

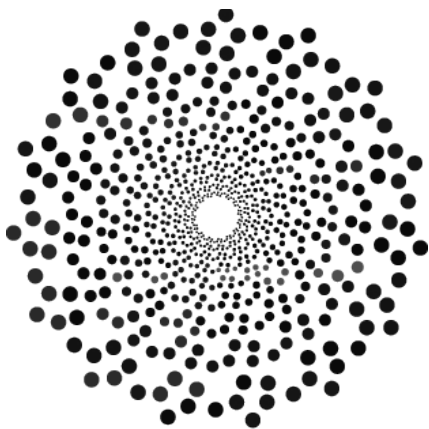
Governing public investment

Why governance
structures will
be the difference
between
economic renewal
and corporate
extraction
in the 2020s

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We need to inject trillions of dollars into the economy to recover from the COVID economic crisis and tackle climate change in the next 10 years. How we govern and plan for that public investment is crucial to ensuring it is used in the best interest of the people—and the planet.

Across the political spectrum, there is [newfound momentum](#) for a different economic orientation of the country. Even Republican Sen. Marco Rubio of Florida has [called for more US industrial planning](#) to create better resilience for the US economy. And President Biden’s “Build Back Better” agenda calls for vast public investments targeted to specific sectors of the economy. All of this is good news after decades of damaging “free-market” fundamentalism and deliberate efforts to reduce state capacity to deal with pressing and imminent economic concerns.

However, we know from history that the billionaires and corporations profiting from the status quo will do everything they can to steer money away from the industries and communities where it is most needed. This strategy and executive capture have been in full force in both Republican and Democratic administrations; in anticipation of a Democratic Party comeback to the White House, corporations and the wealthy elite have been hard at work, hiring ex-Obama administration staffers and other political insiders. That’s why we can’t leave governance solely to Biden’s personnel—we have to make sure democratic mechanisms are baked into the policies and institutions themselves.

For a clear example of an inequitable and insufficient approach to public intervention and investment, just look to the Fed’s Paycheck Protection Program. Congress created the program to provide small businesses with forgivable loans to cover expenses, including payroll, as a way to keep workers employed. Yet big companies without the same struggles like Shake Shack and fossil fuel companies got access to the money, while in contrast the [majority of minority-owned small businesses](#) were shut out of the program. Likewise, the Fed’s Secondary Market Corporate Credit Facility—run by the largest private asset manager in the country and the [number one investor in coal, oil, and gas, Blackrock](#)—has acquired an outsized proportion of fossil fuel bonds with no labor protections attached.

Nor is this just recent history, or an exception to the rule. In the 1950s and 1960s the federal government’s highway system [intentionally](#) divided Black communities and further segregated American cities [to enrich powerful \(and predominantly White\) real estate speculators](#). The agricultural sector, one of

the most planned sectors of the American economy, is also known for [its record of promoting institutionally racist policies and practices](#) by excluding Black farmers from the number one promise of a free person: access to land. Assistance programs were so discriminatory towards Black Americans that in 1999 the USDA was ordered to pay [over \\$1 billion dollars](#) to eligible black farmers, the largest civil rights settlement at the time.

In his recent paper, [“Crisis, COVID-19, and Democracy,”](#) Olufemi O. Taiwo’s charts the history of famines and applies it to the context of COVID-19, race, and climate in the United States. Much like the examples above, he exposes the fact that famines aren’t so much catalyzed by lack of food but instead people starve because of their proximity to political power to distribute resources. He comes to the conclusion, “How [climate and COVID-19] interact is, primarily, a question of whom and what the political system chooses to protect.”

To end this continuous bias towards extractive corporations and harmful industries that deepens inequality and launches us off a climate cliff, we need to take control of our public investments out of the hands of bankers, corporations, and the elite and put it into the hands of the people. There is no doubt that over the next decade we will need a massive injection of public money and investment support to save struggling small businesses, shepherd in a new renewable energy economy, revitalize our industrial sector, build green and affordable public housing, make our economy significantly more racially and economically equitable, and so much more.

In addition to discussions in Congress and the Biden administration around new rounds of economic stimulus to deal with the Covid-19 pandemic, there are also multiple proposals emerging for major new public investments, including: a [green stimulus](#), a major plan for economic renewal called the [THRIVE Agenda](#), and of course the [Green New Deal](#). The current session of Congress has seen several [bills](#) under the national investment bank framework. Cornell Law School’s professor Saule Omarova’s [National Investment Authority](#) idea is one proposal gaining [increasing traction](#) due to its detailed and innovative structure. Besides its capacity to direct public funding, NIA would serve as the locus of coordination for a national investment system geared toward tackling pressing challenges—and move past the reactive modes of last minute special vehicles to handle crises.

