

# **Building the Bridge to the High Road**

**By**

**Dan Swinney**

**Center for Labor and Community Research  
dswinney@clcr.org  
www.clcr.org**

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# **BUILDING THE BRIDGE TO THE HIGH ROAD**

## **Executive Summary**

*Building the Bridge to the High Road* takes a hard, critical look at economic, political and social reality. While rejecting traditional redistributionist, socialist, social democratic and neo-liberal capitalist prescriptions, Dan Swinney instead proposes a "High Road" strategy that at times sounds radically left, at other times radically right. The truth is that the high road strategy is a synthesis, adopting some of the best practices of all the rejected ideology-based strategies. Forged by research and study, tempered by wide and deep experience, the High Road offers a plausible solution to the malaise of late industrial society. Swinney's work has centered on the United States but has global applicability.

The paper is easily accessible and rich with examples. The argument is complex but a brief summary is attempted here.

The gap between the haves and have nots in the U.S. is increasing despite favorable short-term aggregate economic indicators. This is a result of disinvestment and deindustrialization, which are in turn a result of capitalists increasingly turning to speculation and short term profits and away from production. More and more capitalists have lost their sense of symbiosis with their communities. Some have abandoned their duty of stewardship and with it the social contract that functioned in the first part of this century. This deviation has been enabled, but not caused, by technological progress that allows the very rapid flow of capital around the world.

The "market" takes the blame for much of this, but Swinney points out instead that the market is a neutral mechanism for transactions, not a teleological entity that dictates to its participants. Poor business plans, ineffective execution, lack of succession planning and similar fixable firm level business issues are frequently the causes of job loss. The short-term values that some owners and managers bring into the marketplace have caused other job losses. Only in a minority of cases has obsolescence or "market necessity" been behind job losses.

The High Road Vision is of a society that is environmentally and economically sustainable, creating jobs and livelihoods that allow true human development, not mere subsistence. The High Road Vision regards productivity, efficiency and profitability as essential but asks: What values and priorities are driving decisions within the limits of the market? How do we use the surplus value generated by the market? How creatively and effectively do we use non-market capacities to accommodate the market's limits?

To carry this vision beyond utopian dreaming or naive comunitarianism, those who would follow the High Road must implement a dynamic strategy over the next several decades. This strategy incorporates popular control of the micro- and macro- economy. Labor and community groups must turn from their traditional oppositional redistributionism to a new role as creators and generators of wealth. Labor (organized and unorganized) occupies a crucial strategic position and must adopt capital strategies, that is an "integrated approach to trying to affect all aspects of the structure, finance, and operations of both single employers and entire industries." Labor and community need to recognize the benefits of alliances with each other. They must use a much broader array of tools to achieve this vision, including some of the traditional tools of capitalism. Market forces are among these tools, but when markets fail, other tools exist to provide correction, including social action. Government is just one of several essential tools, not the source of all solutions.

Business has a crucial role to play in this strategy. Sections of the business community are embraced as strategic and tactical allies. Swinney makes an important distinction between those who seek a fair return through increasing productive capacity and those who seek a return only through speculation. Businesses on the High Road are to be allies, businesses who take the Low Road are to be blocked.

As a vision for society this may sound radical but in fact elements of this vision have been implemented in individual firms and in some regions of Europe. Many companies have become high performance workplaces through greater worker knowledge and control. Although ESOPS are usually little more than financing tools, Swinney cites examples of genuine employee owned and controlled firms.

While the old social contract existed, organizing, including militant organizing, around redistribution issues was successful. As long as unions and communities fought for, and received, a bigger piece of the pie the people organized did not need deep understanding. Those days are gone. Swinney advocates what he describes as the Development Model of Organizing. This requires that workers and community members have a clear understanding of society, think strategically and embrace a vision. Oppositional skills are not sufficient. Today's effective organization must advance a plausible alternative and achievable business strategy as the context of its demands to maintain or improve wages and benefits.

The preconditions for success then are well-trained leaders and organizers who can educate their unions and communities about finance, management, economics and sociology. Organizing for wealth creation is a long term proposition so unions and community organizations must themselves be well managed, high capacity units.

This analysis rejects the customary labeling that treats all businesses, unions or community activists as automatically bad or good, depending on where one stands. The paper is critical - in some detail - of low road businesses, many traditional community development activities that displace residents and promote low road jobs, and unions that resist stepping up to members' contemporary needs. At the same time the essential role of high road businesses, especially those with a high degree of entrepreneurship, is explained in equal detail. The critical roles of progressive labor and community development efforts are also examined.

The High Road is a global strategy advocating international agreements on trade and investment that incorporate high road values of mutual development while rejecting protectionism and nativism.

David Pfleger  
Thornton-Pfleger, Inc.  
August 1998

*To order copies of Building the Bridge to the High Road send a \$10 check or money order to: CLCR, 3411 W. Diversey, Suite 10, Chicago, IL 60647.*

## Preface

Nearly forty years ago President Kennedy said: “Ask not what your country can do for you, ask what you can do for your country?” Since then the traditional social contract in the US and in most of the developed world, has been under attack. The sixties, which have been characterized as “the decade of illusion and idealism” passed into the seventies, “the decade of disillusion,” followed by the notorious eighties, “the decade of materialism and realism,” until we finally reached the nineties, “the decade of alienation, severe decline in trust and loyalty, coupled with a deep suspicion of business, government and politicians.” During this time, we have witnessed the almost exponential growth of electronic technology, and a concomitant growth in the use, and value, of information, which has exacerbated certain negative trends in societies.

Globalization has become synonymous with re-engineering, or downsizing, while society and most product and service markets have become bi-polar. In product markets, there are really no middle range products, only top tier “image” brands and utilitarian private label/generic products; while in society, the middle class is disappearing, the rich get richer and the permanent underclass grows larger. Many people are becoming permanently disenfranchised. These trends cannot continue, a president of Mexico once said “the way to prevent revolution is to give the people something to lose.” In today’s world, unfortunately, the number of those with nothing to lose is growing, leading to increasing social instability.

*Building the Bridge to the High Road*, a discussion paper highlighting various ways in which to expand participation and democracy in the economy in order to build sustainable communities, offers many provocative and radical thoughts with respect to the roles to be undertaken by business, group and political leaders over the next several decades.

The High Road proposes the development of a system that will result in the highest and best use of our human and material resources, in order to create, rather than merely redistribute, wealth in a sustainable manner.

A new social contract must be designed and implemented that stops the disenfranchisement of the many, and the de-industrialization of western economies. “Market Forces” must be balanced to prevent pure speculation, but harnessed to ensure efficient, productive and profitable use of all available material, financial, technological and human resources in the creation of an economically and environmentally sustainable social structure.

Dan Swinney, the author of *Building the Bridge to the High Road*, while placing value on existing cultural, race and gender issues, emphasizes intellectual honesty, analytical rigor, and a values-driven vision. The development of a new, sustainable social structure, demands this disciplined approach, in addition to the fully informed and inter-active participation of ALL of the constituents. In Swinney’s new world, the society will not be bi-polar, but will be inclusive, inter-active, dynamic, and, at all times, values-driven.

Swinney uses many real-life examples to illustrate his points, clearly differentiating between low-road strategies that have resulted in short-term speculative gains, and high-road strategies that have led to sustainable, self-generating situations. Swinney deals with the fact that we must overcome historical polarization and mistrust. Leaders in all segments of society, including community, business, unions, religion, politics, education and technology, must all adopt an analytical approach, embrace intellectual honesty and

develop a values-driven vision. He identifies the traditional “weaknesses,” and, thus impediments to change, in the historical roles of each of these constituents. He discusses the roles of market forces and conventional wisdom and highlights alternatives. Labor must no longer be viewed merely as a cost, but must be recognized as a key strategic component of any community, society and, business system. Similarly, the role of financial resources and entrepreneurial risk-taking must be recognized, together with the need for change in the role and services provided by government.

While Swinney does not provide a detailed playbook for societal change, through his research and analysis, he synthesizes an approach that transcends “politics as usual,” is pragmatic but not naive, possible but not ideologically rigid, and, most importantly, eminently desirable. His discussion paper presents provocative and radical ideas, which merit concentrated reading, and deep consideration.

Present societal trends give cause for great alarm, and cannot be allowed to continue. By default, long term stewardship has been abandoned for short term benefits. We must quickly re-establish our obligations to society and future generations. *Building the Bridge to the High Road* provides a basis for discussion and the development of a pro-active approach.

Peter Rogers  
Chairman, Basildon Enterprises  
August, 1998

## Foreword

This paper represents current elements of my strategic thinking that are a product of more than 30 years of social activism, mostly in the context of industrial companies and industrial/post-industrial communities. I have seen victories as well as defeats in my own work and in that of my peers and colleagues. Over the last 15 or 20 years, the defeats have been far more frequent than the victories. And they have occurred in an environment that is increasingly unsettling.

Around me, and in most accounts I read, I see developments that are deeply disturbing and reflect a deterioration in society and the human condition that would have been inconceivable 30 years ago. The economic poverty and poverty of spirit that we see all around us were not described in Michael Harrington's The Other America. Yet in part in response to conditions described in that book, a War on Poverty was launched by a president, reflecting an official policy of concern and a commitment of resources to the eradication of poverty. During that time, the intelligentsia and people of good will made enormous personal sacrifices to come to know and to be of assistance to those who had less. Social activists held each other to very high standards of accountability, particularly in demanding that we address core and causal issues.

Now, in the face of evidence to the contrary, we have official pronouncements that we live in a "dream economy" paraded in all the media outlets. Allegedly our system has achieved a world-wide victory. With amazing ease, the intelligentsia find comfort in studying and lauding the positive qualities, actions, and conditions of a smaller and smaller percentage of our domestic and international population. These statements inevitably serve to justify the decision to back away from intellectual or material discomfort and risk. From my perspective, it really is a story of the Emperor's New Clothes, and I am surprised and saddened by the faces I see in the cheering crowd.

That's what I feel on my bad days. On good days, and when I have analyzed what I have seen in my daily work, this is clearly a time of deep transition. Though the numbers are frightfully smaller than I would wish, an emerging core of people from a variety of disciplines have come to a similar conclusion, and are doing the intellectual and practical work that should pay off big time in about 30 years, while making more and more positive changes at the margins in the meantime.

Over the last two years, my organizational network has encouraged me to set forth in one place the perspectives that have emerged from my experience, so that those who are interested might have access to them. Fortunately, this pressure coincided with the generosity of the Cooperative Charitable Trust Forum.<sup>1</sup> Members of the Forum have not only given me the encouragement I needed, but bought the space and set the deadlines I needed to break from the demands of daily work and get it done. The comments and suggestions I received from Forum members as well as friends, staff, colleagues, and family on the earlier drafts were essential for the quality of this final paper. What is the value of this paper for the Forum? As you will see, it is not exclusively on employee ownership. I advance a strategic vision that provides a framework for practical as well as intellectual work. Forum participants have all been active leaders in the kind of work that has given rise to this vision. For that, I am indebted. You have acted with absolute creativity and courage in the arena where efforts, by definition, are often the most complex. You are where the rubber hits the road. None of the ideas in this paper are worth anything if they aren't effective in showing the immediate power of a strategic vision at the place where work is done--at individual companies and workplaces.



One goal of the paper is to bring those we respect in the social movement closer to our side--to win them away from their agnosticism in relation to our core commitment to apply our strategic vision at the company level of the economy. On the other hand, the demand of attention to detail and daily tough decisions gives rise to a narrowness in vision and thought, even on the part of the practitioner/leaders. This paper is dedicated to giving you some determination and insight in guarding against that narrowness. It is also meant to be an antidote to the Valium of our movement--the mobility and financial and professional rewards that go to those with real skill, but that one way or another tend to discourage critical thinking and political organizing.

## Chapter 1: Introduction

On the 1000 block of North Michigan Ave. in Chicago, known as the Gold Coast, the 1995 per capita annual income was \$68,013. Fifty blocks south, in a community known as Grand Boulevard, the per capita annual income was \$1,600. The gap is increasing yearly, reflected in every appropriate type of measure.

As summarized by Jeff Gates in The Ownership Solution:<sup>ii</sup>

- Harvard University economic historians found that the share of the nation's overall net worth held by the wealthiest 1% of American households jumped from below 20% in 1979 to more than 36% in 1989.
- The Federal Reserve and the Internal Revenue Service found that the net worth of the top 1% is now greater than that of the bottom 90%.
- Census Bureau data in 1996 confirm that the gap between America's haves and have-nots is the widest since the end of World War II.
- Between 1989 and 1993, median household income in the United States fell more than 7% after correcting for family size and inflation. For those in the bottom tenth earning just above the minimum wage--inflation-adjusted wages fell an astounding 16% between 1979 and 1989.

In a recent speech sponsored by the World Trade Center in Chicago, United Nations Secretary General Kofi Annan commented on the globalization of the world economy and challenged the common view that we are living in prosperous times. He pointed out that 80% of world trade flows among 12 countries. Less than 5% of world trade involves Africa; and 100 countries are worse off today than they were 15 years ago.

The "Human Development Report, 1996" by the United Nations Development Program, reported that "the assets of 358 billionaires exceed the combined annual incomes of the countries with 45% of the world's people." More than 1 billion people saw their per capita income decline between 1980 and 1993. The UNDP summarized, "Development that perpetuates today's inequalities is neither sustainable nor worth sustaining."<sup>iii</sup>

We are living in potentially very volatile times. Behind the statistics of the income gap are horrific social and human realities. Despite claims to the contrary, we don't live in a dream economy that is the victory of capitalism. American capitalism has returned to the "rich-get-richer legacy of turn-of-the-century primitive capitalism...and...this trend...is non-sustainable".<sup>iv</sup>

This is also a time of tremendous concentration of wealth and power, reflected in megamergers and the incredible incomes of individual businessmen. Critical decision making occurs farther and farther away from the lives and influence of the overwhelming majority of the world's people. These conditions will inevitably give rise to calls for a new order to end the misery and oppression of the growing majority. And some of the calls will take hold and move masses of people to action.

This is a period of great transition. Not only is big change possible, it is required. The question is how long the transition will take and what will be the character of its various stages. The answers depend upon what we do intellectually, practically, and organizationally.

We are at the early stages of a major transition in our economy that will result in a truly new paradigm of development. It will take several decades. Right now we must consciously and patiently focus on the essential incremental moves forward. Such a moment requires explanation and a description of why the old order is no longer adequate, as well as an outline of the general features and terms of the new framework.

This paper is written to:

- advance the basic elements of a strategy that will lead us to a new stage of political, economic, and social development,
- gather the analytical threads that have shaped this strategy,
- win over a core of intellectual and practical leaders to lead a movement around this strategic vision through greater and more intentional coordination.

This paper advances the structure of a new approach with a few examples as illustration. Each section raises complicated issues that deserve much deeper and longer treatment. It is written to encourage critical thinking and debate. As good as those of us are in this reading audience, and as hard as we work, we must acknowledge that negative factors are growing faster than positive ones in our society.

The strategy is explored in the context of a web of values, pressures, and possibilities rooted in the experience of the 1960s and the social movements for civil and human rights, participatory democracy, and global justice. The ideas in this paper emerge from the experiences, values, and reflections of activists, organizers, developers, intellectuals, and leaders over the last 30 years. These men and women typically took inspiration from that tumultuous decade and applied it to a very specific struggle around a very specific situation--thinking globally but acting locally. But now those lessons must be threaded into a more complex tapestry consistent with the angry ambition to change the world, rather than finding a haven for mere survival.

The purpose of this paper is to introduce several key and contested strategic concepts to provoke debate and discussion, and finally to help bring alignment among those who agree.

The key concepts.

1. *A significant section of the business community has turned to speculative and short-term investment, which has led to expanding destruction of the world's productive capacity.*

This qualitative change in the forces of production is being driven, in part, by new information and electronic technology. This is what we call the Low Road. We now have the space and need for a High Road vision of development. The High Road seeks the best use of human and material resources and is made possible by values that affirm the broadest distribution of wealth and human development as an objective of the economy. The safety and development of **all** people is the realistic objective of this strategy.

2. *The question of who guides and drives the production and control of wealth as well as its redistribution is central to this strategy.* There must be a fundamental change in the social relations of production and in those responsible for the creation and control of wealth and developing our productive capacity. The strategy demands that the labor and community social movements transcend the politics of opposition and the limits of advocating **only** redistribution of wealth. Instead they must take responsibility for the creation of wealth, the starting of companies and the creation of jobs, welcoming the

responsibility for good management, productivity, and efficiency as well as justice. We recognize the positive aspects of the market and use them, just as we see and oppose its negative aspects.

3. *The High Road strategy requires recognizing and working with all the stakeholders in the company, the community, and the economy.* We embrace sections of the business community as tactical and strategic allies even as we identify and oppose those in the business community that degrade our communities and the human condition. In this context we recognize an important distinction between those who seek a fair return through increasing our productive capacity and those who seek it through speculation.

4. *We reject the “command” as well as the “neo-liberal” or “free-market” approaches to the economy and government.* We are committed to economic democracy and an expanded level of public participation in all aspects of society, and in all aspects of the economy. This is essential for the development of people as well as the success of our initiatives. It must take place in the firm and community, as well as in government and civil society. The High Road strategy also requires adoption and development of the strategy in local, state, and federal government. We must contend for the use of all the power of the state to take the High Road strategy of development.

5. *We seek the mutual and equal development of all countries and communities.* We see the absolute necessity of viewing our work and responsibilities in the context of the international economy.

6. Our strategy requires four organizational components at the community level:

- The *enterprise development company*, a center for the technical side of development.
- Linked enterprise networks* that coordinate the activities of companies in a sector.
- The *community umbrella organization* that holds the development process accountable to community needs.
- A *political structure* that will represent the development vision in the fight for control of government and its resources.

Finally, this paper hopes to contribute to the gathering of a much larger and diverse group than we have seen in a while to join in common work towards a more clearly defined common objective. In his provocative essay, “Where Do We Go From Here?” the Rev. Martin Luther King wrote,

"When a new dawn reveals a landscape dotted with obstacles, the time has come for sober reflection, for assessment of our methods and for anticipating pitfalls. Stumbling and groping through the wilderness finally must be replaced by a planned, organized, and orderly march."

That must also be our task at this moment in history.

## Chapter 2: The Origins of the Analysis

This paper reflects a personal learning curve on the strategic questions we all face. The personal story is important to expose the origins of the ideas as well as to suggest a practical application. My story is not unique. It shares elements woven deeply into a fabric of formative experience of millions of people--the 1960s.

### My background

I was raised by parents immersed in the best of the professional legacy of the New Deal. They were social workers in executive positions in the federal government, committed Christians, liberal democrats, and committed to equality and internationalism. Following a happy and non-descript childhood in Northern Virginia, I went to Alma College in Michigan on my way to becoming a veterinarian. In March of 1965, when I was 20, a friend of mine had been encouraged by SNCC (the Student Non-Violent Coordinating Committee) to organize a solidarity demonstration in support of the civil rights movement in Selma. We planned a 50 mile march to Lansing, Michigan to present a petition that polarized the campus. It resulted in a cross burning, fights between black and white students, and a mass meeting of 200 in preparation for the march. The next morning, 50 of us started out, only to be hit by a blizzard and finally turned around by the State Police.

My curiosity and values had been challenged and changed. I took a summer job in Atlanta and immediately sought out the SNCC office, offering my talents as an envelope stuffer and stamp licker. Volunteering as a chauffeur for a couple of veteran organizers led me to work in a school desegregation project in DeKalb County, Ga. A summer of community organizing followed, with a typical experience in a southern jail. Absorbing the intensity of that rural community was a turning point in my life.

I transferred in 1965 to the University of Wisconsin and into the history department. Madison was one of the key centers for the anti-Vietnam War and student movements that became the center of my life for the next four years. I left Madison in 1968, moving to the industrial community of North Chicago, Illinois where I continued my organizing work among young people and sailors at the Great Lake Training Center. Here I started what would be a 15-year period of factory jobs: making paint, making envelopes, assembling autos, in a bakery, on electronics assembly lines, and as a janitor. I operated a slitter to cut gaskets, operated centerless grinders cutting parts for appliances, and finally settled into a 7-year job as a turret lathe operator.

