Journal of Social Justice, Vol. 3, 2013 (© 2013)
ISSN: 2164-7100

One Worker, One Vote: Economic Democracy as Civil Right

Philip Daniel Louro*

This work examines and appeals for the extension of civil democratic rights towards an important domain of everyday life that is oft ruled by authoritarian practices: the workplace. As decisions made within firms grossly impact the well being of its society, workplaces and economic enterprises must be open to democratic practices. As ownership of production has become increasingly profuse through stock ownership, this work analyzes the claim that investor governance of the corporate structure constitutes an 'economic democracy'. Instead, an argument is made for the worker cooperative as the best extension of democratic ideals onto the economy. Worker cooperatives are directly owned by their workforces who participate in its governance on the basis of 'one person, one vote', and some broad features of the movement are discussed. These remarkable firms can be powerful tools in economic development, citizen empowerment, and spreading democracy into the everyday lives of ordinary citizens.

KEYWORDS: Cooperatives, Economic Democracy, Labor, Capitalism.

The creation and maintenance of a democratic society is forever a work-in-progress; one that reaches no endpoint, but continues to expand its horizons. Many have lamented the state of American democratic participation, and others have grown disillusioned over how much control they have over their own affairs. While many rights have been granted to protect a citizenry from a tyrannical government and unjust social practices, very few have been offered to protect them from an unjust and tyrannical economic system. One must remark at how often

* **Philip Daniel Louro** is a graduate student alumnus of William Paterson University whose research interests include worker cooperatives, globalization, and human ecology. Please address correspondences to: lourop@student.wpunj.edu.

citizens must implicitly abdicate their democratic rights upon entering their place of employment. When the common person spends half of each day in an authoritarian system of organization, one must question what effect this has on our democracy as a whole. Rather than probe the entirety of these consequences, this work will instead appeal toward an alternative: the democratization of an autocratic economic system. The principles of our civil democracy can, and must, be transferred to our workplaces. The acclaimed 'democratic' structure of investor governance must be held to task for failing in both its ends and means. A worker cooperative, however, fulfills the criteria for democracy that has become the foundation of modern western society. This inspiring form of organization has long held a repertoire of advantages over its traditional capitalist counterpart, and a few of these will be explored in this work. It is clear that these benefits derive from a single cause: the democratic empowerment of its workers and their broader community.

Some would question whether our civil and political rights can or should be extended into the economic sphere. In probing this question, many authors have strongly argued that there *are* enough similarities between the state and an enterprise as to make workplace control a legitimate right. Typically, these arguments revolve around the relationships of power and coercion. It has long been argued that political rights do not extend towards workplace rights since the state has strong coercive powers that need to remain in check, whereas a firm does not. Economists, such as Richard Arneson,[1] typically cite the freedom of labor to move from a despotic firm to one of their choosing. This freedom of choice separates the firm from the state. Leaving a state incurs far higher costs and poses greater barriers than leaving a workplace. Thus, the free movement of labor is the remedy to the coercive elements of a tyrannical workplace. Most would agree that states have far more powerful coercive capabilities than a firm does. However, this view assumes a variety of pristine economic circumstances, including the assumption that perfectly competitive labor markets exist at all times. Labor is not as free as many economists would believe. Several political theorists, notably Robert Dahl,[2] have pointed out that leaving firms typically incur high costs on the individual, thus promoting the coercive powers of the firm. Perfect labor markets rarely exist, and a better firm may not exist for an individual to transfer to. For some, this is a matter of distance, or not having a guaranteed entrance into the workplace, among other factors.

Others argue that any individual in a relationship of power has the right to democratic entitlements. In short, a democracy cannot be flourishing when its citizenry are under the domination of the will of others. This was clearly expressed in the work of Bowles, Gintis, and Gustafsson, who wrote, "Agent A has power over agent B, if, by imposing or threatening sanctions on B, A is capable of affecting B's actions in ways that further A's interests, while B lacks this capacity with respect to A".[3] Under high rates of unemployment, the threat of being fired is an exceptionally powerful tool for employers to coerce their workforce. Robert Dahl believes that extending these rights to a citizenry is essential for survival of any meaningful democracy. He believes it is a matter of right when an organization is capable of fulfilling criteria for a democracy. He sketches certain assumptions of a democratic process, notably that binding collective decisions ought to be made by those directly affected by them, that each person is the final judge of their vote, and that each member has a vote roughly equal to their capability of reaching a decision. He wrote,

