

THE NEXT SYSTEM

A MAHB Dialogue with Political Economist Gar Alperovitz



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‘The reconstruction of the nation’s underlying political-economy—away from corporate domination, towards democracy and community rebuilt from the bottom up—is itself an important condition of a fundamental change...’

Gar Alperovitz

Geoffrey Holland - Why is it important, at this time in history, to critically examine the social, economic and political structures that have shaped the human civilization that we know?

Gar Alperovitz - I would start by saying we are facing what is best described as a systemic crisis, not simply a political crisis. By that, I mean that the long trends that are evident in the environment, climate change, income distribution, wealth distribution, and democratic participation and racial issues, have been going south for thirty or forty years. If the long trends either don’t move or decay, [then] you’re not simply talking about a political problem, you’re talking about something that is anchored much more deeply in the deep structures of the system that we call corporate capitalism, or for that matter, state socialism, but in our case, corporate capitalism.

If that’s the case – and I used to work heavily in politics, running House and Senate staffs at one point – then you must go to what are the institutional drivers of the big trends that resist any change from normal politics. The most obvious one that most people understand in the United States is the radical decline of labor unions, which politically counter-balanced corporations. Unions once peaked at 34.6% of the labor force participating. They’re now down to 6% in the private sector. So what John

Kenneth Galbraith called the countervailing political power of labor no longer countervails against corporate power.

That's only one instance. In state socialism, it's the state institutions that are dominant, with almost no countervailing power. So the design of the institutional structure of the system is critical to the kind of politics that flows around it. I'm not in denying or in any way minimizing political action on its own. But what we've learned from political history, political sociology, and political science is that unless the institutional structures are supportive of a positive direction, mere politics declines radically. I think that's what is behind the decay that's produced the era of Donald Trump.

GH - The Next System Project is about identifying the threads of a transformative social, political, and economic model. Can you briefly explain what your goals are for this process?

GA - Traditionally, and for most of the 20th century, there have been two operative political-economic models. One has been corporate capitalism, either somehow modified in the social democratic countries by a politics which rested significantly on labor unions in politics, producing a progressive politics. Sweden was a perfect example with 85% in the labor unions – in that institution – in a very, very powerful welfare state. That was a traditional model. And the American version of it was very light form, very thin form of social democracy, we call it liberalism in this country.

That was the traditional way of managing some of the difficulties of income distribution, environmental problems, wealth distribution, and the political power of corporate capitalism. But, that's over. The labor unions are gone, politically as well as in terms of the labor market. That's happening all over the Western world. Sweden is now experiencing a very powerful rightwing politics and a decay of their labor movement, but not to the same degree in politics as ours.

And with labor's decline, there is no countervailing power. You can begin to see Donald Trump arising out of that vacuum, and exploiting the pain and the decay of the working class, but also the absence of a powerful institutional base for a different politics. In Europe, in many parts of Europe, the right wing movements are much more powerful than here. But the phenomenon is very, very general. I'm obviously oversimplifying in this short interview. But that's at the heart of the systemic design.

The big institutions are private corporations, and they are countervailed by a politics that largely rests on labor, plus other groups. As opposed, for instance, to a system that is based on state ownership (state socialism), or another system based on traditional 19th century capitalism, [which is based] on small independent entrepreneurs rather than big corporations and produces a kind of populist politics. So we're going to the *institutional* basis of the system. So, what the power base is of the different politics is what we're talking about that is one of the deep questions of systemic design.

GH - What are the core values that shape the next system paradigm?

GA - It starts with deep democracy, which involves substantial community participation, ecological sustainability, and a non-expansive system. By that I mean that the internal dynamics are not inherently expansionist, which has very powerful environmental as well as foreign policy implications.

In this era of climate change and environmental restrictions and limitations on resources, the growth dynamic that's inherent in capitalism, and to a different degree in state socialism, is contrary to some of the constraints that we must deal with. A system question goes to the structural dynamics and the structural design principles, and says: 'Are these driving trends sustainable or contrary to human well-being'?

GH - What is a Pluralist Commonwealth, and what makes it a worthy model for building communities that are good for people and the planet?

