

**MARJORIE KELLY AND TED HOWARD OF  
THE DEMOCRACY COLLABORATIVE**

# **THE MAKING OF A DEMOCRATIC ECONOMY**

**Building Prosperity for the Many, Not Just the Few**



**FOREWORD BY NAOMI KLEIN**

**AFTERWORD BY ADITYA CHAKRABORTTY**

## **Praise for *The Making of a Democratic Economy***

“Kelly and Howard offer the insight that our democratic principles and our economic vitality don’t need to be in constant contradiction. For the future health of our planet and its citizens, we need to democratize our market-driven economy by creating ownership structures that, by their very nature, lead to more sustainable, generative outcomes. This powerful book shines a light on the practical paths so many are searching for today.”

—**Dan Wolf, CEO, Cape Air, and former Massachusetts State Senator**

“We call *The Laura Flanders Show* the place where ‘the people who say it can’t be done take a backseat to the people who are doing it.’ Howard and Kelly bring us dispatches from places like that all across the United States, where people are democratizing the economy and shifting power. This important survey, from two who have been instrumental to much of this work, paints a picture not simply of a mosaic of experiments but of a newly emerging system that lies within our reach. Can we change our culture to cherish people over capital? It won’t be easy, but it can be done. We need deep long-term thinking and immediate action steps. Lucky for us, this deeply considered book offers both.”

—**Laura Flanders, Host and Executive Producer, *The Laura Flanders Show***

“Marjorie Kelly and Ted Howard remind us that it’s not enough to fight against an unjust and unsustainable system—we also have to have a vision for the system we want instead and a plan for building it. The stories they tell in *The Making of a Democratic Economy* lift up the hard and vital work of the people creating the institutions of the next economy.”

—**Kat Taylor, cofounder and CEO, Beneficial State Bank**

“As champions of worker and community ownership, Kelly and Howard remind us that economic democracy is essential to political democracy and a viable human future.”

—**David Korten, author of *When Corporations Rule the World* and *Change the Story, Change the Future***

“This book offers a practical path of radical hope for system change. Models like those here are being copied across the world. Scores of the ideas here make clear sense, like having the Federal Reserve bail out the planet the same way it bailed out the big banks. If you’re looking for a mix of mind-expanding vision with ideas and models that are working and ready to be tried in your town, this book is for you.”

—**Kevin Jones, cofounder of Social Capital Markets and The Transform Series**

“This is an important book. It builds on growing recognition that systemic transformation is needed, providing a road map to understanding that democracy is at the core of building flourishing economies needed for a flourishing future. We all need to deeply learn from the many examples and lessons of this book and work

together to create whole systems change. *The Making of a Democratic Economy* provides an invaluable guide to how that can happen.”

—**Sandra Waddock, Galligan Chair of Strategy, Professor of Management, Boston College**

“Marjorie Kelly—a huge influence for me as an impact investor and activist—has given us another gem, on the critical need for democracy not just in our political system but in our economy.”

—**Morgan Simon, Founding Partner, Candide Group, and author of *Real Impact***

“The call for an economy that works for all is heard in Washington and even on Wall Street—but how will the change take place? Marjorie and Ted offer a map. They share stories of a different kind of enterprise—one that puts the human interest at the heart of success. These community-based enterprises are not only hopeful but replicable—they illuminate the design for an economy that honors our democratic ideals.”

—**Judith Samuelson, Executive Director, Business and Society Program, The Aspen Institute**

“Marjorie Kelly and Ted Howard have given us the road map toward economic democracy. But they don’t just show the interstates and the major landmarks—they show the byways and small towns where real change comes from. In this moment when greater and greater numbers of people are realizing that the rules of capitalism must be rewritten, the stories in these pages, and the strategies that Kelly and Howard share, will guide our way forward.”

—**Lenore Palladino, Assistant Professor of Economics and Public Policy, University of Massachusetts Amherst; former Vice President for Policy & Campaigns, Demos; and former Campaign Director, MoveOn.org**

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Berrett-Koehler Publishers, Inc.

# The Making of a Democratic Economy

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# FOREWORD

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In moments of crisis, when the system around us stops working, cracks in our understanding appear—we come unmoored, unable to explain how the world works and indeed what our place in it is. But these gaps don't stay empty for long. Fear, dividing and turning us against each other, rushes in to fill the cracks—unless we can fill them with hope first.