I moved to Chicago in 1970. I led a failed, three-year organizing drive to bring the United Electrical Workers Union (UE) into Sunbeam. I was fired. Following a two-year job at another plant, I was hired at Taylor Forge, a subsidiary of Gulf +Western in Cicero, an industrial suburb on Chicago's West Side. This was 1975. Taylor Forge made big pipe, fittings, and flanges for the Alaska pipeline and big utility companies. I hired in as an apprentice engine lathe operator and became a turret lathe operator for most of my eight years at Taylor Forge. I led the successful organizing drive to bring in the Steelworkers Union, and served as Vice President of USWA Local 8787. Unknown to me at that time, G+W was at the cutting edge of new corporate strategies that were emerging with force in the American economy of the late 1970s. With a huge loan from Chase Manhattan Bank, G+W purchased a number of manufacturing companies, including Taylor Forge, with the intent of "milking the cash cow," as it was described in a Harvard Business School case study. G+W had no long-term strategy for the particular companies (or the products or the workers) it had purchased except to pull out cash and value and to use the money to finance acquisitions in other, more lucrative sectors, like entertainment--e.g., Paramount

Pictures. The short-term objective was the only concern. It was like buying a car and never changing the oil.

G+W began to close Taylor Forge department by department, never telling us what the strategy was. To make matters worse, the executives suggested at the end that if we gave up part of our wages and pensions, we might be able to save our jobs--testing our level of fear to see how much they could squeeze out of us before they closed the doors. This was 1982, when hundreds of companies were closing in Chicago and thousands were losing their jobs.

With the growing number of plant closings, it was difficult to mobilize people. Campaigns against company demands were lost more frequently than they were won. Companies asked for concessions in wages, benefits, and working conditions, threatening to close unless they were granted. Union locals and their members capitulated, legitimately afraid of losing their jobs and risking their future. The same kind of fear among union members exists today.

I couldn't win my members' support just by complaining about management's greediness. I needed to prove that the union's position would neither wreck the company nor force a closing. I needed essentially to have my own business plan for the company that could prove that our demands for wages and benefits could be supported and that the company could make a reasonable profit. I didn't have the plan, nor did the Steelworkers have a strategy, so Taylor Forge closed, and I lost my job in 1983.

G+W shareholders made a ton of money and the corporation continued to expand. Cicero--the town that had been home to Taylor Forge for several decades--was to lose 50% of its job base in the next six years as other companies, also, closed.

## **The Center for Labor and Community Research**

I founded the Center for Labor and Community Research, originally named the Midwest Center for Labor Research, in 1982 along with other local leaders in the Steelworkers Union and several community organizers and supportive academics, to provide the kind of research and analysis that I had needed at Taylor Forge, and for unions, communities and others concerned about saving jobs and stabilizing our economy. CLCR made several key plans:

#To focus on the micro-level of the economy--the firm and the community, engaging in in-depth research as a foundation of information for grassroots community and labor organizations and local government.

#To concentrate our efforts in working class and poor communities, working with all the constituencies of those communities;

#To define "labor" as people who worked, and to serve those who were organized and unorganized.

We were uncertain about our future strategies and how we could respond to the economic transition unfolding in front of us. We began by looking at hundreds of companies in Chicago that had closed or were in danger of closing. Chicago lost 3,000 of 7,000 companies in the 1980s and 150,000 basic manufacturing jobs, so we had a lot at which to look.

The prevailing and powerful view then, as now, is that this chain of events and its consequences was painful and destructive in many ways, but **inevitable**. The logic was, and is, that we live in a new global economy witnessing a fundamental change in the international division of labor. The new role for the United States is as a source of intelligence, information, and finance. The Third World with its low-cost labor will be the center for making things. Then there is this new complex and powerful communication technology.....the new Information Age.....the end of work.....the new service economy....and so forth.

The prescription from this logic is that you cannot do anything about these wrenching problems but accept them, so it's best to find a niche that gives you the best chance to survive under the best terms you can get. For the overwhelming majority of the population this means getting by on less, and for the bottom 20% it means getting by on much less. The implications of this thinking resonate in every aspect of cultural, social, and political life.

At CLCR, we were overwhelmed by what we were witnessing, but felt that this notion of inevitability needed to be examined in the context of the specific companies and communities so obviously at risk. Of course, we found a few companies that really needed to close--the equivalents of slide-rule producers. Their products or technology were completely out of date and there was no way they could compete in the new marketplace. The historian Elting Morrison writes about the tendency of organizations and communities to "fight like hell to stay the same" and to deny the kind of destruction that is a precondition for new development. It is a strength of a system to let obsolete things die. When we found companies whose product was actually obsolete, we told labor and the community the truth, so no one invested in trying to do the impossible.

On the other hand, the overwhelming majority of companies that we examined were not obsolete. They were at risk because of problems that could be solved in the context of our economy under our current system. Some of the problems are simple and require straightforward solutions; others are more complex. I estimate that we could have saved 75% of the jobs and companies lost in the 1980s with some creativity and determination by labor, community, government, and business.

### **Big Companies--often the economic anchor for a community**

Headlines about the crisis in the industrial community focused on the large corporations--the big steel mills, the auto companies, the large manufacturing centers. This was the beginning of a period referred to by some as the "casino economy." Transnational and large corporations began to acquire other companies and frequently pursued short-term, profit-generating strategies that benefitted shareholders, but resulted in moving or closing firms that had been anchors of the local economy and the foundation for local employment. Transnational takeovers eliminated 80,000 jobs in the Chicago area during the 1980's.

As we researched these companies, typically in anticipation of their shutdown, we found troubling patterns. Stewart Warner, an anchor of a northside community in Chicago, is a good example.

### **Stewart Warner**

Workers represented by the United Electrical Workers asked us for assistance when management at Stewart Warner demanded concessions in contract negotiations. A quick

investigation showed a far deeper and more serious problem than labor costs. An aging board of directors was paying out 200% of earnings as dividends to shareholders. There was a lot of cash and no long-term debt. There had been a complete deterioration of preventive maintenance and capital improvements in the plant. Production workers saw the competition developing new product lines like digital speedometers while their company continued to produce outmoded needle speedometers. The local *Crain's Chicago Business* said that business and investment community gossip had it that the owners had lost interest in maintaining the company and were looking for a way out.

We told the workers that even if they gave up all their wages, they still wouldn't save their jobs unless they addressed the problems in management and the priorities of the owners. The plant was clearly going to be placed on the market, and we advised the union to seek to buy it. We saw this as the best way to save their jobs, as our research had concluded that this company could continue to operate profitably in Chicago. However, the activist local was fearful of such a complicated step and believed that employee ownership would be a "corrupting" practice for workers. Within a year, the company was purchased by BTR Plc., a British conglomerate with a habit of buying US companies and closing them or moving production to the Maquiladora Zones in Mexico.

With the assistance of CLCR, a local entrepreneur, Tim Wright, made a bid on the company, and a coalition of organizations including the union and local political figures fought for a City Council resolution that would use eminent domain to keep the company in local hands. The effort failed. Within a couple of years, part of production was moved to Mexico, the plant was demolished, and the land was sold to a local developer who put high-end condos on the site.

CLCR research found that after two years, this closing had cost the broader community:

- 2,500 additional jobs in other segments of the local economy;
- \$10 million in federal, state, and local taxes;
- \$13.2 million in unemployment and welfare benefits; and
- \$24 million in consumer spending.

The total cost to the public was more than \$47 million when a realistic business plan could have sustained the company as a profitable source of income and investment dollars for the Chicago economy.

Gentrification--closing factories and using the space for upscale housing-- cost this local community 40,000 industrial jobs over a 15-year period. CLCR documented a number of closings in the Chicago area and the Midwest that had similar characteristics.

### **Small companies slipping through the cracks in the market:**

Never making it to the headlines were the closing, in the 1980s, of hundreds of small companies, each with a handful of employees. In 1986, Gladys Scott, a resident of the Hyde Park community on Chicago's South Side, called CLCR with alarming information about a printing company--Bankers Print--that had handled her printing needs for more than 16 years. The owner, Carl Wilson, had cancer and no heir to take over the business.

After meeting with Mr. Wilson and talking with the employees, we were able to arrange an employee purchase of the company--a successful conclusion that no one had seen as an alternative. The experience focused our attention on small companies. After all, despite



public perception to the contrary, 90% of all manufacturing companies are not big, complex, fully integrated firms. Individually they are economically and socially insignificant, but in their aggregate they are the bedrock of the manufacturing economy. With 100 employees or fewer, they typically have local markets, adequate technology, and a skilled work force. They are frequently linked to the larger companies who do represent two-thirds of the employees in manufacturing, providing services and materials for production. The health of these small companies is a major variable in the success or failure of the larger companies and the community.

On behalf of the Economic Development Commission of Chicago, in a study funded by the MacArthur Foundation, CLCR looked at 800 of these small companies with an owner 55 or older, and found that almost 40% were at risk of closing because of the issue of succession.<sup>v</sup> A typically successful white entrepreneur<sup>vi</sup> would move to the suburbs as his wealth made it possible, often encouraged by the shift of their community from white to African American or Hispanic. Facing sickness, death, or retirement, he would be unable to find a successor in his family or in management to take over the company, which would be difficult to sell because of its size and location. Typically, the father turns to the son, and doesn't consider the daughter. The son typically would not want to go back into the "ghetto" to run the company. Even if the son had gone to business school, he would want to make money in the "casino economy" by moving stocks and bonds or working as an MBA for a large Fortune 500 corporation.

Virtually everyone we have met in our work has anecdotes like this scenario--a failure of the market that reflects issues of race, class, and available productive capacity. In this scenario, everyone loses unnecessarily.

- The family that owns the business gets liquidation value--typically 20%--rather than the full value of the business and their lifetime investment.
- The local economy loses a cost-effective provider of goods and services.
- The local community loses good paying jobs.
- Local people with entrepreneurial talent lose an opportunity to take over an existing healthy business with a market, adequate technology, a skilled workforce, and a history. If they are minority entrepreneurs, they are offered instead an "opportunity" in the typically low-margin retail economy, or they are picked up by community development corporations and trained on how to do business plans for start-up businesses that typically have a high failure rate.
- Individuals who lose jobs--meaning a productive social environment, good wages, and good benefits--too often then confront life's challenges without income or on welfare. In short, these are typically not members of communities that benefit from the so-called dream economy, but communities with soaring unemployment rates.

Yet this problem can be solved with conventional resources and a little creativity and extra effort by those concerned with community development. Small companies with aging owners and no successors can be identified in a number of different ways. They are often good opportunities for employee buyouts, as was the case with Bankers Print, or they are an excellent opportunity for aspiring local entrepreneurs who are typically African American and Hispanic, heretofore excluded from this kind of opportunity.

## Towards a New Vision of Community Development

Our experience found exactly these kinds of problems behind the statistics of massive de-industrialization in urban and some rural communities. The resulting and explosive growth of poverty in these communities became the material foundation for the pathology that screams at us in our daily news papers, on the television, in our culture, and in our politics. Harvard professor William Julius Wilson drew this connection in his work, The Truly Disadvantaged.<sup>vii</sup>

The founding of CLCR coincided with the movement to elect Harold Washington mayor of the city of Chicago. Some of us were active in the campaign, startled by its success, and pulled into the effort to rebuild the city, guided by a rush of new creativity and willingness to engage new approaches in the field of community development. From City Hall, labor was viewed as an essential component of development, not just a cost or an obstacle. Industrial retention and community involvement in the economy was a goal. As a result, CLCR was hired by the City's Department of Economic Development and introduced to the field of community development--a language and experience new to us from the labor movement.

For six or seven years, CLCR focused principally on the concerns, problems, and solutions of individual firms. We became familiar with the ways that jobs and companies could be saved. We were introduced to simple but critical problems in companies that could be solved if they were identified before they became crises. CLCR developed the basic features of our labor/community-based early warning system that would expand our source of information about individual firms.<sup>viii</sup> We became familiar with worker and minority ownership, the power of the purchase, the requirements of coalitions and the essentials of campaigns. As we gained confidence in our ability to save companies and jobs, we began to look at the power of this approach in the context of a broader community and in relationship to different aspects of the community economy.

In Chicago, I had been deeply influenced by the work of Dan Luria and Jack Russell, policy analysts who had developed a comprehensive alternative vision for the Detroit economy following the collapse of the auto industry. Their approach had a sophisticated view of the human and physical resources created by the auto industry, and proposed development of these resources with a creative mix of traditional and non-traditional market initiatives.<sup>ix</sup> Luria was a speaker at one of our conferences on employee ownership. We also learned about innovative international models for development that reflected our commitments to manufacturing, cooperative ownership, and powerful links to the community. These included the Mondragon network in the Basque region of Spain and the flexible manufacturing networks of Northern Italy. These efforts increased the breadth of our vision in looking at our own community.

CLCR came into much closer contact with "community development." I participated in a year-long program with the Development Training Institute that gathered leading theorists as well as technicians in the field and transferred their skills and knowledge to local practitioners like myself. We began to see how leaders actually operated in communities and companies. What we found was disturbing. While we gained respect for many of the individuals and their motivations and found a number of organizations doing very good and creative work, the field seemed to us to be deliberately avoiding obvious opportunities. We saw:

- an avoidance of manufacturing and a negative view of organized labor;
- a passive, uncritical relationship with the private sector and the absence of an

entrepreneurial approach; and

□ a very weak link, if any, to the activist organizations in the community, and deliberate avoidance of controversial issues such as the relationship between rich and poor.

We found some strong leaders, some effective organizations, and some excellent allies. But the weaknesses were widespread and all-pervasive as problems in the community continued to multiply. In 1991, I co-authored a paper, “Towards a New Vision of Community Economic Development,” with Miguel Vasquez of the Center for Community Change in Washington, DC, and Howard Engelskirchen of Western State University in Fullerton, California. We advanced this critique of the community development field and outlined a different approach.<sup>x</sup> We organized a conference around the paper for some 200 people who were typically practitioners in the field and eager for more critical reflection and debate.

Since then, we have continued to search out others who share our concerns--organizers, practitioners of various sorts, intellectuals and academics, political and constituency leaders representing diverse social and political interests--people who feel the need to weave their particular agenda and experience into an effective alternative to the traditional development paradigm. We further developed these themes and tensions by taking part in

other organizations including the Federation for Industrial Retention and Renewal,<sup>xi</sup> the Chicago-based Poverty Task Force,<sup>xii</sup> the Midwest Consortium for Economic Development Alternatives,<sup>xiii</sup> and Sustainable America.<sup>xiv</sup>

A much broader range of discussion and work by individuals, organizations, and networks is happening internationally, giving strength to all of those involved. Through CLCR's work with individual companies and communities, and within the various efforts to create a viable organization committed to a new paradigm of development, CLCR has developed what seems to us to be a coherent and effective strategic framework.

## Chapter 3: The World Changed

### The End of an Era

In "Showdown for Nonviolence," an article written by Dr. Martin Luther King, Jr. that appeared after his assassination in 1968, he called for a large national demonstration that would begin in several states and move towards Washington, D.C.. It would, he said,

"...dramatize the whole economic problem of the poor...[even if] this action may take on disruptive dimensions...We need an economic bill of rights. This would guarantee a job to all people who want to work and are able to work. It would also guarantee an income for all who are not able to work. "

When King was writing this article, the American economy was far different from what it is today. We were in the era of expansion that followed World War II and lasted until the late 1970s. There was wealth that could be spread around and a power structure that was willing to spread it, within limits. That was the period when the "squeaky wheel got the grease"--an assumption shared by every effective leader within the popular movement. When enough people protested, there was a War on Poverty. King could call for a guaranteed annual income with confidence. In a speech to the Southern Christian Leadership Conference in 1967 titled, "Where Do We Go From Here?", he said:

"The assistant director of the Office of Economic Opportunity declared that the long-range costs of adequately implementing programs to fight poverty, ignorance and slums will reach one trillion dollars. He was not awed or dismayed by the prospect but instead pointed out that the growth of the gross national product during the same period makes this expenditure comfortably possible. It is, he said, as simple as this: 'The poor can stop being poor if the rich are willing to become even richer at a slower rate.'"

King could have the confidence that the stewards of the American economy were basically doing a good job in creating wealth and building our productive capacity. The only question was what share African Americans and all poor people could have of this wealth.

This was also the period when the saying, "What's good for General Motors is good for the USA" had a ring of truth to it. GM paid decent wages and its companies were continually hiring. An auto worker could hold the same job for 30 years and retire with a decent pension and benefits. A lot of African Americans entered the middle class through autoworker jobs. GM paid its taxes. Flint prospered. It had a decent product and used new technology effectively. Of course, inequalities and injustices did go along with this social contract, and GM, like a lot of American corporations, was wealthy and fat. But there was a closer connection between GM and other big corporations and their search for profits, and the development of productive capacity and the community's economic stability.

This same connection was not extended into the international arena. In fact, the opposite was the case. U.S. companies, with the assistance of our government, had enormous access to the wealth, markets, and productive resources of other countries under terms imposed by us and backed by the use of our military might. This was a major reason our domestic economy continued to grow and prosper and our social contract was so generous, even periodically rewarding a social movement focused on redistribution of wealth.

### Profound Breakthroughs in Technology

The emergence of the microchip and new electronic information technology began to transform social, economic, and political relations in the 1960s. It has offered new possibilities for development on a par with the advent of the plow, the steam engine, and electricity. It offers incredible potential to revolutionize production as well as to provide access to information and ideas in virtually every corner of the world. Its promise of accelerating human development is enormous. Scientific inquiry can sort and store information in seconds that would have required months with traditional technologies.

On the other hand, the power of this new technology to reverse human development is equally available. A Low Road development strategy could use it to minimize the role of human labor in production and drive people out of jobs. The opportunity to shift capital from one speculative investment to the other at a mind-boggling scale is almost unlimited.

Access to information and ideas includes the ability of those who sell products that degrade or damage the human condition to penetrate homes and communities with reactionary and demeaning concepts--whether or not the community or home is ready. On the other hand, access to all information is becoming universal, as is the ability to communicate in real time across borders. A combined use of satellite and computer technology could give every village in the world access to an almost unlimited supply of information--leapfrogging the need for books or traditional electrification. Large multinational companies benefit, as do labor and social movements eager for international contact, and the demands of the production and use of the technology require an excellent educational infrastructure and collaborative production methods.

It depends on what values and priorities guide technology's use and development. In all aspects of society, this new technology has become a powerful force and context for change--positive and negative.

## **The Global Economy Changed**

The world never stays the same. American international dominance and the corresponding benefit to the American people began to shift in the context of a complex mix of factors. Beginning with the Korean conflict and punctuated by the American defeat in Vietnam, a growing challenge to American companies coincided with the emergence of new knowledge and communication technologies and with the increasing strength of the international business community. The results for our economy were:

- a surge in effective global competition;
- a tremendous increase in the concentration of power and decision making in the hands of a few people;
- an increase in the mobility of capital through technological advances, the abandonment of the Bretton Woods agreement, and the reduction of exchange controls;
- a falling rate of profit in key industries, particularly after 1970;
- the emergence of opportunities to make substantial returns in speculation, arbitrage and other short-term investment strategies; and
- traditional factors that generated pressure: changing markets, poor management, and product and process obsolescence. These became more significant in a tighter international

market.

In this context, the commitment of the business community to the social contract began to change. First, it became increasingly difficult to maintain the old rates of profit in the new global economy. Many new competitors rose to the challenges offered by capitalist competition and became more innovative and creative than their sleepy and stumbling American counterparts, who had been lulled by decades of their own dominance and confidence. The Japanese, the Brazilians, the Germans and others made enormous headway in challenging our traditional strength in certain market sectors. The battle in the marketplace intensified and the casualties--particularly in the U.S.--began to increase.

New developments in productive capacity, particularly in Third World countries, and flexibility and speed offered by new technologies and expanded information then created opportunities for flight and international investment that had not been possible in earlier decades. New capital investment shifted to the Third World, particularly from Japan and those U.S. industries competing with Japanese firms.

## **And So Did American Society**

In the late 1970s and early 1980s, those of us in labor and community organizations began to notice these changes at home. In response to shifts in the international economy, American companies began to sell the store rather than rise to the challenges of competition the way that "free market" ideologues had promised that they would. Instead of making a better product or producing in more efficient ways, companies shifted production to areas of low-cost non-union labor--the South, Mexico, or Asia.

