The New Alliance:
Organizing for Economic Justice, Building a New Economy

Gar Alperovitz and Steve Dubb

EXECUTIVE SUMMARY

Clearly, community and labor union activists organizing for economic justice face many tactical problems in our current economic and political environment. Economic hardship and Republican strategy have increasingly redefined basic elements of the social safety net—welfare, Social Security, Medicare, and other programs—as "entitlements" to be challenged and cut. Tax policy has become more regressive. The pressures of fiscal austerity mean that essential public services that help equalize opportunity for all Americans—especially schools—are increasingly underfunded, to say nothing of the risk of outright privatization. Economic inequality is at extreme levels not seen since the Gilded Age. The position of economic justice organizers here is essentially defensive; fighting a rearguard action for the survival of underserved communities, on terrain which is becoming less and less favorable. The following argument is based on the judgment that it is necessary ultimately to be in a position that goes on the offensive—and that there are powerful ways to do this.

In particular, new strategies of worker ownership within a community framework can function as the linchpin of an approach capable of uniting economic justice organizers, progressives, labor, and environmental activists while at the same time presenting an attractive economic development option to municipal policymakers. Moreover, such an approach can help build economic power in communities struggling against concentrated poverty. More generally, a position that offers an alternative vision of the municipal and regional economy, oriented towards local multipliers at all possible scales, can provide a robust platform for a range of organizing work that points towards larger transformations in the economic system.

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The memorandum is not concerned with tactics; it is concerned with strategy. Its main conclusions are the following:

1. Over the long haul, unless new ways to generate resources for public purposes are found, the intensity of attack on public services will increase.

2. In addition to resisting such attacks, a serious strategy should aggressively go on the offensive by putting forward a positive, coherent, integrated community building economic plan that would demonstrate that there are ways to develop the local economy, jobs and ultimately new public tax revenues that do not require drastic cuts to social services or the wages of public employees—and also do not require new burdens on the taxpayer.

3. Practical precedents for the elements needed in such a plan are now available, and have been developed in various parts of the nation. The plan is based on integrating into a coherent whole many things that we know can be done and are being done already in diverse but isolated ways in many communities.

4. Politically, bringing together such traditional progressive forces as unions, economic justice activists and organizations around a common, positive plan can also enhance the overall strategic achievements and goals of each of the key constituencies.

5. Practically, we envision that such a plan should be developed by emphasizing the following elements:

    a. Build upon new developments in public ownership of land and enterprises owned by workers to promote locally anchored jobs and investment;

    b. Leverage City and School District purchasing—and purchasing by universities and hospitals—in new ways to buy more goods and services locally, especially by supporting the development of worker/community-owned and 'anchored' businesses;

    c. Use City and School District contracts to promote the siting of jobs that hire locally as a core part of City economic development strategy—building on the precedents set by community benefits agreements;

d. Offer this strategy as a direct alternative to the current common practice of using tax incentives to subsidize large corporations at the cost of public service provision.

e. Develop the overall effort in cooperation with community organizations by integrating neighborhood building and other efforts with the overall strategy, both to amplify the economic efforts and to build political allies.

f. Ultimately create a plan that can defuse conservative fiscal attacks by solving the underlying economic and revenue problems faced by taxpayers without undermining the social compact and the fight against poverty.

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City and public school finances have long been under pressure. However, the difficulties caused by the Great Recession, on the one hand, and steady attacks on Federal and State spending (which reduce transfer revenues to cities), on the other have compounded local financial difficulties. The National League of Cities, which annually publishes its research brief on *City Fiscal Conditions*, documents rapid deterioration. Their most recent brief, published in September 2012, indicates general revenue declines for the last six consecutive years that are unprecedented in severity in the 27-year history of the survey. To see how unprecedented they are, it is worth noting that revenues fell only four of the first 21 years of the survey and in only one of those 21 years was the decline greater than 0.2 percent. By contrast, the declines of the past six years have *averaged* more than 2.5 percent per year. As a result, ending balances, or "reserves," have declined by over 25% in four years. In 2012, 45 percent of surveyed cities report hiring freezes, 32 percent reduced or froze employee wages and 27 percent reduced health care benefits (27%). Other personnel actions have included layoffs (18%), revising union and employee contracts (16%), reducing pension benefits (15%), early retirements (14%), and furloughs (11%). And these figures come on top of even greater cutbacks in 2011.

