

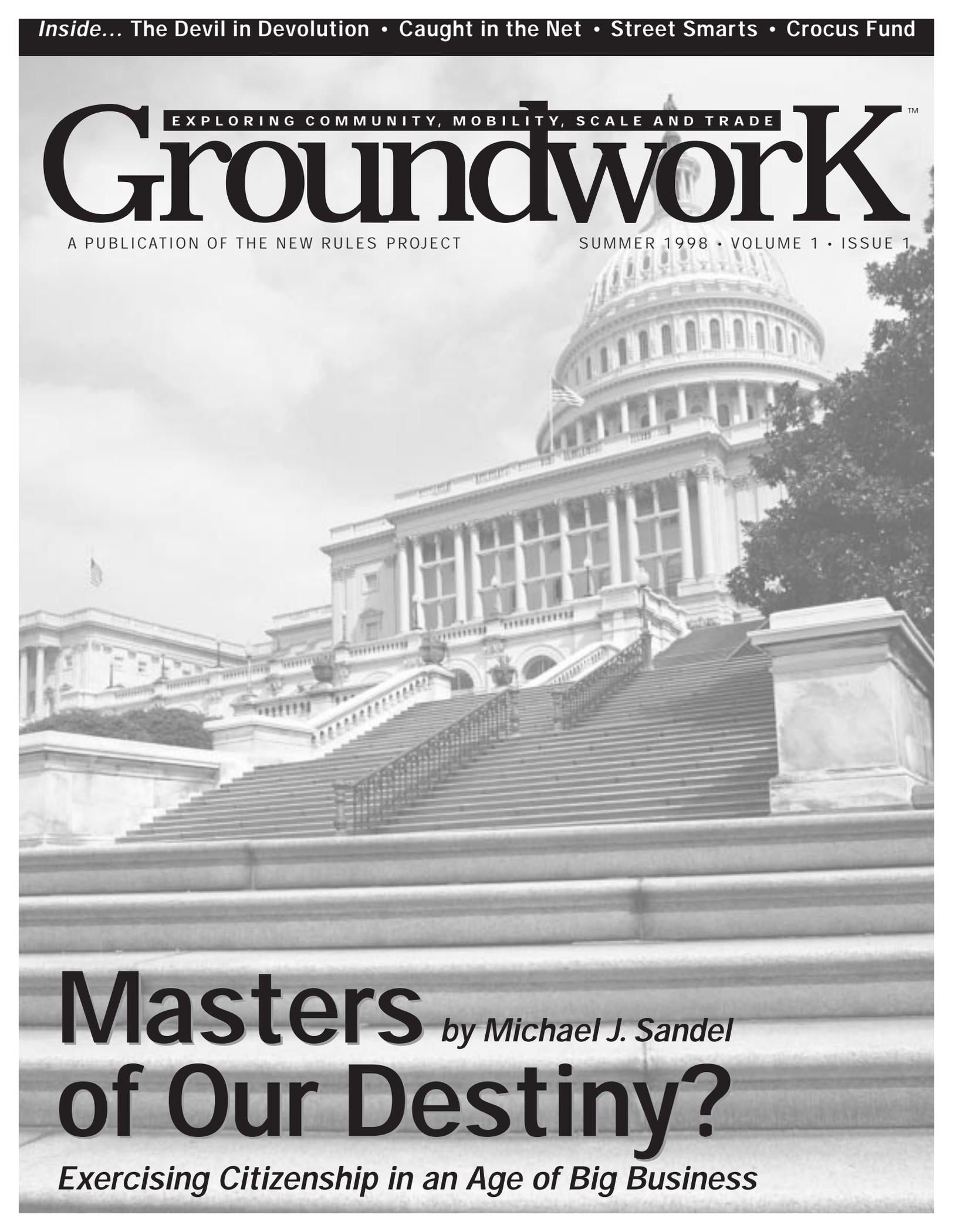
Inside... The Devil in Devolution • Caught in the Net • Street Smarts • Crocus Fund

EXPLORING COMMUNITY, MOBILITY, SCALE AND TRADE

Groundwork™

A PUBLICATION OF THE NEW RULES PROJECT

SUMMER 1998 • VOLUME 1 • ISSUE 1



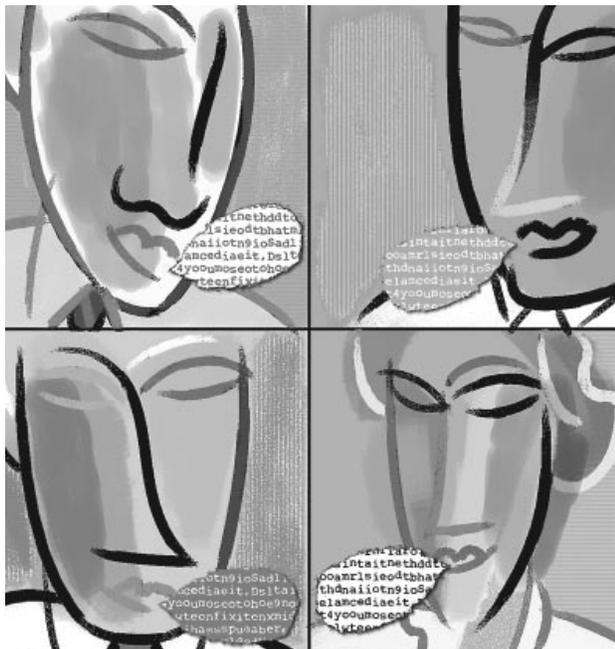
Masters *by Michael J. Sandel* of Our Destiny?

Exercising Citizenship in an Age of Big Business



Why Groundwork?

Politicians of every ideological hue endorse the need for strong communities. Yet the rules they design more often than not undermine that possibility by deflecting responsibility, pre-empting authority and favoring absentee ownership.



What do we mean by community? A self-conscious geographical area whose citizens have the authority and capacity to privately and publicly take on the responsibility for their and their neighbors' welfare. The eclipse of community is not an inevitable end-product of human history. We make the rules and the rules make us. Last year over \$900 billion in mergers and acquisitions took place in the U.S. alone, six times more than in 1990. This frenzy of concentration in banking, telecommunications, electricity and other sectors did not occur because economic efficiencies

demand it but because we designed policies that allowed, indeed encouraged it to happen.

Today we value mobility over community. We value the flow of all things over the needs of places. What would happen if the opposite were true? What would be the warp and woof of politics if place and scale were key components? What would be the content of public policy if the rules were designed as if community truly mattered?

These are the questions *Groundwork* will explore. Sometimes this exploration will take the form of case studies, as in Sherman Kreiner's article on the Crocus Fund of Manitoba. Sometimes we will delve into the past to illuminate the present: in this issue Michael Sandel eavesdrops on Wilson and Roosevelt as they spar about the role of government in an age of industrial trusts. Frequently we will offer a debate on a key topic, as we do in the consideration of devolution by John Donahue and Thomas Naylor. And always we will examine a variety of topics through our community-oriented lens. In this issue the examination includes articles on sports, electronic commerce and the design of streets.

Groundwork is a journal of the 24-year-old Institute for Local Self-Reliance and its New Rules Project. It grows out of our work in hundreds of communities here and abroad and our growing sense that for emerging local innovations to succeed and multiply we need to change the rules at all levels.

We view *Groundwork* as part of a conversation about the role of community and democracy in an age of globalization. We welcome your response to the journal and your participation in the conversation.

David Morris
Vice President
Institute for Local Self-Reliance

FEATURES

7 Owning Your Own Economy

Employee ownership is the focus of the Crocus Fund's plan to staunch capital flight from Manitoba.

10 Masters of Our Destiny?

How do we construct an economy hospitable to self-government? The question is nearly a century old.

14 Bits, Bytes and Community

Through a moratorium on Net taxes, Congress and the Supreme Court just say no to local business.

18 Rooting the Home Team

Owners can't resist that stadium siren song, so it's up to the crowd to root their teams home.

DEPARTMENTS



1 Place Rules

Good rules make a difference—but only if they have muscle.



2 Face to Face

Devolving power to the states may have us playing 52 pickup.



16 Community Lens

Putting traditional road design in the back seat.



20 Resources



Rules to Read By

In the U.S., independent and small chain bookstores are threatened by the advent of book superstores. More than 250 independent bookstores closed in the last four years. Nearly all cited superstores as a factor.

In Germany, bookstores operate in a different environment. Booksellers and publishers mutually agree not to mark book prices below the suggested retail price, an industry practice known as *Buchpreisbindung*. The agreement, which includes Austria and Switzerland, has helped create a large network of small and medium-sized bookstores across the country. There are 2500 publishers listed in the agreement and more than 9000 independent retailers. So far the agreement seems to have worked. In the U.S., publication of new titles has remained stagnant at 40,000 to 50,000 a year since the late 1970s. In the same period, German output has tripled to well over 70,000 titles. Says Heinrich Hugendubel, owner and managing director of the large Hugendubel chain, "In purely economic terms, we would be better off without the price-fixing. But the variety of the book market would certainly suffer. It is a question of our cultural responsibility."

Despite its long success, in the last few years this agreement has come under attack for being a barrier to free trade. Because it operates across national boundaries it is under the authority of the European Union, which generally prohibits price-fixing across borders. ●

(Christian Baumgaertel, The New York Times, November 17, 1997; Sprawl-Busters Alert, December 1997)

Breaking Up the Beef Trust... Again

The Sherman Anti-Trust Act of 1890 and the Packers and Livestocks Act of 1921 were enacted in part to break up a beef trust that had wiped out thousands of small businesses and fixed meat prices across the country. From the 1920s to the 1970s the industry

became more competitive, but now a wave of mergers has resulted in a concentration almost as pronounced as a century ago. In 1994 the four largest beef packers accounted for 82 percent of the steer and heifer slaughter, up from 36 percent in 1980.

Giant packers are making record profits while the price the ranchers receive for their cattle steadily decreases. The 882,000 small ranchers insist this is a direct consequence of concentrated power. Up to 60 percent of the cattle purchased by packers in any given week are "captive supplies"—owned by them or controlled by them through forward contracts and market arrangements. This system, ranchers insist, enables packers to control the market because if they don't like a particular week's price,

"Human beings need a landscape, a province or a city to call their home. It is the same with corporations; otherwise they become monsters."

~ Pehr G. Gyllenhammar, former Volvo CEO

they simply turn to their captive supply. The packers are helped considerably by the fact that cattle sales are no longer public. In 1995, 86 percent were nonpublic, compared to 68 percent in 1976. And 97 percent of the purchases of the 8 largest packers are nonpublic. This week's price is basically set in about 15 minutes of private

negotiation, when one of the big three (Cargill, IBP, Con-Agra) makes a purchase.

