

# POLITICS OF PLACE/POLITICS FOR PLACES

## Community wealth building: America's emerging asset- based approach to city economic development

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Across the United States a growing number of communities are experimenting with innovative ways to create a more equal, democratic, and community-based economy from the ground up.

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As political debates continue to rumble along in the UK around greater devolution and decentralisation – not to mention the need for a ‘new economics’ based on more democratic economic institutions – the British left might consider looking across the pond for inspiration, to developments occurring at the city level in the United States. Driven by the ongoing deterioration of U.S. social safety systems and the exhaustion of traditional redistributive policies, a growing number of innovative experiments and approaches point towards a possible alternative pathway forward for those seeking transformative social and

economic change. As community activists and a rising generation of progressive mayors and city economic development professionals get to grips with entrenched poverty and inequality, a new bottom-up paradigm is beginning to emerge – a systems approach to economic development that promises to create an inclusive, resilient, community-based economy grounded in local, broadly held ownership. We call this new asset-based paradigm ‘community wealth building’.<sup>1</sup>

## The design challenge before us

The impetus behind these promising new developments is clear. The economy of the United States is failing the majority of its people. The number of people living in high-poverty areas has nearly doubled since 2000, despite the significant decline in concentrated poverty in the previous decade. If policymakers thought that they had begun to solve the problem of urban poverty, it has now returned with a vengeance.<sup>2</sup> The labour market has deteriorated across the nation. Those trapped in contingent work – including part time, temporary, and contract labour – now make up an alarming forty per cent of the workforce. Over the last three decades, wages have been stagnant for the bottom eighty per cent of Americans, even as the income of the top one per cent has more than doubled. There has been a hollowing out of lower-skilled, middle wage jobs that once provided pathways to economic security.<sup>3</sup>

When these statistics are broken down by race and ethnicity, the extent of the American economy’s failings becomes even more astounding. African-Americans and Latinos are more than twice as likely to live in poverty as non-Latino whites. Among families headed by someone with a college-level education, the median wealth for a white family is ten times greater than for Black families, and about seven times greater than for Hispanic families.<sup>4</sup> This picture becomes more troubling when coupled with the fact that most babies born in the United States today are children of colour. The United States is only three decades away from becoming a ‘minority-majority’ nation. Many U.S. cities have already arrived at this demographic inflection point – including New York, Chicago, Philadelphia, and Cleveland.

The underlying economic trends will only worsen, unless we can answer the design challenge before us. Can we find ways to include those presently excluded from economic well-being? Can we design an economic system that builds the wealth and prosperity of all citizens?

This work necessarily and naturally begins at the local level, given the paralysis of national-level politics in Washington and the need to rebuild and re-envision a

modern economy from the ground up. Remarkably, such a process is already well underway. In dozens of cities and communities across the United States, the answers we so desperately need are already appearing. Using a variety of innovative strategies, a new movement of communities is arising to confront head-on the seemingly intractable descent into an ever more unequal society. Breaking out of the silos that were once the norm of community and economic development, a diverse group of partners – from trade unions and ‘anchor institutions’ (such as hospitals and universities) to community organisations and progressive local business networks – are joining together to begin to build an inclusive and sustainable economy in which all can thrive.

This movement is about prioritising people, place, collaboration, and inclusion. It’s aimed at creating broadly held wealth in the economy, as the necessary foundation of economic democracy. Rather than focusing solely on social safety nets and regulation – both of which remain necessary – the emerging movement adds a vital focus on assets. It’s about building on locally rooted assets of many kinds, including networks and relationships and community strengths, as a means of generating wealth that is locally rooted and broadly shared. We call this transformative approach to economic development ‘community wealth building’.

To describe it in the simplest terms, community wealth building is a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted, broadly held ownership. To give it more tangible form it may be helpful to tell a few of the stories of the growing community wealth movement.

Sí Se Puede! is a worker-owned cleaning co-operative, launched by the non-profit Centre for Family Life, a programme of SCO Family of Services in New York City. The centre has taken up the co-operative model as a way to create good jobs, after twenty years of traditional approaches to creating job readiness. Since launching Sí Se Puede! in 2006, the centre has created other worker co-operatives performing handiwork, childcare, and painting. To build on these successes, the centre joined a coalition, led by the Federation of Protestant Welfare Agencies that worked with city council leaders in a campaign that resulted in New York City allocating \$3 million over two years to develop worker co-operatives. A new law also requires the city’s economic development arm to track the level of municipal contracts awarded to co-operatives. These moves are part of New York Mayor Bill de Blasio’s quest to address economic inequality, which he has identified as the most important issue of our time.<sup>5</sup> Because of these efforts, Cristina, an immigrant from Mexico and a single mother, who for years struggled to make ends meet house-cleaning, can do jobs in three to five hours and make the same amount she used to make working twelve hours. Cristina, now a worker-owner at Sí Se Puede!, has seen her wages jump from

around \$7 to \$20 an hour while also permitting a more flexible schedule that allows her to spend more time with her family.

