Owning the Future

After Covid-19, a new era of community wealth building

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About this paper

This paper has been jointly authored by The Democracy Collaborative (TDC) and the Centre for Local Economic Strategies (CLES).

Our work - in parallel on both sides of the Atlantic to develop new strategies to advance community wealth building - has enabled it to become a movement in its own right. With the Covid-19 crisis, we face a major public and economic event of historical importance, potentially unprecedented in its magnitude in peacetime. In the face of this, community wealth building policy and practice must shift to meet the scale of the crisis, rapidly building a new institutional power base for a new politics of community control from the ground up.

In part one of this paper, we will lay out the likely impact of Covid-19 on the economic landscape which community wealth building must now serve. In part two, we will begin to sketch out the contours of a new era of community wealth building.

In keeping with our think-do approach to building more just local economies, this paper is accompanied by a practical guide for local leaders on steps they can take now as they begin to feel their way towards recovery from the Covid-19 crisis. Read it here.

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Centre for Local Economic Strategies (CLES)

CLES is the national organisation for local economies - developing progressive economics for people, planet and place. We work by thinking and doing, to achieve social justice and effective public services.

The Democracy Collaborative (TDC)

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Part one: after Covid-19

Introduction

The Covid-19 pandemic has caught the United Kingdom woefully underprepared. The present crisis has revealed the distressed state of our local economies and the brittle condition of the local public sector, following decades of underinvestment and disrespect. At the same time, this dual public health and economic emergency has underscored the centrality of community to our everyday lives. As we ready ourselves to rebuild and reconstruct within the shattered post-Covid-19 landscape, we must strive to make the economic recovery the starting point for economic reform and a new birth of community in this country.

Recent years have seen a growing awareness of the steadily-building crisis of the current economic model. Neoliberal capitalism is beset with the compounding problems of toxic inequality, ecological collapse and democracy in decay. Now, the global Covid-19 pandemic has struck an extraordinary blow to an already crisis-prone economic system. The status quo has quite literally vanished with a controlled shutdown of much of the economy outside of a few essential sectors. This is a major public and economic event of historical importance, potentially unprecedented in its magnitude in peacetime. The effects on our social, economic and political future will inevitably be profound and long-lasting. Whilst we do not know exactly how events will progress, we can be sure that things will never be quite the same again. But while there can be no going back to the status quo, the shape of the future remains unclear.

This new crisis has highlighted the flaws in our current political and economic settlement, pushing it to breaking point. The contradictions that were already manifest in the old system have now become intolerable. The precariousness of modern work, the eviscerated public sphere, the consequences of the limitless extraction of wealth from our communities and its redistribution upwards to the largest corporations and a tiny group of elites – all stand revealed in the light of the present emergency. These multiple overlapping crises were present long before Covid-19 appeared. But this pandemic is doing what even the financial crisis of 2007-08 could not; it is necessitating fundamental changes in the social and economic organisation of our society.

The actions we take now, both as emergency responses and to aid a future economic recovery and reform, will likely have profound and lasting consequences – on the way we do business and conduct our own self-government, how we live in communities and the terms within which we reach a new political-economic settlement. With climate change waiting in the wings about to take centre-stage and with the increasing likelihood of further pandemics and related shocks, the stakes could hardly be much higher.

Our two organisations have recently set out our respective brief institutional position statements on the current emergency and how we see and plan to approach it.[1, 2] Close partners already, we now plan to work together even more closely to bring about deep, system-wide political-economic change, rooted in place and in fundamental values of community and democracy. In the past few weeks we have been reaching out to key partners and allies in government, business and civil society to inform our responses and update our thinking and strategies for this challenging moment. We will continue to consult widely, to iterate and adapt to a fast-changing situation. But we are already clear as to the task at hand. On both sides of the Atlantic, our actions will be defined by solidarity with essential workers and with the vulnerable communities most affected. We are resolved that this public health and economic crisis must only accelerate the work to build a more democratic, inclusive and community-based economy – one truly centred on collective well-being, local resilience, ecological sustainability and economic justice.

A moment of clarity

The Covid-19 crisis has exposed our interconnectedness and vulnerability, as well as demonstrating the precedence of the everyday economy (or "foundational" economy[3]) over the financial and of the absolute indispensability of essential workers and the local state. In this, it represents an opportunity to reset our democratic conversation, reconstruct our politics, rebuild our communities and reprioritize and re-value the public sphere.

In the renewed importance of the local state, local economic capacity and resilience, in the explosion of mutual aid networks, self-organisation and deep co-operation, there is a hugely important potential "teachable moment" regarding the centrality of place in our economy. This is despite four decades in which politics and policy have celebrated the essential placelessness of economic activity and elevated the icy indifference of global markets.

People live and work in particular places and in particular communities and their specific politics and economics matter hugely for the quality of their lives. These are basic, inescapable facts of human existence, but they have been deliberately overlooked in the course of the neoliberal experiment.[4] Covid-19 has helped bring all of this sharply back into focus – particularly the way in which, when national governments are hell bent on neglectful or downright destructive economic policies, action at the local level can be a corrective and essential form of protection. The opportunity now upon us is to make the aftermath of the Covid-19 pandemic and the coming effort at economic recovery and reform the moment for a rebirth of community in this country.

