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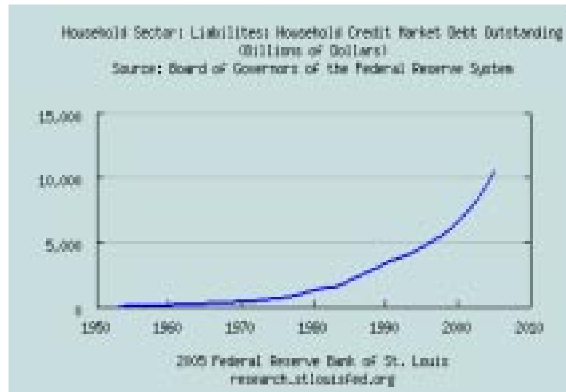
Solidarity Economy Responses to the Economic Crisis

Emily Kawano,Exec. director, CPE and U.S. SEN



What does the solidarity economy actually have to offer in the context of the current economic crisis? Let's look at three areas that were involved both in bringing about the crisis and that are now in crisis: housing, finance and jobs.

First, let's consider how they contributed to the crisis:

- *Stagnant wages* combined with easy credit and rising consumer expectations set the scene for skyrocketing consumer debt [fig 1].
- Speculation drove the *housing bubble* [fig 2], as people believed or were tricked into believing that house prices would continue to rise indefinitely. This was presented as a good strategy of asset and wealth accumulation, even for poor people.
- Speculation also fueled the reckless mortgage lending, financial 'innovation' and general feeding frenzy in the *financial industry* which has grown as a share of the GDP to historic levels. [fig. 3]

What is to be done? One option is to re-regulate, raise wages and rein in the financial industry – very similar to the response to the Great Depression. But memories are short and this will probably just lay the groundwork for the same thing happening in another 50 years, or less, given the increasing volatility of global financial markets.

What are solidarity economy solutions that can put us on a path to recovery that doesn't set us up for yet another round of boom and bust? Here are some successful strategies in the three critical areas of housing, finance and jobs.

Taking the speculation out of housing: Community Land Trusts (CLTs) are nonprofit organizations that create permanently affordable homes by taking housing out of the speculative market. Here's how it works: the CLT owns the land and leases it to the homeowner for a nominal sum. The homeowner pays for the home, not the land. In Vermont, the homes in the Champlain Housing Trust are typically half the price of a comparable open-market unit. Owners can sell their houses at a fair rate of return, but it's capped in order to maintain permanent affordability. A study conducted in December 2008 showed that foreclosure rates among members of 80 housing trusts across the United States were 6 times lower than the national average.[1] Community land trusts have been growing rapidly. In the last seven years the number of CLTs doubled from around 100 to 200 throughout the country. In the wake of the disastrous boom and bust of the housing market, this a model whose time has come. We should demand that the government channel public resources in expanding CLTs throughout the country.

Finance for need not greed

Community Development Financial Institutions (CDFI) work for economic development in poor communities that are under-served by traditional banks. The CDFI's have been doing sub-prime lending to people and enterprises that wouldn't qualify for a traditional loan because they would be considered to be too risky. They take these risks in order to nurture community economic development and still outperform traditional financial institutions. To take one example, among the 200 credit unions in the National Federation of Community Development Credit Unions, which serve predominantly low-income communities, delinquent loans are about 3.1 percent of assets compared to a national delinquency rate on sub-prime loans of 18.7 percent. This

(Continued on page 6)

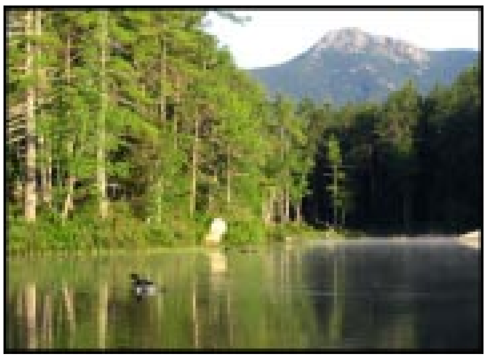
CPE and N.H. American Friends Service Committee
invite you to the

2009 Summer Institute - After the Economic Meltdown: Building a Solidarity Economy

World Fellowship Center, Conway, N.H. - July 12-17, 2009

Artwork by Rini Templeton

Learn how the economy works and gain tools to make your activism more effective. CPE's Summer Institute CPE's Summer Institute is a week-long intensive training in economics for activists, educators, and anyone who wants a better understanding of economics. We focus on how economic systems impact our lives and work every day. Our trainings are highly participatory and build on the knowledge and experience of our participants. *No background in economics is required.*