Community wealth building efforts in Boston, Massachusetts have yielded similar results. It began when the non-profit Dudley Street Neighbourhood Initiative (DSNI) organized a 'Don't Dump on Us' campaign to get Bostonians to stop dumping rubbish in their low-income neighbourhood. With this community power base, DSNI was able to persuade the city to adopt the community's plan for revitalising the area, and to grant DSNI the power of eminent domain (a powerful form of compulsory purchase order). This enabled the non-profit to consolidate vacant land into a community land trust, whereby the community now owns the land and residents own affordable houses developed by the organisation.<sup>6</sup>

Community wealth building took a slightly different shape on the West Coast, in Portland, Oregon. Leaders in the Portland Development Commission (PDC) began to recognize how they themselves had contributed to a bifurcated community, in which some enjoyed prosperity while others fell victim to rising inequality and widespread economic hardship, much of it built on racial disparities. The city launched a Neighbourhood Prosperity Initiative, focused on six districts with high concentrations of people of colour and high poverty. In each district, community members worked with neighbourhood non-profits to create a vision for improving their local commercial areas, with the aim of fostering economic opportunity and neighbourhood vitality. Each district was given \$1 million over ten years by the PDC to bring these visions to fruition. While the sums are relatively small, the initiative is an important pilot in what Kimberly Branam, Deputy Director of the PDC, called 'community-led development'. 'They literally are making the decisions on how to spend the funds', she said. The city is modelling an approach to development that is both inclusive in its aims and participatory in its methods.

Stories like these are just a few among many currently playing out across the United States. These stories matter, because they tell us that – in the interstices of the system and in the face of the economic challenges visited upon so many American communities – promising alternatives are emerging in the tools and approaches of community wealth building. They tell us that across the country, in more places than many would imagine, a new kind of economy is beginning to appear. It's an economy that, because of its fundamental design, tends naturally to create inclusion and prosperity for the many, not simply for the few. This work is only beginning to be widely recognized as a cohesive approach. Yet, as we describe below and in our 2015 report *Cities Building Community Wealth*, community wealth building is in fact a coherent, systemic approach to economic development – one that embodies a powerful set of common drivers, and offers a broad set of powerful strategies. In

what follows we delineate some of the important aspects of this powerful alternative to development-as-usual.

## Defining the new approach

Language is a potent force. Recent decades have seen a series of new phrases spark and catch fire – ‘impact investing’, ‘microfinance’, ‘green building’ – that have helped entire communities and constituencies define their work in shared terms. Common language builds a sense of unity. In 2005, we at The Democracy Collaborative coined the phrase ‘community wealth building’ to describe a range of strategies that share important basic principles. As our colleague Steve Dubb wrote in *Building Wealth: A New Asset-Based Approach to Solving Social and Economic Problems*, these strategies ‘change the nature of asset and wealth ownership’, anchor jobs in community, and ‘make communities more stable and economically viable’.<sup>7</sup>

At that time, a decade ago, the phrase ‘community wealth building’ was so uncommon it almost invariably appeared within quotation marks. Today, a Google search identifies more than 140,000 entries using the term – with many, many groups in some way self-identifying as building community wealth. The number grows daily.

Last year in Richmond, Virginia – the capital of the Old Confederacy, and a city long divided by race and poverty – Mayor Rev. Dwight C. Jones established the nation’s first City Office of Community Wealth Building (headed by sometime *Renewal* contributor Thad Williamson). Meanwhile, the Denver Foundation hosted Community Wealth Building conferences in 2013 and 2014, which have spawned the Community Wealth Building Network of Metro Denver. In Washington, D.C., a funders collaborative created a Community Wealth Building Initiative to explore the creation of worker-owned companies. In Jacksonville, Florida, former Mayor Alvin Brown convened a Community Wealth Building Roundtable to explore approaches to tackling poverty.

