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Self-Reliance

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Staff

Self-Reliance

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Legislative Report

Congress Discovers Neighborhoods

Although it is not our general policy to report on Congressional programs, the new concern "on the Hill" with neighborhood matters is worthy of note. Since the beginning of the year, six bills have been introduced in the House of Representatives which recognize neighborhoods as vital economic, service-producing, and policy-making units and which attempt to provide for their special needs. Two of the bills, H.R. 1682 and H.R. 3724, both of which dealt with the establishment of a Congressional study commission on neighborhoods, were replaced by Senator Proxmire's S. 417, which was signed into law in April. The other bills propose to grant tax incentives for the incorporation of neighborhoods, to establish a National Rebuilding and Development Bank to meet the financial needs of both new and existing urban neighborhoods, to provide financial assistance to neighborhoods and small businesses in order to encourage energy conservation and the installation of renewable energy systems, and to enable municipalities or their political subdivisions to receive relevant municipal or neighborhood census statistics.

Several of these bills, summarized below, propose very specific programs and actions which, if passed, would be beneficial to neighborhood organizations and would promote neighborhood economic development. Most of these bills may never be voted out of committee during this Congressional session, but the very fact that they have been introduced indicates that some members of Congress are taking the neighborhood movement seriously and that the ideas and concerns of neighborhoods are beginning to filter their way up to the Federal level.

For further information about any of the bills mentioned below, contact the office of the Congressperson who introduced it. If you request a copy of a bill, mention both its name and number and enclose a self-addressed, gummed label.

Supplemental Housing Authorization Act of 1977. Public Law 95-24 (S. 417). Introduced by Senator Proxmire (D-WI).

This act establishes a one-year Congressional commission which will undertake a comprehensive study of urban neighborhoods and the effects which existing legislation and both public and private policies have upon them. The law specifically mandates that the commission identify the administrative, legal, and fiscal obstacles to the well-being of neighborhoods; analyze the impact of existing federal, state, and local policies, programs, and laws upon neighborhood survival and revitalization; and assess existing mechanisms of neighborhood governance. The Act is quite specific. The commission must evaluate existing citizen-initiated neighborhood revitalization efforts and determine how public policy can best support those efforts. It must also analyze the impact of patterns of private and public investment in urban areas and assess the impact which local and regional development plans have upon neighborhoods.

After concluding its investigation, the commission will make recommendations to Congress and to the President as to what modifications must be made in existing laws, policies, and programs in order to facilitate neighborhood development and revitalization. These recommendations will suggest ways to encourage reinvestment, to ensure citizen participation in local governance, to promote the survival of socially- and economically-diverse neighborhoods, to encourage homeownership, and to prevent destructive practices, such as block-busting, redlining, resegregation, and speculation, in reviving neighborhoods. An important part of the commission's work will be to devise tax and subsidy programs which will spur neighborhood revitalization.

The twenty-member commission will include two Senators, two Representatives, and sixteen Presidentially-appointed public members who have demonstrated experience in community development and neighborhood policy. At least five of these public representatives will be elected officers of recognized neighborhood organizations and at least another five will be elected local government officials. The commission is authorized to spend up to one million dollars to complete its study and report.

As this magazine goes to press, appointments to the commission are being finalized. The response to requests for nominations has kept the White House personnel staff busy for the past few months. They have been receiving ten to twelve letters of nomination and resumes daily. Final recommendations for the positions have been made by Geno Baroni of HUD, Peggy Rainwater of the White House personnel office, and two other White House staff people.

Neighborhood Government Act of 1977. H.R. 4131. Introduced by Representative Gephardt (D-MO).

H.R. 4131 would provide tax credit incentives to encourage the incorporation of neighborhoods and communities which provide decentralized public services. Residents would be granted federal tax credits for contributing to their non-profit neighborhood corporations, with the credit varying on a sliding scale depending on the contributor's income. Non-resident contributors would receive a smaller credit for their contributions and would only be eligible for a credit on contributions to one neighborhood corporation. The IRS would be authorized to compensate neighborhood corporations for a portion of their non-federal taxes. Community corporations would qualify for this special IRS status only if they were organized in such a way as to permit a high degree of participation by residents of the area being served and if their programs did not have a substantial adverse effect upon adjacent neighborhoods.

National Rebuilding and Development Bank Act. H.R. 2345. Introduced by Representative Rangel (D-NY).

If passed, H.R. 2345 would establish a National Rebuilding and Development Bank. The goals of the bank would be to provide decent neighborhoods for all citizens and to provide good, affordable urban housing without forcing residents to move from their present neighborhoods. The bank would also work to promote the establishment of equitable property tax systems and to provide secure, long-range jobs in industries related to neighborhood revitalization. In addition to making loans and guaranteeing commercial loans, the bank would also provide research and technical assistance services to neighborhoods and municipalities. The bill mandates maximum citizen participation in planning and policy-making and contains provisions to protect the bank's projects from windfall profiteering and from prohibitively high local and state taxes upon improvements.

Solar Energy Conservation Commercialization Act. H.R. 3981. Introduced by Representative Drinan (D-MA).

H.R. 3981 would provide incentives to encourage the use of energy conservation equipment and the installation of solar and other renewable resource energy devices. If passed, the bill would authorize grants to individuals and to neighborhood, community, and non-profit groups to cover a substantial part of the cost of installing such devices. In addition, the bill would authorize HUD, the Small Business Administration, and the Federal Energy Administration to make low-interest loans to small businesses, individuals, neighborhood organizations, community groups, and non-profit organizations to finance installation. The bill is intended to provide assistance to low- and middle-income individuals and neighborhoods. Only individuals with combined family incomes of less than $30,000 would be eligible for individual grants and loans. The only neighborhood and community organization projects which would qualify for assistance would be those in which the average combined family incomes of the participating individuals did not exceed $30,000. This bill would authorize the expenditure of $100 million during the program's first year and $200 million for each succeeding year through September of 1981.

Neighborhood Statistics Act. H.R. 3789. Introduced by Representative Schroeder (D-CO).

The Neighborhood Statistics Act would provide legally-recognized incorporated cities, subdivisions, and neighborhoods with U.S. Census statistics relating to their jurisdictions and populations. The purpose of the bill is to give municipalities and their political subdivisions access to information which is vital to decentralized planning and governing. H.R. 3789 has one major deficiency: it does not grant non-governing grassroots neighborhood organizations access to census statistics. This means that only neighborhood governments which have been officially recognized by their municipalities would be able to benefit from the information.

—Virginia Drewry

ILSR Publications

The staff of the Institute for Local Self-Reliance has written several publications which address the issues raised in these Congressional bills. These include:

Neighborhood Power: By showing how a neighborhood can move from community awareness through organizations and service networks to economic development and neighborhood government, authors David Morris and Karl Hess provide both a theoretical and a practical blueprint for scaling down. 180 pages, $3.95.

The Adams-Morgan Business Sector: An assessment of the economic impact of different businesses in a Washington, D.C. neighborhood, this paper also discusses the role of banks in disinvestment and ways to reverse the outflow of capital. 13 pages, $1.00.

All publications are available from the Institute. Include 25¢ with each order for postage and handling. ILSR, 1717 18th St., N.W., Washington, D.C. 20009.

A Viable Alternative to the Rental Market

Older American cities are caught in a dynamic of change which threatens to alter significantly their social and economic composition. A long tradition of redlining, of the systematic choking of credit in certain lower-income sections of these cities, has accelerated the deterioration of these communities. Businesses have been forced to close; housing has deteriorated and has been abandoned. As the tax base in these cities shrinks, the demand for public services in the deteriorating neighborhoods expands rapidly.

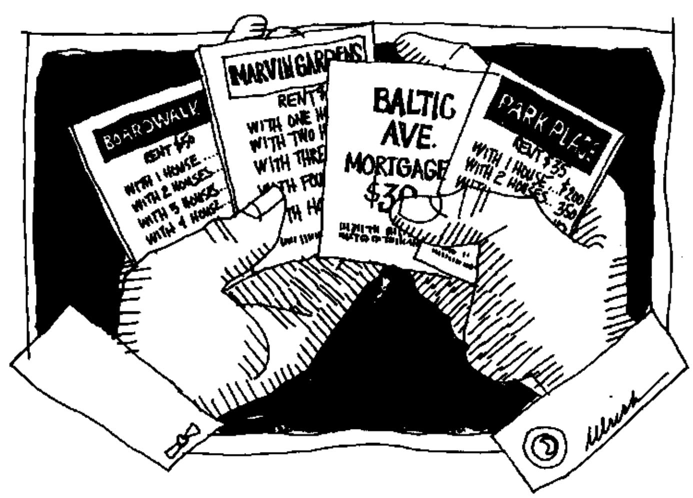
At the same time, the high cost of new construction and of commuting has made suburban life less desirable than it once was. As post-war housing ages and maintenance costs soar, many middle-income people are beginning to look longingly at the solid turn-of-the-century structures in declining inner-city neighborhoods. For many, the cost of buying and renovating an old townhouse is less than the cost of buying a comparably-sized new home in the suburbs. As a result, almost all older industrial cities are experiencing the same dynamic: middle-income whites are reclaiming inner-city neighborhoods and the urban poor are being forced to move.

