

10. Theorizing and Practicing Democratic Community Economics

Engaged Scholarship, Economic Justice, and the Academy

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Sitting with my two-month-old grandson on my lap, I realize I am a scholar activist not just because I believe in human agency and engaged scholarship but also because I believe in the future. I believe that people can make positive change and that things will change for the better. I believe that a better world is possible and that I and my work can be a part of creating that better world.

I study political economy because I believe that we can fashion economies that are transformative, liberating, democratic, and equitable—rather than limiting, oppressive, and reinforcing of archaic hierarchies and inequalities. Informed proactive people are the agents of such change. Engaged scholarship and transformative economics are catalytic tools. Grassroots economic organizing and democratic ownership are some of the mechanisms to effect such change.

Why do I and why should we explore alternative economic solutions? Significant economic progress in the twenty-first century will require that our economic values more closely reflect our humanitarian values and ethics, as well as ecological priorities. I believe that more and more of us are coming to understand the limitations and the consequences of both human exploitation and the exploitation of our natural resources. If the twentieth century was an era in which rapid economic progress occurred at the expense of human and natural resources, the twenty-first century will be an era in which economic progress can continue only if we protect those resources, nurture the harmonies, and create and accumulate wealth

based on the principles of caring community, sustainable development, and people-centered economics.

Most traditional economic models analyze and address the activities and needs of an elite, or one segment of a population, but leave out and behind many other people and activities. Additional strategies are needed in the twenty-first century to broaden the analysis and find models that provide economic options, stability, and prosperity for all. Marginalized subaltern communities left behind by market failures, traditional economic development, and gentrification, for example, need new, more democratic economic opportunities and new democratic forms of industrial organization to provide stable, sustainable, wealth-creating, and egalitarian economic development. Economic self-betterment requires a change in paradigm. We know a lot about the ways to do this. We need comprehensive strategies that empower people to control more resources and engage in a wider variety of productive and collaborative activities in order to create wealth and thus prosperity. Economically just community economic development also requires that people continuously learn and experiment in order to participate meaningfully. It will also require more strategies that allow community members to combine their energy and willingness to work together with unconventional and alternative resources, and to pool those resources, so that they can dream of, as well as implement and manage, needed programs and economic activities.

I worry particularly about economic inequality, racial/ethnic discrimination, and ways to attain sustainable equitable economic development. My research focuses on subaltern populations—populations that are not mainstream, that are subordinate to a dominant class or ruling group.¹ Subaltern peoples have historic identification with territory controlled by the dominant group and share important commonalities with the dominant group but simultaneously are distinct and oppositional to the mainstream—usually because of their race or culture. My research addresses the economic marginality of subaltern people and explores economic empowerment strategies practiced by exploited and underserved populations (see, e.g., Gordon Nembhard 2004a). I chronicle the enduring strength and persistence of grassroots democratic economic organizing and the necessity of better understanding it. My research and analysis also contribute to our finding policies and practices to strengthen and promote such development.

My previous experience studying international development and international finance provides good background knowledge and a fresh perspective on community and urban economic development. Coincidentally,

scholars in the United States are beginning to apply international development theory and strategies to U.S. domestic economic development. To the emerging field of democratic community economics I bring knowledge of a variety of economic theories and practices; knowledge of the relationship between international development and finance, and between international development and domestic development; interdisciplinary training and knowledge orientation in African American studies; and training and experience in urban minority education and curriculum development. My interdisciplinary background is particularly helpful because the most innovative and consequential aspects of the research require a scholar to balance market with nonmarket analyses, economic factors with political and social components, and academic perspectives with practical considerations and needs, as well as to understand historic, cultural, and institutional dimensions and relationships, particularly race, class, and gender dimensions. The variety of capacities I have developed over my career uniquely position me to contribute to the development and advancement of this field of study.

This chapter reflects on my multipronged exploration to further develop the theory of democratic community economics; to document more of its historic and current practices, particularly in communities of color; to work with practitioners and community activists to engage in scholarship that helps them to evaluate, strengthen, and promote democratic community-based economic enterprises; to disseminate this information and my analyses to my academic peers as well as to grassroots activists, communities of color, and policy makers; and to teach democratic community economics to both college students and community groups.

To establish a common understanding, I begin this chapter by providing definitions of *economics*, *political economy*, *democratic community economics*, *community economic development*, and *cooperative economics*. I then discuss my research in the area of democratic community economics and how we can understand and study it in practice. I introduce the concept of subaltern cooperative economic development and provide examples of non-White communities who have used cooperatively owned businesses to achieve economic independence. I then delineate and describe the growing number of principles and values that characterize democratic community economics and become discernable from this analysis. In the final section, titled "Engaged Scholarship and Scholar Activism," I discuss the necessity of working closely with practitioners and utilizing participatory research. I discuss ways that I use my activism to deepen my scholarship and use the research to enrich my activism. I con-

clude with a reflection on the challenges both inside and outside the academy to doing this kind of work.

POLITICAL ECONOMY AND THE NON-NEUTRALITY OF ECONOMICS

The more we collectively become mutually supportive communities—the more we'll realize that economics is essentially about organizing our interdependence with our neighbors and nature.

TOM ATLEE, "Y2K and Sustainability"

Economics can be and is a transformative discipline. It is a tool for both understanding and orchestrating change. I define *economics* as the study of human relationships, processes, and institutions as they relate to production, service, and commerce (exchange of goods and services). Economics is first and foremost a social science: the study of the organization of social and financial interactions for the production and exchange of goods and services and the study of the management of human reproduction, economic activity, and exchange. An economy is a tool, an instrument, for effecting social reproduction, improving the quality of life, and facilitating prosperity.

Political economy describes the interactions between and among economic activity and the institutions and sociopolitical relations surrounding that activity. Political economists recognize that economies do not exist in a vacuum apart from social and political (and even cultural) forces and tensions. Political economists focus on the consequences of the decisions and choices that are made and on who controls this tool—the economy—and for what purposes. From the perspective of a political economist, an economy is a system of chosen relationships—a tool to effect a certain way of life. Choices and assumptions are made about the way interactions will occur and what models will be used to design the interactions and evaluate the outcomes. Some person or some group decides on the rules of the game, and the values upon which the options are based—but this is hidden.

