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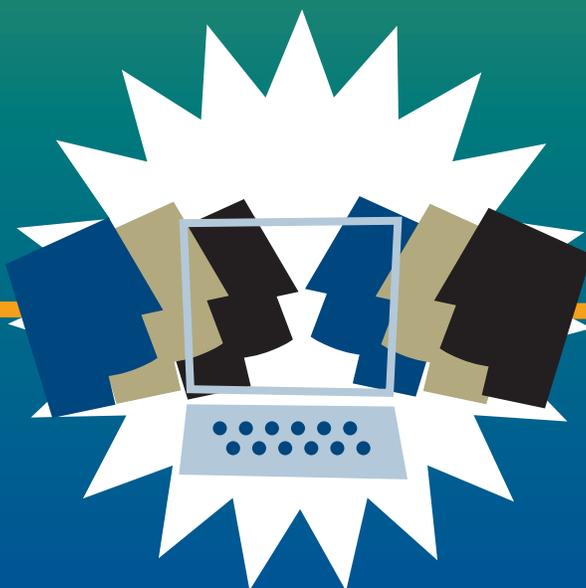
**Democracy
and
Economic
Change**

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Democracy *and* ECONOMICS

By David Mathews

Early on in its research, the Kettering Foundation recognized that politics has to be studied in light of what happens in the economy, just as the study of the economy has to take into account what happens in politics. At the same time, we reminded ourselves that our strength is in democratic politics, not in economics, and certainly not in macroeconomic policy. We look at what is happening in the economy through a democratic lens. So our focus is on the role of democratic practices in responding to the ongoing challenges of economic change, particularly challenges

at the local or community level. In this piece, I'll try to explain how we came to this focus and where it is taking us.

Looking through a democratic lens, we have been taken by how little confidence citizens have in their ability to do anything to affect the economic changes that seem to sweep over them like a tsunami. Factories move out of the country. Unemployment rates grow. Credit isn't available. Market values fall. Individually, there are things people can do: move, open their own business, retrain for a new occupation. Collectively, however, people

Democracy and Economics

feel helpless. Protests have little impact on global forces that even national policy can only influence at the margins. Communities are flattened; their ability to bounce back is in doubt. And the institutions that are players in the global economy, like the Federal Reserve System, appear remote and esoteric.

When we looked at the key variables that determine a local economy's resilience, however, the collective citizenry is, in fact, implicated in nearly all of the things that allow a community to bounce back. Experts in economic development say regions and communities that do well have a sense of possibility, a conviction that they can meet any challenge. Their citizens have developed the skills and habits of working together. Their culture encourages innovation and enterprise. They experiment, learning as they go. And they have networks and associations that link people in a free flow of communications.

Even if people are aware of what experts say about how important the citizenry is, they aren't sure of how to act on the insight. Knowing that a sense of possibility and a willingness to take risks are key doesn't tell a community how to develop those attitudes. Major economic institutions don't seem to know what to do with this insight about the citizenry either; they seldom see anything for people to do other than become better informed about what institutions are doing.

Given the inconsistency we found between expert research and citizens' attitudes, our next task was to search for others who are concerned about the same or similar problems. In this issue of *Connections*, note a study done by the Farkas Duffett Research Group, which documents just how "nervous and worried" Americans have become because of what has happened to the economy—worried to the point of being somewhat fatalistic: "If I get laid off, I get laid off. There's nothing I can do about that." Citizens feel they are "just all along for the ride." Most people are acting individually by cutting expenses, but few could imagine effective

actions they could take with others.

In this search, we also found a literature that shares our focus on communities. Some of it comes from members of our board. In *Smart Communities*, Suzanne Morse writes about the craft industry that developed in Asheville, North Carolina, and surrounding communities, relying on local craft traditions. And Dan Kemmis makes the case for place-centered economic development in his book, *Community and the Politics of Place*. Kemmis believes that a "marketplace" implies a real place, and he argues for a place-sensitive strategy for development that combines environmental protection with economic well-being.

We drew heavily on studies that discuss the role citizens might play in building economic resilience, including those done by J. Mac Holladay, a seasoned veteran of state economic development, and Vaughn Grisham Jr., author of a book on Tupelo, Mississippi's evolution from rural poverty to sustained economic progress. Holladay reports a shift from a federal and state orientation for economic development to a more regional and community focus. In an occasional paper done for Kettering, *Economic and Community Development: A Southern Exposure*, he argues that "economic development is a part of a larger, more important process involving and reflecting the life and activity of the community." That life is determined by what citizens do or don't do with other citizens: organizing youth development programs to reinforce schools, creating support groups for those with chronic diseases, expanding the scope of the local historical society to include everyone's history. Working together on projects like these is a democratic practice that creates civic relationships, which are one of the keys to resilience.

Grisham's longitudinal study of Tupelo documents the importance of the politics that occurs in small places like the neigh-

borhood gatherings where people make decisions about improving their community—and then act on what they have decided. Collective decision making and action are also democratic practices; they form habits that build resilience.