The small ranchers consider all of this a *prima facie* case of antitrust violation. The USDA demurs, saying that concentrated power alone is insufficient reason for them to act. They must also be convinced that this power is responsible for low prices.

On October 12, 1996, the Western Organization of Resource Councils (WORC), a 19-year-old organization with

6,000 members in 6 western states (including farmers, ranchers, small business owners and working people) petitioned the USDA under

the Packer and Stockyards Act to issue rules that would: 1) prohibit packers from owning and raising or feeding cattle unless those cattle are sold on the public market, and 2) require packers to include a firm dollar price on their forward purchasing

contracts and offer or bid these contracts on the open market.

The petition received over 1700 positive responses and 50 negative ones by the closing response date of April 14, 1997. As of this writing the USDA has yet to act on it. ●

Recycling the Rails

After more than two decades of local efforts, in 1985 only some 600 miles of railroads in the U.S. had been converted into hiking and biking trails. Then Congress changed the rules. In 1983 it inserted a one-paragraph provision in a national trails law establishing the concept of "railbanking"—keeping intact rights-of-way for railroads that have gone out of service but that may someday again carry people or freight. Then the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) shifted what might appear to be a trivial three-quarters of one percent of federal transportation funds into programs that enable biking and walking. But given what we spend on roads, that tiny fraction translated into \$820 million for bike and pedestrian facilities since 1992, more than 20 times the amount spent during the two decades before ISTEA.

Today there are 10,000 miles of publicly owned and fully open rail trails in the country; another 18,000 are being readied for use. And there are more to come. At their peak, in 1916, American railroads boasted 254,000 miles of rails. About one-third of that mileage, or 75,000 miles of railroad, should be converted to trails by 2015. ●

(Tony Hiss, "Rails to Trails," Atlantic Monthly, December 1997)

"The statement that size is not a crime is entirely correct... from the point of motive. But size may become such a danger in its results to the community that the community may have to set limits."

~ Louis D. Brandeis



Debate: The Devil in Devolution

Supporters of states' rights hope to trim a topheavy national bureaucracy by relocating governmental authority from the federal level to the state level. This may be an effective medicine: another possibility is that an unexamined rush toward devolution will leave us in worse shape than before. Here two authors take a closer look at how well our counties, cities and communities will stand up under a shift in social and economic responsibility.

Dissolution Not Devolution

by Thomas H. Naylor

There is a high price to be paid for our uncritical affirmation of bigness, global interdependence, universal solutions to political and economic problems, dehumanizing uniformity and standardized mass production. Size, entangling alliances and technological complexity are not risk free.

In spite of a booming economy, many of our nation's problems continue unabated—poverty, homelessness, drug abuse, racism, violent crime, a failing education system, urban sprawl and environmental degradation. Most of these problems are firmly rooted in size. Our government, our states, our cities, our corporations, our military, our schools, our social welfare system, and even our churches are too big, too powerful, too intrusive, too insular and too unresponsive to the

Naylor continued on page 3...

The Unhappy Medium

by John D. Donahue

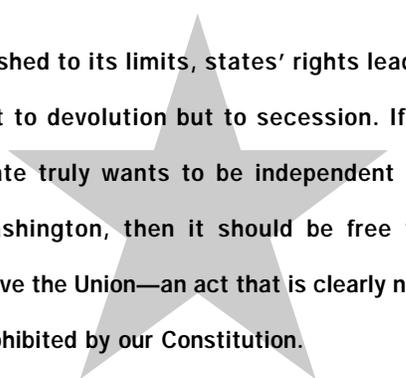
As Washington retreats and the initiative shifts to America's state governments, the political winds might seem to be blowing fair for those who cherish local autonomy, civic engagement and a more intimate, accountable style of politics. The ascendancy of the states appears to offer a happy medium between the impractical dream of pure localism and the soulless status quo of federal dominance.

Yet the tilt toward the states in government's center of gravity is almost certain to disappoint communitarians. State officials are far more likely to hoard authority dislodged from Washington than they are to pass it on to cities, towns and neighborhoods. Most important—and least commonly

Donahue continued on page 3...

Naylor continued...

needs of individual citizens and small local communities. Just as Mikhail S. Gorbachev found it impossible to manage the Soviet Union from the Kremlin, so too have the White House and Congress found it equally futile to impose top-down, Washington-based solutions on our many social problems—particularly our urban problems. The problems of the poor, the underprivileged and the disenfranchised are not amenable to solutions from above. Solutions require the bottom-up participation of those affected, as well as a sense of community that connects those who have been victimized with those in a position to influence the results.



Pushed to its limits, states' rights leads not to devolution but to secession. If a state truly wants to be independent of Washington, then it should be free to leave the Union—an act that is clearly not prohibited by our Constitution.

The only way to empower Americans is to make America and all of its giant institutions inordinately smaller. Big-name politicians, big political parties, big study commissions, big conferences, big technology and big computer networks are all part of the problem—not the solution.

Neither the Democrats nor the Republicans will be much help in downsizing the U.S., since both political parties are firmly entrenched in the centralist camp. The Democrats like big government, big cities and big social welfare projects; the Republicans, big business, big military and big prisons. Both are committed to increased international trade and global interdependence.

Our states, our cities, our towns and our villages assume too little responsibility for the solution of their own social, economic and political problems. They are all too willing to abdicate to the federal government their responsibilities for public education, criminal justice, employment and environmental protection.

Fine-tuning or patching our badly crippled political system will do little to turn the situation around. There is only one solution to the problems of America—peaceful dissolution, not piecemeal devolution.

Naylor continued on page 4...

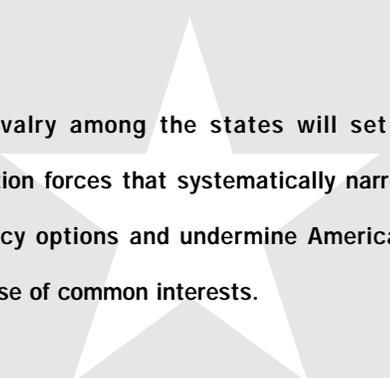
Donahue continued...

recognized—is the risk that rivalry among the states will set in motion forces that systematically narrow policy options and undermine America's sense of common interests. State-centered government threatens an unhappy medium, rendering public institutions at once unresponsive and feeble.

To understand why so appealing an abstraction as governmental decentralization can be so much less benign in practice, consider the context. The reshaping of the industrial landscape, the maturation of mid-century transportation and communications revolutions and the liberation of huge populations from underdevelopment or Communism are transforming the planet into an ever more integrated market. It is by no means assured (however we structure our government) that America's magnificent postwar achievement of broadly shared prosperity will survive this century.

But devolution will worsen the odds. Shared prosperity, amid the maelstrom of economic change tearing away at the industrial underpinnings of the middle-class culture, is an artifact of policy. And as the modern economy's centrifugal forces strengthen, the policy effort must intensify if economic fragmentation is to be contained.

The individual states—each scrambling to lure mobile businesses, fearful of losing industry and richer residents to lower-tax rivals, anxious to minimize their burden of needy citizens—will find such policies nearly impossible to sustain. America as a whole remains much less subject to the flight of wealth and the influx of need than are its constituent states.



...rivalry among the states will set in motion forces that systematically narrow policy options and undermine America's sense of common interests.

Six broad propositions suggest how we can recalibrate the federal balance to create room for meaningful civic debate over our common obligation and our future as a culture.

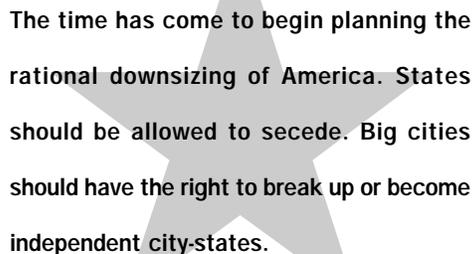
1. Do devolve, where it makes sense—but don't stop with the states. Many functions *should* be decentralized. Where locales vary greatly in circumstances or goals, where external impacts are minor or manageable, where the payoff from innovation exceeds the advantages of uniformity or where competition can be expected to inspire efficiency gains instead of sterile stratagems, the central government should stand

Donahue continued on page 4...

Naylor continued...

As Thomas Jefferson pointed out in the Declaration of Independence, “Whenever any form of government becomes destructive, it is the right of the people to alter or abolish it, and to institute a new government.” Thanks largely to Abraham Lincoln, secession has been viewed as a political pariah by most Americans since the Civil War. But in Eastern Europe, the former Soviet Union and Quebec secession is associated with freedom, democracy and the aspirations of the oppressed—as was the case when the United States was founded in 1776.

What if secession fever were to spread over the Canadian border into the United States, where some say it originated over 200 ago? Suppose the notion that, “Just as a nation or a state has a right to form, so too does it have a right to disband, subdivide itself, or secede from a larger unit,” were suddenly to become politically correct? What if secession fever were to become as virulent as Reaganism and Thatcherism?



The time has come to begin planning the rational downsizing of America. States should be allowed to secede. Big cities should have the right to break up or become independent city-states.

Pushed to its limits, states’ rights leads not to devolution but to secession. If a state truly wants to be independent of Washington, then it should be free to leave the Union—an act that is clearly not prohibited by our Constitution. By weakening the control the federal government has over the states, forces will be set loose that not only encourage competition among states but lead to renewed interest in secession.

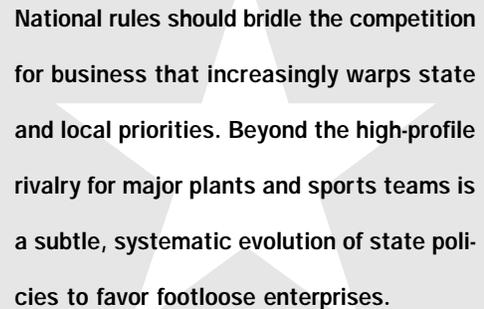
In the divisive 1860s the Confederate States of America tried unsuccessfully to lead our nation into disunion for all the wrong reasons—preservation of slavery, racism and the “Southern way of life.” After military defeat, occupation and Reconstruction, they were dragged kicking and screaming back into the Union. Maybe it’s high time the South and the rest of the nation reconsidered secession, this time for the right reasons.

Brilliant though the crafters of the U.S. Constitution may have been, they could

Naylor continued on page 5...

Donahue continued...

clear. Yet while the prevailing rhetoric celebrates state sovereignty, the real benefits of decentralization typically require going further.



National rules should bridle the competition for business that increasingly warps state and local priorities. Beyond the high-profile rivalry for major plants and sports teams is a subtle, systematic evolution of state policies to favor footloose enterprises.