Assumptions are made but are often presented as canons or tenets, even natural laws, that must be followed or that always apply. Scarcity, for example, is not a given but an assumption, based on an ideology that creates a set of theories and models to promote and perpetuate economic activity based around that notion—that there is not enough for all. Mod-

ern mainstream economic theories exalt the market as the only mechanism that properly manages scarcity. Political economic analysis exposes scarcity as a false constraint. The notion is perpetuated by an elite group who benefit materially from modeling the economy as a “zero-sum game” with limited resources and thus limited distribution options: that is, there must be winners and losers. Political economy helps us to understand and challenge the hegemony of neoclassical theory in economics. I briefly discuss this set of theories, mostly to better explain democratic community economics afterward.

Neoclassical economics focuses on individual needs and wants and individual profit making in a world of scarcity. Such economic values are concerned with maximizing individual utility (wants and preferences), given budget constraints, and achieving “economic efficiency” based on minimizing private costs and maximizing private individual profits. Public costs, social welfare, and ecological preservation are rarely factored in, and public benefits are at best an afterthought or used as a political pawn. Neoclassical economists argue that the market reinforces and rewards individual initiative and free exchange, which they insist are necessary for the optimal functioning of an economy. Their models attempt to justify and legitimize the pursuit of profits above all else and a system whereby only an elite can be prosperous—and deserve to be (since they have worked hard, sacrificed, and delayed gratification, as “anyone” can do).

Modern neoclassical economists have put their energies into discovering and designing mathematical equations and relationships that reflect the assumption that the sum of the parts of individual greed add up to the common good (i.e., “the invisible hand”). To use mathematical equations they have had to design economic models that abstract from most of the realities of human and economic interactions and hold constant all the dynamics of those interactions. Rather than the reality of market failures and imperfect information, for example, they model the unreality of full information and perfect market clearing. Rather than multiple outcomes and solutions, they model “stable equilibria.”² Rather than recognize the heterogeneity of the population and the power of group identity and collaboration, they model the single representative agent, identical to all others, operating alone (unless involved in an illegal cartel). Conventional economists model short-term interactions and ignore long-term balances or imbalances and consequences. They assume that private optimality is the same as social optimality, in which case there is no significant difference between social costs and private costs. Social benefits are only vaguely recognized. They calculate no costs or consequences for using up

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human or natural resources or polluting the environment, only the individual costs of accumulating human capital and extracting and transporting labor and natural resources. The exploitation of human beings and nature, particularly keeping costs down (and often undermining social reproduction), actually contributes to higher profits in these models. We should not then be surprised by high poverty levels, wealth inequality, and ecological devastation in societies with economies developed along this model.

A political economic analysis helps us understand that markets are actually imperfect because those who exchange through markets come to the marketplace with unequal endowments and unequal power. Some have more money and resources to use to influence and dominate market transactions; some have previous experience and knowledge or privileged information that helps them better navigate through and use the marketplace to their own advantage. Some have racial and cultural advantages or disadvantages. Because markets reflect these disparities and can be hijacked, they are not neutral or necessarily benevolent.

A flaw in using the individual as the unit of analysis is that in neoclassical models returns to production and investment go to individuals (and applied economists use the family or household as the unit). Political economists understand that this does not recognize the positive as well as negative influences, and power, of collective activity—which is what helps some people survive and gives some corporations an advantage. A political economic analysis also understands that businesses are not developed by one individual alone, and that wealth is not accumulated by one individual, without help from family, employees, public education, public infrastructure, and more. A deeper analysis of wealth accumulation reveals that wealth building is a collective activity and that net worth is the result of intentional and unintentional collective action. Wealth should be valued and remunerated in our economy as a collective tool for achieving well-being. Not only is the neoclassical conceptualization of wealth faulty and counterproductive, but the focus on income masks the importance of wealth (though this latter problem is beginning to change). Traditional economic models use income rather than wealth as a major indicator of economic health, while asset ownership, wealth accumulation, and net worth (or their lack) prove to be more consequential to well-being—and to better explain economic inequality (and economic power). A perspective on wealth, and on wealth building as a collective activity, helps us to accept a wealth-based vision of the good society (caring community) that guides democratic community economics.

Those of us who study the economy from the grassroots, from the point of view of the “have nots,” and of sustainability, are learning that a commitment to economic empowerment and economic justice is essential to long-term economic stability, particularly the revitalization of depressed areas and the protection of our physical environment. We are learning that a better understanding of collective assets and nontraditional resources contributes to finding and implementing alternative strategies that reach and benefit those that “the market” has failed. We are also finding that practicing economic justice is necessary to the maintenance of democracy. If we want affluent communities of people living dignified, happy lives, creating sustainable wealth for all, and participating positively in civil society, then we need a new economic paradigm—a revaluation of our economic principles, goals, and practices.

DEMOCRATIC COMMUNITY ECONOMICS

It must be quite clear, then, that our economic program for a cooperative democracy . . . is one in which the economic improvement of the country will be the economic improvement of the whole people, an improvement that is to result most from their own united and organized efforts. It is, above all else, a program that provides the necessary conditions for the development of real individual initiative and healthy personalities in a more humane society with a definite reason for being, and one that demonstrates its care for all.

CHANCELLOR WILLIAMS, “The Economic Basis of African Life”

It is now our business to give the world an example of intelligent cooperation. . . .

If leading the way as intelligent cooperating consumers, we rid ourselves of the ideas of a price system and become pioneer servants of the common good, we can enter the new city as men and women and not mules.

W. E. B. DU BOIS, “Where Do We Go from Here?”

I am a political economist pioneering a branch of knowledge that I call democratic community economics. This field focuses on the study of people-centered local economic development that is community based and controlled, collaborative, and democratically or at least broadly owned and governed through a variety of structures. These structures include worker, producer, and consumer cooperatives and credit unions; commu-

nity land trusts; democratic Employee Stock Ownership Programs (ESOPs); and other forms of worker ownership and self management. Other structures include collective not-for-profit organizations involved in social entrepreneurship; community-controlled community development corporations; and community-controlled development planning and community development financial institutions.³ Cooperative enterprises, workplace democracy, collective ownership, and collaborative asset building are growing practices around the world. Many of these practices have spontaneously emerged from historic indigenous, grassroots experimentation in several countries, including the United States. Others have been consciously crafted and developed by groups seeking to decrease economic marginalization and increase income, wealth, and economic participation and decision making. There is an increasing number and variety of such economic entities and experiments, and increasing attention to studying them.

