

# REIMAGINING PUBLIC GOODS



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**For decades the federal government has invested insufficient resources into the essential goods and services that communities depend on to survive and thrive.**

A notable exception was the investments made at the beginning of the COVID-19 pandemic, which illustrated both that government can invest in community well-being even though it has typically declined to do so, and the extent to which public goods have been hollowed out over time, making emergency measures necessary.

Public goods—the goods and services produced and distributed by government—are the critical scaffolding that help ensure that communities can thrive. By distributing the costs—and benefits—across the broader population, they strengthen our economy by guaranteeing access to basic needs like education, care, critical infrastructure, and more. Public goods can also finally help begin to level the playing field for those who have been structurally stripped of wealth and wealth building opportunities. Moreover, access to robust public

goods ensures that power is not concentrated among the wealthy few, which in turn strengthens our democracy.

Many essential public goods—from trash collection to housing, care, water, education, and more—are unfortunately increasingly concentrated in the hands of private corporations controlled by mostly white, wealthy men. As a result, these services have become more expensive, less accessible, less reliable, and less accountable to the public. This dynamic has also contributed to a loss of faith in government and civic institutions, putting our democracy at risk. One way to restore faith in institutions and democratic accountability is economic democracy.

The concept of economic democracy has many different interpretations, from scenarios in which communities decide how to manage their collective needs like affordable housing and energy, to creating accessible channels that allow more people to participate in governing processes at all levels of government. According to the Center for Economic Democracy, an economic

democracy brings more people to the decision-making table to “collectively decide how to use land, labor, and capital to serve the public good.” This brief outlines the importance of expanding our definition of public goods and protecting them from profit-seeking private hands, and how Black and brown communities can collectively envision and advance a just, inclusive economy.

## **Privatization strips Black and brown communities of their power, threatening our economy and democracy**

Corporations and neoliberal economists and politicians have long touted debunked theories of the “efficiencies” of privatization, arguing falsely that the outsourcing of government operations to private firms saves money. On the contrary, privatization often

fails to provide cost savings to governments. When cost savings do occur, we see time and time again that those savings pad corporations' pockets, rather than being invested in and improving the public systems that benefit all of us. This shouldn't come as any surprise. Unlike the government, private companies have a fiduciary duty to their shareholders, one that incentivizes them to maximize their return on investment and increase profits. In practice this has too often meant that private companies cut corners at the expense of people.

Consider the case of the private credit reporting industry. To flourish and build wealth in today's economy, people need fair and affordable access to credit. Without a good credit score, it can be nearly impossible to secure financing or approval to purchase a car, start a business, buy a home, or even rent an apartment. However, under our current system, unaccountable corporations motivated by a need to turn a profit—not by a need to serve the public interest—have played a role in deepening racial inequities. The three for-profit private companies that control the market rely on formulas built on racial bias and as a result perpetuate disparities in access to credit across race. These giant, unaccountable corporations have also repeatedly violated the public trust, perhaps most egregiously with massive data breaches that have exposed millions of consumers to identity

theft and caused errors that have forced people to pay more for products such as auto loans and insurance. As our previous research has shown, a public credit registry would rightly put government in charge of credit reporting, a crucial step that would help address racial economic inequality, allow consumers to take greater control over their own data, and ensure that the system finally operates in the public interest.

Reversing privatization in favor of robust public goods isn't only about cost-effectiveness. For a variety of reasons, in particular its ability to leverage resources through economies of scale and through mechanisms that allow for greater transparency and oversight, the government can be an efficient and effective actor helping to bring us closer to equitable outcomes in our economy and democracy. However, history has shown that expanded public provisioning alone doesn't ensure equitable investments and mechanisms of truly democratic decision-making; thus, it's necessary to couple it with expanded opportunities for co-governance.

As Sabeel Rahman, Senior Counselor in the Office of Information and Regulatory Affairs (OIRA) and former president of Demos, put it, “public goods are not so much about ‘free stuff’ as they are about the ‘stuff that makes us free.’” We must therefore reframe and expand the definition of public goods and

public infrastructure to include the goods and services most crucial to Black and brown communities—and ensure that those goods and services are fully funded, and community-owned and accountable.