2. Centralize antipoverty policy. The devolution of antipoverty policy will eventually be seen as a mistake, if perhaps an inevitable mistake. The Gordian knot of the welfare status quo may have been beyond untangling by the mid-1990s. We will never know: the first Clinton Administration pulled its punches on welfare reform and forfeited the issue to Congress.

But with the first serious recession (if not before), state-based welfare policy’s built-in bias towards undue harshness will be revealed.

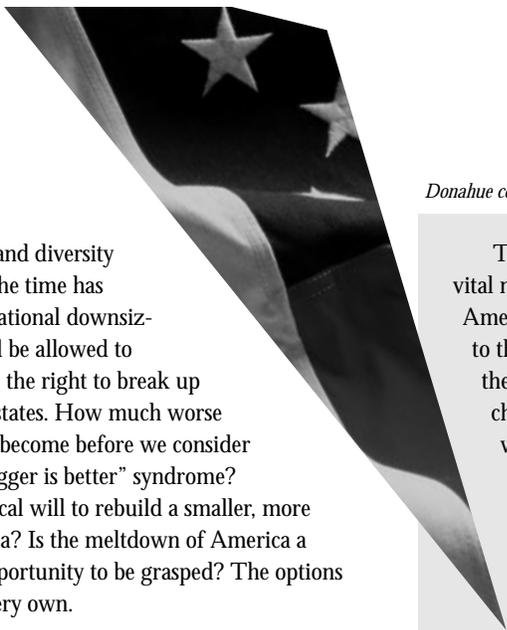
3. Recognize the states’ limits as stewards of education. Eventual revenue crunches and the accumulation of competing burdens may lead states to fumble their long-standing responsibilities for education and training, the best hopes for reversing income inequality and shoring up America’s middle class. The odds of this occurring remain difficult to gauge; the calamitous consequences should it happen are all too clear.

4. Curb the courtship of capital. National rules should bridle the competition for business that increasingly warps state and local priorities. Beyond the high-profile rivalry for major plants and sports teams is a subtle, systematic evolution of state policies to favor footloose enterprises. What states surrender to lure or retain jobs, moreover, yields no net national gains; incentives can affect the location of economic activity within America, but can’t appreciably augment the total.

5. Reduce the cities’ and the states’ dependence on their own tax revenues. Tax competition, as a device for disciplining government, is mostly redundant with the ballot box, and where its effects are distinctive they are seldom benign. The case for taxing centrally and spending locally is stronger now than it was when the Nixon administration launched a short-lived experiment in general revenue sharing.

6. Fix the federal government. A feeble federal government served Americans badly in the 1780s and will do far worse today. We must redouble efforts to make federal operations more efficient, innovative and accountable.

Donahue continued on page 5...



Naylor continued...

not have anticipated the size and diversity of the United States today. The time has come to begin planning the rational downsizing of America. States should be allowed to secede. Big cities should have the right to break up or become independent city-states. How much worse must our domestic problems become before we consider radical alternatives to the “bigger is better” syndrome?

Do we possess the political will to rebuild a smaller, more beautiful, sustainable America? Is the meltdown of America a threat to be avoided or an opportunity to be grasped? The options are clear—the choices, our very own.

Donahue continued...

The embrace of devolution risks truncating a painful but vital national conversation over the scale and purpose of America’s public sector. “Shrink government” is one answer to the problems that bedevil America. But it should not be the only option. Paradoxically, if we want to have a free choice over whether and how we will prepare all willing workers for rewarding roles in the global economy, the terms on which our citizens engage global capital and how we should share the risks and burdens of economic change, we must choose together, as one nation. Fifty separate choices, each constrained by interstate rivalry, sum to no choice at all.

However . . .

by John D. Donahue

Thomas Naylor’s call for “dissolution not devolution” is infeasible, undesirable and rooted in flawed premises. Aside from this, it is utterly admirable.

However snide this might seem, I am serious on all points, including the admirability of the sentiments upon which Professor Naylor’s agenda is founded. The passion for community evident in this essay, and in what I know of the rest of Naylor’s work, exemplifies one of the soundest, noblest and most fundamental characteristics of the American spirit. Hostility to bigness and affection for the local are etched into our political genotype. I would be alarmed if this American instinct ever ebbed and saddened if it ever lacked for ardent champions like Thomas Jefferson and Professor Naylor. But the premise of “our uncritical affirmation”

Naylor’s agenda of dissolution (like the milder shift to state-centered government that is actually underway) is ultimately inimical to the very values of community it seems to exalt.

of centralized government, global interdependence, standardization and uniformity rings false. We hate bigness. Opinion data scream out Americans’ suspicion of globalism, our bias towards state and local government, our reverence for small business. Far from embracing centralization uncritically, only the most compelling arguments can overcome our instinctive resistance.

Yet there are some compelling arguments for governmental scope: hence my claim that national dissolution (even if the scenario were plausible) is in fact undesirable. Patrick Henry (surely no apologist for “dehumanizing uniformity”) unveiled the

Donahue continued on page 6...

by Thomas H. Naylor

To fix our failing public schools, our moribund cities, our impotent states and our turgid federal government, John Donahue proposes business as usual—increased federal regulation, spending and control.

To resuscitate our schools and prepare our children for life in the high-tech fast lane, President Bill Clinton and IBM CEO

Big Business, Big Government and Big Education want all of us to be the same—just like them. What’s required is the dismantling of the federal and state bureaucracies and the complete transfer of power back to locally controlled school boards.

Louis Gerstner, Jr. have launched a top-down public relations blitz to convince parents of the absolute necessity of computerizing our low-tech schools. Just as Herbert Hoover promised “a chicken in every pot,” so too, has President Clinton promised to connect every classroom to the Internet.

But this is a public relations gimmick aimed at conning Americans into believing there are high-tech, quick-fix solutions to our education problems—problems grounded in excessive centralization, overregulation and insufficient local community involvement. Big Business, Big Government and Big Education want all of us to be the same—just like them. What’s required is the dismantling of the federal and state bureaucracies and the complete transfer of power back to locally controlled school boards.

Many cities are too big, too dehumanized, too dangerous and too unjust with regard to the distribution of income, wealth, jobs,

Naylor continued on page 6...

Donahue continued...

then-shocking notion of national identity with his declaration “I am not a Virginian, but an American.” However strong his attachment to Vermont, would Professor Naylor remain indifferent to the choices we in an independent Massachusetts might make about, say, nuclear power, air safety, financial regulation, trade with China, handgun sales, child labor or religious freedom?

Even if we could so tightly bind both our practical interests and our sense of identity, the retreat to localism Professor Naylor prescribes is infeasible. Fragmenting our political commonwealth would not halt (indeed, it would accelerate) the economic integration to which he objects. Divided states would have little influence over global economic actors, whether other polities or large corporations who decline to copy our national disintegration.

Naylor’s agenda of dissolution (like the milder shift to state-centered government that is actually underway) is ultimately inimical to the very values of community it seems to exalt.

John D. Donahue is the author of Disunited States (New York: BasicBooks, a division of HarperCollins Publishers, 1997) and an associate professor of public policy at the John F. Kennedy School of Government at Harvard University.

Naylor continued...

educational services and political power. When you consider the stranglehold that city hall, the state and Congress maintain over them with their mutually contradictory policies, regulations and laws, this is hardly surprising. It is fantasy to pretend we can fix cities by pouring billions of additional dollars into them. Radical downsizing may be the only game in town.

Conservatives complain that our government is too big. It’s too big because our country and most of our institutions are too big. Secession is an important option for confronting big government, big states, big military, big business, big cities and big multi-lateral organizations such as the United Nations, NATO, World Bank and IMF. America has become an unworkable meganation defying central management and control. We must downsize our country, our states, our cities, our military, our corporations, our farms and our schools.

Thomas H. Naylor is professor emeritus of economics at Duke University and co-author of Downsizing the U.S.A. (Grand Rapids, Mich.: William B. Eerdmans Publishing Company, 1997). He lives in Charlotte, Vermont.

The Last Word: A New Rules Perspective

No matter what level of government exercises authority, livable communities should be the goal. The following principles can guide public policy toward that goal.

Embrace Subsidiarity

The burden of proof should be on a higher level of government to justify its intervention in local affairs. Today, the opposite is too often the case. Wherever possible, decision making should be localized. If the citizens of California by a wide margin vote to legalize the use of marijuana for medical purposes, the state and federal governments should refrain from sending in lawyers and the police to thwart and pre-empt that decision.

Marry Authority and Responsibility

Those who make the decisions should be those who will feel the consequences of those decisions. In 1970, the Clean Air Act attempted to reduce smokestack pollution by raising the height of the chimneys. The result was to transform a local particulate problem into a regional and even international acid rain issue. What if instead of raising the height of the stacks, we had demanded that industry lower them and stick the end into the windows of the executive suites?

Devolve Economic Power as Well as Political Authority

Concentrated economic power is the enemy of a well-functioning democracy. We need to develop rules at all levels that strengthen local

enterprise as well as local governance. Many governments currently insist that the products they buy contain a certain percentage of recycled material. Why not also insist that they embody a certain percentage of local ownership?

Democratize Productive Capacity

Encourage not only rooted economies but democratic technologies. In the past, governments have channeled spending into centralizing technologies like space stations and nuclear power plants and massive sewage treatment plants. In the future they should enable technologies that decentralize productive capacity to the city, neighborhood and even household level.

Enact Minimum, Not Maximum Standards

The protection of civil rights and of the environment requires the intervention of higher levels of government. But these should exercise authority cautiously to allow for maximum individual freedom. They should establish not ceilings but floors, a minimum standard of adequacy that allows communities the autonomy to do even better. Our maximum hour and minimum wage laws and many of our environmental regulations operate in this fashion.

The current devolution debate focuses largely on the devolution of responsibility rather than of authority. Professors Donahue and Naylor admirably take on the question of power. The question is not only where the locus of decision making should be but how to exercise collective authority at all levels on behalf of strong and democratic communities. ●



Canadian tax law permits provincial labor organizations to sponsor the creation of funds that provide equity capital to small and medium-sized businesses. The bulk of the capital for these funds comes from individuals who invest in what is essentially a targeted mutual fund. The Canadian tax system offers investors a 20 percent provincial tax credit and a 20 percent federal tax credit on annual investments up to \$5,000 and permits investments to be made through registered retirement savings plans (RRSPs), the Canadian equivalent of the individual retirement account (IRA).