Whitton Pond at WFC

Special Track: After the Economic Meltdown: Building a Solidarity Economy
Each year, we choose an issue area that we focus on in the workshops and panels as well as in the core classrooms. Given the global economic crisis the clear choice was to focus on not only understanding the roots of the crisis, but how to get beyond it for the long term. This year's special track will look at:

• How did we get into this economic mess? Was it individual greed or the way the system is rigged?
• What drives these booms and busts? Why do they happen on a regular basis?
• Could the economic crisis have been avoided?
• Is there a better way - one that puts people and planet front and center?
• What is the solidarity economy all about?

Core Classrooms & more: At the heart of the Summer Institute program are two core courses, one on the U.S. Economy, one on the International Economy. In addition to the core courses is a rich selection of workshops, panels, discussion groups and a special field trip to Bretton Woods where global economic structures such as the IMF and World Bank were hammered out after WWII. There will also be time for relaxation, recreation and networking.

Location and Facilities: The Summer Institute will be held at the beautiful World Fellowship Center (WFC), a retreat center "with a social conscience." There are a variety of housing options available. Please visit the WFC website (www.worldfellowship.org) or call 603-447-2280 for more info. and to reserve a space.

To Register : please visit our website (www.populareconomics.org) for more info. and the registration form.

CPE Workshops

November 23: Mass. Green-Rainbow Convention, Leominster
Emily Kawano gave a presentation on the Solidarity Economy to a small group of Green-Rainbow activists.

December 12: W. Mass. Jobs with Justice, Springfield, MA
Jerry Friedman led a discussion on "Why We Need a People's Bail-out." This was part of Jobs with Justice's launch of an emergency campaign over the next 2½ months to get Congress and the new administration to enact a People's Bail-Out.

December 15-16: American Friends Service Committee, Economic Justice Gathering, WV
Emily Kawano was asked by AFSC to help facilitate the Economic Justice gathering of some 25 people from around the country, with a goal of creating a shared vision and outline for a curriculum on the economic crisis and alternatives. Emily used to work in the national office of AFSC and so was well prepared for the hard work which, in the end, resulted in an agreed plan of action. She is continuing to work with a team that is developing the curriculum.

March 19-22: U.S. Forum on the Solidarity Economy - See page __

March 28: New Strategies for the Obama Era, Boston
Emily was a speaker on a panel entitled "From Kabul, to Wall Street to the Rising Seas," obviously a panel that covered an awful lot of ground. It was a talk with a lot of grim news – misguided policies from the Obama administration on the war in Afghanistan, climate change and the economic crisis – but not without suggestions for correcting the course. No doubt Obama will be following up for our advice.

March 28-29: Lower Hudson Valley Social Forum, NY
Maliha Safri co-facilitated two workshops on "The Solidarity Economy and the Worker Cooperative Movement" with Dada Maheshvarananda, founder of the Prout Research Institute in Caracas, Venezuela.

March 14 : WILD in the Winter West: Organizing in the New Economy, Amherst, MA
Gul Unal led a wildly popular workshop on the economic crisis for the Women's Institute for Leadership Development, a program for women activists in unions and community organizations.

April 22-25 Fourth International Forum - Globalization of Solidarity, Luxembourg. See page __

(Continued on the next page)

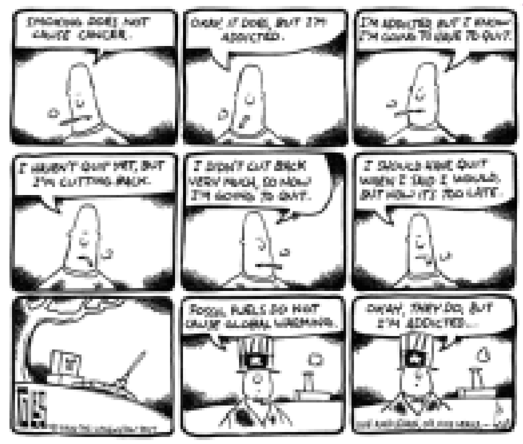
Climate Change: Do Nothing?