Democratic community-based enterprises operate according to a set of principles encompassing equality of participation, collaboration, profit sharing, and cultural and ecological sensitivity (more below). The value added from democratic economics is economic stability at a high quality of life for the greatest number of people. The means are democratic participation and self-management, grassroots empowerment, community-based asset development, and wealth creation. Within democratic community economics I also include the theoretical and applied study of how and why such alternative structures are economically viable; public policies that are supportive of such development; and ways to document and measure their traditional and nontraditional economic, social, and political outcomes and impacts.

Democratic community economics develops out of political economic analysis applied to problematics in community economic development, economic welfare, and democratic studies. It also parallels the growing fields of asset development and community-based entrepreneurship and enterprise development that are being pioneered at universities and research centers around the country and internationally and practiced in communities everywhere. The term *community economics* is often used to describe the study of community economic development (CED) and is often used alongside *regional economics*—as in “regional and community economics.” Regional economics is the study of the economy of regions and economic interactions within regions or metropolitan areas. Community economics is thus a similar study of a smaller jurisdiction. *Community economic development* is “a term for the processes of change

through place-based economic activities, controlled by, or at least oriented toward, local residents for their betterment,” and focused on “activity that is local, indigenous, grassroots; centered on people, and a variety of stakeholders (residents, workers, business owners, policy makers, and civic and political organizations, etc.)” (Gordon Nembhard, forthcoming). Community control, economic stability, financial independence, and prosperity are the goals of both community economics and community economic development.

Community economics is broader than CED because it covers not just local economic development activities and who controls them but also a total understanding of economic activity and economic relations on a small scale, within a prescribed community, even at the neighborhood level, and the impact of outside forces such as corporate globalization on a locality. It is more complex than family economics—the ways that families handle and plan production and exchange, reproduce themselves economically, budget for and exchange goods and services, and prosper. Community economics is the study of the theory and practice of local economic activity.

Democratic community-based enterprises are businesses that offer commercially viable products and services for exchange or distribution and that create and retain jobs in the local community. They strive to be socially responsible, sustainable, and environmentally sensitive enterprises that provide the following benefits to their communities:

1. They create and anchor capital, businesses, and jobs in the community, institutionalizing local income generation and wealth accumulation, while increasing and stabilizing the community’s tax base.
2. They utilize a mix of public and private assets and capital and can reduce local dependence on external capital and externally-owned enterprises.
3. They have multiple owners, who share resources, risks, profits, and governance.
4. They are privately owned, or feature some combination of public and private ownership, and exist in a variety of sectors: agriculture, grocery, procurement and marketing, child care, health services, maintenance and janitorial services (commercial and residential), catering and baking, temporary services, utilities and telecommunications, auto and bicycle repair, printing and copying, credit and housing.

5. They exercise entrepreneurial leadership and innovation in building consensus and obtaining the support of key stakeholding groups and individuals in the community, by addressing their goals as well as those of the enterprise.
6. They involve owners, managers, and workers in decision making and workplace governance, and they practice labor-management cooperation and sometimes self-management.
7. They contribute to reducing the gap between rich and poor by more equitably distributing opportunities, assets (including wealth and income), and the benefits of business ownership, governance, and entrepreneurial leadership skills among all groups in the community, irrespective of their race, ethnicity, gender, national origin, culture, and socioeconomic status.
8. They often lead their industries in wages and benefits, production, flexibility, and innovation.⁴

DEMOCRATIC COMMUNITY ECONOMICS IN PRACTICE

While there are a variety of alternative economic structures and institutions, such as municipally owned enterprises, family-owned businesses, microbusinesses, and ESOP businesses, a smaller subset are democratically owned and governed (and often managed under a less hierarchical process). Many of the alternative structures have the potential to be democratic as well, depending on how they are incorporated, managed, and governed. Below I discuss first cooperatively owned businesses as one of the best examples of democratic community-based enterprises and then the methodologies that are and can be used to assess this sector.

Cooperative enterprises, and worker-owned businesses in particular, tend to exemplify the eight principles delineated in the section above. Cooperatives, particularly worker-owned co-ops, are one form of democratically owned economic enterprises that allow members to control their own income and wealth and be change agents in their local sphere. Cooperatives are companies that are owned by their members (the people who use their services) and created to satisfy a need—a needed good or service at an affordable price or an economic structure to engage in needed production or distribution. Cooperatives may be consumer owned, producer owned, or worker owned (or some combination of the above). Cooperatives are characterized by pooling of resources, joint ownership, democ-

ratric governance, and sharing risks and profits in the production, distribution, and/or acquisition of affordable, high-quality goods and services. Cooperative businesses operate according to a set of principles that include democratic participation (“one member, one vote”), open membership, returns based on use, continuous education, and concern for community (see International Co-operative Alliance 2006; National Cooperative Business Association 2007). Cooperatives often develop and survive as a response to market failure and economic marginalization (Fairbairn et al. 1995).

Worker-owned cooperatives and other democratically owned businesses are being found to be some of the most innovative and empowering methods to bring together labor and capital equitably to meet a demand and create an affordable quality product or service. Cooperative economic development, while not a well-known or well-practiced strategy, is proving to be successful in urban as well as rural areas for poverty reduction as well as income generation, and sometimes wealth production, around the world. The United Nations and the International Labor Organization, for example, have recognized the potential of cooperative enterprises for economic development (Birchall 2003; International Co-operative Alliance n.d.; International Labour Conference 2002). Some of the issues that cooperatives help resolve are local development in an increasingly globalizing world; community control in an age of transnational corporate concentration and expansion; social and community entrepreneurship, particularly when business development is increasingly complicated and especially risky; pooling of resources and profit sharing in communities where capital is scarce and incomes are low; and increased productivity, superior working conditions, and high worker satisfaction in industries where work conditions may be poor and where wages and benefits tend to be low. Cooperatives develop out of the wealth of cultural and social capital in communities whose diverse residents often have strong social networks and few options but to work together.

