

a **NEW** social contract

COLLECTIVE SOLUTIONS BUILT
BY AND FOR COMMUNITIES



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Acknowledgments

We want to thank all our allies, partners and the members of the coalitions and networks we have the privilege to anchor at NESRI. In particular, we want to express our gratitude to partners and coalitions that have allowed us to work with them on generating the bold solutions documented in this report, including: The Dignity and Schools Campaign and our first education partner, CADRE, the Worker-Driven Social Responsibility Network, the Coalition of Immokalee Workers, United Workers and the Baltimore Housing Roundtable, the Healthcare is a Human Rights Collaborative and its members Put People First! Pennsylvania, Vermont Workers' Center, and the Southern Maine Workers Center. We also thank Rights and Democracy for all their support in this effort. It is your commitment, creativity and hard work that has made this report possible, and more importantly that has built power for working people, immigrants and communities of color, and in turn transformed lives.

We also want to acknowledge and thank the Movement for Black Lives for their inspirational platform that has fueled our own work, as well as Black Youth Project 100 for their Agenda to Build Black Futures. We also express our appreciation for the Poor People's Campaign audit, *The Souls of Poor Folk: Auditing America 50 Years After the Poor People's Campaign Challenged Racism, Poverty, the War Economy/ Militarism and Our National Morality*; People's Action's *Rise up Platform from Protest to Power*; Cooperation Jackson's *Jackson Kush Plan*, Climate Justice Alliance's *Our Power Campaign Plan*; and all the movement organizations committed to building a transformational vision of justice and human rights for our country and world.

Special thanks to Andrea Armeni and Curt Lyon for assistance in the Finance for Change section, Anja Rudiger for assistance in the Human Rights Budgeting section and introduction, Professor Katherine Franke for her always sharp insights into framing this project, Imara Jones for her inspiration, brilliance and invaluable consulting assistance in crafting this project, and Larry Cox for his optimism even in the darkest times and never-ending encouragement of NESRI's work. We also would like to thank Ginny Browne and Michael Menser of the Participatory Budgeting Project, Susan Harman of the Friends of the Public Bank of Oakland, Cimbria Badenhausen of the Public Banking Institute, and Deric Gruen of Rethinking Prosperity for generously reviewing sections of this report.

Thank you also to the entire team at NESRI for the ongoing feedback, insight, and support. And this report would not have been possible without the unflagging assistance of Nora Smiley, our project manager, cite checker, proofreader, photo collector, and so much more. She logged more hours than any of us can count to bring this to press.

Finally, we thank our funders who have supported a bold human rights vision and this project, in particular Libra Foundation, NoVo Foundation, and the Overbrook Foundation.

This project and report is also dedicated to the memories of NESRI's founding board member Rhonda Copelon and founding supporter Michael Ratner.

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INTRODUCTION



Since November 9, 2016, millions of people in the United States have proudly joined “the resistance.” What does it mean to resist in this moment? We cannot win by merely saying no. We must have a clear vision of a better world.

To be meaningful, our resistance must go far beyond one election result. It must challenge the architecture of injustice that has been brutally reinforced over many decades. And it must learn from movements that have long been organizing against inequity. Today’s reality became a foregone conclusion when government explicitly began to abdicate its responsibility for public schools, public colleges and universities, public hospitals, public lands, and, frankly, to the public. Instead, governments proffered that only the market could address societal needs and ills and, therefore, aligned with corporate interests and echoed the message that “there is no alternative” to a speculative capitalism that strips resources out of the public domain, concentrates wealth and power in the hands of the few, and identifies the ensuing calamity as the result of individual choices and not systemic inequality borne of public policy. As both political parties used racialized tactics to defend this model, a corporate-driven state began casting shadows over our political imagination and scapegoating wide demographic swaths of our nation’s residents.

Out of these shadows stepped the underlying White supremacy, attacks on women, and xenophobia so blatantly expressed by the Trump Administration. To fight back, we need a fearless vision that challenges assumptions and can speak to all communities. The 2016 election showed the power of hate, but it also showed that millions of people in the United States are no longer afraid of the word socialism, no longer willing to sit on the sidelines as immigrants are

attacked, and no longer willing to look the other way as Black people are killed or women are sexually abused. The old rules of politics are showing strain.

Whether protesting, canvassing, joining organizations, running for office, or simply waking up and becoming politicized, the expression of resistance has been impressive. The Women’s March inspired between four and six million people marching in all 50 states and more than 75 countries, upward of 600 cities and towns in total, all in the context of a sitting president who bragged about sexual assault.¹ People everywhere are rising together with immigrant and refugee communities, having virtually shut down major airports across the country. And all this in the wake of the Movement for Black Lives having shifted the national discussion around race and advancing a bold agenda for our social and economic systems. Far from the national centers of power, the struggle for human rights values continues to gather force.

How can we turn this volatile collapse of business as usual into an opportunity to create a better world for all?

Both hope and hate have long traditions in U.S. politics. As a reaction to the demands of radical, multi-racial movements of the early and mid-twentieth century, a social contract was forged. It was a compromise between competing forces that enlisted the government to manage the economy to maintain a reasonable middle class, offer opportunity for advancement for at least some, and provide a minimal safety net for those who are continually marginalized. It was highly racialized and never a commitment to full equality or any real form of equity, but for decades it was sold as a “good deal.” The wealthy and corporate class supported this truce both because their investments received

government protection and because they feared revolutions that were sweeping the world might come to the United States.

But if there is no political alternative that poses a challenge, then there is no need for corporate interests to honor even a flawed social contract. As a result, the twentieth century social contract unraveled and the needs of working families of all races and ethnicities, communities of color, immigrants, women, LGBT²Q³ are not even moderately taken into account. Is a new social contract desirable or necessary? Is it even possible in a moment of such political polarization?

The world has become increasingly complex and there is more power today concentrated in large transnational corporate entities than in governments. In other ways, the world has become increasingly decentralized and globalized, driven by instantaneous communication and a vast network of information sharing. But uprooted by finance and tech capitalism, increasing numbers of people are living precarious lives, rather than being more connected and secure. Our global economy treats people as expendable.

Clearly, a traditional concept of a social contract between the government and individual citizens will not address the fundamental challenge our country faces as the fragile veneer of democracy is pulled back. Of equal importance, given the massive power imbalances of today, we cannot accept a solution that continues to benefit the few at the expense of those suffering from injustice. That outcome will fall short of what our country needs. Instead, we must rewrite the rules of power that have led us to the current crisis.

A significant part of the answer to that challenge lies in communities, workers, and their social movements at the frontline of injustice. If we face a democracy in peril, who better to guide us toward a different future than those with the

deepest experience in shifting power toward rights, equity and democracy? Marginalized communities and workers have been building alternatives that create equity even in our current hostile terrain. They have shown the greatest political and policy imagination with bold solutions and the savvy to realign power relations to make change possible.

The **A New Social Contract** project will focus on these transformative and bold solutions. Avoiding the temptation to simply produce a list of policies as mechanical “fixes,” it will offer an opportunity to examine and share the deeper themes that are emerging as a shared vision for change. Our goal is to generate dialogue on how we will build a new bottom up understanding of ourselves as a country that can inform and shape our most important collective decisions and shared assumptions.

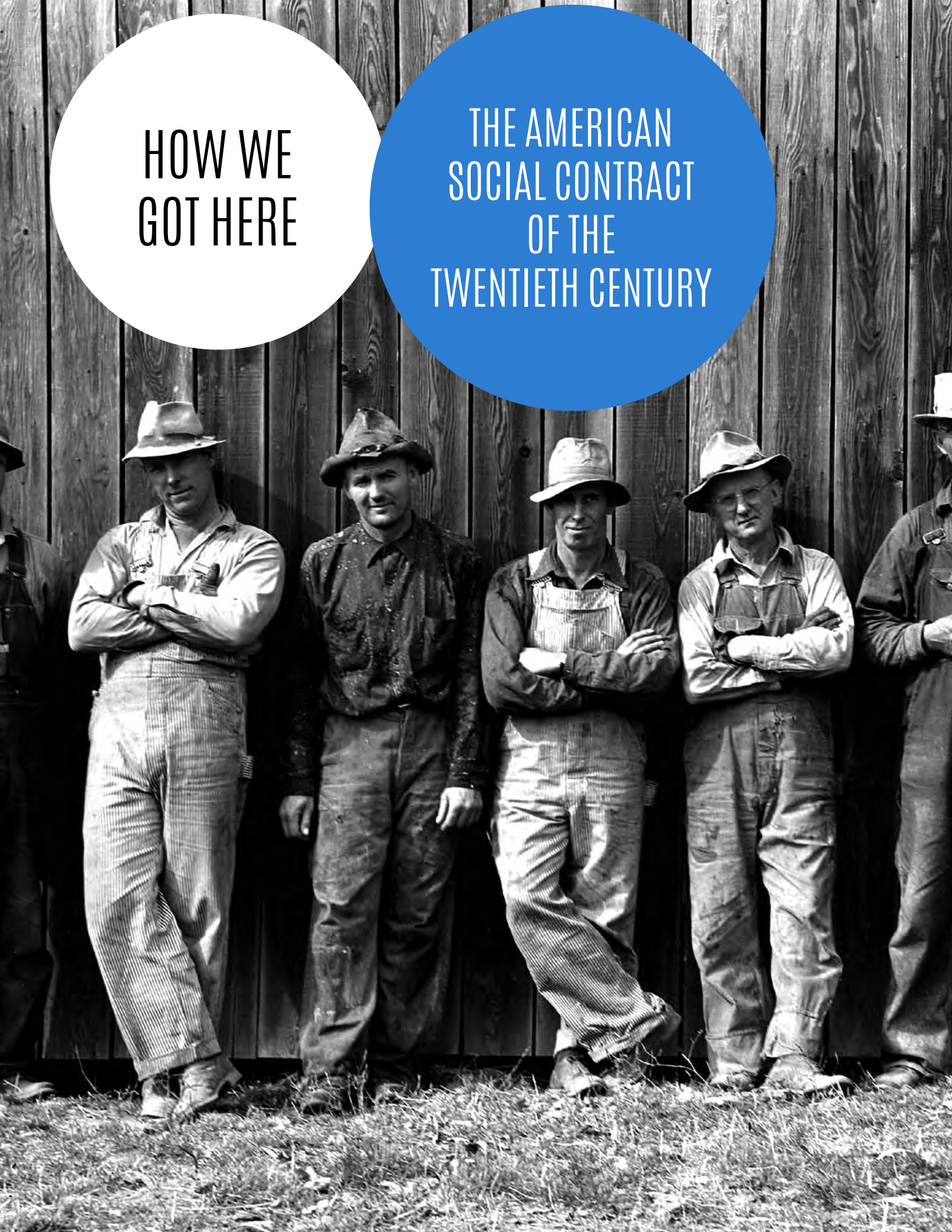
While this project will primarily address domestic economic and social rights, we are deeply cognizant that any new social contract also requires a robust agenda on climate justice, militarism, and civil and political rights, which deeply intersect with economic, racial, and gender justice. Community-driven solutions generally reflect these intersections and recognize they must work in tandem as interlocking strategies toward an equitable and inclusive democracy.

Growing and strengthening struggling communities and workplaces as sites of democratic decision-making, economic development, and political power is essential to creating a just future. By sheer necessity, communities on the frontlines are engaged in some of the most innovative efforts to change our structures and systems toward justice. We must be willing to get behind new approaches when the old have failed us so dangerously and move forward with equal measures of hope and determination to bring a new just world into being.

Photo, opposite: Dorothea Lange

HOW WE
GOT HERE

THE AMERICAN
SOCIAL CONTRACT
OF THE
TWENTIETH CENTURY



The New Deal and the Creation of a Patchwork Safety Net

Our country has a complicated history rooted in both ideals of freedom and the painful reality that much of our great wealth emerges from a history of slavery and land grabs driven by genocide. That history has informed our social assumptions since the country was founded, but the specific contours of the current American social contract were created by the New Deal in the 1930s and further shaped by the movements of the mid-twentieth century. Prior to that, the role of the federal government in the United States had been highly circumscribed. Although two generations of industrialization had profoundly reshaped the American economy, American political and economic institutions had not kept up.

The New Deal emerged after decades of both growing inequality and worker exploitation. During this time, wage labor grew to dominate the American economy, with self-employed dropping from one-third of the population in 1877 to one-fifth in 1940.⁴ The growth of wage labor in the early part of the twentieth century came with no rights at all for workers, together with long hours and extremely dangerous conditions that killed workers by the tens of thousands every year.⁵

In response, from the late 1800s to the 1920s a complex and divided but increasingly powerful labor movement helped significantly set the stage for the New Deal era. Consistent with most other

social sectors in the United States, labor was also divided along racial and gender lines. The American Federation of Labor (AFL), representing primarily White men, sought to negotiate within the existing wage labor system. A different organization than it is today, it also excluded women and minorities during this part of its history. The rhetoric at the time about Black workers echoes today's nativist attacks on immigrant workers, with the AFL complaining that Black male workers were "cheap [men]" who worked too hard for too little, undermining White workers.⁶

Women immigrants, mine workers, migrant workers, and loggers, among others, represented a more militant strand of labor through groups like the International Ladies Garment Union, Amalgamated Clothing Workers of America, and United Mine Workers.⁷ The International Longshore and Warehouse Union was also known for radicalism and interracial social movement unionism.⁸

The Wobblies (Industrial Workers of the World) sought to organize all workers, across gender, race and ethnicity, under one large tent, inspiring miners, loggers, and farmworkers. Similarly, the Socialist Party of America, founded in 1901, emerged as a powerful political force for labor, winning many municipal and county elections after 1910.⁹ These strands of labor sought structural change and the end of wage labor, with the goal of workers owning the means of production.¹⁰

The rapacity of capitalist exploitation led labor to fight back and extract concessions. By 1916, early labor reform efforts took hold, starting with worker compensation programs at the state level. In 1919 alone, one in every five workers went on strike.¹¹ But labor and those victories were both fractured along demographic lines.

Throughout the 1920s workers both in informal sectors, who were disproportionately people of color, and those in organized labor had no power in either major political party. Rather than benefit

Not surprisingly, the New Deal was also riddled with gaping holes in the safety net, racist and gendered policies, and structural deficiencies.

from technology, they had lost control over their work lives in the transition from craft production to specialized tasks in factories. Workers found themselves in a deeply unequal business-friendly and consumer economy. But only one in six families had a car, one in five had electricity, and one in 10 had a telephone.¹² The business-friendly economy was leaving behind most workers even before the Great Depression shook the foundations of the country. When the economy crashed in 1929, life—already difficult—became dramatically worse for working people. Wages fell by more than half, thousands of banks failed, and a third of farmers lost their land.¹³ Mass unemployment and poverty created overwhelming insecurity.¹⁴



John Vachon

In response, the New Deal enormously expanded the role of the federal government in the American economy in order to promote public welfare while protecting existing interests of investors and banks. Responding to the Great Depression, it reshaped private industry, redistributed resources toward poor people and workers, and created the first public safety net designed to meet people's economic needs as a right of citizenship rather than as charity.

Not surprisingly, the New Deal was also riddled with gaping holes in the safety net, racist and gendered policies, and structural deficiencies. President Franklin Roosevelt and leaders in Congress specifically designed New Deal programs to exclude Black people. They pushed women into sustained economic dependency on men, relegated unmarried mothers to substandard second-tier support systems, and walled off entire spheres of domestic life as private realms in which they would offer women no support at all. They also limited

the scope of public programs and phased many out before the end of the decade, thereby excluding the majority of the poor of all races, ethnicities, and genders.

The public tools the federal government created to steer private markets, industries, and employers toward promoting the public good also had a mixed record. Through bank regulation, unionization, wage and hour regulation, taxes, subsidies, and monetary policy, the New Deal drove economic growth, workers' rights, progressive financing, and the growth of the middle class. But—even before the neoliberal rollback of regulation and taxes—it protected capital and cemented gaping wealth and income gaps for people of color and women, and also produced recessions and economic distortions. The regulatory frameworks and patchwork safety net created by the New Deal have thus given us important economic institutions that continue to serve us today but have also built in deep inequities and deficiencies.

The First New Deal: Financial Stability and Continued Depression

In the standard account of how the New Deal came into being, the stock market crash of 1929 jolted the country into the Great Depression and Franklin Delano Roosevelt, who was elected president with sweeping majorities in Congress, passed the largest suite of social and economic legislation the country had ever seen. All this is true. But this broad narrative obscures as much as it reveals. It understates the role of institutions, ideologies, and power in shaping and constraining the New Deal, and it completely overlooks the pivotal role of workers' and poor people's movements in forcing public action.

When President Roosevelt was inaugurated to his first term in 1933, he entered office with a clear electoral mandate. His first order of business was to stabilize and jump start the economy, and in his first two years in office he worked with Congress to pass the First New Deal. Roosevelt and Congress passed bills and used monetary policy to restore public confidence in bank deposits, prevent risky stock speculation, liberalize trade, halt deflation, stabilize food prices for farmers, create public jobs for the unemployed, stem foreclosures, and make mortgages available to White people of moderate incomes. Some of the institutions created in this era, such as the Federal Deposit Insurance Corporation (FDIC) and the Securities and Exchange Commission (SEC), remain important institutions today.

It is worth noting that a great part of the first New Deal focused on stabilizing banks and investments by insuring mortgages and making them far less risky, rather than stabilizing families. This is in part how Roosevelt cemented his reputation for "saving capitalism." Years after the crisis, Raymond Moley, a member of President Roosevelt's "Brain Trust," stated "capitalism was saved in eight days."¹⁵ He was referring to Roosevelt preventing a run on the banking system that would have led to its collapse. Roosevelt's goal was clear: to return to a growth economy premised on profit as a driving



Russell Lee

engine. Nor did he ever claim to seek to eradicate inequity, but rather merely to relieve the unbearable suffering people were experiencing.

Nonetheless, these reforms were remarkable. They halted bank failures, stabilized prices for farmers, created four million temporary jobs, modernized the financial system, and helped many moderate income White families buy homes. At the same time, they made only a small dent in the enormous unemployment and economic deprivation plaguing the public. They also exacerbated racial segregation and the racial wealth gap through the government's underwriting standards for mortgages discouraging "inharmonious racial or nationality groups." Finally, Roosevelt's unwillingness to expand the federal budget placed too much faith in industries' voluntary codes of conduct and allowed for uneven implementation by states and cities.¹⁶ In the face of ongoing economic deprivation and growing authoritarian threats abroad, public fears and frustrations kept mounting.

IT TAKES A MOVEMENT

The creation of the New Deal's hallmark public welfare institutions and labor reform didn't come until 1935, more than five years into the Great Depression. When the Great Depression struck, poverty in the United States had always been a local and private concern.¹⁷ Poverty relief largely relied on private charity, with its attendant stigma and often degrading conditions. All of this limited the role of the federal government in American life and created a set of cultural norms that predisposed people to see poverty as a personal failing and a personal cross to bear.

