, such as public lands, county parks, local schools, and municipal golf courses and landfills. Pension funds, sovereign wealth funds, and other public funds also fit within this category (see also Cumbers, this volume; and Lansley et al., this volume).

4.2 Worker ownership

This category encompasses worker-owned cooperatives, ESOPs, partnerships, and other emerging forms such as trust ownership on behalf of workers. Some of these entities include features of employee control (works councils, board seats for employees, open book management, gain sharing, worker-managed teams, and so on); many do not. Worker-owned cooperatives are governed on the basis of one-worker, one vote. ESOPs as retirement trusts are controlled by a trustee; these trustees can be selected either democratically or by management.

4.3 Cooperative ownership

This category encompasses models where an enterprise is owned and democratically governed by the people it serves. It includes consumer cooperatives like grocery cooperatives and credit unions; producer cooperatives like the many farmer-owned processing and distribution coops; purchasing cooperatives like the ACE Hardware network; and worker cooperatives and multi-stakeholder cooperatives (the last two models can span multiple categories).

4.4 Non-profit ownership and social enterprise

Encompassed here are non-profit hospitals, colleges, universities, non-governmental organisations, and charities. Also included are revenue-generating business enterprises operated with a primary social or environmental mission that are owned by non-profits, are subsidiaries of non-profits, or operate in a manner similar to a non-profit.

4.5 Hybrids

In this category are emerging models like benefit corporations and low-profit, limited liability corporations (L3Cs), which operate in ways closer to traditional for-profit businesses but have embedded social mission in their governing documents. One cross-over model appearing recently is the employee-owned company that is also a benefit corporation. This category could be extended (carefully) to encompass certain larger companies (perhaps even publicly traded ones) that are actively reforming their ownership and governance structures to move in a more socially and ecologically responsible direction. However, the experience of Etsy – which was a B Corporation, then dropped certification after it went public – shows the serious difficulty of genuinely enshrining a primary social mission within a capital-controlled corporation (Murray, 2017).[1]

Emerging innovations and developments in some of these categories are explored below.

5 Worker ownership: promise and limitations

For much of the twentieth century, worker ownership in the US was confined to a small worker cooperative sector and some employee share schemes in for-profit companies. In 1974, this changed when Senator Russell Long of Louisiana implemented the ideas of law professor Louis Kelso by adding sections to the Employee Retirement Income Security Act (ERISA), creating tax-advantaged ESOPs (Blasi et al., 2017). Today, some 10.5 million workers own some percentage of their company through more than 6,700 ESOPs (NCEO, 2016). What is innovative about the ESOP design is that it allows workers to gain ownership of their workplaces without risking their own wages or savings, which has traditionally been a major impediment to the ability to move worker ownership to scale. Instead, employees receive their shares free, as one form of company retirement benefit (NCEO, 2017a). Companies in turn receive tax advantages for these contributions.

Much of the growth today in ESOPs is with S-Corporation ESOPs, where gains and losses are passed through to the ESOP trust. Because a retirement trust pays no taxes, an S Corporation company 100% owned by an ESOP pays no taxes (taxes are paid by employees upon retirement, when they are generally in a lower tax bracket). This form of worker-owned company has grown by the thousands in recent years, putting wealth in the hands of workers at companies like New Belgium Brewing, Clif Bar & Company, Gardener's Supply, Recology, and Dansko. There are close to 3,000 S-ESOPs in the USA today, with $92 billion in economic output. Between 2001 and 2011, when growth in the overall economy was basically flat, S-ESOPs saw 60% employment growth (ESCA, 2015).

