People commonly deride America as exceptionally violent and stupid
America is the first country to have gone from barbarism to decadence without the usual intervening period of civilization.
Oscar Wilde (?)
This vast, mad horror, that doesn't know its size, or its strength, or its weakness, or its barbaric speed, stupidity, din, self-righteousness, this cancerous Babylon.
Dylan Thomas

But the same might be said of humanity
Homo sapiens are the only species, on this tiny cosmic accident called earth, to have had the amazing evolutionary luck of developing a very large frontal cortex, and language. This they've used for nearly everything except celebrating their good fortune and extending it generally, with clear and self-enforcing rules on their cooperation and common learning.

Right now, 2016, is a sort of “best and worst” of times for democracy, understood as an open-end ideal of self-rule and equal respect
Representative democracy now dominant, people are richer, better educated, healthier, more tolerant, and more educated than ever, cross-national inequality decreasing, science and technology advancing at a near singularity pace, internet makes many things easier to organize, threats to global commons creating global community, instinct for freedom pretty evident all over, constructive collective experimentation is ubiquitous.

The representativeness, accountability, and achievement of democratic nations is being hollowed out by rising (in the US, more or less unprecedented) economic and political inequality, democratic values threatened by dominance of TNCs and global finance, nations both two weak and too strong to get key international rules in place, disappearance of a functionally organized left, with an organized social base and role in the economy, widespread confusion, lack of credible alternative – look at the Right’s advantage in wake of great recession.

Highest economic inequality in the developed world
Political system most driven by private money
Weakest public-interested media institutions
Lowest voting, weakest labor movement
Weakest affirmative state, under unrelenting attack
Most reactionary (race to the bottom) federalism
Intense (rightward) polarization of electoral politics
Eating its seed corn, destroying its demos (it’s capacity and self-confidence)

It may help to take a long view
What that means for our physical knowledge of the world is more or less straightforward

From a long view of the history of mankind, seen from, say, ten thousand years from now, there can be little doubt that the most significant event of the 19th century will be judged as Maxwell’s discovery of the laws of electrodynamics — Richard Feynman

20th Century: Laws of matter in general: (1) relativity (2) quantum mechanics, (3) specific forces laws (aka “the standard model); 21st: Steady accumulation of new discoveries, based on deeper understanding of quantum physics: solar energy capture and storage, stronger and lighter materials, more powerful and versatile illuminators, sensors, communications devices, computers — Frank Wilczek

Maybe that's enough. But unclear what a long view might be in social affairs

Taking a reasonably long view (not 10K years, but well beyond the next financial quarter, or national election) my questions are the same as Kant’s

1. What can we know?
2. What should we do?
3. What may we hope for?

My view

1. Even as many of the institutions providing some semblance of democracy have collapsed, both demand for and possibilities of closer to democracy have increased
2. At some point, they’ll very likely break through, though not in their recent social democratic, much less perverted neoliberal, form
3. Assuming, of course, we don’t kill ourselves in the meantime through pandemics, nuclear annihilation, or global warming
Structure of argument

• Some background facts about American political economy
• A development strategy (high road) that, recognizing those facts, would make us much better off and happier, and enjoys broad popular support
• What taking that strategy seriously would mean for democratic governance generally, i.e., “productive democracy”
Inflation-adjusted post-transfer post-tax income (in $K's), averaged within each group, in 1979/2007, is 15.5/17.5 for bottom 20%; 44/57 for middle 60%; 350/1,300 for top 1%

Change in actual income

Distribution of Average income Growth During Expansions

Kind of unique to U.S.

3. Declining worker power
4. Rising labor market insecurity

Getting to living wage jobs requires
• Entry-level employment that prepares workers for and connects them to future opportunities
• Reliable and understood methods of access to decent paying sectors & jobs
• Routine career advancement through incremental moves

But today that's very hard given
• Changes in work organization — outsourcing, contingent/temporary work, cellular production, etc. — in smaller establishments, generally in service sector
• End of job ladders, employer-based welfare state, industry wage norms
• Deregulation, privatization, de-unionization

Old world vs. new world

Stagnant wages, increased returns to schooling
Suggesting big future challenges

5. Internationalization: the “Great Doubling”

Capital/labor ratios roughly halved. Internet and higher investments outside US in education equip much less-well-compensated workers with skills and technology.

6. Environmental crisis (catastrophe?)

7. Fiscal exceptionalism

<table>
<thead>
<tr>
<th>Country</th>
<th>Total taxes as % of GDP</th>
<th>Country</th>
<th>Total taxes as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>30.6</td>
<td>Luxembourg</td>
<td>41.8</td>
</tr>
<tr>
<td>Austria</td>
<td>43.9</td>
<td>Mexico</td>
<td>36.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>45.9</td>
<td>Netherlands</td>
<td>45.1</td>
</tr>
<tr>
<td>Canada</td>
<td>36.2</td>
<td>New Zealand</td>
<td>36.6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>40.6</td>
<td>Norway</td>
<td>41.6</td>
</tr>
<tr>
<td>Denmark</td>
<td>50.4</td>
<td>Poland</td>
<td>38.3</td>
</tr>
<tr>
<td>Finland</td>
<td>46.0</td>
<td>Portugal</td>
<td>34.3</td>
</tr>
<tr>
<td>France</td>
<td>45.8</td>
<td>Slovak Republic</td>
<td>36.5</td>
</tr>
<tr>
<td>Germany</td>
<td>37.7</td>
<td>Spain</td>
<td>36.1</td>
</tr>
<tr>
<td>Greece</td>
<td>37.1</td>
<td>Sweden</td>
<td>33.2</td>
</tr>
<tr>
<td>Hungary</td>
<td>39.3</td>
<td>Switzerland</td>
<td>36.6</td>
</tr>
<tr>
<td>Iceland</td>
<td>36.5</td>
<td>Turkey</td>
<td>31.3</td>
</tr>
<tr>
<td>Ireland</td>
<td>32.2</td>
<td>United Kingdom</td>
<td>36.2</td>
</tr>
<tr>
<td>Italy</td>
<td>43.5</td>
<td>United States</td>
<td>36.9</td>
</tr>
<tr>
<td>Japan</td>
<td>36.8</td>
<td>OECD average</td>
<td>37.2</td>
</tr>
<tr>
<td>Korea</td>
<td>39.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. Financialization