City governments are faced with a real dilemma. Strapped for funds as municipal expenses continue to rise while revenues fail to keep pace, city fiscal officers view the influx of middle-income residents as a way of increasing the tax base and of bringing new wealth into the city. To encourage middle-income immigration, however, is to force the displacement of low- and moderate-income people and to avoid any real solution to the housing needs of the poor.

Such a policy creates political problems as well. In a city like Washington DC, where the city government is predominantly black, a policy of encouraging white immigration will eventually erode the power base of the current political leaders. Caught between political considerations and economic ones, most governments of the older industrial cities have failed to come up with any creative solutions. They have stood by and watched as market forces have determined the fate of their municipalities.

An Alternative to Displacement

There *is* an alternative to both the massive displacement of poor people from their neighborhoods and the continuing erosion of urban neighborhoods and their tax bases. Both community-owned housing, owned by a community-based non-profit corporation, and cooperative housing, owned by the residents of the units, provide a way to stabilize neighborhoods, to improve the housing stock, and, at the same time, to provide housing at a reasonable price for people of different income levels (see box). In most cities, however, these alternatives are not yet being taken seriously.



Cooperative or community ownership of housing is not a solution for everyone. It is primarily an alternative to renting. People who can afford to purchase their homes do not need cooperative or community-owned housing. However, a recent study estimated that 75% of all young American families cannot afford to pur-

What is Community Ownership?

Community ownership can take many forms. A cooperative is one form of community ownership; land trusts and Community Development Corporations (CDCs) are others. Community ownership means ownership by a non-profit corporation rather than by individuals. In most cases, voting membership is restricted to residents of a specific geographical area. In the case of a cooperative, member-ownership is restricted to those who live in or work for the co-op. The non-profit corporation is controlled by a board of directors which is chosen, in most cases, by the members of the corporation.

The advantage of community ownership is the control that it gives owners over decisions which affect their homes and their communities. Housing cooperatives are a fine example. Resident owners of housing cooperatives control, among other things, the nature and the quality of building maintenance, the quality and the extent of co-op services, and the use of common space and of adjacent land. Since they cannot be moved out by speculative landlords, low- and moderate-income cooperators are able to benefit from the kind of security of tenure which only homeowners normally can afford.

Community ownership is a way of freeing housing, land, finance, and other basic needs from arbitrary control by profit-oriented individuals and corporations. It is a way of putting power into the hands of the people who are most affected by decisions that alter the physical and economic character of a community—the residents themselves.

chase a house at today's prices. With the average price of new housing climbing every year, home-ownership becomes an increasingly slim possibility for more and more people. To the large percentage of renters who find themselves at the mercy of speculative and/or absentee landlords, cooperative or community ownership could be an attractive alternative.

Economic Benefits to the Members

The economic benefits of the ownership of housing by a non-profit organization are significant. With the landlord removed as a factor in housing costs, tenants do not have to pay the costs of speculative profits or of turnovers in ownership. Once the initial monthly charge is set, only increases in local taxes, utilities, or other operating expenses can cause a hike in the monthly charge. The principal and the interest payments remain fixed for the life of the mortgage.

In three cooperative buildings completed in 1973 by Co-op Services, Inc. (CSI), of Detroit, co-op members pay between $87.50 and $111.50 per month (including utilities) for their housing. Tenants in limited-dividend, investor-owned buildings constructed in the same year and with financing identical to that of the Co-op Services buildings pay monthly rents of between $135 and $225. In addition, the three co-op buildings are air-conditioned while their privately-owned counterparts are not.

There are other economic benefits to community or cooperative ownership. Since there are no individual mortgages, a member has no personal liability on the mortgage. The non-profit corporation is legally responsible for paying off the whole mortgage. Members of such corporations are able—like all homeowners but unlike many renters—to deduct their share of taxes and of mortgage interest paid by the cooperative. Further, initial entry costs in cooperatives can be as low as the equivalent of one or two months' rent. These factors combine to make non-profit housing cooperatives a viable alternative to renting for low- and moderate-income people.

Benefits to the Neighborhood

Cooperative or community ownership can also have a positive impact upon the physical condition of the buildings themselves and upon the surrounding neighborhood. Co-op residents realize that the more maintenance work they do themselves and the less vandalism there is to the property, the lower the monthly charge will be. Shared responsibility for maintenance involves residents in maintaining and even improving their buildings' physical conditions. Absentee owners have no such incentive for improvement and care.

The New Ark Cooperative in Newark, New Jersey, is a case in point. A housing project which was run as a rental property for six years, New Ark was plagued by a high turnover rate, as much as 35% rent delinquency, and serious vandalism and property abuse. Graffiti were everywhere. Basement storage and laundry rooms were ransacked. Living conditions were intolerable. A rent strike ensued and co-op ownership was won. Tenants launched a major community improvement effort. Residents were persuaded to buy paint and to paint the halls any color they wanted. As Roger Willcox, who provided assistance to the tenants, describes it: "That eliminated the graffiti. We've never had any graffiti problems since."

As the physical surroundings improve and the vacancy rate decreases, the stabilization of the neighborhood becomes a possibility. Co-op Services, Inc., built Wyandotte Co-op in 1965. At the time, fully one-half of the storefronts in the Michigan town's four-block downtown area were vacant. As the result of the construction of the 161-unit co-op, all of the once-vacant storefronts are now occupied. Since co-op residents pay as little as $74 a month for their housing, they have a sizeable percentage of their monthly income left over to support local retail businesses.

In neighborhoods where sizeable co-ops are successfully organized, the cycle of urban deterioration can be stopped and the declining tax base can be turned around. Brooklyn Acres, Inc., in Cleveland, Ohio, a six hundred-family cooperative development, is one such community. In 1975, there was a total turnover of only 37 families. The co-op is remarkably stable; many families have lived in Brooklyn Acres for two or three generations. Residents have organized a wide range of activities and services for themselves, including the Brooklyn Acres Federal Credit Union. Offering stability, involvement, and the generation and circulation of wealth in the community, Brooklyn Acres and other similar projects provide an alternative that city officials should support and encourage. Cooperative or community ownership provides a way of preventing the transformation of neighborhoods and the dislocation of residents, a way of breaking the cycle of urban deterioration and housing speculation, and a way of guaranteeing adequate and affordable housing to low- and moderate-income residents of the city.

Municipal Support

Local government can encourage the development of community and cooperative ownership—if it wants to. The city can provide technical assistance to community groups trying to organize such a corporation. These groups, usually operating on a shoestring budget, have difficulty obtaining the necessary legal, financial, architectural, and managerial assistance. In New York City, several non-profit technical assistance groups, such as the Pratt Center for Community and Environmental Development and the Urban Homesteading Assistance Board (see SELF-RELIANCE #3), have been helping these efforts. In other cities, Community Development money could be used to assist or to establish technical assistance centers.

A sympathetic city could help provide financing. Many strategies have been used by cities to encourage individual homeowners: bond sales in St. Paul and San Francisco; joint mortgage pools in Seattle and Denver; revolving loan funds in Kansas City and Oakland; tax increment financing in California; mortgage guarantees in New York City; and seed money loans and grants in Detroit and Minneapolis. These are just a few of the financing programs being developed in cities around the country. There is no reason that municipalities could not give similar aid to groups specifically interested in cooperative or community ownership.

A city could provide tax benefits that would encourage conversion. A city might also allow for flexible enforcement of housing codes and for homeowner renovation permits so that expenses and red tape could be kept to a minimum. A cooperative city could engineer the use of CETA, Neighborhood Youth Corps, or Law Enforcement Assistance Agency (LEAA) employment funds to pay for the necessary housing rehabilitation work.

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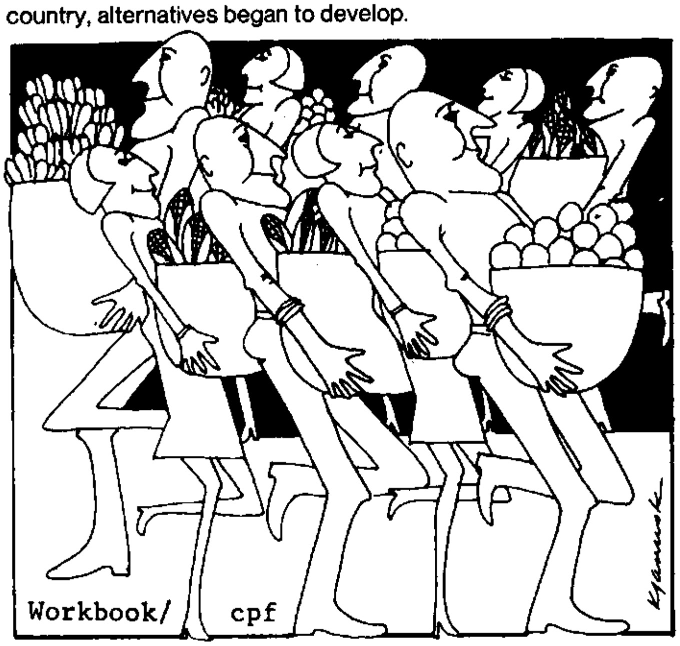
Food Distribution Systems

From Buying Clubs to Regional Networks

In the past decade, a movement has evolved in different parts of the country which is aimed at providing an alternative to the standard supermarket fare of impersonal service and expensive, poor-quality food. The movement began with groups of people banding together as informal buying clubs, preordering their vegetable and grain purchases in large quantities so as to benefit from bulk, wholesale prices. Today, these networks have grown to include co-ops, collectively-run storefront food stores, warehouses, trucking collectives, restaurants, bakeries, and other food production and processing businesses. These alternative food systems have, in many places, become important factors in the local economy, providing jobs, encouraging spin-off businesses, lowering the cost of living, and recycling money in the community.