*Business Week* published an alarming exposé titled "The Hollow Corporation."<sup>xv</sup> Rather than make a product, managers learned how to gamble with a company's assets to make money. Those who owned and managed America's productive capacity--the factories that made communities like Flint, MI or the Chicago's Austin neighborhood the healthiest communities in the country--began to abandon companies, industry sectors, and entire industrial communities. We were eventually surrounded by stacks of bones, up and down streets that had been busy and prosperous for years.

In Chicago, once-healthy companies that had been a foundation for a healthy economy disappeared. Sunbeam had moved south looking for low-cost labor. Leaf Confectionery was purchased and then closed by a Finnish conglomerate that changed its production strategy. Playskool operated profitably in Chicago until it was bought by Hasbro, which borrowed City money at below-market rates and then moved to a site in Rhode Island where it could make more money. Stewart Warner was purchased and closed by British Tire and Rubber which then made a killing in the Chicago real estate market. And Schwinn Bicycle was closed by Eddie Schwinn, who found it cheaper to sub-contract the production of bicycles off-shore. This move cost Chicago's West Side 1,500 jobs at a time that other American companies were developing new domestic bike markets and expanding domestic production.

Corporate actions, in short, began to destroy the productive capacity that had made a healthy economy possible. As companies downsized, closed, or moved away on such a massive scale, we witnessed cannibalization. Without jobs, people began to lose the skills and discipline essential for work. Normally in industry, a structure allows for the passing of skills and perspectives from the older generation to the younger generation. That learning cycle was smashed, destroying critical information necessary for rebuilding the

local economy. As income declined, so did tax revenues and the local infrastructure that was supported by public dollars. Adding insult to injury, the companies frequently blamed the community or the people who worked for them for their problems, when facts frequently demonstrated that the company's values and narrow priorities were the source of the slide.

## U.S. Steel

The corporate symbol of the late 1970s became U.S. Steel. It dramatically cut productive capacity against the advice of its own think tank, the Iron and Steel Institute. The steel industry was the most profitable in the world. In 1979, it was generally making a 7% return. At the same time, its Japanese counterparts were comfortable with a much lower rate of return combined with a long-term horizon. In those days an investor could make a 14% return in the money market. U.S. Steel CEO David Roderick, summed it up when he said, "We are in the business to make money, not steel."

The corporation invested its capital into the oil industry and shopping markets, changed its name, and blamed its company's problems on "greedy" steelworkers. During the decades when it dominated the international steel market, U.S. Steel had refused to re-invest an adequate percentage of profits into the industry or even into the new technologies that it had invented. Meanwhile, Japanese, Brazilian, British and German steelmakers embraced those technologies and methods of production and made tremendous gains in market share in the industry. The result: the loss of hundreds of thousands of jobs and the destruction of vital steel communities.

US Steel changed its name to its stock market symbol "USX" and became the symbol of the emerging Low Road strategy in contrast to what was in part the historic High Road strategy of GM. The change in symbol also reflected the dramatic change in U.S. Steel commitment to the traditional social contract with the domestic economy, to domestic productive capacity, and to the employees and communities that had made its success possible. Roderick's actions were not required by the market in order for his business to survive or even thrive. His actions reflected his values, priorities and narrow self-interest, and his view of what would maximize shareholder return.

Influential sections of the business community have increasingly abandoned the obligations of stewardship for our economy that undergirded the social contract of the 20th century. Rather than working to increase the productive capacity of key industries and the standard of living, they pursued strategies that led to the destruction of productive capacity as well as a dramatic decline in the standard of living for the average worker and a skewed distribution of wealth. As described in the *New York Times*, America's production in the non-farm business sector rose by more than 2% a year, on average, for a full century--from the 1870s until the early 1970s. That average was pulled up by the "golden age" after World War II, since 1973, the average has been only about 1%.<sup>xvi</sup>

Coinciding with this shift was a well-documented offensive by some major companies and their political allies against labor, an attack on the social wage and safety net, and the shift of wealth from the poor and middle class to the upper 20%. This was most recently punctuated by the "reform" (really repeal) of welfare. Unchallenged by the passive conventional strategies of government and the community development industry, the anarchy inherent in our economy expanded. Relatively straightforward problems went unaddressed--succession of ownership in small firms, vocational education and training, maintenance of the physical infrastructure, and maintaining a safe and stable environment. The shredding of the urban economic and industrial infrastructure continued.

## **Some Things Remained the Same**

If people of color and women were on the margins during the dynamic and expansion period of the American economy, they suffered in a dramatically disproportionate way in the general shift to the Low Road. While the President, Alan Greenspan, and the major media outlets sing the praises of the “Dream Economy,” we have zones occupied by people of color in both urban and rural areas that have the social and economic characteristics of some of the poorest countries in the developing world: soaring unemployment rates, cruel infant mortality rates, hunger and homelessness, and all the forms of social pathology that accompany extreme poverty.

While Mayor Daley is praised for his school reform efforts in Chicago, barely 100 African American students graduated from Robeson High School out of nearly 500 incoming freshmen in 1998. Only 30 years after the modern Civil Rights Movement, we see a consistent attack on affirmative action, while African American participation in elite schools such as the University of California/Berkeley declines dramatically, and we have the policies of mass incarceration of Black and Latino youth that have put the United States in a league of its own.

In every aspect of society and the economy, race remains an indicator of inequality, discrimination, and oppression. This is equally true for women who remain in the lowest-wage service and retail jobs and who face special suffering in the cutting of the social safety net that was called “Welfare Reform”.

## **An End to the Traditional Social Contract**

The generally accepted assumption is that the economy should serve and promote the development of people and their communities. While this seemed to be the case for the first three quarters of the twentieth century, it has clearly not been so during the last 25 years. The traditional social contract and paradigm of development that preserved economic power and initiative in exchange for a share of the wealth is no longer viable. We now have both a continued decline in real wages and a deterioration of our social institutions, as well as a dramatic decline in our productive capacity.

Our communities, our countries, and our world face deterioration in all aspects of life for the majority of people. There is growing damage to our physical environment. There is increasing economic, social, and political instability. This change in the commitment of a powerful segment of the private sector requires a fundamental change in the social relations of production and the paradigm of development.



## Chapter 4: There Really Is Another Way

History is full of examples of people tolerating the cruelest conditions of life for decades or even centuries. People do not organize for change just because they are oppressed or exploited. They organize *for* something. It is not until they are effectively presented a positive alternative that seems achievable that they act in ways that make change possible. This is particularly true of organizing efforts focused on bringing about fundamental change--or, in the language of today, a new paradigm. It's not enough to have the objective conditions. The subjective conditions must also exist--effective leaders and organizations armed with an appropriate vision and program.

### Traditional Frameworks for Change

A growing number of leaders and organizers were coming to believe that the conditions of the economy and society in the 1970s and 1980s were not inevitable, and that the objective situation required a new paradigm of development. However, it was also clear that the conventional approaches to fundamental change had serious, if not fatal, flaws. To earn mass support, the strengths of each framework would need to be recognized and sustained in our search for an approach that was practical and consistent with our social vision.

At least three contending approaches to fundamental change have flaws that must be addressed as we create the space for a new paradigm of development.

- The Socialist Vision
- The Social Democratic Vision
- The Single-Issue Approach

#### **The Socialist Vision:**

The socialist vision inspired leaders of huge U.S. movements for change in the 1930s and 1940s, and again in the 1960s and 1970s. It gave many domestic organizers hope that if they could achieve power in one form or another, there was a tested system that worked and could be imported and applied in the restructuring of our society. This was a vision worthy of sacrifice--death and loss of physical safety, the loss of a job, and the endless difficult, meetings that always accompany movements with big ambitions.

The socialist vision had, and still has, enormous strengths. It has contributed and continues to contribute to the development of society. But where it was represented by a command economy and a command state or movement, it was compromised and failed. Its weaknesses have become painfully apparent with the collapse of most socialist command economies and societies, and the ensuing fragmentation and marginalization of the left. Two fatal errors were at the heart of this decline. First was the failure to develop adequately the democratic aspect of the state, the society, and the economy. The command state and party were profoundly coercive and restrictive, failing to educate and motivate citizens in creative and constructive development.

The second fatal error was a wrongheaded perception of the role of the market. The socialist command economy resulted in enormous waste and plummeting productivity, and suppressed entrepreneurial talent at the ground level of the economy. The productivity potential of socialism remained a hollow slogan buried in a pile of heavily

subsidized, bureaucratized shells.

The “market” was often equated with capitalism and was only recognized for its negative aspects. Markets have been around for 10,000 years, or since humankind developed enough surplus product to exchange. Markets and market pressures have always had their strengths and weaknesses, their positives and negatives, and each system has recognized and used its strengths, while addressing the weaknesses according to its own values and priorities. That was true for slave and feudal systems, and it is also true for capitalist and socialist systems.

Markets and market pressures are part of the objective features of society and cannot be wished away, ignored, or crushed. Some on the left may hate to hear it, but to ignore this truth stifles effective leadership at the micro level of the economy--in the companies where production, work, socialization, and education take place.

### **The Social Democratic Vision:**

The social democratic vision--best demonstrated in policies that have guided European governments and movements--has also failed to provide a framework to inspire legions of grass roots leaders and organizations around a vision for restructuring the economy and society. The strength of this international vision is that it has guided governments in power, and in some circumstances, has had enormous influence in all aspects of life in many countries.

At least four major international trends of social democratic thinking exist, each with different characteristics: the Northern European, the Southern European, the Latin American, and the North American. Of these, the North American is by far the weakest, remaining largely the property of academics and the intelligentsia, and influential only in relatively small and narrow circles. Its politics have been typically within the Democratic Party and focused on incremental changes.

Despite a commitment to the social wage, broader access to expanded social services, and a broader democracy, social democrats have remained identified with the “command economy.” Their tri-partite democracy brings together big business with big government and big labor, essentially seeking to create capitalism with a human face. As a result, the philosophy hasn’t reached close enough to the ground to provide the kind of transformative experience in communities, companies and organizations that lead to flexibility and innovation. A broad democratic vision that doesn’t extend to the micro level of society and the economy in day-to-day activity misses the opportunity to train people and organizations in the skills essential to building and protecting a productive, democratic society.

### **The Single-Issue Approach:**

Over the last 20 years, many activists of the 1960s, in part because of the failure of the that decade’s political fights, returned to single-issue, grassroots work. They sought to be closer to the people and to offer practical options. They focused on a very particular approach as a springboard for social change. They include those who think that worker ownership or cooperatives will provide the inspiration to transform society, or that new-age business practices will capture the imagination of those in power and lead to transformation, or that a “green” agenda with a pristine character will lead to an apocalyptic moment of change in society. There are others.

Each current has its own considerable strength, particularly in its focus, but together and separately, they fall short. They lack the comprehensive programmatic and organizational vision that is essential in mobilizing the kind of support essential for systemic change. Their principal weakness lies in seeing their particular vantage point as “The Strategy” rather than as an essential component or tactical option within what must be a broader vision.

## **A New Approach Emerging**

CLCR emerged from discussions among local organizers sensing the need for deeper and more comprehensive understanding of the options for CLCR’s main constituency--at that time, unionized workers. The loss of thousands of jobs combined with the political atmosphere of the Reagan era rewrote all the rules of organizing, building union organization, contract negotiations, and fights with the company. CLCR had to start over and dig deep into the details of what was going on in the industrial economy and in the workplace.

Like other networks of organizers from the 1960s, CLCR applied and developed intellectual, strategic, and technical skills within the context of a particular community, a particular issue, and a particular constituency. Our setting was the labor and community movement to retain industrial jobs.

CLCR’s focus for the last 16 years has been on investigating and experimenting with approaches to creating a contemporary strategic analysis and tactical framework. For this movement, we have explored such issues as worker ownership, acquisitions, and the

various components of community development, trying to find out if these issues were dead ends or part of an emerging and useful strategy for labor and communities.

Others of our political generation went into community organizing, housing, community development, the women’s movement, the environmental movement, or local government. Our collective experience contributed to building our new paradigm for management and development of the economy, and standards for our own professional lives that are consistent with our social and political values.

The effort has taken much longer than we would have predicted. Nonetheless, in the course of the last 15-20 years, the scaffolding has slowly risen for a working analysis of our economy and an approach to economic development that can work--that can solve practical, everyday problems in the company, in the community, or in society, and is consistent with our 1960s social vision.

## **From Business Experience**

An enormous contribution to this new vision emerged from the experience of workers, unions, managers, and technical and financial consultants as they helped establish worker-owned and worker-operated companies as one response to the emerging industrial crisis in the late 1970s. Prior to the restructuring of American industry, and notwithstanding the rich European and Canadian experience, worker ownership was generally relegated to the “candle and sandal” sector of the economy--a small utopian option for the margins. The field has gained enormous experience through trial and error and is now changing the way mainstream businesses are owned and managed, bringing new values and priorities into decisions on production.

This field includes attorneys, accountants, managers, investors, business analysts, educators and trainers, policy advocates, labor leaders, and bankers. Within the 10,000-plus Employee Stock Ownership Plans (ESOPs) involving 9 million employees<sup>xvii</sup> are hundreds of companies that are engaged in deliberate and complicated efforts to change how production is managed. A huge network now exists of producer, agricultural, and consumer cooperatives. There is now a wealth of practical experience in this field.

In the United States and Canada, many new investment funds have been guided by social screens reflecting activist values and priorities. These included Working Assets, Shorebank, and new funds linked to the American labor movement. In Canada, labor-initiated investment funds committed to local and employee ownership now represent \$4 billion of the \$7 billion venture capital pool. These funds reflect a substantial amount of experience on the part of bankers, financial analysts, investment analysts, and government in shaping some of the features needed in a new approach to development.

Thousands of small companies have also been started by social activists who, with a few bucks and a quirky idea, became entrepreneurs and were successful: Ben and Jerry's Ice Cream, the Body Shop and People's Express, to name three. In the last 15 years, entrepreneurs have emerged who explicitly link their social vision to the details of their business and who, with as much creativity as they can muster, try to walk their talk within the restraints of successful companies. These companies have created their own networks such as Social Venture Network and Businesses for Social Responsibility, and collectively seek to influence private sector and public policy. Within high technology firms and other new sectors, traditional values are now an impediment to productivity and profitability and are being replaced with innovative approaches to management and production. Within the walls of thousands of companies, entrepreneurs are gaining experience the hard way, and that experience will be an essential component of new paradigm approaches.

## **Equal Exchange**

Equal Exchange is a for-profit company, headquartered in Massachusetts, and is engaged in the business of food importing, manufacturing, and distribution--primarily coffee. It is owned and operated by its 30 employees, and supported by another 200 shareholders. It has annual sales of \$5 million. Equal Exchange buys its coffee directly from farm cooperatives in Tanzania, Mexico, Costa Rica, Guatemala and other Latin American countries. The beans are purchased at a minimum price of \$1.26 per pound based on the calculation that this is the minimum price that allows sustainability of the farm cooperatives. That price is paid, regardless of the world market price.

The company was founded in 1986 as a demonstration project in designing, organizing, and operating a holistic business--one based on the principle of fairness to all stakeholders of the business: suppliers, investors, employees, customers, and the environment. The founders' purpose was to facilitate more direct trading relationships between consumers and producers.<sup>xviii</sup> As company executive Clark Arrington declared at the recent annual conference of Sustainable America, "Our goal isn't just to make profits, but to change the world."

## **From the Labor Movement**

Labor has been the setting for some of the most important changes in any institution in the last 50 years, on exactly the issues that are the subject of this paper. At the end of the 1970s, mainstream labor was dominated--in fact imprisoned--by defenders of the old

paradigm. Major unions were recognized for the strength of their bureaucracies and their stubborn resistance to internal and external change rather than as a progressive economic force.

Unions were the predictable partners of the owners of industry and remained loyal partners even when the fissures in the traditional post-war social contract began to widen into chasms. Yet because they were labor unions, they were among the major casualties of the shift--losing millions of members and witnessing double digit declines in the percentage of workers they represented. But this hole, far from becoming a grave, as some of the ideologues in business and government had hoped, became a cauldron of change.

Veteran and emerging leaders began to fight for a new order within local and international unions. The Steelworkers Union shifted from accepting concessions in wages and benefits for the promise of jobs that never returned, to being a leading union in the promotion of sophisticated capital strategies. More than 20 large employee buyouts saved thousands of Steelworker's jobs and their communities. The International Ladies Garment Workers Union initiated the Garment Industry Development Corporation (GIDC) in New York City that sought effective partnerships with government and owners, restoring a sector challenged by the fabled dollar-a-day Asian garment worker. GIDC initiated training, technology, marketing and export programs that have saved jobs and companies and provided a model for other union leaders. "Sector initiatives" have now emerged in 10 to 15 other areas with equivalent sophistication.

Hundreds of these stories are percolating in this cauldron, often covered in CLCR's Labor Research Review.<sup>xix</sup> One result has been a dramatic change in the leadership of the AFL-CIO. The new leaders have brought "into the Building" some of the best thinkers from many sectors to address the serious issues of our economy and society. A huge reserve of resources and ideas within this movement will shape the character of the new paradigm of development.

## **From the Environmental Movement**

Emerging from 1970s events like Earth Day, environmentalism has gained enormous influence, reflected in desperate marketing efforts by traditional companies to be identified as "green." More recently, an Environmental Justice current has united the concerns of African American, Latino, and indigenous people with environmental issues. The movement has always had an activist image. Less visible but as important have been its breakthroughs in thinking on issues of technology, process and product. Leading environmental thinkers such as Amory Lovins have the confidence to say that technological and systems answers exist for all the environmental challenges we face. These developments are picked up by other leading thinkers and organizations in the movement. The challenge is to build a majority consensus for a new paradigm of development through the linking of economic and environmental sustainability.

## **From Local Politics and Community Activism**

The traditions of the old paradigm included an activist movement that hollered like hell for its piece of the pie. Just because it was loud, visible, and at times effective did not mean it was anything more than a desire to be part of the line at the trough. This is true in local politics and local community organizing--and these currents are as visible today as they were in the past.

Of course, it is critically important to continue to fight for a fair distribution of wealth, and

many of these groups and political figures are a constructive and essential part of civil society. Within this context, many political and community organizations went beyond the limits of redistribution and explored the relationships and responsibilities that will be required in a new paradigm of development.

In the early 1980s, Mayor Harold Washington of Chicago advanced an agenda that built a grassroots movement. It became almost a spiritual period for those involved because of the dramatic changes he embodied and suggested.

Some pathbreaking efforts in community organizing suggest new social relations of production that would be the norm in a different approach to development. The Dudley Street Initiative in Boston organized residents in true community-based planning and successfully used the tool of eminent domain to assemble land to realize their plans. In a semi-rural community like Athens, Ohio, the Appalachian Center for Economic Networks (ACE Net) has created a Food Kitchen that provides assistance and resources to some 40 micro-enterprises and small companies, helping them grow, expand, increase employment, and build the community. The Intervalley Project in the Northeast has tied industrial retention, business development, health care, and housing together with citizen participation. There are countless other examples of local leaders and organizations engaging in truly pioneering work.

## **From International Experience**

Early in the 1980s, those looking for new approaches to development began to find overseas experiences that were very advanced and consistent with the values of a new paradigm of development. Looming large in influence is Mondragon, a network of worker-owned production cooperatives in the Basque region of Spain.

Mondragon began modestly with the efforts of a visionary priest and a handful of technical workers in the 1950s. They created a small industrial cooperative that grew into a large network of cooperatives. The Mondragon cooperatives restructured in 1991 to form a single company, the Mondragon Corporacion Cooperativa which, as of 1997, employed 30,634 workers, and uses sophisticated technology, financial and management systems. It remains profoundly linked to all aspects of community in the surrounding region. Each company is run on the principle of “one worker, one vote” and is part of a web of creative democratic life with constant tensions and adjustments. Compensation is calculated on a balanced ratio between the lowest-paid and highest-paid.

Mondragon is even more compelling in its explicit link to the struggle of the oppressed Basque people, who have used their common culture, language, history, and politics in an economic form that now competes at the top of the Spanish economy and provides inspiration internationally. Mondragon represents cooperative principles applied to large-scale industry, in complex and growing communities, and a living commitment to democracy in the economy.