9. Anti-urban bias in policy

*Iron Law of Urban Decay*
- Incomes rise and investment moves out
- Revenues decline
- Public goods deteriorate
- Middle class flees
- Tax base erodes
- Poverty concentrates
What should we do?

Need a strategy

What’s a (political) strategy?

Many things, but minimally it’s a plan of action with a defined goal, clear and plausible incremental steps in getting there, with progress in each step making the next one more likely (aka “momentum”), and a basic message about reality that makes sense of it.

What matters most is not where or how you start but that you start, with shared clarity on aims and means. Some courage and conviction help too. Anybody who says “ideas don’t matter” or “people don’t care about making sense of reality” is no less an elitist fool than someone who thinks “the best idea always wins, even without people fighting for it”
The Right’s political strategy

Goal ... end all social constraints on capital
Incremental steps ... deregulate business, demonize and starve government, crush unions, regressively redistribute income and wealth, etc.
Momentum ... each step increases material insecurity, and reduces social capacity to relieve it
Basic message ... “You’re on our own (YOYO!), and anybody who tells you different is a LIAR!”

What’s a progressive counter to that?

Two ways of making money in this world

• You can treat people like road kill, the earth like a sewer, and democratic government as something to weaken and mock, while you extract as many rents from it as you – call that the low road
• Or you can use democracy to add value, reduce waste, and capture and share and the benefits of doing both, locally – call that the high road

Wealth – What makes a place rich?

A place’s wealth is finally determined by its productivity – its use of its human, physical, and natural capital, and the ever-elusive Solow residual of “multifactor productivity”

But productivity should be defined correctly. Productivity is a function both of the value ($) of goods and services produced and the efficiency of that production. Productivity shouldn’t be measured as “output per hour” but value per unit of input.

And you should include all relevant factors of production in calculating input and resulting value – human, physical, natural, financial, social, etc., aka all-factors productivity
Values – What makes it worth fighting for?

**Shared prosperity:** high and rising living standards; with benefits of increased productivity widely shared (through labor compensation, more equitable private wealth, progressive public goods) and fair opportunity to contribute to and receive those shares

**Democracy:** a community of free equals, enjoying equal protection, equal opportunity, equal political power; aka “government of ... by ... for the people”; but also an efficient democracy (allocative and dynamic)

**Sustainability:** living today in a way that doesn’t limit future welfare, maximally efficient and restorative in use of non-renewable resources, minimally toxic, resilient

---

**High road**

“High road” denotes a (universally available and scalable) place-based strategy (or family of strategies) to realize these values while increasing wealth under competitive market conditions

**Strategy** – Use tools of democracy (in state and civil society) to

- Add value (increase productivity, in the sense just defined)
- Reduce waste (in people, “machines,” and the environment)
- Capture and share the benefits of doing both, locally
- Repeat and extend, with experiment and learning (Or, if you prefer Beckett : “Ever tried. Ever failed. No matter. Try again. Fail again. Fail better.”)

**NB:** On this view, democracy is another force of production – an engine of wealth creation, not just fairness (in inclusion, representation, or reward)

---

**Unit of analysis – Establishments/firms**

Which industries a place competes/trades in is far less important than how establishments/firms in those industries compete


2. Atalay, Hortascu, and Syverson, “Why Do Firms Own Production Chains?” NBER Working Paper 18020 [2012] http://www.nber.org/papers/w18020. Even in vertically integrated firms, supplier establishments ship little inside their firm. Half ship nothing, even at 90th percentile, they ship only 38%; median is less than 0.1 percent of total value dollar or weight

---

**Choice for establishments/firms ...**

**Low Road**

Compete on price, which produces

- Sweated labor, high insecurity
- Punitive HR, poisonous LR
- Low mobility, high inequality
- Environmental damage
- Little commitment to place
- Undemocratic, extractive elites

**High Road**

Compete on quality/distinctiveness, which requires

- Better trained and equipped workers
- Continuous improvement/innovation
- Approximation of “zero waste”
- Supportive policy and public goods ...

... but produces

- Higher income, security, mobility
- Reduced environmental damage
- Greater firm commitment to place
- More democratic, contributing elites
Choice for communities

“the wealth of networks”

Exclusion
Neglect
Divestment

Connection

High road

Inclusion
Core (stewardship)
Investment

Low road

Isolation

Poverty

Wealth

Choice for communities

To develop (or not) higher standards of performance and supports in meeting them – close off the low road, help pave the high road, enable those stuck on the first to roll merrily along the second ... call this the basic “policy agenda”

You can measure the high road

For establishments/firms

• Value-added / FTE ≥ 1.5 × industry average
• Average non-supervisory wage ≥ 3 × Federal Minimum Wage
• Nonsupervisory worker payroll + benefits ≥ 0.5 total value-added
• Computer use by ≥ 2/3rd of employees
• Employee turnover rate < 20%
• Etc. etc.