Absent an effective response from local community organizers, public sector labor unions, and their supporters, the likely result is much as the survey authors themselves conclude —namely "reducing personnel commitments, delaying or cancelling infrastructure projects, and cutting local services."[1]

Needless to say, as the size of the municipal pie shrinks, economically marginalized communities are likely to bear a disproportionate share of the burden. A positive economic alternative is sorely needed to ensure economic justice over the long haul.

Obviously, changing the terms of debate will not be easy. At present, city and state governments collectively spend an estimated $80 billion on economic development incentives (tax abatements, tax-increment-finance bond financing, and the like). As discussed below, much of this spending is pure folly. Nonetheless, for a politician on a two or four-year electoral cycle, such "easy remedies" are all-too-tempting. Tax-increment financing borrows against future tax revenues to finance development now; in other words, in the short run the City benefits, even if it is saddled with debt that it cannot afford in the long run.[2]

The short-term logic of why politicians agree to bad privatization deals is even more obvious. The City of Chicago, for example, received $1.8 billion by selling the rights to collect tolls for 99 years.[3] Naturally, by taking $1.8 billion the City of Chicago deprived future City governments of far more money (else, why would a for-profit company agree to the contract?), but the costs, of course, are down the road.

There is no way that "bottom up" efforts at economic reconstruction can provide the "quick and easy" (but, in the long term, exceedingly costly) short-term windfalls that privatization or reckless borrowing deceptively seems to "magically" make appear. However, over a reasonable period of time a comprehensive plan for community economic reconstruction can provide an effective response by community groups and their allies to begin to develop an economy that works for all.

Such a plan must aim to increase city revenues, build the tax base, add new businesses to the economy that are anchored (that is, will not leave), increase jobs available to local public sector employees, and increase jobs available to other workers willing to live in the city. A key political goal is also to answer taxpayer concerns by showing new ways to build the tax base, thereby defusing some of the pressures currently being exploited by conservative forces.

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Based on developments in various communities, three vectors of action show particular promise in achieving these objectives: 1) redirecting economic development incentive programs from the current focus on "smokestack chasing" to fostering locally anchored and cooperatively owned businesses and jobs. 2) leveraging local public contract and procurement authority in new and more effective ways to support such efforts; 3) generating direct revenue in new but established ways through direct City ownership of resources (such as land) and businesses (such as publicly owned utilities.) The goals of such an approach are both economic and political. Politically, efforts of this kind show positive initiative and can help build new alliances (even, experience in a number of cities shows, with the small business community.) Put differently, creation of a comprehensive approach supporting local economic development enables community groups to articulate in public what they are "for" (i.e., economic development that benefits localities), as well as what they are "against" (i.e., economic development that caters to large corporations with no vested interest in the welfare of the community).

Economically, such efforts are also eminently practical—by anchoring more jobs locally through new ownership, these efforts increase the local tax base, thereby offsetting some taxpayer pressure and providing a mechanism to begin to address the fiscal crisis locally even as politics may remain stalled statewide or at the national level.

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As noted, one key area where cities and large non-profit institutions can take important new initiatives is to support local economic development by leveraging public contracts to increase the tax base and to increase jobs. There are increasing precedents for requiring contractors working with hospitals and universities to locate jobs in priority areas—typically, in low-income neighborhoods near the hospital or university, which benefits both the institutions (by improving the surrounding neighborhoods, thereby increasing their ability to recruit top-notch doctors or professors), as well as boosting the city tax base. Building on such contracting precedents should become a high City economic priority, with points awarded for contractors generating local ownership and jobs. Points on contracts should be also given to companies that hire former city employees who may be laid off due to fiscal limits—especially (and additionally) if they agree to live in the city, thereby multiplying the economic impact.