Heidi Garrett-Peltier, CPE Staff Economist

The debate surrounding climate change has shifted. No longer are people asking whether climate change is real, but rather what should be done about it. It often comes down to the questions of what will it cost to mitigate climate change, and what are the benefits of doing so? While cost-benefit analysis can be quite flawed (what is the value of a tree? A human life?), it is a tool oft-employed in assessing various courses of action to save (or not) the planet.

The advocates of the do-nothing approach base their recommendations on one overarching theme: while climate change is real, preventing it is too costly. This theme is broken down into 3 interrelated points: 1) If we reduce carbon emissions by reducing our use of fossil fuels, we'll suffer; 2) If we institute a carbon price (for example, through Cap and Trade), energy will become more expensive and our standard of living will decline; and 3) If we transition away from fossil fuels, we'll lose jobs. Are they right? Would we face devastating consequences if we break our dependence on oil, gas and coal? Let's look at each of these 3 points in turn.

The first point in the do-nothing argument is that if we use less fossil-fuel energy, we won't be able to produce or consume as much as we currently do, and that therefore our standard of living will decline. We'll essentially be moving backward in time and development. This could very well be true, if our only option were to use energy in the same way we use it now, and if the only option for using less energy meant producing fewer things and turning down our heat. But what if we use energy more efficiently? Efficiency, by one definition, is being able to do the same amount of work with less energy. If you have a 60-mile roundtrip commute, and your car gets 20 mpg, you use 3 gallons of gas. If you instead had a more efficient car that averaged 30 mpg, you would only use 2 gallons of gas for the same commute. Same outcome, less energy. Efficiency is not only our greatest source of carbon-free energy, it is also our most valuable tool for maintaining our current standard of living while using less energy.



The second point is that if we raise the price of carbon, then oil, gas, and coal will become more expensive and we'll have less money to spend on other things such as food and shelter. Therefore a cap-and-trade, carbon tax, or other carbon price would essentially lower our standard of living. Again, this is a valid argument. However, alternative proposals like the cap-and-dividend would offset the higher price of carbon-based energy by selling a set number of permits to oil or coal producers and then redistributing the revenue equally to everyone. In addition, ifwe substitute renewable energy for some of our carbon-based energy, and if we use energy more efficiently (by using more efficient cars, by retrofitting homes and other buildings, and so on), we can economize on fossil fuels and not suffer from higher fossil fuel prices. Continuing with our example, let's say the price of gas increases from $2/gallon to $3. If you were still driving that 20mpg car, your commute would increase in cost from $6 to $9. But what if you also shifted to the more efficient 30mpg car? Then your commute would remain at its $6 cost (2 gallons X $3/gal). No change in your standard of living, even with a higher price on fossil fuels. Obviously we can't all go out and buy new cars when the price of gas goes up, but this is a simple example to illustrate the possibilities that exist when we increase our efficiency while increasing the price of carbon.

Challenging State Budget Cuts

by Gerald Friedman, CPE & Professor of Econ., UMass

Two CPE members, Ann Werboff and Gerald Friedman, have been helping the Vermont State Employees Association (VSEA), in its campaign to protect Vermont state services during the current economic downturn. After Vermont's Governor Douglas proposed a budget that would cancel many state programs and fire over 10% of the state's workforce, the VSEA, an independent union, turned to CPE for help. With help from CPE-er Heidi Garrett-Peltier, Friedman and Werboff prepared reports documenting the economic cost of cutbacks in state employment, identified the costs to particular communities in Vermont, and identified alternative strategies to address the state budget deficit. Friedman presented these arguments in testimony to four committees of the Vermont Legislature, including the Assembly committees on Government Operations, Ways and Means, and the Senate committees on Finance and on Appropriations.

CPE's work has contributed to a change in the debate in Vermont away from blind cutting of government services. CPE's legislative testimony was featured in several newspaper reports, and Friedman was interviewed by newspapers throughout the state and on television in Montpelier's Channel 22. Friedman, with VSEA's director, met with the editor of the editorial page of Vermont's leading newspaper, the *Burlington Free Press*, winning the editor's agreement on the economic arguments around additional taxes. We continue to work with the VSEA and will likely provide research assistance for their contract bargaining which promises to be tough. CPE is actively expanding our work in this sort of applied research and assistance to economic justice allies, including unions as well as solidarity economy organizations/enterprises.