... and for communities

• Health, wealth, wages, savings, educational attainment, equality of opportunity and outcome, presence and quality of public goods, efficiency and accountability of government, level and quality of citizen engagement
• Etc. etc.
It’s really not **that** hard to tell the difference between a low- and high-roading establishment/firm or community (or region, state, nation, or world).

---

**So, why don’t we do it?**

- Nationally, basically, because we’re an overwhelmingly business-dominated country with a giant “Argentina problem”
- At the beginning of the 20th century, Argentina was one of the greatest economies in the world. Thirty years later, it was chaos.
- Argentina had a ruling class, but no *establishment*—organized elites interested in its welfare, not just their own
- Any idea where the American establishment is today?

---

**Firms**

- Not in the business of maximizing social welfare, or even productivity – but profit, market share, and growth
- Except in exceptional cases, can make as much profit on low road as high, but low road is simpler and certainly more familiar
- Even if they want to get on the high road, there are transition costs that, at least short-term, may reduce competitiveness, and capital markets are impatient

**U.S. communities**

- Operate in a low-social-wage competitive federalism; almost wholly dominated at the state level by a radical GOP; currently with a lot of citizen (not just elite) doubt about government competence; highly polarized political culture; very confused citizens
- Encourages opportunistic behavior and undermines informed collective action in the public interest
- Also, there’s relatively little targeted help (e.g., TA) of the right kind, with standards on its own performance, provided at low-cost from outside
But is the high road feasible?

- Leaving politics aside (for the moment), as an economic matter that basically depends on affirmative answers to three questions
  - Is it possible to increase productivity (in the sense described before) dramatically?
  - Is there a significant amount of expensive waste that we know how to reduce?
  - Does place still matter?

Within-sector variation in productivity

An example from a PBS sample of Midwest metal-stamping (NAICS 332116) establishments

Increasing productivity dramatically

Not related to establishment size

Establishment size (FTEs)  Small (<499)  Large (500-999)  Very Large (>1K)
3rd quintile ($34,958-$57,967) households

NB: Transportation + housing + utilities + healthcare = 2/3rd (62%) of “average” household consumption

“Drive ‘til you qualify”

On average, transportation costs exceed housing costs for metro households with $20K-$50K in income

Source: https://flowcharts.llnl.gov/content/energy/energy_archive/energy_flow_2010/LLNLUSEnergy2010.png
The world’s not flat, it’s spiky
*Urban shares of GWP, top 130 cities*

Cities are the future

**100 US Metros: 75 % of GDP**
Get smart and unapologetic about cities

An Iron Law of Urban Decay?
- Incomes rise and investment moves out
- Revenues decline
- Public goods deteriorate
- Middle class flees
- Tax base erodes
- Poverty concentrates

Or a wasting of obvious assets?
E.g.: size, location advantages, density, key infrastructure, appeal for new industries, eds and meds foundation, more skilled workers, younger workers, immigrants, key infrastructure, greater energy efficiency, tax base for public goods, political tolerance, higher wages and productivity, more easily organized

A program of action

Cities are already more productive
And easier to organize

Cumulative Percent of U.S. Total in U.S. Metros, 2005

Half of all union members in just 25 metros

Cities are greener

50% of U.S. Metro Area Total

Local U.S. Metro Area

Time of Year on Satellite

High

Low
Cities are more progressive
Cities have leverage

<table>
<thead>
<tr>
<th>Cities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>+ Philadelphia</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>+ Boston</td>
</tr>
<tr>
<td>Chicago</td>
<td>+ San Francisco</td>
</tr>
<tr>
<td>New Orleans</td>
<td>+ Miami</td>
</tr>
<tr>
<td>Dallas</td>
<td>+ Los Angeles</td>
</tr>
<tr>
<td>Washington DC</td>
<td>+ New York City</td>
</tr>
<tr>
<td>Fort Worth</td>
<td>+ Chicago</td>
</tr>
<tr>
<td>District Of Columbia</td>
<td>+ Washington DC</td>
</tr>
<tr>
<td>Vermont</td>
<td>+ New York City</td>
</tr>
<tr>
<td>New Mexico</td>
<td>+ Oregon</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>+ South Dakota</td>
</tr>
<tr>
<td>Mississippi</td>
<td>+ Nevada</td>
</tr>
<tr>
<td>Arkansas</td>
<td>+ Iowa</td>
</tr>
<tr>
<td>Idaho</td>
<td>+ Montana</td>
</tr>
<tr>
<td>Montana</td>
<td>+ South Dakota</td>
</tr>
<tr>
<td>Utah</td>
<td>+ Wyoming</td>
</tr>
<tr>
<td>Kansas</td>
<td>+ Arkansas</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>+ Kentucky</td>
</tr>
<tr>
<td>Minnesota</td>
<td>+ Alabama</td>
</tr>
<tr>
<td>Nevada</td>
<td>+ New Jersey</td>
</tr>
<tr>
<td>District Of Columbia</td>
<td>+ Connecticut</td>
</tr>
<tr>
<td>New Mexico</td>
<td>+ Arizona</td>
</tr>
<tr>
<td>Colorado</td>
<td>+ California</td>
</tr>
<tr>
<td>Michigan</td>
<td>+ Alaska</td>
</tr>
<tr>
<td>District Of Columbia</td>
<td>+ New Mexico</td>
</tr>
</tbody>
</table>