A new era for community wealth building

To do this, we must refashion our vision and practice of community wealth building as the vehicle to drive this systemic change. The present crisis makes the case for community wealth building all the stronger, just as it strengthens the potency of the challenges to which community wealth building is a response. In particular, community wealth building offers a means to initiate and institute fundamental economic change at the local level, cutting the Gordian knot of a system that puts the accumulation of private wealth and profit above the basic needs of ordinary people and community solidarity.

Community wealth building emerged in the mid-2000s, to challenge the underlying logic of neoliberalism and the failing national and local economic model that has produced such negative outcomes as ingrained poverty, inequality, ecological degradation and accelerating wealth extraction.[5] It sought to shift the dial on economic development strategies by demonstrating a way to build collaborative, inclusive and democratically controlled local economies through the reconfiguration of local institutions to produce more equitable and sustainable outcomes as a matter of course, rather than relying on redistribution "after the fact" in a lopsided economic model.

In the intervening years there has been a steady growth in uptake of the community wealth building approach, especially in the United States and United Kingdom, where we have seen the growth of a movement encompassing local and national governments and "anchor institutions"[6] as these ideas have percolated and spread.[7] This was an era of gradual change, set against the backdrop of an eviscerated public sector, rampant financial markets and the distant threat of social disorder and climate emergency. The hope of community wealth building was to be found in the explosion of innovative practice at the local level in communities up and down the country and around the world. The actors who have been moving these promising models and experiments to new levels of sophistication and impact can be found far and wide: in Preston; in the Wirral; in Newham; Islington; Hackney; North Ayrshire; North of the Tyne; Bristol and elsewhere; in local administrations as well as health organisations[8]; registered social landlords; and universities[9]. The future was already upon us and among us – it was just unevenly distributed.

We now find ourselves accelerating rapidly into that future. Post Covid-19, we will emerge into a world transformed, in which much wider economic and business activity has been placed on hold and is likely to be changed fundamentally, a whole strata of local businesses may have gone to the wall, millions of workers are unemployed, key markets like the labour market and the housing market have been essentially frozen, while capital markets have been placed on life-support, recipients of unprecedented monetary interventions by central banks to avert a financial crisis. Meanwhile, the economically interventionist state - long discounted by neoliberal theory – will have come roaring back into the picture, intervening across whole sectors of the economy to a degree and on a scale that would have been dismissed as unthinkable mere months ago. On top of it all will be the relentlessly unforgiving countdown of the climate clock on a fossil fuels-based economy that will need to be shut down and phased out in very short order.

In the face of all this, community wealth building policy and practice must shift to meet the scale of the crisis, rapidly building a new institutional power base for a new politics of community control from the ground up.

From siege economy to economic reform

The Covid-19 pandemic is already prompting huge shifts in how we think about the economy, flowing from the highly unusual – unprecedented, even – situation in which we find ourselves. The economic impacts of the crisis will unfold in two phases – the immediate emergency phase, dominated by the public health and medical aspects of the pandemic, followed by a period of attempted recovery and reform.

We need a plan to survive the first, emergency phase, in which we are operating something akin to a siege economy. But we also need to think ahead to the next phase - the recovery and reform of the economy - and how that can help to build the new resilient economic future to come. We therefore need a two-stage plan for our national and local economies, to overcome and survive the siege and then win the new economy for all.

The siege

The first phase of the economic crisis is being shaped, by necessity, by emergency responses. Whilst there have been comparisons to a wartime economy, that isn't quite right.[10] A wartime economy is about mobilisation – the deployment of all available resources for a combined national military effort. What we are facing instead is a wholesale demobilisation – a shut-down of all but the most essential sectors of the economy while we last out the spread of contagion and the public health phase of the pandemic. This is more akin to an "anti-war"[11] or siege economy. This promises to be a gruelling period of an as-yet-undetermined duration, in which much regular non-essential economic activity grinds to a halt across the globe. Only later, when the immediate public health crisis passes, will we see the mobilisation phase – a recovery and reform of the economy.

Early indications suggest that we are entering a period of economic depression that is likely to be deeper and longer than the great financial crisis.[12] We may be looking at economic contractions deeper and quicker than those experienced during the great depression of the 1930s. Unemployment is surging, with over 950,000 people signing on for new or additional unemployment-related Universal Credit claims in the last two weeks of March 2020 – around nine times the average level for a fortnight period.[13] Most worryingly, Covid-19 is likely to disproportionately affect low-paid and vulnerable workers, as has been shown by Autonomy's Jobs at Risk Index.[14] Consequences for businesses of all shapes and sizes will be severe, ranging from potential industry-wide collapse in sectors such as aviation to the potential decimation of many small businesses, with six in 10 UK businesses already reporting that they have three months' worth of cash on hand or less.[15]

There are important immediate battles to be fought over how to manage this first phase – support for incomes, basic planning to get essential goods (e.g. food, medicines) to where they need to be, a moratorium on evictions and debt repayments and similar measures, likely including controlled public takeovers of stricken industries. The immediate priority must be to tackle the public health crisis, protect the vulnerable and insulate individuals and businesses from the shock.