In this issue

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First U.S. Forum on the Solidarity Economy: Building Another World, March 18-22, UMass, Amherst

by Emily Kawano, Dir. CPE and U.S. SEN

This first national conference on the solidarity economy far exceeded our expectations. We had close to 400 people – twice the number expected - and a great mix of people including students, solidarity economy (SE) practitioners, academics, and activists, who came from all corners of the U.S. from Alaska to Puerto Rico, as well as other countries, including Brazil, Peru, Colombia, Japan, Mexico, Canada, Costa Rica, and Venezuela.

The workshops and plenaries covered an equally wide expanse of issues, with Spanish-English interpretation provided by the fantastic volunteers from the Boston Interpreters Collective. From our Venezuelan co-convenors, we heard from Benito Diaz about the explosive growth, as well as the growing pains of cooperatives; Julio Chavez, the former mayor of Torres, talked about participatory budgeting in that city; Adina Bastides, the former Vice-President of Venezuela spoke about the Bank of the South, intended to provide an alternative to the World Bank and IMF; and Rafael Enrique Colmenárez discussed the development of agro-ecology, fair trade and cooperatives. The 70 workshops covered a truly mind-boggling range of issues and concrete economic practices – immigrant worker coops, credit unions, green jobs, community land trusts, community supported agriculture, fair trade, simple living, SE research and policy, international organizing, the autonomista movement, alternative energy, alternative currency and the role of labor unions, to name a few. The energizing effect of seeing so much great stuff that's actually happening perhaps accounted for the exuberant buzz that seemed to infect the participants. This spirit of good will even survived the food shortage at lunch on the first day due to the unexpectedly high number of attendees.

Venezuelan contingent

Sat. Plenary - Building the Solidarity Economy Movement

The Raging Grannies

On Saturday night, we had a really delightful cabaret with performances from the Raging Grannies, radical folk songs by Red River Fog, Jay Mankita and Ethan Miller, hip hop and spoken word by youth from Brick by Brick, a moving performance of readings from Haymarket labor leaders, and hilarious improvisational theater by the Villa Jidiots. People also enjoyed the Pioneer Valley Solidarity Economy tours that included visits to worker, alternative energy and consumer coops, a community supported agriculture farm, a co-housing development, a business incubator, and an urban agriculture project.

I have heard people describe the Forum as *transformative, life changing* and *pivotal.* The Forum succeeded in raising awareness, both within and outside sectors such as cooperatives, community land trusts and social finance, that they have a critical role in the solidarity economy. People were remarkably engaged. I was surprised and delighted to see how many people stayed for the SEN organizational meeting at the very end of the conference on Sunday. Not only that, but around 50 people signed up to participate in a SEN working group. That's a lot of energy and momentum to surf on. The research and policy working group has met and already set out an agenda to find and share resources, particularly on SE mapping methodologies. A SEN fundraising group is working on a development plan. The education/organizing/networking and the communication/media groups will be meeting shortly. There are other ripples of organizing and good solid networking that are happening in the wake of the Forum (see Brooklyn Immigrant Coops, next page) with new or deepened local organizing in NYC, Boston, Tenn. and W. Mass.

The [complete program](http://www.populareconomics.org/ussen/node/107) (http://www.populareconomics.org/ussen/node/107) including papers, slideshows and pictures are available on the SEN website.

Rural Coalition Workshop

Brooklyn Immigrant Coops at and after the Forum on the Solidarity Economy

by Maliha Safri, CPE staff economist

While the Solidarity Economy Forum (March 19-22, 2009) was a rich experience, some of the most interesting developments are happening after the Forum itself, as is evident from the experiences of three worker cooperatives in attendance: Sí Se Puede, We Can Fix It, and Beyond Care, all of which are linked with the Center for Family Life in Sunset Park, Brooklyn. Members from the three cooperatives participated in two well-attended panels (one of which was exclusively devoted to the immigrant worker cooperatives), and as a result, have been contacted by audience members in the subsequent months. Two groups outside of New York want to set up a barter exchange, where the Brooklyn cooperative members share their experiences in exchange for services such as web or graphic design. Another group from Maryland has contacted the coordinator of the cooperatives, Vanessa Bransburg, in order to think about starting a cleaning cooperative modeled on Sí Se Puede.