Yet, most of these discussions have not devoted much attention to how this major injection of cash could be governed and shaped to repair and counteract histories of inequality and extraction. As anti-authoritarian activist and organizer [Tom Malleson](#) explains it, “Every society produces wealth, part of which is consumed, and part of which is invested for future consumption. The kinds of investments that are

made play a defining role in shaping society’s future. So those who control the financial and investment processes have significant control over the shaping of that future.” To put it bluntly: if you are not at the table, you’re on the menu.

By combining clear objectives (mandate) and standards around labor, social equity, and the environment with governance structures that include and empower those most impacted, we can make major strides toward ensuring that the institutions we build or funnel money through can actually achieve their transformative potential. In this discussion paper, we (1) explore some of the obstacles to democratizing governance within our current system, (2) articulate real-world examples of democratic governance for the United States to draw upon as it marshals resources into the economic recovery and to confront future challenges, and (3) pose questions that require more discussion as we move into the coming period of frenzied policy development.

The challenge of democratically governing public investment

One reason the need to reorganize the governance of public investment has received scant attention is that it forces elites to face the uncomfortable prospect of power-sharing. Business leaders who are used to being the sole representatives of civil society and custodians of the public interest have a vested economic interest in not sharing their power, and have invested significant financial and political capital to design the system we have today—in which private economic interests have an outsized role in influencing policy and rule-making around public investment. The outcome is a complex and remote bureaucratic web which only technocrats are considered eligible to join and corporate lobbyists are well-equipped to navigate.

By enforcing control via undemocratic means and institutional complexity, actors in power—both corporate and political—are able to leverage it for their own gain. When union and community stakeholders seek a seat at the table (or are invited to it, often as an afterthought), they have to organize and mobilize in a way that compensates for the existing power asymmetries and are at a perpetual (and growing) disadvantage. Ultimately this often means using up limited and precious resources to navigate a predesigned complex system that does not guarantee access to real decision-making power.

Embedded in this undemocratic institutional design is the possibility of [structural violence](#) – defined as the way social, political, and economic structures can physically harm people by exposing them to various risks, socially excluding them, and making certain services and resources inaccessible. Those who leverage their power to gain access to decision-making spaces shielded from the public eye have perverse incentives to eschew the public interest and capture public resources for private gain.

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That in turn can inflict violence in the form of withholding or building barriers to access basic human rights like food, water, housing, energy, and working infrastructure. In the wake of Hurricane Katrina, Hurricane Maria, and many of the climate-related disasters that have hit the country over the last decade, relief resources have been accessible to those most able to manipulate its decision processes and navigate bureaucratic barriers, both features lacking for those socially and economically disenfranchised. Further, companies often use crises as opportunities to [privatize critical infrastructure](#), like schools, and lower labor and economic costs for themselves, leading to long-term negative consequences for working families. These tactics ultimately hurt low income—largely Black, Latinx, and Indigenous—communities and workers involved in the rebuilding. As Harry Belafonte [put it](#), the reaction to “Katrina [inequitable relief] was not unforeseeable. It was the result of a political structure that subcontracts its responsibility to private contractors and abdicated its responsibility altogether.”

Yet, if social movements are able to articulate and advance alternative institutional designs, they may have a chance to reverse these power asymmetries and curb the influence of historically privileged private interests in the spaces where crucial decisions about public investment are made. In fact, as we untangle the interests of the elite from our institutions (or produce institutions anew) we can create liberatory spaces for democratic and socially and racially equitable governance that considers the lived experience of those who are marginalized and in need. This can then break down the barriers to assistance, create clear mandates for people’s needs, and build support for effective, efficient, and long-lasting investments.

This may seem like a lofty goal, but there are a host of concrete examples in the United States and abroad that illustrate how democratic governance can begin to be built into public investments and institutions. None are perfect, but each provides important lessons and helpful design elements for crafting 21st century governance structures for public institutions—ones that hold community control of investment and accountability as core principles.

We can learn from real-world experiences of democratic governance

Two examples in the public investment space well known for their more innovative governance structures are Germany’s Kreditanstalt für Wiederaufbau, or KfW for short, and Costa Rica’s Banco Popular.

The [KfW](#) is a state-owned bank governed by a multi-stakeholder board of directors that includes 37 representatives from the government, as well as groups like trade unions and housing associations. It also serves as a locus for a broader [coordinated industrial planning approach in Germany](#). The bank, larger than the World Bank, is one of the

main drivers behind Germany’s energy revolution, with [45 percent](#) of all KfW lending operations considered “green.”