The term has crossed the Atlantic and is now beginning to appear in the United Kingdom. In Preston, Lancashire, the City Council launched a co-operative development program in 2011, naming it the Preston Community Wealth Building Initiative. This effort aims to increase local purchasing by anchor institutions to support the formation of locally-rooted co-operative enterprises.<sup>8</sup>

Broadly speaking, then, building community wealth is an umbrella term for economic development activities aimed at inclusive prosperity. A key focus is *community*, which connotes both a geographic place and a sense of connectedness. It signifies something profoundly different from an economy indifferent to people and place.

A second element of the term is *wealth*. Who owns wealth, who controls it, who benefits from it – these issues are core to every economy. When wealth is rooted in community, held locally and inclusively, the foundation of a truly democratic economy is laid. It is an economy that, in its normal functioning, tends to benefit all community members. *Building* this kind of economy is what economic development in a democracy should naturally be about.

As a great wave of hopeful activity rises, that activity requires a unifying name. We have therefore suggested that this activity is all about *building community wealth*. The movement is not yet unified in its embrace of this language. We live instead with a ‘proliferation of different terms today’, as Emily Kawano of the U.S. Solidarity Economy Network told us. There’s the solidarity economy, the new economy, the caring or sharing economy, and words like green or local. ‘How do you navigate all that?’ she asks, and it remains an issue.

Community wealth building does not attempt to answer all the questions of terminology. What it does offer is precision in one area, which is economic development. What community wealth building signifies is this: *a systems approach to inclusive, community-based economic development, based on local and broad-based ownership*.

We offer the following as a fuller definition:

Community wealth building is a systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership. This framework for development calls for developing place-based assets of many kinds, working collaboratively, tapping large sources of demand, and fostering economic institutions and ecosystems of support for enterprises rooted in community. The aim is to create a new system that enables inclusive enterprises and communities to thrive and helps families increase economic security.

In dozens of interviews, we found a surprisingly widely shared understanding of *community wealth*, as well as a generally positive view of the phrase. ‘People like the sound of asset-building’, Emily Kawano said. ‘The most important thing about it is the stickiness of wealth and capital’, said Victor Rubin, Vice President for Research at the research and advocacy organisation PolicyLink. He added that it ‘has to be about more than income; it has to be about assets and wealth’. Tracey Nichols, Director of Economic Development for the City of Cleveland, observed that the language of community wealth building ‘helps business realize that until we have everyone working, then we’re not a robust economy’. Lew Daly, Director of Policy and Research at the think tank Demos, told us, ‘I prefer the term community wealth building to localism’. If we’re ever to achieve the aim of shared prosperity on a broad

scale, he added, we must recognize that democratic control is at the heart of it: ‘Without democratic control of the economy, we don’t have democracy’.

When Mayor Jones in Richmond established the Office of Community Wealth Building, a city newsletter explained how his administration understood the term. It’s ‘intended to show we are taking a positive approach’, they wrote, ‘building on assets, resources, and potential already present’. The term ‘community’ indicates that ‘we care not just about a few but about everyone’. ‘Building wealth’ is what ‘will allow families and households to escape poverty not just for a few months or years but in a lasting way’. There’s more to wealth than money, they added in a published newsletter. ‘We are concerned with the development of all forms of capital in a community’ – physical, human, social, and more.

## Seven drivers that build community wealth

More than a label, community wealth building is also a framework. It has multiple drivers that work together to create a system that delivers the sought-after outcome: an inclusive, sustainable community economy where all can prosper – particularly those who are normally excluded. This system can be defined as having seven key drivers: *place, ownership, multipliers, collaboration, inclusion, workforce, and system.*

### 1. Place

*Community wealth building develops under-utilised local assets of many kinds, to create maximum benefit for local citizens.*

Community wealth building begins with loyalty to geographic place. If globalisation is the hallmark of today’s dominant economy, re-localisation is the hallmark of the alternative. Globalisation works well for capital, which can move across borders with a computer keystroke. But the real economy of jobs and families and the land always lives somewhere real. The real economy is *place-based*. And a real place is more than a free market of footloose players, where firms are simply objects that can be moved anywhere. Cities and towns are places that people care about passionately, and where working collaboratively for the common good instinctively makes sense. Local communities are where building a new economy naturally begins.

For disadvantaged populations, place can literally be a matter of life and death. In the Glenville neighbourhood of Cleveland, Ohio, for example, where the population is largely African-American, the average life expectancy for a male is sixty-four years. Just eight miles east, in the white suburb of Lyndhurst, average male life expectancy

is eighty-eight years, a difference of almost a quarter century. Embracing place means including the whole community – not simply the affluent sections.