= $3.51 trillion

= $3.49 trillion
Getting started

1. Map your economy and offer a new deal to employers: “We’ll give you almost anything to get you on the high road and almost nothing if you want to stay on the low-road; in fact, we’re going to make it harder” – raise performance standards on business and wages for workers
2. Build skills to meet higher value-adding demand; reform education system to be seamless, integrated, modularized, open, lifelong, demand-driven; provide other services to meet higher standards
3. Lower waste and reduce the cost of living by cutting energy, housing, and transportation costs through smarter growth and public goods
4. Reform government to be cleaner, smarter (evidence-based), more accountable, more open-source in problem-solving; with more engaged citizens throughout
5. Pay for it all by progressive taxes on the resulting increased income and wealth and Pigovian taxes on public bads (pollution, sprawl); get prices right on investment and charge for disproportionately business-serving services; stop spending money on things that don’t add to wealth and welfare

So what’s a progressive strategy?

**Goal:** A society fit to live in (aka an inclusive prosperous democracy, with equal opportunity, protection, and capacitating services for all)

**Incremental steps:** Start paving the high road (start with waste, it’s all over the place!), probably first in cities, being clear on what we’re doing. Repeat and extend, in all feasible areas of economy and polity. Build political infrastructure. Try to act as a movement that’s more (not less) than the sum of its parts. Use power outside government to improve policy within it, and policy to build power outside the state.

**Momentum:** People are attracted to success and power; the more the public sees the contribution a productive democracy makes to their welfare, the more willing they’ll to extend and defend it.

**Basic Message:** “We’re smarter and stronger together than alone. Acting together, with mutual respect and intelligence, beats business domination and loneliness.”
The bigger picture and play
Hasten the return of the public
The return of the public?

20th century

- Fights were about capitalism vs. socialism, markets vs. government, democracy vs. authoritarianism, exclusion vs. civil rights
- Solution was to extend market capitalism and liberal democracy, widen opportunity and security within national economies through different versions of a “Keynesian welfare state” (KWS), social democratic politics
- And the winners were ... capitalism, markets, hollow representative democracy, wider inclusion in all

fin de siècle consensus

Government isn’t the solution to our problems. Government is the problem.
Ronald Reagan

The unabashed victory of economic and political liberalism announces the end of history.
Frances Fukuyama

There’s no such thing as society. There are just families and the market.
Margaret Thatcher
21st century problems

- Environmental collapse and resource scarcities, including food and water ... climate disruption, species extinction, destabilizing mass migration
- Pandemics ... nobody's been cured of AIDS
- Nuclear proliferation (& terrorism) ... more suitcase bombs?
- Systemic financial risks ... trillions disappearing in days
- Global imbalances and diversity ... in trade and other
- Extreme poverty ... you want to live on $2 a day?

These problems don’t care about your ideology, or where you live

And remember, if we fail to solve these problems, it’s pretty cold and lonely out here

They’re different from the old ones

- **Global not local** ... with bigger effects and no escape
- **Highly interdependent** ... poverty ↔ health ↔ population ↔ resources ↔ environment ↔ stability ↔ violence ... also with bigger effects
- **Require cooperation in solution** ... across nations, races, classes, religions — not just market coordination of self-interested actors
- ... and much learning, experiment (drawing on local as well as general knowledge), and capacity to adjust quickly ... since uncertainty (about life courses, risks, technology, opportunities, etc.) is radical and effectively permanent

What is pretty clear is that

Highly interactive life-threatening global public problems, whose solution requires ongoing cooperation across nations/races/classes/religions and continuous learning and experiment drawing on local as well as general knowledge are ...

... not going to be solved by deregulated markets and conventional national politics
But they can be solved by an organized democratic public.

So we should stop fighting the last war...

... and start building that public.

A basic finding about human nature

People are not generally the self-interested actors of traditional economics, since they value treating others fairly, and will incur personal costs to do so. Nor are people the unconditional altruists of utopian political theory, since they want to hurt free-riders and other norm-violators. They also show that strong reciprocity is not simply a mechanism for norm-enforcement, but also often includes a powerful concept of fairness or sharing — the notion that all else equal, there should be a rough balance of rights and obligations in social exchange.

Homo economicus or homo reciprocans?

- Homo economicus — self-directed, outcome oriented
- Homo reciprocans — concerned with others (both positively and negatively), process oriented
- Homo reciprocans combines “strong reciprocity” with “basic needs generosity”
  - Strong reciprocity is a propensity to cooperate and share with others similarly disposed, even at personal cost, and a willingness to punish those who violate cooperative and other social norms, even when punishing is personally costly
  - Basic needs generosity distinguishes among the goods and services to be distributed, favoring those which meet basic needs, and among the recipients themselves, favoring those thought to be “deserving”
The new (and potentially public) learning

Atomistic → Networked
Equilibrium → Disequilibrium
Linear → Non-linear
Mechanistic → Behavioral
Efficient → Effective
Predictive → Adaptive

Independent → Interdependent
Individual ability → Group diversity
Rational calculator → Prudent approximators
Selfish → Strongly reciprocal
Win-lose → Win-win or lose-lose
Competition → Cooperation

As one people, united, we acknowledge the reality: that the future of the human race requires the cooperation of its members

Occupy Wall Street

New learning (and public philosophy?) maxims

✓ What goes around comes around
✓ The better you do, the better I do
✓ So, we all do better when we all do better
✓ It’s survival of the smartest
✓ “Smart” means being willing to cooperate
✓ Teamwork wins
✓ There’s no such thing as a self-made person
✓ So, all for one, one for all

People who work together will win, whether it be against complex football defenses, or the problems of modern society.