The Emilia-Romagna and Venezia regions of Northern Italy, known as centers for “flexible manufacturing networks”, provide confidence and inspiration for those looking for new models. Here a network of small and often cooperatively owned companies work in a constantly changing consortia of companies to secure contracts that permit them to grow and create more companies, more jobs, and more resources for their communities. These companies are typically very small, very high-tech, and very flexible--pooling their strengths, yet not losing their individual initiative. They are also profoundly linked to the local socialist, communist, and labor-oriented Catholic governments that nurture them in many ways, a fact conveniently ignored or avoided by conventional analysts.

In both Mondragon and northern Italy, we found successful entrepreneurs who mastered management of the opportunities within the domestic and international marketplace, yet deliberately maintained a connection and tension with values that give primacy to people and their development. Neither region tolerates a “utopian” label in its candor in trying to manage the tensions and pressures of operating in a different and often hostile world. They continue to learn on the basis of their serious mistakes. In this honesty, as well as in their success, lie inspiration as well as specific sets of skills for those who seek big changes.

In Québec, Canada a large network of producer, consumer, and investment cooperatives has been created by community networks, unions, and entrepreneurs over the last several decades and constitutes a significant force in rural and urban communities. It is supported by a variety of resources including large union-initiated funds such as the Solidarity Fund created by the Fédération des travailleurs et des travailleuses du Québec (FTQ) and the Fondation created by the Confédération des syndicats nationaux (CSN). In the last few years this breadth of capacity, vision, and experience has been gathered under the umbrella of the “social economy.” It has gained political recognition and resources from the government in Québec and from the business community leading to commitments of \$500 million to eradicate poverty from a province of 7 million people. The social economy movement has embraced the needs, aspirations, and capacity of all the segments of the economy not included in the traditional private sector or government. This includes the cooperative network, not-for-profits, cultural organizations, social-service organizations, women’s and other democratic organizations, the environmental movement, and others--constituting a force of huge influence in society.

Within the socialist world, within the socialist and communist parties, and within revolutionary parties such as the African National Congress, there is experience and analysis that contributes to this search for a new paradigm. It is certainly equal to that found in advanced capitalist countries, companies, and parties. In our travels we would hear about the doctrinaire character of the French Communist Party, but then we would hear about the experience of the printers organized within that party who anticipated the dramatic changes in printing technology and embraced that knowledge as they created cooperative print shops. We noted that the seemingly rigid British Labour Party generated the Greater London Enterprise Board that experimented with community-driven economics, with great sophistication and positive results.

Then there are the large, state-based communist parties like the Chinese Communist Party that have embraced experiments with market forces and new forms of ownership and investments--insisting that the socialist system is still in place and growing, not ceding the stage to the declared victory of capitalism.

In South Africa, the most impressive political liberation of the last 30-40 years has demonstrated stunning creativity, not only in political victory and transition, but in looking at the details of the economy and production in their relation to mass movements. In Europe, Australia and other countries where social democratic parties have gained control of government, countless examples of positive breakthroughs offer lessons about democracy, production, society, and economics that must be included as influential resources for those looking for another way.

## **Gathered in a Common Vision**

This expanding pool of experience and analysis is enough to offer a comprehensive alternative to the current paradigm if we are willing to fight for it and do the work to

sustain it.

We now come to the core of this new strategic perspective, which involves two useful concepts--The Low Road and the High Road of development. One holds to the negative features and social roles of the present paradigm while the other seeks to learn new roles in a new paradigm. It's a comparison between those who hold principally to their narrow self-interest despite the cost to society and its productive capacity, and those who share a commitment to the alliance between labor, community, and business in pursuit of the general development of society.

The Low Road seeks big short-term returns to a small section of the "private sector," and its methods are to lower wages, weaken organization, and promote destructive competition. The High Road seeks the highest and best use of our human and material resources and is made possible by values that seek the broadest distribution of wealth and human development as an objective of the economy.

Obviously our strategy is to advance the High Road and block the Low Road. This requires recognition of three key components:

First, many of the traditional stewards of our economy no longer have the incentives to maintain their leadership in the development of our human and material assets in their search for wealth. In fact, their search for personal wealth now leads, in large part, to the destruction of our productive capacity and our communities. Therefore, they have lost the right to be making the key decisions regarding our economy on both the macro and micro level. They are pursuing the "Low Road" of development with zeal. These businesses on the low road **must be blocked** and prevented from continuing their destructive practices.

Second, a fundamental change is required in the social relations of production and in those finally responsible for the creation and control of wealth and the development of our productive capacity. **Labor and community must take full responsibility for driving the creation of wealth** and developing our productive capacity, rather than merely receiving a passive share of the wealth. They must tap the skills, talents and resources of the section of the business community that has joined them on the High Road of development, providing adequate and fair material incentives. They must lead the way to sustainable development with zeal, creativity, and determination. At the same time, they must join with others in a broad coalition to block those on the Low Road.

Third, labor and community must demonstrate leadership at the micro as well as macro level of the economy and society. Government must be a key component of this strategy, and it must be linked to a vast network of popular organizations and institutions skilled in bringing democracy and participation to life among their constituents.

**This strategy represents a third way of development contrasting sharply with both the traditional command and free market approaches.**

Both macro and micro levels are essential arenas for education and training in the organization of a transformative movement. Democracy manifested solely in the state or in the election booth misses a key opportunity. Economic activity at the factory level must provide the definition for macro policy. To do otherwise guarantees failure.

The High Road for development, in short, calls for:

- a vision of development in the context of the global economy;



- a fundamental change in economic policy to define leading roles for labor and community, premised on labor and citizen participation in all aspects of the economy, politics, and society;
  - development that is environmentally sustainable, which means that companies make products and use processes and technology that are good for the health of workers, consumers, and surrounding communities; and that they restore, rather than damage, the environment;
- development that is economically sustainable, creating jobs and livelihood that allow and encourage true human development. We want good jobs that can support a family and allow time for leisure, education, and social participation;
- development that is socially sustainable, with an objective of overcoming historic divisions and oppressions in society connected to race, gender, class, and national origin;
  - a challenge to the limits of traditional redistributionist strategy for labor and community, recognizing that redistribution can best be achieved through popular control and leadership;
  - a strategic alliance between the labor movement and the political, democratic, environmental, economic, new immigrant, and social organizations within the concept of “community”;
  - recognition that labor and community must accept the responsibility to lead in creating wealth and developing productive capacity;
  - recognition that the business sector includes friends and allies as well as low roaders, and that we must leave behind a simplistic “anti-corporate” analysis;
  - identifying market forces as well as mass movements as our tools and terrain for change;
  - being entrepreneurial--seeking to be leaders in the market place as well as in the social and political world-- and defining the essential connection between the two; and
  - defining a clear role for government, including a responsibility to expand our civic structure and life and to measure success by progress at the company and community level.

## Chapter 5: Key Components of the High Road

Some key perspectives and tools are essential to our vision of development.

### The Social Movement and the High Road

This High and Low Road strategic framework emerges from the public side of the economy, the social movement of those who have built and participated in labor and community organizations of various kinds. This American social movement has been relegated historically to being satisfied with making demands and achieving objectives focused on the redistribution of wealth. The premise was that the creation and control of wealth and key decisions of management, investment, and production were reserved for the “private sector.”

For example, labor has almost exclusively demanded higher wages, more benefits, more jobs, improved working conditions and recognition. Labor was the squeaky wheel and our unions got the grease for their members, and grew in strength. These demands could be achieved, at least in part, because of the expanding economy. The labor-management social contract was based on the assumption that wages and benefits would increase.

A requirement of this concord was that labor keep its nose out of management business. As General Motors once told the United Auto Workers, "Why don't you get down to your size and get down to the type of job you're supposed to be doing as a trade union leader? It's none of your damn business what GM does about prices."<sup>xx</sup> All wings of the American labor movement generally accepted this idea, confining their squeaks to the issue of "more or less." The right wing was passive and accepted small progressive steps in wages and benefits. The left wing screamed and led strikes for more wages and benefits. Both accepted and, in fact, preferred that management would make decisions on production and marketing. In the meantime, powerful sections of the business community became focused on control of production and maximizing short-term profits rather than on efficiency of production and the development of society.

In the 1970s and 1980s, unlike the 1960s, demands for income redistribution began to lose their power. Workers, community residents, and the general public were saturated with information about job losses, plant closings, globalization, the emergence of seemingly powerful competitors like Japan, new technology, the rumored “end of work,” and leaner and meaner production. This provided a fertile environment for a Low Road corporate offensive against labor. The failure of the Air Traffic Controllers union (PATCO) strike and growing anti-union sentiment--not only among corporations but among the public--discouraged assertive action for jobs, wages, and benefits. Everyone became fearful of punishment for being too assertive, of being on the wrong end of the stick if their profiles were too high, or of following leaders whose demands would make them vulnerable rather than stronger.

The corporate attacks on unionism in the late 1970s and early 1980s resulted in greater silence, rather than a protest movement; in the weakening of popular organizations at the workplace and in the community; and in the growth of narrow self-interest. In contract negotiations, management at company after company would demand give-backs in wages and benefits as well as other concessions, and would get them quickly, for workers feared losing their jobs and losing them permanently. Aggressive managers made demands in order to provoke a strike, confident that strikebreakers drawn from the mass of unemployed workers would now cross a picket line. Communities that had been the site of armed rebellions and protest actions under the economic and social conditions of the 1960s remained silent as poverty rates soared, services were cut, and discrimination

expanded in new forms.

In this context, popular support went only to campaigns and organizing efforts that advanced redistribution of wealth combined with a sophisticated view of practical ways to run the company or a segment of the local economy. Many of the pioneering groups in the Federation for Industrial Retention and Renewal formed out of a successful local, mass campaign around a particular plant closing and suggestions of new ways of running the economy. These campaigns compared well to traditional redistributionist campaigns in the same communities.

The new conditions, in short, require that a social movement maintain its demands for a better and more fair distribution of wealth, but also that it go beyond redistribution to lead in the *creation* of wealth--seeking control and the right and capacity to manage the economy at every level.

Making the shift from a movement rooted in seeking redistribution of wealth to a movement that leads in the creation of wealth is not easy. It requires a profound reorganization guided by research and analysis and tempered through direct participation in all aspects of production, marketing, and management, as well as critical reflection. Such a social movement must take advantage of every opportunity to learn through participation and action to develop the capacity to succeed. It must be informed by a sophisticated and independent analysis that reflects its values in making decisions within the context of the firm and economy. It must consciously train its established and emerging leaders in the requirements and possibilities of this work. It must create models that demonstrate the power and practicality of these new approaches. The social movement must develop its own financial capacity and have the talent and skills required to acquire and operate companies as well as access to capital in all its forms.

Equally, the social movement must hone and use its traditional skills of militant mass action, organizing, and political action, not only to wield “non-market” power effectively, but also to increase the involvement and identity of more and more people and popular organizations. All effective development strategies combine money, technical skill and politics. The required skill is to know how to manage the tensions that result.

Within this conceptual framework, we must recognize that sections of the business community share the fundamental objectives of our High Road. And a broader segment of the business community has at least a material interest in the success of building the economy, no matter what strategic alliance guides development. Business people bring indispensable skills and resources to the process, and must be attracted and recruited to our efforts. In return for their work, they must be rewarded with fair compensation and return on investment, with partnerships that enhance the performance of their companies, and inclusion in all aspects of our community.

## **The Role of the Market**

Markets, market pressure, and the marketplace are part of all economies and societies at every stage of development. Market forces are objective features of our current system, past systems, and future systems. How they operate varies with each society’s priorities and capacities. Market influence has both positive and negative impacts. How the balance is managed depends on the values, priorities, and capacities of the society and its leaders. This is the source of values in the market.

One of the paralyzing aspects of today's discussion on systems and development is the notion offered by some sections of both the left and the right that use of markets require an embrace of capitalism, and that to use the strengths of the market is to embrace "free market ideology." Whatever system one embraces has to do with the values and priorities of that system, not whether or not it uses markets.

Our strategy for development accepts and masters the positive aspects of the market as a foundation for exposing the limits of the market. Market forces are driven by the laws of supply and demand and, if used effectively, can contribute to greater efficiency, lower cost, and high quality. Market forces can also lead to inefficiency, high costs, low quality, and human degradation and suffering.

We accept the requirement of businesses and agencies to be efficient, productive, and profitable as a reflection of good management within the restraints of available financial resources, technology, and labor talent and capacity. We recognize entrepreneurial actions and skill as leadership within the economic realm and we cultivate and encourage entrepreneurial talent that accepts our broader values. The critical questions are these: What values and priorities are driving decisions within the limits of the market? How do we use the surplus value generated in the market? How creative and effectively do we use non-market capacities to accommodate the market's limits?

In addition to "market forces," the "Market Place" puts the discussion in a particular social context and within pressures and standards of the time. The character of the market place changes continually, depending upon who's bringing what to the market and under what terms. The marketplace of a Native American village is similar to and distinct from Wall Street. Both are arenas of exchange, supply, demand, and the negotiation of terms. Their social, political, and cultural contexts are dramatically different.

Our new strategic framework combines use of traditional market forces with skillful use of resources typically not seen as part of the market: taxation, regulation, and powers such as eminent domain. It includes social action like organized purchases or boycotts of products, negotiated contracts and strikes. This spectrum of tools allows us to achieve the economic and social objectives of sustainable development.

For many in community development or at one margin or another of the business community, all conflict or use of force is avoided or feared. Within the business community, force and conflict are continually in use. Often the most successful are the most adept at managing it--that's why there are so many corporate lawyers. Businesses come and go and are pushed and shoved--sometimes over the brink. Competition can be ruthless.

This kind of conflict usually leads to a negotiated peace. Our problem with this is not the conflict itself, but the values and priorities that guide it. We frequently see people, assets and resources that are indispensable to the development of our society being wasted in the internal corporate wars.

Our new social movement should not leave its conflict management skills at the door when it enters the market. It should simply get better at using them. Our values should use conflict and force, yes, in order to discourage or block the Low Road.

Our physical position in production and in the community gives us a strategic advantage in blocking development that we do not want and in promoting development that is ours. The non-traditional tools that our social movement can wield give us an enormous advantage in competing with the regulars. We can not only save jobs, companies, communities, and generate funds and all the other by-products of conventional

development; we can also train and prepare labor and community for their new leadership role in the economy.

Our strategic vision requires that when market activity supports the High Road and is consistent with our values, we “follow the market,” maybe tinkering or adjusting the activity as necessary. When market activity is leaning toward the Low Road, we either challenge those who are guiding it and move to “lead the market” ourselves, or we lead in the pursuit of non-market solutions bringing in the power of government or the organizational power of society. Our effectiveness in the market will, in the long run, be measured by the percentage of production that is geared toward human need and the decline of poverty and inequality.

Many examples in the field of employee ownership illustrate effective use of the market and traditional market skills and demonstrate the “competitive advantage” that labor has in certain market settings. Recognition and skillful use of those advantages permits labor to block a Low Road strategy and implement a High Road strategy guided by our own management values .

### **Scully Jones**

In Chicago in 1983, Bendix Corporation (owned by Allied) was planning to sell one of its production facilities--Scully Jones, a machine tool-holder manufacturing company-- as one step in a corporate consolidation plan. Fifty production workers represented by the United Electrical Workers Union (UE) and ten salaried workers were at risk of losing their jobs. When the plans were announced, a company engineer named Cy Wax, among others, knew that the firm had value and could have a future under the right management strategy.

Workers and managers at the facility, posed, debated and answered the question, “Why don’t we buy it?” The recollection still brings tears to Cy’s eyes. With very little experience, with a dangerous lack of information, with a dash of audacity, and with two cups of determination, the production and local management employees developed a plan, borrowed money, created an employee owner structure rooted in democratic principles as well as shareholder return, and bought the company.

Despite the objections and absence of assistance from UE’s national leadership, which was ideologically opposed to worker ownership, the transition happened. The company has sustained and expanded the jobs at the company despite very difficult market conditions. Democratic life permeates

the structure,  
where the  
CEO--Cy  
Wax--faces  
election  
every year.  
Union  
members still  
pay their  
dues to the  
UE and  
maintain  
union life.  
And the rest  
of us in the  
city have a  
good  
example of  
labor and  
management  
on the High  
Road  
together--  
saving jobs  
and a  
corporation  
despite the  
plans of  
Bendix to  
disinvest. In  
the Chicago  
market place,  
something  
different  
happened  
because new  
entrepreneurs  
with a  
different  
vision and  
different  
values  
intervened.

## **Morse Cutting Tool**

In the early 1980s, another UE local guided by a different strategic perspective demonstrated the power of traditional organizing tools when creatively applied in a business or market setting.<sup>xxi</sup> This did not involve an employee buyout.

UE Local 277 represented the workers at Morse Cutting Tool, an anchor company in the coastal town of New Bedford, MA that made twist drills to be held by the tool holders made at Scully Jones. In 1968, Morse Cutting Tool was purchased by Gulf + Western (G+W). In 1981, a dramatic shift in management policy signaled impending demands for

wage and benefit concessions and threats that the firm might shut down. Local UE staff member Ron Carver<sup>xxii</sup> knew that to wait to respond during the typical contract cycle would almost guarantee the local's defeat in negotiations and could lead to devastating job loss for the community. Ron turned to the Industrial Cooperative Association (ICA) in Somerville, MA, a then-new consulting firm inspired by the Mondragon model to help workers build cooperatives.

ICA did a study of G+W's management of Morse Cutting Tool that documented its business strategy of "milking the cash cow"--draining the company of cash for use in other acquisitions. They showed in detail how this viable, profitable company that employed hundreds of workers was being destroyed by G+W's narrow corporate approach. G+W was reinvesting about 2% of gross sales into capital improvements in an industry that required at least 8% annual reinvestment. It was buying a car and never changing the oil.

The consequence was obvious. The union documented what the impact of the closing would be on the small town. It went door-to-door and organized a broad coalition of local organizations. Armed with community support and a detailed analysis of G+W's wrecking methods, the union went to Mayor Brian Lawler and persuaded him to use the state's power of eminent domain to prevent G+W from closing Morse Cutting Tool.

The mayor told the company, "Either invest in Morse Cutting Tool, or sell it to someone who will, or I will take it away from you with my powers of eminent domain." The press howled that this stand would wreck the business climate of New Bedford as well as the company. But it didn't. G+W reversed its plans and sold the company to a local investor who developed an effective partnership with the union.

The market place in New Bedford produced some new entrepreneurs who changed its terms. Labor with community support refused to let one company destroy their local economic assets and intervened with ordinary politics forcing the sale of the company to another corporation that would continue to develop the local asset.

### **Sharpsville Quality Products**

In 1990, members of Steelworker Local at Sharpsville Quality Products in the Pittsburgh area narrowly supported their local president in a controversial decision to agree to a company "participation in management" proposal. Union members used the program to learn more about the company and the industry. When faced with a three-day notice of management's plan to shut the plant down, the workers occupied the company for 42 days with a sit-down strike.

From their position of power and by gaining community support, they negotiated a purchase of the company with the assistance of Locker Associates, a consulting and investment firm that has a long history of defining labor's power in the market context,<sup>xxiii</sup> and the Steel Valley Authority, a regional industrial retention initiative.<sup>xxiv</sup> The buyout was supported by local churches and community organizations who created the A New Beginning Fund and loaned the workers \$250,000. The company remains open under employee ownership. The market place in Pittsburgh adjusted to the dramatic entry of these new union/worker entrepreneurs with strong community support.

## **Participation and Democracy**

Our strategy is premised on growing participation, consultation, and democratic control of the economy as something that makes economic and social sense. Our economics **requires** the organization of mass movements and the creation of effective mass

organizations such as unions, community-based organizations, and political structures. Through these movements people gain essential knowledge of, and consciousness about, their ties to one another and their collective strength. It is in fact the one feature which gives our approach to development its competitive advantage. We can marshal the knowledge, enthusiasm, militancy, and creativity of a profoundly broader network of people in recognizing, developing, and protecting our economy.

Of course, expanding democracy and worker participation during the non-stop battle to maintain a positive cash flow, or while in difficult negotiation, is like expanding democracy during wartime. It is often difficult and complex, particularly when the combination of roles that we suggest is relatively new. We recognize that the resolution of the inevitable conflicts is where the real training, education, and capacity-building takes place. These are of course essential for the kind of paradigm shift we suggest. So we encourage organized participation at all levels of the economy and society, recognizing that this is a precondition for human development.