The labor movement had long been fighting this notion of "individualism" and continued to do so throughout the Depression. Other militant bottom-up movements arose from the visceral frustrations of people who were struggling to survive. One such movement expressed itself in farmers' strikes. The Great Depression dropped food prices so low that farmers were getting paid less than it cost them to produce the food.¹⁸ Beginning in 1932, farmers across the Midwest and Great Plains led strikes in which they refused to sell their farm products and barricaded roads to shut down the agricultural economy. They also refused to speculate on foreclosed farms, instead pooling their money to buy the farms back from creditors on the cheap and returning the farms to their owners.¹⁹ Through these highly decentralized strikes, farmers demanded a radical expansion of federal involvement in the food system in order to guarantee them a decent living. This played a pivotal role in beginning to shift the country toward pursuing collective solutions to structural problems.²⁰ It is important to note that in the South, sharecroppers in Missouri also staged a strike that brought in the federal government and gained enormous news coverage, but although the strike was interracial the solutions were only extended to White sharecroppers.

Meanwhile in cities, people's mounting frustrations manifested in organized looting, public demonstrations, and rent riots, all of which were met with police repression. Over time, these acts of resistance grew more organized. People began staging acts of resistance at public "relief" offices to pressure city governments to deliver aid. Cities were forced to deliver, putting their budgets under great strain. In turn, mayors and business and banking leaders found themselves under pressure to appeal to the federal government to take action.²¹

At the same time, the labor movement continued apace. Factory and port workers began organizing in enormous numbers. In 1934, the nadir of the Depression, 10,000 auto workers went on strike in Toledo,²² Teamsters and other workers shut down the city of Minneapolis, and 130,000 longshoremens up and down the West Coast closed the Pacific ports.²³ In 1934, there were 1,800 labor strikes.²⁴ These strikes were buoyed by the National Industrial Recovery Act of 1933, an early New Deal piece of legislation that encouraged union organizing. They were also in part inspired by socialist, communist, and other political movements in Europe. The police and National Guard violently suppressed the strikes, killing workers and injuring many others—but workers succeeded in winning demands in their workplaces and changing the political tenor of the country.²⁵

The Communist Party USA was active in labor and racial justice struggles during this period. Although Black people were not generally in party leadership, some Black communities saw the party as an important ally in the struggle for racial justice. Black workers also formed their own unions; in 1935, after more than a decade of effort under the leadership of A. Phillip Randolph, the Brotherhood of Sleeping Car Porters won an AFL charter.²⁶

As the ranks of organizations with a structural analysis, from unions to leftist political parties, swelled, they brought about an important political shift. The public came to recognize that mass unemployment and the lack of control they had over their lives had structural causes, and they demanded public action. For example, the Townsend Movement, with two million primarily White members, called for old age pensions.²⁷ Louisiana Senator Huey Long's Share Our Wealth campaign also pulled Roosevelt toward the left and helped lead to the creation of the progressive income tax.²⁸

In the November 1934 midterm election, Congressional Democrats won a landslide victory. As soon as the new Congress convened in January, they set about creating a new wave of legislation. This set of legislation created additional significant pillars of the twentieth century American social contract.

The Second New Deal: The Fractured Foundation of the Social Contract

Between 1935 and 1938, the Second New Deal finalized the superstructure of the twentieth century social contract. It created major public programs to directly provide jobs, income, and housing to designated portions of the population and also used public authority—regulations, taxation, and spending—to steer the private sector toward serving the public interest. Key programs created in this period included:

- **Social Security**, which provided pensions for the elderly and the blind and established a welfare program to provide income supports for single parents (primarily mothers) with children;
- **The National Labor Relations Act**, which set up a framework for workers to organize unions to protect their rights;
- **The Fair Labor Standards Act**, which established a federal minimum wage, limited workers' hours, and banned child labor;
- **The United States Housing Act of 1937**, which created federally funded public housing;
- **The Works Progress Administration**, which provided employment for 3.5 million people at its peak and endowed the country with many thousands of schools, libraries, and other civic works that we still benefit from today; and
- **The progressive income tax**, which had a top of rate tax rate of 75%.

Layered on top of the financial restructuring of the First New Deal, these programs created a social safety net and new public powers to reshape the private sector. Though in the Progressive Era many states had begun to create social insurance programs for injured workers and widows, the New Deal programs of 1935-1938 embraced a much broader notion of government obligation.

Yet from the beginning, these public programs and regulations were devastatingly exclusionary and inequitable.²⁹ At the insistence of legislators from the Jim Crow South, New Deal programs

excluded the sectors with significant numbers of Black workers and delegated great authority to the states—which, in the South, meant devolving decision-making to a regime built on an explicit program of White supremacy. At the same time, Roosevelt and Congress designed the New Deal to keep women economically dependent on men. They prioritized jobs programs over direct cash assistance, effectively limited these jobs to men by either directly excluding women or limiting public jobs to one per household, and withheld any means of direct support for women's reproductive labor and domestic lives.

Insofar as the New Deal did provide direct income supports, it structured those supports in a two-tier system.³⁰ Programs that primarily met the needs of White men, such as Social Security pensions, were structured as universal *social insurance* programs. Programs that were designed for single mothers, such as welfare, or for communities of color, such as public housing, were structured as means-tested *public assistance* programs. Like the private charity models that preceded them, these programs were, over time, infused with stigma, moralization, and behavioral control. Black communities and other communities of color were originally excluded in practice even from key means-tested programs such as welfare, and Black mothers in need were turned away from welfare offices, or offices were not opened in the South near Black communities.³¹

The New Deal's housing policies in particular created a devastating racial divide that would fuel and cement segregated housing patterns and the racial wealth gap in the decades to come.

The New Deal's housing policies in particular created a devastating racial divide that would fuel and cement segregated housing patterns and the racial wealth gap in the decades to come. White families were offered mortgages, primarily in all-White neighborhoods, to buy their own homes and build equity. This discrimination was built into formal federal policy which disallowed mortgages that were "demographically" inappropriate.³² Mortgages were also not easily available to single women of any race. Federal housing policy thus relegated Black families and other people of color in cities to public housing controlled by the state or to private housing in segregated neighborhoods that were created through racially restrictive covenants, sunset provisions, and other laws. Segregation was further solidified by vicious riots, arson, and violence by White mobs in the event Black families tried to move to White neighborhoods. The policy to deepen segregation extended throughout the 1950s through creation of the suburbs, which also fueled environmental degradation.

The same pattern of racial discrimination expressed itself in labor. Not only did the most powerful unions often explicitly exclude people of color and immigrants: core labor regulation excluded and carved out the mostly of color domestic workers and farmworkers from protection. Puerto Rican communities faced disproportionate levels of displacement due to New Deal projects,³⁷ and Mexican families, including Mexican-Americans with U.S. citizenship, were subjected to raids and deportation.³⁸

While inequity and discrimination hurt those who are directly targeted the most, the effort to carve out whole segments of the population from the safety net led many poor White men and married women to get swept up in exclusions as well. This flew in the face of the implied narrative of a tradeoff between the well-being of people of color or single women and White men. In practice, exclusions undercut the ability of these programs to protect everyone's welfare. The Works Progress Administration employed up to 3.5 million people, but never provided a universal jobs or income guarantee.³⁹ Housing policy offered mortgages to

A Racialized New Deal

The first iteration of Social Security pension program left out farmworkers and domestic workers, excluding 65% of Black workers.³³

The Federal Housing Administration (FHA) underwriting standards discouraged "inharmonious racial or nationality groups."

Black and Puerto Rican communities were 500% more likely to face displacement as a result of federal redevelopment programs.³⁴

The government constructed segregated housing for workers employed in plants related to war defense,³⁵ even in areas where Jim Crow laws had not previously existed.

The Fair Labor Standards Act originally passed with significant exclusions, affecting up to 20% of workers, that were explicitly driven by race. Representative J. Mark Wilcox stated during the 1937 legislative debate, "You cannot put the Negro and the white man on the same basis and get away with it."³⁶

moderate income Whites, but no universal guarantee of housing.

An additional flaw built into the New Deal safety net was a deficit of real democracy. President Roosevelt rightly receives much praise for steering the United States through the tempestuous 1930s and 1940s, a period during which liberal democracy faced existential threats, and at the time there were good reasons to establish centralized, professional bureaucracies in Washington. The public desperately craved stability, the New Deal required effective coordination and administration, and federal control was the only check on the power of the White supremacist South.

However, not only did President Roosevelt strong-arm his policies through, even threatening to pack the Supreme Court: his non-democratic orientation also led to approaches that undermined a democratic political culture. In particular, three aspects

of the New Deal's approach have created profound challenges to economic democracy:

- The creation of centralized, technocratic bureaucracies without a concomitant expansion of local democratic institutions;
- The ongoing devolution of key decisions to employers, real estate agents, brokers, banks, fund managers, insurance agents, and other private actors without effective tools of governance and accountability; and
- Racial, gender, and class divisions.

We of course need some level of professional management of our economic institutions, but the New Deal erred fatally in foreclosing paths for local democratic participation. This deficit of democracy is felt today by people across the political spectrum.

The New Deal thus established the fundamental framework for our current social contract by expanding and modernizing regulation of the economy and creating a federally anchored social safety net. It also provided a level of labor protection that enabled a much more coordinated and powerful labor movement that lifted the vast majority of workers out of poverty. But it did so at the cost of baking race- and gender-based exclusions and inequities deep into the heart of the safety net and the national economy. In this way, the New Deal fell

far short of affirming and protecting the economic and social rights of everyone.

In the decades following the New Deal, the world was transformed. The Second World War shook every corner of the globe, anti-colonial independence movements and the Cold War reshaped world politics, and American and Soviet economic muscle transformed the global economy. Within the United States, the late 1940s and 1950s were, in contrast to the years preceding them, a time of peace, stability, and prosperity, at least for many. The programs and regulations of the New Deal combined with the massive economic stimulus of the Second World War initiated one of the greatest economic expansions the world had ever seen. Progressive taxation, public programs, and strong unions directed much of the country's new wealth downward toward people of modest means and opened up opportunities in education, work, and housing, bringing millions of poor Americans into the middle class.

The New Deal thus radically re-imagined government's relationship with the American people. But because of the inescapable Faustian bargain President Roosevelt made on behalf of suffering White Americans, it absorbed and reflected the fault lines of inequity that continually challenge and tear at our social fabric to this day. As a result, the New Deal created a false "universalism." While the programs eventually became legally available to all, they were not designed around the needs of all people. This left the project of national social and economic justice painfully vulnerable to the exploitation of these divisions. While the New Deal succeeded in its goal of preserving the United States' capitalist democracy, it was an uneasy and ultimately ruinous compromise on many fronts.



Russell Lee

The Civil Rights Movement and the Origins of the Great Society

Beginning in the 1940s and culminating in the 1960s, the Black Civil Rights Movement dismantled legal segregation and won much greater formal inclusion of Black people and other people of color in social systems. The Congress on Racial Equality (CORE), founded in the 1940s, trained activists on non-violent civil disobedience. Meanwhile, the legal wing of the movement embodied by Thurgood Marshall and the National Association for the Advancement of Colored People (NAACP) developed the legal strategy that led to the landmark *Brown v. Board of Education* Supreme Court case in 1954. There was an immediate White racial backlash as “White Citizen’s Councils” and other efforts emerged to block integration. But Black students persisted even if they had to rely on the National Guard day in and day out to simply go to school.⁴⁰

By the end of 1955, the local NAACP, Dr. Martin Luther King, Jr., and others launched the Montgomery bus boycott after activist and leader Rosa Parks refused to give up her seat on the bus to a White passenger. The boycott took on a life of its own and became a pivotal turning point in the desegregation fight. A year later, segregated buses were declared unconstitutional. Out of this victory the Southern Christian Leadership Conference was born, and by 1957, as pressure for desegregation continued to build, President Eisenhower signed the Civil Rights Act of 1957 establishing the nation’s first Civil Rights Commission to investigate violations.

As the Civil Rights Movement picked up steam in the 1960s, lunch counter protests evolved into the Student Non-Violent Coordinating Committee (SNCC). CORE began Freedom Rides to desegregate transportation in the South, prompting violent attacks from White supremacists, and city officials used dogs and fire hoses against peaceful protestors in Birmingham, where Dr. King was arrested. With the violence of the state prominently displayed on national television, in 1963 President

Kennedy began to speak out in favor of sweeping civil rights legislation. Months later, the historic March on Washington for Jobs and Freedom became seared in the national psyche.

As the March on Washington made clear, civil rights leaders were calling for full inclusion in society: not just formal legal integration, but justice with regards to jobs and the economy. Again, a White racial backlash emerged, including terrorist bombings, one of which killed four little girls at a Birmingham church. Despite the ferocity and violence of the opposition, this wave of civil rights protests rose to the fore to reshape the political landscape and change fundamental assumptions about how we live out our core values.

As the March on Washington made clear, civil rights leaders were calling for full inclusion in society: not just formal legal integration, but justice with regards to jobs and the economy.

When President Johnson stepped into power, movement leaders could not be certain what to expect. President Johnson was a complicated figure—overtly and often publicly racist. But he was also keenly attuned to the “race wedge” that kept the country from advancing an economic justice agenda, sharply stating at one point that:

“If you can convince the lowest white man he’s better than the best colored man, he won’t notice you’re picking his pocket. Hell, give him somebody to look down on, and he’ll empty his pockets for you.”⁴¹

President Johnson strongly and fiercely backed the groundbreaking Civil Rights Act of 1964, sweeping legislation condemning racial discrimination in

public life. The Civil Rights Act of 1964 offering formal inclusion was an enormous leap for justice. Nonetheless, the New Deal framework still needed to be significantly adjusted to respond to the call of these growing movements for deeper structural inclusion into our social systems.

In a surprise to many, President Johnson arguably did more to advance racial justice legislation than any other president, starting with the Civil Rights Act up to the Great Society agenda. His astute political sensibilities around race and his southern roots served him well in moving his Great Society agenda. The 89th Congress (1965 and 1966) passed nearly 200 new laws intended to ensure equity and rights—from civil rights protections, to healthcare and education laws, to ending a Whites-only immigration policy, to consumer and environmental safety and more.⁴²

Many of these laws created or expanded the core national programs we still have today:

- **Medicare** provides healthcare insurance for upward of 55 million elderly people and people with disabilities.

- **Medicaid** (and now the Children’s Health Insurance Program as well) provides healthcare insurance in partnership with states for low-income families and individuals.
- **SNAP**, originally known as food stamps, provides increased food security for struggling families.
- **The Elementary and Secondary Education Act** fueled federal investment in education, including Title 1 funds that support underfunded schools.
- **Free and reduced lunch** at public schools.
- **Head Start** provides programs for children under school age to develop and learn.
- **Expanded social security** for pensions and disability.
- **Expanded welfare payments** (later much reduced after welfare reform).
- **Public housing was vastly expanded** during the Great Society, but significantly reduced again after the mid-1990s under the HOPE VI program and through other forms of privatization and demolition.
- **Housing assistance for renters** that evolved into today’s Section 8 program.

Because the Civil Rights Movement pushed policymakers and elites to make public programs more expansive and inclusive of Black communities, most of the Great Society programs were very targeted based on people’s economic need. But it is equally important to note that working class Whites have benefitted greatly from these programs, and in larger numbers.⁴³ Most public programs that promote economic fairness and reduce inequity today can be traced back to the Great Society and the War on Poverty. By generating a wave of social support for inclusion, equality, and equity, those movements also fueled the growth in public goods and services necessary to meet those goals.

The effects were unmistakable and influenced even Republican Administrations. In 1969, President Nixon addressed Congress, stating: “*That hunger and malnutrition should persist in a land such as ours is embarrassing and intolerable.*”⁴⁴ By the 1970s, his



Marion S. Trikoska



push to expand the Food Stamp program virtually eradicated hunger⁴⁵ for the first time in U.S. history. Overall, government investment in eliminating poverty doubled from \$6 billion to \$12 billion in just the three years between 1965 and 1968, and by 1974, the U.S. government was investing \$24.5 billion in social welfare programs.⁴⁶ Experts calculate that poverty would be 30% higher today if those programs were not in place.⁴⁷

Thus, the Civil Rights Movement and other Black movements of the time deeply impacted not only civil and political rights, but also economic and social rights. As soon as the Civil Rights and Voting Rights Acts were passed, Black people and many others turned their organizing to more expansive demands. From 1964 through 1969, civil unrest exploded in cities across the North and West as young Black people grew increasingly frustrated with unrelenting economic deprivation. Poor Black women began organizing for their right to an income, pressuring welfare offices to approve

anyone who met the income requirements.⁴⁸ Meanwhile Dr. King and other leaders launched the Poor People's Campaign to push beyond civil rights for social and economic rights, and by the end of the decade, Black movement politics shifted from Civil Rights toward Black Power.

Meanwhile, inspired by the gains of the Civil Rights Movement, women, LGBTQ people, Chicanos, Puerto Ricans, Asian-Americans, Indigenous people, Mexican and Filipino farmworkers, people with disabilities, and young people grew movements of their own, winning policy victories and changing American culture forever. Yet by the 1968 election of President Nixon, the White racial backlash was already in full swing.⁴⁹

The Backlash Against Equity

Fueled by the emerging racial backlash to the 1960s as well as the government's loss of credibility from its mishandling of the Vietnam War and economic stagflation, the movement to overturn progress and halt advances in equity gained momentum.⁵⁰ This backlash was fueled by an emerging political alignment between wealthy financial interests and ideological laissez faire economists supporting a neoliberal economic model. It found its expression first in the electoral campaigns of Barry Goldwater and President Nixon and most fully in the presidency of Ronald Reagan.

President Reagan's election came after the Civil Rights, Black Power, and other racial justice movements suffered waves of attacks, from assassinations, to arrests, to government surveillance. He and other political reactionaries astutely used misdirection to focus the public on the War on Drugs and the "culture wars," which attacked women and LGBTQ communities on issues of sexuality and reproductive rights. Simultaneously, mainstream media painted Black communities as pervasively criminal. The culture wars and the debate on criminalization absorbed political energy, while President Reagan systematically defunded and dismantled programs that advanced equity.⁵¹

With the exception of Social Security expansion and Medicare, most of the programs created in the Great Society were exclusively for people in poverty. While the targeted nature of the programs made them extremely effective at improving equity, it also made them vulnerable to political attack. In the 1990s, President Clinton brought the Democratic Party fully into the neoliberal fold, raising a bipartisan chorus of Democrats and Republicans to enthusiastically back his dismantling of guaranteed support for our poorest families through the Personal Work Responsibility and Work Opportunity Reconciliation Act. This was paired with further criminalization of Black communities through the Violent Crime Control and Law Enforcement Act of 1996. Both faced marginal opposition. Women receiving welfare

benefits protested around the country and engaged in civil disobedience, but they had few allies.