Owning Your Own Economy

by Sherman Kreiner

The Crocus Fund was created by the Manitoba Federation of Labour in response to capital flight from Manitoba. Its primary objective is to retain Manitoba capital in Manitoba and use that capital to create jobs in small and medium-sized Manitoba businesses. By the end of the 1997 investment season—our fourth investment season—the fund's assets had grown from our initial capitalization of \$3.25 million to \$62 million (Canadian dollars). Much of this new capital came from individual shareholders. The Crocus Fund attracted 5,000 new shareholders in 1997, bringing the total number of Manitobans who have invested to close to 14,000.

Our targeted investment portfolio almost tripled over the past year, with about \$30 million now invested in small and medium-sized Manitoba businesses. These investments...contributed to the job security of more than 3200 Manitoba employees, directly saved more than 220 jobs and facilitated the creation of close to 1000 new permanent jobs.

Employees as Owners

Manitoba's Crocus Investment Fund is unique in its focus on promoting employee ownership and employee participation in corporate governance and management. We design ownership plans that include all of a company's employees. We assure ourselves, before we invest, that the managers of a company are committed to participatory management, and we require investee CEOs to participate in monthly roundtable discussions of these management practices. We develop educational programs that increase the capacity of workers to participate.

We do these things for a number of reasons. Employee ownership maintains local ownership. It ensures that business decisions are made locally. It provides a mechanism for intergenerational transfer. Finally, employee ownership is important because study after study has shown that companies with broad-based employee ownership and an effective shopfloor participation program consistently outperform conventional companies.

There are a variety of different reasons for that. The most obvious is that better decisions are made because people close to the decisions have input. Sometimes it's simply because decisions are better understood. Exactly the same quality decisions are made, often by the same people, but because you understand why your supervisor made a particular decision, you are more likely to implement it more willingly and more effectively. In the end, though, one critical reason for our companies to facilitate participatory management is this: when our companies are performing well, our investments are performing well, and our shareholders are reaping the benefits.

Much of [the] new capital came from individual shareholders. The Crocus Fund attracted 5,000 new shareholders in 1997, bringing the total number of Manitobans who have invested to close to 14,000.

We are investing our savings for our own benefit. We are supporting our entrepreneurs and helping them grow their businesses. We are competing through long-term investments in people as well as hard assets.

We teach the platitudes of democracy in a formal civics or history class, but we prepare people to work in workplaces that historically have not been democratic. While that work environment was successful for a long time, success in the global environment requires more informed and involved workers. Further, one of the unanticipated consequences of creating that nondemocratic economy was that while

Workplace Democracy has Ripple Effects

But the Crocus Fund was not created solely to generate numbers. When you invest in the Crocus Fund, you are taking a stand for all Manitobans against the effects of globalization. You are saying that there is an alternative to the low road of wage reduction, downsizing and community abandonment.

When you invest in the Crocus Fund, you are committing our community to a path through which we will own our own economy.

F. Y. I.

In the U.S. only about 1 percent of pension fund assets are in venture capital. Although workers contributed about \$600 billion of the \$6 trillion currently in pension assets, not counting the \$1.7 trillion in public pension funds, they control only a small fraction of this total.



Employee ownership maintains local ownership. It ensures that business decisions are made locally. It provides a mechanism for intergenerational transfer. Finally, employee ownership is important because study after study has shown that companies with broad-based employee ownership and an effective shopfloor participation program consistently outperform conventional companies.

people could speak the theory of democracy, their real belief in democracy was a mile wide and an inch deep.

If you can change the workplace so that companies can better compete in a global economy, and are able to do that on a large scale, there is pressure to change the institutions that prepare people for the workplace. These changes promote, in a very meaningful way, democracy in our society. When you have that result for society, combined with the fact that these companies outperform conventional companies, the importance of our mission becomes quite compelling. ●

Sherman Kreiner is the CEO of the Crocus Investment Fund in Winnipeg, Manitoba. This article was excerpted from Kreiner's remarks to some 300 shareholders at the fund's fifth annual shareholder's meeting in February 1997.

F.Y.I.

Legislation establishing the Crocus Fund in Manitoba included the following requirements: 1) the fund must invest in companies with no more than \$50 million in assets and one-fourth of newly raised capital must go toward deal sizes of less than \$1 million; 2) the fund is encouraged to emphasize worker ownership, economic education and empowerment of workers and corporate social responsibility; and 3) the fund may not invest in companies in the natural resources (agriculture, mining, oil and gas), real estate or financial sectors.

Where Crocus Came From

by David Morris

In 1981-1983, high unemployment and the rapid exodus of capital out of Quebec led the province to offer seed capital and tax incentives for a new kind of venture capital fund. The Solidarity Fund was established in 1983 and controlled by the Quebec Federation of Labor. In 1988, the federal government enacted its own tax credit for labor sponsored investment funds (LSIFs), using the Solidarity Fund as a model. Since then about 25 such funds have been created: two national and the rest provincial.

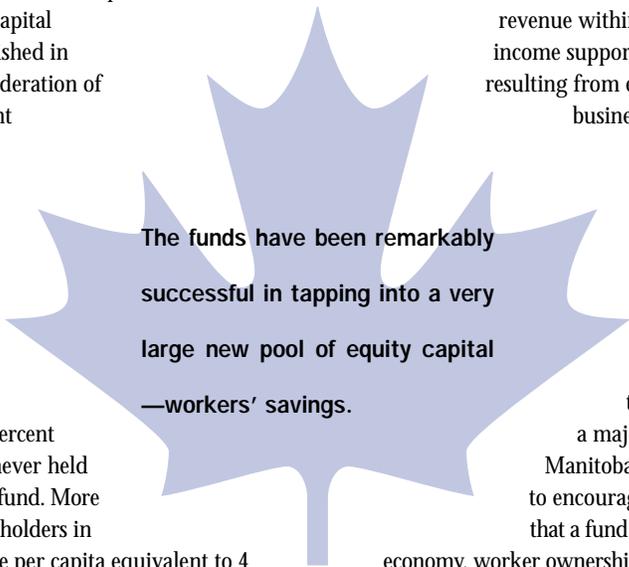
The funds have been remarkably successful in tapping into a very large new pool of equity capital—workers' savings. A 1992 survey found that 45 percent of Solidarity Fund shareholders had never held any investment before investing in the fund. More than 400,000 Canadians are now shareholders in these unique venture capital funds: the per capita equivalent to 4 million Americans. The funds attract an additional \$500-700 million a year. Overall, venture capital investments by Canadian firms have soared from \$300 million in 1982 to \$1.3 billion in 1997. Much of this increase is due to the advent of LSIFs. Today labor-sponsored funds account for about 40 percent of all new commitments of venture capital in Canada.

The success of the LSIFs is not just monetary, however. In fact, the return on LSIFs has been lower than that of traditional mutual funds (for example, the Solidarity Fund has achieved annual returns of 7-8 percent over the last 14 years, excluding the tax credit, compared to a return of 11-12 percent on an average mutual fund). In the long run, LSIF managers expect their returns will be competitive because LSIFs—a hybrid of venture capital and mutual fund—will show profits on exiting an investment.

Although government incentives for these funds are significant, several studies concluded that governments recoup their lost tax revenue within three years through decreased income support payments and increased tax revenues resulting from expanded employment and new businesses. Each province sets its own rules

for its own funds. Virtually all include a focus on small and medium-sized businesses, a requirement that the enterprise have a majority of its holdings in the province, a provision that the tax credits are available only for residents of the province, and a requirement that a labor union or federation appoint a majority of the board of directors.

Manitoba's statute, the most explicit in its desire to encourage a locally owned economy, requires that a fund "promotes capital retention and a stable economy, worker ownership and employment, and continued resident ownership of firms in Manitoba, and...contributes to other goals, such as corporate social responsibility and worker economic education" (Kirk Falconer, "Legislation Governing Labour-sponsored Investment Funds in Canada: A Comparative Overview," Canadian Labour-Market Productivity Center, March 1997). ●



The funds have been remarkably successful in tapping into a very large new pool of equity capital—workers' savings.

Masters of Our Destiny

Exercising Citizenship in an Age of Big Business

Despite the expansion of individual rights and entitlements in recent decades, Americans find to their frustration that their control over the forces that govern their lives is receding rather than increasing; there is a widespread sense that we are caught in the grip of impersonal structures of power that defy our understanding and control.

Excerpted by permission of the publisher from Democracy's Discontent: America in Search of a Public Philosophy by Michael J. Sandel, Cambridge, Mass.: Harvard University Press, Copyright © 1996 by Michael J. Sandel.

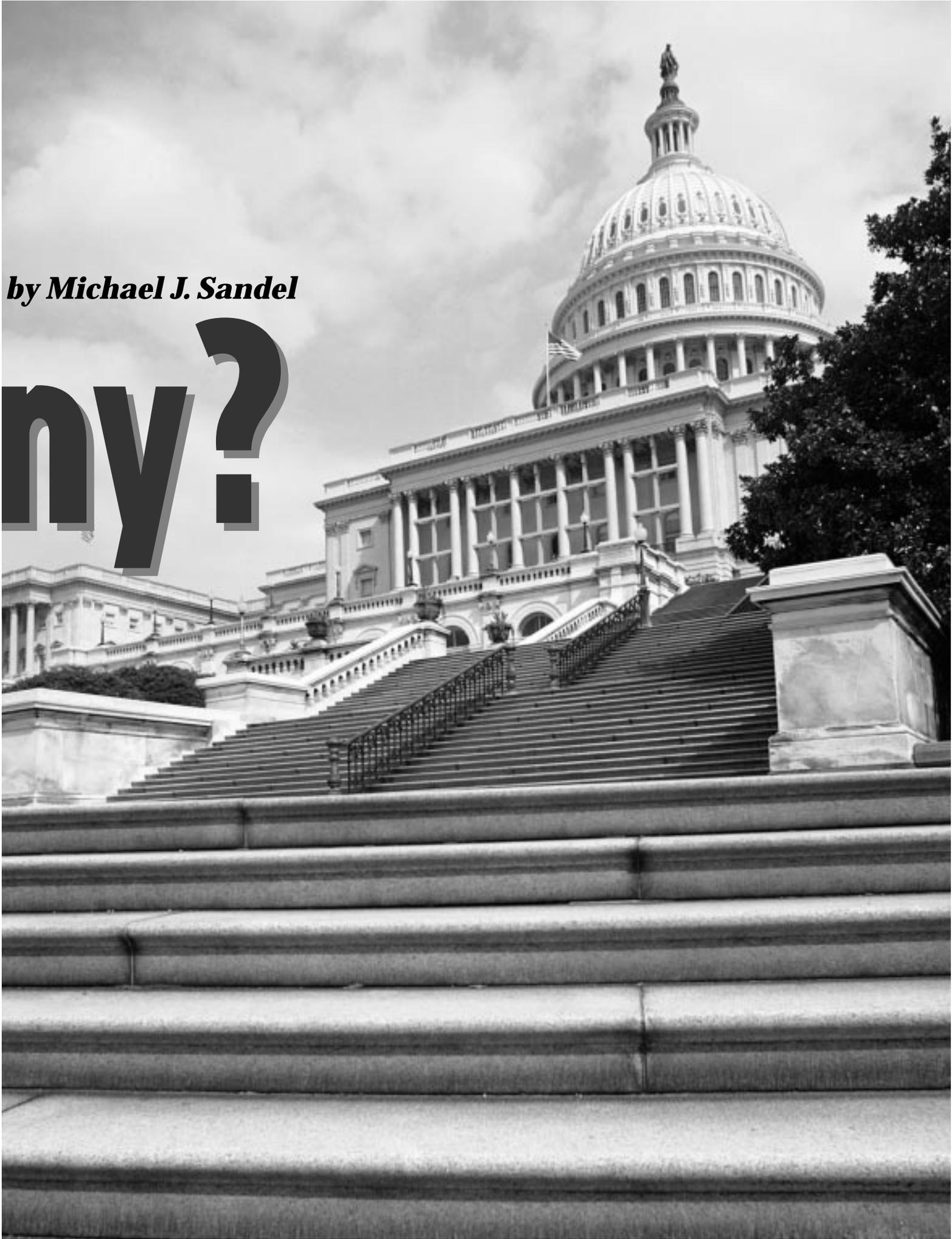
The republican tradition taught that to be free is to share in governing a political community that controls its own fate. Self-government in this sense requires political communities that control their own destinies, and citizens who identify sufficiently with those communities to think and act with a view to the common good.