## **Eastern Airlines**

In 1983, the Chairman of the Board at Eastern Airlines, Frank Borman, saw an opportunity in the climate that surrounded labor negotiations. In preliminary talks with Charlie Bryan, President of District 100 of the International Association of Machinists and Aerospace Workers (IAM), Borman asked for major wage and benefit concessions.<sup>xxv</sup> Rather than view this as an issue of redistribution and whether or not his members were worth more or less in the marketplace, Bryan responded to the demand as if it were a request by Borman for a loan or investment in the company. The Machinists sought the assistance of Randy Barber, a pioneer in the development of capital strategies for labor.

As any banker or investor would, Bryan then entertained Borman's proposal on the condition that the union have access to the full financial records of the company for an independent analysis of how the company should be operated in the "competitive" climate.

Following a thorough review, the union granted Eastern some concessions in exchange for positions on the Board of Directors, stock ownership, unlimited access to all company financial information, a right to review the company business plan, and new labor-initiated and controlled productivity plans.

Through a highly participatory process, union leadership united the rank and file around its plan and prevailed. The union's approved plan "saved the company \$53 million on an annualized basis. Many of these savings recur year after year, meaning that from January 1984 to January 1986 the union provided a total of \$137 million in cost savings through...contracting in...repair versus replace...manufacture versus purchase...rebid supplier contracts...and labor force reductions through attrition and cuts in planned new hiring."<sup>xxvi</sup>

Despite the promise of these innovations, Frank Borman competed to become "Low Road CEO of the decade." As Charlie Bryan said, the "idea we had of developing complete trust between labor and management with a culture of co-determination ended with total betrayal by corporate power brokers in the night of February 23, 1986." That night the Board of Directors, over the objections of employee representatives, sold Eastern Airlines to Texas Air Corporation, run by Frank Lorenzo, the airline industry's lead union-buster.<sup>xxvii</sup>

In the same way that labor began to master the use of Employee Stock Ownership Plans (ESOPs), emerging labor leaders developed sophisticated ways to implement "Participation in Management" systems that both improved the performance of the



company through ideas generated by the workforce and protected the jobs and rights of the workers who had the ideas. Experimentation and its results in this arena are indispensable, not only in building strong companies but in promoting democratic participation in all aspects of organizational life.<sup>xxviii</sup>

## **The Development Model of Organizing**

The traditional development paradigm has often rewarded organizers, and even their most militant actions. Management had grease to give and a willingness to give it. Most battles for a bigger share of the pie were short-lived, particularly after World War II. Of course, factors of race and gender brought into play much deeper contradictions in society and added complexity, length, and often defeat to campaigns. And even simple campaigns for redistribution of wealth were often very difficult, dangerous, complex and protracted, and sometimes resulted in bitter loss. But generally speaking, most campaigns could generate results in a relatively short period of time.

Campaign duration was proportional to the breadth of the base, militancy or the threat of militancy, effective public relations, and creativity of the organizers. In this context, community organizing traditions such as that of Saul Alinsky flowered and gained influence. In labor, huge unions were built in explosive fashion within the context of a relatively narrow program and range of activities. In the 1960s, a leaflet or two plus a picket line or a sit-in could attract thousands.

In the last 15-20 years, the rules for organizing have changed. What worked within the old social contract can no longer work predictably in today's environment. In reaction to the passivity and bureaucracy of union leadership in the 1960s and 1970s, emerging leaders developed the "organizing model" of union leadership to oppose the "service model." But even this shift to a more activist approach doesn't always prove to be enough.

We promote the Development Model of Organizing<sup>xxix</sup> that builds individuals, organizations, and communities in seeking a profound transformation of society. This model focuses on building a qualitative foundation for quantitative growth. Traditional organizing that focuses on redistributionist demands and mobilizes people on the lowest common denominator of their concerns barely or rarely goes above that in raising their consciousness about the character of society or in giving them strategic vision. The activist or militant organizers are more aggressive and strident, but they have essentially the same reductionist approach as those who mobilize people to embrace one aspect or another of the status quo. The Saul Alinsky organizing tradition offers a full array of these styles that vary in form but not in substance. At this early stage in our new movement, emphasis must be placed on selecting leaders carefully, providing patient training and education on the full features of a new strategic vision, and developing the skills needed to build strong and vibrant participatory organizations at all levels.

From our experience, consulting firms, unions, community coalitions, national coalitions, or business organizations that embrace this new strategy of development always require an organizational transformation of some kind. In the last 10 years, we have seen the collapse of a number of organizations that thrived in earlier periods, and a number of dynamic organizational leaders have crashed and burned. Like organizing strategies, organizational structure and culture must be based on what works in the context of different programmatic objectives.

Community groups and unions were organized around the assumption that campaigns would typically be relatively straightforward and short. Now they can last for years and

require sophistication in moving from one complex stage to the next complex stage. Oppositional skills were an essential element of success in the 1960s and were frequently enough to win the contract or victory. Today, the same organization with the same opponent needs to advance an alternative and achievable business strategy as the context for its demands to maintain or improve wages and benefits.

Success requires effective approaches to finance and management. Gaining community support requires reframing the fight from a labor-management battle or a company/community battle so as to define it as a coalition of workers and their broader community against a narrow corporate approach and in support of a more effective business strategy. Staff and organizers need different qualities, different training, and a different mindset from the old days, if they are to succeed. The conversion is often difficult. Organizational change must be anticipated and addressed with candor and skill. The same applies to consulting and research companies that work in this field. Technical talent must be matched with political judgment and skill.

As one such company, CLCR itself almost collapsed under the pressures tied to understanding and applying our own new strategic approach. We too required and sought outside management assistance, and this led to a complete restructuring in our approach to our own finances, management, and quality control.

## **Critical and Dialectical Thinking**

I believe that we are at the beginning of a relatively long transition period of 30 or 40 years that will result in the kind of economy and society envisioned in this paper. The transition will be complicated and difficult and requires careful, patient, and honest analysis as leaders seek to understand and transform events. As philosophers teach us, all development springs from the struggle among contradictory aspects of a thing. Negative and positive qualities are in constant transformation. We need to understand dialectics recognizing that in many cases, our work will be characterized by weakness--say 80% weak and 20% strong. We need to be skilled in recognizing that 20% and building on it to address the weaknesses in a protracted process that will lead to work that is 80% strong and 20% weak, or better.

It's frequently very difficult to weigh the positive and negative qualities of organizations, strategies, leaders, or opponents and to correctly understand how they are changing and what the most effective policy of the moment may be. At an early stage, not much convincing data is ever available. This demands a commitment to critical thinking and digging beneath the surface. It requires the willingness to identify strengths and weaknesses candidly in our work, knowing that "truth is beauty" even if it's painful and means more work. Active and spirited debate among contending views has to be nurtured. Writing analytical descriptions of current events and in-depth evaluations of theory has to be a requirement of leaders and organizers. To succeed at this requires the skills of using differences between people and organizations as a springboard for building organizations and relationships rather than for tearing them apart.

One of the classic features of old thinking is seen in those who resist, refuse, and discourage this critical process. We see it in community and development organizations that avoid the complex and controversial, fearful that their reputation will suffer if they acknowledge or confront a weakness. We see and welcome dynamic experimentation by the new AFL-CIO, but we worry at the apparent lack of critical reflection. In organizer circles, a deeply entrenched anti-intellectualism seizes on the easy weaknesses of hollow theoreticians as excuses for avoiding their own analytical responsibilities.

There are strong anti-leadership traditions that view dissenting opinion argument as inherently negative or arrogant. This undermines the absolute responsibility of leaders to lead--which by definition requires espousing a minority view initially, and then sending it into competition with opposing or differing views.

We must recognize the positive and negative aspects of competition. As we do in the market, we master the positive ideas to expose and counter the negative ones. Competition is an essential quality of economic and democratic life and can be used in ways that enhance and strengthen democracy and productive capacity either within or among firms and communities. The same tension applies to the positive and negative aspects of cooperation. Cooperation in one setting is absolutely appropriate and constructive. In another setting, such as when someone has a diametrically opposed view, cooperation becomes corrosive.

We now must leave behind the luxury of believing that all needs can be met. We need to acknowledge and accept the limits imposed by uneven development of resources, knowledge, and capacity. No perfect distribution system exists, nor does complete capacity. Hard and difficult decisions of allocation must be made and they can't satisfy all concerns. The ability to make these decisions fairly at the firm and community level qualifies and trains us to make similar decisions in a national or international framework, and that is a prerequisite for overcoming the limits imposed on us.

## **Part of an International Strategy**

Every aspect of our economy and society is now influenced by global pressures. Our development strategy must be consistent with and contribute to a vision of international sustainable development. We have a continuing obligation to speak to the immediate needs of our communities, but their satisfaction cannot be based on an exploitative relationship with any other segment of the wider international community, like the exploitative relationships that made our expanding economy possible through the early and mid-20<sup>th</sup> Century. In fact, our development strategy must be the opposite--aggressively linking our capacities to those in other countries, seeking to transfer wealth and technology to promote economic stability and development internationally.

Rather than simply opposing international agreements on trade and investment, a stance that can mask protectionist and nativist priorities, we should work to develop international agreements on trade and investment that reflect our values and commitment to mutual development. It is true that 80% of our production goes to domestic markets, but that is no reason to avoid examining and developing the international links in our strategy. As we define the specific features of our development model in its global and international context, we are forced to address the specific challenges of competition, uneven development and stability that are present in these relationships.

## Chapter 6: Labor and the High Road

At the heart of this strategic perspective is recognition of the powerful and leading role of labor in development. “Labor” is not a code word for union. Labor is organized and unorganized and we must work with both sectors. Labor refers to people who work for others-- in production, service, and lower levels of management and supervision. Labor is key because it is “the back that turns the wheel” or “the brain that makes the judgment” in production. By definition, it has the greatest access to important information, it will determine the level of productivity and efficiency, it can block or encourage the growth of the firm, and it is part of the broader community. Its power in the company must be recognized and encouraged by our policy initiatives.

New forms of labor participation in the firm and in the economy are a key element of our new paradigm of community economic development. The new economy requires a high level of participation, consultation, and involvement in all aspects of decisionmaking by all the stakeholders. Transforming the image of labor from that of just another commodity or a cost in production to that of a full partner is one of our key objectives in extending and expanding democracy and participation in our society. This makes business and social sense.

Our successful work with labor is our key competitive advantage in promoting genuine community development on the High Road. Our understanding, commitment, and capacity to bring labor forward as a strategic leader in the health and development of the firm, despite the obstacles, is the **most** important advantage we have in retaining the assets of our economy and promoting development that is economically, socially, and environmentally sustainable.

### The Key Element in Productivity and Innovation

Labor--organized and unorganized--is in the key strategic position to determine the success or failure of a company. Labor makes key daily judgments in production and it is labor’s morale and energy that encourages or blocks smooth operations in the firm. Its full engagement in the company can lead to:

#new ideas on production and efficiency and increased productivity;

#equity in the company that can improve the firm’s balance sheet;

#political support for the firm in the community.

Labor is also a key source of information about the problems and opportunities inside the firm, and information is crucial to developing effective policy. Workers--organized or unorganized-- provide the **best** source of non-public information about a company, by virtue of the fact that they:

- spend 40 to 80 hours a week there;
- observe or participate in all aspects of operations in every department;
- may have years of experience and perspective in evaluating the significance or insignificance of any change in the company; and
- have a long-term vested interest in the success and continued operations of the

company.

Workers often do not know the significance of the information around them, nor what to do with it, nor how it can and should be used. Traditional relations of production have discouraged workers from becoming aware of the centrality of their role or the benefits that might come from analyzing what is going on. Neither unions, managers, local government, development corporations, or others in the community reach out routinely to employees as a source of information, yet their information is critical for a new strategy for development and needs to be part of the foundation of effective action at the firm, community, or macro level of the economy.

To secure this information requires patient education and outreach. Employees often feel legitimately insecure in providing information, knowing that if they were found to be the source of the information, it might cost them their job. Those who seek the information must be careful to preserve scrupulous confidentiality.

There are two benefits from gathering worker's information: the information itself, and the resulting change in the consciousness of the worker. A person working for a wage becomes someone who is responsible for what is going on in the company--and this transformation lies at the heart of our strategy.

## **Unions and the High Road**

A relatively small percentage of the workforce is organized--now 14.1%<sup>xxx</sup>-- and only a few of the smaller companies that dominate a local economy are organized. This is a real weakness in our economy. Strong and effective unions in companies large and small are central to the High Road of development. Why? Unions represent the effort of workers to define the labor contract collectively, not only in their negotiations with management, but also in the internal debate on what constitutes a reasonable contract. Unions provide contact among the workers in a company with workers in other companies, and relations with other sectors of society. This broad framework promotes education, accountability, solidarity, and political action.

Unions protect the contract rights of the individual in conflicts with management as well as with other workers. In employee-owned companies, unions are an essential protection of minority rights in conflict with majority will. Good managers value good unions. Unions provide organizational structure in production. They make it possible to have structured agreements among representatives which makes negotiations more efficient and typically improves the content. Strong CEOs want strong managers, who inevitably make mistakes if they are doing their jobs. With unions, employees have protection from those errors. This system can strengthen everyone in their part of a company's necessary division of labor. Unions are also a source of information for the company about what is going on in other parts of the sector.

As in all human undertakings, labor organizations and their leaders range from the excellent and competent to incompetent and corrupt. Within labor there are "High Road" and "Low Road" unions shaped by history, leadership, and composition. As with local management, each situation requires concrete analysis to determine action and policy. But the existence of a union is overall, a positive factor in our approach to community development and company development, because it reflects organization and leadership within the firm. This can facilitate the flow of information and make access to it easier. Additionally, the parent union can be a source of broader information about the company and other firms in its sector, and it can provide financial and other resources to meet the needs of the company and the workers. Union organization, however, can block access to

information too as can management, so that an informed policy on the particular local, its larger union and the local labor council are also essential.

Critical and very positive changes are taking place in organized labor. For decades, labor leadership defended the private sector's right to be the steward of the economy. Here is George Meany, president of the AFL-CIO in 1955.

Where management decisions affect a worker directly, a union will intervene... (But) those matters that do not touch a worker directly, a union cannot and will not challenge. These may include investment policy, a decision to make a new product, a desire to erect a new plant so as to be closer to expanding markets, etc...

After decades of this passivity, organized labor is coming alive at every level, re-examining its various roles with a critical and creative eye. Leaders are now wide open to new options that benefit their members and allies, and they now represent a potentially powerful array of resources and influence. They value High Road strategic thinking and concerns about industrial retention and development work. Some emerging leaders recognize that unions will build their organization and representation only if labor takes a lead role in all aspects of the firm and the economy. They point out that failure to advance the broader issues will ultimately lead to failures in organizing drives. We activists who carefully preserve and develop our role with organized labor will give our projects enormous competitive advantage in years to come, and we who do not will fail no matter how well intended-intentioned we are.

## **Labor and “Capital Strategies”**

“Capital Strategies” is the term that has come to describe labor's entry into issues and concerns historically reserved for the private sector in the traditional economic paradigm. The most concise and complete definition is offered by Randy Barber,

A capital strategy is an integrated approach to trying to affect all aspects of the structure, finance, and operations of both single employers and entire industries.<sup>xxxii</sup>

These strategies are becoming more complex and effective as labor gains experience. Their use involves research, technical work, organizing, finance, politics, legal tactics, and pure power. They usually require finding individuals within the firm or industry who share our objectives--at least in part. They require a dramatic shift in the attitude of leaders who want to use them. Capital strategies acknowledge the strengths of the marketplace and require mastery of the skills necessary to use those strengths for labor's advantage.

Capital strategies typically begin at the firm level but should not end there, for inherent weaknesses can doom a strategy that remains focused on one firm. Labor needs strategies that eventually link firms together and that seek broader political change on state and national levels. They need to be part of the fight for national policies that promote and support our efforts on the local level.

### **The Variety of Tactics**

Capital strategies have many different tactical components. Many were developed by creative union leaders over the last 20 years in response to shifts in the economy. The list is getting longer as labor gets more sophisticated, but it now includes:

1. *Corporate or comprehensive campaigns* to influence the outcome of corporate takeover maneuvers or to prevent a corporate strategy that attacks labor's interests;
2. *Community and government involvement* in efforts to maintain, modernize, or expand corporate facilities through coercion, as with the eminent domain strategy used at Morse Cutting Tool, or by persuasion as with the use of public subsidies to offset extraordinary costs;
3. *Exchange of government resources* for the company, such as training dollars for pro-labor objectives;
4. *Investment pools* that favor workers and companies that are pro-labor, such as the Crocus Fund in Manitoba. The Crocus Fund was created by the Manitoba Federation of Labor in 1993, capitalized by provincial monies, pension fund investments, as well as the investment of almost 16,000 citizens of Manitoba who receive a tax credit in return. The Crocus Fund has accumulated more than \$90 million and is used to retain Manitoba companies and promote employee and local ownership. It has been very successful and is growing rapidly. It is similar to the Quebec Solidarity Fund and other funds emerging in Canada that now represent \$4 billion out of a total of \$7 billion of Canadian venture capital, and more importantly, the participation of 500,000 individual investors.
5. *Negotiated production agreements* that cover issues of product, process, finance, and marketing, intervening in topics that are the traditional realm of management.
6. *Participation in management* as a labor strategy.
7. *Partial or total purchase* of the company along the lines of the United Airlines buyout;
8. *Demands for access* to corporate information;
9. *Established rights of first refusal* as part of a labor contract in the event the company becomes available for sale;
10. *Use of union pension funds* for the public interest: withdrawing them from investment in companies that pursue Low Road strategies or investing them in companies with the High Road approach. For example, Local 675 of the International Union of Operating engineers in Ft. Lauderdale Florida developed an aggressive strategy for its pension fund. Workers discovered that pension trustees had invested in companies engaged in anti-union activities, including construction of the National-Right-To-Work Committee headquarters in Virginia. The union took control and withdrew its money from that investment, moving it to make affordable mortgages available to their members. The union then financed the development of an office park with 30 buildings constructed with union labor. These and other projects helped Local 675 leverage over \$400 million of construction work for local building trades members<sup>xxxiii</sup>.

Several components are essential to successful use of these strategies.

**1. Good Information:** Accurate and timely information is a key requirement for successful capital strategies. Sophisticated training and research programs for unions, community organizations, and local government can help secure and analyze this type of information systematically.<sup>xxxiii</sup>

**2. Research and Analysis:** At the heart of practically any effective capital strategy is an independent analysis reflecting labor's interests and values. It covers the plant, the company, the sector, national/international factors, and available options.

**3. Technical Skills and Capacity:** Labor must have the capacity to perform the tasks that are needed to buy, run, and improve a company so that it is driven by labor values.

**4. Finance:** Access to money is needed for purchase, working capital, and all the other components of capital strategies.

**5. Education and training of the membership:** This is fundamental and must start at the beginning.

**6. Help:** The AFL-CIO and some international unions are developing sophisticated internal capacity to help with all the components of capital strategies. Probably 20 different consulting firms also share labor's interests and specialize in aspects of this work.

A number of dangers and problems often emerge in the use of Capital Strategies.

**1. Falling prey to management's anti-labor strategies:** Some of these ideas are often initiated by management--particularly plans for ESOPs and participation programs--and are also intentionally or unintentionally anti-worker and anti-union. After investigating the situation, a union may want to proceed with the program, but should use it as an organizing tool taking advantage of the space and any ignorance by management to turn the tables.

**2. Turning over leadership and initiative to the technicians.** While acknowledging expertise, labor leaders **must** be informed and in control of the important decisions involved in capital strategies. They must not abdicate the responsibility of grasping the significance of technical issues and making the right judgments. The technician or consultant's job is to develop the capacity of the union or group of workers to lead by transferring as much skill as possible, not to create an unnecessary dependency.

**3. Failing to organize, educate, and involve the members from the very beginning.** Every aspect of our strategy requires the training and education of leaders and participants. But often, the pressure of "doing the deal" takes over and education is forgotten. Complex and pressing problems of finance, legality, management, or some other critical technical component demand the time and resources of leaders. This is normal. Leaders seeking to apply this strategic framework, however must give training and education of new leaders and the rank and file a priority level equal to that of hiring a good attorney or investment banker.

**4. Being cynical and superficial:** Passion can create possibilities. These campaigns typically require strong charismatic leaders who help people rise to the challenges of the difficult. Those skills need to be cultivated and nurtured in the mix of talents essential for these projects. On the other hand, passion and charisma are only good if they set the stage for the hard and persistent work required if the benefits of capital strategies are to be realized. These projects demand persistence and determination.