**At Demos, we recognize that taking on corporate power alone isn't sufficient to build power for Black and brown communities.**

**To build economic democracy, we also need to expand the meaning and reach of public goods and ensure that services are equitably and publicly administered. We must strengthen co-governance strategies so that people and public agencies can collectively make decisions about the economy.**



# Timeline: **Key federal antitrust laws and their legacies**

1955

..... One year after *Brown v. Board of Education* deemed racial segregation in public schools unconstitutional, Milton Friedman—who will soon become among the best-known economists in the world—writes landmark essay on school choice. Friedman argues that the market should manage public services. Congruously, segregationists engage in massive resistance to *Brown*, echoing similar tropes of so-called individual liberty and skepticism of government.

1964

..... Congress passes the Civil Rights Act, prohibiting discrimination on the basis of race, color, religion, sex, or national origin. President Lyndon B. Johnson lays out his Great Society agenda, which includes new federal programs aimed at addressing poverty, inequality, and environmental protections. Government action spurs backlash, a key piece of which surrounds overreach of government and government "handouts." Concurrently "big government" pejorative surfaces.

1970s

..... Privatization emerges again, this time as a response to the country's fiscal crises in urban areas. Emmanuel Savas, a Friedman devotee who was deputy city administrator of New York and later appointed by President Ronald Reagan as assistant secretary of the U.S. Department of Housing and Urban Development, promotes privatization mentality. Savas helps create the Reason Foundation that paves the way for future conservative "free market" political organizations that fuel anti-government activity during the Reagan years and beyond.

1980s

..... Reagan's first years as president come at a time when recession brings high unemployment and double-digit inflation. The Reagan administration approaches economic stimulation through tax and budget cuts. The Tax Reform law of 1986, the largest tax cut in history at the time, is passed. Reagan creates the Commission on Privatization to study ways that government functions could be turned over to private hands. Administration encourages the development of private sector initiatives aimed at transferring responsibilities of government function to private actors.

1990s

..... Clinton and Gore embrace privatization. Following the roadmap laid out by Reagan, Clinton's reform agenda pulls heavily from the Reagan administration's Commission on Privatization. What follows is a push for private contracting, outsourcing, and limited government, including through the Personal Responsibility and Work Opportunity Act, which ultimately results in states helping give more control of welfare programs to private actors. In his 1996 State of the Union address, Clinton twice proclaims that "the era of big government is over."

2000s

..... September 11th attacks occur and concurrently President George W. Bush begins mass outsourcing of national security and privatization of Social Security.

2008

..... The 2008 financial crisis devastates pension funds and further shrinks state and local budgets, providing ripe ground for state and local governments to try to raise fast revenue to cover budget shortfalls by pursuing the false promise of privatization as a cost-saving solution.

2020

..... The Trump administration installs a corporate Cabinet. Embraces a privatization approach encompassing student loans, education, prisons and the carceral system, and the outsourcing of data collection during COVID-19 crisis, to name a few.

## The Path Forward: Structural changes our government can make to put people over profits

While grassroots movements must inform and influence government action, local leaders alone can't be left to fix national problems. A just, inclusive, multiracial democracy and economy where the demos governs—where Black and brown people are free from oppressive systems that obstruct their ability to fully participate and thrive—requires an alternative vision for our economy that rejects scarcity and privatization and embraces robust public provisioning that ensures human thriving. We must therefore expand the definition of public goods and public infrastructure to include goods and services most important to Black and brown communities and to ensure public goods are inclusive and democratic. We can start with:

**1 Expanding public goods at the local, state, and national level** and expanding our definition of what constitutes the public commons.

This will require developing affirmative policies, institutions, and narratives needed to build and sustain equitable and inclusive public alternatives to corporate power, including through mechanisms such as public banking, public credit,

recognizing employment as a public good, and ensuring that the government guarantees a good job to any individual who wants one. Ensuring just and equitable access to and ownership of energy by transitioning from private, investor-owned utilities to public ownership or community ownership of renewable energy infrastructure; building nationalized care systems, to include healthcare, childcare, and home care; and ensuring that the federal government grants everyone affordable, quality public education, including K-12 and higher education.

