

# **Gar Alperovitz at NFG – September 13, 2006**

## **CONFRONTING ELEPHANTS IN THE ROOM**

### **THE EMERGING NEW COMMUNITY WEALTH-BUILDING POSSIBILITY**

Edited Transcript of Keynote Address  
by

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I'm delighted to be here for several reasons. I take what you as foundation leaders and philanthropists do extremely seriously. I may, in fact, even take what you do more seriously than some of you: In my view the folks in this room are the kind of people who are the midwives of a possible transformation. So this talk will be what we used to call in the 1960s a "heavy rap"—meaning about our identity—that is, who we are and what it is we do is at stake. My thesis is that if we are up to it we may just possibly become historically transformative agents.

Yesterday Martin Eakes, the CEO of Self-Help here in North Carolina, challenged us to be honest with ourselves about some hard things as a way to open up a new space and a transitional strategy concerning where we might go over the next decade. Today I want to begin by taking up that challenge and discussing some difficult things that face us as community development practitioners and funders. And then I want to talk about what I think may be a way through these difficulties toward new possibilities for the future. So, with that by way of brief introduction, let me first take note of two big "elephants" that are in this room. They have been in the room the whole time we've been here. I also want to put on the table one very unpleasant fact that we need to grapple with if we are to open up a new direction.

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### **The Widening Income-Wealth Gap and the Fiscal Crisis**

The first of the big elephants in the room involves the distribution of income and wealth. Both distributions have not improved; they have worsened. Wealth in particular is becoming increasingly concentrated. The problem is we all are rarely willing to honestly confront and grapple with the scope and scale of what is going on. What I mean by that is people know we have an unequal distribution of income. They know that poverty doesn't change much if you look at the realities. They know that this is the most unequal of the advanced societies in the world. But we don't confront directly the implications of the fact that the top 1% in the latest data had 19.5% of the income—more income for the top 1% than the bottom one hundred million people taken together. That's a medieval number, and I mean that descriptively, not metaphorically. The distribution of income in American in 2006 is medieval.

We also don't quite face an even harder fact regarding the distribution of wealth in this country. Productive wealth is the heart of the American economy—that is, corporate stocks, bonds, businesses. Today, the top 1% has just under 50% of all basic investment-related capital in the country. All political theorists—liberal, conservative, radical—understand that with that kind of concentration of wealth comes extraordinary power. Let me give you one more figure in this realm, and this is one that you really have to get your mind around: The last time I checked the government data, the top two-tenths of 1% of taxpayers made more money on the sale of stocks and bonds than everyone else in our entire society taken together.

So I want to put the distribution of both income and especially wealth at the center of our conversation. It's been hanging around the edge of this conference, but we don't talk about it, and I think we need that elephant to be recognized.

The second elephant I want to identify is the trend data on a couple of really important political-economic indicators. I happen to have worked at one point in my career, as you may know, in the House and Senate. I worked for Wisconsin Senator Gaylord Nelson, the

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founder of Earth Day, as his Legislative Director. In those days, we could actually pass progressive legislation.

We sometimes acknowledge how different today's legislative and political climate is from those times, but we often don't confront the impact of the changes. Let me give you a few simple statistics about these trends; they take us well beyond George Bush and this particular Administration:

First, the top marginal tax rate for the top income groups was 91% in the Eisenhower era; that went down to 70% at the beginning of the Nixon era; and now stands at 35%. The long trend of the tax rate for the highest income brackets has gone down over time, give or take a momentary up-beat, almost irrespective of who has been in power.

Second, if you look closely at the percentage of federal taxes paid by corporations, they have gone down from roughly 32% of federal revenue in 1950 to about 10% today—again a rather steady downward decline.

At the same time all federal urban funding, development programs and discretionary domestic spending (outside of homeland security) has slipped from 5.2% down to 3.9% of the budget, and such funding is projected to continue to decline to 2.8%.