According to the National Centre for Employee Ownership, workers at worker-owned enterprises have retirement accounts worth more than double those of workers at traditional firms, and they are only one-fourth as likely to be laid off (NCEO, 2017b). These facts show how worker ownership can be an important way to reduce inequality. Through ownership of assets, families gain stability and ordinary people gain collective economic power. An important opportunity to scale up worker ownership is also emerging. As baby boom entrepreneurs begin to retire, hundreds of thousands of privately held businesses are expected to change hands in the coming years (McMann, 2012). Sometimes referred to as the 'silver tsunami', this generational transfer could create an opening to substantially increase the number of employee-owned firms.[2]

However, from the wider perspective of social justice, environmental sustainability, and economic democracy, ESOPs are not without their limitations. Around 70% of ESOP worker-owners are in traditional, often extractive, large, publicly traded corporations, where the employee ownership share rarely exceeds 25% and does not translate into employee voice or control. More opportunity for authentic employee ownership involves those firms that are 100% employee owned; these are generally smaller and are estimated to number between 1,600 and 4,400 (of around 6,700) companies (Blasi et al., 2017; Fifty by Fifty, 2016; NCEO, 2017c). Even within companies with significant employee ownership, commitment to social justice, worker participation, and ecological sustainability is not guaranteed. ESOP participants generally have only limited voting rights, and degrees of worker participation vary, although research has demonstrated that more participatory ESOPs tend to have better economic outcomes (Freeman, 2007; NCEO, 2017d).

In general, while democratic ownership often improves distributional outcomes, it does not on its own guarantee better social, environmental, or participatory outcomes [Cumbers, (2012), p.5]. Therefore, ownership must also be paired with design and governance mechanisms, including a commitment to institutionalising democracy and participation (both internal and external). One interesting example is that of Banco Popular in Costa Rica, which has a hybrid public and cooperative ownership structure. The large, economically successful bank has made major advances in democratic governance and public participation and is on the cutting edge of ecological sustainability and the green transition (Marois, 2017). Beyond this, how supportive public policies (and the legal and regulatory framework that results from them) are structured plays a crucial role. For instance, in the early 2000s legislation was introduced that would have provided substantial additional tax benefits to ESOPs with greater proportions of employee ownership paired with participation [Alperovitz, (2005), pp.87–88].

One promising innovation within the ESOP form is the hybrid ESOP/co-op model. For instance, Once Again Nut Butter – a New York-based food processor with revenue of more than \$40 million – is a 100% ESOP that governs itself as a worker cooperative (Dandb.com, 2017). All workers and managers meet regularly to make decisions on a one-person-one-vote basis on management and governance issues facing the company. Once Again Nut Butter has a maximum pay ratio (between the highest and lowest) of four to one, engages in fair trade practices with suppliers, develops cooperatives and small organic farms, supports economic development in Nicaragua, and donates to dozens of charities and relief efforts (Once Again Nut Butter, 2017).

Other ESOPs are now becoming benefit corporations (a form of incorporation) or are being certified as B Corporations to embed in their governing documents a commitment to creating social, environmental, and worker benefit (Bcorporation.net., 2017a). One example is King Arthur Flour, America's oldest flour company, based in Vermont. It is a 100% ESOP and certified B Corporation. It provides employee's paid-time off for volunteering, has an environmental stewardship team, and has ensured that more than 40% of its management and board are from previously excluded populations (Bcorporation.net., 2017b). Another B Corporation and ESOP is New Belgium Brewing, where all workers participate in annual strategic planning sessions, the company pays for an on-staff physician and nurse (in addition to paying 100% of worker health insurance premiums), and the company has a philanthropy committee (open to any employee) that distributes millions of dollars annually. Both of New Belgium's facilities are built on former brownfield sites, and the company has set aggressive energy, water, waste, and greenhouse gas standards (New Belgium Brewing Company, 2016).