GA - We use the term Pluralist Commonwealth to describe a system that has many different forms of common wealth. At the lowest level, an institution of common wealth would be the garden variety cooperatives; that's a democratically-owned institution, at the grassroots level. There are something like 130 million Americans involved in credit unions, which is a democratically-owned bank. Many people who belong to credit unions are not aware that they are part of a one person, one vote democratic institution, and that they could if they participated take it over and shape its direction. Most people are not deeply involved in it. A worker-owned company is another form of common wealth. Another is a neighborhood Land Trust – that is, drawing a circle around a neighborhood, a piece of land, and setting up a nonprofit corporation in order to preserve the land and preserve housing in that area. That's a Land Trust, another form of common wealth. So is a public utility. An example would be the Tennessee Valley Authority, which is a regional form of common wealth. There are many different plural forms of common wealth. In the state of North Dakota, they're celebrating just over 100 years of a state-owned public bank. Many, many places in this country are now trying to follow that model on North Dakota. It's a very conservative state, but they have a socialized bank, which many states and cities are trying to copy now.

At the national level of public ownership, we have Medicare as a public insurance company. We have an international bank for reconstruction. Corporations like this very much, it's a socialized bank, but it helps the Boeing aircraft primarily. The rail system in Britain is nationalized. Many, many nations have public television systems. We have the PBS system, but some of those abroad are much larger, different forms of common ownership.

So Pluralist Commonwealth – as opposed to state socialism for instance – is a vision of a society in which there are many different forms, rather than concentrated ownership that can become dominant and excessively powerful. So that's the theme of the Pluralist Commonwealth. That plus the theme of building community as the central organizing principle of the social, cultural, and political-economic life. And within that, there are many different forms of ownership.

GH - What are the four principles that underlie the design of a pluralistic Commonwealth?

GA - Deep democracy is one, which means not just voting and not just participation. France during the 1968 civil unrest, someone painted a sign on a wall – 'How do you conjugate the word participate? Answer: I participate, you participate, we participate, they decide.' So deep democracy is a much more powerful vision of engagement. It involves not only yes and no voting, but *creating* the

alternatives, developing citizen participation, so that what becomes the choices are not just set before you, but the people invent the choice. So, it's a much more powerful and rich vision of what democracy is.

That's obviously an ideal, but that's the kind of hope behind many of the experiments we're seeing. Ecological sustainability would be a second piece of the puzzle, including climate change. And that's a very deep principle, how to achieve that. It has many facets in terms of how you design a system that is not inherently expansive, and that begins to develop community forms.

So, too, for instance, I favor worker-owned companies. But, when they operate in a capitalist market, or in any market, they must expand. And why is that? Because if they don't achieve expansive market control, and somebody else does, even if they're worker-owned, then they will be devoured. The pressures of the market force each of the parties to begin to compete, and thereby expand. For defensive reasons, as well as expansive reasons. That's contrary obviously to any limitation on growth. So we've got to begin to deal with those dynamic principles, as well as problems of different structural power relationships.

A third principle has to do with scale. This is the one most people rarely face. The question I pose is: how is it possible to imagine participatory democracy in a continental scale system 3000 miles coast to coast and with 350 million people? The idea of real participation in a system that is continental [in scale] is absurd. Germany can be dropped into Montana. Texas is much larger than France. Those are small countries where you can imagine a democratic polity. One of the problems of our continental system is that its dispersion all over the continent is itself a hindrance on democracy. James Madison understood this perfectly, by the way, and he thought that the further you expanded the Continental system, you would divide and conquer the working class/the masses, and the elites would control at the center. So scale is a very important question that most Americans haven't talked about.

And beyond that, how do you really begin to develop individual, personal liberty. And that's an issue progressives have not, except in the civil liberties domain, thought about institutionally in terms of systemic design. The traditional institutional basis of liberty in conservative theory was that individual entrepreneurship is the basis of individual liberty. In the 19th century, entrepreneurship was largely about the small farm. So entrepreneurship was the basis of individual liberty. You had a place to stand that was your own. Nobody could thwart you if you had your little farm or your small business; at least, that was the theory. As opposed to state socialism, where the state had all the power. But the idea of liberty was you needed some security.

Some of the people who possibly are reading this, have something also that gives them liberty – it's called tenure. A guaranteed job: you can say what you want and they can't fire you. Now, most people don't have that. The academic community has realized that if you want liberty, you need job security. So that would be another way to think about a system design, that people have secure work, or at least a guarantee of income, so they couldn't be fired for saying the wrong thing.

The third component of liberty is time. You can't be free, even if you are secure if you don't have time to act independent of the constraints of work, or family. You need freedom of time, as well.

The fourth principle is less obvious. It goes to the question of what kind of culture supports and nourishes a sense of freedom and independence in all of the members of the community. Think for instance of some of the worst parts of the ghetto. The dominant culture does not create a culture of freedom and liberty. That's also true of upper class cultures as well. So if you really were thinking about systemic design in a profound way, you'd ask how do we nurture the conditions of liberty, security, time, a nurturing community rather than an oppressive community, etc.