In 1996, so-called welfare reform ruthlessly cut off income support for our most needy families potentially after only two years. And when the economy collapsed at the end of 2008, there was no reliable safety net to catch the most vulnerable. Other Great Society programs have faced similar fates as welfare. Public housing, particularly in gentrifying cities with rising land values, has been demolished and privatized in the name of crime prevention, and racial coding was never far from the surface. Hundreds of thousands of homes have been lost.⁵² Congress also cut SNAP by \$8.7 billion under President Obama;⁵³ and even though most food stamp recipients were White,⁵⁴ President Obama was nonetheless racistly derided as the "food stamp president."⁵⁵

Moreover, while Clinton and others enormously expanded policing and carceral infrastructure in the 1990s, cities, counties, states, and the federal government also implemented tens of thousands of laws that denied economic rights to people with criminal convictions. This included barring people with criminal records from public housing, Medicaid, and cash assistance. Today, a database maintained by the Council of State Governments lists more than 48,000 state and local laws that deny people with incarceration records access to fundamental needs.⁵⁶ Meanwhile private actors including employers, banks, college admissions officers, and landlords routinely check people's public records and deny people access to work, education, housing, and loans for so little as an unfounded arrest.

The Reagan Administration also fueled the parallel strategy of redistributing resources to the wealthy. Continued by subsequent Republican and Democratic Administrations, this had far reaching, negative impacts on the middle class, and also resulted in lower levels of funding for anti-poverty programs. Between these two hostile poles—enriching the wealthy further through



David Prasad

upward redistribution and defunding programs that addressed the greatest need—most remnants of the Great Society dissipated.

In its wake, we see the rise of the corporate state.⁵⁷ Corporate-driven movements have intensified racialized attacks on the very concept of good government from the 1980s to this day while obscuring the myriad ways that government was redistributing and concentrating wealth upward in the hands of a few. This ultimately produced oligarchs in our country, impacting the functioning of our democracy so significantly that the United States was downgraded in January of 2017 by the Economist Intelligence Unit from a full democracy to a flawed democracy.⁵⁸ The weaknesses of our last social contract—in particular the failure to confront and change our relationship to race—allowed for these anti-democratic forces to come to dominate the political landscape in the United States today.

U.S. constitutional law also increasingly reflects the backlash against equity. At the urging of the corporate sector, the First Amendment, long the mainstay of political liberty, has been transformed into a powerful engine of economic deregulation to entrench neoliberal prerogatives through the fiction of “corporate personhood.”⁵⁹ At the same time, courts have increasingly read the equal protection

offered by the Fourteenth Amendment, not as a principle of anti-subordination and racial equality, but as a mandate of colorblindness that must impugn affirmative action while upholding facially neutral laws that have racially disparate impacts.⁶⁰ The corporate influence has even extended to unusually broad readings of the Second Amendment that protect the business interests of gun manufacturers.⁶¹

Demands to address our deep disparities have grown, especially since the Great Recession shook public confidence in neoliberal economic management and Occupy Wall Street exploded with the frame of “we are the 99%.” In the years since, other progressive movements—the Movement for Black Lives, Standing Rock, the Women’s March, #MeToo, and more—have reasserted the importance of racial and gender equity as an integral aspect of social and economic justice. But as demands for equity and economic justice grow, so too do racist, reactionary impulses. The historical fault lines of racism, xenophobia, anti-Semitism, Islamophobia, and misogyny have been maliciously injected into national politics, distorting the much-needed debate about how to build a just economy. Our task now is to overcome oppression and the myth of colorblindness in order to build a world of thriving communities and human rights for all our people.

Where We Are Now: A Divided and Degraded Democracy

We live in a country with vast wealth and a formal assumption of democracy that should bring shared power and governance. Yet inequality has exploded to historic proportions, hurting tens of millions of people and even driving many to early deaths.⁶² Racial injustices are increasingly stark, while structural gender bias marginalizes women and transgender people in public and private life. This runaway inequality is shocking, yet it has also become normalized. As writer Les Leopold notes, “It’s as if our native sense of justice won’t let us comprehend how outrageously unequal our economy has become and how it is getting worse day by day.”⁶³

We suffer all these inequalities while facing a global trend toward racist, anti-democratic, authoritarian politics. This trend has swept the Republican Party, emboldening White supremacist extremists and driving fully 40% of voters to embrace outright lies and a dangerous president.⁶⁴ All the while, climate change poses an ever-growing existential threat⁶⁵ that our country collectively ignores.

The severity of the political instability and social challenges means it is time for change. The inevitable question becomes: what kind of change do we need? Across the political spectrum, there is wide acknowledgment that we face grave crises, but progressives, centrists, conservatives, and libertarians are offering wildly different analyses and solutions.

Neoliberalism is the prevailing ideology that has grown dominant in American politics since the 1970s, holding enormous influence over both political parties and the mainstream media. Its promise is that economic liberalization—with withdrawal of the public sector from regulating most of the private economy and the adoption of market models in public agencies—will benefit everyone through trickle-down economics. Though the Republican Party complemented economic liberalization with social conservatism and the Democratic Party overlaid its neoliberal market ideology with social liberalism, both political parties



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have fully embraced laissez faire economics. Today, adherents of neoliberal ideology on both the right and the left are proposing that we weather our economic and political storms by making some small adjustments—some affirmative action and tax redistribution here, or some health savings accounts and tort reform there—but otherwise stay the course.⁶⁶

But neoliberalism uses market-driven approaches toward one specific agenda: concentration of wealth and power primarily through the growth of the corporate sector. It allows and even subsidizes the unregulated flow of capital and goods across borders while highly regulating and criminalizing the freedom of people to cross those very same borders. This has the effect of displacing farmers and workers in other countries, pushing blue collar workers in the United States into precarious situations and unemployment, and creating the conditions for racist, xenophobic fearmongering. All the while, neoliberal approaches concentrate wealth among the top 0.1%, who primarily reap their profits not from work, but from capital accumulation, and to a lesser extent among the upper 20% of wage earners.⁶⁷ Neoliberalism is a false solution.

The 2008 financial crisis shook whatever was left of public trust in the neoliberal model. Most of the public no longer accepts neoliberalism's claims, yet no other economic and moral framework has yet risen to take its place. This fractured consensus has led to a crisis of public faith in democratic institutions, existential splits within both political parties, and the explosion of social movements we have witnessed on both the left and right.

The main alternative offered by the progressive wing of the Democratic Party is a return to the social democratic, Keynesian economic model of the mid-twentieth century, but updated to be more inclusive of people of color and women. This solution too falls short. Twentieth century social democracy not only failed to offer full equality to millions in society; its economic model was also premised on endless growth and resource extraction. It placed far too much faith in private, profit-driven financial investment and focused almost exclusively on managing the public and private sectors without cultivating the commons, the family, and community as critical economic sectors for meeting people's needs and wants.

It also removed crucial decisions from the democratic sphere, handing them over to technocratic and corporate decision-makers. This allowed public agencies and elections to be captured by wealthy private interests. This model also failed to advance racial and gender equity or to abolish poverty and guarantee that everyone's economic needs are met as fundamental human rights. While somewhat

We need a new social contract that moves us toward a realignment among the public, the commons, and the truly private.

more accommodating than neoliberalism to people's needs, it also remains a false solution.

Few people have any faith in purely state-driven solutions either. The centralized state model adopted by communist countries prior to the Cold War has also been thoroughly rejected. Concentrating so much power in the hands of a centralized state has proven to be yet another false solution.

We need a new social contract that moves us toward a realignment among the public (in the form of the state), the commons (in the form of community institutions and worker organizations), and the truly private (our homes and small businesses on an individual scale). We also need to interrogate, question, and revise the role of the corporate sector, given the damage that big business has wrought. We are nowhere near finding definitive answers, but a new social contract can fundamentally reshape our political institutions to rein in the power of private wealth, decentralize faceless bureaucracies, reorient our institutions around shared values, and restore community control over the decisions that are most important to people's lives. In this way, we can ensure everyone has the support they need to realize their potential and thrive, contribute to their community, and participate in the collective work of creating a just and sustainable future.



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**SOLUTIONS
FOR EVERYONE**

1

**PUBLIC GOODS
FOR ALL**

2

**OUR RELATIONSHIP
WITH LAND**

MOVING FROM THE EXTRACTIVE
TO THE REGENERATIVE

3

HOW WE LABOR
THE FUTURE OF WORK

4

**FINANCING
DIGNITY**

5

**FROM EXCLUSION
TO EQUITY AND
PARTICIPATION**

I f we are to craft a new social contract as a country, where do we begin?

Communities on the front line of injustice have the most direct experience with our country's deepest problems. They also have the greatest interest in resolving those problems in a sustainable way—it is their lives and the lives of their families that are most affected. It should therefore come as no surprise that some of the boldest, most effective solutions to today's multiple crises are emerging from marginalized communities.

Some of these efforts involve successful models being implemented for years and even, in some cases, up to a century. Others are just emerging. Whether we look at new or long-tested models movements are seeking to scale up, it is by learning from the experience of on-the-ground efforts and struggles that we can create a democratic human rights-based society where we build equity into all our systems and institutions to the benefit of all.

Below we share a set of ideas and strategies that emerge from community-, worker-, and social-movement-driven solutions. The efforts reflected in these sections are examples and do not in any way represent the breadth and depth of work being done. We are certain that in many areas we have missed some of the strongest examples, and that there are other strategies and approaches that deserve equal attention. As we learn about them through this dialogue on **A New Social Contract**, we hope to add to our knowledge, thinking, and sharing.

The purpose of this report is not to “assess” any one particular effort or claim the definitive answer for every problem we face. Rather, we seek to take a step back and discover in what ways the whole of community- and worker-driven social justice efforts may be adding up to far more than the sum of their parts. We need a new model to organize our country, perhaps even our world, that moves us past the current era of the corporate state. We need to move to a model where the full range of our diverse communities takes center stage.

These innovative strategies on the ground give us not only inspiration but direction to move toward this new model. They work in tandem to realign our relationships, change our power structures, reorganize our resources, and rebuild our country based on a recognition that we are and must be all in it together. Although they are not a comprehensive blueprint for the significant work ahead of us in social justice, they represent an important entry point toward **A New Social Contract** that works for everyone.

1

PUBLIC GOODS FOR ALL

Public Goods:
Universal Social Insurance
and Free Public Services

Rewiring Revenue:
A Just Tax Policy to Fund
an Equitable Society



Human rights include access to quality healthcare, affordable and safe housing, clean water, an adequate income, decent work, a good education, a healthy environment, and transportation and infrastructure. In the United States, whether a family or individual has access to any of these too often depends on how the community in which they happen to live has been served or exploited by inhumane and inequitable markets. Even the level of investment in public education—typically dependent on local property taxes—is based on market values for homes and land.⁶⁸ But communities, workers, and movements have been fighting for and envisioning a world where we use public revenue and equitable financing principles to fund a caring economy in which no human being lacks access to their fundamental needs.

Public Goods: Universal Social Insurance and Free Public Services

Social insurance systems should create risk solidarity so that none of us face the uncertainties of life alone. In simple terms, when any of us are well, we should subsidize those who are sick. When any of us are employed or wealthy, we should subsidize those who are facing joblessness or poverty. In turn, if or when illness, unemployment or other catastrophe hits home, whether temporarily or permanently, we should be able to count on our community and social systems as well. We also need income solidarity to meet basic needs like preventive healthcare, clean water, decent education, and childcare, among others.

These systems must reach everyone without exception. But in the United States, we have a complicated, highly fragmented set of programs that push people, seemingly by design, through the cracks and leave them bereft of support. Though “welfare” in the United States usually connotes means-tested public assistance programs for the poor, all economic classes in the United States benefit to varying degrees from public economic assistance. Much of this public assistance comes through the private sector including government-funded charities, employee benefits, and tax subsidies. Taken together, American public social welfare programs fall into several categories:

- **Direct provision of public goods and services:** public schools, public housing, roads and public infrastructure, public parks, courts, fire protection, public safety, and healthcare for military service members, military families, veterans and members of federally recognized Native American tribes
- **Near-universal income and health insurance programs:** Social Security, disability insurance, Medicare, unemployment insurance, workers’ compensation
- **Means-tested income, health, and caregiving programs:** Temporary Assistance for Needy Families (“welfare”), Medicaid (health insurance and eldercare), Children’s Health Insurance Program, publicly subsidized private Affordable Care Act insurance plans, publicly subsidized childcare
- **Means-tested vouchers:** SNAP (“food stamps”), WIC, housing vouchers, school vouchers, childcare vouchers
- **Tax deductions for private spending:** mortgage interest tax deduction, Earned Income Tax Credit
- **Publicly subsidized and regulated benefits tied to employment:** Tax-exempt employer-sponsored health insurance and Federal Employees Health Benefits Program.



Southern Maine Workers' Center

Many of these programs play a vital role in people’s lives, but taken together, they are a jumbled, fragmented mess. The patchwork nature of our social support system leads to several problems:

- **Exclusion:** Millions of people lack health care, needed income support, or access to other basic needs because they either fall through the cracks or are affirmatively excluded by policy.
- **Inequity:** People living in poverty, disproportionately of color, are tracked into means-tested programs providing meager supports and lower quality services, while welfare systems designed for middle-class people—including Social Security, Medicare, and tax subsidies—ensure a much higher standard of living.
- **Racialized punitive control:** Due to a history of structural racism, people of color disproportionately rely on public assistance rather than social insurance programs. Public assistance programs—stigmatized through racial coding—impose punitive behavior controls on recipients, including drug tests and exhaustive job-search and education requirements. They also boot people out of programs for supposed, often minor, infractions.
- **Complication:** Our social welfare system involves a complicated web of federal, state, and local governments as well as private employers, charities, and social welfare agencies. This complication yields wasteful overlap, expensive and confusing bureaucracies, and harmful gaps in agencies' mandates.
- **Political vulnerability and stigma:** Because the social welfare system is bifurcated along lines of race, gender, and class, politicians and media stigmatize programs that disproportionately serve poor women of color. This undermines confidence in the government as a whole and all public systems begin to suffer.
- **Gendered impacts:** When children or the elderly fall through the cracks, women are generally expected and do take up caretaking responsibilities, often without sufficient support. As a result, women are disproportionately driven into poverty, in particular low-income women of color.

Given all of these enormous challenges, the current patchwork social insurance system falls tragically short of upholding human rights, promoting public welfare, and democratizing our economy.

MOVEMENT-DRIVEN SOLUTION

Universal, Publicly Financed Healthcare

A national strategy for transforming social insurance systems to create true risk and income solidarity has seemed unlikely to be driven by mainstream political leaders. That may be changing due to powerful state and local efforts by communities, worker groups, and movements. These efforts range from demands to provide childcare to pushing dialogue on basic income, with the universal healthcare movement being the most visible across the country. With minimal institutional support, the universal healthcare movement has worked unceasingly to push the federal debate as well as to create state-based models.

One of the most successful grassroots movements for universal healthcare to date is the Vermont Workers' Center's Healthcare Is a Human Right Campaign. In 2011, the campaign led to the

Vermont Legislature adopting Act 48. This law committed the State to putting in place a new universal public financing system that would treat healthcare as a human right and a public good.⁶⁹ Though implementation of this law has been stalled by intransigent governors and the complicated legal framework of federal healthcare financing, the Vermont Workers' Center's community-driven campaign remains a model for people all over the country.

The Healthcare Is a Human Right Campaign was grounded in values and organized around five principles:

- **Universal:** Everyone must have guaranteed access to comprehensive, quality healthcare,

including undocumented members of the community.

- **Equitable:** Resources and services must be distributed according to people's needs with no systemic barriers, such as costs, to accessing care. And a system must provide all needed services, including the full range of reproductive health care.
- **Accountable:** The healthcare system must have built-in mechanisms to ensure it is meeting its goals of affording equitable and adequate care to everyone, including evaluation and requirements for any necessary corrective measures when the system falls short.
- **Transparent:** The healthcare system must be open with regard to information, decision-making, and management.
- **Participatory:** The healthcare system must enable meaningful public participation in all decisions affecting people's right to healthcare.

Act 48 was also organized around these principles and recognized healthcare as a human right. The Vermont Workers' Center, Rights and Democracy (a community organization based in both Vermont and New Hampshire), and other groups in Vermont have vowed to continue their struggle until Act 48 is fully implemented. Many other states also have powerful universal healthcare campaigns. Healthy California, spearheaded by the California Nurses Association, and the Campaign for New York Health have both passed a universal healthcare bill through one house of their state legislatures.

“Our response must be to raise the bar by fighting for all medically necessary care to be provided as a public good and a human right for everyone in our communities.”

– ELLEN SCHWARTZ

President of the Board of Directors
of the Vermont Workers' Center

Community- and worker-led organizing for universal, publicly financed healthcare in virtually every state is not only creating movement for more state-based reforms but also shifting the reigning political consensus in Washington. The vast majority of U.S. residents support publicly financed universal healthcare, with a growing movement for a Medicare For All national program. Vermont's Senator Bernie Sanders has been introducing a universal health care bill regularly for years with practically no other Senators behind him, but in 2017 there were 16 Senators who signed onto the bill.⁷⁰ In the wake of growing support in the Senate, Representative Keith Ellison was able to get 121 co-sponsors to sign on to his universal healthcare bill in Congress.⁷¹ All together local and state efforts continue to reshape the healthcare politics in Washington.

SCALING THE SOLUTION

We need universal, comprehensive social insurance systems, complemented by direct public goods and services. In order to ensure they truly serve everyone, these systems must be designed to prioritize the greatest needs, with a commitment to historically oppressed communities. None of us can live totally independently and there are times when we all need social and financial support from others, including in childhood, old age, unemployment, illness, and disability.

Our social insurance systems and the direct provision of public goods and services should be:

- Universal, to guarantee access to all,
- Equitably targeted to meet the greatest needs,
- Equitably financed across income groups and geographies,
- Comprehensive, unified, and coordinated,

- Human focused, with supportive institutional cultures focused on meeting people's needs rather than on stigma, punishment, or cost efficiency simply for efficiency's sake, and
- Democratically controlled, with participatory decision-making sensitive to power dynamics and decentralized to the most local locus of control possible, paired with built-in systems of accountability.