Cooperative financial institutions such as credit unions provide financial services to underserved populations, make affordable financing available, and keep financial resources circulating in the community. Credit unions are some of the most numerous, widely used, and successful of the consumer cooperatives. Cooperative housing makes home ownership affordable and stable. Cooperative retail enterprises provide high-quality goods at affordable prices. Natural food grocery stores and rural electric and energy cooperatives are some of the most successful examples. Worker-owned businesses provide economic security, income and

wealth generation, and workplace democracy (Gordon Nembhard 2004b, 2002a; Haynes and Gordon Nembhard 1999). Cooperative Home Care Associates in New York City increases the quality of home care workers and their working conditions, wages, and benefits. ChildSpace in Philadelphia increases the quality of day care providers and provides them with a variety of benefits, including Individual Development Accounts (IDAs) to increase employee/owners' savings. Rainbow Grocery in San Francisco has pioneered personnel orientation, in-service training, and meeting facilitation techniques that have increased the level and efficiency of democratic participation in management and production. Rainbow Grocery's members also now serve as the much-needed experts in meeting facilitation for the fledgling U.S. Federation of Worker Cooperatives (established in 2004). Equal Exchange, outside Boston, has made fair trade in coffee a viable business, connecting socially responsible workers and community activists in the United States with small coffee cooperatives around the world (and now expanding into tea and chocolate). These are all vibrant, growing, democratically owned and governed companies that provide multiple benefits to their communities.

METHODOLOGY AND RESEARCH FINDINGS

Why study democratic community economics? What do we learn from focusing on democratically owned, community-based enterprises? The economic problem I am most concerned about is how to bring economic empowerment and prosperity to underdeveloped, marginal, and underserved communities, particularly communities of color. My research also explores how to measure the effectiveness of such strategies. Using the lens of democratic community economics, I am able to explore a variety of ownership structures, the ways businesses operate under different ownership and management structures, asset building through such ownership structures, and a variety of ways such enterprises are effective and profitable to their owners, as well as their families and communities. I document the myriad ways that democratically owned businesses benefit their member-owners and their communities.

I have been finding that job creation, buying from and outsourcing to other local businesses, development of affiliated businesses, increased skill levels of members and/or employees, higher wages, and affordable, high-quality products and services are outcomes that are fairly easy to measure, particularly once we associate them with cooperative businesses (Gordon Nembhard 2004b). Other studies have found that productivity

and flexibility increase in democratically run businesses.⁵ Others benefits of cooperative ownership for communities are consumer and member education, democratic participation, meaningful work, asset ownership, leadership development, civic participation, and general community economic stability. At the same time, cooperatives do face many challenges and have suffered failure over the years. While they tend to survive longer than traditional small businesses, start-up is often more costly and slower, and cooperatives need even stronger business plans than traditional businesses, but also more strategic planning about how to address their socioeconomic mission and objectives at the same time that they meet the business requirements. Cooperatives, especially those serving low-income members, sometimes suffer from lack of adequate capitalization, specialized management training, adequate cash flow, and effective business and/or strategic planning. Financing is extremely important at start-up and often for maintenance, especially for cooperatives that are in low-resourced communities, have high capital costs, or are trying to keep wages and benefits consistently high. Training and education are also extremely important assets to develop and maintain. Cooperatives in communities of color and/or in emerging innovative industries are often the most vulnerable. My research on the history of African American cooperative ownership, for example, finds that Black co-ops have suffered and continue to suffer from sabotage and racist violence and attack. White businesses have often physically threatened Black-owned businesses and their owners or have used financial sabotage to undermine the businesses by increasing rents, taking away needed insurance or other infrastructure, and/or denying lines of credit and other financial services to Black-owned cooperatives. In addition, throughout U.S. history the White plantocracy (and more recently corporate agriculture) has blocked supportive policies for African American co-op development, particularly in the South (see Woods 1998 for an example).

Many of the impacts, outcomes, and benefits from cooperative ownership are not recognized or measured in mainstream economic analysis, often because the definition of “economic efficiency” does not include such aspects and/or the unit of analysis is not inclusive enough. Traditional economic analyses measure profit margins, how many people are employed, total assets and revenues, and perhaps taxes paid. While important, traditional economic analyses ignore or miss other kinds of interactions between businesses and their members and communities, such as democratic economic participation and governance, increased local economic interactions, “sweat equity,” volunteer work, teamwork, and lead-

ership development. More research is needed on how to identify and quantify these impacts, outcomes, and benefits as indicators/measures of economic achievement as well as economic and civic well-being. More research is also needed to better analyze the failures and delineate the lessons learned.

The methodology required to identify such indicators, design survey instruments to assess them, and collect the data for more detailed evaluation is interdisciplinary, using mixed methods (in the broadest meaning of that phrase). This analysis requires methodologies borrowed from most of the social science disciplines (and some in the humanities). This methodology is emerging and changing but is based on historical analysis, community organizing, industrial organization, and ethnographic and participatory research methods, in addition to more traditional statistical and demographic analyses. I combine theoretical analysis of economic development strategies with historical analysis of what has worked in the past, under what conditions and for what populations. I combine exploration of community needs with analyses of community organizing efforts, institutional development, organizational management, and business performance. I examine businesses' income and loss statements (total assets, total revenues, liabilities, member accounts, etc.), dividend returns, employment rates and benefit profiles, member and/or employee orientation programs, in-service training, and contributions to community. Ways that community-based businesses use social capital, cultural capital, human capital, and capacity building inside and outside the enterprise are also important dimensions to incorporate.

In addition, I contact and join the professional, trade, and community organizations that represent and serve existing democratic community-based enterprises in order to engage in participatory action research as another approach. Through interviews and discussions with and observation of co-op members in their workplaces and during conference workshops, panel presentations, and co-op research meetings, I compile data on the issues facing and practices of cooperative enterprises. I have spent years cultivating relationships among researchers, practitioners, co-op developers, advocates, and member-owners of these enterprises and their organizations in order to learn the issues, share my theories and research, and earn the trust of the people with whom I will work and whom I will interview. All this takes time and slows down the traditional research trajectory. Such a rich and complex methodology, in addition to the variety of information, takes longer to process. The assessment of their enterprise often takes more time, as does the process of finding enterprises and peo-

ple to interview, earning their trust, compiling the necessary information, and evaluating the results. Many of the people in these enterprises are wary of being “evaluated,” do not want to “tell their story” too often (especially to people who do not retell it correctly), have not had the luxury to think about the issues in the way the questions are asked (or from this kind of perspective on the business), and/or are too busy keeping the business going to take time to think about some of these issues or even answer questions about it. Consequently, conducting and completing this kind of research is a longer and more difficult process.