Since the financial crash and ensuing great recession of the late 2000s, there has been a pronounced uptick in interest around democratic ownership forms as a way to counter the dominance of large extractive corporations, especially in the financial sector. Much of this interest has focused on worker cooperatives as a way to address social inequities. "Public interest in cooperatives has surged since the global financial crisis as people cry out for an alternative to business-as-usual," writes Abell (2014), co-founder of Project Equity and former executive director of the cooperative incubator WAGES (now Prospera). "Advocates argue that cooperatives are a better way of doing business because they spread wealth and ownership more equitably, create better jobs, develop members' skills, and invest in and remain in our communities (p.3)." While worker cooperatives remain scarce in the USA – conservatively estimated at around 350 businesses with 5,000 employees by the U.S. Federation of Worker Cooperatives (2017) – they are, according to Rutgers University Professor of Management and Labour Relations, Joseph Blasi (2017), poised for potentially exponential growth.

With this interest have come important design innovations. In the face of dwindling memberships and a hostile political environment, a number of labour unions have begun to explore the potential of worker cooperatives, notably the United Steelworkers (USW), who signed an agreement with the large Mondragón network of cooperatives (in the Basque region of Spain) in 2009; the two are now actively developing and supporting new union worker co-ops in various areas (Witherell et al., 2012). One of these is the Cincinnati Union Cooperative Initiative (CUCI) in Ohio, a union cooperative incubator that connects with local community groups, the business community, and city government (Cincinnati Union Co-op Initiative, 2017). In the union cooperative model, the social council – an institution within the Mondragón cooperatives that enables workers to participate in decision-making around issues such as wages, benefits, and working conditions – is replaced by a union committee, which engages in collective bargaining with the co-op's elected management [Witherell et al., (2012), p.6].

Another union investigating worker cooperatives is the Service Employees International Union (SEIU). Recently, David Rolf, President of SEIU Local 775 and International Vice President, has written that the traditional collective bargaining framework is fundamentally flawed and that for unions to survive, they must look to new approaches such as worker ownership (Rolf, 2016). Rolf highlighted New York City-based Cooperative Home Care Associates, the largest worker owned cooperative in the USA (and also a B Corporation), which is unionised. It has around 2,000 mostly African American and Latina employees (around 1,100 of them worker-owners) who are members of SEIU Local 1199 (Scher, 2014; Greim, 2016).

Another important innovation is the development of 'multi-stakeholder cooperatives', which include participation by various stakeholders, including workers, consumers, producers, purchasers, investors, and the larger community (Lund, 2010). Popular in Québec, Canada – where the model is called a 'solidarity cooperative' – the form is now spreading through the USA. The Fifth Season Cooperative in rural Wisconsin is an innovative multi-stakeholder cooperative in the food sector. Based out of a closed factory in Viroqua, the cooperative has six member classes – producers, producer groups, processors, distributors, buyers, and workers. Worker-members run the food hub, which aggregates local food from producer-members (including agricultural cooperatives like organic valley and value-added processors) (Berner, 2010). The food is then distributed to buyers, including food cooperatives, restaurants, and groceries, but importantly, also large public and non-profit institutions such as several University of Wisconsin campuses, the Gundersen Health System, the Mayo Clinic, and five local school districts (Duda, 2013; Fifth Season, 2017).

A third innovation is a networked group of cooperatives supported by anchor institution contracts and other collaborative players. This model can be found in the Evergreen Cooperatives of Cleveland, Ohio. It has opened a new vector of urban strategy leading to more than 200 living wage jobs in three worker-owned companies in impoverished East Cleveland neighbourhoods.[3] Current enterprises include an industrial scale laundry with high ecological standards; a solar installation company doing energy retrofits and solar installations for large non-profit health, education, and municipal buildings; and a hydroponic greenhouse capable of producing three million head of lettuce and 300,000 pounds of basil and other herbs a year. Workers own 80% of their businesses, and a holding company (the Evergreen Cooperative Corporation) representing investors and the community as a whole owns 20%. The cooperatives contribute a portion of profits to seed new cooperative ventures (REDF, 2015). The current goal is to scale the network to ten cooperatives and 1,000 employees in the coming years. Evergreen has also established an innovative home ownership program that allows workers to purchase homes in the local neighborhood and own them outright (with no mortgage) within five years (Olick, 2016).