The long trends are very, very clear, and they are trends that set the fundamental context in which we all work. What I think needs to be faced—and here's the hard fact, the uncomfortable part of the discussion—is that many of us, perhaps all of us, hope that the pendulum will swing back and that these trends will be reversed. We hope that there will be a backlash among the public and that in coming elections we will elect Democrats or progressives, and that people who care about the issues that we care about will be elected in sufficient numbers to reverse the trends.

I don't think the pendulum will swing very far. That is, even if we do get new political leadership—and I hope we do—I don't believe the pendulum will swing back and that

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the trends will be reversed. Let me tell you why I don't think so—and why, if we have courage to really face the harder facts, we may well be able to open up some new directions. I am a prudent optimist, but I am also a political-economist and a historian. I've seen a lot of hard times in history ultimately open new directions—but often only because people are willing to face rather than duck hard facts.

### **The Declining Basis of Social Democracy**

During the middle third of the 20<sup>th</sup> century, the period when the big social spending occurred (in the 1960s and 70s, and even to some extent in the 50s) there was in this country, as there was in all advanced systems in the West, what is usually called a social democratic political constellation. In all of these systems, social democracy—liberalism and the welfare state—depended politically in large part upon strong labor unions.

To the degree these systems were able to produce the kinds of social programs I suspect the people in this room would largely agree upon, powerful, strong unions were part and parcel of the political coalition. Those days are over. Organized labor has declined from 35.3% of the workforce in 1953 at its peak to 7.4% of the private sector workforce (or 12.5% when you include public employees). Most reliable projections indicate that organized labor will continue to decline. The decline is inexorable, and no matter how successful new organizing efforts are—and I am strongly supportive of building progressive union power—it is all but certain that there is not going to be a rebirth of labor at the scale needed to revive the progressive coalition that funds the kind of programs we want.

The second trend that has occurred involves how race has been exploited in this country. For very unusual historical reasons the South was Democratic until the mid-1960s, and then began to shift. The aberrant reason was that Lincoln was a Republican, and thus you had this odd formation: The South always should have been a conservative, indeed a reactionary Republican sector of the society, but it wasn't; it was Democratic. This meant importantly that until quite recently the South was instrumental in electing Democratic

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presidents, and helped to elect Democrats to House and Senate Committee Chairmanships. That's changed. The civil rights revolution, as Lyndon Johnson knew and predicted, has produced an entire quadrant of the country which is very conservative and Republican, based implicitly if not explicitly on the racial divisions of our society. That means that George Bush, though extreme, is not an exception to the general rule. We've witnessed a major change in our lifetimes that makes it extremely difficult to go back up that curve. The Red States, if you like, are overwhelmingly centered on the old Confederacy.

The third essential trend of our time is globalization, which is undermining jobs and unions and communities all over the country and all over the world.

What I'm suggesting to you—and this is why I said it's a “heavy rap” —is that the premise upon which a good deal of our work has rested, the premise that somehow we can rebuild major spending and financing programs at the federal level, that somehow the pendulum will swing back to where it was a few decades ago, that premise has to be questioned. And if questioned, it has implications:

The first is that people all over our society, not just the poor who work in the neighborhoods that we work in, are feeling the impact, and will increasingly feel the impact of the trends. We are witnessing the so-called crisis of the middle class—static real wages, tuition costs rising, health costs rising, pensions being cut back. We will soon be seeing increasing numbers of elderly people on the streets in this country, without pensions, middle class and blue-collar people facing extraordinary difficulties, and they will begin asking difficult questions.

People are also losing jobs or seeing their jobs downgraded; I don't have to tell you this. It runs all the way from people in the poorest neighborhoods through the blue-collar workers who are being hurt, through the lower middle class; and life is getting more and more intense.

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It is a very different world that we are entering.

In such facts—and with time we could discuss many more—there also is ultimately the possibility, I would suggest, of new political alliances as people begin to be aware that they are going to need alliances. There are also possibilities at the local level of new things to do that can be done.

Let me state clearly that I am very supportive of many traditional programs that help the poor; I am very interested in programs that help working class people who are losing jobs. But I am more interested in this fundamental question: I offer it to you as a possibility—let it kind of sit there like a brick in the middle of the table—a possibility that we, because of the particular moment that we happen to find ourselves in, may play a role in building *new* alliances—around quite *new* substantive approaches—which may lay the groundwork for a transformation of our society.