We can apply the principles of Vermont's efforts to a range of potential social insurance systems:

- **Guaranteed basic income:** To eliminate poverty and ensure the right to material security for everyone, all people should receive a guaranteed basic income. A universal, unconditional cash transfer would protect people from dependence on markets not designed to meet human need. It would recognize the value of reproductive work and decrease women's economic risk resulting from the still-gendered division of labor. Questions remain on how to structure a basic income model that protects and increases equity, but a basic income is essential to ensure a decent standard of living and a life of dignity for all.
- **Universal, publicly financed healthcare:** Universal, publicly financed healthcare—also known as Medicare for All and single payer—would replace the for-profit health insurance system that leaves tens of millions of people with inadequate access with a single public insurance system that would pay healthcare providers for medical services.
- **Free universal early and higher education,** including universal pre-K, public 2-year and 4-year colleges, and post-secondary educational pathways for students who are not college bound. We must also move public school financing away from the inequitable property tax system toward broader income solidarity so all schools receive the funding they need.
- **Universal childcare and eldercare:** Publicly financed caregiving would ensure that all children and elders have quality care, working families can maintain their jobs and adequately support loved ones, and caregivers have work with dignity and living wages.
- **Guaranteed water, energy, and communications:** Publicly or community-financed water, electricity, home heating fuel, communication, and internet connectivity up to a reasonable standard of use for each household would ensure access to these basic needs. High-consumption households, businesses, and institutions providing non-essential services should pay more. To support democratic governance, regulations and financing should steer utilities toward member-owned models that promote community control.
- **Transportation:** To guarantee everyone mobility, we need to invest equitably in public and cooperative mass transit. Transit investments should avoid displacement and promote environmentally sustainable development. Our transportation systems—including buses, rail, ride sharing, and bicycles—should ensure transportation for all, including poor people, young and old people, and people with disabilities, and local planning decisions should be made democratically according to community needs.

Rewiring Revenue: A Just Tax Policy to Fund an Equitable Society

It is often said that a public budget is a moral document expressing the values of its people. But decisions about how much revenue to raise and how to raise it shape and constrain all our budget allocation decisions. Revenue choices are deeply moral choices as well. Today, U.S. tax policy falls short on many fronts. It is regressive, vital public goods and services are underfunded, and our tax system incentivizes behaviors that create both deep and wide social harm.

Since the height of the progressive income tax, Congress has lowered the federal income tax's top rate from 94% to 39%. This 94% rate applied only to incomes over \$2 million in today's dollars.⁷² Given the complexities of the tax system, the drop in the top rates translates in practice into the top 1% paying about 6% less and the top 0.1% paying 20% less overall. Because there are even more extraordinarily wealthy families today that fit into the highest tax bracket, raising the top tax rates would make a marked difference in public revenue and lessen income inequality significantly.⁷³

The 2017 tax bill also dramatically lowered corporate taxes, from 35% to 21%.⁷⁴ Taxes on intergenerational transfers of wealth remain low as well, maintaining wealth inequality and a profound racial wealth gap. Today the median White family has 10 times more wealth than the median Black family.⁷⁵ Finally, wealthy owners of stocks, real estate, and other capital pay just 15-24% tax on unearned

As the attack on public revenue squeezes federal and state budgets, localities facing ever less support turn to strategies that drive further inequity.



capital gains. During his 2012 run for president, for example, multimillionaire Mitt Romney admitted that the prior year he had paid 14% in taxes on \$20 million of mostly investment income.⁷⁶

These regressive taxes deepen inequality and cement the class structure, making a mockery of the notion of opportunity. And by concentrating wealth, tax policy also concentrates power. It is no secret that wealthy campaign donors and corporations hold increasing sway over elections and regulatory agencies. In this way, current tax policy exacerbates the corruption of American democracy.

As the attack on public revenue squeezes federal and state budgets, localities facing ever less support turn to strategies that drive further inequity. One particularly offensive phenomenon is localities funding public services by imposing very high numbers of punitive fines that criminalize communities of color for insignificant infractions. When journalists reported that Ferguson, Missouri, relied on a strategy of constant punitive fines against its mostly Black residents to generate \$2.6 million of its total \$20 million in revenue,⁷⁷

many expressed surprise. But these practices in many poor Black cities are as common as they are dangerous and harmful.

Localities also often rely on local property taxes, creating a host of problems. A reliance on property taxes motivates local political leaders to find as many ways as possible to increase land values to fund services. This has led far too often to government acquiescence to wholesale displacement of communities of color in urban centers due to increasing housing costs. And because school financing relies on property taxes within school districts, the greatest funding goes to wealthier districts and the least to schools with children living in poverty—the very schools that need the most funding.⁷⁸

Fiscal conservatives, with a goal of concentrating wealth and resources among the wealthy, have manufactured these perpetual budget shortfalls through attacks on the revenue system at every level of government.

While the school financing challenge has been long standing, it is compounded by state and federal budget shortfalls.⁷⁹ State and federal funding has often worked to moderate the imbalance across districts, even if inadequately.

Fiscal conservatives, with a goal of concentrating wealth and resources among the wealthy, have manufactured these perpetual budget shortfalls through attacks on the revenue system at every level of government. Calculated government shutdowns then dramatize the shortfalls, and fiscal conservatives use them to justify draconian cuts to and privatization of education, healthcare, welfare, public housing, public health, consumer safety, and other essential public services. The calculated nature of these efforts is reinforced by the accompanying silence over financing

tax breaks for corporations and the wealthy, spending on the military, policing and prisons, and middle-class subsidies on mortgage interest and employer-sponsored health insurance premiums.

Finally, our tax policy fails to address the increasingly speculative and extractive nature of our economy. Investors and their managers almost regularly invest capital in ways that produce no value for anyone except the investor and create enormous harm. Examples include:

- Investment firms such as Oak Tree use statutory trusts to purchase distressed mortgages, speculating that the price of the home will go up.⁸⁰ Rather than renegotiate the mortgage, they foreclose on families and, when they deem the time is right, flip the house for a profit. They thus displace former owners and also contribute to increasing housing costs that drive out whole communities of color from urban areas.
- Financial firms purchase companies for the pure reason of extracting profits, which they accomplish largely by destroying jobs. For example, the liquidation of Toys ‘R’ Us by a private equity firm will likely take jobs away from 33,000 workers.⁸¹
- Investors profit from environmental exploitation. Energy Transfer Partners, in collusion with local government officials who distorted public information to meet the company’s needs, is building the Bayou Bridge Pipeline in Louisiana, despite destruction of the local crawfish industry, sickening whole towns with toxins, and making areas unlivable.⁸² Indeed, whole ecosystems have been toxified, destroying livable communities and countless jobs while private investors profit without absorbing any of the cost.

In short, speculation and extractive investment impose both widespread and deep harms. Although cigarette taxes have increased almost everywhere in the United States⁸³ and there are a growing number of “soda taxes”⁸⁴ that most significantly affect people in poverty in a patronizing attempt to change their behavior, our tax policy rarely takes the same approach with speculators and extractive investment to deter

harmful practices. And even when tax policy provides incentives for positive solutions such as green energy, it still privileges more speculative private investment models over alternatives like community ownership. Because speculation and extractive investment impose both widespread

and deep harms, this makes tax policy at minimum a silent accomplice, and arguably an enabler, of some of the worst economic practices we suffer under today.

COMMUNITY-DRIVEN SOLUTION

Equitable School Funding

Because residential patterns are so segregated by class and race, our school financing system, which is based largely on local property taxes within school districts, provides schools in poorer communities with the least funding. Eternal debates about education reform are rooted in the fact that parents, teachers, and administrators in poor districts are expected to do the impossible—provide a quality education to students while also combatting poverty, racism, and other societal failings—and to do it all with grossly inadequate resources.

For decades as the neoliberal model grew, an equitable school funding movement also swept the country. Communities, advocates, and lawyers in almost every state crafted primarily a strategy of challenging funding inequity through state constitutions, with several states also having strong on-the-ground campaigns and organizing. One of the most successful efforts was the statewide movement in Kentucky spearheaded by the Pritchard Committee. After a decade-long campaign involving people from all walks of life, and with a strong emphasis on parent leadership, the Kentucky Supreme Court struck down the financing formula for schools and the legislature passed a law with a new financing formula in 1990.⁸⁵

The new law required additional state funding to ensure enough resources for an adequate education, and therefore increased income and wealth solidarity across the state. While it was not a strategy that directly demanded tax restructuring, it did require that all schools receive increased funding from a broader base of tax payers, beyond property taxes within districts, whereby the taxes

of wealthier residents would subsidize poorer districts. The Pritchard Committee's 1,500 parent leaders, trained at their institute, ensured the law was well implemented, providing leadership in schools and school boards across the state. Initially, the impacts were phenomenal. The poorest districts, with some of the lowest rates of literacy and high school graduation rates in the country, saw budget increases of 50% to 60%.⁸⁶ Teachers were amazed and inspired. The state of Kentucky went from having some of the lowest educational outcomes in the country to rising closer to the state median, and even higher within its region.⁸⁷

“The best of the best things happened for our kids.”

DAPHNE PATTON
Kentucky elementary School teacher

Because the legislators, however, did not address the fundamental imbalance created by reliance on property taxes, inequity began to creep back into the system. “In a property-poor district like Wolfe County, for example, a 4 percent increase in property taxes generates no more than \$20 per student. The exact same increase in Kentucky's richest district generates more than \$450.”⁸⁸ This was compounded by the reality that Kentucky was caught in the larger economic context undermining state budgets, and, since 2008, it has offered no significant increases in education financing.

Over time, state funding as an overall percentage of the education budget has fallen by about 20% and localities have had to make up for it.⁸⁹ As the state recedes, and localities continue to rely on inadequate tax strategies, Kentucky's impressive achievements are threatened. The state-wide movement in Kentucky continues to fight for equity to this day.⁹⁰

But Kentucky's temporary victory reveals the need for a permanent solution. The one thing the Kentucky experience has proven is that income and wealth solidarity are the key in ensuring the human right to education for all our children. We must learn from this community- and movement-driven solution and insist on embedding far deeper income and wealth solidarity for public revenue in all the systems that ensure social good and meet human needs.

COMMUNITY-DRIVEN SOLUTION

Taxing Speculation

The Baltimore Housing Roundtable is a city-wide coalition made up of 22 organizations, from community groups to advocacy organizations to neighborhood community land trusts. The Roundtable has been working to bring a "development without displacement" strategy to Baltimore in a context of limited resources at the city level and rampant speculation and gentrification.

Baltimore faces, among other challenges, a desperate housing crisis with scores of vacant homes in a city with significant numbers of people who are homeless or living overcrowded and burdened with unaffordable rents.⁹¹ The Roundtable is specifically advocating for \$40 million a year in public financing for community land trusts to create permanently affordable housing. This represents two-thirds of the capital budget for the city, which argues for finding as many creative revenue streams as possible.

As part of its larger campaign, the Roundtable discovered that 15,400 out of 22,000 property sales in Baltimore were by for-profit entities likely seeking

"Residents gathered 18,000 signatures to get the [housing] trust fund on the ballot. It means something to them."

GREGORY SAWTELL
United Workers

to make a profit by speculating, not by homeowners.⁹² By increasing the transfer and recordation taxes on those sales by only 1%, the city would raise an additional \$20 million in revenue each year. And if fewer such sales occurred, and the revenue were lower, it would mean that the tax was curbing speculation. The Roundtable is campaigning for a bill at the City Council to increase the transfer tax for for-profit entities (exempting homeowners) and put the money in a trust for affordable housing. There is significant support for the bill, and if it passes, it could represent a first step of aligning the goals of equitable development and anti-speculation tax strategies in the city.

SCALING THE SOLUTION

Tax policy is incredibly complex, perhaps intentionally so. But there is a growing movement for tax justice. Americans for Tax Justice, for example, brings together 425 national and state-based organizations, both grassroots and "grass tops,"

to fight for progressive income tax reform.⁹³ The principles and strategies that movements and communities are promoting are clear:

- Increase risk and income/wealth solidarity through progressive taxation strategies; and
- Tax “bads” not “goods” to prevent speculation, exploitation, extraction, environmental harm, and injustice.

In other words, communities and movements are calling for a just tax policy to equitably raise the resources needed to meet public needs. On a local level, this requires rethinking excessive reliance on property taxes. We also need incentives that steer private economic actors away from exploitative, extractive business practices toward activities that promote community and ecological wellbeing.

To meet community needs, we must also flip our current approach to budgets. Rather than adjusting spending to assumed available revenue, which is the standard practice, we must begin our public budgeting processes by assessing human, community, and societal needs. Only then should we create our public revenue strategies to meet those needs equitably. This would constitute a human rights budgeting process, discussed in more detail below, that builds equity into both taxation and spending.

To move in this direction, an equitable tax code could include:

- Higher marginal income tax rates,
- Higher capital gains taxes,
- Wealth and luxury taxes,
- Removing corporate tax loopholes,
- Removing the income cap on payroll taxes that fund social security and unemployment insurance,
- Reducing sales and property taxes,
- Innovative approaches such as payroll tax rates based on each employer’s wage disparity between executives and workers,
- Increased taxes for speculation and environmentally exploitive practices by business, and
- Income-sensitized carbon and pollution taxes.

States and localities should also incorporate transparent, participatory processes for making decisions on tax policies. We must make the backroom deal a historical dinosaur and bring democracy into the public revenue decisions that shape and impact the well-being of neighborhoods across the country.

2

OUR RELATIONSHIP WITH LAND

MOVING FROM THE EXTRACTIVE TO THE REGENERATIVE

Cleaning Up Injustice:
From Dirty Energy
to Healthy Communities

**Community Control
of Land and Housing**



John Duffy

Our current economic model is centered on extracting profit from land often at any cost to the people living there or nearby. From city centers to rural communities, landowners are financially rewarded for activities that displace, pollute, and destroy. This is an extractive model—use land for the greatest short-term gain and flip a profit regardless of the long-term needs of neighborhoods, cities, states or the country. But we can change our relationship to land to ensure that it serves people’s needs.

Cleaning Up Injustice: From Dirty Energy to Healthy Communities

We have the capacity to create energy policy and infrastructure that is healthy and sustainable. Yet, dirty energy continues to grow and has become an existential threat to human beings everywhere. Driving climate change and instability, it has already brought wildfires, heat waves, drought, floods, crop failure, melting ice caps, spread of viruses, pollutants, and the extinction of multiple species. This is affecting the health of hundreds of millions of people around the world, including in the United States. In light of climate change, unrestrained use of land and natural resources to produce dirty energy is likely the most shortsighted human strategy on earth at this moment.

While climate change rises to the level of an existential threat, other impacts of dirty energy are not insignificant either. Dirty energy is a driver of air pollution and, according to the American Lung Association, more than half of Americans live in counties with unhealthy levels of particle pollution and ozone, increasing risk of early death.⁹⁴ Dirty energy is also threatening our clean water supply. Oil pipelines littering the landscape spill about 76,000 barrels a year,⁹⁵ and since 2010 there have been 3,300 crude oil and liquefied natural gas leaks in the United States.⁹⁶ Fracking creates significant risks for groundwater contamination and impacts air quality, and communities exposed to contamination have suffered significant illness at high rates.⁹⁷ Coal, another major driver of climate change, imposes severe public health harms, increasing the risk of asthma, heart and lung problems, cancer, neurological problems, and more.⁹⁸

This dirty energy crisis exists within a context of broader environmental degradation. For example, more than half of rivers and lakes in the United States are polluted,⁹⁹ and people can no longer safely swim or fish in them. More than half a century of industrial dumping and farming pollution has forced millions of Americans to swallow



Stephen Melkisetian

pollutants that include carcinogens, hormone disruptors, and other health threats just by drinking water.

This crisis is one of environmental injustice. Dirty energy and other industrial pollutants are hurting everyone, but like most things within our country, the harms have been imposed inequitably. Not surprisingly, race is the primary determinant of proximity to toxins in the United States. Companies and governments disproportionately put waste disposal, pipelines, and other pollutants near communities of color, counting on residents' lack of political power preventing them from holding decision-makers accountable for the harms they impose.

In the Eagle Ford area of Texas, for example, residents in areas with 80% people of color were twice as likely to live near wastewater wells from fracking than in areas with less than 20% people of color.¹⁰⁰ And where race is not the primary determinant, poverty is. Poor Whites also suffer from being poisoned from pollutants at a higher rate than their middle-class counterparts. In Pennsylvania's Marcellus Shale region, for example, exposure to pollutants from fracking is directly associated with income and wealth.¹⁰¹ Indigenous First Nations

have also faced a long history of environmental injustices and are at the forefront of the environmental justice movement.

Communities and movements have been fighting back against dirty energy, putting their bodies on the line to stop pipelines, and organizing fiercely to

protect themselves and their families in targeted neighborhoods, cities, and states. But they also have also developed and promoted solutions looking beyond dirty energy, including shifting investments and democratizing energy systems so we can produce green, clean, sustainable, and just energy for everyone.

COMMUNITY-DRIVEN SOLUTION

Green Energy Democracy

Green energy democracy has the potential to bring economic, racial, gender, and climate justice together. The climate justice movement has been moving an impressive number of strategies toward this end, including a call for public and private investors to divest from dirty energy and invest instead in developing clean, green energy.

Across the country there is a movement to build a green energy democracy. What does this mean?

- The energy is clean and renewable, such as solar, wind, and geothermal, and does not emit significant greenhouse gases or pollutants into the air or water.
- The energy is owned and governed by the community as a whole, whether through a cooperative or public utility or other community ownership structure.
- The economic benefits and revenue from energy production remain and get reinvested in the community.

Currently, there are already more than 2,000 publicly operated utilities and almost 900 electricity coops owned and operated by the community.¹⁰² These utilities and coops are all, to varying degrees, democratically controlled, and the millions of dollars they produce are reinvested in the communities they serve. But like most energy companies in our country, most of the energy they buy, produce, and sell is still dirty energy.

However, unlike investor-owned companies that often resist green energy to maximize their profits, the public generally supports green energy. Communities, when organized, are often

“Well, Florida’s energy situation is ruled by the investor-owned utilities... And they would be very keen on solar power, if they owned the sun. So, what they’ve done instead is they’ve spent, oh, \$20-\$30 million—that we know of—fighting rooftop solar.”

— PHILLIP STODDARD
Mayor of South Miami

committed to transitioning to green energy because it impacts them directly. For example, Nebraska—which has no private utilities—has enormous public support and demand for shifting from coal to wind energy.¹⁰³

The 900 mostly rural cooperatively owned utilities that emerged out of the New Deal’s Rural Electrification Act serve more than 40 million people spanning 47 states, 90% of whom are in high-poverty counties.¹⁰⁴ These coops, together with publicly owned utilities, represents an enormous opportunity to grow the green energy democracy model. Locally owned utilities provide a similar opportunity. For example, New Era Colorado, a grassroots campaign in Boulder, Colorado, has moved the city ever closer to ousting outside energy investors, creating a municipal utility, and launching a green energy strategy.