The Development of Co-ops

In the late sixties, people across the country began to take note of the wasteful and energy-inefficient production and packaging methods of agribusiness and of the increasing centralization of the food industry at the expense of small farmers, mom-and-pop stores, and consumers. Spontaneously, in cities all over the country, alternatives began to develop.



Workbook/cpf

Preorder buying clubs became popular because they eliminated packaging and retailing expenses, allowing members to purchase food at wholesale prices. However, members soon became aware of the limitations of buying clubs. Lack of transportation and storage facilities forced most clubs to keep their memberships low and made them dependent upon weekly fluctuations in the cost and availability of various foodstuffs. Having to preorder food a week or more in advance was inconvenient. Some members missed the social pleasures of meeting friends while shopping for food.

As a result of both the popularity and the limitations of buying clubs, food cooperatives began to form. Some operated on a pre-order basis and were essentially large buying clubs. Others, which found homes in churches, abandoned buildings, basements, and storefronts, were able to store food and to sell it to customers on a walk-in basis. These co-ops, operating primarily on the volunteer labor of members, were able to provide a large selection of nutritious food at a negligible mark-up from wholesale.

Warehouses are the key to the development and proliferation of these networks

As co-ops formed in different parts of the same city, people realized that it made sense to affiliate and to try, like Safeway and A & P, to integrate vertically and to avoid duplication of effort. Individual co-ops had been using valuable space for product storage, thereby cutting down on shelf space. Each had been ordering its own food even though many sold the same products. These stores also found that they had problems and needs similar to those of other alternative food stores and that they could benefit from shared experience. Cooperation among the stores was the next logical step.

Warehouses

By 1971, food federations had been formed in New England, Michigan, Wisconsin, and Texas. Warehouses were formed as a solution to the twin problems of storage and small orders. Once the warehouses had opened, loose networks of affiliated businesses developed around them. Warehouses are the key to the development and proliferation of these networks. They unite the various buying clubs, co-ops, stores and other businesses for ordering, planning, and decision-making. They make it possible for these groups to offer a large selection of goods and they free participating groups from weekly and seasonal fluctuations in product cost, availability, and quality. By serving as a central distribution point for producers, warehouses simplify the marketing process for bakeries and mills and help cut transportation and source-location expenses for prospective buyers. By avoiding jobbers and middlemen, warehouses are able to save the participating groups even more money.

Warehouses whose primary clients are alternative food businesses now exist in every region of the country, except for portions of the Deep South. There are eleven loosely-affiliated warehouses on the West Coast, four warehouses associated with the New England Federation of Food Co-ops, and others in Austin, Tucson, Duluth, Northern Florida, Chicago, and elsewhere. The newest warehouse is being formed in Roanoke, Virginia, in connection with a new federation of Virginia and North Carolina co-ops.

These warehouses are all worker self-managed businesses. They handle cheeses, bakery products, soap, grains, fruit juices, eggs, nuts, teas and herbs, beans, and dried fruits. Many warehouses also distribute household paper products and a small collection of canned goods. Some, like the Intra-Community Cooperative in Madison, have even developed efficient systems for procuring and distributing perishable goods.

Start-up capital for warehouses comes from a variety of sources. Most warehouse organizers have been reluctant to apply for Small Business Administration or commercial bank loans. As a result, many warehouses have been drastically undercapitalized. In many cases, warehouse workers and other interested individuals have loaned or donated seed money. The Michigan Federation's warehouse was started with a loan from a large Ann Arbor storefront co-op. A Massachusetts Department of Agriculture grant helped finance the western Massachusetts warehouse. The Michigan Federation now requires a loan equal to a month's projected purchases from all new warehouse customers. Other warehouses are considering adding a financing surcharge to all orders. As a result of increasing financial sophistication, most warehouses are gradually approaching adequate capitalization.

The Development of Networks

Once a warehouse is established, it becomes the center of a network of affiliated ventures. Trucking collectives, such as Clear Eye in Rochester, New York, exist wherever there are warehouses. The People's Warehouse in Tucson has its own mill. In San Francisco, the warehouse maintains its own bakery with a daily volume of three hundred loaves. Red Star Cheese Collective supplies cheeses to Midwest and West Coast networks. The Austin Community Project had its own farms and also had a legal and accounting collective. The Michigan Federation helped revive a family pasta business in Chicago. Each business which ties into the federations and warehouse networks helps to cut the cost to consumers and to increase the selection of available products. Trucking collectives help warehouses save as much as two-thirds of the cost of commercial trucking.

Trucking collectives help warehouses save as much as two-thirds of the cost of commercial trucking

In most places, these complex networks continue to grow. Intra-Community Cooperative's annual volume is now $2 million and it is increasing by 20% each year. Three years ago, in its first year, People's Warehouse had a volume of $3,000; its annual volume is now $1 million and it serves most of the Southwest. The warehouse even trucks peanut butter as far as Oregon. There are at least twelve alternative food stores in the San Francisco Bay area alone. Seven new buying clubs have been organized recently in sparsely-populated northern Florida. Although expansion has leveled off in some places, New England in particular, many areas which missed the boom of the early Seventies are just now beginning to develop these networks.

Expansion is a reality, but not all businesses are succeeding. Competition with the powerful chain stores is difficult, particularly as alternative networks expand beyond their early focus on natural foods. Austin's producers-to-processors-to-distributors network collapsed (see box); some members of Washington's Food Federation are deep in debt. Poor bookkeeping and inexperience in business have killed many fledgling experiments. Poor location has hurt others. The sobering experience of several failures has led to a concerted effort to improve the business management and the economic position of these ventures. Basic business skills, fundraising strategies, and efficient operation have become central concerns. Salaries, once as low as $30 a week for full-time workers, have been and are being raised in most businesses as a way of combatting high turnover by providing a living wage and a better working atmosphere. There has also been an emphasis on improved health care and child care benefits. As the goal of these networks becomes more well-defined—to provide high quality food at prices low-income people can afford—the workers and organizers in the small-scale systems of food distribution are becoming serious business people.

This hard-nosed attitude should pay off. As fewer mistakes are made and as the business sense of these networks improves, the potential increases for the survival of the various businesses; for providing good food, well-paying jobs, nutritional education, and reasonable prices; for keeping capital circulating in the community; and for creating new spin-off enterprises. To compete against the national giants is difficult and it may be that the chain stores will some day consciously try to kill the budding alternative food movement. It may also be that the alternative networks will never be able to compete against the giants in some products. In the meantime, the networks continue to grow and develop. They are even expanding into non-food enterprises, such as clothing stores and credit unions. The movement is maturing; the question is how the movement will survive its growing pains.

—Virginia Drewry

The Austin Community Project: Learning from Past Mistakes

Not every attempt to build a cooperative food distribution network is successful. At its peak in 1974, the Austin Community Project (ACP) was a flourishing federation of cooperatives, farms, and working collectives. By the Spring of 1976, the Project had folded, the victim of problems which are all too common among alternative food distribution and production enterprises. ACP members started businesses without any real experience and without an understanding of the specific skills needed to run them. This led to serious mistakes, such as opening a warehouse before there was enough business to support it. Staff turnover in key roles was also a problem. Reliance upon volunteers helped the federation to expand, but the appeal of laboring without pay at often-monotonous tasks wore thin and community participation declined.

The worst problems were internal disputes. ACP members disagreed over the federation's goals. Many individuals had a stronger loyalty to their particular store or collective than to the federation and developed an "us against them" attitude. Some member groups failed to pay off loans granted them by the federation.

The end came when the housing co-ops panicked over rumors of ACP's financial instability. They attempted to gain veto power over the other member groups; that, in turn, initiated a final, irresolvable conflict among project members. Despite the demise of ACP, some cooperative ventures remain in Austin. These enterprises, however, lack any formal ties with each other. For more information, contact: Wayne Clark, Co-ops and Social Change Network, 602 Elmwood Place, Austin TX 78705.