**5. Seeing only the immediate battle as important:** Achieving the immediate objective of saving the company and jobs is important but it is only the first step of many. The criteria for judging success have to consider the project's contribution to strengthening the broader effort to build the movement.



## Chapter 7: Worker Ownership

Despite long and successful European and Canadian traditions, American experiments in worker ownership had been on the fringes of the economy until the late 1970s. With a few notable exceptions, employee-owned businesses fell within the "sandals and candles" category--small craft cooperatives. The labor movement had no compelling reason to understand the dynamics, dangers, or possibilities of worker ownership.

Since then, however, interest in employee ownership has grown dramatically, along with an increase in the number of employee-owned companies. The potential for growth in the field is enormous. More important is the potential for employee owners in concert and collaborating with other socially-minded entrepreneurs to provide leadership and vision for the management of the entire economy as it stumbles and decays under its more parochial owners and managers. Linked to this potential is the opportunity to extend the growing demand for greater democracy into the economy.

This is the time for us to "think big." To do so requires a critical evaluation of the last decade and a careful and candid dissection of what was positive and negative as a foundation for new visions and programs. Worker ownership needs to be examined as more than a clever way for motivated managers, workers, and consultants to establish a niche in a system filled with cracks. It has to be seen for its power to create new leadership in driving the creation of wealth.

### A Traditional Corporate Tool

With the recent tremendous changes in the international and national economy, employee ownership has become an option that labor cannot afford to ignore.

Passage of Employee Stock Ownership Plan (ESOP) legislation in 1974 allowed both pro-labor and anti-labor strategies to become masked in the concepts of employee ownership. Local unions and groups of employees saw it as an alternative to closing a company after a change in corporate strategy or mismanagement. The press was filled with stories about ESOPs: Rath Packing, South Bend Lathe, and other local examples. Employee ownership quickly became a very complicated issue. In this setting, increasing numbers of labor leaders and activists who were committed to building the labor movement began to look critically at this concept. They knew that to be uninformed increased the chance of either becoming a victim of employee ownership or being denied a possible labor weapon, and it was a time when labor's traditional box of tactical tools needed some new equipment. From the beginning, union skepticism or hostility was high, for obvious reasons--most early efforts at employee ownership often were contrary to labor's interests.

Under the populist-sounding legislation that gave rise to ESOPs, corporations and financial institutions secured significant tax breaks, were able to refinance their companies and fend off takeovers, and secured other benefits that could stabilize and strengthen them. But they weren't required to do anything, despite the rhetoric surrounding the law, to advance labor's interests in exchange. In the most cynical situations, ESOPs were used as a means to secure labor concessions and to isolate and weaken the union.

The corporate character of many ESOPs is graphically demonstrated by the number of them that represent majority ownership by the employees, that permit real voting power with ownership shares, or that are organized on a democratic basis where employees have real influence in management. According to Jeff Gates, an architect of the ESOP, only "about a dozen publicly traded companies are majority employee-owned, while 125 listed

companies have at least 20% employee ownership. A majority of listed ESOP firms (62%) have less than 10% employee ownership.”<sup>xxxiv</sup>

In recent years, there have been many conferences around the country on ESOPs, and my experience at one several years ago was typical. Among more than a hundred people, only one other person had any ties with labor. The attendees were attorneys, bankers, accountants, managers, and CEOs. One company owner recounted how relieved he was when he found out that establishing an ESOP and receiving its benefits had nothing to do with giving employees any say in running the company. The audience applauded. Another attendee expressed concern at "letting the monkeys run the zoo."

In meetings like these, still being held all across the country, thousands of bankers, accountants, and attorneys gather, looking for new niches in a competitive economy. They become advocates of and specialists in the field of employee ownership but have no real interest in labor, except as it represents a new valuable commodity called "employee owners".

Not only was labor legitimately cynical in the 1980s about this development, but others, including members of Congress concerned about declining tax revenues and an enormous federal deficit, could see the program was, in fact, one more corporate income tax break. This important ESOP legislation therefore remains vulnerable to assault in the name of tax reform and deficit reduction due to the early misuse of its provisions.

Employee ownership was touted and extolled by the corporate community and its apologists as the pinnacle of labor management cooperation, or "worker capitalism." It was rarely defined in light of labor's unique capacities and interests. Ownership was advanced as different from the militant tradition of labor rather than as an extension of that tradition. The early stances of the Knights of Labor, William Silvis of the National Labor Union, and others who were militant labor leaders and who supported employee ownership were ignored.

## **Labor's Own Weakness in Entering the Field**

Labor's internal weaknesses contributed to its ambivalence towards employee ownership. While the American economy was expanding from World War II through the mid 1970's, labor leadership did not need a sophisticated analysis of the business and financial aspects of a company in order to secure a good contract or settle grievances. In large-scale industry, better wages and benefits were provided in exchange for labor peace and for labor distance from management--hence the all-inclusive "management rights" clauses that are a standard feature in union contracts. But employee ownership requires a very sophisticated corporate analysis even in its preliminary stages. As a result, many labor leaders were not prepared to grapple with the various aspects of acquisitions and management of production.

This insecurity produced at least three responses. One was to recoil from opportunity, where labor did not engage the issues actively, and became ineffective in bargaining over details. This resulted in companies that failed or agreements that were imposed on the workforce contrary to labor's interests. One early example was South Bend Lathe, represented by the Steelworkers Union before the USWA became the most sophisticated union at negotiating buyouts. At South Bend Lathe, anti-labor policies in an employee-owned company resulted in a strike by "worker owners" against their own company. Production was quickly shipped overseas. In other situations, union leaders--often with militant leftist rhetoric--condemned the approach and missed important opportunities to protect and expand labor's interests.

A second response by labor was to move ahead, but turn over key analytical work and decisions to a variety of "expert" consultants or technicians who did not necessarily share or understand real labor interests. In an interview with the local president and the chief steward of United Food and Commercial Workers Local 46, representing the workers at Rath Packing Company,<sup>xxxv</sup> the officers identified the union's abdication of control over the Board of Directors as one of the main reasons for the failure of the company. Union leaders were intimidated by the supposed "complexity" of the buyout and turned over majority control to outside experts who did not share their interests.

A third reaction to insecurity was passivity--failure to get training to keep pace with and sort out the decisions and analytical problems that the fast-moving acquisition process required. How adequate is the feasibility study and how solid are the options it presents? What are the key issues in the negotiations to finance the company, or to write its by-laws, or in the sale? What is the new role for a union in a company where the dues payers are also the owners? How do you use consultants yet retain control of the process? How do you raise the level of understanding and engagement of the employees during the sometimes chaotic process of transfer of ownership? Lack of training on these issues has caused well-intentioned, labor-initiated buy-out efforts to stumble.

This void in direction was partially filled by individuals and emerging consulting organizations like CLCR, The ICA Group, the Philadelphia Association of Cooperative Enterprises, Locker Associates, American Capital Strategies, and others, but the new capacity was not enough to meet the demand.

During the 1980's, factory closings became part of the harsh reality of industrial America. Some companies, trying to avoid the huge costs of closing a plant, sought to sell the assets and liabilities to workers. As reported in the Wall Street Journal, the proposal for workers to buy Weirton Steel in Weirton, W. Va., was initiated by the president of National Steel as one way to avoid the huge costs of a closing and to sell off the risk of continued operation. Fortunately, Weirton became a success, but that was not always the case.

Other companies doomed to collapse were bought by workers in desperate efforts to save their jobs. Their decisions in the marketplace were guided by emotion and fear rather than effective analysis, and as a result, some of the early buyouts failed. This deepened labor's suspicion of employee ownership instead of increasing labor sophistication on the variables essential for success. The media often focused on these failures, characterizing them as the only examples of worker ownership, reinforcing the notion that workers do not have what it takes to manage production effectively.

In situations where business variables were favorable and labor had control, worker managers and directors were often ill-prepared to use their new power to run the company in new ways. In the post-World War II period, many unions became bureaucratized and lost their character as training schools for democracy. Leadership frequently became alienated from the rank and file. Internal education and training became an unknown in many locals.

When employees took over a company, they lacked skills for effective participatory management. Their model was frequently the inept management team they were replacing. Many problems of the old company, including internal divisions in the workforce, were therefore recycled into the new company and contributed to failed employee buyouts. That was clearly the reason for the collapse of Bankers Print, an employee-owned printing company in Chicago whose conversion was assisted by CLCR.

A final factor in the difficulties faced by employee buyouts, particularly in the early days,

was lack of support from the labor movement. Groups of workers, in the main, were left to their own resources and wisdom if they pursued an employee buyout. If they made the purchase and had problems, they were left, in some cases, to "twist in the wind." Union critics predicted that declines in wage rates in a buyout package would lower bargaining standards, but then silently accepted the loss of jobs in companies that could have been saved by informed buyout efforts. This "hands-off" stance encouraged anti-union sentiment in employee owners, left them with no choice but traditional attorneys and consultants during the acquisition, and made them and the companies they purchased unnecessarily vulnerable. As a result, a common question raised by a dues-paying union member in a shop that is considering a buyout is, "Why do we have to pay union dues and stay in the union, when we own the company?"

An insidious by-product of this attitude is that some employee-owned companies see themselves as standing alone and "minding their own business" rather than linked in solidarity and collaboration with other workers and the broader community. Unfortunately, this was a slogan naively adopted by a network assisting employee buyouts. In one situation, the employee owners of a company turned a deaf ear on a request for assistance from a group of employees seeking to buy another firm out of the fear in their own management that the new company could become a competitor. Rather than grapple with the challenges of competition, they saw the world in zero-sum terms and took the short-sighted and narrow view. In Chicago, a small employee-owned company tried to defend its actions in securing sub-contracts from larger companies as a way to avoid union wages. It went out of business.

## **Moving Forward on the High Road**

We need to challenge the view that labor's interest in employee ownership is merely as a last resort in keeping a company open, or that it is only an opportunity for a few workers and managers to have a good job and a good investment. These reasons are important, but to limit our reasons to these leaves us vulnerable to the consequences of the "hollowing" American economy--capital flight, de-industrialization, out-sourcing, etc. We also fall victim to the anarchy of our economy that permits thousands of companies to fail, only because they don't have an owner to step in when the current owner retires. If we do not develop a more aggressive stance towards these issues, we will miss an opportunity to give specific definition to the growing movement for greater democracy in our country (and around the world). We will also fail to demonstrate the potential for an economy that places recognition and respect for labor at the heart of its values. Labor and its friends must continue to develop a comprehensive approach to ownership that combines an aggressive policy with practical capacity to use the skills and creativity of the rank and file.

We need to affirm by example that ownership is more than a stock certificate or profit sharing. We need to take up the issue of democratic management with enthusiasm and commitment. We need to show how this makes companies more productive and efficient. We need to demonstrate how companies become places that transform and develop employees in positive and dynamic ways. We must fight the deeply-held view that workers do not have the ability to manage complex enterprises, much less manage in a democratic way.

We have paid a lot of attention to deals and legal structures. Greater attention needs to go to shop floor education, to pro-labor participatory management models, to the use of technology, and to the culture of cooperative ownership. Some of this experimental work is developing in cooperatives and other employee-owned companies and needs to be expanded.

We must confront the issue of employee-owned companies "minding their own business," or what is called by some, "enterprise consciousness." Of course, they must succeed if they can solve the problems within their walls, make all the hard but necessary decisions, and benefit from what they have accomplished. But it is critical that employee owners come to see themselves as part of a broader movement where they can benefit from the experience and resources of others, where they can contribute to solving problems that others face, and where they can weave together the threads of a broader economy based on principles they uphold within their own walls.

A company based on a spirit of solidarity--collective action, reciprocity, unity--in short, a labor vision-- can be both a dynamic producer of wealth and can be an economic institution with a powerful positive social impact. This spirit has to be extended beyond the single firm. The labor movement, with its existing organizations, is in the best position to facilitate this development.

In this way, the union preserves its distinct functions and responsibilities. It's important that the labor movement not allow workers to "twist in the wind" or be forced to turn to consultants, financiers, and others who promote a narrow vision of employee ownership at labor's expense. The initial steps have been taken for this type of collaboration. They must expand as quickly as possible.

In this context, we should point to worker ownership as a model with much broader implications for how our economy is managed. We should challenge a narrowness and defensiveness that has reduced the power of this approach. Of equal importance is the exposure of instances where the concept of "worker ownership" is being used to mask a Low Road development agenda.

## Chapter 8: Business and the High Road

Conventional public attitude towards the business community is “either you love ‘em or you hate ‘em.” This is a by-product of the old social contract that reserved stewardship of the economy to capitalists and their managers. Mainstream leaders accepted this relationship and were comfortable allowing business this powerful role. Of course, in exceptional moments, public officials would attack business in general or a particular company or an executive, usually because they had done something really egregious or the officials were negotiating for a bigger chunk of the pie.

On the left, a very strong “anti-corporate” sentiment lumps all companies, and sometimes all employers--big and small, for profit and not-for-profit--into the same camp. Some sections of this left pursue popular campaigns on behalf of labor, community, the environment, or democratic rights. They engage in militant action and sharply expose the oppressive role of corporate America, but their demands usually boil down to “more” or “less” within the traditional paradigm. They cede to hated corporate America the right to make the key decisions regarding the economy. These conventional approaches are paralyzing and ineffective in today’s climate, and cannot capture the imagination or intelligence of the American people. From our strategic perspective, the business community falls into three categories:

- business on the Low Road,
- our tactical allies--those who share at least a material interest in our objectives, and
- our strategic allies--those who share our vision of the High Road.

We need to distinguish among them and develop appropriate strategies for each sector.

### Businesses on the Low Road

We know who they are and see their work with increasing frequency. It is not enough to acknowledge their presence. We need to frame the discussion of their practices in terms of broader community interests and development of productive capacity. To do so is a requirement of representing the public’s interest in community development.

We need to isolate these Low Road companies from other sections of the business and broader community, who now tend to allow them to defend their narrow interests. Whether this is because of class solidarity, apathy, or conviction, it is a tremendous impediment to progress. Sharp material differences exist between the corporate-raider and “cash-cow milker” that will drain a local company of its value and close its doors, and the local machine shop down the street that depends on the business of that same “cash cow” for its survival. Yet local government, the community development activists and prominent community banks remain frightfully silent about the destructive practices of a small but very influential segment of the private sector. Their silence only reinforces the destructive myth that all corporations are the same and that they somehow have the God-given right to remain “private.”

We need to win in our conflicts with businesses on the Low Road to give others confidence that opposing them is a step toward influence and momentum. We need to frame the conflict so it is accurately seen as opposing bad business in support of good business. We don’t want it misperceived as “anti-business” or “anti-corporate.” But exposing this destructive segment of the private sector is not enough. Low Road behavior

must be blocked and stopped, and punished when appropriate, in the same way we punish destructive practices in the underground market, or in society as a whole. Some laws against illegitimate corporate practices are only enforced periodically. These need to be updated and applied consistently in light of real conditions.

The company I worked for--Taylor Forge--was being destroyed because of a strategy promoting shareholder return without considering the destruction it caused in families and the community. It dawned on me that if, in a rage, I grabbed a baseball bat and broke car windows on Cicero Avenue, I would go to jail. On the other hand, if I had \$50 or \$60 million, bought a company on Cicero Avenue and wrecked it in the course of making my stockholders more money, I would be written up in *Crain's Chicago Business* as a "tough but smart" business leader.

In our marketplace, companies expertly wrap themselves in positive descriptions. Effective public relations puts the best possible spin on their contribution to society or the compelling reasons why they do what they do. Despite the fluff, their practices develop our communities and corrode and destroy our productive capacity.

The quest for short-term shareholder value is not only destructive to communities and workers, but also can be destructive to long-term shareholder value. Successful speculation is not the same as successful business. Underlying this misunderstanding is greed, of course, but also a deliberate blindness and a culture of selfishness. Equally corrosive are the policies of executive compensation that reward practices incredibly destructive to a community, a company, or industry's health.

This does not mean that all companies that pay a minimum wage, or that are involved in a dispute with labor or with the public, or who have a process that is not sound should be labeled the enemy. We should be careful with our labeling, acknowledging that, in some cases, a company's practices are contrary to public interest but the solution is complicated. On the other hand, when we have a company that is clearly and intentionally on the Low Road, it is essential that we act when we can to expose, block, and oppose.

## **Our Tactical Allies**

Our tactical allies are companies that have a short-term material intersection with our objectives, but do not necessarily agree with our whole development program. These include the majority of companies that have a local market and depend on a thriving local economy. A large number of companies are still locally owned. Their success depends on a strong social and economic infrastructure. Their managers and owners have often worked themselves up from production positions, and come from working class communities. They are familiar and sympathetic with the conditions, worries, and concerns of the majority of people.

These allies include investors, entrepreneurs, executives, and others who are fair and recognize our common interest. Some companies, because of the nature of their production, require the kind of society our strategic objectives seek. Many high-technology companies want a community with a highly developed infrastructure that will provide a steady flow of highly educated and motivated workers. Their productivity depends on decentralized authority and initiative rather than the rigid, assembly-type production process known as Taylorism. But the fact that they have a material interest in our program does not mean they recognize that or step forward. It is our job to highlight this common interest, provide them with appropriate material benefit when possible, and effectively break our own habit of lumping all parts of the private sector together.

## Our Strategic Allies

In the business community there are businesses, large and small, and business leaders who accept the main features of our strategic vision. They are absolutely essential for the success of our new development strategy. They have essential skills and resources to complement those of labor and community.

These are individuals who can be found working in most Low Road companies, who are often required to act in a certain way because of their job or immediate situation, but who have a high level of consciousness and commitment to the High Road. Finding individuals like these is like finding diamonds, and our social movement should never close its eyes to this possibility.

Mid and lower-level managers in some Low Road companies may also share a commitment to further develop the productive capacity of the company and can find themselves in fundamental conflict with strategies that threaten it. In short, whole classes of company owners and managers can be our strategic allies. These include employee owners of companies, micro entrepreneurs, and “minority” and women entrepreneurs who bring strong values and commitment into their business practices.

Our specific program for tactical and strategic business allies outlines the unique features we bring to business development. These include: linking successful companies with sustainable objectives; giving priority to work with social, female, and minority entrepreneurs; developing the full capacity of labor within the business, and building a mutually beneficial relationship with community and local government.

### Brach Candy Company

In 1989, at the request of a local community coalition called the Garfield/Austin Interfaith Action Network (GAIN), CLCR became involved in a protracted effort to save jobs at Chicago’s Brach Candy Company.<sup>xxxvi</sup> This campaign provided a great opportunity to define the interests, actions, and roles of the various parts of the private sector connected to the company and to develop strategies appropriate to these varied interests.

In 1987, this West Side company had employed some 3,700 people and generated \$80 million in payroll revenues that circulated through the local economy, yearly. The company was purchased by Klaus Jacobs, a Swiss entrepreneur. By 1989, he had laid off 1,000 people, replaced four CEOs and management teams, lost about \$100 million in sales, and threatened to close the company if the City of Chicago didn’t set up a Free Trade Zone that would permitted Brach to buy sugar at reduced international prices.

CLCR established a partnership between GAIN, the Teamster local that represented the production workers, some of the management of the company including Peter Rogers, a prominent Brach ex-CEO and a coalition of 80 organizations. The Campaign sought a High Road future for Brach:

- an effort by managers and employees to buy the company, as well as a proposal to own the manufacturing facility jointly with Klaus Jacobs. Jacobs rejected both proposals.
- proposals for significant changes in the organization of production, worker participation in management, profit sharing, and the building of an effective relationship with the local community and the city. We proposed that the company



let contracts for goods and services to local companies where feasible, expanding the market for existing businesses and creating the opportunity for business start-ups.

- a relatively bitter campaign to prevent the company from implementing a Low Road strategy. It wanted to cut wages and benefits of the workers, but the union and coalition instead won a good four year contract.
- a successful defense by CLCR and the Coalition against a civil SLAPP<sup>xxxvii</sup> suit filed by Brach in a Low Road effort to destroy us financially. The Teamsters Union took the High Road and provided legal defense for all defendants, even though the union itself had not been sued.