None of these efforts, however, are without challenges. To create new community-owned utilities, residents must overcome barriers including costly securities regulation, inaccessible tax incentives, and legal obstacles that have been set up for the protection of monopolies. They must also fight entrenched financial interests. Existing cooperatives and municipal utilities also suffer from uneven community engagement, and as our democracy overall has faltered over the last century, their governance has too.

Community-led movements across the country seek to address the current challenges.

Local groups including Kentuckians for the Commonwealth, The Mountain Association for Community Economic Development, Kentucky Student Environmental Coalition, One Voice in Mississippi, and Northern Plains Resource Council in Montana, as well as national groups like Power Shift Network, Clean Energy Works, We Own It, People's Action, and the New Economy Coalition have come together to build movement and organize toward reclaiming existing democratic energy spaces. The Center for Social Inclusion and Race Forward are also explicitly focused on bringing a structural racism lens to community-controlled green energy.

SCALING THE SOLUTION

If the consumers of energy across the country demand and build community-controlled energy strategies on a mass scale, the future of energy will look dramatically different than it does today. Our energy system has the potential to be affordable, clean, and democratic. If past is prelude, shifts in policy and financing can drive that change fairly rapidly. Only one in ten homes in rural areas had electricity before the Rural Electrification Act of 1936 offered low-cost financing for rural electricity cooperatives. By 1953, 90% of homes had electricity.¹⁰⁵

To scale publicly and cooperatively owned green energy we must provide financing, funding, and technical assistance and redesign our regulatory framework. Proposals include:

- Creating energy investment districts (EIDs) eligible for geographic areas suffering from economic and environmental hardship at the state, local, or county level, and funding projects from a combination of bonds, energy taxes, and state and federal funding. (For details on EID's see "Energy Investment Districts: A Policy Proposal" from the Center for Social Inclusion.)
- Reducing green energy tax incentives that favor for-profit entities and instead investing in low-cost financing for community controlled green energy.

- Rethinking and reforming complex securities laws requirements that make aggregating investments in community-controlled green energy too burdensome and expensive, and encourage community financing models, including innovative models like Oakland's pay it forward, where funded projects then provide funds for the next set of projects.
- Carving out exemptions to utilities' monopolies to allow community-controlled cooperatives and other projects delivering a community benefit.

Expanding community- and publicly owned and controlled green energy on a mass scale would protect our water, improve our air, and reduce carbon emissions that are threatening our future. Because these models are also not for profit and community controlled, they can ensure affordability as well.

Community Control of Land and Housing

Land and housing are essential to human existence. We all need somewhere to live, and also need land to run a business, build a park or garden, farm, or engage in other essential activities. Space and place define and shape our daily lives, and must therefore be equitably guaranteed for all communities.

Yet current land use policy seems designed to drive inequity and speculation. While only 6% of land is developed, that land represents slightly more than half the value of all the land in the country.¹⁰⁶ That 6% of land is where most of our housing, businesses, parks, and other livable spaces exist. The majority of that land is bought and sold on a speculative private market propped up by public subsidies that have been driving homelessness and displacement of communities of color from some areas and driving blight in others.

Both public policy and private investment steer resources and subsidies for development toward attracting wealth and increasing the market value of that land. Indeed, private investors often speculate when purchasing land. They count on market values rising. As a result, investments in luxury housing and amenities serving new, wealthy residents lead to the process known as gentrification, where increasing housing and other costs displaces long-term residents, usually poor and working-class people of color. Because resources and subsidies are concentrated in areas to attract wealth, other neighborhoods are ignored and abandoned, often to blight.

Publicly-owned housing—a vital resource for the lowest-income families—has also been largely privatized and handed over to the market, typically

Because resources and subsidies are concentrated in areas to attract wealth, other neighborhoods are ignored and abandoned, often to blight.



with minimal guarantees that former residents would remain housed. Indeed, in the cycle of redevelopment and privatization over the last decades, an average of only 12% of former residents have been able to return to their homes in public housing complexes that developers have “revitalized” for wealthier people.¹⁰⁷

All these cycles affect public housing residents, renters, and lower-income homeowners, but the decisions are made by developers and investors rather than by the residents who are directly affected.

Displacing people from their homes and neighborhoods is abusive no matter who suffers from the displacement, but in the United States, gentrification and displacement overwhelmingly affect working-class people of color. The displacement process comes in the wake of many decades of policies and practices excluding Black and other communities of color from home and land ownership.

Cities first used zoning laws to keep Black families (and also Chinese and other people of color) from living in anywhere but a few specific neighborhoods, claiming reasons like “health and sanitation.” When this became illegal, landowners, developers, and real estate agents used strategies like restrictive covenants in deeds preventing White

homeowners from selling to Black residents. When this was banned, the mortgage system took over in the mid-twentieth century and denied mortgages through underwriting standards to people of color to avoid “inharmonious” racial groups. This was exacerbated by racial injustices in the labor market, education, and other arenas. Today a significant gap remains between Black homeownership (42%) and White homeownership (72%) and housing segregation persists.¹⁰⁸

But speculation in land and housing also hurts the country as a whole. Inflated housing and land prices through frenzied speculation led to the housing foreclosure crisis of 2008, affecting one out of six homeowners¹⁰⁹ and creating a massive economic recession. Increased property values also translate into one out of every three homeowners paying more than 30% of their income

to their mortgage holder, making their housing formally unaffordable.¹¹⁰ Communities of color are disproportionately affected by these problems, but the whole economy, and a wide swath of White families suffer as well.

Land ownership is also becoming more highly concentrated among the wealthy. From 2007 to 2017, the holdings of the wealthiest 100 landowners in the United States increased by nearly 50% and the wealthiest 1% of households now own 40% of the non-home real estate.¹¹¹ The five largest landowners in the United States, all White, own more land than all Black Americans combined.¹¹²

In short, we need a new equitable and stable approach to land ownership and housing.

COMMUNITY-DRIVEN SOLUTION

Community Land Trusts

Community land trusts (CLTs) had their origins in the United States in the Civil Rights movement, when Black farmers in Georgia came together to own and control their land. Today the United States has upward of 200 community land trusts ensuring permanently affordable housing, stable communities, and thriving neighborhoods, and there is a movement to expand and grow CLTs, with efforts in several cities and states.

A CLT allows for community control of land and individual ownership of housing at the same time. The model is a hybrid between public and private housing, as well as private and community property ownership. CLTs utilize a unique “ground lease” structure in which individuals and families own their home but the CLT retains ownership of the land. By separating ownership of the home from ownership of the land, the CLT can control resale values and keep the homes permanently affordable through a resale formula that is part of the CLT’s contracts with all the resident owners.¹¹³

As a result, the model allows individual families to build equity in their homes but “right sizes” the

“We watch out for each other... just simple little things, they go a long way. It’s really good to have the stability of having the same neighbors all the time.”

— EVELYN CORREA

Land trust resident and president,
Dudley Street Neighborhood Initiative

financial return to the individual in order to retain affordability for the community. This curbs speculative markets and ensures the home is always accessible to working families. Of equal importance, any public subsidy the government invests remains in the community rather than leaving in the form of “profit” with a seller of a home. This is known as “shared-equity,” and also exists in limited- and zero-equity cooperative housing.¹¹⁴

CLTs are stable asset builders. Experience has shown that lower-income families in a CLT are more likely to remain in homeownership five years later than those who enter the private market. Indeed, the foreclosure crisis barely touched CLTs. CLTs faced a foreclosure rate of 0.6%¹¹⁵ during a time that the rest of the country saw soaring foreclosure rates of 3.3% for prime loans and 15.5% for sub-prime loans to privately owned homes.¹¹⁶

The community land trust itself is a nonprofit corporation with a board of directors elected by



What Is a Community Land Trust?

A community land trust (CLT) keeps properties affordable and in the hands of the community by putting the house, not the land it occupies, on the market and allowing only people with low incomes to buy.

1. New resident buys home
2. Annual fee for leasing land paid to CLT
3. Mortgage payment each month goes to pay down the principal, building equity
4. House is sold through at affordable price set by resale formula in Land Trust Agreement
5. Homeowner may share in some price appreciation in the market and secure return on equity
6. Opportunity to own home granted to a new resident

the community that serves as an important vehicle for accountability and community leadership. Typical CLTs have tripartite boards, with one-third consisting of community residents, one-third of public officials or public stakeholders, and one-third of CLT residents. Community members determine the needs of the community, how to meet them, and the resale formulas used by the CLT.

Community land trusts are structured and organized to be inclusive. A 2009 report by the U.S. Census Bureau estimated that 7% of current renters could safely afford to buy homes using standard mortgage products.¹¹⁷ Reducing mortgage rates and down payments would make no significant difference, but reducing purchase prices through subsidies would. A subsidy of just \$10,000 would increase the number of renters who could qualify for ownership by 12 percentage points, to the extent that almost 20% of current renters could afford to buy.¹¹⁸ CLTs can provide even deeper affordability with the right mix of controlling resale prices and public investment to include far more families. CLTs are flexible and can support all housing forms. A 2018 national report showed that CLTs operated 18,946 homeownership, 35,926 rental, 30,627 co-op, and 113 lease-purchase units.¹¹⁹ Almost 30 commercial properties are held by CLTs, while roughly 200 sites are held for conservation and 81 support urban agriculture.¹²⁰

In short CLTs:

- Allow for community control, deepen relationships in the community, and strengthen local democracy.
- Take land and housing out of the speculative market, making them permanently affordable, and therefore keep any public subsidies invested in the community.
- Allow lower-income families to build equity through shared-equity models instead of renting.
- Create more stable neighborhoods with low risks of foreclosure or displacement.

SCALING THE SOLUTION

The vast majority of land remains in a private market geared toward speculation that drives the costs of land ever higher. Land trusts are a non-traditional ownership model that can include homes, businesses, farms, clean and renewable energy, and green space. If CLT ownership were to grow to significant scale—to cover at least the third of residents with the highest housing-cost burdens—our relationship with land and housing would profoundly change. We would enjoy thriving and stable communities and greater local governance and democracy.

But current policy and financing models privilege private individual ownership and speculation over community land trusts. To grow CLTs to scale we should:

- Revamp federal, state, and local tax policies to favor and subsidize community land and housing ownership over private ownership;
- Boost CLT access to secondary mortgage markets and private financing through federal

or state insurance guarantees, incentives, or directives;

- Prioritize CLT programs in the distribution of federal, state, and local housing and community development monies, including public housing, vouchers, Community Development Block Grants, HOME, Housing Trust Funds, etc.
- Give tenants, home occupants, and communities the “right of first refusal” when privately owned land is advertised for sale, and develop public and private financing streams so they can exercise these rights; and
- Distribute public vacant land and housing to CLTs at no or minimal cost or give them priority rights to purchase.

Because Black and Indigenous communities in particular have been historically stripped of land and excluded from owning homes through overt and covert discriminatory policies, a well-designed CLT strategy—in addition to respecting treaty rights of First Nations—can also serve as one leg of a reparations strategy.¹²¹

3

HOW WE LABOR THE FUTURE OF WORK

Guaranteed Work:
A Jobs Strategy for All

Supply Chain Accountability:
Toward Worker-Driven
Enforcement Models

Democracy at Work:
The Cooperative Advantage



CIW

Work with dignity is a human right, requiring a collective commitment to guaranteeing a decent job to all people who are willing and able to work. Yet wages are stagnant, leisure time is disappearing for some while others are permanently under-employed, schedules are increasingly irregular, temp work and day labor have increased, and sub-contracting has become so ubiquitous that when employees are denied benefits and legal protection they are often uncertain for whom they are working. The misleadingly named “sharing economy” has also led to economic models in which large companies are no longer responsible for basic labor protections or working conditions of the people who labor on their behalf. Enforcement of even the most basic labor protections in the low-wage workforce is also close to non-existent.

The future of work has become an urgent conversation, and the labor, worker center, and worker coop movements, along with their allies, have been leading this conversation, grounded in their lived experiences of both the problems of the labor market and successful worker-led solutions.

Guaranteed Work: A Jobs Strategy for All

Jobs are the primary way people generate basic income for themselves and their families. They also enable many of us to participate in work that contributes to our communities and society. Dr. Martin Luther King, Jr., in a speech supporting sanitation workers in 1968, noted that “all labor has dignity.” Farmworkers, domestic workers, factory workers, health aid workers, and countless other low-wage workers often echo these words. However, while all labor has dignity, not all jobs offer dignified conditions or a decent wage.

Almost half the jobs in the United States fail to pay \$15.00 an hour, a rate that is still too low to afford adequate housing in most cities.¹²² And workplace conditions in low-wage labor are typically dangerous, abusive, and unstable, with work hours erratic at best. The degradation in working conditions coincides, not by chance, with the attacks on unions and workers’ collective bargaining power.

Moreover, although official unemployment is currently low, millions of people who want to work are underemployed, incarcerated, or have dropped out of the labor force (and are thus not counted in statistics), and Black unemployment is almost twice the rate of White unemployment.¹²³ Discrimination in employment by race is a consistent theme in the United States decade after decade. Add to that the millions of people who have been unjustly incarcerated and face the barrier of criminal convictions while seeking a job, and there is a perpetual joblessness crisis in many Black and brown communities. And, in general, for those without a college degree the picture is bleak. For example, in 2016, one in six men in their prime work years (between 25 and 54) was unemployed.¹²⁴

Finally, while well-meaning foundations and government agencies pour money into “workforce development,” a powerful branch of government,



CW

the Federal Reserve, follows a Congressional mandate to manipulate monetary policy to create unemployment for the sake of containing inflation. While the Fed’s website talks about full employment as a goal, the word “full” is not defined in the way the ordinary person might use it, and in fact the Fed considers about 4.5% unemployment to be full employment. As noted by Market Watch, a financial reporting website owned by Dow Jones,

“The Fed in fact has an open discussion about just how many jobs it wants to kill. In time—although the Fed says it’s not in a hurry—the central bank expects the jobless rate to be around 4.5%, up from March’s level of 4.1%.”

Given today’s population, that’s roughly 650,000 more people the Fed wants to see unemployed, in the name of maintaining inflation of around 2%. If the Fed’s right that unemployment will drop to 3.6% next year, that’s roughly 1.5 million more people out of work.”¹²⁵

You cannot train people for jobs that don’t exist, and jobs for all will never exist in an economy in which federal economic policy intentionally creates structural unemployment. We need a system that ensures jobs for all.

MOVEMENT-DRIVEN SOLUTION

Federal Jobs Guarantee

Poor communities and poor people's movements have been calling for good, living-wage jobs since the modern economy came into being. Social movements recognize that a "jobs for all" strategy must take place at large scale. In 1966, civil rights leaders called for a federal jobs guarantee, among other major social justice demands, in their Freedom Budget. Today, the Movement for Black Lives platform picks up that call, as communities across the country demand jobs with dignity for all working families. This call is being picked up and echoed in policy think tanks like the Center for American Progress as well as by leading Democrats.

"I fail to see how the movement can be victorious in the absence of radical programs for full employment."

BAYARD RUSTIN, 1965

A federal jobs guarantee that assures every U.S. resident a job at a fair wage with decent benefits is a simple, elegant solution to many problems. It would buttress the labor and worker rights movements' call for \$15.00 an hour by effectively setting a wage floor for private-sector jobs. It would also create pressure on the private sector to increase the quality of its jobs. And a federal jobs guarantee would help address the inequities and ongoing discrimination in access to jobs, including by eliminating barriers for those with criminal records. Because one of the strongest factors associated with crime is access to jobs, a federal jobs program would additionally reduce instability and crime in communities with high joblessness rates.¹²⁶

Federal jobs could address a range of social needs. Such a program could help resolve the caretaking crisis by filling the need for universal free childcare and eldercare, which would also have the effect of enabling more women with disproportionate child

care responsibilities to advance in the workforce. Such a program could also contribute to rebuilding our public infrastructure in water, transportation, green energy, and other investments with enormous social and ecological benefits.

Direct creation of federally financed jobs would have multiplier effects. As economists Robert Pollin, Heidi Garret Peltier, and Jeannette Wicks-Lim noted in a study of a Washington State proposal, for example:

"Direct effects—the jobs created, for example, by retrofitting buildings to make them more energy efficient or building wind turbines;

Indirect effects—the jobs associated with industries that supply intermediate goods for the building retrofits or wind turbines, such as lumber, steel, and transportation; and

Induced effects—the expansion of employment that results when people who are paid in the construction or steel industries spend the money they have earned on other products in the economy."¹²⁷

Estimates of the public expenditures needed to finance a federal jobs guarantee vary, but even on the high end, the benefits would far outweigh the costs. Economists Mark Paul, William Darity, Jr., and Darrick Hamilton estimate that such a program would employ 13 million people at a cost of \$543 billion a year.¹²⁸ This is less than our military budget (which is about 16% of our overall federal budget)¹²⁹ and would transform our economy for the better. A jobs guarantee would also increase tax revenue and lower public spending on Medicaid, food assistance, and other needs-based social welfare programs. A jobs guarantee would also lower financial and human costs, such as crime and addiction, associated with joblessness. Finally, it would empower workers in the private sector to stand up to abuse and demand their legal right to collective bargaining by mitigating the impact of retaliatory firing with the guarantee of a decent job.

Supply Chain Accountability: Toward Worker-Driven Enforcement Models

Everyone deserves to be treated with dignity and respect at work. Public systems of workplace enforcement should deter abusive treatment of workers and, when violations of labor rights occur, should generate an effective intervention. Yet millions of workers are experiencing wage theft (68% of low-wage workers every single week),¹³⁰ needless injuries, discrimination, sexual harassment, and retaliation. It is not uncommon for these workers to endure multiple violations at the same time. Even forced labor and slavery are regular features in some parts of the economy.

While labor standards remain intolerably low and must be improved, most of this abuse is illegal and has been for many decades. Abuse is concentrated where inequality is most pronounced: low-wage work often at the bottom of product and “fissured” labor supply chains. The concentrated level of abuse is producing new sweatshops that are ever-present but mostly unseen. For instance, in Chicago there are more sweatshops than Starbucks.¹³¹

Our workplace enforcement system treats cases of abuse as isolated incidences rather than a systemic business practice. And our enforcement systems were never designed to hold companies accountable for working conditions throughout their supply chains. Over the last several decades, companies have taken advantage of this loophole to restructure industry after industry. Contracting out the labor-intensive parts of their businesses to smaller organizations of middlemen and suppliers, lead firms have concentrated power atop the chain and created an intensely competitive market below that operates with little regard for basic labor law.¹³²

When power is concentrated at the top of supply chains to this degree, large purchasers effectively set working conditions and wages. They clearly have the power to degrade labor and have done so, which means they also have the power and

responsibility to create decent work under dignified conditions. But because powerful companies can largely evade legal responsibility for workplace abuses in their supply chains, abuses are widespread throughout our economy.