Whether self-government in this sense is possible under modern conditions is at best an open question. In a world of global interdependence, even the most powerful nation-states are no longer the masters of their destiny. And in a pluralist society as diverse as the United States, it is far from clear that we identify sufficiently with the good of the whole to govern by a common good.

If American politics is to revitalize the civic strand of freedom, it must find a way to ask what economic arrangements are hospitable to self-government, and how the public life of a pluralist society might cultivate in citizens the expansive self-understandings that civic engagement requires. If the reigning political agenda, focused as it is on economic growth and distributive justice, leaves little room for civic considerations, it may help to recall the way an earlier generation of Americans debated such questions.

In the last decades of the nineteenth century and the first decades of the twentieth, Americans addressed these questions with clarity and force. For it was then that the freely choosing individual first confronted the new age of organization, suddenly national in scope.

Politicians and social commentators articulated the anxieties of a time when people's understanding of themselves no longer fit the



by Michael J. Sandel

ny?

social world they inhabited. They spoke of individuals liberated from traditional communities yet swamped by circumstance, bewildered by the scale of social and economic life.

Political debate in the Progressive era focused on two [schools of thought]. Some sought to preserve self-government by decentralizing economic power and rendering it amenable to democratic control. Others considered economic concentration irreversible and sought to control it by enlarging the capacity of national democratic institutions.

The decentralizing and the nationalizing versions of progressive reform found memorable expression in the 1912 contest between Woodrow Wilson and Theodore Roosevelt. “For the only time except perhaps for Jefferson’s first election in 1800,” a historian has observed, “a presidential campaign aired questions that verged on political philosophy.” Like Jefferson before them, they worried about the sort of citizens the economic arrangements of their day were likely to produce. They argued, in different ways, for a political economy of citizenship.

Confronting the Economic Giants: Decentralize or Regulate?

Woodrow Wilson sought to decentralize economic power, partly for the sake of restoring democratic control and also for the sake of cultivating worker-citizens capable of sharing in self-government. His “New Freedom” promised to diminish the power of monopoly over government and to restore the conditions of economic independence that had formed the basis of liberty in nineteenth-century America. In the summer of 1912, Wilson campaigned for the presidency urging that, rather than regulate monopoly as Theodore Roosevelt proposed, government should seek to restore and regulate competition.

“The organization of business has become more centralized,” Wilson asserted, “vastly more centralized, than the political organization of the country itself. Corporations have come to cover greater areas than states...have [exceeded] states in their budgets and loomed bigger than whole commonwealths in their influence over the lives and fortunes of entire communities of men....What we have got to do is to disentangle this colossal ‘community of interest.’”

His opponent, Theodore Roosevelt, proposed accepting and regulating monopoly power. Wilson attacked this course as a kind of capitulation. “We have been dreading all along the time when the combined power of high finance would be greater than the power of the government,” Wilson argued. “Have we come to a time when the President of the United States or any man who wishes to be the President must doff his cap in the presence of this high finance, and say, ‘You are our inevitable master, but we will see how we can make the best of it?’”

Beyond the direct threat that monopoly posed to democratic government, Wilson also worried about the effects of large-scale capitalism on the moral and civic character of Americans. An economy dominated by large corporations disempowered local communities and discouraged the

independence, initiative, and enterprise that equipped citizens for self-government. Wilson faulted the modern economy for reducing most men to the status of employee, which he did not consider wholly compatible with liberty. To this extent, he shared the formative concerns of republican political economy. “In most parts of our country,” Wilson lamented, “men work, not for themselves, not as partners in the old way in which they used to work, but generally as employees...of great corporations.” But to be “the servant of a corporation” was to “have no voice” in the policies set by a powerful few, policies often at odds with the public interest.

Wilson rejected the idea that a nation of employees was adequate to liberty. If America’s future children “open their eyes in a country where they must be employees or nothing...then they will see an America such as the founders of this Republic would have wept to think of.” For Wilson,

restoring liberty meant restoring a decentralized economy that bred independent citizens and enabled local communities to be masters of their destinies rather than victims of economic forces beyond their control. “In all that I may have to do in public affairs in the United States I am going to think of towns...of the old American pattern, that own and operate their own industries...My thought is going to be bent upon the multiplication of towns of that kind and the prevention of the concentration of industry in this country in such a fashion and upon such a scale that towns that own themselves will be impossible.”

Rather than decentralize the economy to render it amenable to democratic control by local political units, Theodore Roosevelt proposed a “New Nationalism” to regulate big business by increasing the capacity of the national government. “Big business has become nationalized,” Roosevelt declared in 1910, “and the only effective way of controlling and directing it and preventing the abuses in connection with it is by

having the people nationalize the governmental control in order to meet the nationalization of big business itself.”

Like Wilson, Roosevelt feared the political consequences of concentrated economic power. Big business corrupted government for the sake of profit and threatened to overwhelm democratic institutions. “The supreme political task of our day,” Roosevelt proclaimed, “is to drive the special interests out of our public life.” This task required that the citizens of the United States “control the mighty commercial forces which they have themselves called into being,” and reclaim self-government from the grip of corporate power. “The corporation is the creature of the people; and it must not be allowed to become the ruler of the people.”

Where Roosevelt disagreed with the decentralizers was over how to restore democratic control. He considered big business an inevitable product of industrial development, and saw little point in trying to recover the decentralized political economy of the nineteenth century. Those Progressives who sought to restore a competitive economy of small units represented “a kind of rural toryism, which wishes to



“The organization of business has become...vastly more centralized than the political organization of the country itself.”

- Woodrow Wilson, 1912

attempt the impossible task of returning to the economic conditions that obtained sixty years ago.” They failed to recognize the necessity of industrial concentration and the need to “meet it by a corresponding increase in governmental power over big business.”

“Combinations in industry are the result of an imperative economic law,” Roosevelt argued, “which cannot be repealed by political legislation. The effort at prohibiting all combination has substantially failed. The way out lies, not in attempting to prevent such combinations, but in completely controlling them in the interest of the public welfare.” Since most big corporations operated in interstate or foreign commerce, beyond the reach of individual states, only the federal government was suited to the task of controlling them. The power of the national government had to grow to match the scale of corporate power.

The Emerging Consumerist Vision

The civic emphasis of [Roosevelt’s and Wilson’s] political economy sets it apart from debates familiar in our day, which focus instead on economic growth and distributive justice. This contrast can be seen more clearly in the light of a third strand of Progressive reform. For alongside the civic arguments of the decentralizers and nationalizers, a new way of thinking and talking about political economy was beginning to take shape. Although it found only tentative expression in the Progressive era, this third strand of argument would eventually set the terms of American political debate. The third voice of Progressive reform sought democracy’s salvation in a different, less strenuous solidarity. It encouraged Americans to confront the impersonal world of big business and centralized markets, not as members of traditional communities or as bearers of a new nationalism, but rather as enlightened, empowered consumers.

As Americans struggled to find their way in an economy now national in scale, some sought a basis of shared identity and common purpose that could transcend differences of occupation, ethnicity, and class. They sought “a mundane common denominator,” a “new ideology of social solidarity rooted in common experience.” The common experience they appealed to was the experience of consumption.

Turn-of-the-century Wisconsin Progressives, for example, based their movement on the notion that “all men and women are, after all, consumers—of high prices, defective products, and unresponsive politicians; their roles as consumers forced them to make common cause.” Rather than emphasize producer-based issues, such as industrial democracy, these Progressives focused on problems that confronted people as consumers and taxpayers.

In the past, “production [had] seemed to be the sole governing economic fact of a man’s life.” People worried more about wages than about prices, and so acted politically primarily as producers. This led to policies, such as the tariff, that helped the few at the expense of the many. But the growth of monopoly capitalism diminished workers’

direct interest in their product, even as it heightened their concern with rising prices. This led to a hope of rallying consumers to the cause of Progressive reform. “[T]he consumer...[appears] in the political arena as the ‘common man’, the ‘plain people,’ the ‘strap-hanger,’ ‘the man on the street,’ ‘the taxpayer,’ the ‘ultimate consumer.’ Men who had voted as producers are now voting as consumers.”

But the shift from producer-based reform to consumer-based reform was more than a new way of organizing interests. It reflected a shift in the aim of reform and in the vision of democracy underlying it. In the republican tradition of political economy that informed nineteenth-century American debate, producer identities mattered because the world of work was seen as the arena in which, for better or worse, the character of the citizen was formed. Consumption, when it figured at all in

republican political economy, was a thing to be moderated, disciplined, or restrained for the sake of higher ends. An excess of consumption, or luxury, was often seen as a form of corruption, a measure of the loss of civic virtue. From Jefferson’s agrarian republicanism to Lincoln’s celebration of free labor to Brandeis’ call for industrial democracy, the emphasis on producer identities reflected the attempt to form in citizens the qualities of character necessary to self-government.