6 Non-profit ownership and social enterprise: serving mission through earned revenue

A sometimes overlooked but important area of democratic ownership is the non-profit sector, which in the USA accounts for an impressive 9.2% of all wages and salaries and 5.3% of GDP (National Center for Charitable Statistics, 2017). Traditionally, many non-profits have generated revenue by charging fees for goods and services, which in 2013 brought in nearly 48% of the revenue of public charities (McKeever, 2015). In recent years, however, a more refined model has emerged: social enterprises. These are often profit-making businesses that are operated by non-profit organisations, serving both to advance mission and provide revenue.[4] This innovative model reduces the non-profit's exposure to the vagaries of philanthropic and government funding and helps stabilise local economies (Community-wealth.org, 2017).

Often, social enterprises provide jobs and training for people excluded from the traditional labour market. One example is DC Central Kitchen (DCCK) in Washington, D.C. This organisation, an early adopter of the social enterprise model, focuses on the connections between hunger, poverty, food waste, unemployment, and healthy food access. "DC Central Kitchen develops and operates social ventures targeting the cycle of hunger and poverty. Each of our ventures create opportunities for meaningful careers, expand access to healthy food, and test innovative solutions to systemic failures," the DCCK website reports (DCCK, 2017). DCCK runs a culinary job training program and directly employs 64 of the graduates (with a living wage and health and retirement benefits). The organisation serves 6,800 healthy meals to low-income students every day and provides discounted healthy food to 67 corner stores in food deserts. The culinary training program helps those who face a variety of barriers to employment, including incarceration, homelessness, and addiction. DCCK has found that its graduates have a prison recidivism rate of just 6%, compared to a 90% average nationally. For five consecutive years, social enterprise revenue ($6.49 million in contracts in 2015) has surpassed charitable donations (DCCK, 2016).

7 Public ownership: more common than many believe

Around the world, the most common alternative to private ownership is ownership by a public body, agency, or governmental authority. The USA is frequently assumed to have little experience with or interest in public ownership – and yet the model is far more common than many people might believe. Because the US political system is both large and relatively decentralised, this creates a potential for local control that does not exist in smaller and more politically centralised countries.

Notable in this category of ownership are water systems. Around 84% of Americans are served by publicly owned water utilities, and an important trend here is the dramatic reversal of the wave of water privatisation that occurred in the 1990s and early 2000s (Food and Water Watch, 2016). Following many well-publicised failures, the number of for-profit privately owned systems fell 7% (and people served fell by 18%) between 2007 and 2014 (Food and Water Watch, 2016).

Along with cooperatives, publicly owned electric utilities – which number more than 2,000 – supply in excess of 25% of the nation's electricity and alone generate revenues of \$58 billion (APPA, 2017a). In smaller communities, revenues from publicly owned utilities are often a crucial component of municipal budgets. Services also often cost residents less. The American Public Power Association has found that on average residential customers receiving their electricity from for-profit private utilities pay around 14% more than similar customers of publicly owned utilities (APPA, 2017b).

Most public transportation systems, ports, and airports around the USA are publicly owned. These vital economic drivers directly and indirectly employ millions of Americans, generate billions in revenue, and move tens of millions of people to and from jobs and other activities. Around 20% of community hospitals in America are publicly owned, and another 58% are non-profit (AHA, 2017). Several states also operate large publicly owned investment funds, sometimes called 'sovereign wealth funds'. The state of Alaska famously collects and invests proceeds from the extraction of oil and minerals, paying out dividends annually to all qualifying state residents (see also Lansley et al., this volume). The massive \$40 billion publicly owned and operated Texas Permanent School Fund controls large swaths of land, along with associated mineral rights, and each year it makes hundreds of millions of dollars in distributions to support education (amounting to \$1.05 billion in fiscal year 2016 alone) (Texas Permanent School Fund, 2016).[5]

A relatively new avenue of public enterprise is the development of broadband networks. In recent years, more than 750 communities have established partially or fully publicly owned networks (Community Broadband Networks, 2018). In many cases, they are deployed to increase local economic competitiveness – especially in rural areas and low-income communities bypassed or poorly served by for-profit cable companies.