Current regulations make direct employers liable for the abuse of employees, but this employer-employee relationship is rarely defined broadly enough to hold companies accountable for their product or labor supply chains. This practically incentivizes companies to seek impunity through supply chain arrangements. Indeed, driven by the demands of investors in capital markets, the wealthiest and most powerful companies have transformed the employment relationship into an arms-length transaction, shifting the risk of liability onto smaller organizations of middlemen while continuing to enjoy the fruits of workers’ labor.¹³³

Given that the vast purchasing power of the companies at the top keeps suppliers running at very slim margins, the resources necessary to improve conditions and wages would lead to outright business failure unless purchasers take responsibility, including in the prices they pay. Suppliers functioning between the poles of weak public enforcement and the push for lower prices consistently sacrifice workers to make ends meet. And in the rare instances when workers bring legal complaints, supplier “employers” often go bankrupt or sell their company while the lead firms at the top merely contract with a new supplier under the same pressures to deliver low prices at the expense of workers.¹³⁴

We must realign power relationships across the supply chain. The top of the supply chain must be held accountable to buying only from suppliers that provide decent working conditions and pay prices that allow those conditions to exist.

COMMUNITY-DRIVEN SOLUTION

Worker-driven Social Responsibility

As public enforcement of workplace rights needs wholesale transformation, workers are modelling solutions with private contracts. Union contracts are one longstanding model that clearly improves working conditions. Ensuring collective bargaining with direct employers for U.S. workers is a goal that we should not abandon. But given the new realities of the global economy, union contracts can and should be complemented with supply chain agreements.

Worker organizations have increasingly turned to supply chain strategies to improve workers' human rights. Through legally binding supply chain agreements with corporate buyers, workers have secured comprehensive enforcement systems proven to afford protections to workers at the bottom of supply chains, eliminating longstanding abuses and changing workers' lives for the better.

In a Worker-driven Social Responsibility model:

- Worker organizations must be the driving force in the creation, monitoring, and enforcement of programs designed to improve their wages and working conditions;
- Brands and retailers must sign legally binding agreements with worker organizations, and those agreements must require the brands to provide financial support to their suppliers to help meet the labor standards established by the program, and to stop doing business with



CIW

“We have the power to speak and end the silence. We don’t want fear and silence to persist any longer.”

– NELLY RODRIGUEZ
Farmworker leader of the Coalition
of Immokalee Workers

suppliers who violate those standards (market consequences);

- Monitoring and enforcement mechanisms must be designed to provide workers an effective voice in the protection of their own rights, including extensive worker education on their rights under the program, rigorous workplace inspections that are effectively independent of brand and retailer influence, public disclosure of the names and locations of participating brands and suppliers, and a complaint mechanism that ensures swift and effective action when workers identify abuses.

The Fair Food Program (FFP) is the first comprehensive, fully functional model of Worker-driven Social Responsibility. Launched across the 30,000-acre Florida tomato industry in 2011, the FFP harnesses the immense purchasing power of retail food companies to enforce the most progressive labor standards in U.S. agriculture today.

In 2001, the Coalition of Immokalee Workers (CIW), a farmworker organization based in Florida, launched the ambitious Campaign for Fair Food to end some of the worst abuses in the U.S. by targeting the retail giants who buy from Florida’s growers. In alliance with consumers, farmworkers secured legally binding agreements with the retailers, including Taco Bell, McDonald’s, and Walmart, among others, that require the retailers to purchase tomatoes only from growers who comply with the FFP’s Code of Conduct.

The FFP has resulted in transformative changes on participating farms. In fact, in 2015, the CIW won a Presidential Medal for the program's effectiveness at combatting human trafficking. And the success of the FFP has driven expansion to several large farms in Georgia, North Carolina, South Carolina,

Virginia, Maryland, and New Jersey. It has also begun to expand into Florida's green bell pepper and strawberry sectors, and has been adapted to dairy in Vermont through the Milk With Dignity program.

SCALING THE SOLUTION

Worker-driven Social Responsibility agreements should become the industry standard in all supply chains, complementing a union agreements strategy with employers. Both are hard-won victories, and the engine that has fueled supply chain agreements is consumer pressure. We should also use all public policy options at our disposal to encourage these agreements, rewarding companies that sign them and rewarding suppliers in such programs through public procurement preferences.

To encourage private agreements, public policies should:

- Place responsibility with the big companies at the top of subcontracting schemes because these companies can prevent violations from reoccurring;
- Embrace and protect the critical, unique role of workers and their organizations in creating and implementing enforcement strategies; and
- Equip and enable enforcement agencies to work with these front-line workers and organizations to end and prevent systemic abuse in the workplace for all.

Additionally, we should ensure that public policy efforts learn from worker experience and success. Some supply chains are far harder to organize than others, and not all brands are vulnerable to consumer pressure. The current public system of workplace enforcement is failing these workers and leaving them in a lawless environment where fear and abuse are simply ways of doing business.

Unfortunately, while improved public policies exist in a fragmented fashion, they do not yet exist as a holistic model. Ending systemic workplace abuse

more broadly will require us to reimagine how workers' rights are enforced through public systems of accountability, drawing from the elements that make private enforcement models effective and also reflecting the best practices in public policy today.

We must begin by creating:

- Consistent formal liability for the companies with the power to monitor and influence supply chain conditions, emulating liability law for product quality and safety;
- Effective prevention through an adequately funded workplace enforcement system;
- A unified or coordinated monitoring entity—rather than today's fragmented system with multiple agencies—to target systemic abuses, such as by conducting investigations even in the absence of a worker's complaint, including company- and industry-wide investigations;
- Speedy resolution of complaints; and
- Remedies that are focused on prevention, rewarding corrective action, and severely penalizing delay.

Learning from worker agreements, this system must be reinforced by laws that protect and support the front-line role of workers, including with reliable retaliation protection, effective rules of procedure, and complete and enforceable judgments. The Raise the Floor Alliance in Chicago, in partnership with NESRI, has begun to explore this new vision of enforcement. (See *Challenging the Business of Fear* at <https://www.nesri.org/programs/challenging-the-business-of-fear-in-illinois>.)

Democracy at Work: The Cooperative Advantage

U.S. workers have less and less control over where and how they work. Almost 10 million workers fall below the official federal poverty line,¹³⁵ and millions more are out of work, under-employed, or otherwise struggling to make ends meet. Most workers have no say over what kinds of jobs and work are available to them and have few pathways for advancement or opportunity to participate in decision-making. Inequality is at an all-time high, with economic decision-making power more concentrated than ever at the top of large corporations and corporate supply chains.

As workers, we need a decent standard of living and dignified and safe working conditions. Workers also need to be able to find meaning in how they labor and exercise some degree of autonomy and control over work. Increasingly, however, economic inequality and the fracturing of the labor market are depriving millions of blue collar workers—and even many white-collar workers—of these basic needs.

For large corporate employers, low-wage workers in particular are dispensable and easily replaced,

and the trends toward outsourcing, subcontracting, contingent, and temp work are pushing more and more workers into precarity. At the same time, traditional businesses don't always deliver jobs, nor products and services, that meet needs of communities with limited financial resources. Remote business owners—particularly shareholders—extract profits often delivering very limited returns to local communities.

Finally, few individuals in today's economy possess enough capital to start their own business, the only other alternative that is typically available. The wage-labor economy has become increasingly dominant. Indeed, despite a widespread recognition of the value of small businesses, the self-employment rate has consistently dropped over time, and today only one in ten people in the United States is self-employed.¹³⁶ Self-employment is becoming ever elusive. But efforts are growing to find more collective alternatives to the narrow options available to Americans at work and the limited binary of boss or employee.

COMMUNITY-DRIVEN SOLUTION Worker Cooperatives

Worker cooperatives—an arrangement where the workers both manage and own a company—offer an alternative to traditional labor. A worker cooperative is a cooperative business that is owned by the workers. There are various models of worker ownership, but in the most democratic ones, workers both own the business and democratically control all business operations from sourcing the capital to obtaining the required property, tools, and technology to producing goods or services and selling them to a target market. This means worker-owners also determine the terms and conditions of their work and how grievances are addressed, as well as how to share risks and profits and how to grow the business.

Workers might make all the decisions as a group—by consensus, majority, or another agreed upon approach—or they could form committees or elect managers (which becomes more necessary as a business grows). But all workers in the cooperative own a share of the business, with a one-member, one-vote approach, and as shareholders they share profits. Finally, although decision-making might be more time consuming, because workers are the owners, there is no oppositional relationship between employer and employee.

Because workers in cooperatives often come from the communities in which their business operates, profits are more likely to stay in the community.

Worker cooperatives have no incentive to leave a community in search of lower labor costs. Worker cooperatives also do not have the same wage disparities of traditional companies, so each worker-owner makes more than they would in a traditional job. Some low-wage workers in New York City, for example, have seen their income rise from \$6.25 to \$25.00 an hour after joining a worker coop.¹³⁷ Worker cooperatives are also more invested in improving the community and avoiding harmful activity that would impact their neighbors, friends, and families.

The worker cooperative sector is still small. There are only about 300 worker cooperatives in the United States employing about 7,000 people. Most of them have between five and fifty employees.¹³⁸ The largest worker cooperative in the United States includes 2,000 worker-owners in the Bronx in New York City. Altogether, worker cooperatives in the United States produce \$400 million in revenue, and recent studies indicate that they are more

“As a [worker] cooperative, we do not feel the isolation that normally exists in the caregiving profession. The sense of family among our membership is tangible, practical, and appreciated.”

KIPPI WATERS
Worker-Owner

productive than traditional business.¹³⁹ And cities are beginning to respond to interest in worker cooperatives as well. New York invested \$1.2 million in cooperatives and doubled the small number of cooperatives in the city, adding 21 more in the first year. Worker cooperatives have steadily grown in the United States for the last 20 years.

SCALING THE SOLUTION

The Solidarity Economy

Worker coops are businesses, so taking coops to scale means growing individual coops or generally creating a density of coops that can have an impact on an industry or local economy. The largest coop in the world, Mondragon in Spain, has 80,000 employees. The densest coop economy in the world may be a region of Northern Italy, Emilia Romagna, where about two out of every three residents in the region is a coop member¹⁴⁰ and coops generate 40% of the region's GDP.¹⁴¹

While worker cooperatives face the challenges any business would face, the most cited reason for the slow growth of cooperatives is lack of capital. Investors are getting huge returns on capital elsewhere in the economy, so it is generally challenging to persuade the average investor to take a chance on a cooperative. Additionally, the traditional approaches to assess creditworthiness might hinder a cooperative.

Typical proposals for addressing the capital problem focus on government grants and cheap debt. The New York City experience demonstrates that government grants can successfully be a part of the solution of growing cooperatives to occupy a larger portion of our economy and give people more choices to work and make a living. At least one interesting proposal would put money behind a coop principle, “cooperation among cooperatives.” Based on international models, the financing scheme involves existing worker coops setting aside a percentage of their profits to fund the startup of new coops.¹⁴² In this way, cooperative funds could be established.

Other support for the growth of cooperatives could include more education and training on the kind of entrepreneurial and management skills needed for success. Greater public awareness of the model would also assist in encouraging more people to consider exploring creating or becoming part of a worker-owner cooperative.

4

FINANCING DIGNITY

Finance for Social Change

Public and Postal Banking



Friends of the Public Bank of Oakland

The flow of capital in an economy should serve social goals. Although there has always been misalignment between capital and social needs, historically most investments at least created goods or services of some kind. In the wake of financial liberalization, a huge portion of capital is now moved largely for the purpose of making more money in ways that, at best, add no value, and, at worst, directly harm families, communities, and our environment. The concentration and misuse of capital require a serious reimagining of how we, as a country and a world, ensure that both private and public financing mechanisms lead to equitable investment in the common good.

Finance for Social Change

The shift from long-term investing in goods and services to focusing on short-term financial instruments that can be sold and resold—moving money to make more money—has intensified over the last decades. While the beginnings of financialization can be traced back to the 1950s, the fall of the Bretton Woods monetary system (defined by the use of gold-backed dollars as the international currency, fixed exchange rates, and limited capital mobility) in the early 1970s prompted a surge of financial liberalization and deregulation and accelerated growth in global liquidity. Floating exchange rates and unregulated capital flows presented hazards for many, but also provided opportunities for financial “innovation” (such as derivatives) to deal with these risks, from an investor’s perspective, and for speculation to profit from them. The value of global financial assets soared. Not only did financial markets grow in absolute terms: they also expanded in relative terms as the value of global financial transactions rapidly surpassed that of “real” production and commerce. For example, in 1973, the ratio of the value of foreign exchange transactions to global trade was 2:1; in 2004 this ratio reached 90:1.¹⁴³

The move from long-term investing toward short-term trading accelerated in the 1990s with “securitization,” a dizzying practice of breaking apart and repackaging debt, pooling various loans, and reselling them in slices that were disconnected from the underlying loans. This, along with abandoning the practice of keeping commercial banks and investment banks separate, moved banks from “originate and hold” loan practices to an “originate and distribute” practice that dissolved any relationship between lender and debtor and any joint interest. Banks no longer had the same incentive to ensure creditworthiness or sustainability of the loan, and this unsurprisingly led to a massive foreclosure crisis in the United States, with the economy almost unraveling altogether. Chasing origination and other fees, banks issued too many loans and then created instruments that served as

bets on the success, or even the failure, of those loans. Jobs were lost, families were wiped out, neighborhoods were decimated, and we are still feeling the effects today.

Our regulatory systems and policy frameworks fail to hold capital accountable to social good and human need.

Our regulatory systems and policy frameworks fail to hold capital accountable to meeting the common good and human needs. As a result, our financial system is agnostic at best with regard to a wide range of externalities it imposes on communities, and it steers private—and even public—investment toward economic activities that hurt people. Whether an investment creates high quality or abusive jobs, creates homes or stockpiles empty houses, produces speculation or essential goods, is predatory or builds wealth equitably, our regulatory systems—including our tax system—too seldom distinguish among the result of investments and allow toxic investment practices to reap unchecked rewards. We fail to regulate and prevent predatory investments that produce profit and injustice in equal measure.

The effects, of course, are distributed unequally. Our financial system is profoundly discriminatory. Discriminatory lending, especially in Black and brown communities, has been documented repeatedly throughout every decade. What is tragic about the fact that upper-income Black women were five times as likely as upper-income White men to get a sub-prime loan before the 2008 crisis¹⁴⁴ was how little it shocked the nation when researchers and media outlets revealed these disparities. Finance

generally treats people of color and women who own businesses no better. Investments in our urban centers have also had deeply unjust racial impacts, as both cities and private actors invest to attract wealth and simultaneously displace lower-income communities of color from their homes as cities gentrify.

Yet much investment capital is owned by individuals who would be deeply disturbed by the impacts of their investments. In Baltimore, for example, a hedge fund created a legal vehicle—a statutory trust—that bought distressed mortgages, foreclosing and displacing a family whose parent’s city pension was invested in that very hedge fund.¹⁴⁵ In Parkland, teachers were horrified to discover their pension plans were invested in manufacturing the very gun that threatened their and their students’ lives.¹⁴⁶ The stories of perverse investments abound.

Most people are investors—by virtue of their holding a retirement account, or even by holding a bank account where their money is being lent out again—whether they are cognizant of the

“My Mother bought this house when she was a state employee and I inherited it when she died. It’s incredible that her pension funds now are being used to evict me.”

EDDIE SMITH

(reflecting on the fact that the Maryland State Employees Pension Funds invest in Oaktree Management, a multi-billion private equity fund that now owns his mortgage and is foreclosing upon him)

role their money is playing or not. But the money held and invested by intermediaries is completely disconnected from the individual owners of the wealth, from teachers to firefighters, who largely exercise no control. But as things get worse, there is a renewed interest in realigning capital with social values.

COMMUNITY-DRIVEN SOLUTION

Community-Controlled Investment Funds

While the transformation of finance must be multifaceted and comprehensive, communities are not waiting for policy makers to take on the finance system. They are modeling solutions that ensure investment, production, and consumption both meet local needs and build economic democracy.

Community-controlled investment funds are a promising strategy. These funds have genuine commitments to investing in high-bar opportunities that ensure a living wage, local purchasing, and

As a general rule, we should define what is appropriate risk and return for any investment, and who gets that risk and that return.

positive environmental impacts. Community capital funds can draw investment from public assets, non-profits in the area, resident savings, foundations, and union pension funds as well as outside investors, and can be awarded for investment through neighborhood-based participatory processes that bring neighbors together to meet about their needs and priorities.

Such funds consider the return on an investment not only in terms of money, but also the positive social and environmental impacts on the community, and have participatory processes to keep them accountable to these goals. Of equal importance, community investment funds keep capital and financial returns in local economies rather than extracting them and leaking them to centers of wealth. In other words, community institutions and residents aggregate their investments in a fund that keeps money flowing in

their community toward positive social goals within a set of community relationships.

PRECURSORS TO THE SOLUTION: A POLICY FRAMEWORK IS NEEDED

In order to reclaim capital for communities, we need a new vision of finance that is transformative, sustainable, and designed to meet our needs. But no larger shift can take place without first making finance more accountable in basic ways. National movement efforts like Occupy Finance have offered commonsense solutions to rein in international capital and build community capital. Pushing for clearly needed regulations, expanding fiduciary duty so that brokers and other finance middle-people have to protect the interests of the borrower or small investor, introducing transparency and public involvement in the regulatory process, simplifying financial products, practices, and rules (including unitary regulation rather than confusing multiple agencies), and insisting on accountability for malfeasance would all go a long way toward putting the brakes on predatory practices.

A larger shift requires moving policy, incentives, and culture. We should at a minimum increase the tax on short-term capital speculation to create disincentives for financial activities that add no value. Of equal importance, we need a policy and regulatory strategy to “internalize externalities”: where investments create harm—environmental, economic or otherwise—investors, not communities, should absorb the costs as a matter of public policy.

As a general rule, we should be define what is appropriate risk and return for any investment, and

SCALING THE SOLUTION

While large-scale models do not yet exist toward this end, we should explore them in serious ways. In particular, we should consider a community governance role for all investment that has significant social, economic, and ecological impact. As an example, the Buen Vivir Fund is completely co-designed by both investors and investees, from

The Boston Ujima Project

The Boston Ujima Project is working to unite working-class residents



BOSTON
UJIMA
PROJECT

and workers, small businesses, grassroots organizations, and other local economy stakeholders in a democratic community development organization. The Project will create, among other programs, a community-controlled investment fund. **The Ujima Fund will pool savings and investments from its diverse membership and use equity to leverage additional capital from universities, union pension funds, and foundation endowments.** Local banks and credit union partners can also leverage members' deposits and savings to extend additional credit to Ujima's collective fund. Ujima will host democratic neighborhood assemblies and business summits to engage members in the participatory budgeting of capital to meet the enterprise, housing, and consumer needs of the community.

who gets that risk and that return. The risk to a community from an investment must be considered and shaped by policy and practice as much as by the risk to an investor. Conversely, the return for a community that is impacted by investment must be at least as valuable as the return for the investor.

the fund structure to the investment terms to the target deals. The centrality of the intended beneficiaries, communities in the Global South, to the fund's DNA serves as a mechanism of redistributing power from investors to communities and from developed nations to developing nations. Except in the limited cases of very socially committed and

conscious investors, community governance in this context is not without challenges and can lend itself to cooptation, but models that are sensitized to power imbalances are not only possible, but essential.