Resources

Alternative Food Systems:

This list of federations, warehouses, food stores, and trucking collectives is, of course, the tip of the iceberg; but it is a good place to start if you are looking for more information on alternative systems of food production and distribution. If you do write to any of these groups, please send along a stamped, self-addressed envelope and, if you can afford it, a small donation for their time and effort.

Clear Eye Trucking Collective

367 Orchard, Rochester, NY 14606.

The Clear Eye Collective launched its operation almost four years ago, using a Volkswagen squareback to truck food to its two accounts. Since then, the group has expanded its fleet to five trucks which service over one hundred accounts in New York, northern Pennsylvania, and northern New Jersey. Clear Eye also trucks to members of the Vermont-based New England People's Co-op (NEPCOOP). Contact: Stewart Bertram.

Intra-Community Cooperative

1335 Gilson, Madison WI 53715.

Founded in 1971, Intra-Community Cooperative (ICC) is one of the oldest federations of co-ops and collectively-run food businesses. ICC began as a trucking company for co-ops in the Madison area, but has greatly expanded its services. The federation now has a large warehouse which sells to forty co-ops, to several other warehouses, to buying clubs, bakeries, restaurants, and to other collectively-run or worker-owned businesses in the Midwest. ICC employs a communications coordinator, has a food and nutrition project, and publishes a newsletter, *The Digester's Reader.* Contact: Steve Matthews.

Michigan Federation of Food Cooperatives

404 West Huron, Ann Arbor MI 48103.

In 1971, a handful of co-ops founded the Michigan Federation. With the help of a sizeable loan from the People's Food Cooperative, an Ann Arbor storefront, they opened a warehouse. The Federation, which also has its own trucking operation, serves food distribution organizations in Michigan, northwestern Ohio, and northeastern Indiana. Included among the Federation's members are 130 co-ops, three bakeries, and a mill. The Michigan Federation is currently helping warehouses get off the ground in Erie, Pennsylvania, and Columbus, Ohio. Contact: Allen Leiserson-Cash.

New England Federation of Co-ops

8 Ashford Street, Allston MA 02134.

NEFCO has been serving approximately 350 co-ops in New England, a region with a strong tradition of cooperative food production and distribution. The federation is currently in a period of transition. Now that there are four strong regional New England warehouses, NEFCO is splitting into four decentralized networks: the New England People's Co-op (NEPCOOP), based in North Bennington, Vermont; the Western Massachusetts Cooperatives, based in Orange; the Maine Federation of Cooperatives, based in Hallowell; and the Eastern Massachusetts Federation, based in Cambridge. Contact: Don Lubin.

People's Warehouse

411 North Seventh, Tucson AZ 85705.

In its first year of business, the People's Warehouse served only Arizona businesses and had a volume of $3000. Now, three years later, the warehouse does a volume of over one million dollars and sells to businesses in New Mexico, Colorado, Texas, Oregon, Arkansas, California, and Hawaii. The warehouse buys and trucks juices, dried fruits, nuts, seeds, beans, and Japanese products from California, as well as pasta, cheeses, and grains from the Midwest. People's Warehouse has its own trucking company and mill and is affiliated with Small Planet, a nearby bakery. Contact: Robert Litman.

Southern California Cooperating Community Warehouse

11615 Mississippi, Los Angeles CA 90025

This Southern California warehouse serves many buying clubs and between thirty and forty co-ops weekly. Unlike many warehouses, this one handles canned goods, which are distributed under a private label by the Berkeley co-ops. It also warehouses poultry and dried fruits and grains. Recently, the warehouse stopped handling produce in order to encourage the state Department of Agriculture's plans to initiate direct farm-to-co-op marketing operations in California. One warehouse collective member serves as a communications coordinator and another works part-time helping to organize new buying clubs. Contact: Bill Weirich.

Starflower

385 Lawrence, Eugene OR 97401.

The Starflower collective owns and operates a warehouse and one of the largest warehouse-run trucking operations in the country. Starflower's three trucks distribute three-fourths of the warehouse's total volume to three hundred West Coast and southwestern co-ops, warehouses, and other food businesses. The collective even ships food to Alaska and Hawaii. Contact: Margaret Cormier.

Wheatsville Food Co-op

2901 N. Lamar, Austin TX 78705.

Wheatsville Food Co-op, which is just over a year old, does a monthly volume of $40,000 and has over seven hundred members. The thriving young store is one of the few cooperative businesses left in Austin after the 1976 collapse of the Austin Community Project (see *Communities* #26 for a report on the demise of ACP). Several of the people who now work at Wheatsville were involved in ACP when it was a flourishing network of two food co-ops, two buying clubs, four organic farms, a produce distributing collective, a bakery, a canning business, a recycling collective, a vegetarian restaurant, several housing co-ops, and a tools maintenance and rental collective (see box, page 6). Contact: John Dickerson.

Progress Reports

Local Initiative

What do you do when you live in coal country, but you can't find anyone to sell you coal for your home? Residents of Knotts County, Kentucky, decided to start their own mine. Many had been unable to purchase coal, and, when they could find coal to buy, they had to pay $25 to $35 a ton. For people whose family incomes average under $5,000 a year, the cost of coal was a sizeable expense. Using money from churches to set up and run an office, Knotts County residents formed Citizens for Social and Economic Justice (CSEJ). In July 1976, CSEJ opened a small mine and created the Knotts County Benevolent Coal Company. KCB Coal provides customers with furnace coal at $12 a ton. Coal is hauled by rail as far as Virginia. The mine produces 125-300 tons a day and employs between five and nine full-time workers at $6.25 an hour, roughly equivalent to union wages. The demand for coal has led the company to make plans for opening a new mine, which should be in operation in August. CSEJ has initiated two other projects to help community residents: a food co-op whose monthly volume, now $75,000, has been increasing 10% each month, and a farm and garden co-op which provides tractors and other equipment to farmers and gardeners and enables members to obtain low-cost seeds and fertilizer. For further information, contact Mart Shepherd, Citizens for Social and Economic Justice, P.O. Box 473, Hindman KY 41822.

The Mendocino County Board has voted to prepare its own coastal plan rather than have the state coastal commission staff do the work. Although the cost of doing it themselves will run $120,000, the vote for local control over coastal planning was unanimous. Gary DeSalvatore, director of the planning and building department, had argued for the preparation of the plan by the state, basing his suggestion on the cost and the increased workload for his department. The county supervisors, however, felt that local control was worth the price. Although they did vote for local control of planning, the board voted not to take over the permit-issuing procedures from the regional coastal commission. *Mendocino Grapevine*, 5 May 1977.

Community-oriented college station WFMO in Medford, Massachusetts, experienced a near-total disaster recently when fire destroyed the station's studios. Response from listeners was immediate: within six hours the station was back on the air from a remote location. Over two thousand record albums were contributed and several thousand dollars were received in the first few days after the fire. As reported in the *Newsletter* of the National Federation of Community Broadcasters, the station lost about $100,000 in equipment. Support for WMFO, financial or otherwise, can be addressed to: WMFO Fire Fund, P.O. Box 65, Medford, MA 02153.

The Media

Spokane, Washington, will soon have a city-wide cable system. The first subscribers began receiving programming in September 1976. Presently, there are 8000 subscribers and that number has been increasing by 400 weekly. The system, franchised to Cox Cable Television, has great potential as a community information and access system. The FCC has required that the system carry one educational channel, one government channel and one public access channel. The system, as it will function after January 1, will have four other educational channels and a health information channel not required by the FCC. The Community Health Information Consortium is putting together a proposal for control over the health channel. Spokane Community Video, which has developed a reasonably good relationship with the cable company, hopes to control the public access/local origination station. The city government station, already on the air, will televise city council meetings and may provide access for neighborhood groups active in Community Development Block Grant allocation and monitoring. Whether the system's potential will be realized is not clear. Community response has not been overwhelming. By January, Spokane's cable system may differ only slightly from other cable systems around the country. For more information or to voice your support, write to: Spokane Community Video, W. 1919 2nd Avenue, Spokane, WA 99204.

In 1953, residents of the Campbell River area in British Columbia, Canada, formed a subscriber-owned, community-oriented cable television association, the Campbell River T.V. Association (CRTV). Subscribers did much of the early construction work themselves after obtaining financing for hardware from a cable supplier. CRTV now has 5,400 subscribers, all of whom have access to a new kind of television system. CRTV is committed to community participation and to serving the needs of the community. The Board of Directors is elected at large by the subscribers, each of whom has one vote. CRTV has up-to-date production facilities which subscribers and people from other areas use to produce local programming. The association offers television production workshops to interested members of the public. To date, individuals from at least 23% of the subscribing households have participated in producing shows for the community channel. CRTV also provides two educational channels to the local school board. Subscribers pay five dollars a month; senior citizens pay a monthly rate of only one dollar. Prospective members pay a $100 hook-up fee per household and make a $100 interest-free loan to the association, which is refunded when they disconnect from the cable system. CRTV's rates are substantially lower than those of nearby small town cable systems. Their rates are

Correction

In our last issue (SELF-RELIANCE #7), we reported on People's Clothes, a small worker-owned clothing factory which wholesales approximately twenty different clothing designs. We apologize to anyone who tried to write to People's Clothes at the address we listed. Their correct address is: 1211 East Franklin Avenue, Minneapolis MN 55404.

also lower than those of Victoria's large 62,000-subscriber cable system which should be able to benefit from economies of scale not available to the Campbell River system. For more information, contact: Herschel Hardin, 3498 Marine Drive, West Vancouver, British Columbia, Canada V7X 1A3.