A politics based on consumer identities, by contrast, changes the question. Instead of asking how to elevate or improve or restrain people’s preferences, it asks how best—most fully, or fairly, or efficiently—to satisfy them. The shift to consumer-based reform in the twentieth century was thus a shift away from the formative ambition of the republican tradition, away from the political economy of citizenship. Although they did not view their movement in quite this way, the Progressives who urged Americans to identify with their roles as consumers rather than producers helped turn American politics toward a political economy of growth and distributive justice whose full expression lay decades in the future. ●



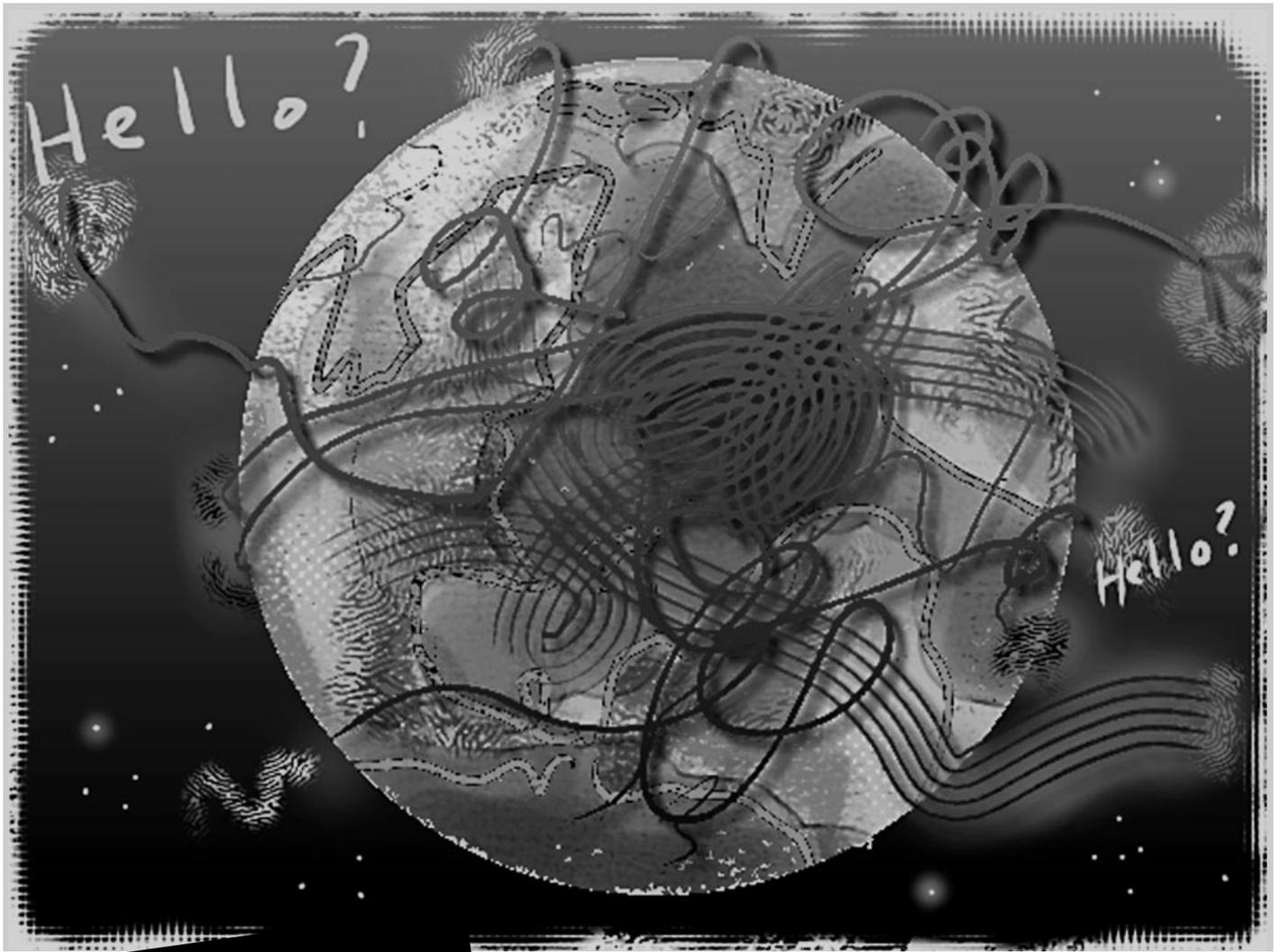
“The corporation is the creature of the people; and it must not be allowed to become the ruler of the people.”

- Theodore Roosevelt, 1910

Michael J. Sandel is a professor of government at Harvard University. He is the author of Democracy’s Discontent: America in Search of a Public Philosophy and Liberalism and the Limits of Justice (Cambridge University Press, 1982). For sources and other information, see Resources.

F. Y. I.

Seventy-one percent of Americans say business already has too much influence over their lives and seventy-two percent felt corporate shareholders were the only beneficiaries of government deregulation policies. (The Financial Post, April 5, 1997)



BITS

BYTES

& COMMUNITY

by David Morris

In 1967, the Supreme Court ruled that states and cities lack the authority to tax mail order firms. The Court's reasoning was curious. When states tax out-of-state businesses, it concluded, they unconstitutionally interfere with interstate commerce, even when they impose the same taxes on external businesses as they do on their own.

This decision had the perverse result of tilting the economic playing field in favor of businesses remote from their customers. Today you'll shoulder a 6-8 percent penalty for buying your linens from a local store rather than buying them from a Lands End catalog. As Justice Byron White noted in a 1992 case that affirmed the 1967 ruling, "If the Commerce Clause was intended to put business on an even playing field the majority's rule is hardly a way to achieve that goal."

In the 1992 case, the Court encouraged Congress to rectify the absurd situation that had resulted from its ruling. "The underlying issue here is one that Congress may be better qualified to resolve..." the majority noted.

Despite Washington's rhetorical embrace of devolution, Congress has not only refused to restore local and state authority in this area, it is proposing to reduce it even further with the Internet Tax Freedom Act, a bill that will impose a 3-6 year moratorium on local or state sales taxes on remote businesses. The bill has widespread bipartisan support, including that of the White House.

In 1967, when the Supreme Court issued its first ruling on this subject, the impact was modest because the mail order business was in its infancy. Not anymore. In 1998 more than \$1 of every \$40 spent on retail in this country will be for goods ordered by phone or mail. As a result of the Supreme Court decisions, states and cities are losing more than \$4.5 billion in sales tax revenue each year.

Now, the emergence of Net commerce promises to make much more substantial inroads into the retail sector. At the end of 1997, Internet retail business sales surged past the billion dollar level, up 400 percent from 12 months before. The slope of the growth curve is nearly vertical. By 2002, the White House predicts that e-commerce between businesses in the U.S. alone could exceed \$300 billion. Some pundits are talking about a trillion dollar Net economy within 10 years.

Last year Amazon.com increased its sales nearly 1000 percent, selling 6.5 million books. By the year 2005 some experts predict that 25 percent of all book sales on the planet will take place via the Net.

Traditional retailers are hedging their bets. Wal Mart, the nation's largest retailer, also boasts the nation's largest online store. No less an authority than Bill Gates predicts in *The Road Ahead* (Viking 1995), "Stores and services that until now have profited just because they are 'there'...may find that just being there is no longer enough."

One could make a persuasive argument for creating rules that favor local businesses. After all, they create local jobs and local tax revenues, enrich the fabric of community and strengthen civic society. It is hard to make a case that we should offer distance a decided advantage. Yet that is precisely the result of the Congressional and Supreme Court actions.

Another result could be the undermining of the local and state tax base. States and cities have become increasingly reliant on sales taxes. In 1970 about a third of their total tax revenue came from the sales and excise taxes. By 1997 this had risen to about 47 percent. Over 400 cities generate 40 percent of their tax revenue from the sales tax. When Congress removes one area of economic activity from taxation it forces communities to impose even higher taxes on other areas. If sales tax revenue disappears, who will fund our schools, parks and other public services?

Those who support eliminating local authority and favoring distant businesses argue that without such help the information economy will falter. Nonsense. As Canadians Arthur Cordell and T. Ran Ide ask in their book, *The New Wealth of Nations: Taxing Cyberspace* (Between the Lines 1997), "[did] vehicle license fees slow the development and diffusion of the automobile?"

Supporters of the Court's mail order decision and the Internet Tax Freedom Act point to the administrative burden that might occur if the country's 30,000 taxing jurisdictions all imposed separate

sales taxes on electronic commerce. That argument was given great weight by the Supreme Court in its 1967 decision. But by 1992 the Court conceded that rapid advances in computer hardware and software had diminished its validity. Readily available software can now automatically calculate thousand of different sales taxes as easily as it tracks tens of millions of transactions from mobile customers.

In February 1998 the nation's governors agreed that in return for being allowed to impose taxes on out-of-state businesses, they would dramatically simplify the sales tax structure by adopting uniform in-state sales taxes and uniform definitions of goods and services to be taxed. This gesture has not stopped the legislative effort favoring remote businesses and expanding the parts of the retail sector that are off-limits for generating revenues to support public services. It may seem surprising that Congress, which is comprised of individuals representing towns and cities and states, would rush to strip towns and cities and states of their authority to treat local businesses the same as distant businesses. But look closer. Members of Congress who support the pre-emption of local and state taxing authority will attract substantial political contributions from the increasingly powerful firms that ply the Internet. In the face of this hurricane of dollars, the voice of devolution sounds very faint indeed.

The debate over an e-commerce tax is a debate over preserving the local in the face of an increasingly demanding global. It is not necessary to restrict local authority and undermine local economies in order to gain the most from the information revolution. Unfortunately, Congress and the Supreme Court have yet to recognize this. ●

Despite Washington's rhetorical embrace of devolution, Congress is proposing to further reduce local authority with the Internet Tax Freedom Act.

A Temporary Moratorium

The Internet Tax Freedom Act imposes a temporary moratorium on existing and new state and local taxes on electronic commerce until Congress can decide how best to treat the Net economy. Opponents of the Act note that temporary moratoria have a way of becoming permanent.

In early 1959, the U.S. Supreme Court, in three rulings, opened the door for a state to subject an out-of-state corporation to its corporate income tax if the corporation was actively soliciting sales within the state's borders using non-resident, traveling salespeople. A bricks and mortar presence was not necessary. Corporations petitioned Congress, and on September 13, 1959, Congress enacted Public Law 86-272. That law imposed a temporary moratorium on local and state taxation in this area until 1962, when a study committee was to recommend federal legislation regulating state and local taxation of interstate commerce. As of this writing that "interim measure" remains in effect. ●

(Center on Budget and Policy Priorities, May 1998)

Designing Streets: Weighing Community and Mobility

by Pam Neary

For over 60 years, America's streets have been built at a scale that precludes pedestrian uses, undermines social interactions and denigrates the historic, cultural and aesthetic character of our communities. Streets are primarily designed to meet the needs of a mobile society and its businesses, encouraging the ever more rapid transport of people and products. But more and more neighborhoods have learned what works for transport doesn't necessarily work for community.