The ability of City government and school districts to leverage their purchasing power and keep business dollars circulating locally is vastly underused and under-appreciated. An instructive example here is the Fifth Season Cooperative, launched by Gundersen Lutheran hospital in La Crosse, Wisconsin. To meet its goal of purchasing 20 percent of its food locally, the hospital forged a pathbreaking multi-stakeholder cooperative, bringing together producers, producer groups, food processors, distributors, buyers, and cooperative workers. Theis cooperative, anchored by the institutional resources and purchasing power of the hospital, helps smaller producers meet the needs of large institutions, all within a community-based cooperative framework.[4] A larger scale example of how this can be done institutionally is evident in the work of the University of Pennsylvania (Penn), which, with 31,000 employees, is a small City unto itself. Over the past 25 years, Penn has redirected over $100 million in annual spending (from a baseline of near zero) to support business development in southwest and west Philadelphia, generating thousands of jobs and providing millions in revenues for the City of Philadelphia in the process. A key concept used at Penn, and which could and should be used by City governments, is the concept of "least total cost." In other words, in calculating the cost of the contract, the price paid is not the only cost, but one also has to take into account the economic development impact of local tax revenues generated. If the City pays a little less, but, in so doing, reduces the taxes it collects and raises the cost of social service expenditures by more than the value of the price discount it receives, then the City has achieved a false economy. Rethinking city contracting with "total cost accounting" in mind is not just smart accounting, but a vital step in bringing jobs back to the City.[5]

The federal government offers additional precedents for how this might be done. In 1997, Congress established the Historically Underutilized Business Zone (HUBZone) program to target federal contracts to small businesses that are located in distressed areas. From a baseline of $44 million in FY 2000, the dollar value of contracts let out through that program had increased to $10.4 billion by FY 2011, exceeding the statutory goal that three percent of all federal procurement contracts should be to HUBZone businesses.[6]

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A critical new area is the use of City contracts (as well as tax and other benefits) directed at businesses that are structured in ways that are all but certain to keep jobs in the city. Often businesses are happy to make use of public incentives, but then leave once they have gained all they can gain. A new model of anchored ownership in Cleveland suggests what can be done in many cities:

The Cleveland approach aims to leverage the purchasing power of the City's existing "anchors"—such as hospitals and universities, but also local government itself—to provide a long-term market for community-owned businesses (a network of green worker cooperatives) that not only provide jobs and ownership for employees, but also, importantly, build a tax base to support city services. The cooperatives created through this process are designed to hire from some of the cities' most economically marginalized communities; thus, the economic development initiative doesn't benefit those already in positions of economic privilege, but creates assets owned cooperatively by members of the communities most in need.

The first of Cleveland's planned network of "Evergreen Cooperatives" opened its doors for business in September 2009. The Evergreen Cooperative Laundry is a state-of-the-art, ecologically 'green,' commercial facility capable of handling 10 million pounds of health care bed linen a year. It has significant scale contracts with major hospitals and also serves the city's commercial nursing home market. The laundry's newly refurbished 13,000 square-foot operating facility cost $5.7 million. Its sophisticated business plan provides all Evergreen employee-owners a living wage and health benefits. After ten years on the job, if business plan projections are realized, each employee will have a $60,000 equity stake in the enterprise.

In October 2009 a second employee-owned, community-based company—Evergreen Energy Solutions (originally Ohio Cooperative Solar)—began large-scale installations of solar panels for the city's largest nonprofit health, education, and municipal buildings. A third, newly opened (December 2012) business is Green City Growers, which operates a year-round hydroponic food production greenhouse in Cleveland's Central neighborhood capable of producing more than three million heads of fresh lettuce and approximately 300,000 pounds of basil and other herbs a year; it is the largest urban food producing greenhouse in the country located in an urban core. Many other community- or worker-owned enterprises are in the planning stage—including firms oriented to waste recycling, equipment maintenance, inventory management, and records retention.

In Cleveland, City officials have played a key role in facilitating these developments. In particular, the City's Economic Development Director has performed a critical brokering function, channeling federal resources (which, more often than one cares to admit, end up sitting unspent because of federal use restrictions) to help with financing. For example, the City tapped into HUD section 108 financing to lend $1.5 million to help start up the first Evergreen business, Evergreen Cooperative Laundry. The City is also likely to support the Evergreen businesses in another way: i.e., as a customer of Evergreen business services. The City gains twice in such transactions—both through the benefits of the service it receives (e.g., solar power) and through an enhanced tax base. The Evergreen businesses support the City's tax base in two ways—first, through the taxes the businesses generate, and, second, by reducing the expenditure demand for City social services.