Public ownership of land and property is another area where innovations are taking root. Many cities own public markets where space is rented out to vendors, such as historic Faneuil Hall in Boston and Pike Place in Seattle. Similarly, many municipalities own land and facilities leased out to private businesses. One emerging opportunity is a variant of transit oriented development where, as in Washington, D.C. and several other localities, the city government or public transit authority owns and develops land around transit infrastructure (WMATA, 2017). This allows the public to recapture value from rising property prices stemming from public investment, rather than seeing those benefits syphoned off by private developers. Other common areas of public ownership in the USA include schools and universities; alcohol distribution facilities; lotteries; hotels and convention centres; and natural resources. Lastly, and perhaps most interestingly, state and local governments – often through economic development agencies – are now making direct investments in local businesses, especially high-tech start-ups [Clarke and Gaile, (1998), p.84].

In these various models, we see how public ownership can be a valuable source of economic development, and a generator of stable government income that supports public services. If most publicly owned enterprises in the USA are conventional in their governance and operation, additional innovations are emerging in both design and purpose. One development is public-public partnerships (PUPs), whereby publicly owned enterprises partner with other democratic entities – including municipalities, workers, non-profit organisations, unions, public pension funds, and community groups. For instance, in both Nashville, Tennessee and Miami-Dade County, Florida, the local municipality partnered directly with workers and unions as a way to increase efficiency of the water system, as an alternative to privatisation (Food and Water Watch, 2012). Another innovation is the harnessing the vast potential of public and union pension funds to partner with public entities. In 2011, for instance, the American Federation of Teachers pledged to invest $10 billion in American infrastructure over five years – and then met this goal two years ahead of schedule (AFT, 2014).

When it comes to purpose, one emerging vector of innovation is the use of public enterprise to address climate change and other ecological issues. In Boulder, Colorado, a campaign to create a publicly owned power system was driven by concern that the existing corporate provider, Xcel Energy, derived more than 60% of its energy from coal (Jaffe, 2013). Several years and two referenda victories later, the city is now pursuing a twin-track strategy – moving forward with hopes for municipalisation and having a fallback strategy of enhancing city control over energy sources if Xcel remains the provider (Walton, 2016). A similar effort in Minneapolis, Minnesota scored a victory in 2014 when a threat of municipalisation forced Xcel and another energy corporation, Centre Point, to sign a landmark 'clean energy partnership' with the city. Although the agreement did not include municipalisation, it required the company to implement the city's comprehensive climate action plan, shortened its franchise agreement to ten years (down from 20), established a community advisory committee, and gave the city an option to cancel the franchise after the fifth year (Jossi, 2014). In other cases, existing publicly owned utilities are embracing ecologically sustainable goals in response to community pressure and government requirements. Burlington, Vermont – thanks to its publicly owned electric utility – became the first city of substantial size to supply residents with 100% renewable energy (Phillips, 2014; Burlington Electric Department, 2015).

In these examples we see one of the key advantages of local public ownership. Unlike with large corporations, publicly owned enterprises enable the community to collectively influence strategy, allowing moves that address concerns such as inequality or climate change through the deployment of economic assets. This is potentially a massively powerful lever, different from traditional methods like taxation or regulation.

8 Taking democratic ownership models to scale

These models of democratic ownership design offer powerful advantages of many kinds. Scaling up these models would require, first, a broader appreciation of democratic enterprise design as a tool for serving the public good. Second, it will require developing ecosystems of support for these models. That support can come from anchor institutions like non-profit hospital systems, colleges, and universities. It can come from investors – including, potentially, municipal bonds, pension fund investments, and economic development funds. Support can also come from non-profit institutions, from entrepreneurs taking up these models, and from family-owned businesses converting to employee ownership. And support can come from public policy at all levels, whether local, state, or federal.