In contrast to the traditional economic development paradigm based on luring companies from elsewhere using public subsidies, building community wealth is about developing already existing under-utilised local assets of many kinds – social networks, the built environment, cultural riches, local ecology, place-based anchor institutions – and doing so in a way that the wealth stays local and is broadly shared.

Developing assets is different from delivering social services. It's a shift from reducing poverty to building wealth. When families possess assets – skills, social networks, a home, savings, an ownership stake in a business – they are better able to withstand shocks like unemployment or illness. They can plan for their future, send a child to university, and feel secure in retirement. A job may start or stop. Assets yield greater stability and security. As Boston's Chief of Economic Development John Barros told us, 'It takes a job to get out of poverty, but it takes assets to keep you out of poverty'.

What's true for families is also true for communities. Jobs may be drawn into a community but then leave without warning. 'There's nothing worse than a company that you've worked with for ten years just leaving because the incentives wore off', said Tracey Nichols of the city of Cleveland. 'But having the community own the enterprise, it will always be there'.

## 2. Ownership

*Community wealth building promotes local, broad-based ownership as the foundation of a thriving, resilient local economy.*

Having the community own the enterprise: this is another vital element of community wealth building. As Ed Whitfield, Co-Managing Director of the Greensboro, North Carolina-based Fund for Democratic Communities, told us that 'the essential tool is transferring ownership, so the benefit of the surplus stays in the community'. Ownership of assets is the foundation of every economy, for it determines who has control and who receives the lion's share of benefits. In the words of Justin Huenemann, Executive Director of the Notah Begay III (NB3) Foundation, a focus is needed on 'the democratisation of ownership'. The goal is to create an economy where wealth is broadly held and locally rooted over the long term, so income recirculates locally, creating stable prosperity.

Community wealth building deploys a whole spectrum of inclusive ownership models. In the non-inclusive parts of the economy we see absentee-owned firms.



Corporations with shares trading on public stock markets are inherently absentee-owned. Inclusiveness has more of a chance with locally owned firms. When money is spent at locally owned firms, studies show that revenue recirculates locally at least three times as much. Local ownership is vital. But local ownership by a few wealthy families only gets us part of the way towards broad prosperity. More inclusive are firms owned by women and people of colour, who have traditionally been excluded from asset ownership. Still another consideration is a longer time horizon for investment and other company decisions. When local owners retire or sell, how do those firms stay local?

Social enterprises are likely rooted in community over the long term, for they have a primary mission of providing social benefit, and many are owned by non-profits and unlikely to be sold. Some social enterprises aim to create jobs for the hard to employ, like Pioneer Human Services in Seattle, which runs enterprises providing job training for those with criminal histories.

Also inclusive are firms with employee stock ownership plans (ESOPs) – a form of ownership in which shares are held in trust for employees; in the United States, the ESOP legal framework allows founders to exit their ownership by selling their company to employees, who are more likely to remain loyal to place over the long term. Sellers enjoy substantial tax benefits in the process. ESOPs are companies in which ownership is broadly distributed among employees, who own shares of a pension plan that, in turn, owns part or all of the company. ESOPs have been shown to create greater income and wealth for employees, as well as greater productivity and effectiveness for enterprises. Employee ownership also offers greater job satisfaction and protection against layoffs.<sup>9</sup>

Still more inclusive are co-operatives, an ownership model found all around the world, in which all members have one share and one vote. Particularly valuable for job creation are worker-owned co-operatives, in which workers control the company and elect the board. When employees not only have a job but an ownership stake, they enjoy greater control over their economic fate. Co-operatives are often thought of as small, but they can be quite large. Cooperative Home Care Associates in the Bronx in New York – America’s largest worker-owned co-operative – employs 2,300 people (ninety per cent of whom are women of colour) and generates more than \$60 million in annual revenue.<sup>10</sup>

Municipally-owned utilities are enterprises literally owned by the entire community. Close to ninety per cent of all water systems in the United States are owned by municipalities and non-profits. Among U.S. electricity providers, sixty-one per cent are government owned.<sup>11</sup> Again, these can be quite large; the Los Angeles city-owned

power utility, for example, in 2013 had revenues of \$3.2 billion. Each year, it transfers about seven per cent of its electric gross revenues (\$261 million in FY 2014-2015) and five per cent of its water gross revenues to the city's General Fund, helping finance city operations and support public sector jobs.<sup>12</sup> In recent years, more U.S. communities have become interested in forming their own public utilities, because of benefits such as lower rates, commitment to the local community, greater accountability, and more responsiveness to local decision-making.