One could imagine another city taking an even more active role in fostering this kind of economic development. Cities (and states) currently collectively spend an estimated $80 billion a year in economic development incentive packages in ways that are highly inefficient.[7] For example, a 2002 study of the Connecticut Development Agency found that companies benefiting from government subsidies "had created only 9 percent of the jobs they had forecast" and that the average subsidy for each new job was $367,910."[8] A City wishing to maximize its tax base through local economic development could redirect the money currently raised through tax increment financing (TIF) and related mechanisms to support relocation subsidies to instead support a "Cleveland model" approach, which would reduce government expenditures and raise local tax revenues at the same time.

The Cleveland approach also provides a means for the City to better leverage the existing assets of its hospitals and universities, both of which are under increasing pressure to justify their tax-exempt status, to build community wealth. As a result of the Affordable Care Act, hospitals now face heightened community benefit reporting requirements on schedule H of their annual IRS Form 990 returns. This is a powerful new development, and it is likely to open important new areas for cooperative work: By supporting Evergreen-type initiatives, hospitals can both meet federal obligations while helping City leaders achieve their economic development objectives.

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A second vector of activity can be developed through exploiting in new ways direct City ownership of assets, including its ownership of land and local businesses. There are now also numerous precedents around the country for ways to increase City revenues by steadily increasing municipal participation in the ownership of various economic activities that also simultaneously benefit from public activity. A good illustration involves land value increases associated with mass transit development: In many cities developers reap most of the benefits that accrue when land values increase because of public investments in transit systems. In a number of cities, however, public ownership of critical land in key areas can reap higher revenues than attempts to tax developer gains. Substantial gains are possible. The city of San Diego, for example, leases out valuable real estate at Mission Bay, Sea World, and elsewhere, which contributed $41.87 million to the city's general fund in fiscal year 2011, an amount equivalent to 4.15 percent of all general fund revenues.[9]

There are other precedents for gaining additional public revenues via such strategies where the City acts in the role of a direct business owner. Most obvious are cable and internet, on the one hand, and utilities on the other. Public utilities can be a significant generator of revenue for cash-starved cities. According to a 2006 American Public Power Association (APPA) study of 382 public utilities, the median net revenue transfer to municipalities was 5.0 percent of revenues. By contrast, the median tax payment of investor-owned utilities was 19 percent less or 4.2 percent of gross revenues. This means that public power contributes close to $2.3 billion a year to their public owners or approximately $400 million a year more than those same localities would likely receive in taxes if they had investor-owned utilities instead. Part of the reason for this added efficiency has to do with executive compensation. The average CEO of an investor-owned utility earns $6 million; the median CEO of the largest class of publicly owned power companies (i.e., companies with 100,000 or more customers) earned roughly $240,000, according to a 2008 American Public Power Association survey—one twenty-fourth a the pay for the same work given CEOs of investor-owned utilities.[10] In Boulder, Colorado, a successful campaign around municpalizing the city's electric company to meet carbon reduction targets points towards the way public ownership can potentially dovetail with organizing around ecological issues, a possibility which is explored in more detail below.[11]

Public power can also bring additional economic benefits to the city beyond its contributions to municipal general funds, most importantly by facilitating the more rapid adoption of broadband, a major driver in local economic development. In 2007, the American Public Power Association estimated that over 700—or more than one third—of all public power companies were offering some form of advanced telecommunication services.[12] For instance, in Bristol, Virginia, Bristol Virginia Utilities is a city-owned public utility that provides electric, water, wastewater, cable and advanced fiber-optic broadband services to customers in a 125-square-mile area. BVU's advanced broadband division, OptiNet, was the first in the nation to provide voice, video and broadband over a fiber-to-the-user network. By March 2007, BVU OptiNet had extended service to over 930 businesses and over 6,700 residential customers. This represents approximately 65-percent market penetration in the primary service area (city limits of Bristol, VA) and 55 percent of total homes and businesses passed which includes more recent expansion areas (counties served by BVU surrounding Bristol). Today, its customer base further expanded to 9,500 customers.[13]

The economic development impact of broadband expansion has been significant: Bristol's broadband infrastructure is credited with helping attract 1,220 new jobs to Southwest Virginia, with more than $50 million in new private investment and $37 million in annual payrolls.[14] There is also increasing evidence that poverty correlates strongly with lack of access to affordable broadband access, both because the capital investment to roll out high speed Internet access in poor areas remains an unattractive to the unregulated quasi-monopolies in the broadband sector, and because lack of reliable internet access itself serves to deepen the economic marginalization of underserved communities.[15] The argument for this kind of public development as a sensible economic policy can complement the imperative to fight poverty by closing the digital divide, opening up the possibility for more powerful coalitions.