Vince Lombardi

Democracy as a force of production

Democratic institutions provide representation and fairness. That’s great. But that’s not all. They can also be a force of production

– By getting people with respect and fairness, they induce greater effort, better information from them
– This increases productivity directly, but also increases social problem-solving capacity
– As public institutions, they can increase efficiency by correcting market failures and imperfections – solving prisoner dilemma (and concomitant free rider) problems for public goods
– By providing public goods, they can further increase efficiency and entrepreneurship (e.g., insurance to reduce risks in risk taking), not just greater equity by lowering the cost of necessities
– Efficient public goods in places also make density more attractive, yielding positive network effects (aka “agglomeration effects”), and more innovation

What does that mean for democratic organizations in the economy?

Old worker organizations
• Contracts are us, staying clear of managerial core
• >50% certification
• Firms or establishments
• Silos of solidarity
• No independent politics

New worker organizations
• Harmonizing standards of fair treatment
• Equipping workers with skills and other assets to navigate labor market
• Seeking allies everywhere, and in an ongoing relation to members
• Inevitably more political
• Spatially rooted
Productive democracy

Economic strategy
Urban/urban
Inequality
Socialism

Lifestyle
Autarky
Natural

Equity
Order
Egalitarian

Social achievements
National
Military

Social democracy
Egalitarian
Socialism

Social justice
Less individual
Central

Social democracy
Socialism

Social democracy
Socialism

Productive democracy
Socialism

Any fool can make things bigger, more complex, and more violent. It takes a touch of genius — and a lot of courage — to move in the opposite direction. Everything should be made as simple as possible, but not simpler...... I wouldn’t give a nickel for the simplicity on this side of complexity, but I’d give my whole life for the simplicity on the other side of complexity.

Albert Einstein

Enthusiastic partisans of the idea of progress are in danger of failing to recognize ... the immense riches accumulated by the human race on either side of the narrow furrow on which they keep their eyes fixed; by underrating the achievements of the past, they devalue all those which still remain to be accomplished. If men have always been concerned with only one task — how to create a society fit to live in — the forces which inspired our distant ancestors are also present in us. Nothing is settled; everything can still be altered. What was done, but turned out wrong, can be done again. The "Golden Age," which blind superstition had placed behind (or ahead of) us, is in us.

Claude Lévi-Strauss
But don’t ever forget, it’s a political project, not just an economic one. You can’t win justice unless you build power, and can’t build power unless you organize, and can’t organize if you don’t have any tools.

So you’ve got to build them as you use them

- Communication: among leadership, to and from base, with the mass public
- Blood (new, i.e. youth): recruitment, training, placement, etc.
- Service centers: on a variety of functions best organized in one place to realize economies of scale and scope (think leadership academies, policy shops, centers of campaign expertise, media support centers, etc.)
- Message & program: something simple and positive to say to about what we should be, and a few things to get us closer to that
- Messengers: many people talking in public and sometimes running for office, showing message discipline, shared frames, talking points, etc.
- Models: models of what works at scale and can be replicated
- Money: patient but demanding capital – long-term but experimental and performance based, prepared to withdraw on failure or non-performance

So what’s a progressive strategy?

**Goal:** a society fit to live in (aka a sustainable, prosperous democracy, with equal opportunity, protection, and chances for love and learning)

**Incremental steps:** Start paving the high road (start with waste, it’s all over the place!), probably first in cities, being clear on what we’re doing. Repeat and extend, in all feasible areas of economy and polity. Build political infrastructure. Try to act as a movement that’s more (not less) than the sum of its parts. Use power outside government to improve policy within it, and policy to build power outside the state.

**Momentum:** People are attracted to success and power; the more the public sees the contribution a productive democracy makes to their welfare, the more willing they’ll to extend and defend it.

**Basic Message:** “We’re smarter and stronger together than alone. Acting together, with mutual respect and intelligence, beats business domination and loneliness.”

Soundbite(s) summary

This is about using better democratic organization to add value, reduce waste, and sharing the benefits of doing both in smart, organized, democratic places. This bets on the productivity of democracy over business domination. This is about adding value, not just values, to the private economy, about by setting rules for free competition among those who abide by them. This treats markets as tools, not gods. It doesn’t “throw money at problems” but is prepared to make specific scaled investments of very likely or proven social value. This demands accountability of government as well as citizens. It applies the private sector’s metrics revolution and benchmarking to government and public administration. It aims at government efficiency (both allocative and dynamic) which is not the same as cutting prices. It values experiment and learning. It is clear and unapologetic on its values, and open to working with anyone who shares them. It’s not against “business” but is against “business as usual.” It’s for wealth creation and welcomes business contribution to that, but also recognizes the wealth contribution of organized democracy.