### 3. Multipliers

*Community wealth building encourages institutional buy-local strategies, by cities and anchor institutions, to keep money circulating locally.*

While ownership shapes the skeleton of enterprise, demand is its lifeblood. Community wealth building asks: where is the large-scale demand that can drive the growth of local, inclusive enterprise? What kind of demand cares about place?

A critical force generating momentum for local enterprises is the purchasing power of anchor institutions, like non-profit and public hospitals and universities, which are rooted locally and have missions of service. Other types of anchor institutions include museums, community foundations, and local government. When anchors deploy their economic power to strengthen local enterprises, especially inclusive enterprises, they are engaging in what The Democracy Collaborative has termed an 'anchor mission'. An anchor mission consciously links the well-being of an institution and its community. Support for an anchor mission has grown over the last decade among non-profit hospitals and universities, which in the United States together represent well over \$1 trillion in economic activity, about six per cent of GDP.<sup>13</sup>

The procurement, hiring, and investment practices of anchor institutions represent a potentially enormous source of economic development support, which cities like Cleveland, Chicago, Baltimore, and New Orleans are beginning to tap. For instance, when anchor procurement supports locally owned businesses, cities enjoy a powerful multiplier effect, keeping money circulating locally. Over the past decade, more than two dozen studies have shown that local businesses generate two to four times the multiplier benefit, compared to non-locally owned firms. As author Michael Shuman observes, that means that every dollar shifted to a locally owned business generates more income, more jobs, higher local tax revenues, and greater charitable contributions.<sup>14</sup>

#### 4. Collaboration

*Community wealth building brings many players to the table, creating community-based collaboratives that include nonprofits, philanthropy, anchor institutions, cities, local businesses, and local residents.*

In traditional economic development, collaboration involves two traditional players – city government and the private sector. Community wealth building is more broadly collaborative – involving non-profits, philanthropy, anchor institutions, community residents, local businesses, and workers.

‘What’s happening in New York City is fascinating, and I think it’s the way things might happen in the future’, Melissa Hoover, Executive Director of the Democracy at Work Institute, told us. ‘What it looks like from the outside is that the City authorised \$1.2 million for co-operative development [for 2015, increased to \$2.1 million for 2016]. What really happened is that grassroots organisations had been working toward this for a long time’. The city’s allocation was encouraged by these non-profits, and the funds went to support their work. The process, in short, was highly collaborative.

Among U.S. cities taking seriously the power of collaboration is Philadelphia. When the mayor in 2013 created a new anti-poverty office, the Office of Community Empowerment and Opportunity (CEO), the initiative embraced the philosophy of ‘collective impact’, according to CEO Executive Director Eva Gladstein. In creating and implementing its action plan, CEO involved close to 200 stakeholders in meetings, focus groups, and interviews.

#### 5. Inclusion

*Community wealth building deliberately aims to create inclusive, living wage jobs that help families from all walks of life enjoy economic security.*

Inclusion lies at the heart of community wealth building, adding a driver lacking in much traditional economic development. Economic inclusion is the opening up of economic opportunities to previously underserved social groups. It requires creating targets and indicators – as well as participatory processes – to ensure that disadvantaged individuals and communities can participate in a meaningful way in the economy.

Consider the seeming success of the innovation economy in Pittsburgh, a former rustbelt city which in recent decades has enjoyed a resurgence in sectors of its economy such as health, education, and technology. The city now offers good

white-collar jobs and cultural amenities. It's seen as a 'turnaround city', William Generett, CEO of Urban Innovation21, told us. 'But it's been a very uneven transformation'. The poverty rate among working-age African-Americans remains the highest among the nation's forty largest metropolitan areas. 'This population has not connected to the new economic drivers', he said.

To spread the wealth of the technology sector to disadvantaged communities, in 2007 Generett created Urban Innovation21, a consortium of twenty businesses, non-profits, and governmental organisations, using business incentives, grants, internships, and training programs to create inclusive opportunity. It's the kind of experiment in inclusion that deserves emulation.

Urban Innovation21 has worked with unions and others to launch an employee-owned commercial laundry, still in development. It's a wealth-building strategy that takes inclusion into the realm of asset ownership. As Generett said, it goes 'beyond the traditional activities that have been used in low- and moderate-income communities', such as low-income housing and social services.