The governmental response in the siege phase has been unprecedented, although there remains a great deal more to be done. At the local level, there has been a great deal of creativity, with local authorities like North Ayrshire stepping forward to establish "community hubs" and repurposing school meals programmes to provide residents with food parcels and recipes.[16] At the national level, the UK's Conservative government is now directly subsidizing workers' wages, forging links with the trade unions and passing legislation to prop up the creaking welfare state.

Decades of orthodoxy, in which we have been told that government action in the face of major social, economic, or environmental challenges is neither feasible nor desirable, has simply been thrown out of the window, as notions of affordability, austerity and fiscal prudence – of "balancing the books" – have given way to unprecedented state intervention.

There has also been a rapid reconsideration of what is truly important in the economy and who the real "essential" workers are. Frontline public service providers, emergency responders and producers of basic necessities like food and medicine are suddenly seen as the lifeblood of the economy after decades in which their jobs had been undervalued in comparison to supposed "wealth creators" at the top.

Recovery and reform

The second phase of the economics of the Covid-19 crisis will unfold as the worst of the public health crisis has begun to pass. At that point, we will be attempting a rebuild of the economy – and it is then that stimulus measures and other large-scale national and local state intervention will come into full effect.

Of course, we have already seen emergency responses from the world's central banks, including the Bank of England and the U.S. Federal Reserve, to stave off any immediate financial crisis through extraordinary and unprecedented monetary interventions to shore up the financial system. In the United States, for example, the Federal Reserve immediately began deploying all the tools in its arsenal to prevent a financial crisis, including slashing interest rates to zero, restarting its quantitative easing program and providing trillions in liquidity support. They have even done things that they previously claimed not to be able to do, such as buying municipal bonds to preserve the borrowing ability of cities and localities.

In this phase, the key question to ask is the old one — *cui bono*? Who stands to gain? Whose interests are being served? The instructive lesson, the cautionary tale here, is the great financial crisis of 2007-08. This was a crisis caused by the systemically risky behavior of finance capital and the loose regulation that governed it and it ultimately meant that ordinary people and communities were left to suffer while the perpetrators were bailed out at public expense.

Rather than being a teachable moment about the failures of financialised capitalism, the great financial crisis further exacerbated the underlying problems, while the public were subjected to a decade of austerity, resulting in further inequalities, continuing wealth extraction and environmental degradation.

The good, the bad and the ugly

Looking ahead, we might hazard a guess at three broad scenarios as potential outcomes of the economic crisis stemming from Covid-19, depending upon the actions we now take. These scenarios might be thought of as the good, the bad and the ugly.

The bad

Unfortunately, our current political and economic paradigm means that the most likely scenario the politicians will aim at is the bad – an attempted reversion, after the emergency response phase is over, to the status quo ante.

Framed by a narrative of “bounceback,” this scenario is predicated on an attempt, once the siege economy has been lifted after the public health crisis has passed, to resume where we left off prior to the pandemic. Frozen markets would be thawed and a stalled economy jump-started and brought back to life. A further symptom of the bad would be an intensification of the worst aspects of the UK’s “Big Society” agenda, in which the goodwill of the community is used as a smokescreen for further austerity by relying on unremunerated volunteering in place of well-funded, democratic public services.[17]

The bad would therefore involve a re-run of the kinds of responses we saw in the aftermath of the great financial crisis. It would be, in essence, a reinstallation of globalised neoliberal corporate capitalism, with all its contradictions and crises. This is a familiar story: bailouts for the banks and the corporate sector, with precious little for the rest of us. We can already see the austerity narrative creeping back into view and there is a genuine threat that the present crisis will bring a doubling-down of punitive welfare measures and cuts to the public sector. This will be based on the bogus assertion that the recent wave of government intervention must now be unwound and the response to the pandemic “paid for” with the costs being borne by the public instead of placed on the super-rich through wealth taxes and the like. This scenario means an economy with all the injustices we had before, but with even more of them.

The ugly

Unfortunately, the bad is not the worst that could happen. There’s also the ugly.

The ugly would be a full-on “shock doctrine” disaster response, combining a new state authoritarianism with ongoing uncontrolled corporate capitalism. It is no exaggeration to say that developments in this direction could threaten our basic democratic structures, which are already under strain. Such a response would couple a new interventionist “state capitalism,” in which the government worked to support big corporations and financial elites, with new laws - introduced during the crisis - and designed to maintain social distancing, restrict social movement and use of public space retained, serving to restrict basic liberties as regards freedom to assemble and protest.

The good

But there is also the good. In this scenario, there is a broad understanding that the present crisis is our last best opportunity to change course and to build a more local, generative, social and democratic economic system.

The Covid-19 pandemic could become a moment of crystallisation, with citizens and governments working together to build a new social contract and a genuinely inclusive economy. This could be prefigured and sustained by the extraordinary rise of social solidarity and mutual aid generated by the pandemic, which could then snowball into a movement for deep and lasting political-economic change.