What’s not to like?
What does “high road” mean?  
Joel Rogers (1990)

First and foremost, “high road” (HR) denotes a family of strategies for human development under competitive market conditions that treat shared prosperity, environmental sustainability, and efficient democracy as necessary complements, not tragic tradeoffs. HR strategies are both egalitarian and productivist. They emphasize the role that capable and resilient democratic organization plays not just in ensuring representation and fairness but in generating wealth. Such organization, and only it, can at once set the rules that enable market competition, provide needed public goods and corrections to market failures, and ensure breadth in the social learning and innovation that are the ultimate source of wealth. In the repeated three-step of high-road development — “reduce waste, add value, capture and share the benefits of doing both” — it is essential to the social cooperation and power needed to take each step.

HR can also describe the activities of private firms, or governments and NGOs. As applied to firms, a HR firm is one that competes chiefly on product quality or distinctiveness, for which customers are willing to pay a premium. It does so by increasing the productivity (defined as value per unit of input) of its managed human, physical, and natural capital; it also typically shares more of its surplus with non-owner stakeholders in the economy (e.g., labor, government) that are essential to that productivity. The contrasting low-road firm competes chiefly on price. It seeks to lower its costs by sweating its labor and suppliers and externalizing the social or environmental costs of its production (e.g., by polluting and avoiding taxes). As applied to governments or NGOs, HR means promoting policies (e.g., in regulation, revenue generation, and public investment) and shared institutions (e.g., in education/training, research, marketing, modernization) — together called “productive infrastructure” — that make it harder for low-road firms, and easier for high-road firms, to compete and flourish.

Such productive infrastructure is place-specific. Its presence improves the terms of social bargaining between mobile capital and the economy’s non-owner, largely immobile, stakeholders. At first attracted to HR places for their customer base and the higher return their productive infrastructure provides, firms come to rely on that infrastructure’s presence in their strategy. They are less inclined to make, or less credible in making, the sort of exit threats that commonly poison private capital’s relations with labor, community, and government. In this way, HR productive infrastructure alleviates some of the worst effects of globalization.

---

1 To define the bolded terms: “shared prosperity” means improvements in median income, education, health, and wealth, and equal opportunity to participate in and benefit from the activity that produces these improvements; “environmental sustainability” means efficient use, maintenance, and restoration of the environmental services needed to support human life; “efficient democracy” means social governance that satisfies Gettysburg normative standards (i.e., is “of ... by ... and for the people”) in a way that is both allocatively and dynamically efficient (i.e., respectively, that both assigns resources precisely to public ends and improves its own performance by continuous experiment and adaptive learning, making it resilient before external shocks).
For progressives committed to reasoned debate about public ends—competent democratic government, peace and broadly shared prosperity, an environment that will allow human flourishing in future generations—these are dark times.

In international affairs, when one considers the medieval sectarian religious violence of ISIS (but with modern weapons!); the rising income and political inequality to be found nearly everywhere; our abject failure to arrest species-extinguishing carbon emissions; the private-investor coup of the Trans-Pacific Partnership; a revived Cold War with Russia; and unending air wars on Islamic terrorists that chiefly fuel their recruitment base, there is little trace of an effective progressive presence—or sometimes even sanity.

And in national politics, especially in the rich countries of North America and Europe, things seem even worse. There, for a long generation after World War II, social democracy and its Keynesian welfare state secured an uneasy but productive peace between capitalism and democracy. But that peace is no more. The chief reason is that the world it worked in—national economies still relatively insulated from international competitive pressure, led by a limited number of large, functionally centralized and vertically integrated firms, organizing work in stable systems of hierarchical control—is also no more. It’s been replaced by one of much more internationalized and digitalized production, by changing constellations of functionally decentralized and vertically disintegrated firms, drawing from a global labor force that includes billions of workers paid a tiny fraction of what their rich-country counterparts make.

This new world has disrupted labor movements across the globe and eliminated any trace of the home-country loyalty previously displayed by big business. But its greatest casualty has been public confidence in liberal democracy itself. At no time in the past century has that been lower than today.

You can’t blame the public for this. Politics has truly failed them. For more than a generation now, virtually every important elected leader has told the same story: “Capital is free to move anywhere. Any tax or regulation we impose on it will be cost, and any cost a spur to its movement elsewhere, which will hurt us all. So while we feel your pain, you must understand that our ability to regulate or tax capital is gone. Get used to it.” That this story ignores some crucial facts—the real-world “stickiness” of much investment; the self-
supply of most economies; the dependence of the service sector, which supplies most of the jobs requiring immobile labor; the power of government purchasing to shape private markets; and the obvious fact that many taxes pay for things that capital sorely needs—doesn’t stop its devout repetition. Nor did financial capital’s crashing the world system in 2008.

Looking at this sorry history, many have concluded that these times mark not just the end of social democracy, but any plausible egalitarian-democratic project. I think that’s wrong. Traditional social democracy, with big labor, big business and big government bargaining over management of the economy and society, is indeed near death and probably can’t be revived. And I don’t think we should try. Even in its heyday, social democracy was too centralized and top-down in its administration, too socially exclusionist, and too narrowly concerned with class—and it still is.

However, an alternative egalitarian and democratic project—one more suited to today’s economy and sensibilities and more uplifting of real freedom and human possibility—is available to us. It offers a natural and very large base, demonstrated proof of effectiveness for most of its policy ingredients, and even furtive properties of “emergence.” What it lacks is not plausibility, but rather its clear articulation as a distinct project in public discussion, party politics and democratic movement-building.