Inclusion is both a moral and an economic imperative. Research shows that areas extending greater economic opportunity to people of colour enjoy longer periods of growth and shorter downturns. Inclusion is particularly powerful when combined with anchor strategies.<sup>15</sup>

## 6. Workforce

*Community wealth building links training to employment and focuses on jobs for those with barriers to employment.*

If worker ownership is a key long-term goal of community wealth building, workforce participation is often a more immediate step towards prosperity. Economic development professionals serving an entire city do not have the luxury of focusing solely on ideal models. They face the tough job of helping those with barriers to employment find good work, and helping low-income workers move up.

Bringing a community wealth frame to workforce development means two things. First, adding a systems approach means linking training to the needs of employers and anchor institutions, and creating support services. Second, it means being intentionally inclusive – deliberately reaching out to communities of colour and those facing employment barriers.

A good example is University Hospitals (UH) in Cleveland, which developed the Step Up to UH program to create a pipeline for hiring residents of neighbouring

low-income African-American communities. The program includes training and wrap-around support services on the job to ensure long-term success.

A different systems approach to workforce development deploys anchor support for social enterprise. For example, the non-profit Momentum in Minneapolis, Minnesota, operates three social enterprise businesses that provide transitional employment and job training for those facing barriers to employment, such as felony convictions or substance abuse history. One enterprise is Second Chance Recycling, which has contractual arrangements with Hennepin County and the city of Minneapolis to divert recyclables from the waste stream, including more than 40,000 mattresses annually.

### 7. System

*Community wealth building develops new institutions and supportive ecosystems, aimed at creating a 'new normal' of political-economic activity.*

Beyond time-limited programs, the aim of community wealth building is creating a new political-economic system. It does this by building institutions that stand over the long term, creating an ecosystem of support for a thriving local economy. This includes examples like New York City funding the ecosystem supporting co-operative development; Richmond creating a new Office of Community Wealth Building in city government; Cleveland launching a network of worker-owned companies; or North Dakota creating the state-owned Bank of North Dakota (BND). With the support of BND, locally-owned banks of small and medium size have been able to extend their lending capacity; eight-three per cent of all deposits in the state, compared to twenty-nine per cent nationwide, are managed by community banks. Community banks, in turn, support local business – lending four times as much to small business as the national average, over the last decade.<sup>16</sup>

These institutions are designed to support communities, not to extract profits from them. They show how – from enterprise ownership up to the banking system – we can design intentionally for the outcomes we desire.

## **A powerful alternative to development-as-usual**

These drivers of building community wealth are elements of an emerging new framework for inclusive economic development. It's a framework that offers a powerful contrast to the traditional practices that are failing so many communities. While a promising number of economic development professionals are taking up

elements of this new framework, traditional approaches still predominate, and are in fact resurgent in many communities. Those traditional approaches rely on a set of drivers that work – mostly unconsciously – toward a very different set of outcomes.

Traditional economic development is too often captured by the demands of major corporations and site development consultants. The ‘place’ that drives such players is in reality no place at all, for these players embody a worldview of a generic, commodified economy, where firms are objects to be lured from place to place by the \$80 billion in incentives given annually by U.S. cities, states, and counties. The ‘system’ that is supported in this way is one of wealth inequality, where most assets are owned by the few. The ‘ownership’ driver is absentee ownership, with most incentives flowing to corporations owned outside the community. ‘Inclusion’ is also lacking, with benefits flowing to a financial elite – since ownership of publicly traded firms is overwhelmingly concentrated among the wealthiest 10 per cent. Inadvertently, but pervasively, economic development incentives tend to neglect local firms, which can too often be driven out of business by ‘big box’ retailers and multinationals. Thus traditional approaches operate the ‘multiplier effect’ in reverse: taxes are extracted from local firms and citizens and given to corporations whose ownership is not local, even as local schools and parks suffer cuts in funding. Missing throughout is the driver of ‘collaboration’, with little transparency or democratic public input into development decisions.

In its ‘workforce’ drivers, traditional economic development focuses on counting the number of jobs created, but too rarely tallies whether these are living wage jobs, or whether they are available to those facing barriers to employment. Traditional approaches also fail to subtract from their tallies the jobs destroyed when Main Street retailers quietly close their doors – or when firms outsource manufacturing and other work abroad, or move operations out of the community.

The mindset missing in traditional approaches is commitment to place, and a recognition that economic entities can be designed to benefit community. Community wealth building begins with a devotion to place, and with a respect for all those who live in a place. It keeps money circulating locally by developing local assets and keeping ownership locally rooted, and, ideally, broadly held. The aim isn’t just jobs but good jobs, and where possible an ownership stake – especially for those facing barriers to employment, but also for all Americans in need of good jobs.