Since Sí Se Puede received valuable initial help by visiting the established housecleaning cooperative WAGES (Women's Action to Gain Economic Security) in San Francisco, it is interesting that Sí Se Puede finds itself in the mentoring position today. Cooperative members are interested in the health of their own firm, but also interested in developing and spreading the model beyond their own backyards. In addition, the process of linking together also generates resources (such as the barter exchange) that can help strengthen the Brooklyn coops. Solidarity in action may seem like a win-win situation, but it is also difficult given the stretched resources of all the groups involved. Coordinator Vanessa Bransburg has said that while they are interested in helping the Worcester-based group offering to exchange web/graphic design services for Sí Se Puede knowledge, they still have to apply for grants for transportation to and from Worcester, which has slowed down the process.

For the cooperative members in attendance, who attended panels on Venezuela amongst others, the Forum was a rich networking site that brought together many groups and actors. In addition, the simultaneous translation services so diligently provided by volunteers from the Boston Interpreters Collaborative, made the forum accessible to the coop members whose primary language is Spanish. On the other hand, Luz Hernandez from Sí Se Puede asked where were the people like her at the forum, the people of color, the working class, the low-income immigrants? When asked further, Luz said she was happy to participate and proud to talk about her coop's experiences in the Forum, but her question is well taken. As CPE and other partner organizations evaluate the successes of the Forum (obvious in the networking described above, or in the solidarity economy meetings being held in the New York area after the Forum), it is also important that we recognize that there is still a great deal of work to be done to build a stronger and more diverse movement.

4th International Forum - Globalization of Solidarity Luxembourg, April 18-22

By Emily Kawano, Dir. CPE & SEN

It was close to midnight when the small group of us who were delegated with drafting the Forum Declaration typed in the finishing touches. I was there as one of the RIPESS-N. America representatives and a new Board member. The drafting committee was from different countries – the Philippines, Mali, Peru, Brazil, Luxembourg, the U.S. and Canada, with different languages and experiences. Most of us had never worked together before and included old and new members of the RIPESS (Intercontinental Social Solidarity Economy Network) board. Despite these differences we were able to agree on the nature of the current and the more longstanding crisis, as well as the role of the social solidarity economy in providing an alternative, in a smooth and cooperative process.

This process was a microcosm of the 4th International Forum - Globalization of Solidarity which took place in Luxembourg, under the auspices of RIPESS. 700 people from 55 countries with the same diversity of language, culture, experience and focus of work, were able to learn from and inspire each other, and come out the other end with a clearer and firmer sense of agreement and direction. There were 160 volunteers, including a terrific team of interpreters who worked with such dedication to the point of exhaustion. There were 13 themes, each of which met three times with the goal of coming up with concrete proposals. This was a very tall order, but in the end, all of the thematic groups came through with a set of actions to focus on. The Solidarity Economy mapping project, which seeks to identify and measure elements of the SE, will move forward with the support of RIPESS since it is seen as a vehicle for information sharing and networking that were included in many of the proposals. The full Declaration including the thematic proposals will be available shortly on the SEN website (www.ussen.org).

Asia stepped up to the plate and agreed to organize and host the next Forum on the Globalization of Solidarity in the year 2013 and there are lots of exciting mobilizations that will be going on in the meantime.

Climate Change *(cont'd from p. 3)*

Finally, the third point is that if we transition away from fossil fuels, we'll lose jobs and face economic decline. Again, only true if seen in isolation. When we take into account the jobs that will be created through renewable energy and energy efficiency, we see that the transition away from fossil fuels will create far more jobs than it destroys. In "Green Recovery: A Program to Create Good Jobs and Start Building a Low-Carbon Economy" (available at www.peri.umass.edu), my co-authors and I show how investments in efficiency and renewables create more than 3 times as many jobs as fossil fuels. Thus a transition to a low-carbon economy is not only environmentally, but also economically, beneficial.

The fossil fuel industries have a powerful lobby and deeply rooted corporate interests. While these interests previously backed research trying to disprove the science of climate change, they've now moved on to accepting its reality and trying instead to show why it's too costly to do anything about it. But the main arguments they use are flawed. They are valid only in a vacuum. Through energy efficiency we can save a lot of money while using a lot less energy, and through continued development of renewables we can gradually substitute low-carbon electricity for coal- and gas-based electricity. The green we'll see will be both on our planet and in our wallets.

SE Responses to the Crisis *(cont'd from p. 1)*

impressive track record is due to responsible lending and various kinds of advice and support provided by the Credit Unions.