Waste Utilization

Residents' Recycling, Inc. has been in operation at four public housing projects in Cambridge, Massachusetts, since July 1976. Within its first six months, the program achieved close to 80% participation. At one project, Lincoln Way, participation is as high as 99%. The non-profit corporation, owned by the tenant councils of the projects, collects aluminum, glass, and paper. In its first year, Residents' Recycling has been able to cut the volume of the wate stream in half. The success of the project can be attributed to its function as a youth employment vehicle. Twenty-seven youths from the projects receive $2.30 an hour for their eight hours of work a week. The workers, supervised by a staff of three, collect, transport and sell the recycled materials. Jim Craig, President of Residents' Recycling, believes that participation is so high only because the program is directed by and through the yough workers. The corporation does not yet generate a surplus and is looking for more beneficial sales arrangements with processors; but, since trash removal costs the City of Cambridge $69.50 per ton, every ton which is recycled already saves the city some money. For more information, contact: Jim Craig, Residents' Recycling, 56 Washington Elms, Apt 562, Cambridge MA 02139.

Five years ago, the town of Estherville, Iowa, initiated a voluntary pre-paid garbage collection system, based on the model of pre-paid photo processing mailers. Residents can buy color-coded plastic trash bags at City Hall and at local stores. Curbside service bags cost 55¢ each, while custom service bags, picked up wherever the resident prefers, cost 10¢ more. The system is popular because customers pay only for the services they receive. Those who have less garbage need to buy fewer bags. The benefits to Estherville's low- and fixed-income residents are significant; their average garbage collection costs have been cut in half with the new system. The system places the cost burden on the heavy users. It also provides householders with an incentive to cut down on waste and to carry their own garbage to the street. Since this makes sanitation workers' jobs easier and eliminates costly overtime, the city saves money. For the first time in twenty years, Estherville's residential trash collection is financially self-sustaining. A modified color-coded, metered bag system could be used in urban areas to encourage front-end separation of recyclables. For a copy of a report on the Estherville program, contact: Steve Woodley, City Hall, 19 South 7th Street, Estherville, IO 51334.

Volunteer recycling projects around New York City are donating their recycling revenues to neighborhood and educational programs. The volunteer projects do not generate much surplus, due to the fluctuating economies of recycling markets in the past few years and due to the relatively low volume handled by each center. Some of the revenues generated are used to pay for insurance and for publicity. The rest is being used for a variety of purposes. The People's Environmental Program Center has built benches and planters next to its site. Village Green Recycling Team, New York City's largest center, has bought a truck and now makes pick-ups at designated neighborhood sites. Citizens for a Better New York has donated money for a small neighborhood park and has contributed to various environmental groups. The West 90th Street Block Association Center has sent neighborhood children to summer camp and has also sponsored a little league baseball team. The Upper Westside Center has contributed to the legal battle which is being fought to defeat the proposed construction of the Westway interstate highway. These are not large projects; they do not pay salaries. Their funding choices, however, do give an inkling of the potential for community development which is inherent in local control of local wealth. *The Wastepaper*, January 1977.

The Workplace

International Group Plans (IGP) is the first large worker self-managed corporation in the country. The Washington-based firm employs 300 workers and sells $60 million worth of group insurance plans annually. James P. Gibbons, the company's founder and current president, imposed self-management upon his employees in 1972. Unlike other corporate executives who have encouraged various degrees of worker participation in decision-making as a way of increasing productivity and profits, Gibbons initiated self-management in order to "build the institution on a foundation which maximizes the humanness of everyone involved."

IGP's self-management is an on-going experiment which frequently changes form. A few rules are constant. All workers, from mail clerks to executives, have an equal voice in decisions which affect their work and their working conditions. The managers' role is to implement the decisions of the workers. Another constant is profit-sharing among employees. Each employee gets credited with an equal share of the year's profits. The experiment does have problems. Although they are exposed to training courses and information, many workers do not yet have the financial expertise to deal with long-range corporate fiscal planning. Employee turnover is as high as 15% annually—partially because some workers are not prepared to accept the responsibilites of self-management. Despite these and other problems, the workers at IGP are able to run a large corporation democratically, humanely—and efficiently. Last year, the corporation made about one million dollars in profit. The board of directors voted to transfer half a million to the employee trust. For more information, contact: Sylvia Laurenti, International Group Plans, 2100 M St. NW, Washington DC 20037. *Working Papers*. Spring 1977.

When writing to any of the contacts mentioned in SELF-RELIANCE, please send a self-addressed stamped envelope. It will speed the reply and will save these folks some money.

Off the Shelf

Received and Recommended:

Steve Baer

Sunspots

Zomeworks, Albuquerque NM, 1976.

This is one of the finest examples of how an involvement with solar technology can lead one to much broader philosophical musings. Steve Baer has a solid background in both mathematics and physics; and he has used his knowledge to present the basic concepts of energy, concepts which often appear dry and turgid in textbooks, in a way which is comprehensible even to the beginner.

Barbara Burke and Robert Meroney,

Energy from the Wind

Colorado State University, Fort Collins, CO, 1977.

This annotated bibliography, originally published in August 1975 and updated in April of this year, contains close to 1900 references to journal articles, books, and technical reports on wind energy. Well-organized and exhaustive, this work promises to be the wind researcher's bible. The authors plan to continue the periodic updating of the bibliography and they welcome input from readers. This second edition contains more than twice as many references as the original work. For those who may be curious, the oldest work indexed is J. Smeaton's *An experimental inquiry concerning the natural powers of water and wind to turn mills and other machines*, written in 1757.

Eva Cockcroft, John Weber, and James Cockcroft,

Toward a People's Art

E.P. Dutton and Co., New York NY, 1977.

This beautiful book chronicles and evaluates the contemporary community-based mural movement as it has evolved in the past decade. The movement, developing in the low-income communities of our larger cities, has produced hundreds of large-scale wall paintings and has provided rallying points for many community struggles. Twenty color plates and one hundred black-and-white plates accompany and illuminate the authors' text. Community mural painting removes art from museums, places it in a social context, and makes it accessible—in the viewing and the painting—to people who are normally cut off from the world of "art." Written by people intimately involved in the movement, the book examines what mural painting can mean to the community and to the artist and discusses in detail the development of community-based mural groups in Chicago, New York, New Jersey, and New Mexico. A thorough, evocative, and hopeful work.

James Sholto Douglas,

Advanced Guide to Hydroponics

Drake Publishers, New York NY, 1976.

A book for serious practitioners, this is a careful and relatively complete discussion of various hydroponic growing methods. Although all the methods utilize chemical nutrients, they are applicable to organic hydroponics as well. Drawing on experience both inside and outside the United States, Douglas has put together a surprisingly up-to-date discussion of the technology. The book is helpful on the subject of where and when to use hydroponic methods.

David Dickson

The Politics of Appropriate Technology

Universe Books, New York NY, 1977.

One of the first of the current spate of books about the relationship of technology to society, this is also one of the best. Dickson stresses the ideology of technology: "My general thesis is that technology plays a political role in society, a role intimately related to the distribution of power and the exercise of social control." He believes that even nominally socialist countries, by "developing a mode of production initially formulated within a capitalist framework," have been obliged to introduce forms of social organization and control that "are essentially capitalist in nature to make effective use of the technology." On the other hand, the author concludes that, with effective planning, new and different technologies can be developed. Technology spawns social relationships; social planning can spawn new technologies. Good, but not light reading.

Stephen Klein,

Community Canning Centers

Center for Community Economic Development, Cambridge MA, 1977.

Because of the recent surge of interest in community canning, this overview of small-scale community canning operations is both timely and important. The study explores the various types of canning centers, their beneficial impact on community residents and the reasons that not one of the community canning centers surveyed was self-sufficient. The author is realistic; he understands that, in community economics, profits "involve more than a direct dollar inflow. The benefits of community interaction, increased self-reliance, better quality food, skill-building, monetary savings for participants and added stability for area growers, are vital enough social reasons to outweigh the costs of the initial investment and the ongoing subsidization."

Editors of RAIN,

Rainbook

Schocken Books, New York NY, 1977.

The good people at RAIN have somehow found the time between monthly issues of their magazine to write a book. And a fine book it is. With their eye for aesthetic layout and their nose for important information, they have compiled the first appropriate technology resource book for "overdeveloped countries such as the U.S." Some of the material is updated from past issues of RAIN; the rest appears in print for the first time. *Rainbook* provides the tools; now it is up to the readers to take the tools in hand. We can only hope that *Rainbook* will have the same kind of positive impact that the *Whole Earth Catalogue* had when it first appeared.