While challenging to implement, we must seek to create these pathways for communities to either retain or recoup from investors gains that are unjustifiably one-sided, and move to a finance model that is inherently more redistributive. Given that investors may be deterred by more equitable sharing of benefits in many cases, we also need a public banking and lending system that forms the backbone of our investment infrastructure to address those needs.

These strategies work best in systems that involve other local actors in the capital ecosystem, such as anchor institutions. In Preston, England, local organizers and officials are developing a model doing just that, redirecting the purchasing power of hospitals and universities toward worker cooperatives and other businesses while developing a public bank to ready them through investments. Exploitative and extractive investment, however, is unacceptable.

Transforming finance can take many shapes, but it should be led by and rooted in communities. To encourage, enable, and grow community solutions, at minimum:

- Community and social justice leaders should re-engage with finance in order to reclaim it. This means learning how capital works and why so we can take it apart and reassemble it for community-driven purposes.
- Pension funds, foundations endowments, university endowments, and other vehicles for pooling capital for investment should be

required to adopt investment strategies that are aligned with their missions and meet the social as well as financial interests of their investors and stakeholders.

We should rewrite regulations and structure processes to increase transparency, accessibility, and more investment options allowing pensioners, bank customers, and others in communities whose money is being invested without their input to have influence in how their funds are being deployed.

Transforming finance can take many shapes, but it should be led by and rooted in communities.

Localities should offer support for creating community investment funds that keep investment in the community through participatory processes.

We should move capital, adequately and justly, to undercapitalized communities for productive and social purposes, and away from speculation, and create tax and other incentives toward that end.

Transforming finance is a complex task that will require long-term and systemic strategies as well as micro-experimentation in communities, as Buen Vivir and Ujima are pioneering. There are trainings and resources available, such as those offered by organizations like Transform Finance, that are geared toward helping communities understand and reclaim capital. While the invisible hand of finance is currently choking the American economy and people, finance can and must become the hand that helps fuel a healthy, equitable, and rights-based economy and social infrastructure that meets the needs of all.

Public and Postal Banking

Our banking system should serve all communities and responsibly steward equitable and generative investment. Instead, our banks are central actors in the speculative economy. Private banks invest the money they hold to extract short-term profits from activities that are wholly unrelated, and often adverse to, the needs and interests of the people and institutions who deposit their funds. Additionally, they do not adequately serve low-income communities, leaving low-wage workers susceptible to payday loans that eat into an already meager subsistence through abusive interest rates. Private banks also impose high fees and thus leave too many people without access to regular bank accounts. Almost 8% of households do not have access to banks, and a stunning one in four rely on services outside the financial mainstream.¹⁴⁷ Blacks, Latinos, and young people are hit hardest.

We also need banks that ensure investments serve public needs. Our local, state, and federal governments should house public dollars in financial institutions that are transparent, responsible, and accountable to the interest of the communities they serve. But current practice in this country is the opposite. For example, most municipal budgets have what is commonly referred to as a “rainy day fund”—money that is available to make up for unpredicted budget shortfalls. Municipalities keep this money in bank accounts with private banks whose priority, as noted above, is short-term profit for shareholders and whose lending practices make loans inaccessible to small businesses, students, and people of color. Problems of the private banking system include:

- **Failure to invest in communities:** Increasingly, private banks invest in global financial products, such as derivatives and the stock market, that generate short term profit but produce no social good. These investments are not local and generally produce nothing for the community whose money is invested—no tangible goods, no rebuilding public infrastructure, no housing, no environmental clean-up, nor any other benefits.

Our local, state, and federal governments should house public dollars in financial institutions that are transparent, responsible, and accountable to the interest of the communities they serve.

Physical infrastructure that banks do invest in (like waterfront development and luxury housing) often only serves a small portion of the community, those within a high economic tier, and can displace low- and moderate-income communities.

- **Inaccessible:** Banks also stunt investment in local communities by creating barriers that certain types of business and populations face in accessing capital. Private banks do not have a vested interest in long-term loans with minimal return, which means they are less likely to offer affordable loans to students, small businesses, and other low-income borrowers. There is also a long history of lending discrimination based on race, gender, and other socioeconomic markers. Black mortgage applicants, for example, are routinely denied loans and offered sub-prime terms at higher rates than White borrowers.
- **Not accountable:** Municipalities do not have a direct mechanism for influencing decisions made by the banks they do business with. Ultimately these private institutions are accountable to their shareholders, not their customers. The only recourse a customer has is to switch to a new bank, where they will likely encounter the same environment (with the possible exception of credit unions).
- **Unstable:** By employing increasingly speculative practices and fighting government regulation, large private banks have shown themselves to be increasingly irresponsible. The Great Recession was a wake-up call that private banks can be a very insecure place to invest public money.

COMMUNITY-DRIVEN SOLUTION

Postal Banking and Public Banks

To address predatory private banking, we need solutions that provide accessible banking services to all and ensure that we invest our public funds equitably.

POSTAL BANKING

Postal banking would revive a program we had in the United States from 1911 to 1967. During this period, the United States Postal Service offered a postal savings system that, at its height in 1947, held 10% of the assets of the commercial banking system.¹⁴⁸ Internationally, postal services provide financial services to some 1.5 billion people.¹⁴⁹ In fact, every developed country except the United States offers some sort of postal financial services.¹⁵⁰

The Campaign for Postal Banking, supported by social movement and community groups nationwide, believes that the USPS has the regulatory authority to introduce postal banking right now. It has put out a call to action for:

- Expanding and enhancing existing services such as paycheck cashing and international money transfers;
- Testing new services and products with the public; and
- Creating a task force to engage public participation in assessing community needs (via field hearings, for example) and implementing financial services and products. The task force will include unions, financial reform and community groups, and credit unions and community banks.¹⁵¹

Postal banking offers a banking solution for lower-income families that is well within reach.

PUBLIC BANKING

There are over a dozen local and state efforts around the country to create public banks. Public banks are publicly owned, chartered institutions in which government funds are deposited, returning revenue to the public. They are mandated to serve

a public mission as defined by the government agency overseeing them, and are ultimately accountable to the public.

How it Works: In the public bank models being proposed in the United States, skilled bankers are employed by a municipality to operate a public bank in accordance with terms defined by the owner, the municipality itself. The bank operates essentially as a checking/savings account whose sole client is the municipality. It generates revenue by providing low-interest loans to the community, and this revenue is returned to state coffers to reduce taxes or be spent on public projects.

This public ownership model affords greater

This public ownership model affords greater transparency and accountability in how funds are used, and community participation deepens these benefits.

transparency and accountability in how funds are used, and community participation deepens these benefits. Public banks provide lower-interest loans than private banks, making capital more affordable to those who are priced out of private lending. They are willing to engage in longer-term loan projects because they are not obligated to generate short-term profit for their shareholders, and also dramatically reduce the cost of public projects because they do not need to charge interest to themselves.

A public bank is different from a credit union in that the benefits that come from its business are delivered to all residents or taxpayers of a given municipality, not just the members of a particular credit union. (Public banks do not replace credit unions or private banks, which would continue to provide checking and savings accounts). A more significant difference between a public bank and a credit union is that credit unions are only allowed to lend as much as people deposit into them. Public

and private banks, in contrast, can essentially create new money by lending out more money than they hold in reserve.

Multiple states have introduced legislation to open public banks or commission feasibility studies, but to date North Dakota is the only jurisdiction within the United States that operates a public bank. The Bank of North Dakota (BND) opened in 1919, primarily to finance agriculture, commerce, and industry. Its profits are distributed in three ways: by legislative appropriation to fund the State's General Fund; through mission-driven loan programs; and through the Bank of North Dakota's capital.¹⁵² The bank's deposit base comes primarily from state taxation and revenue, but it also keeps corporate accounts.¹⁵³ In 2016, the Bank of North Dakota reported \$136.2 million in net earnings.¹⁵⁴

City residents have also sought to establish public banks in their municipalities. In 2016, the Friends of the Public Bank of Oakland was formed. A Friends of the Public Bank of Oakland white paper demonstrates their strategy for identifying funds as well as the initial scale of the proposed bank: "Oakland can use liquid assets it owns as part of the capitalization base required to create the bank. Other funds necessary to get the bank up and running will come from the General Fund or a small bond levy, ultimately repaid many times over as Oakland prospers. A total of some \$20 million to \$30 million in capitalization will be required."¹⁵⁵ As a result of their pressure, the Oakland City Council committed to producing a feasibility study for a public bank.



Friends of the Public Bank of Oakland

The Friends of the Public Bank of Oakland hopes to incorporate the study into a business plan for the bank and ultimately ensure the city enacts legislation that will allocate funds for the bank.

Public banking offers a unique opportunity to prevent extraction of local resources and instead reinvest in local communities. The model also addresses the central role of lending in perpetuating structural racism and sexism.

SCALING THE SOLUTION

The multi-year effort in Oakland demonstrates the commitment required to change how cities and states manage public funds. If Oakland residents are successful, their work can be a roadmap for others to follow. Scaling the solution will require communication and coordination between local efforts, including sharing strategies and developing actionable principles to guide the operation of public banks. Public bank loans should be made accessible to those with the greatest need who are so often denied private loans. Equity must be

a core tenet of lending practices, infrastructure, investments, and all other bank operations.

Ultimately, public banks will be as equitable and empowering to their communities as the principles and operational mechanisms that guide them. A coordinated movement linking municipalities can create opportunities to develop shared principles and strategies as well as universal rubrics for assessing outcomes.

5

FROM EXCLUSION TO EQUITY AND PARTICIPATION

Restorative Justice:
Valuing People,
Not Punishment

People-Centered Democracy:
Restructuring for Inclusion



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“We are a country divided” has become a common refrain. But the strategies, models, and practices we need to rebuild community and national cohesion are already available to us. Local and national organizing efforts across the country are planting the seeds of a new democratic culture.

We need inclusive models that address historical inequities and repair relationships as well as deep participation that offers people a meaningful role in shaping society.

By prioritizing and supporting communities and people who have faced injustice, an inclusive democracy would ensure that equity is central to its design. By decentralizing decision-making, a participatory democracy would offer communities control over land, housing, education, and other vital resources. Together, these approaches can bring us a deeper local democracy that can rebuild our institutions from the ground up.

“Democracy is not possible without racial justice. And racial justice is not possible without a working democracy.”

— GLENN HARRIS
President of Race Forward

Restorative Justice: Valuing People, Not Punishment

Racial and gender justice are cornerstones of any healthy democracy. Yet a culture of punishment and control directed toward communities of color as well as women and LGBTQ people excludes massive numbers of people from our democratic spaces and social systems. Systemic police brutality, school pushout, mass incarceration, deportations, surveillance, and criminalization of nonconformity represent just some of these harrowing dynamics.

The culture of punishment includes at least four major dimensions:

1. Surveillance, policing, and incarceration of communities, especially poor and working-class Black and brown communities and people who are homeless: The United States is home to 5% of the world's population and 25% of its prisoners.¹⁵⁶ More than half of Black men without a high school diploma will be sent to prison or jail,¹⁵⁷ and Latino and Native men are also policed, arrested, and incarcerated at extraordinarily high rates. The systematic incarceration means that White men are also locked up at exceptionally high rates compared to other countries. Even Black and Latino children are being criminalized as they are harshly penalized for common childhood behaviors and pushed out of school at as young as three years old. Once someone is slapped with the label “criminal,” they face nearly 50,000 federal, state and local laws that deny them work, housing, healthcare, education loans, voting rights, and other fundamental rights.¹⁵⁸ For those who find themselves homeless, even the most basic functions of life—sleeping, sitting, eating, and earning money—are now illegal in many cities and counties. People who have a mental illness or drug addiction are systematically policed and criminalized too, with people of color more often criminalized and less often offered supportive interventions than Whites.

2. Punitive culture of social welfare: The punitive culture of policing and prisons is mirrored in our social welfare, education, housing, healthcare, and child welfare systems. Poor and working-class people, especially poor women of color and transgender people, endure endless obstacles, humiliations, and outright denials as they seek to provide for themselves and their families. By blaming individual people for structural poverty, our supposed social support systems ruthlessly cut families off for minor and often unavoidable infractions like missing appointments, or impose humiliations such as forcing people to pee in cups, expose their lives to inspectors, or modify or suppress their gender expression.

Taken together, these systems of criminalization and punishment are astounding in their scope.

3. Criminalization and deportation of immigrants: With upwards of a quarter of a million residents deported per year,¹⁵⁹ undocumented immigrants live under constant threat of deportation, creating fear and inhibiting access to the limited social support available.

4. Control and punishment of gender and sexuality: Women, transgender and gender-non-conforming people, queer people, and sex workers all face heightened control and criminalization of their gender and sexuality. People perceived to challenge gender and sexual norms, and those who provide them services, are at constant risk of criminalization.

Taken together, these systems of criminalization and punishment are astounding in their scope. They constrict and regulate the lives of tens of millions of people every day.¹⁶⁰

COMMUNITY-DRIVEN SOLUTION

Restorative Justice and Ending the School-to-Prison Pipeline

On the surface, transforming our culture of punishment simply requires stopping current practices. Police harassment, arrests for minor infractions, extreme suspensions and expulsions in schools, and rigid and inflexible penalties in social services systems are all needless and harmful. The call to divest resources from these harmful practices and invest them in social and public goods keeps getting stronger.

But changing the culture of systems and institutions requires intentional strategies and an alternative vision that can take root and grow. We must shift from a system based on punishment and retribution to a system designed to heal and prevent harms, uphold the dignity of every human being, and recognize people's humanity beyond their errors or even their worst acts. Communities have been advancing that alternative in the form of restorative justice. Restorative justice is an approach that seeks to repair any harm done in the case of conflict or when someone commits an offense. Scholars studying restorative justice describe restorative justice as "a process where all stakeholders affected by an injustice have an opportunity to discuss how they have been affected by the injustice and to decide what should be done to repair the harm."¹⁶¹

Because the goal of restorative justice is repairing harm and relationships, the focus is on the dynamic between community members—those individuals involved in a conflict and the broader community—rather than between the individual and the state. Depending on the circumstances and context, institutions have used different variations of the process. Often there is a "circle" in which the conflict or harm is discussed by all stakeholders, and together a decision is reached on how to repair the harm. One arena in which this approach has taken hold and made significant impacts is in the schools serving primarily Black and Latino students that had become sites of criminalization. We can examine how restorative justice is being introduced in schools as a case

study for supporting a culture shift across sectors of society, including in criminal justice, social welfare, immigration, and other areas.

Ending the School-to-Prison Pipeline: With metal detectors and armed police in schools and extreme suspension and expulsion practices pushing many youth of color, and in particular Black youth, out of schools, young people of color frequently find themselves subjected to what they describe as "prison prep" rather than a positive educational environment. Harsh and arbitrary punishment begins in preschool with suspensions and even arrests for tantrums. Students of color, as well as students with disabilities, LGBTQ students, and students who are homeless or in foster care constantly receive the message that they are not valued, contributing to the push-out of over one million students a year who do not reach graduation.¹⁶² Immigrant students and their families are threatened by collaboration between law enforcement in schools and immigration enforcement officers, creating a school-to-deportation pipeline.

Restorative justice has been successfully championed and implemented in schools around the country to transform these criminalized environments and keep students in schools. Youth-led and parent-led community organizations have spearheaded these efforts, with support from national coalitions like the Dignity in Schools Campaign. As a result, districts like Denver and Oakland that adopted restorative practices over a decade ago see fewer suspensions, higher graduation rates, and improved school climate.¹⁶³

To achieve genuine success, a restorative justice process begins before any harm or conflict occurs. Schools involve students, teachers, and parents in building consensus on a set of values and designing a process. They may establish fairness committees made up of teachers and students to determine consequences with the student in trouble, restorative circles, mediation and conflict resolution, or other practices. There is flexibility in

the design, but a great deal of training is essential for both teachers and students who facilitate.

When a conflict arises, restorative justice focuses on accountability strategies that repair the harm and rebuild relationships. Every stakeholder who is impacted, including the person who causes harm and community members who are affected directly or indirectly, holds both power and responsibility to address the emotional, mental, and physical wellbeing of community members. The process should also yield commitments and strategies to avoid the behavior in the future.

The shape of restorative justice varies by context, but in schools it holds students accountable for

their behavior while keeping them in the classroom to learn. At its core, restorative justice shifts the focus of discipline from punishment to learning and from the individual to the community.

Some schools have almost completely eliminated suspensions, and some school districts have seen suspensions and expulsions drop by half.¹⁶⁴ And all the evidence shows that restorative justice has positive impacts on the school environment. It reduces conflict and disruption in schools, reduces school push-out through suspensions and expulsions, improves relationships between students and adults, and improves student engagement.

SCALING THE SOLUTION

For restorative justice to succeed, it must be accompanied by structural changes. In schools, discipline codes should eliminate both zero-tolerance policies that require punishment in all instances and vague categories of offenses, such as “willful disobedience.” Resources and staffing must also shift from criminalization to supportive interventions. Schools subject to high levels of criminalization, for example, typically have more police than counselors. Instead, supportive and restorative programs must become a central component of school systems. And because all evidence demonstrates that race plays a key role in whether students are perceived as dangerous, school districts and states must continually assess and address implicit and explicit biases and disparate racial impacts.

Beyond Schools: Given how pervasive criminalization has become, restorative justice should be explored in a wide range of contexts. Neighborhood committees or boards might engage residents in restorative justice processes in collaboration with city agencies. When conflicts and infractions occur, such as someone breaking into a locked water meter or violating a housing code, a community-based restorative process could, rather than arresting, fining, or evicting the person, address the root cause of the problem and generate a

community response. Policies should also require public employers and incentivize private employers to bring restorative justice practices to the workplace.

If neighborhoods, workplaces, and institutions had a restorative justice strategy, when someone violates a norm, rule, or law, we would be ready with a reparative community response. This solution not only diverts us from costly and harmful criminalization: it also builds community cohesion and local democracy. But in order for these efforts to be effective, formal systems and institutions must shift from a punitive culture to a supportive one.

Finally, it is important to note that every violation may not be appropriate for resolution by restorative justice. Certain crimes that are too painful for the victim or power dynamics between the victim and perpetrator may preclude a successful process. Moreover, in case a restorative justice process fails, we need alternative options, but punitive approaches must be an absolute last resort. Reorienting our society around human rights values and restorative justice practices would transform not only our political culture, but improve how we live our lives, build our workplaces and communities, solve problems, and create connection across our differences.