As a historian, it is clear to me that large order political economic change occurs all the time in history. The Progressive Era developed out of long pain. Before the New Deal you wouldn't have expected anything dramatic. Today I believe we may just possibly be living in a period before another big change, and it is worth thinking about where we might be going in those very broad terms, at least for a moment. And this, I believe, will also take us back both to those big elephants in the room, and then to some new and creative community and alliance-building ways of getting serious about them.

### **New Models of Wealth Ownership**

One way to begin is simply to ask whether there is anything at all we are doing that changes who owns—and who benefits from—wealth. Note carefully: This is a different question—related to, but different from—who receives *income* either through earning or through tax-related public support. Wealth owning is about assets—savings accounts, about stocks and bonds and businesses, about home ownership.

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The first thing to note is that even though some of the national *income-related* political trends are negative, there are also very interesting positive *wealth-related* developments emerging all over the country. Important new and very broad-based wealth and asset-building developments are beginning to emerge in communities everywhere. Many people haven't yet noticed the phenomenon because the press hasn't picked up on these developments. So they continue to fly beneath the media radar. But they are real, they are growing, and—most important—they suggest a different way that wealth might be held to benefit large numbers of Americans rather than the tiny elites. These new models benefit individuals, they benefit communities, and they help build new alliances among different constituencies. Let me share with you some of the things that I think are suggestive of possible longer term ways forward even as the pain continues:

The most well known, of course, are Individual Development Accounts (IDAs). In the typical IDA, the government or foundation directly matches the savings of poor families or individuals up to a certain level, thereby doubling their efforts and allowing them to benefit from the ownership of capital. Although IDAs are still very much in the experimental stage, roughly 450 community-based organizations currently administer some 50,000 individual accounts; in the San Francisco Bay Area, participants have consistently saved 5% or more of gross income despite averaging less than \$20,000 per year in household income.

IDAs are only one part of a broad continuum of efforts which moves from the individual out to the small business enterprise to the neighborhood and on to the community at large. Given the limited time we have today, and given the great expertise and hands-on knowledge in this room, I don't need to underscore the importance of individual businesses and home ownership in the spectrum. What is interesting is that new forms of asset ownership which benefit people other than the top 1%—directly or indirectly—are developing all over the country. Here are some of the important newer and less well-known examples:

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Over the last 35 years the number of employee-owned companies in the country, primarily through the ESOP mechanism (Employee Stock Ownership Plan companies), partly through worker cooperatives, has gone from just about zero to over 9,000. These employee-owned companies anchor jobs locally as well as change the ownership of assets, primarily (but not entirely) for blue-collar, working class, and lower-middle class workers.

There are more people involved in companies that they own wholly or own increasingly as they get more shares in the firm than there are members of unions in the private sector. More than 10 million workers in all. You probably didn't know that because the press doesn't tell you.

What does this mean for those of you who fund neighborhood development? Let me try to clarify why these developments have a much larger significance: When jobs get up and go, when they are sent overseas to China or Mexico or India, it's not just the company's workers who are hurt; a lot of other people also get hurt who are involved in local businesses that supply that company or provide services to workers who can no longer afford them. Then those people often lose their jobs as well. One of the things about employee-owned companies—and I suggest that as neighborhood funders you open your discussion to them as well—is that the employee-owners live in the community they work in. They don't want to export their jobs to another state or out of the country. Because these jobs stay put, they also generate tax revenue, and that increases the tax base for public service provision.

Once we begin to think about wealth ownership as a critical concern, then some of the things we need to explore at the community level are ways to own wealth that can keep jobs in our communities. And by doing that, also keep related auxiliary jobs and expand the tax base. Employee ownership is one of those ways; in fact it is one of the most interesting economic developments in the country because it also begins to open a different vision of what might be possible.