A recent study of a Russian community is adding to what we are learning in the United States in rural sociology and is prompting us to pay more attention to another phenomenon that contributes to resilience—community self-organizing. This study is discussed in the forthcoming *Kettering Review* and is based on the Pomore people in far northern Russia,

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who faced numerous economic challenges in expanding from reliance on fishing to a broader agricultural and industrial base. Autonomous development, as self-organizing is sometimes called, doesn't involve a central authority or third-party intervener. It seems to be based on certain innate tendencies, particularly that of turning to others when faced with danger. Self-organizing is a practice that fosters local self-determination; it suggests that human beings are naturally "programmed" for more collaboration than they are given credit for.

With the Pomore, self-organizing appears to be deeply rooted in the political culture, so much so that they have been able to survive elaborate "reforms" to restructure the community. These reforms took place largely under the Soviet system, yet the Pomore have a tradition of local decision making, which is key to self-

organizing, and it has prevailed, despite state-imposed directives and production quotas. The essential structure for self-organizing, according to this report, is “networks of interaction.” These nonhierarchical structures were, nonetheless, able to mesh with hierarchical organizations of governments.

The importance of social networks reminded us of a study of Allentown, Pennsylvania, and Youngstown, Ohio. Published by the Industrial Performance Center of the Massachusetts Institute of Technology, the report goes into detail about the characteristics of networks that contribute to economic resiliency. Both communities experienced severe

decisions are much more difficult to make because they involve things people hold dear. Something is happening that concerns everyone, yet there is no agreement about what should be done. The current economic crisis is a perfect example. The lack of a consensus on what should be done often results in polarization, and that undermines resilience. There is no agreement because the choices bring into conflict things that people value, some of which will have to be compromised, deferred, or sacrificed. But, which ones? Since there is no expert answer, citizens and officeholders have to exercise their best judgment.

Kettering’s contribution to the development of sound public judgment, along with organizations like Public Agenda, has been to identify the normative or morally charged disagreements, describe the inherent tensions and trade-offs that have to be made, and then try to stimulate the public deliberation that

is necessary to make sound decisions. The question we are addressing now is, what disagreements on current economic issues are morally charged and likely to result in polarization?

Another line of research that seems promising for understanding economic resilience is the role of civic learning. Communities that are continually learning as a community are usually able to bounce back from failure. As we have said before, they know how to fail successfully. This kind of learning is collective, and it involves more than acquiring information from what others are doing or from expert sources. It draws on people’s experiences and the insights those experiences offer about the nature of the problems at hand, as well as the community itself, how it works, and what its assets are. This learn-

ing results in discoveries, and it requires a political environment open to experiments and not restricted to doing only those things that are likely to show immediate, measurable results. Kettering, a foundation started by inventors, should know something about this kind of politics.

As reported in previous issues of *Connections*, we have already seen discoveries occurring in certain situations. For example, when citizens name a problem in their own terms—that is in terms of what is valuable to them—they discover what the problem actually means in their lives. They don’t get that insight if the problem is only named in professional terms. Also, as people deliberate over what decision is best for solving a problem, they often discover dimensions of the problem they hadn’t seen before. That happens when people listen to others who face different circumstances and see the problem from a different perspective. This tends to expand or broaden the definition of the problem. It is no wonder that the ancient Greeks called the deliberation used in making sound decisions “the talk people use to teach themselves before they act.”

In researching how democratic practices may give communities a greater capacity to survive economic downturns and promote positive change, our greatest challenge is, as always, finding experimenters to learn from and with. These allies are essential because our research is based on what experimenting groups learn from novel ways of responding to economic change. *Connections* is one way of reaching out to those who might be fellow travelers. And we hope the Readers’ Forum will also open the door.

David Mathews is president and CEO of the Kettering Foundation. He can be reached at dmathews@kettering.org.

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economic challenges, but Allentown fared better, not because of a dense network configured tightly around a central hub like a wagon wheel but, to the contrary, because of loose civic networks that facilitated “interaction—and mobilization—across social, political, and economic divisions.”

We hope to learn more about self-organizing, specifically what promotes—and what blocks—it. And, given our extensive research on collective decision making, we want to find out more about what happens when people try to make decisions on economic problems, particularly those where morally charged disagreements are likely to derail progress. Some decisions are about solving practical problems, and the choices are about what is most efficient and cost effective. Other