After the Revolution: Who Should Rule?

"The General Court have thought it highly necessary, after mature deliberation, to declare that a rebellion exists within this commonwealth." So went the resolution drafted by Sam Adams and passed by the Massachusetts legislature on February 9, 1787. Five years after the end of the American Revolution, arms were again being raised in the name of freedom and self-determination. In western Massachusetts, a few thousand small farmers were defying the authority of the state government in Boston and were demanding that their grievances be heard. As Sam Adams was drafting his resolution, an army of militiamen under General Benjamin Lincoln stood twelve miles from the insurgent camp, ready to put down the revolt with force.

A Struggle for Local Control

Shays' Rebellion, as the Berkshire uprising of 1786-7 was called, was the culmination of a struggle which had been intensifying for at least ten years. Like all successful movements for national independence, the American Revolution consisted of two distinct phases: the struggle for independence itself and the struggle over the kind of society the new nation should become. When it came time to plan the future of the young country, the coalition of diverse social groups which had united around the banner of independence broke down into various interest groups and social classes. In 1777, five hundred tenants at Livingston Manor in Dutchess County, New York, rose up in armed revolt against their wealthy landlords. Throughout the Revolutionary period, farmers in nearby western Massachusetts fought both the local ruling elite and the more urban eastern interests over issues of self-determination and control.

Shays' Rebellion was defeated. General Lincoln's troops routed the insurgents without firing a shot; and that easy military victory had a profound political effect. Three months later, when the Constitutional Convention was held in Philadelphia, delegates repeatedly pointed to Shays' Rebellion as being the kind of danger which necessitated the creation of a strong federal government. In Edward Bellamy's historical novel, *The Duke of Stockbridge*, Squire Sedgewick of Stockbridge acknowledges his hope "that the convention, which is shortly to sit in Philadelphia to devise a more perfect union for the thirteen states, will pave the way for a stronger government of the continent, and one that will guarantee us not only against foreign invasion but domestic violence and insurrection also." The town of Newton in eastern Massachusetts gave clear instructions to its representative to the Continental Congress: "You will not hesitate to adopt . . . a firm, efficient federal government." George Washington, fearful that "the goodly fabric that eight years were spent in raising [might be] pulled down over our heads," emerged from semi-retirement to attend the convention and to push for a strong federal government.

The western farmers who were defeated in 1786-7 had wanted more local control over their counties' politics and development. Their fight against state interference, however, actually led to even greater state—and federal—power over local matters. Those who drafted the Constitution in Philadelphia did not forget the lesson of the Massachusetts farmers' revolt; they designed, as Henry Lee had recommended to George Washington, "a permanent capable government" able to combat "the horrors of anarchy and licentiousness." Localism had been defeated; the way for centralized governmental power was cleared.

Looking Backward

This is the first in a series of articles about historical antecedents to today's movement for local control and self-reliance. We plan to make this series a regular feature in SELF-RELIANCE. Much of the relevant history needs desperately to be reclaimed and retold. We have our own favorites. You probably do, too. If there is an event in the history of self-reliance which you think should be included in these pages, let us know. Maybe your city fought annexation by a larger metropolis and won; maybe it once owned a number of small factories as a way of generating revenues and creating jobs. A lot of important experiments have been forgotten. We hope to rediscover them.

The Berkshire Constitutionalists wanted direct popular participation in the choice of all officials

This interpretation of Shays' Rebellion may sound strange to some readers. It is not what we learned in our high school American History class. Most people learn that Shays' Rebellion was a brief but dangerous moment in the development of the young nation, a time when uneducated, naive, and violent men chose anarchy over government and lawlessness over order. We have been taught only one side of the story, the Federalist position of men like Squire Sedgewick and Alexander Hamilton; we know nothing of the arguments and grievances of the western farmers, of men like Perez Hamlin, Luke Day, and Daniel Shays. Yet, the grievances of the western farmers were legitimate and their actions, for the most part, were quite logical steps in an effort to obtain relief and redress.

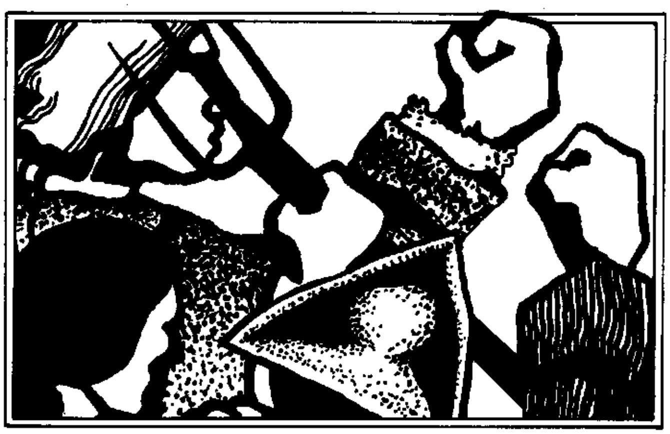
The Background

Until 1780, the ordinary people in the two western counties of Massachusetts focused their grievances upon the nature of the proposed state constitution. Roused by the principles and the spirit of the Declaration of Independence, they insisted that those same principles should apply at home as well against Great Britain. They fought the "great men," the wealthy citizens of Berkshire who had ruled before the Revolution and who had been appointed by the interim governing Council in Boston.

The people's complaints were many. As Revolutionary War soldiers, the men had been paid for their service with paper money. When they returned home after the war to resume farming, they found that their paper money was worthless. Because of their inability to repay debts in other than paper currency, they were helpless as they watched their land being bought up by the rich of the community and their friends being thrown into debtors' prison.

The final insult was the fact that debtors went to prison at the hands of judges appointed from afar

The westerners focused their complaints on the judicial system which permitted such an oppressive situation. They demanded an end to debtors' prisons, a streamlining of the expensive and clumsy judicial system, and relief from their debts. Most of all, they demanded an end to the patronage system by which judges deciding the fate of indebted Berkshire farmers were appointed in Boston by men who had little empathy with the farmers' plight. In December 1775, the people of Pittsfield petitioned the General Court to allow "the popular election of a governor and a lieutenant-governor" and to allow "each town to elect its own justices of the peace, each county its judges, and each military company its officers." The Berkshire Constitutionalists, hoping that local control would increase official accountability and improve their lot, wanted direct popular participation in the choice of all officials.



They did not get what they wanted. The 1780 State Constitution was a conservative document: the power of appointed judges and justices was strengthened and the governor was to nominate and appoint all judges, justices, and petty local officials. The Constitutionalists could not win against the "great men" and the more populous eastern counties. Coupled with a steadily-increasing burden of taxes and debts, their unanswered grievances were important catalysts to the outbreak of armed rebellion.

The economic situation in Berkshire County in the early 1780's was serious. The war had dealt the Massachusetts economy a serious blow and the farmers were suffering the consequences. One traveler in nearby New York noted that "the people were worn out last year. Those in the army lost the opportunity of seeding their Ground and were now starving for Bread." The same was true in Berkshire. A stagnating economy, a higher rate of taxation, a scarcity of money, and a wholesale depreciation of currency made many farmers who had fought for the Revolution feel that their interests were being betrayed. And the final insult was that debtors went to prison at the hands of judges appointed from afar.

The Berkshire and Hampshire protesters tried different avenues in their search for relief. Town meetings were held and local committees were established as a way of solidifying local power. Adam Wheeler of Hubbardston set up a committee of several towns to devise a grass-roots substitute for the Court of Common Pleas, one that would provide a local board of arbitration in debtors' cases. County conventions were called to discuss grievances and remedies. Some of these were hardly more than rump conventions, but a process was worked out for announcing and holding full county conventions. State legislators, not surprisingly, viewed these county-wide meetings as dangerous and consistently opposed or ignored them. The General Court was petitioned and possible reforms and solutions were suggested; but the Boston government remained silent.

The Rebellion

Immediately after the 1786 General Court Session ended in July without any significant actions for relief, eight towns in Bristol County issued a call for a statewide convention to revamp the state's governing structure. In August, the people of Worcester, Middlesex, Hampshire, and Berkshire counties met separately to draw up resolves. Soon thereafter, the actual rebellion began. Direct action of fifteen hundred people closed down the Northampton courthouse as the way of alleviating the debtors' plight. Worcester, Middlesex, Bristol, and Berkshire County courts were next. Bands of insurgents, sometimes numbering close to 5,000, most of them debtors and veterans of the Revolutionary War, roamed the hills of western Massachusetts. They were not politicians and did not live comfortable lives. They were subsistence farmers, struggling to maintain their way of life, struggling to stay out of prison.