> The assumptions and the criteria I have just set forth do not, however, specify any particular kind of association. Instead the democratic process, and only the democratic process, would be justified in *any* association for which the assumptions are valid. …. It would seem appropriate to say that in any association for which the assumptions are valid, the adult members possess an inalienable right to govern themselves by means of the democratic process, whether or not they choose to exercise that right.[4]

In his ambitious theory of a property-owning democracy, John Rawls believed that any society based on fairness *must* incorporate all classes into property owning and they must all have a say in their own affairs. In *Justice as Fairness: A Restatement*, he discussed the necessity of this equality in property-owning:

> In property-owning democracy… the aim is to realize in the basic institutions the idea of society as a fair system of cooperation between citizens regarded as free and equal. To do this, those institutions must, from the outset, put in the hands of citizens generally, and not only of a few, sufficient productive means for them to be fully cooperating members of society on a footing of equality.[5]

Thus, we see in both these thinkers the usage of widespread ownership and participation as a necessary means of achieving both equality and liberty.

THE CORPORATION AND THE OWNERSHIP OF PRODUCTION

The question currently posed to our society is not *whether* the body politic is entitled to a voice in the economy, but *how* they are entitled to one. Democratic empowerment over our economy has been available for some time, and we must now see whether we can improve this system. The suffusion of economic ownership towards the laboring classes has continued at a glacial pace since the dismantling of feudalism. Concurrent with the emergence of political democracies throughout North America and Europe, the corporation helped pave the way in restructuring economic production towards something slightly more democratic. Although the motivations behind this restructuring were likely out of practicality and not benevolence, it was a monumental step in moving beyond feudalism. It did so by opening up its ownership structure to the public, and granting them eternal rights towards participation. Prior to that, a sole proprietor or group of proprietors owned many businesses. Emerging from a feudal system, the owners of capital and financiers were typically descendants of the aristocratic or merchant class. They performed the function of being capitalists, financiers, managers, and owners, often all at once. Economic production was purely a matter of private property, and these owners were vested with ultimate authority over economic behavior. All others in society held no right to participation, and the liberal thinkers of the 18th and 19th centuries argued to give governments as little influence as possible. Economic behavior in society was dominated by liberal conceptions of private property and the market.

The past 150 years have seen the corporation quickly become the most dominant economic institution in the world. As an organization, it has garnered both tremendous praise, and bitter criticism. It is hardly remembered today that the corporation was once considered a tool of public utility. It operated under a state charter system to help develop public services that required heavy capitalization, such as constructing bridges, roads, or public transportation systems. Corporations operated for limited duration, and for narrowly defined purposes. It has since been freed of its public obligations and has been legally bound to the sole pursuit of profit maximization for its stockholders. Perhaps, under different ownership structures, a corporation may become more accountable to the public well-being.

The key to understanding what makes the corporation unique and successful is its ownership and capitalization structure. In *The Corporation*, author Joel Bakan documents the history of modern-day corporations and their rise to power. He states that, “The genius of the corporation as a business form, and the reason for its remarkable rise over the last three centuries, was- and is- its capacity to combine the capital, and thus the economic power, of unlimited amounts of people.”[6] Management and ownership were separated; the public could now finance and own a share of the business. The share granted legitimate ownership and a legally binding right to participation in the affairs of a business. Although long-term and meaningful participation by shareholders is rare, one should not dismiss the historical importance of vesting ultimate authority into the public. It shifted the ability to own business away from the upper classes in the social order, and became open to those of lesser means.

In fact, the argument for ‘limited liability’ legislation in England, which freed the stockholder from any personal liability of the company’s debts, centered on incorporating the worker into capitalist ownership. While motivated by a practical need to incorporate greater amounts of funding, many also speculated whether it would help remedy class conflicts. Bakan cites an 1853 article in the Edinburgh Journal in which was written, “The workman does not understand the position of the capitalist. The remedy is to put him in by practical experience…. Working-men, once enabled to act together as the owners of a joint capital, will soon find their whole view of the relations between capital and labor undergo a radical alteration.”[7] Nearly a century and a half later, Louis Kelso echoed similar motivations behind pioneering the Employee Stock Ownership Plan (ESOP) legislation in the US. He wrote, “In human terms, it (*ESOP*) is a financing device that gradually transforms labor workers into capital workers… The company’s reward for an ESOP—in addition to motivated workers—is the low cost financing of its capital needs.”[8] Thus, opening up enterprise ownership and capitalization to the lower classes has long been motivated by pragmatism, sometimes accompanying a desired social benefit. The property owning society that Rawls imagined has not yet come to pass though. ESOPs are hardly a standard company benefit, and they lack one crucial feature: the guarantee of participation rights for workers. The degree of participation rights for workers is decided upon by top management, thus leaving democratic empowerment firmly within the grip of elites.