There are encouraging if still modest signs that this policy support is beginning to appear. In 2014, the New York City Council allocated $1.2 million in funding to go to the development of worker cooperatives, through work by ten partner organisations. In the first year, 21 new worker cooperatives were created, 24 existing worker cooperatives received technical assistance, and close to 1,000 individuals engaged with the worker cooperative model through trainings and conferences (NYC Department of Small Business Services, 2015). Emboldened by this successful venture, the City Council increased funding support levels to $2.1 million in 2016, resulting in 27 new worker cooperatives and more than 2,000 individuals reached (NYC Department of Small Business Services, 2016).

Other cities are following New York's lead. Madison, Wisconsin Mayor Paul Soglin championed an effort that allocates $600,000 annually over five years to worker cooperative development. The city also reached out to organised labour, opening the door for scaling the union-cooperative model (Camou, 2016). Minneapolis, Minnesota – which already invested millions in cooperatives through its business development program – recently unveiled a new 'Cooperative Technical Assistance Program', offering education, training, and technical assistance toward cooperative development (City of Minneapolis, 2017). Austin, Texas is working on a similar approach, and Richmond, California recently established a non-profit revolving loan fund, the Richmond Worker Cooperative Revolving Loan Fund, to make small loans to worker cooperatives (Richmond Worker Cooperative Revolving Loan Fund, 2017).

In a related approach, some cities are working on offering preferences for city contracts to worker- and community-owned enterprises, similar to preferences already widespread for women, minorities, veterans, and small businesses. Both Oakland and Berkeley, California recently passed legislation for the development of such a preference. These are likely to also include education and technical assistance for worker cooperatives (Camou, 2016).

Large anchor institutions, such as non-profit hospitals and universities, are also beginning to support enterprises with broad-based and local ownership. In the last decade or so, anchor interest in supporting local economic development has gained substantial momentum. In just one example, the University of Pennsylvania shifted millions of dollars in purchasing to local vendors as part of its West Philadelphia Initiative (Ehlenz et al., 2014).

Anchor purchasing is part of a new project in Rochester, New York, where the city, under the leadership of Mayor Lovely Warren, recently catalysed the creation of a business development corporation whose purpose is to build wealth in low-income communities by developing worker-owned businesses. This organisation, the Market Driven Community Corporation (MDCC), was incorporated in 2016. It launched its first business in early 2017 – a worker-owned energy efficiency subcontractor (Anderson, 2017). To achieve greater impact sooner and build a more stable and diverse portfolio overall, the MDCC is also exploring opportunities to convert existing Rochester businesses to employee ownership. In early 2018, Warren announced the formation of the 'Mayor's Office of Community Wealth Building' to act as a liaison between the city and the MDCC (Southwest Tribune, 2018).

When it comes to scaling social enterprises, one organisation providing support is San Francisco-based REDF – an incubator which has invested millions in 106 social enterprises that employ 18,000 people (REDF, 2017). This organisation received backing from the federal Social Innovation Fund, enabling it to greatly expand its operations and geographic reach (TDC, 2014). Similarly, the Small Business Investment Company (SBIC) program of the Small Businesses Administration (SBA) is being used by some private equity firms to help finance the conversion of companies to employee ownership through an ESOP.[6] Once such firm is Charlotte, North Carolina-based ESOP conversion specialist Mosaic Capital Partners, which has a $165 million SBIC fund (Mosaic Capital Partners, 2014, 2015). More such funds are now being developed.