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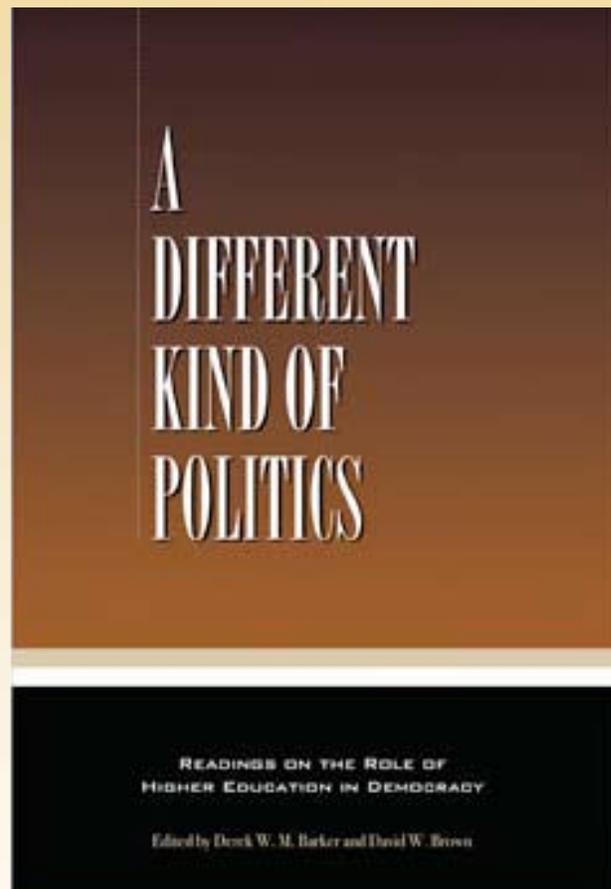
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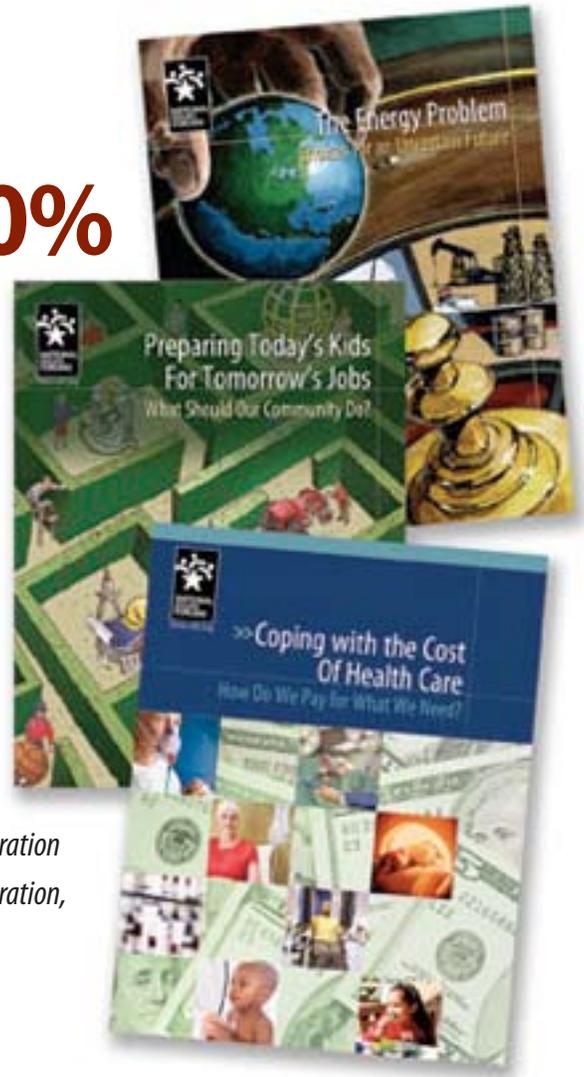
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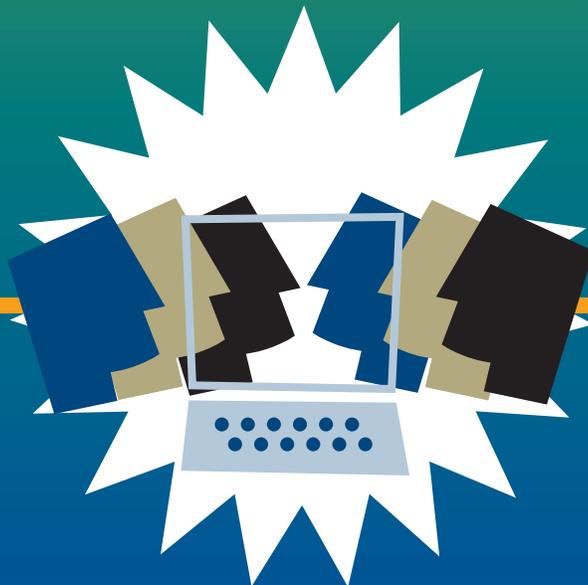
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The Kettering Foundation, chartered in 1927, is a research foundation rooted in the American tradition of inventive research. Its founder, Charles F. Kettering, holder of more than 200 patents, is best known for his invention of the automobile self-starter. He was interested, above all, in seeking practical answers to “the problems behind the problems.”

The foundation today continues in that tradition. The objective of the research now is to study what helps democracy work as it should. Six major Kettering programs are designed to shed light on what is required to strengthen public life.

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