Green Jobs and economic democracy

Green jobs, yes. But let's also use this opportunity to create green jobs that are also good jobs. By good jobs we mean ones that with decent pay and benefits, worker participation and satisfaction, and stability. Research on worker owned cooperatives and ESOPs (employee stock ownership programs) shows that worker ownership improves outcomes on all of these fronts.[2] While ESOPs are more widespread, worker cooperatives have a stronger built-in commitment to workplace democracy, worker ownership, and support for the welfare of the local community.[3] There's already a pressure from labor and community activists to ensure that poor people and people of color are able to access green jobs. The ILO (International Labor Organization) recognizes that cooperatives are particularly well suited for creating green jobs in marginalized communities.[4] Cooperatives currently provide over 100 million jobs around the world, which is 20 percent more than transnational corporations.

[1] "Community land trusts lower risk of losing homes to foreclosure," National Community Land Trust Network, 3/17/09, http://www.cltnetwork.org

[2] "Effects of ESOP Adoption and Employee Ownership: Thirty years of Research and Experience," Steven F. Freeman, Univ. Penn, http://repository.upenn.edu/od_working_papers/2

[3] "Statement of Co-operative Principles," International Co-operative Association, http://www.ica.coop/coop/principles.html

[4] See ILO slideshow on Climate Change and the Role of Cooperatives http://www.ilo.org/dyn/media/slideshow.curtainUp?p_lang=en&p_slideshow_id=18

A New New Deal

by Gerald Friedman, CPE & UMass. Prof. of Economics

A recent advertisement by the conservative Cato Institute think tank claims that "More government spending by Hoover and Roosevelt did not pull the United States economy out of the Great Depression in the 1930s." Cato argues that "Lower tax rates and a reduction in the burden of government are the best ways… to boost growth," because more government spending always amounts to meddling and is therefore bad policy. Hoover followed the Cato line. His administration did *not* try to stimulate the economy with government spending. Instead, he greeted the onset of the Great Depression by trying to trim government spending to maintain budget balance. Under Hoover, the Federal government ran *surpluses* during the early Depression years, 1929-30 and only reversed course in 1932 when plunging revenues, which fell to half the 1930 level, forced a significant deficit. Federal consumption and investment spending, by contrast, remained stuck at 1.8% of the Gross Domestic Product (GDP), scarcely above the 1.7% level that Hoover inherited.

A policy of budget balance and spending restraint did nothing to stem economic collapse. Under Hoover, investment fell by 81%, exports by 46%, and consumption by 18%. While the Federal government did almost nothing to stimulate the economy, the GDP fell by over 25%, unemployment rose from 2.9% of the civilian labor force to 23% and 8 million jobs, 17% of total employment, disappeared. By the end of his term, collapse had spread to the banking system. Banks faced insolvency because they held mortgages and loans unlikely to be repaid in a collapsing economy. Depositors lined up to withdraw their money, driving the banks another step towards insolvency, and dragging the economy down further.

FDR's policies marked a significant move away from those of the Hoover Administration, and, until reversed in 1937, they contributed to extremely rapid economic growth and recovery under the New Deal.

Arriving in office in March 1933, Roosevelt intervened aggressively in the economy, devaluing the dollar, and averting further panic by closing the banks for a week. Eventually, only the stronger banks were allowed to reopen, and they were backed with a new Federal system of depositor insurance to prevent further bank panics. Roosevelt also pressured the Federal Reserve to ease the money supply and to lower interest rates, inaugurating a policy of monetary ease that, for the most part, would remain in place throughout his 12 years in office. With some measure of financial stability in place, Roosevelt did significantly increase government spending. Over his first term, FDR maintained deficits that averaged 4.8% of GDP. During FDR's first term, real Federal spending was over twice the Hoover level.

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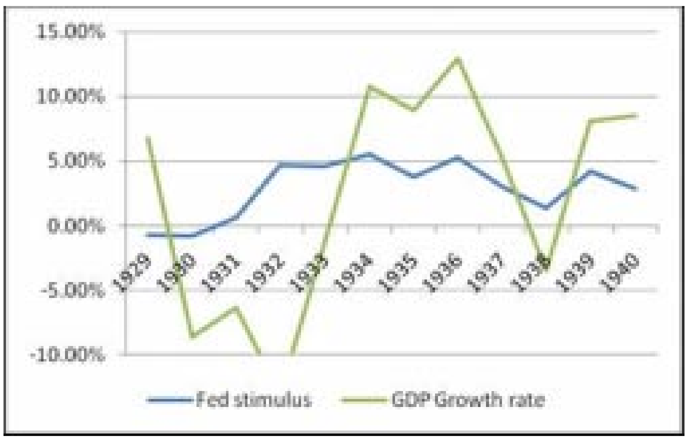
Critics who charge that Roosevelt's fiscal policy failed to cure the Depression ignore the very rapid economic recovery that came with the New Deal. Stimulated by his aggressive fiscal policy, the economy boomed during Roosevelt's first term at rates about double the size of the Federal deficit. GDP growth averaged over 10% a year 1934-36, and the economy grew from 62% of its trend level in 1933 to 76% in 1936. By 1937, FDR's stimulus policies had lowered unemployment down to 9%, less than half the rate when he assumed office.