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By the way, there is an extraordinary political possibility for those of you who are involved in policy development. In the state of Ohio, where this particular form of wealth ownership has in many ways been the most widely advanced, refined, and developed, the current estimate is that if the state tries to induce a major company to move into Ohio to bring new jobs, it costs \$70,000 to \$100,000 in public funding—either directly or through tax abatements—per job. (Most academic studies show that this level of subsidy is common—but also that these companies would very often have come anyway, that incentives aren't really the factor that brings them.)

In Ohio, to retain a job by selling the enterprise to the employees—when for instance the old owner retires, and this is the way most worker-owned companies are built—costs just \$500 a job. And it involves mainly technical assistance and training the people how to do it, and how to arrange for the substantial federal tax benefits which facilitate ownership transfers.

Related to this is the fact that by 2040 there will be something on the order of \$10 trillion in family business assets that will change hands. Most of this will involve companies where the owner retires. If the owner's children don't want the company, it is often sold off to another corporation, which then may break up the firm, lay-off workers, strip away assets. Or it can be passed on to employees so that the jobs are kept in the community. The politics of \$500 to retain a job versus \$100,000 or \$70,000 to create a new job seems to be just sitting there for people to grasp with a view to developing new policy and new community-building alliances. So I would suggest that expanding employee ownership is one important factor in our community rebuilding agenda—one which also shows other ways wealth can be held than 'the elephant way.'

Let me offer you a second element we could add to the agenda. Most of you have been working with CDCs as funders. The CDC movement, as you know, has expanded greatly since its founding more than 30 years. The latest survey indicates there are 4,600 CDCs across the country. Although many smaller ones are experiencing difficulties, a number of others are moving beyond nonprofit housing development and enterprise support to

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also develop and own local businesses, the profits of which are then used to benefit the community as well. That's an interesting trend. The very first vision of the CDC world—Bedford Stuyvesant was related to this—was based on the understanding that they were trying not simply to do housing, and not simply trying to do entrepreneurial development, but trying also to develop resources in some nonprofit way that could provide an independent base of operation which they could then use for advocacy and training. That was the early vision and we should be happy that some CDCs are reviving it. At the outset I mentioned Martin Eakes who has built Self-Help with his associates. According to Martin, Self-Help has sufficiently developed its own internal resource base so they “can say what they want to say.” Returning CDCs to that vision of greater independence so that advocacy and organizing functions stand on a solid floor of independent resources will require greater economic ownership—and another way to offer an alternative to the elephant. Probably the best place to begin for many is with property management; but I would see this as a beginning place, not an end point.

Social enterprises—that is, nonprofits that engage in business activities in general—are a third element that changes the ownership of productive wealth or assets in a way that serves and builds the community beyond individual asset-holding. There are many, many nonprofits that have built for-profit arms that generate revenues to fund their mission-based work; sometimes you hear this called the “double bottom line.” One outstanding example is Pioneer Human Services in Seattle. PHS works with people who are in drug and alcohol rehab. When it began, PHS was entirely grant funded. Today it is only about 1% dependent on grants to fund its \$60,000,000 a year budget. It has developed a service program almost entirely reliant on its own businesses: There are two restaurants, there is a training program, and they manufacture airplane parts. They have figured out a way to integrate their core training and rehabilitation mission with an institutional process that anchor jobs and changes the ownership of wealth for a community purpose.

That is the message here—how do we broaden the ownership of wealth, not just for individuals, but also for a community purpose?

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Another mechanism for doing this is the community land trust. Land trusts are critically important as a way to stabilize housing in the gentrification era. All of you have seen what happens when the early housing tax credits run out: The speculators come in and blow those affordable housing units away. One person makes a little or a lot of money—and then you gentrify the entire area. There is no way to deal with gentrification without getting very serious about another form of owning wealth in the community—in this case land trusts; which has a public benefit—in this case affordable housing. If you can start land trusting early on, before gentrification begins, then you can capture the appreciating value of the land for a public purpose, again through another form of changing asset ownership.

One of the most interesting land trusts now underway has recently been launched in the city of Irvine, California. That city has now committed to producing 10,000 housing units through a non-profit land trust. Chicago also has a land trust; Burlington, Vermont has one of the oldest; many of us saw the Durham land trust on yesterday's tour; and many other cities are beginning to explore this community-wealth mechanism. And in every case, these work through joint ownership of housing by non-profits and low-income people, rather than mainly through traditional subsidies—which are declining and will continue to decline.