We must do everything we can to bring about the good and to avoid a reflexive lapse into the bad, which would then risk descending into the ugly. We are in a “reverse Wizard of Oz” moment, in which, having been told for decades that the state has become shrunken and withered and ineffectual, incapable of standing up to corporate power, the curtain has been torn back to reveal the new Leviathan. All things would then be seen as possible, from a universal basic income to a green economy, from the provision of universal basic services to a new era of democratic economic planning.

Creating the conditions

Building this new economy will require a combination of macro-policy actions from the top-down and also a groundswell of democratic strategies from the bottom up. Community wealth building is traditionally concerned with the latter and we consider these factors in part two. We conclude part one by looking at three macro-level interventions that we believe are urgently necessary to deliver the good.

These conditions are essential because they are necessary to create the ecosystem for the flourishing of a democratic economy; in effect, they form the soil from which community wealth building can grow.

1. Buyouts not bailouts

The crisis could remake the basic shape of the real economy. We need to ensure that we do not repeat the mistakes of 2007-08 and bail out major industries in a way that deepens wealth extraction and inequality. There are already a number of strong proposals being presented, many of which centre on the conditions to which major industries should have to adhere if they receive public assistance.[18] Such interventions should not be “bailouts” in which public money helps prop up shareholder value, but instead “buyouts” in which the government takes an equity stake in the firms it is assisting.

This will be crucial not only in ensuring that such businesses also consider the interests of workers and customers and not just those of shareholders, but also to make sure that the state can recapture value as the economy recovers. It also strengthens the government’s hand regarding the imposition of carbon emissions reduction targets and further allows the democratic state to regulate the ethics of business behavior, for example teeing up future buyouts of fossil fuel corporations.

Secondly, the state must intervene to prevent the leveraged buyout of the real economy by vulture capital. A controlled shutdown of sectors of the economy will last for months. If it is protracted, what happens to small and medium-sized businesses? Very large numbers of local businesses might go to the wall unless something is done. Waiting in the wings is private equity: poised and ready to acquire some of these businesses for mere pennies on the pound. Large private equity funds like Blackstone have a reported $1.5tn war chest ready for the “unique opportunities to invest” in a post-crisis buying spree.[19] If this goes ahead it will be a massive shift in ownership upwards, a funnelling of wealth to the top elites. This is “trickle-up” and wealth extraction on steroids.

What to do with a potential tsunami of failing SME businesses? Employee ownership conversions are only an option in a viable going concern and the conditions for accessing capital to facilitate this are hardly promising under an economic shutdown. We do not want to burden a new cohort of worker-owners with unsustainable enterprises or load them up with unserviceable debt. One demand for the siege phase of the economic crisis might be for a public holding company to prevent a corporate buyout of the real economy and ward off the private equity sharks.

Failing companies in this period could be mothballed until we pass through the siege phase of the pandemic and are out the other end, when recovery begins and the stimulus kicks in. This means the creation of new national, or sub regional state-backed financial vehicles, as well as flexing existing institutions and tools.

One possible model to follow is Franklin Delano Roosevelt's Reconstruction Finance Corporation, the large-scale public holding company that was set up in the 1930s to acquire failing businesses until the point when they were re-launched as part of the economic recovery. There have already been calls in the US to establish a Covid-19 finance corporation[20] and the IMF Research arm has indicated that something along these lines may become necessary.[21] Not doing so risks the large-scale collapse of the small business sector and a feeding frenzy in which private enterprises are hoovered up by private equity, resulting in a further concentration of corporate ownership and power.

The UK will need its own bespoke vehicle, but we can also bend existing resources. For instance, the Scottish government has recently announced the creation of a Scottish National Investment Bank, a publicly owned development bank that will deliver finance for infrastructure development and strategic investment. We also need to think about city, regional and local state backed financial vehicles. In this, some learning from past Regional Development Agencies in England and existing enterprise agencies in Scotland may be useful. The crucial element here is that these vehicles are not used as a means of facilitating large-scale wealth extraction, but instead contribute to the generative economy of local and social forms of ownership.

2. A new green industrial strategy

Whilst it is welcome that the UK now has an industrial strategy, there are ongoing concerns that the current policy direction will fail to tackle issues around regional inequalities, productivity and the climate emergency.

These shortcomings are likely to be exacerbated by the impacts of Covid-19. In the current policy direction, the government strategy has to "level up" the national economy by focusing on "sector deals" that deliver vertical support such as R&D infrastructure agreements and tax incentives in high-growth sectors.

There are several flaws in the current approach, not least that the UK's industrial strategy is rooted in the Treasury's ideological attachment to agglomeration economics that favours large urban centres. Pertinently, it is also noticeable that industrial strategy currently favours large private sector providers with whom government already has an existing relationship, for example major players in the pharmaceutical and automotive industries.[22] This augurs badly for the current crisis, as it suggests a move towards a "state capitalist" approach whereby industrial policy levers are used not to stimulate new forms of supply in competitive markets, but to consolidate oligopolies. Moreover, it blunts the sharpness of industrial strategy as a tool to clamp down on corporate malpractice and shuttle sectors of the economy away from tackling precarious forms of employment, tax avoidance and environmental degradation.