I'm beginning to lay out just some of the principles. The non-expansionary principle is really important also in terms of foreign policy. Expansionary systems have created imperial forms or semi-imperial forms or attempts to control global power.

GH - What are the advantages of anchoring ownership of enterprise in the community?

GA - One of the principles we've been discussing is how do you really build up a culture of community? One of the requirements is community institutions that nurture the sense of community. So whereas it would be wrong, in my view, to overwhelmingly build everything around common ownership, we [nonetheless] need principles and institutions that begin to generate 'we're all in it together'.

Economic institutions are particularly interesting. Because usually we don't think of them as community institutions. [They're] either business owners, in some cases worker-owners, or in some cases cooperative owners. We rarely think of supporting the principle of the [entire] community when it comes to the economy, which includes the other 55% of the public, who are stay at home moms, the young people, the elderly people, the sick, the veterans. There's a whole group of people who are not included in the current *economic* community. But if you're trying to build a culture of 'we're all in it together', we need to build economic and other institutions that represent that principle of inclusiveness of *all* the community.

GH - Can you give some examples of the kinds of businesses for which public, community, or worker-owned models are well suited?

GA - Well, it's hard to think of businesses where these models aren't well-suited, if you include worker co-operatives as well as municipal-owned structures. The ones that most people are familiar with in this country are public utilities, public water systems, or public transport. Those are the classic ones. We don't think of education as an industry but, in fact, it's another enterprise. In most parts of the country we understand community-owned public schools. That's just so conventional that we don't even stop to think about it that way. We also have state universities. But the notion of an educational system the goal of which is to benefit the entire community opens up the door as to which ones should be public and which not.

The larger scale ones that most people think about now are energy and transportation. And in many, many countries, mass media, that is public television system. The BBC is an example. In transportation, many countries own airlines, and rail systems as well.

As soon you go beyond that, the question becomes why should we not have some of the biggest industries under public ownership, rather than only having them owned and benefiting small numbers of very wealthy investors? Why not? There are very important reasons why public may be better in many cases. The most important one is privately-owned businesses must continue to grow or they will collapse. That is to say they have to go to Wall Street for funding or they have to produce annual increases or quarterly increases in profits, which means that they must grow, and they must cut costs. Often, that means cutting environmental standards. It often means going abroad as well. So the driving force of private profit growth has many, many consequences that are built into the design. That doesn't mean we can move automatically to state ownership, because that has other problems. So the question becomes how to develop from the bottom up community cooperatives; neighborhood ownership, municipal ownership. Regional ownership, like the Tennessee Valley Authority. Beginning to ask very concrete questions - what makes sense in terms of democracy, community, ecological sustainability, and non-expansionary systems, non-militarist systems? How do we throw this on the table and think about it as a design problem, and then come back to politics after we've actually thought through some of these questions.

So at The Next System Project, we've published some 40 different papers on such matters. We've had conferences at Harvard and MIT, really trying to go deeply into these design questions. So that is, get away from ideology and rhetoric. What actually works and what doesn't work is the name of the game. And then out of that, to do experiments on the ground and begin testing some of these things. We are doing this in many cities around the country.

GH - How can communities handle the substantial financial burden that would come with shifting from privately held businesses to public ownership?

GA - Well, in one sense, it's a very simple problem. Because if a business has a positive cash flow and profit stream, if it's making money, it is financeable. (It can borrow and pay back loans out of profits.) That's capitalism. So, a city can participate, and many cities do participate in public ownership. The most obvious example being public utilities, which make money. Many utilities are publicly owned. They're profit making, they cover their costs. So that's how you can finance public ownership easily.

Secondly, cities often have taxpayer funds that they can invest. Indeed, they do invest, often in public bonds and private bonds. They can invest in other things, that pay a return, whether high profit or just to cover costs. Those are obvious. The least obvious comes from what's called modern monetary theory, which is very common throughout the world now. Think about it this way; the American economy has doubled and tripled and quadrupled in size over time. If there were a fixed pot of dollars, only X number of "real" dollars, that could never happen. So how do new dollars get created? How does the money grow?

Well, the Federal Reserve and the banks creates money out of literally nothing. They make credit; it's a promise to pay. On your dollar bill, what you'll see is a promise to pay. Behind that stands the federal government's enforcing the promise. So that's expanding finance, and it's a critical piece of this. (And one part of the new economy movement, one part of the debate about the next system, are public banks.) So, that's the creation of money.