I realize that some of the less well publicized models and strategies (like the intricacies of worker-owned companies) may be new to some of you in your role as funders. That is why I want to stress the importance of keeping an eye on the big trends and on the new developments. There is something going on across-the-board which I think could be extremely valuable if we can find a way to put together the groups and the people and the projects to multiply the overall combined impact.

Partly this is about self-consciously building a new “paradigm.” Another way to think about the emerging era is to ask ourselves what we might do to confront the large order negative trends—and do so in new substantive ways that might open the way to building broader alliances which, in a larger sense, aim at rebuilding our society in new wealth-

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related ways and possibly thereby laying the foundations for a longer-term transformation.

What I'm saying, implicitly, is that if you look at who is benefiting from the various wealth-building efforts it turns out to be the bottom 95% of Americans. If we could begin to build new alliances around this agenda, we might well begin to make things happen locally and nationally. So there is an implicit politics here, a politics whose day hasn't yet come, but a politics which is partly building up out of pain, partly out of innovation, and partly out of concentrations of difficulties in specific geographic areas. (As I have written elsewhere, the across-the-board positive wealth building strategies can also be linked to the growing efforts by "the bottom 95%" to recoup excessive gains of the top 1-5% through taxation.)

Let me mention a few more elements of the positive agenda. Municipalities are also going into business directly and are investing directly in order to make money to support community services. In the early part of the 20<sup>th</sup> century they called this "municipal socialism." Mayors and policy makers now call it "the enterprising city." It doesn't matter what they call it. But it is very interesting because it is another form of capturing the benefits of wealth holding not for the top 1-5%, but for the broader use of the entire community.

Some of the emerging municipal enterprises have interesting ecological aspects to them as well. In Riverview, Michigan, for example, a city-owned business captures the methane emitted from garbage and then turns this into electricity for local consumers. The city is helping to protect the environment, dealing with energy needs, providing new jobs, and making money which is then put back into the support of public services. They are creating and using local capital to begin building a positive community agenda through city ownership. A major reason this is happening in different ways at the local level is because of the fundamental trend change in the capacity of public sources of funding. Funding here, too, is declining and declining and there is no other alternative, so people are forced to look at new ways of holding their communities together.

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In all of this it is not only that we are talking about transforming wealth and asset ownership; we're also talking about the relationship between making assets available to individuals and families, on the one hand, and on the other, a place-based development and politics that builds capital and assets that are owned by various communities—workers, neighborhoods, municipalities. There are also interesting “advanced” experiments emerging around the country which begin to put together specific forms of individual and community asset-building, so that people have a stake in a community facility, making money on it individually but also building the community. One of these has been pioneered by the Jacobs Foundation in its Market Creek project in San Diego. If I had one recommendation to make to you, it would be to begin thinking about how to build more comprehensive models that bring together individual asset accumulation with community-held assets and capital. Study the Jacobs model, learn from it, extend it, and broaden it. Take a hard look at that one, and congratulations to the leadership of the Jacobs Foundation for the difficult work you've done in producing this breakthrough.

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Now let me put another piece of the puzzle on the table and try to contextualize some of this in a larger time frame. People talk an awful lot about globalization. But if you look at things through a slightly different lens, the fact is, as Paul Krugman has stressed—and very few people have noticed—America is the least globalized of all of the major countries in the world. The reason is obvious: as a nation we have a huge internal market, so most sales are internal, even though there has also been a longer term change in global trade relationships.

This is not to say that trade is unimportant; there is important national-level work to do in this regard. But what has happened in a more fundamental sense is that American society has become steadily more localized over time. From 1940 until about 1961, by certain key measures internal trade *within* cities grew from 42% to 50%. It is now on average up to 62%. That means the builder buys services from the doctor, the doctor buys from the local store, and the local services are all internal to the city. The localizing trend is

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increasing and when you think about it, it is again obvious: The decline of manufacturing, from a 1954 peak of 31% of the labor force in manufacturing to under 10% now, has been matched by an increase in services on the other side. Today we're almost an 80% to 90% service and non-manufacturing economy. Services are primarily locally based. Only about 5% are exported. But above all they are very substantially internal to cities.