Instead, we need an industrial strategy capable of re-orienting the UK economy away from extractive sectors and precarious work and towards a generative and sustainable economy with stable jobs at its heart. The Covid-19 crisis may in any case force the government to focus on core sectors of the economy that people need to stay alive. A new industrial strategy should focus on the possibilities of the foundational economy[23] as its starting point.[24] This could help preface a fundamental rethinking of "value" in the economy as a whole, with the reproductive labour of care workers and cleaners finally being treated as critical to our collective wellbeing rather than as disposable "low-skilled" work.

Industrial strategy must also become actively concerned with expanding democratic forms of business ownership. The recent debacle over ventilator production makes the case for modern versions of the Lucas Plan, in which workers take more control of production and develop socially useful products for community benefit and need, rather than socially unnecessary or harmful production for corporate profit.

And at the very core of a renewed industrial strategy must be the rapid decarbonization of the economy, requiring nothing less than a fully-fledged Green New Deal. When the post-Covid-19 stimulus comes, it must be a green stimulus – aimed at a just transition.

3. A new social contract and welfare system

The crisis has torn back the veil on the consequences of decades of underfunding of front-line services and the undermining of the capacities and capabilities of the national and local state. We are only as resilient as our communities and maintaining this resilience requires a rebuilding of local economic capacity and a rethinking of economic priorities and institutions.

With the Covid-19 crisis accelerating towards its peak, the consequences of a state that has become too lean and too mean is being played out horrifyingly in real time. New interventionist policies, though welcome, are struggling to play catch-up with years of neglect.

Our underfunded, understaffed and underequipped NHS is seriously struggling.[25] Collectively, our definition of essential workers has been radically re-oriented. It now encompasses not just the swathes of over-worked health professionals, but the shelf stackers, refuse collectors, delivery drivers and many other low-paid positions that are keeping our country going at this perilous time. As the importance of these roles becomes recognized, so too do the inadequate pay and conditions to which many of these workers are subjected.

Beyond the health crisis, many people are discovering that there is no adequate safety net in the UK. The Department for Work and Pensions has seen huge increases in demand for Universal Credit[26], with the system barely able to cope.[27] There is a very real danger that many will fall into debt, rent arrears and poverty, heaping yet more misery and suffering on top of an already desperate situation.

A decade of expenditure cuts has left our public services brittle, starved of resources and resilience. We should never again permit such an evisceration of the democratic state. Coming out of this crisis, we must create a politics that ensures that things will be very different going forward.

Part two: a new era of community wealth building

The new common sense

Our communities, local government and public services have been on the front line of the emergency response to the Covid-19 pandemic. They should also be the principal beneficiaries and recipients of the government stimulus that follows, as we move from a siege economy to recovery and economic reform.

Covid-19 is likely to be only the first of many shocks to come in this era of compounding crises, in which the kinds of economic responses we have seen in the past will only further exacerbate economic inequality and imbalances. We must work to ensure that the response to the crisis ushers in a new era of community wealth building as the basis to new local economic reform plans so as to create the kinds of democratic, inclusive and community-based economies we need – economies truly centred on collective well-being, local resilience, ecological sustainability and economic justice.

This crisis has awoken people to the vital importance of community. Decades of globalisation, disinvestment and austerity have taken their toll on our communities and their ability to weather these kinds of shocks. We must break with the failed policies and economic models that got us here in the first place and work to reconstruct a community-centred vision of an inclusive and democratic economy. We must find a way to escape these vicious circles and instead create virtuous circles of renewed and restored local economies, a greening of economic activity and the rebuilding of our communities on the basis of increased resilience and local democratic control.

Community wealth building is a powerful way in which to do that and there are many examples of communities utilizing these techniques long before the present crisis. It must now move from the fringes of local experimentation and become the new accepted norm for local economic development, recovery and reform.

Community wealth building in this context must be understood as a fully integrated approach to transforming local economies from the ground up. It must realise its potential to develop institutions and build a new ecosystem rooted in participation and ownership by the community that will ensure a power base for long-term sustainability. Only in this way can the politics of the crisis aftermath tend in the direction of a new era of democracy and community, avoiding darker futures in which an angry, authoritarian, populist, nativist and chauvinist response predominates.

TDC and CLES work in parallel on both sides of the Atlantic to develop new strategies to advance community wealth building models that demonstrate new principles of local democratic economies operating within planetary boundaries. Building upon our work together in partnership in Preston, Lancashire – whose example presents a sense of what's possible – community wealth building has become a movement in its own right, with dozens of localities in all the nations of the UK experimenting with different aspects of the model. What follows is a shared statement of how we accelerate the work in the UK in as powerful a way as possible in the post-Covid-19 crisis era. It adopts a framework developed by CLES and its partners that reflects the views of both organisations.