CLCR conducted a Social/Cost Benefit Study<sup>xxxviii</sup> to quantify the impact of the projected loss of 2,048 jobs at Brach Candy Company in 1990. We found that over two years there would be:

- a loss of 4,723 additional jobs in the state economy,
- a loss of \$91.6 million to the government, including lost taxes and increased welfare and unemployment benefit spending.

The victims would be the companies that had a material interest in supporting our labor/community coalition--packaging companies, producers of the raw materials Brach used in production, transportation companies, and others that were part of the production chain associated with Brach's candies. The health of these companies depended on the success of our labor/community coalition. Accountants, lawyers, bankers, and consultants also had an interest in our success. Within Brach, the labor/community coalition had the active support of some top-level managers who knew they could lose their own jobs if the Low Road strategy prevailed.

Part of the success of the "Save Brach's" Coalition Campaign came from recognizing these common interests, winning over some representatives of the private sector to our efforts, and advancing objectives that clearly encouraged and supported good business just as we opposed bad business practices. We successfully challenged the labor and community activist's habit of treating the business community as a monolith.

Mayor Daley of Chicago sided with Brach managers in the conflict with the Teamsters and the Coalition. And then, in the midst of the conflict, Brach's low-wage competitor that was solidly on the Low Road--paying minimum wage, a history of abuse of immigrants, and rabidly anti-union--requested and received a city subsidy of \$3 million. This city policy was a by-product of a habit that treats the private sector monolithically and tries to respond to every request without a careful evaluation of its impact on the city and other companies. This type of policy encourages the Low Road.

A local not-for-profit development corporation had been seeking Brach as a member for 16 years with no success. Shortly after our Coalition held a press conference attacking the Low Road strategy of the new owner, the development corporation received a check for dues from the Brach's CEO and gladly accepted the money and the company into its ranks. This passive deference to the private sector by a CDC receiving tax breaks to serve the local community is not uncommon. It breeds public cynicism about the field of community development.

Through our work at Brach, we became familiar with the candy industry in Chicago. To our surprise, we learned that the Chicago area produces more candy than any other city in

the world, with about 50 manufacturers plus many smaller candy makers employing 10,000 people and generating \$2.4 billion in shipments. <sup>xxxix</sup> It is a sector that can afford good wages because of the skills and talents of Chicago's labor and management pool.

Along with our strategic and tactical allies in the private sector, the unions that represent candy workers, and others from community, education, and government, we have created the Candy Institute, committed to building this industry on the High Road. The Candy Institute is developing and implementing programs on technology, training and education, production, marketing, export, and innovation. As this industry faces increasing global competition, an effective public/private partnership will rise to the challenge.

## Entrepreneurs on the High Road

Entrepreneurs are leaders in the market of any economy. They start up and buy companies. They are investors and financiers. They make things happen. They have the leadership characteristics and skills to succeed. They act according to their values. We need to cultivate entrepreneurs who will lead in developing the economy in line with our strategic vision, retaining and improving assets that are now deteriorating, and envisioning and creating new assets.

Part of our new model of community development involves transforming the field of development itself. It is now a passive service provider to the private sector, but it can play an entrepreneurial and, therefore, competitive role in determining the future use and value of the assets of our community. Key to our success is identifying, recruiting, developing, and rewarding a breed of entrepreneur who will lead in the marketplace, but do it with a full commitment to our social and community values as well as to the bottom line. Success will give us the capacity to create enormous financial and social opportunity, either through transforming a reactive retention project into an engine for development, or identifying an undervalued community resource or asset and developing it.

These entrepreneurs are our strategic allies in the business community and represent a relationship that is worth a lot of investment and patience. What are their characteristics?

- They have the capacity and skill to succeed in the marketplace and to generate a return for their investors and themselves in creative and competitive ways.
- They promote their success in the context of a new paradigm of development, illustrated by model projects and new policy.
- They preserve, at all costs, the strategic alliance of labor, community, and business. They deal with the inherent tensions and conflicts with skill and good judgment and patience.
- They are aggressive in increasing their profit margins as well as those of their customers and allies.
- They have an authentic commitment to their employees and the host community.
- They seek critical review of their work and accept accountability.

Entrepreneurs with these qualities should be our preferred vendors and participants in our networks and our projects. They bring far more value to us than traditional entrepreneurs with equivalent or even superior skill.



## Chapter 9: Community and the High Road

The traditional model for development has generally reflected the values of economically advantaged groups. Regardless of our own particular desires, development has occurred as a reflection of the rich upon the poor. Our vision challenges this model<sup>xl</sup>. Current conditions make the necessary space for a fundamental shift of the development paradigm toward a model that sets the economic and social needs of the whole society, particularly its most oppressed, as the target of development. In this model, the costs and role of labor, democratic management, corporate obligations to the community, and environmentally productive technology are not seen as restraints on development but as dynamic benefits that can drive and develop our productive capacity.

The idea of empowering a community to wage its own fight against poverty and urban decay is not new. For the last 30 years, thousands of organizations supported by billions of dollars in private and public funds have been involved in community development work, and many dedicated practitioners have sought to achieve that goal with enormous creativity.

Community development strategies used to unfold within the framework of a relatively stable and expanding economy. Activists could launch campaigns expecting at least some of the fruits of growth to be available for development work, without necessarily challenging society's basic structure. Campaigns demanding to redistribute wealth produced results. That is often no longer the case.

In the last ten years, a small but significant number of organizations are experimenting with new approaches and new relationships.

- Banana Kelly, a housing development corporation in the South Bronx, is working in partnership with the Natural Resource Defense Council to create a new paper de-inking company. This company would gather waste paper, take the ink out using environmentally-sound production processes, build a large modern and attractive factory in the community, hire hundreds of community residents as workers, and be owned, in part, by the community.
- In Cleveland, WireNet is expanding an early warning system working closely and effectively with the manufacturing community to retain good manufacturing jobs.
- A growing network of organizations are advancing "asset-based strategies" that seek to link jobs and income with the accumulation, investment, and management of assets. A number of organizations such as the Corporation for Enterprise Development are exploring ways that very low-income people can become active in the local economy.
- The Women's Self-Employment Project in Chicago is using micro-enterprise as a starting point for women to advance and participate in the broader economy. They are assisting these tiny businesses, led by women who have typically been excluded from the economy, to grow and gain the skills and resources that will allow them to effectively compete.

These organizations and many others like them represent a leadership infrastructure and resource network that is committed to community development and provides important assistance in a range of community economic development activities. In many cases, these organizations have already developed innovative models and projects in line with the strategic direction advanced in this paper.

## A Critique of the Traditional Community Development Model

The majority of development organizations, however, hold on to traditional assumptions that had more merit under the previous social contract. In today's environment they are transparently ineffective in truly representing the interests of poor communities. In many cases these community development corporations have become little more than a form of traditional trade association, providing low-cost services to local businesses--possible because of the not-for-profit status they receive from the government.

In some cases, development corporations have become active participants in development strategies that are gentrifying urban neighborhoods. This has accelerated displacement of residents who have no hope of the income needed to benefit from the "commercial revitalization" of their community, and has accelerated the loss of manufacturing jobs and companies. Owners of companies, however, are offered enormous sums for their sites by developers, which allows them to cash out on the value, and they have the money to relocate--frequently out of the city. They make a handsome profit to boot.

During the Vietnam Era, we were stunned when a general announced that he had to "destroy the village in order to save it." Some in the field of community development are now "destroying the community so they can develop it."

Overall, these development organizations have lowered their sights to marginal types of business activities, ignoring what really drives the health or decline of a community. They are passive in their supply of services, not entrepreneurial in the recognition, defense, and development of the human and material assets of the community. They are seeking "jobs" for the community without distinguishing the jobs that develop the community and the individual from jobs that break them down. After all, slavery once was full employment for the African-American community. Our concern must be with the *quality* of jobs, and we must recognize that a job does not necessarily represent progress. Dialectics teaches us that every job has some positive qualities as well as some negative ones but from a community standpoint, we must seek jobs whose positives outweigh their negatives.

□ In large measure, development groups have avoided manufacturing either because its problems seemed too complex or its owners were too powerful and influential. With some notable exceptions, most organizations and most resources have focused on housing, retail, and commercial projects. They understand and are expert in understanding the physical side of community development--infrastructure, housing, transportation--and the associated financial details. Many of those who have focused on manufacturing approached it from the real estate side, considering placement or retention of any manufacturing company a success without evaluating which sectors benefitted the community in contrast to those that didn't.

□ Labor--both organized and unorganized--is usually viewed by development groups as just a cost, and in many cases as one of the enemies. But labor was and is a key strategic component of community development. Labor is rarely included on the board of directors or as part of the leadership core in launching initiatives. When it is included, it is too often only in token fashion.

□ Development groups often see the "private sector" as a monolith that must be passively praised and served rather than as divided into those who promote "good business" from a community standpoint and those who do not. To treat both kinds the same way is ironic and unfortunate, and lies at the heart of community cynicism about the field.

□ The “community” in community development typically has a token relationship with the organization, which may have relatively little grass roots participation on its board. Many CDCs are business development organizations that receive tax breaks yet are not accountable for their stewardship of the assets of the community.

□ The community development corporation is often not truly entrepreneurial, remaining comfortable in providing services passively--responding to a demand without closely evaluating the company making the request or determining the real benefit to the community.

□ The organization’s criteria for success rarely includes clear objectives in measuring and alleviating poverty. Community development is measured instead in dollars flowing into a community. It is common for development corporations or development banks to point to the dollar amount they have brought in, which may represent poverty alleviation but may also represent poor people pushed out of the community by “market” pressures.

□ In areas such as minority business development the CDC is often oriented toward entrepreneurial training programs that involve micro or small business start-ups, and these typically have a high failure rate. Many of the devices are useful, such as sheltered markets, set-asides and low cost financing. Micro-enterprise and self-employment can be an effective entry point into the economy for women of color who have been excluded from traditional channels for example. However, these programs need to be linked to comprehensive community development on a larger scale appropriate to the problem.

□ In training programs, development corporations have accepted contracts that fund their staff, but have not accepted the responsibility of linking training with permanent placement, or in judging placed trainees by their wage levels, or by their access to jobs that provide good wages.

□ In staff and executive compensation, many of these corporations handsomely reward the practitioner but do not link the pay to appropriate standards of performance in developing the community. A leader in the traditional development field was asked whether his national agency was focused on retaining and creating high wage jobs in the community, in contrast to low wage jobs. He answered, “No...except for the staff of our agency.” This kind of professional was regularly castigated in the 1960s as a “poverty pimp” who makes personal fortune in the name but not in the substance of serving the community.

These traditional community development organizations are not well positioned socially or politically to respond to the crises and opportunities in our communities. They have been unable to advocate policy options that challenge established boundaries of business ownership and control, or of public accountability. They are often unable to promote government intervention in the affairs of local businesses and lack the resources necessary to mobilize the community behind a comprehensive development policy.

## **An Emerging Vision of Community Development**

We begin with the premise that poverty is firmly linked to the disinvestment and deindustrialization occurring in our communities. Development therefore depends upon a willingness to use every resource at our disposal to reclaim and improve a community's productive base. First, we must retain what exists, preserving these assets as a foundation for future development.

Our second premise is that the business sector as a whole is not an adequate sole source of information about community assets. Other sources must provide further information to

guide our actions, whatever they are. After all, no serious member of the investment community relies on one source of information. We must have timely and accurate information about all the assets of our community as a foundation for any action that we take.

## **The New York Industrial Retention Network**

In New York City, a network of local development corporations including the Brooklyn Economic Development Corporation, the East Williamsburg Valley Industrial Development Corporation, the Fifth Avenue Committee, and the Pratt Institute Center for Community and Environmental Development joined the Central Labor Council, local businesses, community-based organizations, and local and state governments to form the New York Industrial Retention Network (NYIRN). This network was a product of a pilot project in Brooklyn initiated by CLCR and Locker Associates.<sup>xli</sup> It gathers public data on local companies from the press, from databases, and information published by the companies themselves. It combines this with other information from employees, customers, residents, accountants, and suppliers and distributors of local companies. Participants include Chase Manhattan Bank, utilities like Brooklyn Union Gas and Consolidated Edison, and business service companies like Coopers and Lybrand. They have an interest in keeping their customers in place and viable and are willing to work with us.

With this public and private data, NYIRN makes an analysis of companies at risk or in need of assistance (including those considering relocation because of growth). It puts into motion a range of resources that can solve the kinds of problems that have cost this metropolitan area so many valuable industrial jobs over the last 20 years. The diversity of this network, combined with the competency and commitment of its board and staff, make it an effective initiator of community development activity.

A major component and opportunity of an industrial retention program revolves around ownership. Technical and financial assistance, public intervention, and appropriate public policy can solve a number of problems if targeted and delivered effectively. Labor's expanded use of employee ownership has established local, popular control of a significant number of companies in the last 15 years. With many companies, particularly small ones, the need is only to find new qualified owners, often available in the local community but overlooked by the traditional market.

Who owns the company and what values and priorities guide their business plan? This is the critical determinant of how production is organized, the link between the company and other companies or the community; its patterns of employment and training, and the level of commitment to affirmative action and environmental standards. Learning who owns a company is one of the most important opportunities for those concerned with economic development on a community level.

We must be prepared to have people with our values and priorities purchase and develop local industries. This can be accomplished in a number of ways: employee ownership, community shares in local companies plus positions on the Board of Directors, and ownership by local entrepreneurs directly linked to community initiatives and organizations. In these ways, we can most directly promote development with new standards and objectives consistent with community needs.

To mobilize the grassroots support necessary to our vision, the relationship of an enterprise to the community must change in three fundamental ways. First, we must democratize the workplace itself. This involves seeking non-discrimination and affirmative action, greater control by working people over safety and other conditions of

work, and greater participation by employees in matters affecting their lives, which have traditionally been reserved exclusively for management. Second, we must democratize relations among enterprises of the community. This requires facilitating their cooperation with and support for each other, and their common support for the community as a whole. Third, we must democratize the relationship of the enterprise to the community by finding ways for the community to evaluate and monitor a business's contribution to its overall economic, social and cultural growth. In these ways, we begin to socialize and democratize the use of the market.

This focus, guided by an appreciation of the power of manufacturing to development, can create a foundation for other forms of commercial and retail development. If necessary, legal tools like eminent domain must be exploited to facilitate the acquisition of factories which might otherwise be dismantled. We refuse to treat any community as expendable and are confident that many businesses could operate more profitably if the community were mobilized in their support.

In order for this to happen there must be a basis for that support. This is possible when our vision of development:

- creates companies that are the most productive and efficient in their sectors and in the economy, and generate a return adequate to reward investors;
- recognizes and celebrates the dynamic and positive role of labor and does not fear labor costs;
- is premised on and committed to the eradication of poverty and discrimination;
- sees affirmative action as an opportunity to recover initiative and talent stifled and crushed by racism and male privilege, rather than a drag on business freedom;
- stands for ecologically sustainable development;
- is linked to a community umbrella organization through ownership and/or involvement; and
- does not fear democratic and participatory forms of management and development knowing that such forms contribute directly to the cultural growth and education of our people and to the training of new leaders. These can be linked directly to increased efficiency, productivity, and creativity in production.

But if communities are to be mobilized in support of such projects, commercial viability, while a necessary condition of success, is not sufficient. Typically, a community's resources and objectives are seen through the wrong end of a telescope -- everything is diminished and narrowed. We cannot hope to mobilize a community to serve only the short-term self-interest of an individual entrepreneur. Instead, a long-term and comprehensive analysis of the health and well being of a community must guide its support.

What we envision is not a narrow application of cost accounting categories to evaluate success, but decisions that are based on a "Social Cost/benefit Analysis." This method recognizes the full costs to a community of such things as homelessness, limited education, malnutrition, alcoholism, health problems, crime, and environmental degradation. We must also see the cost-benefits of job training, education, cultural development, and heightened community organization and sociability.



In order to accomplish these objectives, persons and resources habitually left out of the traditional development community must be mobilized. Labor, organized and unorganized, is the major element of our productive capacity. Organized labor is an essential agent of economic and social change. The decline of union membership has made unions more open to work with new partners. Labor must be challenged to organize in poor and distressed communities much more imaginatively than it ever has, and to organize around community development as well as traditional labor issues. Rebuilding and expanding the labor/community coalition is fundamental to the success of this strategic vision.

## Refashioning the Structure of Community Development

Our strategy requires four organizational components:

- The **enterprise development company**, a center for the technical side of development.
- **Linked enterprise networks** that coordinate the activities of companies in a sector.
- The **community umbrella organization** that holds the development process accountable to community needs.
- A **political structure** that will represent the development vision in the fight for control of government and its resources.

### The Enterprise Development Company (EDC)

The enterprise development company (or a similar capacity within other organizational structures) is established to provide the full range of services and expertise needed to acquire, manage and develop businesses consistent with the social and economic goals of a broader coalition. Such expertise is not found under rocks, but can be developed from within our midst.

If the EDC is a for-profit company, then it can be owned by a not-for-profit company to insure the recycling of its surplus into other aspects of community development. The EDC can function as a clearinghouse for information about local businesses gathered from a broad early-warning network of sources, including churches, community organizations, development corporations, city government, labor unions, and residents. It may be run by or work closely with unions and churches themselves.

The EDC will assist a company in developing financial resources through contacts with individuals, venture funds, banks and grant sources, and will also provide technical services such as accounting, legal, marketing, and management assistance. In all its activities, the EDC seeks to establish a long-term position of influence or control over the company, formal or informal, in order to monitor performance and assure achievement of community goals. Thus an EDC might have representation on the Board of Directors of a local enterprise or own the company outright.

Many community development corporations either provide these services now or are positioned to provide them. Chicago Focus, Inc., a subsidiary of the Center for Labor and Community Research, is an example of an EDC. It is a for-profit full-service merger and acquisition company wholly owned by a non-profit organization devoted to community

economic development. Chicago Focus gets leads on acquisition opportunities through CLCR, unions, local government, and the development community, and has developed a pool of minority and other entrepreneurs interested in buying manufacturing companies and who are committed to keeping jobs in Chicago.

### **Cooperative Home Care Associates**

The Cooperative Home Care Associates (CHCA) is another such company in the home health care field. CHCA established a successful cooperative home health care company in the Bronx, NY employing over 300 workers. The CHCA model has influenced industry standards and increasingly influences the character of the industry in New York. They have now established similar companies in other cities.

### **Steel Valley Authority**

The Steel Valley Authority (SVA) in the Pittsburgh area has a similar structure. It was created in 1989 by the Tri-State Conference on Steel--a religion/community/labor industrial-retention coalition. The SVA maintains an active multi-county early warning network, has been granted the power of eminent domain, has been active in several employee buyouts in the region, and has provided technical assistance to local companies. The SVA and the USWA are creating the Industrial Valleys Investment Fund for the Pittsburgh area and established the Heartland Project to explore the creation of a fund to service a broader multi-state region and finance employee acquisition, restructuring, and the turn around of manufacturing companies.

### **The Linked Enterprise Network**

Our concept of the linked enterprise network has taken inspiration from the Mondragon network of industrial cooperatives in the Basque region of Spain, flexible manufacturing districts in Northern Italy, and various U.S. efforts at organizing for community control. Even in an informal network, facilitating contacts among community enterprises can encourage local business to stay in the area, foster common purchasing and marketing arrangements, promote training and educational programs, provide sites for employment training of residents, and establish links between enterprises and other community organizations. At its most ambitious, the network seeks to tie these companies together formally to pool capital and resources for development and collectively to create educational, cultural, and research institutions that are collectively capable of providing greater economic strength and leadership.

### **Garment Industry Development Corporation**

The last 15 years have seen creation of a number of relatively successful networks. One of the first was the Garment Industry Development Corporation (GIDC). Initiated by the International Ladies Garment Workers Union in partnership with New York City government and the garment companies, GIDC was organized first in response to an industry crisis about maintaining its location in Chinatown. The program has evolved to include assistance to companies on training, technology, marketing, and export. Still centered in New York City, GIDC has provided inspiration and assistance to other efforts around the country.

## **Appalachian Center for Economic Networks**

The Appalachian Center for Economic Networks (ACEnet) in Athens Ohio is implementing an “asset-based strategy” in linking together 40 small companies in the specialty food industry in their Kitchen Incubator. In this center, they provide large ovens, stoves, freezers, and work tables so small companies can respond to growing demand. More importantly, they provide information on international markets and resources for their companies. They share information and expertise on product development and marketing. They have established a Product Development Fund that will financially support these companies in the early stages of taking a new idea to the market. These activities are part of a vision of sustainable economy in a rural region, and its working.