Today's oversized street standards became embedded in asphalt during the 1930s when the federal government took action to mitigate the economic effects of the Depression. In 1933, President Roosevelt established the Federal Housing Administration (FHA) to restructure the private home financing system with government mortgage insurance plans. By 1934 more than 70 percent of the nation's commercial banks had federal mortgage insurance. In response to the popularity of the insurance, the FHA chose to protect their investments against risk by standardizing the type of housing subdivisions they would insure. To that end, they devised detailed technical regulations, including road standards, for housing subdivisions.

F. Y. I.

Columbus, Ohio, reports that traffic calming efforts in Weinland Park reduced crime rates. Responding to citizen complaints, they blocked off a busy avenue using landscaped traffic dividers and permanent curbs.

All federally insured projects were "strongly encouraged" to adopt these standards.

The FHA road standards were developed by the American Association of

Highway Officials who, along with the federal government, asked the national Institute of Transportation Engineers to suggest traffic engineering guidelines and standards for safe, high-speed streets. First published in 1942, they recommended a 50-foot-wide right-of-way with 24 feet of pavement. Pavement width was widened to 26 feet of blacktop just a few years later. These standards became the guiding principles of road and highway design and were incorporated into FHA subdivision rules. By 1965, recommended road widths had increased to 32-34 feet of pavement and 60-foot rights-of-way. Over time, local governments have mechanically adopted these standards, primarily out of fear of liability.

Communities built to FHA specifications and designed to facilitate the use of autos have been magnificently successful at discouraging the use of streets as public gathering spots. This has had measurable effects on the long-term viability of our communities. Those living next to highways or in neighborhoods amputated by high-traffic thoroughways know what happens when the outside environment is



F. Y. I.

Between 1986 and 1995, approximately 6,000 pedestrians died every year after being hit by cars. Almost 120,000 were injured.

inhospitable: they endure declining home values and increasing noise, air pollution and neighborhood crime. In some communities, city officials have gone so far as to prohibit sidewalks. They have given the ravenous needs of commuters priority over those of their own residents who cannot or prefer not to drive.

Wider streets encourage higher speeds—but what about safety? Last year the City of Longmont, Colorado, partnered with Swift and Associates to examine this question. The study did indeed find a high correlation between road width and safety, but not in the direction the researchers expected. Narrow roads, they concluded, are safer than wide ones. As street width widens, accidents per mile increase exponentially. The safest streets were 24 feet wide and had an accident injury rate per mile about one-fourth the injury rate of the more common 36-foot-wide streets.



F. Y. I.

The City of Seattle, which has worked for over 20 years to make their traffic system community-friendly, discovered that 119 traffic calming projects resulted in a 94 percent reduction in accidents. Portland has installed 70 traffic circles and more than 300 speed bumps over the past 12 years. Officials say traffic circles have reduced the number of reported accidents by half.

Armed with this type of information and in response to ever louder complaints by residents, some communities are beginning to rebel. In *Governing* (October 1997), Alan Ehrenhalt pointed to a truckload of communities that have rejected the traffic engineers' conventional wisdom. In the spring of 1997, Phoenix, Arizona, passed an ordinance to allow developers to use narrower streets in new developments, reducing road width minimums from 32 feet to 28 feet. Eugene, Oregon, went one better and reduced its standards for some roads to only 20 feet.

Other towns are reducing the size of already-existing roads. Instead of widening a heavily traveled route through the center of

City officials have given the ravenous needs of commuters priority over those of their own residents who cannot or prefer not to drive.

town, Wellesley, Massachusetts, decided to widen the sidewalks and narrow the street. The University of Toronto worked with city planners to narrow a four-lane arterial into wider walkways with only two lanes for vehicles. Six lanes of U.S. Interstate 1 are being trimmed to two separate two-lane roads in West Palm Beach, Florida. In California, Riverside and San Bernadino now have two-lane principal downtown streets—down from four lanes—and both cities are switching from parallel to diagonal parking to narrow the streets even further.

Vermont has decided to develop design standards that are more in keeping with the state's local culture and the character of its small towns and villages. Targeted for change are arterial and collector roads, with reduced lane widths and shoulder widths. This year, Vermont legislators added a new narrative section to the old engineering standards that inserts respect for the local setting as an important design criterion. Some communities have even gone to the extreme of rejecting state and federal aid in order to set their own community-friendly standards. About two years ago both Guilford, Connecticut, and Chester, Vermont, turned down large amounts of federal bridge building money (almost \$1 million in Guilford's case) because they opposed the feds' requirements for big concrete bridges. Both did the job their way—and cheaper—with local money.

Rules from the past have saddled many American communities with overdesigned road systems that undermine the quality of life, but in other areas of the world community-friendly street designs show high levels of resident satisfaction and stronger community interaction. Surveys in the Netherlands found that mothers and children consider their system of shared-use streets to be safer than ordinary streets. When living in neighborhoods with multiple-use streets Israelis exhibit increased communications between neighbors, and in Germany friendlier street designs have induced a 20 percent increase in children's play activity. Changing the rules of the road is a critical first step in reclaiming community as a priority. ●

Pam Neary is a consultant with The New Rules Project.

F. Y. I.

A Harvard University study revealed that violent crimes are 40 percent lower in neighborhoods where residents willingly mingled and worked together than in those areas where no such interaction took place.

Rooting the Home Team

To millions of fans across the country, professional sports is more than just a game. The hometown teams instill a sense of civic pride and identity. They provide heroes for kids, memories for the old and a common topic of discussion for all parts of the community: black and white, rich and poor, old and young, urban and suburban.

This combination of emotion, history and entertainment make sports a business unlike any other. The people of Detroit don't crowd around the television to watch Ford or GM workers build cars; Seattle residents don't watch Microsoft employees design software. But rooting for the Tigers and the Supersonics and the Lions is a natural communal activity. The intimate connection between cities, fans and their hometown teams is what makes it so difficult to watch teams being shipped around the country like so many packaged goods.

Footloose franchises are nothing new to professional sports, as residents of Washington, D.C., New York, Baltimore and many other cities well know. But the pace is picking up and the demands that owners are making have escalated to unprecedented levels.

Between 1992 and 1998 eight teams uprooted themselves in search of ultramodern, luxury suite-laden stadiums. Another 20 cities paid the blackmail the team owners were demanding. Still another 44 teams currently are planning a new stadium or have expressed dissatisfaction with the one they're in and are demanding subsidies from their cities. More than 50 million people live in and around 30-plus communities where sports teams have recently relocated or are threatening to move.

Owners are now routinely demanding a public investment in sports arenas and stadiums that is more than the market value of the team. Super Bowl champions the Denver Broncos are demanding \$250

More than 50 million people live in and around 30-plus communities where sports teams have recently relocated or are threatening to move.



by Daniel Kraker

million from their fans when the team is worth about \$180 million. George Steinbrenner is demanding a billion-dollar ballpark for a team worth less than half that amount.

Given the scale and the frequency of such demands, communities are increasingly asking why they shouldn't just buy the team. Community ownership is a time-tested model in major professional sports. Four clubs in the Canadian Football League and at least eight

minor league baseball teams are owned by their fans or by local governments. And of course there are the venerable Green Bay Packers. Structured as a fan-owned, nonprofit corporation since 1923, the Packers have won three Super Bowls and also have self-financed two stadium upgrades this decade, including the addition of 90 skyboxes.

The community ownership model clearly works, both on the field and off. So why aren't communities embracing it? Because under current rules, they can't. The NFL formally outlawed public ownership in 1961. Major League

Baseball prohibits fan ownership through an informal resolution passed in the mid-'80s when Joan Kroc sought to donate her baseball team, the Padres, to San Diego.

ROOTING THE HOME TEAM



Stadium lifespans are decreasing rapidly: Boston's Fenway Park was built in 1912 and is still in use, Minnesota's Metrodome was built in 1982 and has been declared economically obsolete after 16 years and Charlotte's basketball arena has been declared obsolete after only 9 years.

We've allowed sports leagues to design rules as if community doesn't matter. To permanently root the home team at home, we need new rules. Here are three that would make all the difference.

First, the major leagues' prohibition of fan ownership must be overturned. This will likely require congressional action. Representative Earl Blumenauer's (D-Oregon) Give Fans a Chance Act (HR 590) would accomplish this. If any league denied a community the right to own its team, the league would lose the partial antitrust exemption that allows it to sell aggregated television rights (which just grossed the NFL \$17.6 billion over four years).

Second, Congress should take account of the economic realities of hometown sports and extend the NFL's revenue-sharing program to the NHL, the NBA and Major League Baseball. Despite their fabled fan support, the Green Bay Packers would have folded or moved long ago if not for the revenue-sharing agreement of the NFL, which distributes the revenue from merchandise sales, broadcasting and a portion of gate receipts equally among the teams. Three decades ago, most of the revenue for the hometown team came from the fans. Today over 60 percent of revenue for football teams comes from the sale of media rights. The figure is about 40 percent for major league baseball and basketball.

These two steps would be sufficient if all communities were willing to own their teams. But the rights of fans and cities must also be protected when they don't want to own their teams but still support them economically and emotionally. When Art Modell uprooted the Cleveland Browns for greener pastures in Baltimore in 1995, fans everywhere were outraged. The Browns had continually sold out their 70,000-seat stadium and the team was making a profit. To quell the

uproar in the wake of the move, the NFL was forced to compromise.

The league gave the city of Cleveland the right to retain the Browns' name, colors and logo, and promised the community a new team by 1999. If this "mandated expansion" was extended to all supportive communities vacated by their teams, then owners itching to move would be forced to decide between increasing their team's value in the short term and the long-term consequence of decreased average team values caused by expanding the number of teams.

Removal of the prohibitions on community ownership, the introduction of revenue-sharing agreements and

some form of mandated expansion for cities whose teams move in the face of demonstrated fan support are three key elements in an overall strategy that will allow our children and grandchildren to once again have the opportunity to root, root, root for a team that is truly rooted. ●

Daniel Kraker is a research assistant for The New Rules Project.