There are also quite new opportunities to generate jobs and revenues in connection especially with environmental initiatives. For example, cities have been capturing, converting, and utilizing gas from landfills for more than twenty years. One of the early adapters was the City of Riverview, Michigan, which in 1987 teamed with Detroit Edison and

Landfill Energy Systems, to develop a landfill gas-to-energy project on a City-owned 178-acre landfill site. The Riverview project continues to this day, powering 7,200 homes. Additionally, because the project is sited on City land, the project not only generates income for the Detroit Edison utility, but royalty income for Riverview. Today, the U.S. Environmental Protection Agency states there are over 700 landfill-to-gas projects operating nationwide.[16]

A variation on the same theme is a wastewater-to-energy facility at California's Point Loma Wastewater Treatment Plant, a facility that serves a 450-square-mile area near San Diego, California, and can treat up to 240 million gallons per day. The methane produced through the treatment process generates electricity for process pumps, lights, and computers. Since 2000, the City of San Diego has saved approximately $3 million annually in operational energy costs through operating this facility.[17]

Other precedents of this kind can also become the basis of a powerful line of strategic development that increases revenues without raising taxes. Among the most obvious are other land development efforts and hotels. Hotel investment by cities has increased in recent years, spurred by tax law changes in 1997 that facilitated city leasing of hotels; increasing industry pressure to develop hotels to complement convention centers; and, importantly, difficulty in finding willing private investors. Typically, the city creates a special authority, which enters into a partnership with a major hotel chain such as Hyatt or Marriott. The hotel chain oversees construction and obtains a 15-year management contract from the city, while the city provides tax-free bond financing. For the hotel chain, this arrangement lowers operating costs substantially. For the city, the costs of borrowing and risks of ownership are offset by increased tax and tourism revenue, as well as the value of owning the hotel itself. Today, city-owned hotels exist in Austin, Houston, Chicago, Omaha, Overland Park (Kansas), Sacramento, Marietta (Georgia), Oceanside (California), and Myrtle Beach (South Carolina), Dallas, Denver, Phoenix, and Vancouver, Washington (near Portland, Oregon).

Dallas, Texas is the newest addition to that list. In Dallas, the City Council, led by Republican Mayor Tom Leppert, voted by an 11-2 margin in May 2008 to "pursue negotiations with hotel developers and operators for construction and operation of a publicly owned convention center hotel." In May 2009, a majority of Dallas voters cast their ballots *against* a Charter amendment that would have barred the City from owning the hotel. By October 2010, not only had the City broken ground on its $500-million publicly owned hotel, but the Mayor was holding a ceremony touting the completion of the 23-story scaffolding. Opened in November 2011, the new city-owned Omni Dallas Convention Center hotel features 1,001 guest rooms and has met the U.S. Green Building Council LEED (Leadership and Excellence in Environmental Design) Gold standards, placing it on the forefront of environmental awareness and conservation in the city. J.D. Power and Associates also rated the hotel in 2012 as being the "highest in hotel guest satisfaction among upper-upscale hotel chains." One can, of course, debate the wisdom of convention center projects. What is beyond debate, however, is the City capacity to undertake large-scale economic development projects ($500 million in the case of the Dallas hotel project) for public benefit.[18]

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A third vector of action involves redirecting City economic development policy to prioritize job creation, anchor jobs locally—*in new ways designed both to reverse the specific impact of past privatization and to increase tax revenues.* Here again, the central objective is to expand the tax base and generate locally anchored, living wage jobs. Specifically: an all-out effort should be made to insure that any new contracts made with firms that gained from privatization must now: [1] locate in the city [2] require employees of such firms to live in the city [3] give priority to firms owned by employees (who are likely to stay in the city) and [4] give priority to hiring public employees or former public employees who have lost their jobs due to fiscal shortages.