I plan to further explore ways to calculate what I call a “cooperative multiplier”—the “multiplier effect” of the circulation (recirculation) of money and economic activity within a community through cooperative enterprises and community-based ownership. We do not have good measures of this multiplier effect—the ways local businesses anchor capital and recirculate dollars in the neighborhood and community. Most cooperatives and community-based businesses, however, often deliberately buy locally, hire locally, and even borrow locally as part of their mission and principles of operation—and to be good neighbors and citizens. These are all activities that recirculate dollars around the community (Gordon Nembhard 2004b). In contrast, multinational corporations, and their branch offices and franchises, tend to export capital and resources from a community—they usually do not buy locally, often do not hire many neighborhood residents, and seldom invest or bank locally (see Fairbairn et al. 1995).

I am becoming one of the few experts in identifying and measuring the variety of economic, social, and political impacts of democratic economic enterprises and the spillover effects on civil society created and catalyzed by these democratic economic activities (Gordon Nembhard 2004b; Gordon Nembhard and Blasingame 2002). In one such study (Gordon Nembhard and Blasingame 2002), we conclude:

Studies are also finding that the democratization of workplaces enhances the political learning and governance experience and skills that are necessary for greater participatory democracy in the wider society. These enterprises are “training grounds” that develop transferable skills and capacities in their members. Greater employee control over one’s own work is positively correlated with political participation. Cooperatives create social efficiencies derived from the democratic participation of all, self-help, self-management, and concern for community principles which guide them. Cooperatives encourage interaction, team work, inter-cooperation and giving back to one’s community. They also develop social ties among members and between members and the

community—i.e., social capital—so that networking and working together become the norm, and the skills to facilitate this are developed in all members. Cooperatives develop and empower young people to become involved both in the cooperative and outside (more research is needed in this area). Co-op members and employee owners become used to the transparency and accountability in their own organizations (open book policies, one member one vote, shared management, etc.). They come to expect transparency and accountability and help re-create this in civil society and political arenas. Many members become more active in their communities in general, take on leadership roles both in their co-ops and in voluntary and community organizations (this was found especially with women members and in communities of color). They even run for elected office in local, state and national races. In addition, organizing citizen activism and advocacy can often be effective countervailing forces which increase democracy and participation. (375)

SUBALTERN COOPERATIVE ECONOMIC DEVELOPMENT

I have also formulated a concept that I term *subaltern cooperative economic development* to describe the process and strategy through which members of subaltern populations use strong group identity and concern for community to develop productive, collaborative, cooperative economic enterprises (see, e.g., Gordon Nembhard and Haynes 2002). I study ways that subaltern populations take control of their economic lives instead of remaining passive victims or dropping out of the formal economy because they choose to engage in alternative activities for their economic survival. I study the way members of marginalized populations use their sense of cultural or racial/ethnic solidarity to work together on economic development activities and in economic enterprises. I find that strong group identity, concern for community, pooling of resources with family and community members, desire for self-determination, and democratic participation all create a basis for sustainable economic development through cooperative structures. Sometimes these are informal, unincorporated structures that mainstream economic indicators miss or obscure. In other instances, formal, legally recognized cooperative businesses are incorporated.

Cooperative enterprises are a particularly effective and responsive way for subaltern populations to participate economically. Because subaltern peoples are discriminated against in mainstream labor, capital, and hous-

ing markets, they often have to rely on one another and work together in alternative institutions. Subaltern populations often accumulate little personal wealth and are excluded from much of mainstream prosperity and economic stability. The market system does not often work for many members of subaltern groups.

Recent research, for example, shows that disparate and inferior economic outcomes are the norm for subaltern populations throughout the world, no matter in what country they reside. In a preliminary study of international economic ethnic and racial intergroup disparity, Darity and Gordon Nembhard (2000) find that subaltern status is typically associated with negative economic consequences in countries with both large and small populations, those experiencing relatively rapid economic growth as well as those with slow growth, countries with high and low levels of general inequality, and rich as well as poor countries. These findings also reveal persistent and pervasive labor market discrimination throughout the world. In the United States in the 1980s and early 1990s the labor power of men of color declined dramatically. In addition, women of color and their children have remained the poorest populations around the world, even though in the United States Black women have made gains in the labor market compared with White women over the past thirty years. In a time of dwindling economic opportunities for women of color, and with many poor women in the United States reaching the five-year time limit for public assistance, for example, understanding how cooperative business ownership and other forms of democratic enterprises help women of color become entrepreneurs, control their own income, and stabilize their economic lives will increase our policy tools for viable economic development.

Subaltern groups have a history of solidarity, working together because of their common culture or ethnic identity and their common experience of exclusion from the dominant culture and economy. *Subaltern cooperative economic development* is a term that describes this conception of cooperative economic development as a strategy for the economic empowerment and self-reliance of subaltern peoples. Examples such as the Mondragón Cooperative Corporation in northern Spain illustrate the economic power of the combination of ethnic solidarity, democratic ownership and participation, and interlocking economic activities (Gordon Nembhard and Haynes 2002).

The Mondragón Cooperative Corporation is a complex of more than 150 industrial, financial, distributional, research, and educational cooperatives, mostly worker owned, in northern Spain. The corporation is rooted

in grassroots networks of cooperative businesses owned by Basque nationalists originally mobilized during the Franco era. These Basques, in the face of war, chose the more peaceful road of cooperative enterprise development to assert their need for economic independence (Gordon Nembhard and Haynes 2002). The first cooperative was a worker-owned and -managed innovative ceramic heater factory, started in 1956 by graduates of a community-run “polytechnic” high school founded by a priest who taught cooperative economics and worker ownership. Other enterprises developed around this, in particular a credit union that has continued to supply financing, technical assistance, and research and development for future cooperatives. Other schools and a university were eventually established to support the growing worker-owned factories in the network. The expanding complex of cooperatives also established their own social security system early on, when the government of Spain would not allow the member-owners to participate in the national system because they were considered to be self-employed. The association grew into a multi-billion-dollar cooperative network of manufacturing, service, educational, financial, and distributive enterprises.