Now, put that together with what we've been discussing: place-based development, cities where the expansion of internal economic development (and local economic "multipliers") can be linked to a whole agenda of programs bringing together the various forms of place-based and individual asset development, and changing who owns wealth. A new paradigm is emerging out of this reality of pain-driven change—one which opens possibilities well beyond where we are now, and which is also in accord with some of the dominant large-order sectoral trends in the economy.

In addition to the examples I've cited within communities, there are also many interesting developments at the state level that can—or already are—supporting this direction. Alaska has a reputation for being a very conservative state. Yet through the Alaska Permanent Fund the state maintains public ownership of the wealth generated by its oil resources. Three-quarters of these revenues are used to finance the state budget; one-quarter comes back as dividends to every citizen of the state as a matter of right. It's not a tax-payer supported benefit; is a wealth-related right of every citizen. In the year 2000 every citizen in the state received nearly \$2,000. If you and your spouse had three kids, your family received roughly \$10,000. This is a different approach to community wealth-benefiting ownership that is being experimented with in Alaska.

The most interesting place to look at this type of phenomenon—and I think we're going to see more of it, and begin to develop the policy agenda to promote it and link it to communities and cities—is the state of Alabama. Among other things the public pension fund of Alabama invests in worker-owned (ESOP) companies and community place based developments. It uses public pension resources aggressively to promote economic development in the state. It's an oddity of history that this happens to be in Alabama.

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Many, many states do it in a less dramatic form, but they do it, and their example also teaches us a great deal about what we could do if we opened our agenda far beyond where we now are. CalPERS in California is the most well-known effort.

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All across the nation we are in fact seeing an implicit challenge to the old paradigm. Unfavorable tax and spending trends are not likely to be reversed in fundamental ways, and the pain from this is driving innovation and opening up things that people may not have noticed before. There is something brewing that begins to offer a vision of a very different ‘possible’ America—and of how wealth building may come to play a transformative role in our society. So that’s the large frame.

Another way to say this is: I’m urging us not to ignore those wealth-related elephants in the room as we do our programs, and to keep asking the question “Are we actually dealing with the elephant—with who owns America—and the hard trends and the hard political facts?” Are we looking for new alternatives? Or are we still hoping against hope that the old programmatic and policy pendulum will swing in more than token ways?

One of the most intriguing developments in connection with community wealth building at the local level is that not only can you begin to put together potentially different local organizational alliances, but you begin to find practical Democrats and Republicans who can support this agenda. You find both liberal and conservative mayors who want real solutions to real problems, rather than ideology, and who know that the alternatives are limited. As they begin to see what’s been done in other cities, they begin to ask themselves “Why don’t we catch up?” That is an astounding and interesting phenomenon.

We first realized the potential of this development when we organized a policy roundtable in Washington, D.C. with partners at the Aspen Institute. We put together a panel of policy experts: Bob Borosage of the Campaign for a New America, a leading

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liberal group; Bill Galston, who was the “New Democrat” domestic deputy advisor in the Clinton administration; and Steven Goldsmith, the Republican former mayor of Indianapolis, who was George Bush’s domestic advisor in his first campaign. There you had a spectrum—from very liberal Democrat to conservative Republican—yet they all agreed that a community wealth-building agenda can be moved forward with their own constituencies. It is an agenda that begins to open up new possibilities for all of our communities, in my opinion.

We also have other potential allies, particularly in the so-called anchor institutions—those large community-rooted institutions that don’t get up and leave the community. The big universities can be brought into this strategy, either out of external pressure, internal organizing, or enlightened leadership. There are already many, many examples of anchors—universities, hospitals, cultural centers, faith-based institutions—that are leveraging their own financial resources to purchase locally, invest in their communities, build affordable housing. The University of Pennsylvania has been a leader in targeting their purchasing and real estate development to build up the West Philadelphia neighborhood that surrounds the campus. But there are many such examples all over the country that can serve as models and play a role in the overall strategy.