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The ability of procurement power to support local business was outlined above. But over the long haul, procurement power can also be used to influence firm siting decisions. For example, the University of Pennsylvania's Purchasing Program has achieved its local purchasing targets by developing local vendors over time through such means as incentivizing university purchasing officials to achieve local supplier development outcomes, giving points to companies that locate facilities in favored areas or hire subcontractors in targeted areas, and helping local subcontractors become prime contractors. As Ralph Maier, who served as Director of Purchasing at the University of Pennsylvania for over two decades, explains, "We include economic inclusion in the bid process. We define our view of what the partnership relationship should look like in the RFP [request for proposals]. We specify what it should include at a minimum. In some cases, we give a list of candidates [of local firms] that majority firms should consider... In some cases, the minority partner progresses to the point where it becomes the prime contractor."[19]

Nor is the ability of institutions such as city government to target hiring in ways that contribute to the overall goal in doubt. For example, in Los Angeles, prompted in part by the 1992 Rodney King "riots," the University of Southern California (USC) adopted a goal to increase employment from the areas immediately surrounding its campus. This goal has largely been realized through local recruitment and channeling applicants to various job opportunities, resulting in one out of seven applicants from the seven surrounding zip codes being hired at USC (a total of 170 hires out of approximately 1,200 positions, as of 2002).[20]

Unions, too, have been involved in similar efforts, most commonly in coalition with community groups through community benefits agreements, which typically involve a tripartite contractual agreement that involves a union-community coalition, the City, and the developer (who gets City and community support for its project in exchange for the commitments made). For example, when Los Angeles International airport expanded, a coalition organized to negotiate a binding contract with developers that provided $15 million in job training funds for airport-related jobs, a local hiring program to give priority for local residents ("first source hiring"), funds for soundproofing schools and residents, agreements to retrofit diesel construction vehicles to reduce pollution, and increased opportunities for "local, minority, and women-owned businesses in the modernization of LAX."[21] While Los Angeles is a pioneer in this area, community benefits agreements have been pursued (with varying levels of success) in many other cities, including New York City; Denver; Colorado; Pittsburgh, Pennsylvania; Milwaukee, Wisconsin; San Diego, California; Seattle, Washington; and New Haven, Connecticut, among others.[22]

The Community Benefits Agreement provides a good model for promoting local hiring, but it relies largely on leveraging the opportunity provided by a "big project"—whether that be a sports stadium, airport expansion, or a large real estate development project. By contrast, government procurement occurs on a regular basis and requires no "big project." Nationally, state, local, and federal government procurement is estimated to total $800 billion a year. Shifting procurement can have a major impact. For example, a study of Grand Rapids and surrounding Kent County in 2008, found that if residents shifted 10 percent of their retail purchases to local stores ($840 million), this would generate 1,614 new jobs, $53.3 million in wages, and $137.3 million in economic activity—i.e., the same amount of purchasing, if done locally, leverages roughly an additional 15 percent of local spending, supporting local jobs, local wages and benefits, and, most broadly, local community economic development.[23]

The opportunity to leverage local spending to promote local economic development is evident. The costs of failing to do so are increasingly obvious. As noted above, Greg Leroy of Good Jobs First has estimated that annual state and local economic development subsidies to multinational corporations reach as high as $80 billion a year. Susan Christopherson, a professor of economic geography at Cornell University, argues bluntly that such economic incentive payments are "a complete waste of taxpayer money."[24]

Too many tales can be told of such abuses. For example: In Bethesda, Maryland, for example, in 1997, the Marriott Corporation, which employed 4,000 people at its headquarters' facility, threatened to move to suburban Virginia. To secure Marriott's commitment to stay, in March 1999, Montgomery County officials "mounted an offer of multiple subsidies estimated at $49 million to $74 million, depending on the company's future growth." The package included 'Sunny Day' funds, training funds, state and local tax credits, and County Economic Development Fund loans. Later, an investigative reporter from the *Baltimore Sun* revealed that Marriott had informed the state of Virginia it wasn't moving a month prior to Maryland's offer.

North Carolina in 2004 provides another stunning case, in which the state amassed a package of benefits valued between $200 million and $225 million, in order to encourage Dell to invest $100-115 million to build a computer assembly plant that would employ 1,500 people—a set of benefits that is effectively $150,000 per job. North Carolina's benefits to Dell included a tax credit of $15 for every computer or peripheral unit the factory produces in 2006 and a tax credit of $6.25 for each such product produced from 2007 to 2019. Other subsidies will include infrastructure aid, training grants, and a grant that will rebate three-fourths of the personal income taxes paid by Dell's employees back to the company for the first 12 years. Dell also collected an additional $37.2 million in the deal in local economic development subsidy dollars from Forsyth County and the City of Winston-Salem.[25]

Of course, the private interests invested in the status quo will not give up these benefits easily. However, we believe that offering a positive alternative based on leveraging: 1) local procurement, 2) local ownership of land and businesses, and 3) local hiring and contracting can galvanize a strong coalition of community organizers, labor unions, community developers, and, last, but not least, taxpayers, who are currently not getting a good deal for their economic development money. Building a community framework for the development of worker cooperatives can function as the lodestone of such an approach: such projects, by combining the very best of available best practices in local ownership, local employment, and local procurement, serve to visibly orient the movement as a whole in the overall strategic direction.