Lessons on scaling up democratic ownership can also be learned from experience elsewhere in the world. In the Basque region of Spain, the famous Mondragón cooperatives have evolved, over time, into a federation of 102 cooperatives, 140 subsidiary companies, eight foundations, and a benefit society – making the Mondragón Cooperative Corporation one of the largest corporations in the country (Mondragon Corporation, 2018). Another oft-cited, significant-scale modern experiment in a democracy economy is to be found in Italy's Emilia Romagna region. There the so-called 'Emilian model' consists of a grouping of more than 8,000 worker-owned enterprises, which now accounts for around 40% of the area's economic activity [Malleson, (2014), p.127]. A third example is the so-called 'social economy' (or solidarity economy) in Québec, Canada. In a province of around eight million people, cooperatives and enterprises linked to non-profit organisations account for upwards of 200,000 jobs, $40 billion (Canadian) in assets, and between 8% and 10% of GDP (Walljasper, 2017).

Over time, learning and innovations from these democratic models (especially hybrids) could also help reform and redesign mainstream corporations. This might follow a pathway similar to that of green building standards, where innovations by leading architects and builders became codified in the leadership in energy and environmental design (LEED) rating system, which in turn created a race to the top among builders. Today, mandatory minimum green building codes have been put in place in several states, demonstrating how a voluntary, best-in-class movement can evolve into legal, industry-wide requirements.

9 Conclusions: a new way forward to a more democratic economy

The many promising democratic ownership innovations emerging in the USA suggest a powerful, under-appreciated way forward to a more democratic economy rooted in community – a way to develop local economies, jobs, and ultimately new public revenues without requiring drastic cuts to social services or massive new burdens on local taxpayers. *Enterprise itself is becoming a vehicle for delivering public benefits*. This is potentially a far more substantial and more enduring approach to creating a well-functioning economy than creating social safety nets that can be eviscerated, or funding local public services through tax increases that are often then fought and scaled back. The *foundational architecture of the economy – its ownership designs – can become an enduring, effective force for enhancing the public good*.

Scaling up models of democratic ownership is a fundamentally different way to move the economy toward better outcomes: more stable jobs and greater retirement savings as with worker-owned companies; lower utility rates and more local control as with public power; economic development in neglected rural and impoverished areas as with public broadband; funding for schools and social services through revenues from various public enterprises; and deep corporate commitment to the public good as with benefit corporations. A quiet revolution is slowly gathering pace. At a time of deepening income inequality and lack of vision for an effective way forward toward broad prosperity, democratic ownership models may just be an idea whose time has come.

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Notes

1 Another example is the Dutch conglomerate Unilver. One the one hand, the company has been criticised for failing to align its actual, on-the-ground business practices with its corporate social responsibility (CSR) rhetoric. On the other, shareholders have blamed a focus on CSR with poor financial performance and the rejection of a takeover bid by Kraft Heinz.

2 The Democracy Collaborative has recently partnered with the Democracy at Work Institute (formed by the US Federation of Worker Cooperatives), the National Centre for Employee Ownership, the ICA Group (a worker ownership consulting firm), and many other individuals and experts as part of a new initiative to take advantage of this opportunity to greatly expand worker ownership in the USA. 'Fifty by Fifty' aims to develop a strategy to grow worker ownership in the USA to 50 million workers by the year 2050.

3 The Democracy Collaborative worked with partners including the Cleveland Foundation, the City of Cleveland, the Ohio Employee Ownership Centre, and a group of anchor institutions to develop the 'Cleveland model'. Despite several early setbacks and overly optimistic assumptions, the model is beginning to bear fruit, especially for the many workers who now thrive at these businesses (and are building their capital accounts in addition to receiving living wages and good benefits).

4 The definition of social enterprise varies considerably. In some formulations, for-profit businesses (unconnected to non-profit organisations) that embrace a social or environmental mission/standards are considered social enterprises.

5 Another $17.5 billion fund, the Permanent University Fund, owns more than 2 million acres of land and helps underwrite the state's public university system.

6 This form of employee ownership also receives significant public support in the form of various tax breaks to companies and owners that sell or give shares to the ESOP.