THE INVESTOR DEMOCRACY

While the separation of management from ownership may be historical achievement, the corporate firm has also produced severely harmful effects for democracy. A citizenry committed to democracy must question the degree of control they possess over their economy, and whether to demand greater ownership and participation rights. These rights are already here in some form; we now need to question how they can better serve our society. Many economists and social scientists have questioned the true power of the investor relative to management. Many have claimed that the investor's ultimate authority, although backed by a legal framework, is only an illusion of control. It was in this vein that economist John Kenneth Galbraith pessimistically wrote, "The annual *(stockholders*) meeting of the large American corporation is, perhaps, our most elaborate exercise in popular delusion."[9]

In reviewing the arrangements for control and participation in our economy today, perhaps it will be helpful to make important distinctions between corporate governance and political governance. Some of the more important differences are that citizenship rights are not centered upon property, they cannot be traded, and there is no profit motive behind democratic entitlement. Secondly, the electorate in the political arena remains stable. Under corporate governance, its electorate changes drastically as they speculatively trade these rights for greater profits. This results in a far greater disinterest amongst an investor electorate than a civil electorate. A single share may be traded amongst countless hands on any single day. Proportional representation, a foundation of civil democracy, is entirely absent as shares are distributed unevenly according to wealth. Corporations hold their elections each year, which is far more frequent than most political systems. Often times, an individual will own such significant amounts of stock that their interests alone are dominant. More often than not, candidates are chosen by the Board of Investors, and voted by proxy. Furthermore, the election of top management rarely involves ideological competition, in contrast to political elections. There is no true counterpart to the parties of competing ideologies in the political system. A political electorate produces a multitude of competing interests. Perhaps due to their general disinterest, investors are much more uniform in what they want from their executive officers; the maximization of profits. The investor democracy of the modern corporation hardly shares any resemblance to our civil democratic ideals. Rather, it is a fairly grotesque perversion of it.

It may be considered unfair to compare investor governance to political governance considering their differences. It would be foolish to expect them to function similarly in means. We may, however, consider it a failure in its ends. Does it truly produce a system that is accountable and beneficial to its society, or just to the short-term, selfish interests of a small body of investors? Contrary to the assumptions of having achieved an investor democracy, ownership of stock is highly skewed towards a small segment of the population. Most would be surprised at how little the average American is actually invested in Wall Street. The plenitude of media coverage on the stock market, the prominence of business sections in newspapers, and the litany of television programs giving advice on stock ownership has created a thin veneer concealing the truth of the American working class's connection to economic control. In actuality, less than half of American households are invested in the stock market in any form -- including mutual funds and 401K's.[10] According to the Economic Policy Institute, the wealthiest 10% of US households owned over 78% of all corporate stock in 2004.[11] To call this system a 'democratic' one is certainly a stretch of the imagination. Perhaps we may need to redefine public ownership in economic enterprise.

In doing so, we should strive to move economic democracy *at least* towards political liberalism and enlightenment ideals by no longer centering it on property entitlements. Currently, *all* democratic rights in economic organizations center on property. Those without property have no say, even though they may often shoulder the firm's negative externalities. If we may again draw a comparison to the political realm, this system would be considered a remnant of feudal traditions, and incompatible with our democratic traditions.

ENTITLEMENTS IN A DEMOCRATIC ECONOMY

Since our current system of selfish, disinterested investors make a poor electorate, who then should be entitled to own enterprises beyond management? Economic organizations affect all of society, particularly upon its workers and their surrounding community. We shall utilize Dahl's criteria for democratic association by limiting entitlement to those most directly affected by it. After all, in political democracies, one cannot vote in out of state elections in order to preserve the sanctity of those who would be directly affected. Thus, the same principle applies.

The current form of capitalist enterprise has produced significant unrest, and many believe it does not successfully satisfy the needs of workers and communities. Therefore, one could argue for different ownership to satisfy those needs. Consumers are also directly affected by business decisions, and are entitled to form cooperatives. Even under democratic ownership, the market would still be able to adequately satisfy consumer wants. As will be discussed further on, labor and community empowerment poses no threat to consumer satisfaction.