And just as there has been a build up of expertise in the anchor institutions, there is now solid experience in all of the sectors I’ve mentioned. Forty years ago there weren’t many people who knew how to organize a community development corporation; they didn’t exist. There wasn’t anyone you could go to if you wanted to create a worker-owned company; they didn’t exist. There wasn’t anybody who could do a land trust; nobody knew how. (Of course, I exaggerate; but there were very, very few such people!) However, 30 or 40 years of development have given us a platform of knowledge and experience so that the next move forward can be built on real knowledge, and people with experience who can be called upon. If you want to do this in your community, you want to get a new project going, you want to refocus your grant giving, there are people all over the country willing to help who know how. That is a historic achievement upon which something can be built as well.

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### **On the Eve of a New Paradigm**

I'm not a utopian—I'm a historian and a political economist. I think times are likely to get a worse before they get better (even when Democrats are elected who try to alter the long, long trends.)

But I also think that we may just possibly be at the start of a new paradigm—(and here is the “heavy rap”) —that we happen to live at a moment in time where something big could slowly be beginning to change... Something that could be important if we understand it...

Like the time prior to the Progressive Era, when the foundations got laid for what became the next transformation. Like the time prior to the New Deal, when the groundwork was laid for what ultimately became major change, step by step by agonizing step in community after community and state by state, learning and failing and falling and collapsing and trying again and again. That preliminary foundation-laying time in history is often the most important time of all in my judgment.

Now it just possibly may be our turn. It isn't clear whether or not we're up to it. It's clear that we're going to have stretch. Partly we're going to have to think about things more deeply than we normally do; partly we are going to have to ask tougher questions of ourselves; partly we are going to have to ask tougher questions of our colleagues. We all work within frameworks and guidelines that have been set by the past paradigm. Going forward we're going to have to do what the Chinese used to say (I love this phrase), we're going to have to learn to “walk on two legs” —we're going to have to learn to walk the old patterns as best we can, as much as we can, to defend what we can and build what we can. And we're going to have to learn to walk on another leg, opening up a new wealth-related direction going forward.

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We are living in difficult times, and people in difficult times sometime think nothing really major will change. Well, I go back to the very late 1950s when I was a very young kid in high school in Racine, Wisconsin, a dying industrial town in the southern part of the state. Those were the days of the McCarthy era, and our Senator was, in fact, Joe McCarthy. You know, it was terrible. In the state of Wisconsin it was impossible to do anything progressive – they shot everything that moved politically. And of course if you'd read the tea leaves of the times in Wisconsin, when I grew up, what you *knew* for sure was that nothing major would *ever* change.

But of course, we were wrong, dramatically so, for then the 60s exploded...

You could say the same thing about the women's movement. From 1920 when the vote was achieved to 1962... It was very hard to find anything at the surface level that was changing at all.... And then the greatest cultural revolution of modern history occurred—and nobody had predicted it.

You could say the same thing about environmentalism. Conservation in some states like Wisconsin was important because people liked public parks and fishing, and so they protected that. But there was not a conservation movement of scale, and certainly the notion that you could make environmental issues important politically did not exist. When I worked for Senator Gaylord Nelson, they laughed at him in the White House (this was the Kennedy era) when he said "You know Mr. President, you could really make conservation and environmentalism an important issue." And they thought it was silly and that there was no constituency.

And then, suddenly, there *was* a constituency, which became powerful once people began to build and develop forward.

And then there is the anti-war movement of the Vietnam era. I remember when Martin Luther King Jr. was afraid to challenge the Vietnam War because he felt it would hurt the

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civil rights movement and because the constituency wasn't there. But then he took his stand and the movement grew.