The rebellion itself did not last long and, during the severe winter, skirmishes with state troops were few. By the end of February, after having suffered several defeats, most of the rebel leaders had fled from Massachusetts to neighboring states. The crisis which had mobilized both state leaders and Congress had been resolved; but opposition to government continued. When it came time for Massachusetts to vote for or against the federal Constitution, the Shaysites were well-represented. Henry Knox estimated that the insurgents and their abettors made up four-fifths of the opposition in the Massachusetts Constitutional convention. Contemporary observers agreed that, at the opening of the convention, opponents of the Constitution were actually in the majority. The Federalists controlled the convention, however, and they were able to whittle away at the support for the opposition. When the final vote was taken, Massachusetts ratified the federal Constitution by a vote of 187 to 168. Not surprisingly, the counties of Worcester, Middlesex, Bristol, Hampshire, and Berkshire, where Shaysites had been active, stood opposed. Once Massachusetts ratified the Constitution, other states followed suit.

Although they did win some tax and prison reforms after the rebellion, the western farmers had lost on almost all counts. Their population was too sparse to overcome the power of the old ruling elite. On each major issue—the Massachusetts state constitution, their demands for debt relief and for the popular election of local and state officials, and the ratification of the federal Constitution—the insurgents and their sympathizers were defeated. Their struggle for local control and self-determination, their struggle to remain as self-reliant as possible, failed; but their goals and their actions should not be forgotten.

—Richard Kazis

The Baseball Industry: Now It's our Turn at Bat

Fifty-five years ago, the Supreme Court decided that, because baseball exhibitions were purely local affairs, baseball was exempt from the Sherman Antitrust Act. In Justice Holmes' opinion, baseball leagues had nothing to do with interstate commerce.

Although baseball has changed significantly since then, the decision has never been reversed. There is no hiding it, though: like other professional sports, baseball is indeed big business. In the mid-sixties, CBS bought the New York Yankees. The Houston Astros are currently jointly-owned by subsidiaries of the General Electric and Ford Motor companies. Arthur Kroc, owner of McDonald's, also owns the San Diego Padres. The St. Louis Cardinals are owned by Budweiser's August Busch. The Wrigley chewing gum family has owned the Chicago Cubs for forty-three years.

The owners of professional sports teams are now, by and large, professional money-makers. They are involved in sports for profit and they go where the profit is greatest. They have learned that in sports, as in any other big business, profit comes from three sources: the consumers, the local taxpayers, and the national taxpayers.

Profiting from Professional Sports

Jack Kent Cooke, owner of the Los Angeles Lakers and Kings, wanted to increase his 25% share of stock in Washington's football Redskins. He secured loans that enabled him to buy out the old owners; now, he is saddled with almost $1 million in annual interest payments. In 1976, the Redskins ticket prices jumped to an average price of $11.28, with increases ranging between twelve and twenty-two percent. Why are Washington fans forced to pay the highest ticket prices in the league? Because, as *Sports Illustrated* noted, "the fact is that Cooke and Co. are, in effect, asking the fans to buy the team for them."

Local taxpayers are also asked to pay for the profits of professional sports teams. As one Washington sports columnist has written,

> *In several cases, cities, counties, and states have become underwriters for pro sports teams by backing bonds, reducing rents, and turning over a hefty chunk of their share of concession and parking income to the franchise. Even in the handful of cases involving privately built and owned sports arenas, the governments sometimes become abettors by building special access roads and sewerage facilities, changing zoning classifications to lower tax status, and often waiving normal requirements.*

These are not minor items. New York City, at the height of its financial crisis, spent over $120 million to build a new Yanke Stadium. In Baltimore, the Orioles and Colts have negotiated a favorable lease for the use of the municipal stadium. The lease costs the city an estimated $1 million in revenue annually and holds the city responsible for all capital improvements and maintenance. Ballpark concessions netted over $23 million for clubs last year. These special subsidies begin to add up.

Washington DC's RFK Stadium is a classic example of how the taxpayers pay while a handful of owners profit. In July 1960, the DC Armory Board, which operates the stadium, sold $19.8 million of tax-free bonds at 4.2% interest. Only in its first year of operation did the stadium generate enough revenue to cover interest payments. Not one cent of the principal has been paid off. As a result, the city has had to borrow from the US Treasury to meet annual interest payments of $831,600. And, in two years, the bonds will come due and the city will have to find $19.8 million to pay them off.

In sports, as in any other big business, profit comes from three sources: the consumers, the local taxpayers, and the national taxpayers

One reason that Washington taxpayers are stuck with this burden is the behavior of Bob Short, the owner of what used to be the Washington Senators. When the Armory Board rejected Short's demand that he only pay $1 rental on the stadium for the first million paying customers and that he be given all parking revenue and a large cut of ballpark concessions, Short moved the team to Texas. The stadium's only regular summer tenant is a soccer team. The taxpayers suffer while Bob Short goes his merry way.

Just as textile plants have moved from the Northeast to the South in search of lower wages and better tax breaks, so sports teams have begun leapfrogging around the country. In 1970, the Seattle Pilots left that city after their first season; they negotiated a more profitable arrangement as the Milwaukee Brewers. Kansas City moved to Oakland; Milwaukee moved to Atlanta. Local taxpayers subsidize the teams even when there is no guarantee that the team will stay in the city.

Depreciating Players' Contracts

National taxpayers also provide sports owners with profits, whether their city has a team or not. They do so by paying the taxes which owners avoid through the complicated process of depreciation. Players, like machines, "wear out:" the average playing career of a professional baseball player who plays at least sixty days is 4.75 years. Owners feel that they are entitled to depreciate their players in the same way that they would machines. By doing so, owners are able to turn operating profits into bookkeeping losses and operating losses into after-taxes gains (see box). As Bill Veeck, the owner of the Chicago White Sox, says, "Selling a baseball team is selling the right to depreciate." The trick to depreciation, as explained in the May-June issue of *Dollars and Sense,* "is to buy a baseball team and allocate as much of the purchase price as possible to player contracts. This technique reached its height in 1966 when the Atlanta Braves allocated 99% of the $6.1 million price of the team to players' contracts. This worked out to allow $4.2 million in profits to go tax-free."

What Can be Done?

It is time for cities and their residents to act in their own interest. As long as professional sports teams are owned by a few wealthy individuals and multinational corporations, cities and their citizens will have no control over teams which represent them to the rest of the nation. New York City has spent over $120 million to build a new Yankee Stadium; for only $12 million, the city could have bought the whole team.

The possibility of municipal or community ownership of professional teams is perhaps more realistic now than it has been in many years. As one sports reporter commented, "The fact remains that more major league franchises are now, or soon will be, up for sale than at any time in recent memory." As a result of increased player salaries and new legal limitations on depreciation allowances, prices are lower now than they were ten years ago. CBS bought the Yankees for $13.2 million and sold them in 1973 for $10 million. In 1972, the Cleveland Indians were purchased for $11 million. Part-owner Alva Bonds feels that he would be lucky if he could get $10 million today. The Oakland Athletics are reportedly up for sale for $8 million. Other teams that may be on the auction block are Houston, Baltimore, and Boston.

Communities wanting to buy these teams (or to start their own) do not have to raise all of the capital at once. Bill Veeck explains that only 50% of the purchase price is required as a down payment. Another ten percent of the downpayment is needed for first year operating expenses. Thus, to purchase a $10 million team, a city need raise only $5.5 million initially.

Ownership could be divided up so that the team would be owned by a large number of people. The city itself could own 33% of the team, individuals and community organizations could own the other 67%. Given that, if the project were to be successful, a certain amount of money would have to be raised for publicity and advertising, approximately $4.2 million would have to come from the public. If shares cost $25 and the upper limit on investment were set at $1000 per person, then ownership would be open to working people as well as to the wealthy. Each stockholder could be limited to one vote so that large investors would have no more power than small investors. Shopkeepers could be given some kind of publicity incentive to buy shares. If the average investment were between $100 and $200, between 21,000 and 42,000 individuals and organizations would have to buy shares in order to raise the required sum. Spreading ownership so widely would make it highly unlikely that the team would leave to find a new home.

How Owners Profit from Depreciation

Assume that the new owners of the hypothetical team allocate $1.5 million of the $2 million price to player contracts and depreciate them over a five-year period. Since straight-line depreciation must be used for intangible assets, the annual depreciation expense will be $300,000. If the net income of the team before depreciation is $100,000, the depreciation deduction will result in a $200,000 net loss. This loss is distributed among the owners and is reported separately by them for individual income tax purposes. If the owners' taxable incomes from other sources are high enough to place them in the 70 percent tax marginal tax bracket, every dollar of this loss will reduce their personal tax liability by 70 cents. Under these circumstances, the $200,000 net loss reduces the taxes for which they otherwise would be liable by $140,000. Thus, the owners will realize $100,000 in cash-flow profits and $140,000 in personal tax relief, for a total cash-flow return from the team of $240,000—the team, meanwhile, reporting a $200,000 bookkeeping loss . . . Even with a book loss of $800,000, which implies an actual loss of $500,000 in the team's cash flow, an owner's after-tax position is $60,000 better than a non-owner's. In fact, the book loss of the team in this example would have to be almost $1 million before the owner experienced an actual deterioration in his personal after-tax cash position.