Community-owned Teams

The Saskatchewan Rough Riders of the Canadian Football League are only one of three fan-owned teams in the CFL (the others are the Winnipeg Blue Bombers and the Edmonton Eskimos), who together represent the most profitable teams in an otherwise floundering league.

Triple A minor league teams like the Toledo Mud Hens and the Scranton-Wilkes-Barre Red Barons are owned by county governments. Other minor league teams like the New York-based Triple A Rochester Red Wings and Syracuse Chiefs are owned by their fans.

The Kansas City Royals' late owner Ewing Kauffman donated his team to a community foundation in 1995, requiring the foundation to sell the team to a local buyer. This is significant not only because it roots the team to the community, but also because the league's approval of the donation indicates a willingness to consider alternative ownership structures. ●



Key

- Organization or institution
- Publication (Book, magazine, report or newsletter)
- Website address
- E-mail address
- Telephone number



Owning Your Own Economy

- Crocus Investment Fund**
303-275 Broadway, Winnipeg
Manitoba R3C 4M6, Canada
 204-925-2401
 Crocus Investment Fund Newsletter
- Ohio Employee Ownership Center**
Kent State University
309 Franklin Hall, Kent, OH 44242
 330-672-3028
 www.kent.edu/oec
 Owners at Work
- National Center for Employee Ownership**
1201 Martin Luther King Jr. Way
2nd Floor, Oakland, CA 94612-1217
 510-272-9461
 <http://www.nceo.org/index.html>
 The Journal of Employee Ownership Law and Finance
- ESOP (Employee Stock Ownership Plans) Association**
1726 M St. N.W., Suite 501
Washington, D.C. 20036
 202-293-2971
 <http://www.the-esop-empowner.org/>

- Capital Ownership Group**
3163 Penobscot Building
645 Griswold St., Detroit, MI 48226
 313-964-2460
 <http://www.nceo.org/cog>
- Venture Capital in Canada: Annual Statistical Review and Directory**
Published by the Canadian
Venture Capital Association.
1881 Yonge St., Suite 706
Toronto, Ontario M4S 3C4, Canada
 416-487-0519
 <http://www.cvca.ca>

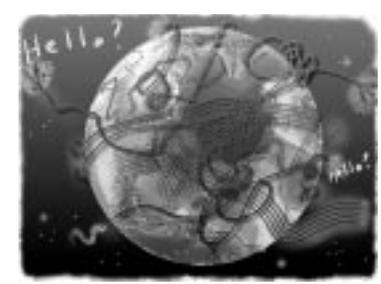
- Gates, Jeffrey R.**
*The Ownership Solution: Toward a Shared
Capitalism for the Twenty-First Century.*
Addison-Wesley
Publishing Company, 1998.



Masters of Our Destiny?

- Cooper, John Milton, Jr.**
*The Warrior and the Priest: Woodrow
Wilson and Theodore Roosevelt.*
Cambridge, Mass: Harvard University
Press, 1983.
- Link, Arthur S.**
*Woodrow Wilson and
the Progressive Era, 1910-1917.*
New York: Harper & Row, 1954.
- Strum, Philippa**
Louis D. Brandeis: Justice for the People.
Cambridge, Mass.: Harvard
University Press, 1984.
- Thelen, David P.**
*The New Citizenship: Origins of
Progressivism in Wisconsin, 1885-1900.*
Columbia: University
of Missouri Press, 1972.

- Weyl, Walter E.**
The New Democracy.
New York: Macmillan, 1912.
- Wiebe, Robert H.**
The Search for Order, 1877-1920.
New York: Hill and Wang, 1967.
- Wilson, Woodrow**
The New Freedom.
Edited by William E. Leuchtenburg.
Englewood Cliffs, N.J.:
Prentice-Hall, 1961.
- Wood, Gordon S.**
*The Creation of the
American Republic, 1776-1787.*
New York: W. W. Norton, 1969.



Bits, Bytes and Community

- Bonnett, Thomas W.**
"Is the New Global Economy Leaving
State-Local Tax Structures Behind?"
Washington, D.C.:
National League of Cities,
National Conference of State Legislatures,
National Governors Association, 1998.
- Mazero, Michael and Iris J. Lav**
"A Federal Moratorium on Internet
Commerce Taxes Would Erode State
and Local Revenues and Shift Burdens
to Lower-Income Households."
Washington, D.C.: Center on Budget
and Policy Priorities, 1998.
- National Tax Association's
Communications and Electronic
Commerce Tax Project**
<http://www.nhdd.com>
- National Governors' Association**
<http://www.nga.org/Internet/Index.htm>



Designing Streets

Congress for the New Urbanism
The Hearst Building, 5 Third St.
Suite 500A, San Francisco, CA 94103
☎ 415-495-2255
✉ cnuinfo@cnu.org
📖 *Task Force Report*

**Surface Transportation
Policy Project**
1100 17th St. N.W., 10th Floor
Washington, D.C. 20036
☎ 202-466-2636
🌐 www.transact.org
✉ stpp@transact.org
📖 *Progress*

**Places: A Forum
of Environmental Design**
Published three times a year by the
Design History Foundation. Places, P.O.
Box 1897, Lawrence, KS 66044
☎ 913-843-1221 (for subscriptions)

**Journal of the
American Planning Association**
Published by the American Planning
Association, 122 S. Michigan Ave.
Suite 1600, Chicago IL 60603
☎ 312-431-9100
🌐 <http://www.planning.org>

Livable Places Update
Published by the Local Government
Commission's Center for Livable
Communities, 1414 K St., Suite 250
Sacramento, CA 95814
☎ 916-448-1198
🌐 <http://www.lgc.org>



Rooting the Home Team

Cagan, Joanna and Neil deMause
*Field of Schemes: How the
Great Stadium Swindle Turns
Public Money into Private Profit.*
Monroe, ME: Common Courage
Press, 1998.

**Noll, Roger G. and
Andrew Zimbalist, eds.**
*Sports, Jobs, and Taxes: The Economic
Impact of Sports Teams and Stadiums.*
Washington, D.C.: Brookings
Institution Press, 1997.

Quirk, James and Rodney D. Fort
*Pay Dirt: The Business
of Professional Team Sports.*
Princeton, NJ: Princeton University
Press, 1992.

Institute for Local Self-Reliance
1313 Fifth St. S.E.
Minneapolis, MN 55414
☎ 612-379-3815
🌐 <http://www.ilsr.org>

📖 "Roots, Roots, Roots for the
Home Team: Community-Owned
Professional Sports"

**United Sports Fans
of America (US Fans)**
☎ 1-888-2US-FANS (1-888-287-3267)
🌐 <http://www.usfans.com>

The Heartland Institute
19 South LaSalle St., #903
Chicago, IL 60603
☎ 312-377-4000
🌐 <http://www.heartland.org>
📖 "Sports Stadium Madness: Why it
Started, How to Stop It"



Designing rules as if community matters

NEW RULES STAFF

Daniel Kraker Pam Neary
Stacy Mitchell Elizabeth Noll
David Morris Corinne Rafferty

ILSR PRESIDENT

Neil Seldman

ILSR EXECUTIVE DIRECTOR

Diana Hellinger

CONTACT

Minneapolis Office 1313 Fifth St. S.E. Minneapolis, MN 55414 612-379-3815 dmorris@ilsr.org http://www.ilsr.org	Washington D.C. Office 2425 18th St. N.W. Washington D.C. 20009 202-232-4108
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------

SUBSCRIPTIONS

Groundwork is published quarterly by the Institute for Local Self-Reliance (ILSR) at 1313 Fifth St. S.E., Minneapolis, MN 55414. To subscribe, send a check or money order for \$28 to ILSR at the Minnesota address. Subscribers not in the U.S., please add \$10. Checks should be in U.S. dollars, drawn on a U.S. bank. Letters to the editor and other submissions may be directed to Elizabeth Noll at the Minnesota office.

DESIGN

Studio Flux

PRODUCTION NOTES

This journal is printed utilizing disk-to-plate technology in which printing plates are made directly from an electronic file—eliminating the need for traditional film negatives and processing chemicals. Printed with soy-based inks containing no less than 20% soy oil on paper containing 20% post-consumer waste and 80% chlorine-free fiber. A Great Printer is a certified environmentally responsible printer.

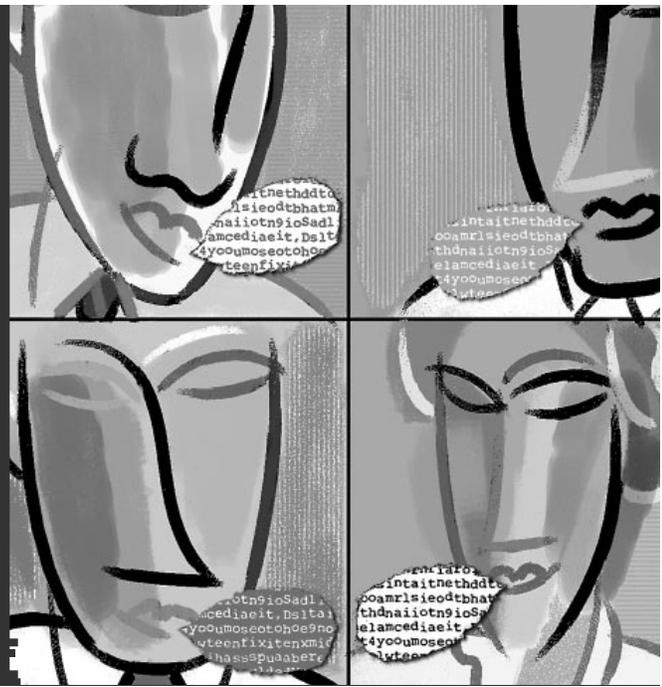


©1998 Institute for Local Self-Reliance.
All rights reserved.

Join the Conversation!

We invite you to share your comments, observations and ideas. We accept articles, short notes (for Place Rules) and letters to the editor. Articles (maximum length 850 words) must explore a specific policy issue that highlights the obstacles to and/or opportunities for creating democratically vibrant, economically robust communities. *Groundwork* is a quarterly journal. We reserve the right to edit materials submitted for publication.

Questions and submissions may be directed to Elizabeth Noll.
e-mail: enoll@ilsr.org phone: 612-379-3815



Designing rules as if community matters

Groundwork is a publication of The New Rules Project, a program that focuses on the rules needed to enable strong communities. The New Rules Project is a program of the Institute for Local Self-Reliance, a 24-year-old nonprofit research and educational organization that provides technical assistance and information on environmentally sound economic development strategies.



Institute for Local Self-Reliance
1313 Fifth Street SE
Minneapolis, MN 55414

Non-Profit Org.
U.S. Postage
PAID
Mpls., MN.
Permit No. 27596