The five pillars of community wealth building

CLES has previously organized the practical action that sits underneath community wealth building around five broad pillars.[28]

The first is the overarching vision of a democratic economy, in which plural forms of business ownership help transition the economy away from one defined by wealth extraction to a generative, sustainable economy where wealth is shared broadly by those who help create it. The next four relate to the behaviours of anchor institutions as agents of this local economic change, relating to: flows of finance; institutional procurement; fair employment; and land and property assets. These pillars have helped both CLES and its partners understand community wealth building in a tangible sense, offering a powerful frame for advancing work on the ground.

We believe community wealth building stands ready to offer real solutions for communities recovering from the Covid-19 crisis. However, it also must respond with new tools and instruments. Going forward, the five pillars will need to be reorganized to help local economies and local economic development navigate new realities and make sense of emergent possibilities. For example, the prospective imminent collapse of major sectors of the UK economy such as hospitality and aviation will require a more urgent consideration of developing national and local industrial strategy based on community wealth building principles. Similarly, this new moment calls for a renewed focus on knitting together the expanding web of community power, as regards autonomous mutual-aid and self-help organisations. And the power of the democratic local state must now be framed by new municipalist[29] ideas and structures,[30] with an emboldened local state which advances municipal ownership and new forms of community power and ownership including within the commercial economy.[31]

As a precursor to this more fundamental strategic rethink, we offer some thoughts on the shifting terrain and what it means for each of the five pillars of community wealth building practice. For each, we briefly survey what has changed already in light of the crisis, what the new challenge is and how national and local economic development and community wealth builders on the ground need to respond.[32]

Democratic ownership of the economy

The need to expand democratic forms of ownership of the economy takes on even greater significance in the post-Covid-19 world.

The crisis has exposed the fragility of basing our economy on business models which prioritise the accumulation of private profit and wealth extraction over public need and wider community benefit.

On a local level, there must be a concerted effort to reshape the local economic base which promotes democratic forms of business ownership, including worker and local municipal ownership. This will require a ramping up of the community wealth building focus on bending resources already used for local authority business support services towards the social and solidarity economy (see below). As poverty, unemployment and destitution grows, with many going without such basics as food or shelter, there is a growing necessity to develop new forms of social co-operative enterprises in everyday economic sectors such as food, care and utilities alongside other low-carbon sectors. A good starting point for the growth of this foundational economy would be for localities to offer financial and organisational support to the emerging web of mutual aid organisations, following the lead of North Ayrshire Council's "community hub" programme.[33] Ideas such as community shares will also help bind these emergent organisations to local economies in perpetuity.

Localities must also use the relaxation offered in the UK government's Covid-19 guidance package in the recovery stage to stimulate new forms of supply to service local demand, particularly in the foundational economy sectors. Developing local industrial strategies which stimulate co-operatives and social businesses will also be essential and this will involve fundamental reform of the composition, powers and purposes of Local Enterprise Partnerships. We should also hope to see the creation of regional investment vehicles and holding companies, as outlined in part one of this paper. Localities can also look at examples for best practices, such as the Welsh government's longstanding Better Jobs Closer to Home initiative, in which government procurement has been used to help stimulate new forms of supply in disadvantaged former mining communities.[34]

Municipal ownership must also return to the fore. We need to innovate with democratic and wealth-building forms of municipally owned enterprises, including the insourcing of more services to local government and the public sector more generally. We have already heard that services which have not been outsourced have performed better during the crisis. Moving forward, services such as buses are too important to be left to the whims of the market. In recent weeks, we have seen private bus operators prioritizing profit-accumulation over the safety of workers and passengers.[35] This is just one example – the current crisis has shown us how outsourcing of local services has led to unequal and insufficient protection of public good – from failing care services to uneven sanitation provisions. Localities must extend democratic insourcing across as many sectors as possible, as well as developing new avenues of municipal entrepreneurship.[36]

Making financial power work for local places

Access to financial capital is essential for public sector institutions, commercial businesses and individuals to flourish. Yet the UK banking sector is orientated to global markets rather than the real economy, neglecting local investment and economic development in favour of financial speculation.

In recent years, we've seen the stagnation of bank lending to small business and a loss of connection between lenders and communities. We've also seen a squeeze on public sector financial flows, particularly as a result of austerity and the lack of fair and adequate funding for local authorities and devolved administrations.

Rather than relying on attempts to attract national or international capital, community wealth building seeks to increase flows of investment within local economies by harnessing the wealth that already exist locally and building institutions and mechanisms that keep it circulating and recirculating through local multiplier effects. This work will be all the more important in the aftermath of and response to Covid-19, which will impact the flow of finance through local economies in two very different ways.

On the one hand, the coming months will see public sector institutions and businesses gain more access to government and private finance than at any point in recent years, through measures such as the Covid-19 Business Interruption Loan Scheme and small business grant funding for businesses. Similarly, local authorities will receive significant funds through the government's £500m hardship fund.

On the other hand, there will also be a constriction of financial flows to public institutions and businesses through loss of revenue, capital expenditure and the loss of productive output. This means that the key task for local economic development and community wealth builders in the coming months will be to find ways to ensure that public and commercial organisations in local economies receive a steady flow of finance that will not only meet the pressing needs of the next few months, but will also begin to address the underlying lack of resilience of finance in the UK's economy.