## **Candy Institute**

In Chicago, the Candy Institute emerged from the caldron of the campaign to save jobs at Brach Candy Company. It is developing programs on bench marking, joint purchasing, combined production facilities, effective linkages to Chicago’s educational community, and marketing.<sup>xlii</sup>

## **The Umbrella Community Organization**

An umbrella community organization is needed to ensure supervision of planning and development by the community as a whole. Development objectives should be established by the umbrella organization, and criteria for success must reflect the community's political vision as well as its inventory of its own and adjacent physical and human resources.

Key to this strategic concept is the objective of community control of the economy. This is not something that can be declared or mandated in the abstract. No adequately established formula gives detailed direction to a local project. It is instead a process that brings more and more people into economic decisionmaking by:

- education about the real variables, values, and options that undergird the economy;
- interventions in the economy that could include setting up an early warning network, taking part in a plant closing coalition, participating in a community jobs project, creating a linked enterprise network, or developing a fund to promote local development;
- working on a buyout or start-up of a local company and joining in the effort to successfully manage it; or
- developing and advocating development policy for the area and mobilizing grassroots organizations in coalition with local labor and business groups to fight for its implementation.

The ability to control is earned, not declared. At the beginnings of these projects, the level of control will probably be minuscule. Effective projects will extend and expand this control systematically over a period of years. Generally, we would expect slow initial progress with ebbs and flows thereafter. But current conditions permit dramatic growth of these efforts, and leadership must be prepared for that possibility.

In the same spirit, democracy is created through a process. A project cannot simply

declare that it is acting on "behalf of the community." Joint action grows through leadership noting specific opportunities for development in the community, and bringing in broader and broader circles of people to participate. It requires building bridges between labor and local residents, between labor and management, between community and local business groups, between religious institutions and community groups, etc. It must be a forum for training broad, indigenous leadership that can sustain community development work beyond the tenure of any particular leader or organization. Our commitment is to continually extend and strengthen democracy within our own structures as we fight for more democracy in the broader community and within the society as a whole.

There is no formula for how such an organization can be built. Examples, however, exist. Many community organizations, networks, and coalitions that are providing these services and leadership, or could easily adopt this approach.

### **The Naugatuck Valley Project**

The Naugatuck Valley Project (NVP) in western Connecticut, a member group of the InterValley Project, is in many respects characteristic of the kind of coalition we propose. The NVP is a regional organization of more than 50 religious, labor, community, and small business groups drawn together by the dramatic deindustrialization of what was once the center of the American brass industry. Factories that had been locally owned were sold to multinational conglomerates that, in disinvesting in the region, gave little thought to the valley's economic survival. Local communities felt helpless in the face of industrial collapse.

Organizers for the NVP, however, drew on the experience of community organizing and used those lessons to mobilize around industrial retention and job growth. They worked with local trade unions to recognize the early warning signs of plant closings, forced bargaining with corporate employers, arranged an employee buyout, with the help of The ICA Group, drafted legislation unanimously adopted by the legislature to permit money from a state trust fund to be made available for loans for worker buyouts, and developed a land trust for cooperative housing. According to one sympathetic report, "with chapters in six towns, hundreds of active supporters, and meetings almost daily in one or another part of the valley, the project has become a vital force in the life of the region."

### **Sustainable Milwaukee**

Over the last five years, Sustainable Milwaukee (SM) has pulled together 80 to 90 local organizations to provide an overall framework for sustainable development, and to lead projects that apply those principles on the ground. SM has provided support for the Milwaukee Regional Training Partnership, a consortium of 35 metal working companies and their unions committed to establishing common standards for job training and common programs.

### **The New Chicago Campaign**

Some 20 community, public housing resident, business, environmental, policy, religious, and development organizations, including CLCR have created the New Chicago Campaign. They are developing a blueprint for a sustainable Chicago metropolitan economy. It is also exploring several community business projects including the start-up of companies in the remanufacturing sector. Recently it targeted the city's use of a technique called tax increment financing to promote gentrification of several neighborhoods which results in the

displacement of low-income residents and industrial companies.

Community umbrella organizations insure, for example, that participating enterprises make a contribution to child care in order to facilitate the development of women's leadership and job skills. Environmental and other objectives of the community are monitored by the organization. It can also facilitate cooperation among residents so that common needs are met cooperatively. One way or another the organization seeks to ensure that programs of adult education, literacy, English language classes, high school equivalence programs, vocational training, computer training and the like are available.

The organization facilitates union organizing by developing contacts between unions and unorganized workers, as have the Asian Immigrant Women Advocates of the San Francisco Bay Area. Like that organization, it will concern itself with making medical, legal and other counseling services accessible to members of the community. Alternate forms of informal conflict resolution among neighbors might be found. Laundry and food co-ops and other cooperatives forms of meeting essential daily needs could be envisaged.

To lead, the umbrella organization must become a center for the eradication of drug and alcohol abuse. In poor communities the drug industry has become a center of entrepreneurial activity for youth and a symbol of material success. The umbrella community organization must fashion alternatives. It must also mobilize the community to deal with homelessness. Factories can be recovered as centers of cultural life and a sites for lectures and plays as well as for work. Salsedo Press, an employee-owned company in Chicago, opens its doors to the broader community for a Christmas Party and Cinco de Mayo/May Day celebration. But in addition the umbrella organization must link these actions with issues of economic development into a coherent, consistent program.

## **Winning Public and Governmental Support for the High Road**

It's not enough just to work on the practical application of this vision at the company and community level. Comprehensive development policy agendas must address the conditions in specific cities, towns, and communities. That policy fight needs to be waged in all the sectors and institutions that help shape public opinion and are designed to serve the public.

The terrain for this work will often be on a local level at a particular company within a particular community. Such work must be seen as a step toward creating national industrial and economic policies that correspond to the needs of labor, community, and the broader public. We must take the lessons of these experiences and generalize them in ways that allow their convertibility to national legislation, policy, and programs.

At the same time, local work creates the constituency and leadership necessary for the passage and implementation of national policy. Implementing these strategies in a particular locale is a way of training the development movement. National objectives will only be achieved if there is a determined fight--plant by plant and community by community.

Finally, once these structures are armed with a new strategy for development and have experience in its application to many communities and companies, they must seek influence and control in the political and governmental realm. The market, as a source of resources for this work, typically has been underestimated. On the other hand, absolute limits to the market need to be recognized.

It is essential that we focus part of the organizing power of these strategies on the political

process. We need to educate, train, and recruit leaders with political skills and ambition, and they must run for office, seeking the full resources of local, state, and federal government in support of these initiatives.

Our policy for government is for it to support and reward those on the High Road of development, and block and punish those on the Low Road of development. Our strategy calls for and depends on government competency and effectiveness. The unambiguous goal of government and politics must be that communities are the beneficiaries of development.

We support the use of government to reach our social and economic objectives, but are critical of the “command” approach to the economy and society, whether it comes from the socialist, social democratic, or liberal capitalist model. Strong government must lead and support stronger initiatives and capacity at the community, firm, family, and individual levels. Local and micro-level initiatives must be profoundly linked to the struggle for national policy and effective government.

We seek the greatest possible decentralization of responsibility and capacity as we build the national capacity to coordinate, promote and defend equality and fairness, and as we develop macro-policies that promote and extend our goals. Both government and politics must be linked to the details of building a sustainable economy as well as to issues of representation, justice, and international affairs.

In their deliberations, governmental and political leaders should recognize that macro-policies must be rooted in small-company efficiency within a democratic approach to management and a link to the immediate community.

Our strategic objectives need political expression on a local and national level. This can happen both within existing parties and in new formations. We work with all in the political community who support all or some of our objectives as circumstances and capacity permit. Clearly, the Republican and Democratic parties are institutionalized creations of the status quo. Their daily failures and scandals create more space for new approaches and new formations. Even they are concerned with the declining percentage of registered voters that they represent. Within these parties, as within business, individuals and caucuses are our tactical and strategic allies. We must always be looking for them and working with them when possible.

Many of the issues this strategy seeks to address, such as entrepreneurial leadership of the economy, cross over traditional ideological barriers. Many politically and socially conservative people completely understand and support our approach to competing within the market for the development and control of companies. They grasp what we are suggesting more, in fact, than political leaders from the left or the progressive social and political agenda, and then they often become open to seeing other issues in different ways as well. A number of the projects I have described have been supported by Republican administrations as well as Democratic ones.

One movement that suggested the power of this approach was the effort to elect and re-elect Harold Washington as Mayor of Chicago. He and many of his supporters were deeply committed to the objectives of this strategy, put resources into its development, and contended for leadership in the Democratic Party, despite the obstacles.

We now have several contending third parties such as the Labor Party, the Green Party, and the New Party. Programmatically, organizationally and culturally, however, they remain anchored in the old paradigm of development--usually limiting their objectives to new iterations of traditional demands. Within these parties, though, a large number of activists and leaders have contributed to the experience that shaped our vision of

development and who are part of the effort to articulate and apply a new strategic approach. We should persist in reaching out to them in creating a common platform and plan of action.

These are periods of change in community. In the context of widespread decay, decline, and human loss in urban and rural areas, traditional approaches to development and politics are proving to be inadequate. There is a new willingness--and sometimes passion--to look at new approaches and new strategies.

## **Chapter 10: Conclusion**

In this paper, I have presented the basic structure of an argument that identifies fundamental changes in the social contract that threaten the progress we have made to date. I demand a fundamental reorganization of society.

Depending on what we do or do not do, the period of transition to a society that is truly economically, environmentally, and socially sustainable could be relatively quick--say 20-30 years. Or the transition could be extended and extraordinarily frightening, bringing out the ugliness that percolates in undercurrents in our society. Organizations and leaders advocating racist, nativist, and essentially fascist approaches to ease fear appeal to the sense of powerlessness of a growing segment of our population. Other networks, organizations and leaders are preparing for some "let the fittest survive" nightmare in the underground economy, coping with imprisonment and the violence of the streets. And a growing number of wealthy people are absolutely comfortable being sealed off and insulated from the consequences of a declining society, tolerating the worst abuses of our people and our environment as long as they are secure and comfortable. We live in a period where the vacuum of social, political, and economic leadership will be filled. The relative calm will not be permanent.

If we are determined to look honestly at the conditions of our cities and communities, rural and urban, and apply what we have learned as reported in this paper, we can create livable and sustainable environments for all people to prosper.

Well, if this is the beginning of a transition to a new economy that could take 30 or 40 years, what should those of us who embrace this strategic vision do for the next 5?

1. *Continue to expand and refine the analysis through shared debate and critical reflection.* This paper has just scratched the surface of a number of complex propositions. Each element of this vision needs to be refined, corrected, expanded, and finally reflected in a plan of action. Common intellectual work is an absolute requirement of those who lead, particularly at this early stage. Of course, this intellectual work must be reflected in our daily practical work as workers, union leaders, business people, community organizers,

religious activists, and others.

2. *Share your perspectives and experience and expand the debate by using the new technology.* New information technology allows us to instantly internationalize the discussion and flow of information. This is one reason to immediately get on line, learn how to use E-mail and the Web, become familiar with the technology, and participate. CLCR will dedicate its new Web site to this exchange. Find us at <[www.clcr.org](http://www.clcr.org)>. We list resources linked to this paper, provide interactive forums, and hotlinks to other Web sites relevant to this work.

3. *Join with others in the coalition of labor, community, and business locally, regionally, and nationally.* If you don't have a group to discuss and work around these concepts--organize one. If you know of an organization that embraces at least most of these concepts, you really have an obligation to join, or to get involved in one way or another. And all of us should become active in national organizations and international associations who share the objective of sustainable development.

4. *We must pool our resources.* We need to find every opportunity to combine organizations and capacity rather than continue to fragment. We need to financially support and privilege the businesses, entrepreneurs, and organizations that embrace this vision.

5. *We need the right mind-set for the beginning of a long process.* This kind of difficult early stage requires the right mix of intolerance as well as tolerance, a determination to find what is positive in an experience--no matter how small the percentage--and to build on that to overcome the negative, a good sense of humor and humility, patience with set-backs knowing that we are in it for the long haul, and an absolute impatience with the paralysis and passivity that cedes power to the Low Road.

6. *We need to contend.*

It is up to our generation to seize the opportunity that was best expressed by the Russian poet Anton Chekov:

*We will  
make a new garden,  
more splendid  
than this one.  
You will see it.  
You will understand.  
And joy,  
    quiet,  
        deep joy  
will sink into your  
soul  
like the sun  
at evening.*



## Resources

The following organizations are mentioned in the paper. If you want additional information on these organizations and business, you can contact them directly.

Appalachian Center for Economic Networks (ACENet)  
94 Columbus Road  
Athens, OH 45701  
614/592-3854

Banana Kelly Community Improvement  
863 Prospect Avenue  
Bronx, NY 10459  
718/328-1064

Campaign for Sustainable Milwaukee  
1726 N. First Street  
Milwaukee, WI 53212  
414/444-0525

Cooperative Home Care Associates  
349 E. 149th Street, 5th Floor  
Bronx, NY 10451  
718/993-7104

Corporation for Enterprise Development  
353 Folsom Street  
San Francisco, CA 94105  
415/495-2333

Crocus Fund  
303-275 Broadway Avenue  
Winnipeg,  
204/925-2401

Equal Exchange  
250 Revere Street  
Canton, MA 02021  
617/830-0303

Garment Industry Development Corporation  
275 Seventh Avenue  
New York, NY 10001  
212/366-6160

ICA Group, Inc.  
Statler Building, #1127  
Boston, MA 02116  
617/338-0010

Inter Valley Project  
95 Fair Oaks Avenue  
Newton, MA 02160-1143  
617/796-8836

Locker Associates, Inc.  
225 Broadway, Suite 2625  
New York, NY 10007  
212/962-2980

Center for Labor and Community Research  
3411 W. Diversey Avenue, Suite 10  
Chicago, IL 60647  
773/278-5418  
Email: CLCR@igc.org  
<www.clcr.org>

Natural Resources Defense Council  
40 W. 20th Street  
New York, NY 10011  
212/727-4479

New York Industrial Retention Network  
175 Remsen St., Suite 350  
Brooklyn, NY 11201  
718/624-8600

Steel Valley Authority  
Business Innovation Center  
2nd Floor, Room 201  
Duquesne, PA 15110  
412/460-0488  
Email: tcroft@unidial.com

WireNet  
6516 Detroit Avenue, Suite 3  
Cleveland, OH 44102-3057  
216/631-7330

Women's Self-Employment Project  
20 N. Clark Street, Suite 400  
Chicago, IL 60606  
312/606-8255

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<sup>i</sup> The Cooperative Charitable Trust Forum is a small group of practitioners in the field of employee ownership that meet regularly to discuss and critically evaluate the various issues and experiences of the field. The Cooperative Charitable Trust, a small private foundation, convenes the Forum.

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- ii The Ownership Solution, by Jeff Gates, Addison-Wesley Publishing Company, 1998, p.p.s. 4-5.
- iii Human Development Report 1996, by the United Nations Development Program, New York, Oxford University Press, 1996, pp. 1-4.
- iv Jeff Gates, The Ownership Solution, Addison-Wesley Publishing Company, Inc., Reading, Massachusetts, 1998
- v “Intervening with Aging Owners to Save Industrial Jobs,” A Report to the Economic Development Commission Foundation of Chicago, by CLCR, August 1989.
- vi About 1% or less of manufacturing companies in Chicago were owned by African American or Hispanic entrepreneurs, according to U.S. Department of Commerce statistics in 1982.
- vii “The Truly Disadvantaged,” by William Julius Wilson
- viii CLCR’s Early Warning/Business Development System Manual
- ix “Rational Re-industrialization” by Dan Luria and Jack Russell
- x “Toward a New Vision of Community Economic Development” by Swinney, Vasquez, and Engelskirchen; 23 p.p.s., 1991, available from CLCR.
- xi The Federation (FIRR) was comprised of some 35 mostly industrial retention organizations from around the country. It was headquartered in Chicago and closed its doors in 1997, contributing its resources and energy to Sustainable America.
- xii The Poverty Task Force was organized in Chicago in 1987 by Al Raby, a veteran of the civil rights movement and the campaign director for Harold Washington’s first mayoral election. The PTF attracted a number of diverse Chicago organizations with the purpose of creating an alternative economic development agenda focused on poverty eradication. After a couple of years of struggling with the task and the untimely death of Al Raby, the PTF closed.
- xiii The Consortium, known as MCEDA, was an effort by 10-15 labor, business, and community development leaders from the midwest who collectively developed a broader strategic vision for urban development described in a paper, “Metro-Futures.” MCEDA fell apart after the initial draft of the paper, which is still available from Sustainable America.
- xiv Sustainable America (SA) was organized by some 20-30 organizations from community, labor, environment, and progressive policy networks to develop a national movement with local strength around a program for sustainable development.
- xv “The Hollow Corporation,” *Business Week*, March 3, 1986, pp. 56-78.

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- xvi The New York Times, March 8, 1998, Business Section, p. 6
- xvii The Ownership Solution, Jeff Gates, p.60.
- xviii Equal Exchange Memorandum, Equal Exchange, Inc., August, 1997
- xix **Labor Research Review**, published twice a year from 1983 to 1997 by CLCR, back issues are available at [www.clcr.org](http://www.clcr.org).
- xx “Whose Job is it Anyway?,” Randy Barber, *Labor Research Review* #10, Spring 1987, p. 33.
- xxi This story was covered in detail in the first issue of CLCR’s Labor Research Review, Fall, 1982.
- xxii Ron is now at the Office of Strategic Campaigns for the Teamsters and a member of CLCR’s Board of Directors.
- xxiii Locker Associates was founded by Mike Locker, a Board member of CLCR, and a member of CLCR’s consulting network.
- xxiv Steel Valley Authority was founded in 1989, and now is initiating the Heartland Fund to finance worker-owned companies.
- xxv Labor Research Review #4, Winter, 1984
- xxvi “Machinists Saved \$137 Million at Eastern”, by Steve Abrecht, *Labor Research Review* #10, Spring, 1987.
- xxvii “Machinists vs. Management” by Paul Baicich, *Labor Research Review* #10, Spring 1987, p. 87.
- xxviii For a full analysis of these approaches, see *Labor Research Review* #14, “Participating in Management”, Fall, 1989.
- xxix “The Development Model of Organizing”, Dan Swinney, 1986, available from CLCR
- xxx New York Times, “Union Membership Slides Despite Increased Organizing” by Steve Greenhouse, March 22, 1998, Section Y, Page 17
- xxxi “Whose Job Is It, Anyway? Capital Strategies for Labor,” Randy Barber *Labor Research Review*, # 10, Spring, 1987, pp. 31-44.
- xxxii Labor Research Review #12, Fall, 1988, Andy Banks
- xxxiii See *Early Warning/Business Development System Manual* available at CLCR.
- xxxiv The Ownership Solution, Jeff Gates, p.61.

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<sup>xxxv</sup> *Labor Research Review #6, Spring 1985, pp.5-23.*

<sup>xxxvi</sup> This seven year effort is described in detail in “Misadventures in Candyland” and “Misadventures in Candyland II--the Sequel”, both available from CLCR at \$5 each. The company, now Brach and Brock Confections, remains open on the West Side of Chicago, employing some 1,500 people.

<sup>xxxvii</sup> SLAPP stands for Strategic Litigation Against Public Participation--an acronym describing frivolous and erroneous charges that corporations sometimes file against their critics in an effort to bankrupt them through the high costs of legal defense. Brach’s SLAPP suit was dismissed by the courts, filed again, and then settled by the parties.

<sup>xxxviii</sup> “A Misadventure in Candy Land,” by CLCR, p.9.

<sup>xxxix</sup> “How Sweet It Is--A Study of Chicago Confectionery Industry,” an CLCR report, April 1998.

<sup>xl</sup> An earlier articulation of this strategy appeared in the paper, “Toward a New Vision of Community Economic Development,” by Dan Swinney, Miguel Vasquez, and Howard Engelskirchen, April 15, 1991, CLCR

<sup>xli</sup> “Alternatives To Industrial Decline: Results from the New York City Early Warning Pilot Project,” January 1998, available from CLCR and Locker Associates .

<sup>xlii</sup> The Candy Institute is a project of CLCR.