—Benjamin Okner, "Taxation and Sports Enterprises" in Roger Noll (ed.), *Government and the Sports Business*, The Brookings Institution, Washington, DC., pp. 166-167.

Even though this concept of community ownership is a new one for the major leagues, it is not all that novel. Twenty years ago, the Saint Louis Cardinals, which owned the Triple A minor league team in Rochester, New York, decided to relocate. Faced with the prospect of losing their team, almost 8000 local fans raised $525,000 to purchase the franchise, the stadium, and assorted equipment from the Cardinals. There was, and still is, only one class of stock. Initially, the price was $10 a share. No person can own more than 5% of the total outstanding stock. The average investment is about $65.

The investment has not proven financially rewarding, since the stock value has been cut in half and no dividends have been paid. That is not so important, however. The goal of the stockholders, for the most part, was not financial; it was civic. The investors wanted to keep baseball in Rochester and they succeeded. The team now has a contract with the Baltimore Orioles whereby Baltimore pays 75% of the Rochester players' salaries. Theoretically, the Board of Directors could move the team one day; but, since the team has over thirty board members and they are all established members of the Rochester community, it is doubtful that the team will ever move.

Buffalo, New York, also had a community-owned minor league team, purchased from the Detroit Tigers. The stadium, however, remained in private hands. The stadium is now gone; with it went baseball in Buffalo. Rochester was able to avoid that problem by including the purchase of the stadium in with the purchase of the team.

In professional football, the Green Bay Packers are the only publicly-owned team. As a result, they are the only one of the NFL's twenty-eight teams which issues an annual income statement. As Marvin Miller, Executive Director of the Major League Players' Association, has explained, professional sports "is the most secretive industry in the country." Community ownership would allow both players and local residents to know the economics of the enterprise.

There are signs that there is interest in broad community ownership of pro teams. Charley Finley has said, "If I could find 10,000 people and get them to put in $100 each, we could fight all those millionaires." Joe Wheeler has been asking Washington DC fans to purchase $25 shares (minimum purchase $150) in order to buy a team for the city. What both Finley and Wheeler have ignored is that people want ownership because they want a certain amount of control. Neither Finley nor Wheeler has any plans to give up his position as the voting majority. Each simply wants to tap a growing investment market of concerned baseball fans. Community ownership would allow people the same investment opportunity, but would give owners input and control as well.

What Would Community Ownership Mean?

Community ownership would alter the nature of professional sports somewhat. Teams would be rooted in their communities and would not be moved around. Leagues would more closely resemble British soccer leagues. In England, civic pride and social prestige take precedence over profit. Attendance and local loyalty vary little with the team's place in the division standings. What matters is the sense that the team "belongs" to the people of the city.

Washington sports writer Ken Denlinger recognized the importance of community loyalty to pro sports teams in an article about Charlie Finley's Oakland A's: "What Finley has proved is that a baseball franchise must be more than entertainment to make money, that a team and its owner must be deeply rooted in the community." The New York Mets have had a consistently mediocre team, but they have always had good attendance.* When Arthur Kroc bought the San Diego Padres, the team was at the bottom of the league and there were plans to leave town. San Diego, it was thought, could not support a team. Kroc bought a few superstars, spent a lot of money on community outreach and public relations, and has been able to generate new loyalty from fans, even though the quality of the team's play has only gone from bad to mediocre.

New York City spent over $120 million on a new Yankee Stadium. They could have bought the whole team for only $12 million

Community ownership would also affect players. Many players might prefer to stay in a community where they have roots, where their children go to school, and where there is loyal support. It may be that, because of a lack of capital or because of the team's need to operate in the black without the luxury of depreciation, a community-owned team would not be able to afford the high salaries which superstar players now demand. That is not too serious a problem. There has proven to be less correlation than expected between the amount of money spent on ballplayers and the record of a given team. The Baltimore Orioles are a case in point. A young team of relatively low-paid players, the Orioles are pennant contenders this year.

Community-ownership of the stadium would also be important to the area residents. Most stadiums are woefully underutilized. Given that concessions and parking generate revenue, cities could afford to open stadiums for a variety of events. When Bill Veeck owned the Suffolk Downs Raceway outside of Boston, he brought flower shows and industrial shows, auto shows, and folk festivals to the track. In Veeck's words "Part of the use of the stadium is the entertainment of the citizenry." Stadiums should be true community centers and cultural centers for area residents.

The model of community ownership of sports teams and facilities is feasible for some cities right now. Washington DC cries out for a major or minor league professional team. Other cities are also looking. For most cities, the model is one for the future. We look forward to the day when team names reflect their actual owners, when team locations are permanent and not just temporary projects for subsidiaries of multinational companies.

This article was the result of a collaborative effort of five Washington DC sports fans: Doug and Steve Hellinger, Richard Kazis, David Morris, and Neil Seldman.

*This may soon change, as Met management has increasingly cut itself off from its own players and fans. When the Mets traded star pitcher Tom Seaver last month, columnist Jimmy Breslin suggested that, "If New York has its sports in the hands of people who think this way, then maybe the city ought to look at how Green Bay took over its football team and runs it as it should be, as a municipal enterprise."

A Viable Alternative to the Rental Market

continued from p 4

New York City has already provided this assistance to sweat equity homesteading co-ops. It could easily be done elsewhere.

Finally, the city could provide buildings for qualifying groups. Most cities own houses and apartment buildings that were either purchased or had been left abandoned. These buildings could be turned over to tenants' groups which are willing to organize cooperatives and community housing corporations. Local governments can pick up surplus federal property at little or no cost. Often, these surplus offers include housing on former defense bases. If the city does not take the land, it is sold to the highest bidder. City government could accept such properties and then convert them to cooperatively- or community-owned housing. Cities could negotiate with HUD to help housing cooperatives buy HUD-owned multi-family dwellings. Cities could also use their power to confiscate buildings whose owners owe local property taxes, and, as has been done in New York City, donate these buildings to non-profit co-ops or community housing corporations.

Why should cities do all this? Because, ultimately, such an aggressive program in support of cooperative and community ownership is in the city's best interest. If city officials want to preserve the economic and social diversity of cities, if they want to stabilize neighborhoods rather than have them speculated out of existence, if they want to provide for the needs of poor and rich alike, if they want people to manage their own affairs, and if they want more of their cities' wealth to be available for local economic development, then community or cooperative ownership is a logical alternative. And, as more Americans are forced into the renter's market, this alternative will become not only more logical but also more necessary.

—*Ernie Eden*

Ernie Eden works with the National Association of Housing Cooperatives. The information in this article comes from a larger paper on community ownership of housing written by Ernie and soon to be published by the Institute for Local Self-Reliance.

Notes

New Directions in Solid Waste Planning is a new publication of the Institute for Local Self-Reliance. Written by co-director Neil Seldman, the paper is an up-to-date survey of promising developments in the field of low technology solid waste management and planning. The twenty-two page report is available for $2.00 from ILSR, 1717 18th St. NW, Washington DC 20009.

The Farallones Institute is offering a month-long comprehensive study course in Home Conservation at the Integral Urban House in Berkeley. The program will be offered for the first time this August and will be repeated according to public response. Each course will include classes in food production, pest and waste management, water, energy and soil conservation, environmental ethics, and community problem solving. Tuition for the course, excluding residence, will be $300. Applicants should send a resume and a self-addressed stamped envelope to: I.U.H. Home Conservation Course, 1516 Fifth Street, Berkeley CA 94710.

The New School for Democratic Management is conducting its first program this month. Starting July 17, the two-week program will cover such topics in business management as: financial management, organizational growth, marketing and promotion, bookkeeping and accounting, community economic development strategies, and worker self-management. The School's intent is to help community-oriented and democratically-organized enterprises become self-sustaining and able to expand. In addition to the summer program, the School will offer a series of regional seminars this fall on *Basic Business Skills* and *Democratizing the Workplace*. For information, contact Susan Stanton, New School for Democratic Management, 256 Sutter Street, San Francisco, California 94108. (415) 434-1705.

The International Federation of Organic Agriculture Movements (IFOAM) was formed slightly over a year ago to improve communication among practitioners of ecological agriculture around the world. IFOAM has begun to publish a quarterly bulletin which abstracts significant contributions and developments in the field. The bulletin costs $4 a year and is available from Rodale Press, Emmaus, Pennsylvania 18049.

Support Self-Reliance

The Institute for Local Self-Reliance is a research and consulting organization which explores the potential for, and the implications of, high density population areas becoming independent and self-reliant. The Institute, incorporated two years ago as a tax-exempt non-profit organization, conducts basic research; develops working demonstration models of new technologies, institutions and small-scale production systems; develops educational materials and disseminates information.

The best way to keep up with developments at the Institute and around the country which are relevant to the movement toward urban decentralization is to subscribe to SELF-RELIANCE. You may continue to receive this newsletter every two months in one of two ways:

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All publications are available from ILSR, 1717 18th St. NW, Washington DC 20009. Please include 25¢ with each order for postage and handling (50 cents with orders for garden chart).

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