For localities, the government's initial allocation of funds to tackle Covid-19 is insufficient to address the immediate liquidity issue and symptomatic of long-term underinvestment in local government from Westminster.[37] As community wealth builders, councils of all political hues must loudly canvass central government to urgently make available whatever means are needed to meet the scale of social and economic pain. In the long-term, this will require a new national fiscal settlement with new forms of fiscal devolution, including potentially allowing localities to introduce new progressive measures such as land value taxes.[38] Councils must also be fully compensated for lost forms of income - e.g. from business rate relief - and new regional investment banks could have a role to play here.

For individuals and commercial enterprises, it is time to significantly expand existing community wealth building activities such as the community banking movement. The UK government must now prioritise and put its full weight behind this movement and seek to amplify the scale and pace of its growth. This includes learning from existing work that has already taken place with Avon Mutual Bank[39] in greater Bristol, South West Mutual[40] and the North West Bank (being spearheaded by Liverpool, Preston and Wirral councils).

There has already been some thinking from UK government[41], Scotland, Wales and others[42, 43] regarding the post-Brexit future of the £11bn in European structural funds.[44] Details of the UK successor "shared prosperity funds" are still unclear. However, in light of Covid-19, it is essential that the UK government provides clarity on these funds and puts in place plans to scale them up. Indeed, we should see these as the basis for a new Covid-19 economic recovery and reform fund. Included in this must be a commitment to fundamentally overhauling existing business support funds, including those directed through the Local Enterprise Partnerships and Business Growth Hubs.[45] They will be wholly unfit for purpose and instead we must look at activities that seek to build the democratic economy (including co-operatives, community businesses, etc.) as we have already seen at scale in Barcelona[46] and to a lesser extent in the Liverpool city region.[47] It is also time to introduce new funding models to VCSE organisations, with the sector noting vulnerability to redundancies and liquidity problems in coming months.[48]

Progressive procurement of goods and services

Purchasing by public sector organisations has taken on an urgent new significance as market failure paralyses key sectors such as medical equipment, food and utilities. In community wealth building approaches, anchor purchasing is a means to use public money to shape a more democratic local economy and enhance local multipliers. This principle will now need to flex in practical application to meet new challenges. The policy context has rapidly shifted, with the UK government having notified all public sector buyers that they may enter contracts "without competing or advertising" in response to Covid-19. The Cabinet Office's Procurement Policy Note (PPN) notes that under these exceptional circumstances anchor institutions will be allowed to circumvent existing procurement regulations, especially as regards procuring for medical equipment.[49] Early evidence from conversations with CLES' network of procurement officers in local authorities indicates that this process is already well underway.[50]

The new context creates both challenges and opportunities for the community wealth building approach to anchor purchasing. The challenge is that these exceptional circumstances might force public sector buyers back into old habits, dropping social and environmental value obligations. These problems could be exacerbated if the temporary centralisation in national procurement supply chains (e.g. the takeover of CCGs by NHS England) are made permanent. This will only further cement a turn towards the ugly scenario of a new state-backed monopolistic disaster capitalism.

Yet the opportunity here is that the present crisis further confirms the importance of public spending and the goods and services it directly provides and procures. The community wealth building approach to procurement is therefore both timely and necessary. As the commercial economy shrinks, public sector spending will become an increasingly important means of stimulating supply and meeting local demand. With travel capacity diminished, a re-localisation of spend could help local economies both reduce carbon footprint and rebuild on a more economically resilient basis than before the crisis. Anchor procurement should continually be viewed through an economic development lens and as the basis for serving demand in the local economy. As what was previously known as the foundational economy becomes the core of economic life as we know it, anchor purchasing has a genuinely important role to play in servicing demand and animating local supply as a key lever of local industrial strategy.

More fundamentally, the present crisis strengthens the case that any business which wishes to take public money must adhere to underlying public values. Put simply, the British public are disapproving of and will have little patience for businesses who have shown their hand in this crisis by prioritizing corporate profit over worker and consumer health. The spiv culture of profiteering will not be tolerated under prevailing conditions of shared public sacrifice – as can be seen in the alacrity with which even big corporate retailers have moved against vendors engaging in hoarding and price-gouging.

CLES has previously called for the introduction of a social license to operate, in which all potential suppliers to the public sector must agree to a standard set of principles for business operation, before they enter any public commissioning or procurement market.[51] Given Brexit and the fact that the UK is no longer subject to European Union procurement law, there is both a need and opportunity for a complete overhaul of public procurement regulation, with a social license to operate at its heart.

In the post-Covid-19 economy, it will also be important to get the balance right between national central planning and autonomous regional and local action. The failure of NHS England to adequately service its own staff with Protective Personal Equipment (PPE) is a powerful indictment of the need for better central planning of essential resources. CLES and TDC welcome a renewed conversation about national and regional economic planning where appropriate but note that this should be balanced against the capacity of devolved administrations to develop bespoke local solutions.