The current organizing context is quite favorable for this kind of holistic, economically and political transformative strategy, starting at the municipal (and metropolitan) level. On a broad level, the financial crisis has made broad sectors of the population receptive to alternatives to the traditional economic paradigm. More importantly, many prominent community organizations and coalitions are recognizing the desirability of a "new economy" approach as an important complement to traditional reactive struggles against economic injustice. National People's Action executive director George Goehl, for instance, told Bill Moyers that "we need to actually give birth and rise up in terms of a more local, community-controlled economy in communities across the country."[26] Tim Fisk, the director of Springfield, Massachusetts' Alliance to Develop Power—a group which combinesn organization which has combined traditional economic justicebase-building organizing around issues of immigration and economic justice with the development of cooperatively-owneco-opd businesses and housing, writes that without "building alternatives to our current economic structure [...] all we can hope to do is legislate the economy—in effect suspending exploitation and injustice... until its time to do it all over again."[27]

Developments within organized labor complement these developments in community organizing. Increasingly, labor organizing is recognizing the need to operate at the level of the community rather than (just) the workplace.[28] At the same time, major unions like the United Steelworkers, UFCW and SEIU have shed some of their traditional antipathy to worker ownership and are now working directly to create new worker-owned cooperatives.

A strategy advancing a new economy grounded in worker ownership provides further opportunities to build strong coalitions. A focus on support for the local economy helps make the small business community a strong potential ally. From another angle, a focus on localizing the municipal economy can help gain the support of environmental activists for comprehensive efforts around community economic development.

Finally, if such a coalition around a new economy agenda can be built, it is likely in almost all cases to be operating within a context where the political authorities are reeling from the hard choices prompted by municipal fiscal crisis. When a workable, pragmatic, and scalable alternative vision can be advanced with significant popular support, politicians may prove to be key allies if they recognize the opportunity to find a way beyond austerity and continuing costly and counterproductive subsidies.

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This is a preliminary memo. However, a detailed and thoroughly researched aggressive plan that can be dramatized and organized around—and made the basis of an offensive strategy that takes the initiative—is clearly feasible. Serious follow up steps would involve gathering information on the various precedents noted above, estimation of revenues and jobs that might be achieved over short, medium and longer term scenarios, detailed exploration of ways such efforts can be tied to community organizing efforts in alliance with specific groups, and an assessment of pros and cons, both practically, and politically, for each element.

Once it is developed in cooperation with various interested groups, such a plan should be made the basis of an intense effort to demonstrate new possibilities for the city; at the same time taxpayer interests (and union jobs) are protected. By aligning the struggle for economic, environmental, and social justice with—rather than against—the imperatives for economic development, organizers can simultaneously build more powerful coalitions with broader bases of support and develop transformative, on the ground economic alternatives that meet the immediate needs of their constituents while providing an institutional base for further action. Adding a positive strategy of this kind offers possibilities both of supporting efforts to resist unreasonable challenges, and to demonstrate new ways forward that benefit all parties.

Endnotes

1. Michael A. Pagano, Christopher W. Hoene and Christiana McFarland, "City Fiscal Conditions in 2012," *Research Brief on American Cities*, Washington, DC: National League of Cities, September 2012.

2. Of course, there is nothing wrong with intelligent borrowing for investment, but the opportunities for abuse are widespread and the abuses have been very well documented. See, for example: Greg LeRoy, *The Great American Job Scam*, San Francisco, CA: Berrett-Koehler, 2005.

3. Phineas Baxandall, Kari Wohlschlegel and Tony Dutzik, *Private Roads, Public Costs: The Facts About Toll Road Privatization and How to Protect the Public*, Washington, DC: US Public Interest Research Group, 2009, page 21.

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