Community wealth building is a systems approach, with various drivers working together. Locally owned enterprises are linked to large-scale demand through anchor procurement. Institutions like loan funds and accelerators, as well as new positions and departments in city government, help to support locally and inclusively owned

firms. Worker and employer needs are matched. In these various drivers and strategies – linked training, anchor demand, support institutions – the emphasis is on creating a system to support a locally rooted economy. The aim is creating the institutions that lead to a new normal of political-economic activity, a new system.

## Two approaches to economic development

Drivers	Community wealth building	Traditional approach
<b>Place</b>	Leverages many kinds of assets rooted in community, for maximum benefit of local citizens.	Aims to attract and retain firms using incentives, which increases the tax burden on local citizens.
<b>Ownership</b>	Promotes local, broad-based ownership as the foundation of a thriving, resilient local economy.	Supports absentee and elite ownership, often harming locally owned family firms.
<b>Multipliers</b>	Encourages institutional buy-local strategies to keep money circulating locally.	Less attention to whether money is leaking out of community – and an underlying model that encourages such leakages.
<b>Collaboration</b>	Brings many players to the table, including non-profits, philanthropy, anchors, cities.	Decision-making led primarily by government and private sector, excluding local citizens.
<b>Inclusion</b>	Aims to create inclusive, living wage jobs that help families from all walks of life enjoy economic security.	Key metric is number of jobs created, with little regard for wages or who is hired.
<b>Workforce</b>	Links training to employment and focuses on jobs for those with barriers to employment.	Generalised training programs without attention to linkages to actual jobs.
<b>System</b>	Develops new institutions and support ecosystems, to create a new normal of political-economic activity.	Unable to resist pressure to support status quo of wealth inequality.

## Seeds of a new community-based economy

The emergence and growth of community wealth building may signal the beginning of a new progressive movement, growing at the local level. This new movement finds its impetus in widespread concern about wealth inequality, which

is driving the emergence of a new class of forward-thinking mayors and economic development directors in US cities like New York, Seattle, Boston, Cleveland, Richmond, and elsewhere. This movement is also being driven by a widening set of community-based players.

Traditional economic development in the United States has tended to involve two players, the city and the business community, in an arrangement where the city has often been the subordinate partner, subject to the demands of business. Cities themselves have unthinkingly contributed to their own disempowerment in their focus on the 'job count', which puts business in the lead, even when the jobs created are of low quality. This balance of power begins to shift, however, when others come to the table demanding accountability, good jobs, and community benefits. The potentially momentous advance of community wealth building is that it brings this 'third player' – the combined, collaborative force of anchor institutions, citizen groups, philanthropy, non-profits, and locally owned businesses – to the table. Much of this work began by pushing back against big business, yet today these players are focusing forward, proactively shaping the direction of local economic development.

There is no guaranteed road map to a more inclusive city with a more sustainable economy. No community, in its entirety, is quite there yet. The tools of community wealth building are not yet sufficient to get us there. They struggle with major challenges and limitations. Yet significant new avenues to advance are also opening. We believe that we are at a moment of historic opportunity. Building community wealth could begin to create a profoundly different kind of economy, one that is both inclusive and sustainable. Yet the opportunity of the present time could also be lost. History might veer in far more troubling directions. Ours is a fragile moment.

At this threshold moment, it is critically important that this new paradigm of economic development is broadly recognized and understood. For only when we name it and see it clearly can we take steps to make community wealth building the dominant paradigm of economic development. Given the magnitude of the crises our global society now faces, it is imperative that the growing movement for a new economy comes together as never before. It is in cities – in tangible, real communities – where we can begin in earnest to build the kind of economy we need, one designed to enable all people to flourish. For all those in search of a 'new economics' – whether in the UK or elsewhere – community wealth building offers the best glimpse yet of the kind of future world in which we might actually want to live.