Trends continue to show progressive levels of growth in assets, sales, and workforce. In 2001, for example, total sales for all the companies exceeded U.S. \$7 billion; total assets were greater than U.S. \$12 billion.⁶ The fifty-year success of this cooperative holding company and its affiliated companies can best and most fully be explained when the myriad economic, social, cultural, and political market and nonmarket forces involved are analyzed.

In the process of developing this conglomerate, organizers and members identified existing individual and community assets, harnessed concern for community and desire for self-determination, and utilized these as economic resources to build successful businesses. They formalized and institutionalized networks of cooperation, self-help, and community development that recognized their common culture and values. They continue to identify their company as a Basque organization and to describe themselves as a business group of grassroots cooperatives: “The Mondragón Corporación Cooperativa is a socio-economic business organisation with deep cultural roots in the Basque Country. It was created by and for people and is based on the Basic Principles of our Co-operative Experience. . . . Furthermore, it is based on a firm commitment to solidarity, and uses democratic organisational and management methods. [It] promotes the participation and involvement of its worker-members in the management, profits and ownership of its companies, which strive to-

gether for harmonious social, business and personal development” (Mondragón Cooperative Corporation 2001, 39).

There are examples around the world and within the United States (though smaller) of successful cooperative organizations that have organized themselves on the basis of cultural and social solidarity as well as economic need and affinity. Freedom Quilting Bee in Alberta, Alabama, is one such example (Freedom Quilting Bee 2002). In the mid-1960s, a group of African American women in sharecropping families in Alabama formed a craft cooperative to pool their resources to produce and market quilts to supplement their families’ earnings. Sharecropping was a system of debt peonage, and in the 1960s it was becoming politically unfeasible, since landowners were evicting Black families from the land if they tried to register to vote or were involved in civil rights activity. Freedom Quilting Bee helped the women buy sewing machines and other supplies, provided a place for them to quilt together, and marketed and distributed the quilts around the country, including through the Sears Roebucks Catalogue. The cooperative was so successful that they bought land, built a small sewing factory, started a day care center, and by 1991 were the largest employer in the town. In addition, they were able to use the land they bought to help sharecropping families relocate and eventually buy their own land, especially after they were denied access to their traditional farmlands because of their political activity. The income earned also was an important supplement to the meager income their families made from farming. In 1967 Freedom Quilting Bee became one of the founding members of the Federation of Southern Cooperatives—a predominantly African American nonprofit organization supporting cooperative development and land retention, with agencies in six southern states.⁷

Analysis of the successes of such cooperatives and their benefits to their communities allow us to identify a set of principles and characteristics of democratic community economics.

PRINCIPLES OF DEMOCRATIC COMMUNITY ECONOMICS

From my research I am able to identify a set of basic economic values, principles, or characteristics that underlie democratic community economics and formulate a new paradigm for economic development. While democratic community economic principles are dynamic and continue to grow and change, they encompass the following: common social and economic values; just, nonexploitative relationships and sustainability; the

dignity of work; responsible, active participation; democratic decision making; diversity and equity; invisible productivity; control of capital; asset ownership and wealth accumulation; human-made and dynamic processes; no neutrality of influence and effects; and self-regulation.⁸

1. *Common Social and Economic Values.* Communities and societies prosper or fail depending upon economic relationships and activities between and among people and institutions. How we structure our relationships to each other around economic questions is the ultimate measure of what we value and believe about the worth of each human being and our relationship to the environment. Economics does not have a separate ethics or morality.

2. *Just, Nonexploitative Relationships and Sustainability.* Economic relationships and activities should be judged by their communal, cooperative, ethical, cultural, environmental, sustainable, and antipoverty effects as much as (or more than) by their productivity, efficiency and ability to make a profit. The pursuit of social and economic justice requires a vision and a concrete plan for how to restructure social and economic relations between ourselves, our communities, society at large, and our natural environment. Economics must be able to sustain their communities and to persist and deliver over the long run without damaging or exploiting other human beings or mother nature.

3. *Responsible, Active Participation.* We are all economic agents, participants in ongoing, daily economic activities. We constantly make economic choices and economic decisions. We each have a stake in how economic activity is arranged and valued. We should be aware of what values are expressed through the economic decisions we make. We have a responsibility to be conscious economic actors, responsible to our neighbors, communities, and ecosystems.

4. *Democratic Decision Making.* As conscious economic actors we have the responsibility to participate in economic decision making and be advocates for democracy. Democratic decision making puts us in control of our income generation and wealth accumulation and in control of our lives as workers and consumers. Participating democratically in economic activity allows us to create and operate democratic structures at all levels. Action is necessary to ensure that democracy is expanded so that communities have the power, the right (by law with clear enforcement), the provisions, and the resources to participate equally. Communities participate as equal partners in making economic decisions that will affect them

and the lives of their residents. When we practice democratic decision making in economic environments, we develop and practice skills that are transferable to all other aspects of our civic and social lives.

5. *Diversity and Equity.* Economic agents are heterogeneous (diverse) and bring a range of perspectives, assets, and skills to any activity. Diversity is a strength—like ecological and genetic diversity, actually a necessity. Equity, even more than diversity, is essential. This requires that economic agents, their relationships, activities, and institutions, be monitored and regulated according to humane principles, social values, and equality of outcome. Opportunity is not enough. Responsible actors must commit to end discrimination (by race, ethnicity, nationality, gender, class, disability, and sexual orientation).

6. *The Dignity of Work.* All work is valuable and measurable and should be rewarded. All work should be meaningful and viewed as productive. Democratic economic organizations are based on the dignity of work and the sovereignty rather than the subordination of labor. Particularly in the global postindustrial economy, very good jobs are more and more scarce; sometimes any job is scarce. Many jobs do not provide “living wages” or the necessary benefits, and most do not include asset ownership and the chance to accumulate wealth. Why is it acceptable that a person can work full time and remain poor, that an illness can put someone in bankruptcy and poverty, and that a corporation can pay a manager four hundred times what it pays its average worker? Democratic economic organizations give priority to work and those who do the work. Many observe “wage solidarity” and keep the difference between the highest-paid member or employee and the lowest paid to a minimum.