People-Centered Democracy: Restructuring for Inclusion

The United States prides itself on its democratic founding ideals. While our ideals have never been realized for all our people, today we are living through an all-out assault on our most cherished democratic values. As this report notes earlier, due to the irregularities of the questionable presidential election of 2016, the Economist Intelligence Unit downgraded our country from a “full” to “flawed” democracy.¹⁶⁵ Although the likely external interference in the election was shocking, for most Americans the basic premise that our democracy is in peril was not news. The rise of the corporate state is fundamentally at odds with democratic institutions, processes, and culture.

Confidence in political institutions has plummeted. In 1958, three out of four Americans polled said they could trust the government to do the right thing most or all of the time.¹⁶⁶ This number dropped to less than half in 1972, which coincided with the re-election of Richard Nixon and the early seeds of the corporate state.¹⁶⁷ It has steadily dropped ever since. In 2010, only one in five Americans expressed the same confidence in government, and that number has remained low, with minor fluctuations.¹⁶⁸ Last year it was a depressing 18%.¹⁶⁹ And in June of 2011, 67% of American reported that they believe “elections are generally for sale to the candidate who can raise the most money.”¹⁷⁰

We need to develop practices of inclusion and local democracy in cities and neighborhoods across the country.

The state of voting rights is also catastrophic. Both gerrymandering and voter suppression, especially of communities of color, are a fact of life.¹⁷¹ The Republican Party has deployed these voter suppression tactics to devastating effect, and for



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decades both political parties have participated in constructing a system of mass incarceration that has excluded Black people and others from voting and from participation in a wide range of social and economic sectors. Although the public is wracked by discord, most people now widely agree that neither major political party represents everyday Americans.

In response to the 2016 election, there is renewed energy for running progressive candidates outside the mainstream party machines. The fight against voter suppression has also intensified. These developments are encouraging and demonstrate that Americans concerned with social justice, human rights, and democracy remain deeply invested in the future of the country. But rebuilding democracy, considering the depth of the problems, which are structural in nature, requires a fuller reimagining of our democratic processes and systemic approaches to inclusion.

We should support rebuilding democracy from the ground up. We need to develop practices of inclusion and local democracy in cities and neighborhoods across the country.

COMMUNITY-DRIVEN SOLUTION

Human Rights Participatory Budgeting

An open, accountable, equitable, and participatory public budget process should be an essential pillar of a healthy democracy. The public budget is the central economic policy mechanism for government, reflecting social and economic priorities and values. Indeed, public spending decisions affect the full range of economic and social rights, from access to housing, quality education and jobs, decent healthcare, and more.

Budget decisions also have the deepest impacts on communities with the least access to private capital. Yet, the process to decide public budgets—which actually begins when representatives make revenue decisions—rarely involves in any significant way communities impacted by those decisions. While legislative budget hearings are a standard staple of the budget process, most key decision-making happens prior to that, driven by revenue forecasting, and the public has a limited role. Indeed, local budgets are rarely even transparent, and meaningful information on budget issues is not easily available. Out of the top 30 cities in the United States, only three received an “A” ranking in transparency, and more than two-thirds ranged from having inadequate information to having little to no information about the budget.¹⁷²

There is a growing recognition that local budgets do not facilitate equitable sharing of resources, and powerful efforts by networks like the Government Alliance for Racial Equity are designed to change that. As a result, some cities, like San Antonio, have adopted an “equity” budget for the first time in their history that obligates the city to spend more in historically neglected and poorer areas.¹⁷³ Many other cities have begun to bring some type of equity lens to their budgeting process.¹⁷⁴

Building democracy and equity should go hand in hand. And given that one of the most significant roles government plays is generating public revenue in order to invest in public goods and services, transforming the budget process offers an invaluable opportunity to build more participatory and

inclusive democracy toward equitable outcomes. It would also extend our democratic values beyond the electoral realm, creating more direct public or community-based decision-making to promote the public good.

Participatory budgeting emerged out of Porto Alegre, Brazil, in 1989 as a “radical experiment to alter the chemistry of democracy.”¹⁷⁵ The purpose was to redistribute resources democratically to communities facing the greatest need. In Porto Alegre, citizens make decisions on how the entire budget is spent, and the process was designed as “pro-poor” to invert social priorities. Although threatened by recent political developments in the country, participatory budgeting in Porto Alegre is consistently lauded as an extraordinary success. The outcomes have been concrete and dramatic; for example access to sanitation and clean water jumped from 85% of the population to 98% as a result.¹⁷⁶ While results around the world are still emerging, those types of participatory budgeting that are well designed and specifically geared toward redistributive goals are associated with increased social justice outcomes.

The public budget is the central economic policy mechanism for government, reflecting social and economic priorities and values

Since then, 3,000 cities have tried to replicate this success.¹⁷⁷ The goal of participatory democracy is to deepen democratic engagement with communities, and as a result influence political leadership and social justice outcomes. Successful participatory budgeting requires government support, a strong and organized civil society, and adequate resources. Equally important, having clear goals of redistributive justice combined with

effective strategies of full inclusion of all marginalized communities and people is essential to its success. Participatory budgeting efforts must be conscious of structural impediments to inclusion, such as the digital divide, issues of transportation, and language barriers among others.

In its expansion, participatory budgeting has taken different forms. In some places it maintains its character as a radical democracy project, in others it has become more technocratic, and in still others it has taken the shape of a small public works program. In the United States, it is considered an innovative civic engagement model that over the last ten years has engaged more than 200,000 people in at least 17 cities across the country.¹⁷⁸ To date, in the United States participatory budgeting has focused on small amounts of discretionary spending at the neighborhood or city level. Community members brainstorm ideas for local public spending projects, and then work on developing proposals. Local residents vote on proposals, and the winning projects are granted funding. It is an active process in which cities proactively reach out to residents to do public education and engage people in taking part.

In Boston, youth between 12 and 25 years of age vote to allocate \$1 million of the city budget.¹⁷⁹ And in Cambridge, residents recently submitted 608 ideas to spend \$800,000 of the capital budget.¹⁸⁰ Denver allocates \$325,000 in funds,¹⁸¹ while Seattle allocates \$2 million.¹⁸² And New York sees more than 50,000 people turn out to vote for the allocation of \$33 million in funds.¹⁸³ While so far even New York's process is of limited scope in the context of the larger budget decisions, these projects seed a larger vision of participation. Moreover, by opening participation to the public at large—including immigrants, young people, and people with incarceration records, all of whom are ineligible to vote in elections—they seek to foster community cohesion and active democracy. To ensure broad participation, meetings are scheduled at accessible times and places in multiple languages, and community-based organizations work on outreach, recruiting, and training resident facilitators, including with arts and cultural programming.

“What is Human Rights Budgeting (HRB)? First and foremost, HRB is a type of participatory budgeting that centers on realizing the fundamental needs that enable us to be fully human, as laid out in the Universal Declaration of Human Rights (UDHR).”

— COOPERATION JACKSON

Newer efforts seeking to build on these existing projects are calling for human rights budgeting with redistributive justice as their central focus. Human rights participatory budgeting efforts in the United States involve the budget as a whole, including revenue decisions and a process grounded in principles of equity and human rights. Efforts have been underway in both Vermont and Jackson, Mississippi. Although the model has not been fully realized, both efforts have made progress.

A People's Budget Campaign in Vermont in 2012 sought to transform the budget process by involving state residents in collectively determining their fundamental needs. This was followed by a process of participatory decision-making about raising revenue for funding a needs-based state budget. Activists developed proposals for a budget accountability system based on human rights principles and indicators, and the State responded by enacting legislation that defined the purpose of the budget, stating that:

- The budget should address needs in a way that advances human dignity and equity;
- “Spending and revenue policies will ... recognize every person's need for health, housing, dignified work, education, food, social security, and a healthy environment”; and
- The “administration shall develop budget and revenue proposals as part of a transparent and accountable process with direct and meaningful participation from Vermont residents.”¹⁸⁴

Today, these have been victories at the level of discourse and formal policy, but work remains to translate them into meaningful process and practice.

Jackson, Mississippi, recently became one of the latest cities to commit to a human rights participatory budgeting process. Mayor Chokwe Antar Lumumba committed to human rights participatory budgeting in 2017. Two community

organizations, the Jackson Human Rights Institute and Cooperation Jackson, have driven the campaign and process, which is in its very early stages. They hosted a “Transition Assembly” in January 2018 to educate residents, build capacity, and launch and implement what may become the first human rights participatory budgeting process in our country.¹⁸⁵ Mississippi has a long history of movement firsts, and we are encouraged that this might be yet another.

SCALING THE SOLUTION

There are a range of avenues to create community control over resources and their equitable distribution. Other community-driven solutions in this report have already touched on different kinds of cooperatives and community land trusts, as well as new forms of worker-driven social responsibility, as important vehicles for more democratic and equitable neighborhoods and workplaces.

Participatory processes for determining public budgets—whether at state or city level, in schools, or within key agencies—offer a critical complement to these other strategies.

Though most existing participatory budgeting processes in effect today are limited in their scope—usually covering just a small portion of public spending, and not governing revenue policy—cities and localities can greatly expand participatory budgeting. In conjunction with an equity-centered budget accountability system, participatory budgeting can cover entire budgets, governing how all public dollars are raised and spent. It can begin at the earliest point in the

process when decisions about revenue are made, which are the source of both austerity measures and inequitable taxes and fees that burden people with lower incomes. We can create a budget process driven by values, with equity metrics firmly embedded so that public money is used to meet all fundamental needs, beginning with the deepest and most urgent.





RIGHTS

EQUITY

DEMOCRACY

BRINGING IT
TOGETHER

CIW

There is a growing commitment in our country to build a caring economy and society that recognize our mutual interdependence and responsibility. All the community-, worker-, and movement-driven solutions discussed in this report reflect that commitment. They are grounded in values and prioritize people rather than profits. These solutions strive to create a society that meets the needs of everyone and addresses historical inequities, while bringing authentic democracy to life.

We believe these solutions can help serve as the beginning of a new social contract that is:

- Guided by human rights values, in particular the collective obligation to meet human needs and protect the dignity, freedom, and equality of each person;
- Shaped by systems that are universal and serve all people equitably by putting the most marginalized at the center of policy and practice; and
- Driven by a view of democracy that is inclusive, participatory, and redistributive.

RIGHTS

Guided by Human Rights Values

Our policy frameworks are often driven by deeply conflicted goals. We set economic policies to boost macroeconomic growth and private profit without real concern for equity and rights. As a result, wages stagnate and our families can't afford basic needs, while our social welfare policy then tries to mop up the mess with a tattered safety net. Community and economic development policy often seeks to increase property values, blindly fueling displacement, while our homelessness policy struggles to keep up. The examples abound. We need a consistent framework for our policies that guide all public and private economic systems toward meeting broadly agreed upon values and goals.

Because all people are interdependent and the essential requirements of life—water, food, education, housing, healthcare, work, income, transportation, and a clean environment—can only be met through collective efforts...

Because assuring that every person can meet their basic needs is an unconditional moral obligation ...

Because economic and social justice are necessary for the future of our democracy ...

A commitment to the full range of human rights for all people, including economic and social rights, can form the backbone of a new social contract.

Human rights move us toward a society that makes human freedom, equality, and dignity its moral center. But human rights values and goals must not be contained merely within law and policy. We must simultaneously build a human rights culture where we share mutual expectations of responsibility for the well-being of one another and extend that moral center to all our social relationships and key institutions.

Human Rights Values

All people are part of the human family and are equal in dignity and rights. Everyone is deserving of freedom and the opportunity to reach their full potential. To live our values, we need structures, systems, and institutions that ensure, among other things, that everyone can:

Realize their right to an adequate education

Access quality and affordable health-care, including reproductive healthcare

Live in decent and healthy housing as well as a healthy environment

Work with dignity and collectively organize to improve labor conditions

Eat nutritious food

Achieve a decent standard of living

Have adequate income to meet their basic needs

Access clean and affordable water

Freely express themselves, vote, and participate in the political process

Exercise their religious beliefs

Rely on due process and equality under the law

Be free of torture, violence, and other forms of abuse

Form a family of their own choosing without interference

Be free of intentional, systemic and structural racism, gender injustice, and other group-based exclusions and oppression.

EQUITY

Shaped by Universal, Equitable Systems

We all rely on societal systems for securing our basic needs. We rely on the food, water, housing, education, healthcare, labor, and social insurance systems and more. These systems are in many ways spectacularly successful: they enable 325 million of us to live in interdependence and, in comparison to most of human history, remarkable peace and prosperity.

Yet these same systems have always been deeply inequitable. They deliver inferior outcomes for many and exclude others altogether. Without exception, each of these systems routinely denies access to basic needs to people of color and poor people, especially poor women. All these systems err in relying too much on markets—which allocate resources based on ability to pay—and none reflect a universal commitment to meet the needs of everyone.

Because only through shared risk solidarity where we pool our resources to protect everyone against misfortune and insecurity, can we ensure all people meet their basic needs...

Because we will leave people out unless we design systems around the most marginalized and the greatest needs...

Because our systems are most sustainable when everyone has a stake in their success...

Universal systems that target equity to ensure the needs of all should replace erratic markets buttressed by a tattered safety net in order to shape our new social contract.

We need universal systems that treat fundamental needs like healthcare, caregiving, basic income, and water, among others, like public goods belonging to all. A universal system is one that is designed around the greatest needs so that no one is left out. These systems require centralized progressive public financing but should allow for local and participatory decision-making so that goods and services can be tailored for each neighborhood and community.

To include everyone, our systems for public goods and services should prohibit hidden costs or any fees that restrict access to some members of the community, should fund and make available services and goods in all neighborhoods, leaving none out, and should fund the type of services and goods each community needs.

DEMOCRACY

Driven by Deep, Inclusive Democracy

Democracy is a core American value and essential to our country's identity. Though our democratic ideals have never been fully realized, over time, peoples' movements have successfully fought to make our democracy more inclusive. And yet today our democracy and political institutions are at risk. We face electoral manipulation and systematic disenfranchisement of communities of color. Nearly unchecked campaign financing by corporations and the wealthy is enshrined in Supreme Court opinion. These developments silence the voices of millions and leave pressing concerns like poverty and economic rights off of the national agenda.

Across geographies, communities, and the political spectrum, people are struggling with a lack of control over both public policy decisions and their own lives. The traditional strategy of voter mobilization is presently blunted by low voter turnout and a host of voter suppression tactics that deprive millions of people the opportunity to vote.¹⁸⁶ And voting, while crucial, is never enough on its own. Democracy cannot stop at the polling booth.

Because equality, including racial, gender, and economic equity, cannot exist without a vigorous democracy...

Because we need authentic democratic processes to actively and openly engage with each other on how to address our pressing social and economic challenges...

Because a pluralistic multi-racial, multi-cultural country such as ours can best be unified by establishing shared values and shared governance...

We must build deep, inclusive democratic processes and institutions into all areas of public and community life, rebuilding democracy from the ground up.

A deep and inclusive democracy goes beyond reforming our electoral system. It includes community control over the agencies and institutions that shape people's lives, workers having power over their wages and working conditions, and student and parent leadership and participation in schools and school district governance. Deep democracy is participatory and built on structures and processes that ensure regular information for communities. Without information and decision-making power, communities cannot participate meaningfully in governing the public and private economic systems that affect their lives.

Deep local democracy respects the power of every person, regardless of age, race, gender identity, sex, education, income, disability, wealth, or sexuality to be a part of shaping our society. It gives voice and power to marginalized communities. Through a deeper democratic vision and practice, we can rebuild a sense of common purpose as a nation while ensuring that each community's needs are met.



CONCLUSION

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The claim that the “arc of the moral universe is long, but it bends toward justice” is most often attributed to Dr. Martin Luther King, Jr. It is a claim made by moral leaders since as early as 1810, and even a recent President—Barack Obama. We believe this to be true. **The arc of the moral universe, however, is unlikely to be governed by the laws of physics, but rather by the depth of our commitment and consciousness as a people.** It is our responsibility to both fight for justice and interrogate what it means in our time. And we need a clear and intentional path toward that larger vision of justice and human rights.

Community- and movement-driven solutions that are grounded in values can help us construct that path. Because they arise dynamically from

the most acute needs in people’s lives, they are adaptable. Because they are grounded in principles and values that transcend specific political moments, they add up to a larger vision that is enduring. We have an acute need, in this moment of political instability, for an adaptable, grounded, and enduring vision.

A New Social Contract project argues that such a vision can also be transformative, addressing key sectors such as public revenue, land, energy, labor, and even our system of democracy itself. We present this report and this whole project as but one step in what must necessarily be an evolving collective process.

We hope you’ll join us.

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- 2 A transgender person expresses a gender identity different from the one that society generally associates with that person's sex at birth.
- 3 We use the term 'LGBTQ' to refer to people of all marginalized sexual and gender identities including not just lesbian, gay, transgender, bisexual, and queer people, but also people who identify as two-spirit, non-binary, gender-non-conforming, intersex, asexual, etc. 'Latinx' is a gender-neutral term that is coming into increasing usage in lieu of 'Latino.' We have decided to use 'Latino' in this report to reflect the most common usage among our grassroots, Latino-led partners, but very much include people of all gender identities wherever this term is used.
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- 7 Helgeson, *supra* note 4, at 6-8.
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- 9 *Id.* at 7.
- 10 *Id.* at 9.
- 11 *Id.* at 13-14.
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- 19 *Ibid.*
- 20 *Ibid.*
- 21 Piven, Frances Fox & Richard A. Cloward. *Poor People's Movements: Why They Succeed, How They Fail*. New York: Vintage Books (1979), pp. 47-64.
- 22 Helgeson, *supra* note 4 at 18.
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NESRI NATIONAL ECONOMIC & SOCIAL RIGHTS INITIATIVE

Human Needs | Human Rights

Our Mission

In partnership with communities, NESRI works to build a broad movement for economic and social rights, including health, housing, education, and work with dignity. Based on the principle that fundamental human needs create human rights obligations on the part of the government and private sector, NESRI advocates for public policies that guarantee the universal and equitable fulfillment of these rights in the United States.

Our Role

NESRI partners with community organizations to elevate their voices, strengthen their campaigns, and effect change. Working in a participatory way and guided by human rights principles, whether we take action on the ground, foster coalition building, or offer broader analysis, we are accountable to decisions made collectively with our partners and grassroots leadership.

Through our collaborations, NESRI gives national impact to local actions by developing replicable and scalable models and spreading them across the country. We bring an inclusive human rights approach that builds power, shifts narratives and debates, and changes policies by putting people's experiences at the center and bridging divisions between issues and communities.

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