It sounds very strange to most people. But in fact, day to day, the economy could not grow if there were not a growing amount of money, which has to be created through the banking system. There's an intense amount of debate right now about modern monetary theory as a very powerful tool that can be used to build a new economy and to build the next system. I had an elderly aunt who ran a bakery, and she talked about the Depression. She said, "There wasn't a lot of money around during the Depression." It was very difficult, there just wasn't money around. And then World War II came, and "All of a sudden there was a lot of money around." Well how did that happen? It happened through the processes we're talking about. The creation of money actually happens as a public decision. And you can see it very vividly between the Depression and World War Two, but it's conventional. We recently did a two trillion buyout of financing the banks through this process. The Europeans are doing it all the time, Japan does it. Most people don't understand that's how the monetary system actually works, and that it can be put to good use under a vision of a system that is building community and developing different forms of ownership.

GH - It seems like a major impediment to shift to a pluralistic Commonwealth model would be the corporate media, which can be expected to aggressively defend control by bankers, billionaires and corporate elites. How do you suggest we approach this resistance?

GA - It's not only the corporate media; there's a lot of conservative and corporate opposition to any progressive or transformative policy. I wear two hats. I'm a political economist and a historian. Radical system change is as common as grass in world history. The transformation from the feudal systems to what we call capitalism and to the welfare state, happened against opposition of powerful elites. That's taken for granted. But there also processes that begin to generate serious politics. One of them is crisis. Roosevelt's New Deal occurred out of the collapse of the old system, and a demand for change. In the crisis moment, Herbert Hoover, a conservative Republican, was in power when the Depression hit. Had it been a Democrat, the Republicans would have taken advantage of that crisis. And, the Bush administration happened to be in power when the 2008 economic crisis hit, and then Obama was elected, and he pushed through many major reforms, including at least temporary nationalization of General Motors and Chrysler. And also several big banks were nationalized. So crisis is one form.

A second obvious one is development of political movements, and political movements are part and parcel of what we're talking about. We're beginning to see the new movements that are being generated around the country, which are much more progressive. Bernie Sanders was deeply involved not just as a presidential candidate, but his whole principle of operation is how do we build a

movement. The Civil Rights Movement is a good example, the feminist movement, another good example. So movements are a big part of this.

And the third piece is institutional. We have talked about the role of the labor unions in building political power. So part of the new economy movement, part of this institutional development frame that I've been talking about – cooperatives, worker-owned firms, public utilities, public banks, Land Trusts – building more and more of these kinds of institutions is part of the buildup over time of institutional power.

I often say to younger people, you don't want to play this game of “changing the system”, unless you're willing to throw a few decades of your life on the table. We're talking about historical change, not something that happens tomorrow. It's change that builds up over time. My heroes, in a sense, are the civil rights workers in Mississippi, *in the 1930s*. They laid the groundwork, decade by decade, under very difficult and dangerous conditions, for what became the 1960s civil rights movement. I think that's the way to think about systemic change; it's not going to happen all at once. You can have breakthroughs as you go that lead to systemic change. Systemic change is very common in world history. So, it's very hard for people to think that this may be the era of the pre-history of fundamental systemic change. But I think that's exactly where we are, dealing with all the challenges that lead to a next system.

GH - How can the next system model help citizens embrace the responsibility we have for restoring and protecting land and our oceans as part of a sustainable, life affirming vision for the future?

GA - Well, that goes to many different questions. One of them has to do with the power relationships we're talking about. Are they expansionary? Are they inherently polluting? Are they built on principles of sustainability domestically, so that they reflect sustainable values internationally in the oceans, and in the atmosphere? So, how do you build up the culture that does that? If you can't build up that culture, community, by community, you can't do it nationally.

When I was younger, I was a Legislative Director for Senator Gaylord Nelson, who was the founder of Earth Day. In governance, the principle was, the corporations are driving for growth and often polluting, and we have to regulate them. But often they had more power than the regulators. So, how do we build institutions that inherently generate ecological principles of sustainability. We've talked about that in some of the earlier discussion. So, the larger issue is you can't fix the oceans and the atmosphere unless you build commitment from the bottom. Whatever you can do to regulate now is very important. But ultimately, the institutions have to be moving *in favor* of where you're going, rather in the opposite direction and you have to *fight* the institutions. So, achieving that is another aspect of systemic design, in terms of how you begin to conceive of the overall architecture of the next system. And this in turn brings us back to anchoring any systemic model in community.

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The MAHB Dialogues are a monthly Q&A blog series focused on the need to embrace our common planetary citizenship. Each of these Q&As will feature a distinguished author, scientist, or leader offering perspective on how to take care of the only planetary home we have.

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