Call this project what you will; I call it “productive democracy.” I’ll give reasons later for my optimism about PD’s chances. But first I’ll describe its motivation, ambitions and essential elements, as well as how they cohere into a viable political order. I make no suggestion on the strategy to achieve PD (something we can all discuss later if there’s interest). This is about the land on the other side of the Jordan, not the rowboat across. #4

**After World War II, the Keynesian welfare state secured an uneasy but productive peace between capitalism and democracy. That peace is no more.**

W e usually think of democracy as a source of inclusive representation and distributive fairness, which it surely is. But it is also a source of problem-solving, invention and thus wealth generation—a source of value, not just values. After forty years of the corporate-sponsored defamation of democracy as whining parasitism or incompetence, and of democratic government as mere “waste, fraud and abuse,” it’s imperative that progressives show the ability of both to actually work, to be useful, in everyday life. Call this demonstration of usefulness democracy’s “survival criterion.”

Doing so is one central aim of productive democracy—and the source of “productive” in its name. Because, along with seeking economic security and opportunity for all, PD would highlight the centrality of fostering both social learning and productivity—understood not just as output per unit of input, but as value per unit of input (and where “natural capital,” aka the environment, is included in that calculation)—in achieving more ambitious egalitarian ends. It would place a bigger and more visible bet than social democrats ever did on a well-ordered democracy’s ability to help citizens create social wealth—and solve social problems. Its signature politics would be efforts to develop and harness that contribution. Indeed, it would define the “general welfare” not just as physical and economic security and reasonably equal opportunity and life chances, but as the capacity and interest of all citizens to make such contributions, to be actively engaged in building their own society.

But so much for ambitions—let’s go to the essential elements. These are summarized in the sidebar “Three Public Philosophies,” which aims to clarify PD’s policy, governing, and broad “constitutional political economy” by contrasting its approach with those of neoliberalism and traditional social democracy.

Considering, first, policy: in the realm of economic policy, PD would continue to use the traditional Keynesian tools of macroeconomic steering to maintain “effective demand” and keep the economy near its full potential. But it would commit as well to effective supply of the “productive infrastructure” needed to support the economy we actually want, not just the one we have. By this I mean a suite of policies, public goods, and institutions that together work to raise performance standards for firms and communities, enable both to meet them, and capture and share the resulting increased wealth.

This infrastructure is intrinsically local. The relevant “location” can and sometimes would be the whole nation. But it may be easier to imagine it in terms of metropolitan areas (cities and their surrounding suburbs and commuting sheds), the densely populated and geographically compact engines of wealth in all national economies. (In the United States, for example, on just 12 percent of our land area, the top 100 metropolitan regions house two-thirds of our total population and produce more than three-quarters of our annual GDP.)

Already adopted in many cities (but nowhere near all), typical policies include things like standards on job quality, training, career pathways and a living wage at area firms; requirements for reduced waste (eventually zero); and broad encouragement of worker organization and ownership. Typical public goods, with their positive effects in lowering living costs, increasing sustainability and improving the local quality of life, are things like public transportation, education, recreational facilities and public space. Typical
Three Public Philosophies

<table>
<thead>
<tr>
<th>Economic Strategy</th>
<th>NEOLIBERALISM</th>
<th>SOCIAL DEMOCRACY</th>
<th>PRODUCTIVE DEMOCRACY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inequality/incentives</td>
<td>Effective demand</td>
<td>Effective supply</td>
<td>(productive infrastructure)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Redistributive Peak</th>
<th>None</th>
<th>Late</th>
<th>Early</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Ownership</td>
<td>Narrow</td>
<td>Narrow</td>
<td>(private firms and public commons)</td>
</tr>
<tr>
<td>Income Security</td>
<td>None</td>
<td>Employment, insurance (E&amp;I)</td>
<td>Firm and social dividends, basic income</td>
</tr>
<tr>
<td>Revenue</td>
<td>Regressive/flat taxes on private income/profits</td>
<td>Progressive taxes on private income/profits</td>
<td>Progressive taxes on consumption, “public bads” and non-reinvested profits</td>
</tr>
<tr>
<td>International Economic Strategy &amp; Relations</td>
<td>Forced integration</td>
<td>Strategic protectionism</td>
<td>Balanced trade, managed diversity, unitary taxation, curbed speculation, nonmilitary global public goods</td>
</tr>
<tr>
<td>Privileged Branch</td>
<td>Judiciary</td>
<td>Executive</td>
<td>Legislature and problem-solving public</td>
</tr>
<tr>
<td>Public Administration</td>
<td>Privatization</td>
<td>Delegation/rule-bound bureaucratic discretion</td>
<td>Democratic experimentalism/ deliberative problem-solving</td>
</tr>
<tr>
<td>Social Contribution</td>
<td>Demanded/not enabled</td>
<td>Enabled/not demanded</td>
<td>Strongly encouraged and enabled</td>
</tr>
</tbody>
</table>

**Institutions** are things like regional partnerships (among firm owners, workers and communities) for joint training, credentialing, modernization and marketing efforts; public financing and technical-assistance services to enable meeting higher environmental and other standards; and facilities for planning and citizen engagement and review.

We know from experience that providing such productive infrastructure has two salient effects. It increases productivity and wealth in those locations, thereby attracting more private investment. And it grounds that investment (makes it “stickier”), which reduces the frequency and credibility of capital threats to leave town—or the country. This opens space for social bargaining, even under mercilessly competitive international conditions.