Fair employment and just labour markets

Covid-19 has come at the worst possible moment for many UK workers, exposing many of the deep vulnerabilities in our “flexible” but broken labour markets. Broadly, the UK labour market has been defined in recent years by relatively high employment levels obscuring the fact that many of these jobs do not pay enough for people to earn a decent living. The proportion of people in employment has risen consistently for the last six years, yet millions are struggling to get by, leading to insecurity and precarity, stuck in low-paid jobs with little benefits or opportunity to advance.[52] In-work poverty had already risen from 9.9% of workers in 1997 to 12.7% in 2020.[53]

Additionally, there has been the destruction of the UK’s social safety net and tightening of the UK’s welfare system to support those out of work through the imposition of the now toxic Universal Credit. Taken together, welfare reforms have made UK workers particularly vulnerable to economic shocks and downturns, as noted in a historic commission on extreme poverty in the UK by the United Nations.[54]

A community wealth building approach to the labour market would seek to create resilient and well-paid jobs in place of the precarious forms of work offered by many hard-pressed businesses trying to compete with wealth-extracting multinational corporations and the gig economy. In more normal times, a community wealth building approach has sought to use the power of anchor institutions to begin to address the systemic dysfunction in local labour markets. Excellent work has been done to develop new routes to the labour market, as well as close alignment with trade unions to protect workers’ rights in both the public and private commercial sector.

Yet going forward, community wealth builders will need to make much more forceful interventions in what will be increasingly distressed local labour markets. This will require going beyond developing local skills, strategies and initiatives and will instead require fundamental sectoral intervention through industrial strategy. A key focus will need to be on the foundational economy with demand in food, social care and health care likely to form the basis for any future rise in demand for labour.

Going beyond the immediate packages of relief to deal with the fallout of Covid-19-related redundancies, national and local government will need to restore the social safety net through rolling welfare reform and experiments with both Universal Basic Income and Universal Basic Services. CLES and TDC note the need for the government to introduce measures that address rather than deepen the divides between the comfortable salariat and the impoverished precariat. From a community wealth building perspective, anchor institutions will have a leading role in offering good terms and conditions for workers and we urge close collaboration with trade unions in the development of any post-Covid-19 workforce recovery and reform plans.

Socially productive use of land and property

As millions of people suffer the quarantine in poor quality and overcrowded accommodation, landowners enjoy ample space and access to enclosed private land. When the UK government recently mooted closing all parks, many pointed out that most of the population rely on these public spaces for clean air, exercise and other forms of recreation.

All the while, half of all English land is owned by less than 1% of the population.[55] This land inequality has not happened overnight; a great enclosure of public land has seen 10% of British land privatised since the 1970s, in a transfer of public wealth to private hands worth an estimated £400bn.[56]

The politics of land and property ownership have never gone away, but the land reform movement must now return to the fore of national politics. England has been left behind by the other nations of the UK in recent years, with the Scottish Land Commission doing important work to begin turning the dial against enclosure and to protect common land.[57] The UK government must now commit to land price stabilisation, a transparent land ownership system and a democratic revolution in the English planning system.[58]

The community wealth building approach must also evolve in this regard. Anchor institutions are significant landowners in their own rights and can use their land holdings to defend and extend the “commons” i.e. land that is held in perpetuity for the public good. To achieve this, community wealth building encourages anchors to develop governance and management structures where communities can take direct control of common assets, for example through transferring under-utilized assets to community control through vehicles such as Community Land Trusts, or working through Public-Commons Partnerships. It also encourages interventions by public authorities in the broken housing market, for example by building social housing and keeping land out of the hands of private developers.

Similarly, recent developments have opened new spaces in the discussion around land and housing. Manchester City Council and Liverpool City Council have both secured agreements with local hotels to house rough sleepers, opening the door for more transformative policies down the line to match the homeless and those in insecure tenancies with dormant housing stock in cities across the UK.[59] Progressive municipalities have responded to the crisis by bringing forward long-awaited policies to protect renters against rogue landlords and property speculators. By way of example, Barcelona has announced a three-month rent moratorium of public housing in the city and put pressure on the Spanish government to offer the same protections for renters in the private market.[60] Such moves are welcome, especially given the paucity of the UK government’s protection for renters, which so far has amounted to asking landlords nicely to not evict their tenants in three months’ time.[61]

The Covid-19 crisis is a moment to accelerate these interventions because the land and housing market is entering a state of flux. Property values are likely to decline across the UK, opening new possibilities for local authorities to purchase land and keep it in public hands under the commons. In the emerging community wealth building paradigm, anchors should team up with community organisations to purchase retail space and give social businesses much-needed infrastructure and office space. Rather than viewing their property portfolios as revenue-generators, localities can take advantage of the new times to harness their land and property assets for the common good.

Conclusion

After Covid-19,
a new era of community wealth building

We are in an unprecedented crisis, which will change our lives, our society and our economies for ever.

The siren song of a return to normality, or even worse a zombie rise of neoliberalism and state corporate capitalist capture must be resisted. Before this crisis, community wealth building was an effective and growing movement responding to an ongoing economy attempting to work beyond ecological limits, characterised by wealth extraction, inequality, poverty and precariousness. Post Covid-19, community wealth building offers a pathway through an uncertain future and promises an economy which truly works for all people and the planet.

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