Hope is what makes it possible to just say more than “no” in times of crisis. Don't get me wrong, saying “no”—to the rise of oligarchs and authoritarians around the globe, to the cages at the borders, to a rapidly accelerating climate crisis—is a moral imperative. But hope—credible hope, grounded in vision and strategy—is what turns reactive movements into transformative ones. We need to know what we are *for* as well as what we're *against*, illuminating the path forward with a clear and powerful vision of the world we want. That's what hope is—the light we throw on the future by our ability to dream together.

To be sustained, hope needs a foundation. It's not enough to imagine that another world is possible; we need to be able to picture it, experience it in miniature, feel and taste it. What Marjorie Kelly and Ted Howard do in the pages that follow is give us the concrete stories and real-world models that we need to truly believe in this new world.

These stories—of cooperatively owned workplaces; of cities committing to economic policies rooted in racial justice; of ethical finance and investing; of communities on the frontlines of crisis building the new—combine to show us that a different economy is not just a theoretical

possibility, or a distant utopia, but something already under construction in the real world. To be sure, the road from our current economic system—extractive, brutal, and fundamentally unsustainable—to a system grounded in community, democracy, and justice remains uncertain, and there are no shortcuts. But the stories in these pages help us to understand that we can make this road as we walk it, starting by taking a first step together beyond isolation and despair.

In the stories Kelly and Howard tell, we see vital leadership emerging from those for whom the current system never worked—introducing us, for instance, to a new generation of Oglala Lakota leaders building a remarkable “regenerative community” out of the depths of poverty on the Pine Ridge Reservation. Those most brutalized and excluded need to be in the lead, yet that doesn’t leave everyone else off the hook. Changing everything means that everyone has a role to play, so Kelly and Howard tell the stories not just of activists and grassroots leaders, but of the unlikely accomplices of the democratic economy, where the seeds of a future beyond corporate capitalism are being planted in hospital procurement departments, pension fund offices, and even a few company boardrooms. And it’s not that radicals have snuck in to subvert these economic institutions—it’s that the failing system all around us is making what was once radical seem more like common sense, including for those with the power to move significant resources out of the current system and into the next one.

There’s a saying activists in South America use often, about making a revolution from below as *trabajo de hormigas* (“the work of the ants”). That’s an apt way to understand the work of the community wealth builders Kelly and Howard explore—working below the surface, coordinated without central control, digging tunnels to what comes next.

Kelly and Howard approach all this with humility—the work of the ants is done by human beings, not superheroes or prophets; the way the authors acknowledge their own failures and missteps along the way gives us space to be OK with our own. Failure is important here because a democratic economy is a work in progress, built on and learning from experiments, some wildly successful, some not. Kelly and Howard tell us about a new economic system emerging from these experiments in the

laboratories of democracy, where the hard work of inventing and testing alternatives at the local level lays the groundwork for the new institutions that can emerge at scale when the political opening presents itself. This has happened before—it's how the New Deal was built in the US, and how Canada's single-payer system came to be. Something powerful is at work, but we need to be ready to build for the long haul, committed to a lifetime of engagement.

It's fitting that the title of Kelly and Howard's book calls to mind the work of the great British historian E. P. Thompson, whose *Making of the English Working Class* insists that the working class didn't emerge from nowhere as a complete social and cultural identity, nor was it simply fashioned passively by history. Thompson, on the contrary, insists that the English working class was "present at its own making"—building itself through its own agency, its own acts of resistance, and its own ability to dream of a better world. A democratic economy, too, is present at its own making. It's not something that just hovers as an abstract possibility on the horizon, nor is it something that's going to happen automatically—it's something we need to start building, together, now.

But we need to hurry. Patience and time have run out for so many of our collective struggles. It's past time to reckon with and repair the damage done by slavery and colonialism, and it's past time to take bold action to prevent catastrophic climate change. As Kelly and Howard point out, making space to build the world we want in the face of these crises means that slow experimentation isn't enough—we need to be ready for big steps that give that new world the breathing room it needs to come into being. For instance, in the last financial crisis, our governments conjured hundreds of billions of dollars out of thin air to save the financial sector. Why can't we use that kind of power to attack the climate crisis at its extractive root, by buying out and winding down the fossil fuel companies—and by prioritizing the most marginalized communities in the transition?

If one thing is certain, it's that more crises are on their way. We know that the shock doctors of the old system are making plans to take advantage of these crises—laying the foundations for more repression, for more extraction, for more austerity, for more Flints, more Puerto Ricos, more

Brazils. We need plans and models, too. The more we build the democratic economy today, the better prepared we are to grab the wheel of history and swerve toward the next system. This book arrives just in time.