**2 Reining in corporate power** to push back against the privatization of goods and services we all rely on to survive and thrive.

We must regulate concentrated private power, particularly when these firms control the terms of access to vital services—such as finance, broadband internet, or information—upon which many communities, particularly Black and brown communities, depend. This requires limiting the influence of corporate interests on every aspect of our economy, including through robust taxation on corporations and on the wealthy, modernizing antitrust legislation, and restoring federal agencies' regulatory and enforcement power.

**3 Ensuring that public goods are administered in a such a way** that prevents exclusion and extraction, including through expanding co-governance strategies.

We need to go beyond voting and direct representation by elected officials in order to rebuild trust and create more meaningful opportunities for Black and brown people and communities to participate in economic decisions that impact their workplace, home, and community. This requires putting a spotlight on methods for Black and brown people to have a clear and specific role in making decisions about the government institutions, structures, and services that impact their lives, including through the creation and modification of governing bodies.

## Mobilizing to Reject the Myth of Privatization: Lessons from Grassroots Organizers

The decade-long push to pay private companies to administer what should be public services—at the expense of communities—has not gone unnoticed. Black- and brown-led grassroots movements have again filled a gap that neither the private sector nor our government

has been able—or willing—to fill. Organizers and community members have acted in the interest of the common good, promoting public institutions and principles of justice and equity against enormous odds. Activists across the country are confronting private corporations, winning back control of precious natural and financial resources and promoting civic governance. For example:

### **Pittsburgh United: The fight to keep water public in Pittsburgh**

In the absence of funding from federal, state, and local governments, the Pittsburgh Water and Sewer Authority (PWSA) turned over day-to-day management of its water to Veolia, a transnational for-profit water management firm. Time and time again the company put its profits over the needs of residents in Pittsburgh, repeating the dynamics of its previous disastrous actions in Flint, Michigan, that resulted in Michigan’s attorney general suing Veolia for having “botched” its role in the city’s water crisis. Following Pittsburgh’s failed partnership with Veolia, organizers from Pittsburgh United, a coalition of community, labor, faith, and environmental organizations, developed the Our Water campaign, an effort to mobilize public pressure to prevent future water privatization. From 2017 to 2019, the coalition organized community members to attend PWSA board meetings, give public comments about residents’ needs, and demand

that PWSA be kept public. Pittsburgh United’s success in organizing and winning a commitment from elected officials to keep water public exemplified the power and reach of community organizing. The Our Water campaign established a playbook for other municipalities, which employed similar tactics in the face of privatization.

### **Public Bank NYC: Creating a public bank for New York City, as part of a broader vision for economic and racial justice**

By holding and managing people’s money, banks provide services that are essential to people’s lives and a healthy economy. In practice, however, private financial institutions and commercial banks often have not served people and communities equally or prioritized the public good. Instead, they have a demonstrated track record of prioritizing shareholder returns over the needs of ordinary customers, and engaging in harmful practices that strip wealth from Black and brown communities, from redlining, to junk fees, and more. The Public Bank NYC (PBNYC) coalition launched in 2018 with the mission to invest all of NYC’s municipal funds in local community needs, including permanently affordable housing, community controlled financial institutions, small and worker-owned businesses, and community solar and other measures to address the climate crisis. While the coalition is still young and has further to go to win its ultimate goal, it has

already popularized the notion of using public dollars for the public good. Last year, in New York City’s mayoral primary and city council races, several candidates pledged their support for public banking. The coalition has also gained traction in Albany. New York is not alone: momentum to create public banks across the country is building. In March 2022, Philadelphia City Council approved legislation to form a financial entity that could eventually establish a public bank. The PBNYC campaign shows us that when people organize, they both push back against the exploitative and extractive practices of bad private actors and build momentum for institutions that prioritize our collective good.

## **Conclusion**

Demos envisions economic democracy as a framework to understand how to dismantle corporate concentration, racial capitalism, and white supremacy by shifting power to Black and brown communities. A critical piece of this puzzle is to expand public goods and ensure that these services are equitably and publicly administered. In order to create a truly just, multiracial democracy and economy, we must push for structural change at all levels of government while also supporting and expanding grassroots organizations’ efforts to fight against concentrated corporate power.