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## Notes

1. This article draws upon the recent report, *Cities Building Community Wealth*, published by The Democracy Collaborative in November 2015 and available at: <http://democracycollaborative.org/cities>. For more information on community wealth building developments in the United States see <http://community-wealth.org>.
2. Paul Jargowsky, 'The Architecture of Segregation', The Century Foundation, August 9, 2015, pp1-3. Justin Hofherr, 'New Report Shows Over 40% of U.S. workers are 'contingent' employees', 27.5.2015, Boston.com, <https://www.boston.com/jobs/jobs-news/2015/05/27/new-report-shows-over-40-of-us-workers-are-contingent-employees>
3. The Stanford Center on Poverty & Inequality, *The Poverty and Inequality Report 2014*, Palo, Alto: The Stanford Center on Poverty & Inequality, 2014. Bureau of Labor Statistics, 'Economic News Release: Employment Situation Summary', 3.4.2016, <http://www.bls.gov/news.release/empsit.nro.htm>. National Employment Law Project, 'The Low-Wage Recovery and Growing Inequality Data Brief', National Employment Law Project, November 2012, <http://nelp.org/content/uploads/2015/03/LowWageRecovery2012.pdf>
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5. 'New York City continues to pioneer innovative economic development strategies, committing another \$2.1 million to worker cooperative development', [http://institute.usworker.coop/news/new-york-city-continues-pioneer-innovative-economic-development-strategies-committing-another?mc\\_cid=441415891a&mc\\_eid=79ac99a6ce](http://institute.usworker.coop/news/new-york-city-continues-pioneer-innovative-economic-development-strategies-committing-another?mc_cid=441415891a&mc_eid=79ac99a6ce), Democracy at Work Institute, 26.6.2015, <http://www.geo.coop/node/636>; <http://www.usworker.coop/news/new-york-city-invests-worker-cooperatives-o>
6. Keane Bhatt, 'Empowering Communities: Educational Tools for Building Community Wealth', Takoma Park, MD: The Democracy Collaborative, 2015. 'Mayor Walsh Announces the Neighborhood Innovation District Committee', 26.9.2014, City of Boston, <http://www.cityofboston.gov/news/Default.aspx?id=14817>
7. Steve Dubb, *Building Wealth: The New Asset-Based Approach to Solving Social and Economic Problems*, The Aspen Institute, Washington DC 2005, pV.
8. For more on the Preston Community Wealth Building initiative, see the interview with Matthew Brown in this issue of *Renewal*.
9. Employee ownership 'is associated with greater participation in decision-making, higher pay, more job security, more job satisfaction, and better management labour practices'. These relationships are stronger when employee ownership 'is combined with employee involvement and decision-making and with other advanced personnel and labour policies'. ESOPs are 'associated with improvements to performance, but only when these plans are combined with employee involvement in job-level decision making.' Edward

- Carberry, ed., *Employee Ownership and Shared Capitalism: New Directions in Research*, Champaign, IL: Labour and Employment Relations Association, 2011, pp9-10.
10. Laura Flanders, 'How America's Largest Worker-Owned Co-op Lifts People Out of Poverty', *Yes!* magazine, 14.8.2014.
  11. 'U.S. Electric Utility Industry Statistics', American Public Power Association, <http://www.publicpower.org/files/PDFs/USElectricUtilityIndustryStatistics.pdf>, accessed 15.9.2015.
  12. 'Fiscal Year (FY) 2014-2015 Los Angeles Department of Water and Power Budget Transmittal', *City of Los Angeles*, April 23, 2014, [http://clkrep.lacity.org/onlinedocs/2014/14-0600\\_rpt\\_dwp\\_4-23-2014.pdf](http://clkrep.lacity.org/onlinedocs/2014/14-0600_rpt_dwp_4-23-2014.pdf). Arup North American Lmted, *City of Los Angeles Draft Environmental Impact Report: Cornfield Arroyo Seco Specific Plan and Redevelopment Plan Chapter 15 Utilities*, Los Angeles, CA: City of Los Angeles, September 2011, [http://planning.lacity.org/eir/CornfieldArroyo/DEIR/Volume%201/Chr15\\_CASP%20DEIR%20Utilities.pdf](http://planning.lacity.org/eir/CornfieldArroyo/DEIR/Volume%201/Chr15_CASP%20DEIR%20Utilities.pdf).
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  14. Michael Shuman, 'Growing the North Country Economy From the Inside Out', citing Shuman, *Local Dollars, Local Sense* (White River Junction, VT: Chelsea Green, 2012), pp.17-25. [www.michaelshuman.com](http://www.michaelshuman.com).
  15. Sarah Treuhaft, Angela Glover Blackwell and Manuel Pastor, 'America's tomorrow: Equity is the superior growth model', Oakland, C.A.: Policy Link, 2012.
  15. 'Bank of North Dakota', Institute for Local Self-Reliance, 5.5.2011, <http://ilsr.org/rule/bank-of-north-dakota-2/>. 'Benefits for Cities and Municipalities of a Public Bank: Key Questions and Answers for Elected Officials and Policy Makers, Treasury Staff, Bankers, Taxpayers and Voters', Hub Public Banking, January 2015, [www.HubPublicBanking.org](http://www.HubPublicBanking.org)