Productive democracy would also argue for increasing the relative share of total “welfare” investment made early in life (everything from early-pregnancy care to perinatal and visiting-nurse assistance to whatever else is needed, up to adulthood, by way of health, education, counseling or other support). While this may be expensive, producing capable and confident adults is still much cheaper than repairing broken ones, and PD’s commitment to equality means preparing all citizens to participate and make a contribution to society. For similar reasons, it would also supplement employment income with a basic income guarantee for all (as most of Latin America does now, and Switzerland and other European countries are seriously considering). And it would vastly widen worker-citizen ownership, both of private firms and society’s “commons.” The latter includes both our natural commons (air, land, water, flora and fauna) and our created one, especially those parts of special benefit to business (e.g., physical infrastructure, intellectual property and business law, central banking). As many have argued, both of these commons should be “monetized,” with beneficiaries charged a user fee, which would be distributed, in whole or in part, to all citizens on an equal per-capita basis. Alaska and Norway have long done this with their oil holdings, and California is now doing something similar with the money paid for carbon permits. But we could—and should—do more.

For revenue, PD would make greater use of progressive consumption taxes (for example, with no tax paid up to some reasonable level of consumption, then a sharply progressive rate afterward) and taxes on “public bads” (including pollution, environmental degradation and other socially destructive behaviors). It might also favor steeply progressive taxes on non-reinvested corporate profits. All these means of raising revenue would directly contribute to equity, efficiency and sustainability—even before the money from them is spent.

In international affairs, any PD nation would break sharply with the tenets and practices of neoliberalism. It would unapologetically declare its national interest in “fair trade”—i.e., trade that benefits every party with a stake in the transaction—and in controlling its own development strategy (while respecting the like interests of other nations); and it would seek to manage, not obliterate, the resulting diversity. It would also work to limit wasteful speculation (e.g., through a financial-transaction tax), effectively criminalize tax-free havens, and eliminate tax arbitrage through some “unitary taxation” scheme (where, by agreed-upon formulas, a country’s taxes on multinationals would be apportioned according to the location of each corporation’s production, employment, value added and sales). And it would do its fair share (as measured by each country’s percentage of world product) to underwrite needed global public goods—in health, development, climate, security and peace. (The last two imply, for the United States, dismantling much of our military empire and permanent war machine.)
Productive democracy would move government more squarely back into the business of public debate and deliberation. Its “privileged” unit of government would not be those private-property guardians so favored by neoliberals—the judiciary. Nor would it be the executive-centered administrative state favored by social democrats. Rather, it would be the “people’s house,” the legislature—and the organized public itself. In PD’s version of progressive federalism, the national government would establish and fund a set of core commitments to all citizens; state and regional governments would be free to experiment (or not) above that. Preserving its commitment to the affirmative state—the belief that solving problems is the government’s job—PD would promote experimentation and deliberative problem-solving, often involving citizens, in achieving legislatively declared goals. It would ensure and measure accountability by the actual progress toward such declared goals, not by monitoring the observance of often meaningless bureaucratic rules.

In sum, PD offers a more open, decentralized, locally rooted, efficient, egalitarian democracy, supported by leaner and more flexible government(s), as joined by a more capable public. Its policies and institutions cohere and mutually support one other in driving up social learning and productivity, visibly benefiting citizens via a better democratic order. It both satisfies democracy’s “survival criterion” and reopens its future. It may not be nirvana, but it’s not too shabby.

Why am I optimistic about productive democracy’s political chances? For starters, I think it would be very popular with ordinary citizens, including many now quite hostile to the current affirmative state. Nobody likes stupid bureaucracy. Wider citizen-worker ownership has cross-partisan appeal. Taxes on consumption and “public bads” are more popular than those on income. PD’s basic values—freedom, opportunity, active citizenship, fairness—are nearly universal. Indeed, the only real opponents I see are the hideously selfish and unpatriotic corporate elites and the many public officials who serve them. Those are exactly the opponents progressives should want.

I also think that both the supply and the demand conditions for the sorts of democratic collective action that PD calls for are increasingly favorable.

On the supply side, technology, of course, can help. Our abilities to confer across distances, and to coordinate, monitor and precisely measure the performance of virtually any inanimate thing, are light-years better and cheaper than they were a generation ago. But more concretely, we are already acquiring the sorts of skills and experience that PD demands. Millions of workers participate daily in multidisciplinary problem-solving teams. Many governments are already breaking down bureaucratic silos, experimenting and measuring progress in policy, and inviting the public to help. New forms of direct citizen engagement in policy are sprouting up all over. The “share” economy of peer-to-peer production and a collaborative commons is exploding. What PD imagines is in the adjacent possible, not the remote.

On the demand side, most of the world is moving to cities, so there’s a real need to get those better organized. Climate change is upon us and will require vast amounts of investment and action not possibly supplied by markets. Yet making our cities safer and greener, as well as more just and more resilient, can’t be engineered from any central capital. Both require the local knowledge and commitment of the people actually living there.

Finally (and this goes to the question of “base”), nothing I’ve argued for here is remote from humanity’s evident desire. All around the world—a world in which the United States has far less limiting power than in the recent past—billions of people are repelled by the effects of predatory capitalism and would grab at a plausible democratic alternative. For most people, the choice between further degradation and a plausible route to greater security and freedom is an easy one. I think productive democracy offers people that choice. Progressives should put it before them.