[Costa Rica’s Banco Popular](#) operates as a hybrid public-cooperative bank, with 20 percent of all Costa Ricans holding shares. The Workers’ Assembly, a 290-member body democratically elected from the bank’s worker-owners, is the top governing body in charge of the bank’s strategic direction. Its latest strategic plan was implemented after a nationwide consultation that included over [1,500 participants](#). Unlike banks focused largely on financialized lending, the Banco Popular invests in micro-, small and medium-sized enterprises, as well as communal, cooperative, and municipal development associations.

In recent years, many cities and states have also attempted to integrate more community input into hot-button issues by using deliberative mechanisms such as [citizens’ assemblies](#) and polling. Citizens’ assemblies are “mini-publics,” deliberative forms of engagement centered on empowering citizens to address common concerns and, at times, make concrete decisions. For instance, Ireland [held a Citizen’s Assembly](#) on abortion, bringing together 100 randomly selected voters to make recommendations. They [televised](#) the deliberations and it became a nationwide phenomenon, ultimately recommending that abortion be legalized and catalyzing a national referendum where [66% voted in favor](#) of access to abortions. The Texas Public Utilities Commission used a similar [deliberative polling process](#) between 1996 and 1998 to discuss climate action. The end result—participants’ recommendation to increase renewables in the state—has been credited with the well-documented expansion of wind energy in the State of Texas.

Building from Porto Alegre’s innovative participatory budgeting idea and successful experiences throughout the globe, New York City implemented its own [participatory budgeting program](#) to account for community engagement in funding decisions. The program allows city council districts to run participatory budgeting processes in which the community makes the decision about district investments. This program is now in its fifth year and has successfully [started to shift some some historical power imbalances](#): nearly 60 percent of participatory budget voters identified as people of color, just under 30 percent reported an annual household income below \$25,000, more than a quarter were born outside of the country, and a quarter had a hard time engaging in regular elections. While an important step in the right direction, New York City’s participatory budgeting program is still peripheral to the city’s larger budget and economic plan process.

In 2016, Taiwan citizens decided to innovate deliberative processes by creating a crowdsourcing, open-source online poll—[vTaiwan](#)—to debate, propose solutions, and vote on pending issues. While decisions are nonbidding, 80 percent of voted proposals eventually turned into government

action, Ministries are obliged to support the process by appointing a Participation Officer, and the country’s legislature must consider issues voted. In addition to this citizen-led initiative, Taiwan’s government has since created its own “[digital democracy tool](#)”—Pol.is—that allows for citizens to propose and debate petitions. Although equally nonbinding, “[any government agency that agrees to participate in a deliberation must, if the petition gets more than 5,000 signatures, give a point-by-point response explaining why it agreed to or rejected the proposal.](#)”

Another interesting example is the Paris Water Observatory. When Paris took its water utility back under public control 10 years ago, it also used the opportunity to [reorganize](#) its governance—which is now an international model of best practices. First, the water utility board established a multistakeholder board including worker council-elected representatives and civil society representatives. Wary of the new structure, civil society groups initially [refused](#) voting rights, but accepted them once the board proved to be a transparent space. A second core innovation was a vanguard system of checks and balances: [The Paris Water Observatory](#). An autonomous institution, the Observatory acts as a platform for transparent data sharing, oversight, and community debate. It also discusses any plans put forward by the Board prior to their approval, and can even present new items for debate.

The path toward democratic governance of investment in the United States

These examples are only a sampling of countless [democratic governance models](#) that could help shape a transformation of the institutions that govern national investment and the distribution of public funds. Drawing upon their best features, we can begin to design an equitable governance structure to plan and manage the public investment desperately needed to revitalize our industrial sector, eradicate poverty, reduce inequality, and build climate-resilient infrastructure.

We ultimately envision a national investment system that includes meaningful participation and decision-making power for labor and community stakeholders, similar to Germany’s KfW or Costa Rica’s Banco Popular; a system of popular and democratic planning processes involving community-based assemblies or participatory budgeting processes that are dedicated to defining local investment priorities with public support, building on the precedents in New York, Brazil, and Ireland; and a strong, autonomous citizen oversight along the lines of the Paris Water Observatory. Whatever the final design, it must be ultimately guided by and empower those marginalized by the power asymmetries of the status quo.