A little story from this era which I think might be applicable to what we are talking about today: We used to go door to door in the anti-war era—this was when 90% of the public was said to be for the war—in the industrial working town of Somerville, Massachusetts. And you would knock on the door and someone would say, “I’m against the war, but nobody else on this block is.” And then you would knock on the next door and get, “I’m against the war, but nobody else on this block is” and you would find that there was a hidden feeling that had not been catalyzed. And what you’d have to do was call people together and have a coffee klatch, then a petition drive—something would happen. There was something brewing that was not seen.

### **Are We Up to the Job Ahead as We Face Our Own Time in History?**

I don't know if something in the large transformative sense is brewing yet. I think we are in the “pre-era” when the development of projects state by state, locally, is necessary to first begin building a new paradigm in this direction.

But I do think the sense that something is profoundly wrong in the country is building, and indeed that is a critical element in all of this. One or two more facts and then I'll stop. Thirty-five years ago, if you asked people the question “Do you believe that the government does what the people want?”—a basic question about democracy—you would get 7 out of 10, by and large, saying “Yes, by and large the government does what the people want.” Three decades later, through changing Democratic and Republican congresses and presidencies, as the power relationships and vested interests have dominated what is happening, the view is now almost entirely reversed. Today 7 out of 10 commonly say “No, it is the wealthy, the corporations and the vested interests that control; the people don't have any say.”

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That is a very disturbing fact from one point of view—the academics call it de-legitimation, a legitimacy crisis. From another point of view it tells you that people are waiting and seriously concerned and are no longer taken in by a great deal of once sacrosanct rhetoric. They don't know what to do with it, but they don't believe a lot of things they used to believe. And therefore, the role of people who offer a new way forward or who stretch and agonize while they try to find a new way forward is all important.

As I told you at the outset, I take you seriously, very seriously.

I want to say one thing further: I don't think all of this is about America, in general, and I don't think this is mainly about foundations, and I don't think this is mainly about communities—I think this is about the person who is sitting in your seat, and who sits in my seat. This is about who we think we are. This is an existential question I am suggesting to you. And the question is how individual people, like the people in this room who have power, different levels of power, respond to the national and growing community crisis.

It isn't about what is out *there*; it's about what's in *here*, and whether or not we rise to the agonizing problem of dealing with possible change, criticism, old guidelines, experimenting with things that are going to fail, educating ourselves beyond the technicalities of our particular part of the spectrum, opening up new possibilities where we actually think about these kinds of strategic issues.

I want, finally, to mention one other recent movement in America's history that was built from nothing. In the 1940s and 1950s what we call the conservative movement was regarded as a ridiculous antique. No one took them seriously. But they did their homework, and worked very hard for three decades, and they in fact came to dominate the country. I'm suggesting that this is the sort of stretching that's needed to confront—and begin to lay the foundations for a long-term alternative to the elephants.

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Chairman Mao famously said that power grows out of the barrel of a gun. In the 1960s the women's movement said no, power grows out of half a dozen people sitting down in a living room having a cup of coffee together and reading and thinking and then developing a strategy, and supporting each other. That's really how serious things are done. Here in Durham, the first civil rights sit-ins were done that way. How did they begin? They began by individuals working together and thinking about things broader than their narrow constraints.

That's the message in all of this to all of us: that the central issue before us is how we personally stretch ourselves to try to understand and grapple with some of these large order realities.

My own heroes—and I would suggest to you these are the kinds of people to think about when you think about our own time in history—are the people who were working in Mississippi in what became the civil rights movement—not in the 1960s, but in the 1930s and 1940s. When there was not yet a civil rights movement and you would be killed if you did the wrong thing. They are the ones who laid the *foundation* for something that later became “an idea whose time had come.” That was when the hard work was done. I take nothing away from the civil rights movement of the 60s; I admire those activists and organizers, but the truly hard work was done in that odd period when no one really saw a way forward. So in that sense, and for all of the reasons that I have suggested, I happen to think that the moment we're living in is a moment where building a new vision, a new direction, and getting serious about opening ourselves up to new possibilities may potentially be critical in helping open the way to a possibly major, even perhaps historic transformation—one capable of altering the patterns of wealth at the core of our political-economic system.

Thank you have having me. I appreciate your work and I look forward to working with you all as we jointly grapple with our own particular stage of history. Thank you very much.

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