7. *Invisible Productivity.* Productive activity has value even when not formally or officially recognized or exchanged. Child rearing, nurturing, home care activities, household work, volunteer work, and protection of the environment all have value—economic value—whether formally compensated (paid for) or not. Democratic economic organizations recognize the value of a variety of activities. Ways to measure and reward such work should be elaborated.

8. *Control of Capital.* Since capitalization of businesses is necessary for their success, and since communities generally need capital to attract and maintain economic activity, the control of capital and the democratization of capital are important components of economic development. Financing needs to be accessible and financial services available; therefore community development financial institutions and alternative financing

are necessary. The ability to direct capital to the kinds of support and programs that will benefit the community most is crucial. Business and financial support and reinvestment help enterprises stay in business and expand, help in the training of members and employees, and increase development activities. Keeping the control of capital in the hands of democratic enterprises ensures autonomy.

9. *Asset Ownership and Wealth Accumulation.* All economic activity should contribute to asset ownership and wealth accumulation, which are essential to stability and well-being. This requires the development or recognition of nontraditional as well as traditional assets and their wealth creation possibilities. Ownership with democratic participation is found to be the best combination for increased productivity (Levine and Tyson 1990). We understand that wealth is crucial to economic well-being, stability, and quality of life.

10. *Human-Made and Dynamic Processes.* Economic processes do not operate by immutable or unchangeable laws but depend on interdependencies between and among people and between people and nature. An economy is made by human beings for human betterment. Economic laws do not supersede a society's values and objectives—they should reflect and effect a society's highest values. There are no economic activities and relationships that cannot be reevaluated or changed to better meet human and environmental needs.

11. *No Neutrality of Influence and Effects.* Economics is not apolitical. Economic processes are not neutral: they reproduce and can reinforce prevailing inequalities, have unequal effects and consequences, and can be manipulated by political processes. Economic processes depend on and reflect existing power relationships, unequal information, and previous and unequal exchanges. Some economic systems and relationships are more exploitative, oppressive, and discriminatory than others. Some depend more on competition and inequality than others. Some depend more on cooperation, concern for community, and reciprocity. Economic systems can be created to intervene in, mediate (regulate), or eliminate inequalities and injustices.

12. *Self-Regulation through Democratic Participation.* Democratic participation and equitable relations act as regulating mechanisms in democratic economics. Markets are imperfect and need intervention and regulation. Governments and other human institutions are also imperfect and need to be held accountable to humane and just values. Governments and markets are regulated by fully participatory, democratic, and coopera-

tive governance, engaged in by diverse, empowered, and knowledgeable participants from every level of society. Democratic governance requires and facilitates transparency and accountability.

These principles provide a basis for us to study, measure, and evaluate economic enterprises and their efficacy.

ENGAGED SCHOLARSHIP AND SCHOLAR ACTIVISM

I have written about the need for comprehensive community economic development strategies that take into account existing community strengths, attachments, and resources; utilize values of self-help, concern for community, collaboration, and democratic participation; and have significant benefits and asset-building potential for community residents (see, e.g., Gordon Nembhard 1999, 2000; Haynes and Gordon Nembhard, 1999). I have theorized and written about how cooperative economic development can be a strategy for urban community development and economic development for subaltern populations such as African Americans (Gordon Nembhard 2004a). I continue to document, and look for examples to document, such activity and develop theory to help support and explain such activity.

Much of what I have been learning about these organizations, how they operate, their principles and successes, has come from participatory community-based research—community engagement—combined with traditional applied economic analysis. Evaluation and outcome measurement of democratic community-based economic development strategies is a perfect tool to use to engage community/practitioner participation and combine rigorous scholarship with applied and participatory research in communities. This kind of engaged scholarship—working closely with community businesses and cooperatives, relevant professional and trade organizations, and community activists—increases my knowledge about and deepens my understanding of the mechanisms involved in democratic community enterprises, the issues facing them, and these enterprises' development and growth.

The connections I have developed expose me to a variety of practitioners and researchers in the United States and Canada with whom I can share ideas and learn. They also provide me with social and personal contacts necessary for my qualitative and ethnographic research. They keep my ideas fresh, keep me grounded in the real-world problems that need solving, and help me understand the consequences and actions of the eco-

conomic activity I study. While I believe that new and effective economic activities and enterprises must be developed, implemented, and supported, I also recognize that alternative forms of business and industrial organization already exist and are being continuously transformed. One way to study and promote changes in our economic paradigm is to study existing forms and evaluate them according to the principles listed above. A good part of my research, therefore, is the engaged scholarship that puts me in touch with and enables me to observe existing examples and share in the creation of knowledge.

In addition, I work with community activists to disseminate the knowledge I am gaining to people and communities where it can be of help, to promote equitable development policy, and to provide models for how it can be achieved. I am a member, for example, of the ONE DC Equitable Development Initiative (EDI) in Washington, D.C. This is an organization led by a local activist community development corporation and composed of D.C. residents (originally in the Shaw neighborhood) who see gentrification in the area as hostile to long-term low-income residents and essentially a “Negro removal” process. We work with city agencies and private developers to ensure that community benefit agreements are included in any new development packages. The benefits we advocate are affordable housing for the lowest income families (under \$25,000 and \$50,000); a majority of wages livable for local residents and a majority of short and long-term jobs targeted to them; support for small resident-owned businesses and local business development; and a community development fund to support educational, cultural, and recreational activities in the neighborhood (see ONE DC, n.d.). Other community benefits agreements also include ecological guidelines.