—NAOMI KLEIN, Canadian social activist,  
filmmaker, and author of *No Is Not Enough*,  
*This Changes Everything*, *The Shock Doctrine*,  
and *No Logo*

# PREFACE

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In scattered experiments—disconnected, often unaware of one another—unsung leaders are building the beginnings of what many of us hunger for but can scarcely imagine is possible: an economy that might enable us all to live well, and to do so within planetary boundaries. They're laying pathways toward an economy of, by, and for the people. Visiting these leaders, we have distilled the first principles at work. What we find emerging is a coherent paradigm for how to organize an economy—one that takes us beyond the binary choice of corporate capitalism versus state socialism into something new.

The first moral principles of this system are community and sustainability, for as indigenous peoples have long known, the two are one and the same. Other principles are creating opportunity for those long excluded, and putting labor before capital; ensuring that assets are broadly held, and that investing is for people and place, with profit the result, not the primary aim; designing enterprises for a new era of equity and sustainability; and evolving ownership beyond a primitive notion of maximum extraction to an advanced concept of stewardship.

This emerging democratic economy is in stark contrast to today's extractive economy, designed for financial extraction by an elite. It's an economy of, by, and for the 1 percent. Society long ago democratized government, but we have never democratized the economy. That is the historical project now beginning. There's a role for all of us in nourishing this potential next system.



This book is for all who are concerned about the fate of our planet and civilization. It can be of value to activists and to those from both sides of the political aisle who recognize the status quo isn't sustainable. It will be useful for leaders from foundations, nonprofit hospital systems, colleges and universities, government and nonprofit economic development, impact investing, progressive and employee-owned companies, unions, mayors, and other civic leaders. Political scientists and economists may find it of value, though it's not an academic book.

These readers are international. The stories here are predominantly from the US and UK, the epicenter and birthplace of capitalism. But the lessons apply in many nations, for the extractive economy is global, and the democratic economy is likewise rising across the world. Each chapter visits one site where this work is emerging; feel free to jump directly to the chapter that interests you most.

The two of us, coauthors Marjorie Kelly and Ted Howard, are executives at The Democracy Collaborative, a 19-year-old nonprofit that is a research and development lab for a democratic economy. Our staff of 40 plus a dozen fellows—in Washington, DC, Cleveland, Ohio, Brussels, Belgium, Preston, England, and elsewhere—work in theory and practice to incubate ideas for transformative economic change. We work at the level of systems creating the crises making the headlines. In our place-based work, we help communities create wealth that stays local and is broadly shared, through economic development fed by the power of anchor institutions, built on locally rooted ownership. In our theory, research, and policy work, we envision large-scale system change in areas such as the environment, finance, and ownership design.

In recent years, our staff has tripled as demand for our services has grown. This growth has occurred because of a rising thirst for transformative solutions, and because of a group of visionary funders who share that thirst. We've reached the point where we cannot work with every community, organization, or political leader seeking our partnership. That led us to write this book, to open-source what we and many others have learned.

This book is the work of two minds writing as one, so you'll find us speaking of each other in third person—"Marjorie" and "Ted." Marjorie

Kelly, executive vice president at The Democracy Collaborative and lead author, brings long experience with progressive business and investing as a journalist, cofounder and president of *Business Ethics* magazine, author of two previous books, and hands-on designer of company and financial architectures for social mission and broad ownership. Ted Howard, president and cofounder of The Democracy Collaborative, helped the Cleveland Foundation and others design and develop the employee-owned Evergreen Cooperatives and works widely with anchor institutions such as nonprofit hospital systems, colleges, and universities and, increasingly, with political leaders on both sides of the Atlantic.

We're radicals with our feet on the ground. This book is intended to help the reader see that a new system is in the making. In the different models, approaches, and ideologies we encounter in our visits, we see a coherent, new system paradigm in formation. We hope you come away understanding this potential path forward and how you can join others in walking it.

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# INTRODUCTION

## FROM CLEVELAND TO PRESTON

*A new paradigm for economic transformation*

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There can be no real political democracy unless there is something approaching an economic democracy.

—THEODORE ROOSEVELT

Where there is no vision, the people perish.

—PROVERBS 29:18

*I* imagine, for a moment, a business owner positioned to benefit from the next big thing in our economy, the person emblematic of the innovation that will transform the economy. Picture that owner this way: an African-American man, early 40s, formerly incarcerated, at one time a drug dealer, employed at a commercial laundry.

His name is Chris Brown. He sold crack cocaine more than 20 years ago in the Cleveland neighborhood of Glenville, an unlikely place to find the seeds of the next political economy growing.

Cleveland is the city Rockefeller built. John D. Rockefeller made Cleveland the home of Standard Oil, and the city in its heyday had