Still, the critics are right that the New Deal did not end the Depression. Had FDR remained on course through his second term, the Depression may have ended by 1940. But instead of pushing fiscal policy to bring the economy back up to full employment, FDR reversed fiscal course in 1937. Fearing inflation and oblivious to the depressive effect of the new Social Security taxes, the Roosevelt Administration dramatically reduced the size of the Federal deficit from 5% of GDP in 1936 to 3% in 1937, and only 1% in 1938. This plunged the economy back into a severe depression. Unemploy-



ment, shot up three points to 12% in 1938 and didn't return to the 1937 level again until 1941.

Fiscal policy and GDP growth during the Great Depression
Source: Historical Statistics of the U.S. Table Ca9-19, GDP 1790–2002 and Table Ea584-587, Federal gov. finances – revenue, expenditure, and debt: 1789–1939.

The Roosevelt Administration reversed course again to return to deficit spending 1939-41 with deficits averaging nearly 4% of GDP. These deficits were enough to revive the economy after the 1938 dip; growth rates averaged over 10% per annum 1939-41. But it was the massive Keynesian stimulus of WWII, with deficits as high as 27% in 1943, that ended the Great Depression.

Even this quick examination of the economic data from the 1930s discredits the Cato Institute claims about New Deal fiscal policy. But there are other positive lessons here for the Obama Administration as it confronts the largest economic crisis since the Great Depression.

Cato is right that there lessons for the Obama Administration in the New Deal experience. But the lessons are the opposite of those they would preach. First, we will need a *very* large stimulus, probably significantly larger than the deficit of 6-8% of GDP planned for now. Between a sharp drop in consumption with falling housing and stock market prices, falling exports, and declining investment due to the financial crisis, we may have a decline in aggregate demand of as much 20% of GDP. Assuming a multiplier on government deficits of 1.5 – 2.0, this would suggest a deficit of between 10% and 14% of GDP, significantly more than is currently planned by the Administration.

The second lesson from the New Deal is one we should all take to heart: in the face of a serious economic downturn, don't declare victory prematurely. Economic collapse like that of the 1930s can build up a great deal of depressing inertia that may require a long period of sustained stimulus to work through. By prematurely moving towards budget balance in 1937-38, the Roosevelt Administration prolonged the Great Depression by several years. Let us hope that the Obama Administration is in a position to make that mistake in 2010 or 2011; and let us hope that they learn from the past.

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Economics for people not profit

CPE Online Course: The Economic Crisis & the Case for a Solidarity Economy

by Amit Basole

The current economic crisis has once again raised the question with great urgency: what purpose do we want our economy to fulfill? Is it fulfilling this purpose today? If not, what can we do about it? After the success of last year's summer online course, "What's the Economy for, Anyway?," which attracted a great mix of traditional students and activists from all over the US, CPE is offering another summer online course this year. The course is called "The Economic Crisis and the Case for a Solidarity Economy." Once again the course is aimed at traditional students as well as activists and no background in economics is assumed. We will use a mixture of online readings and videos and each topic will be accompanied by lecture slides that bring the material together.

The course will give students an introduction to the problems with the financial sector as well as the real economy, that created the conditions for this crisis. We will also take a look at the international causes and effects of the crisis. At each point in the course we will contrast Neoliberal Capitalism with the Solidarity Economy. We will talk about how solidarity finance and production can create an economic system that does not reward the rich for their mistakes while shifting the costs on to the working poor. Proposals for a "people's bailout," for restructuring the financial system as well as specific solidarity practices such as community-development finance institutions, worker-owned firms, community land trusts, common-property solutions for resource use, and local economy will be discussed. We will end with a discussion on whether the present crisis creates conditions for a new culture of sustainability in the United States which challenges the prevailing consumption norms.