Minor victories have been won. One of our greatest obstacles, however, in addition to our concern with marginalized, mostly invisible people, is that our definition of *affordable housing* does not match the definition used by the city and the developers from HUD (the U.S. Department of Housing and Urban Development). HUD uses traditional economic models and formulas based on an understanding of average family incomes that does not take into account existing income and wealth gaps or racial gaps that make the experiences and level of affordability substantially differ by race and class. Recent studies, for example, have found that over the past twenty years incomes for the top fifth of the population in D.C. have increased by 81 percent (from \$87,300 to \$157,700) and for the middle fifth have increased by 31 percent, while the incomes of the bottom fifth of the population have increased by only 3 percent (from \$12,300 to

\$12,700) (Lazere 2006, 1). If we use the current average or even median incomes of the city or the neighborhood, we are not reflecting the status of the people our group wants to make sure can afford to stay in the neighborhood. The skyrocketing incomes of the upper-level earners mask the very low stagnant incomes of the target population. Using the normal average or median would mean that affordable housing would be targeted to those making between \$30,000 and \$50,000 at best (and in some calculations those earning up to \$75,000 or \$100,000 if working families were being considered), and not those making under \$25,000 (one of EDI's targets). In addition, Black and White incomes in the Shaw neighborhood are quite different (the White incomes are much higher). Further, these figures do not include measures of wealth (or lack of wealth), which also make a big difference in who can or cannot afford certain levels of housing. Wealth gaps are increasing locally, nationally, and internationally. Finally, the development models advocated by the city and the private developers are based on attracting large outside corporations, giving them tax breaks, and then attracting suburbanites back into the city to live and shop. This model increases housing values and property taxes for those trying to remain and removes economic development from community control, ignoring the needs of the existing low-income residents. Even job creation through such models often does not trickle down to the existing longtime residents.

As a scholar activist developing a specialized, not well-known or respected, branch of knowledge, I am often pushed and pulled in a variety of directions—to advance knowledge and theory in this area, conduct research and evaluation studies, advise practitioners, and convene meetings and conferences. This is often overwhelming and unrealistic, particularly for a junior faculty member. On the other hand it is almost impossible to focus just on a narrow traditional research agenda, since most of my research depends on interaction and engagement with, and reflection on, economic practice.

The field of economics does recognize and embrace applied economic analysis (although I was trained mostly in economic theory), but more as a mathematical exercise engaged in by a detached outsider manipulating numbers. Industrial organization is probably the subfield that has a well-defined ethnographic methodology for such work; traditional, mainstream neoclassical economics focuses more on the application of reified mathematical models. While industrial organization develops important methodologies, it tends not to study community-based business organization. This means that there are few economic scholars with whom I can

collaborate, few who understand or see the relevance of my work as part of a defined economic canon, and few economic journals in which to publish my research.

My academic department is African American studies—which is much more supportive of engaged scholarship, innovative methodologies, and interdisciplinary work. However because African American studies departments tend to be less respected in the academy, they are often professionally conservative. African American studies also has traditionally been based more on cultural and intellectual studies, history and literature, political science and sociology. Economics is not as well defined a subject area, and community economics is addressed by few African American studies scholars. Neither economics nor community economics is well represented in African American studies journals.

Pathbreaking and pioneering research and engaged scholarship in this area are not well rewarded in the forms universities recognize and prefer when determining tenure and promotion. This kind of work is best undertaken by senior scholars who can afford to stray from the beaten path. It is very difficult to be tenure track and know that even though my scholarship and commitment depend on my social justice activities and teaching, the tenure decision will be based on everything but that—and may suffer as a result.

There are political as well as scholastic challenges to this work. There are contradictions within the academy that both halfheartedly makes space for me to do such work and at the same time constrains my ability to pursue it creatively and comprehensively. There are also reactionary forces outside the academy that underfund, subvert, and undermine existing and potential efforts. At a time when universities want and need their faculty to be “entrepreneurial” and bring in big grants, it is easier to gain funding for more traditional research. What would facilitate my work would be more support in terms of scholars to engage with, funding of the research, and academic credit for the activism and engaged scholarship I do. A university that supports and rewards social justice scholarship and teaching (academically, monetarily, and in promotions) would help sustain me and would sustain an environment that would enhance this kind of scholarship and teaching. It is important to be in the academy in order to more fully develop the theory behind this research, to conduct “third-party” evaluations, to legitimize this scholarship, and to teach and train students in this area.

In conclusion, economic democracy does not work if people do not see a role for themselves in the economy and in the change process and if

they do not believe or understand how economic relations and economies can change (see Gordon Nembhard 2002b). Economic democracy must start with people's agency. It also requires an understanding of paradigms and how paradigms shift. That requires exposure to and an understanding of a variety of paradigms and successful models. This leads back to my research—why we need to document examples of economic democracy and models of change, to evaluate the strengths and weaknesses of the different models and enterprises, and to explain how and why they work or do not work. Such scholarship should be shared with scholars and practitioners. It must be accessible and applicable to a wide variety of audiences—hence the need to combine academic scholarship and engaged scholarship and publish in a variety of media. I hope that my scholarship has chronicled and will chronicle the enduring strength and persistence of grassroots democratic economic organizing and the necessity of better understanding it. I also hope my scholarship will help find ways to strengthen and promote the development of democratic community-based enterprises.

NOTES

1. I use the concept and definition of *subaltern* as described in Gordon (1997).
2. For a more detailed comparison and discussion of these differences, see Gordon Nembhard (1996, 31–35).
3. See Democracy Collaborative (2005) for explanations and examples of these kinds of enterprises and organizations. Also see Gordon Nembhard (2006) and McCulloch (2001).
4. Thanks to Nancy S. Bordier, PhD, for working with me in 2002 to best describe these attributes as we refined a joint proposal for an Institute for Community-Based Enterprise Development (for which we were never able to raise funds).
5. See Gordon Nembhard (2000) for a summary of the findings; Krimerman and Lindenfeld (1992); and Levine and Tyson (1990). Also for the latest data on this, see Logue and Yates (2005).
6. See www.mcc.coop (calculations from Euros to U.S. dollars are my own).
7. See Federation of Southern Cooperatives/Land Assistance Fund (2002, 1992); also, I discuss both the federation and the Freedom Quilting Bee in Gordon Nembhard (2006, 2004a) and provide a case study of the federation's successes in Gordon Nembhard (2004b).
8. Thanks to Ka Flewelen, who worked with me on an earlier version of these principles when we were both with the Preamble Center in Washington, D.C. I summarize them in Gordon Nembhard (2002b).

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