Fortunately, social movements are not waiting to be invited to the table. Over the past few years, the Green New Deal—a platform for massive investments over the next ten

years to rebuild our economy rooted in climate justice—has gained massive momentum in the United States and abroad. Then, in September 2020, over 250 of the nation’s largest union, racial-justice, climate, and other grassroots groups joined forces with more than 100 members of Congress to call for a cohesive [economic renewal plan](#). Their vision included the creation of new public institutions to mobilize investments, ensuring “democratic governance and accountability to correct the systemic misallocation of resources and representation that prevents families and communities from meeting fundamental human needs and pursuing fulfilling lives.”

As the increasingly vibrant [conversation](#) about the overhaul of public investment evolves into concrete policy, there will be important political battles to be fought. If historical precedent is allowed to prevail, impacted communities may well be relegated to advisory committees with no teeth, while decision-making power is reserved for corporate executives, lobbyists, and other economic elites. To correct these deeply entrenched inequities, representatives of impacted communities must not only win a seat at the table, we must build a new table that fundamentally changes how and for what purpose public investment and funding is planned and executed.

While an equitably governed national board (following an equitably defined mandate) will be necessary to set specific national investment priorities, objectives (“[missions](#)”) and standards that are informed by participatory planning processes and reflect the needs of marginalized stakeholders (for example, the 40 percent set-aside of funds for marginalized communities proposed in the [THRIVE Resolution](#), [Biden’s Climate Plan](#), or [New York’s recent climate legislation](#)), mechanisms for community governance will be essential to align specific investment decisions with local priorities.

Federal investment and funding institutions, like that of a national investment agency, could support this decentralization of power by resourcing community hubs to engage in investment planning and helping small businesses, cooperatives, local governments and nonprofits to secure financing for their projects. Robust technical assistance could help applicants meet high labor, equity and environmental standards and ensure coherence with broadly shared national objectives, like eliminating unemployment and toxic pollution. Community-wide, collaboratively designed projects with broad buy-in from multiple stakeholders (especially disadvantaged communities) could receive priority access to those resources because they would best represent local priorities. To prevent wealth disparities across communities from translating into disparities of access to resources, regional hubs could help to ensure equitable distribution of funds.

It is important to note that solely providing a vehicle for

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community participation, input, or leadership will not correct for power imbalances. To realize the vision of community-wide projects and co-creative processes, investment must be made in providing the structures for participation in and of itself. This means providing baseline support child care, supporting participation with financial support, and serving food (to name a few) so that democracy is not left to an elite class with leisure time. Further, to make a democratized investment and planning system work, we need the institution to invest in training and education on issues of finance and urban planning, as well as investment in expertise on the stakeholder processes. Democratization of our investment decisions must come with an embedded, conscious process of design and support.

Incorporating these governance features into our funding and financing structures would go a long way toward ensuring that the projects they fund reflect the most urgent needs of communities rather than the interests of the wealthy and well-connected. This could mean fewer [catalrophes like Flint, Michigan](#) and more workers employed to ensure access to clean drinking water by replacing lead pipes. It could mean fewer subsidies to [developers and real-estate speculators](#) and more jobs building [quality, affordable housing](#) for the millions who lack a roof over their heads or a safe home. It could mean transferring fossil fuel company handouts toward an expansion of renewable energy infrastructure to provide cheaper energy for those struggling to pay their energy bills and cleaner air for communities suffering the [impacts of toxic pollution](#).

In other words, putting impacted communities and workers at the helm is the best way to redistribute our public dollars by targeting them toward objectives that truly serve the public interest. By establishing a democratic governance structure for national investment, we can create the conditions to progressively strengthen the citizens' capac-

ity to flex their civic muscle to channel resources toward projects that deliver real, long-lasting value to their communities, tackling poverty, unemployment, inequality, and the climate crisis.

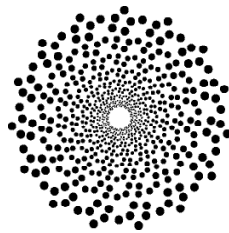
Ongoing discussion questions

This discussion paper has only scratched the surface of democratizing the vehicles for investment in the 2020s. This is a live issue, with proposals and policy being drafted daily. By articulating the need for this dialogue and proposing models already available to us, we hope to engage allies and stakeholders in new discussions.

Some key questions include:

- What are the ways in which we can continue to refine our democratic structures, and particularly public institutions, in a way that repairs histories of harm and alienation of those who identify as Black, Indigenous, people of color, and lower income and who have traditionally been marginalized and excluded from positions of authority and power?
- How do/should central executive bodies interact with regional and local counterparts (boundaries of decision-making between federal and regional actors)?
- How can we best include community and worker voices and representation at various levels in institutions such as a National Investment Agency or a National Investment Bank?

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