Thus, we turn now to the issue of granting ownership of the economy to its employees. The decisions of a business entity are of direct importance to its workforce. Although some protections currently exist for labor, workers are ultimately at the mercy of others. They are typically the first to bear the burdens of poor economic times. Workers currently share an odd, alienated relationship towards a firm's profits in many companies. For the most part, one could say it's a relationship of indirect rewards and direct punishments. With some exceptions (such as ESOP plans, sales commissions, etc), workers receive indirect rewards from a company's prosperity at best, and have little entitlement to its profits. These indirect rewards mainly take the form of increased job security, and only occasionally include slight salary increases. However, during times of distress, they are directly punished and sacrificed in the pursuit of profits and austerity. This includes layoffs, benefit cutbacks, salary freezes, and others. Clearly, workers have a direct interest in the decisions of a firm. On a less theoretical level, this right is also necessary. Unemployment and job insecurity can decay a family and its society. Laying off large segments of workers in profitable plants in pursuit of higher profits for a small segment of society does not fit any criterion of justice. Therefore, workers are entitled to ownership and democratic participation of an enterprise if they see themselves fit for the task.

Are communities entitled to some degree of ownership? Communities indeed bear the burdens of many corporate decisions and mistakes. They must compete with each other in tax breaks and lax regulations in order to draw corporate investment. In doing so, communities often find that they lost more than they benefited from corporate investment. This also puts communities at the will of corporations in order to maintain employment. Furthermore, high unemployment rates can decay a community. This was clearly demonstrated in the town of Flint, Michigan, which has now become famous for its story of sudden decline and deindustrialization during the 1980's. Moreover, a study has found that higher crime rates are linked to low wages and unemployment.[12]

According to the study, while wages for men without college education fell by 20 percent between 1979 and 1997, property-related and violent crime (such as assault and robbery) increased between 21-35 percent between those periods. Crime declined from 1993-97, which corresponded with a slight increase in wages of unskilled workers across the US. In contrast, no link was found between economic conditions and violent crimes such as murder and rape. According to researcher Bruce Weinberg, "Wage declines are responsible for more than half of the long-term increase in both property and violent crime… The fact that murder and rape didn't have much of a connection with wages and unemployment provides good evidence that many criminals are motivated by poor economic conditions to turn to crime."[13] Clearly, as demonstrated in the study, the interests of communities are correlated with the needs of workers. Due to this direct interest, we can therefore establish that communities are, to some extent, entitled towards participation in economic democracy. The onus is upon the workers to find ways to incorporate the community's needs into decision making.

A community is more than a set of geographical boundaries; they represent a collection of shared interests within those boundaries. Do investors in capitalist firms represent a 'community' of some kind, and does this community represent the interests of the geographical community where the firm is based in? Investors only share a single common interest: producing the greatest yields in their investment. However, this 'community' is extremely unequal in their coercive capabilities, it shares little personal contact with one another, and is not geographically bound in any way. An investor community would be more apt to shut down a plant and move than take pains to improve its efficiency. Even under the loosest definition of community, our current system of economic organization fails to adequately satisfy the interests of the civil community. A labor force, on the other hand, is geographically bound to the civil community, and engages in close social and psychological contact with it.

Economist Gregory Dow noted how the structure of traditional firms can divide communities. In comparing employee-owned companies and traditional companies, he wrote:

> …It seems clear that KMF's (capital-managed firms) and LMF's (labor-managed firms) do not create an equivalent sense of community. KMF's do, of course, bring together a set of individual employees with parallel interests through a series of bilateral employment contracts…. But in a KMF, employees typically have

> only weak norms about doing their work well, and the oppositional nature of workplace relations can lead to norms against cooperating with bosses. Any sense of community that does emerge tends to be limited to workers located at roughly the same hierarchical stratum in the firm.[14]

The self-interests inherent in traditional employment relations impede more efficient production, and divides social relations into various strata. These hostile work relations have been visible as far back as the start of the Industrial Revolution. The great liberal thinker John Stuart Mill, who was also a supporter of employee owned firms, expressed similar sentiments in discussing the erosion of community interests from employment relations. He was hopeful that the spread of Enlightenment ideas would provoke the laboring classes to demand democratic employment relations. In his great work "*Principles of Political Economy*", he wrote:

> In the present stage of human progress, when ideas of equality are daily spreading more widely among the poorer classes… it is not to be expected that the division of the human race into two hereditary classes, employers and employed, can be permanently maintained. The relation is nearly as unsatisfactory to the payer of wages as to the receiver. If the rich regard the poor, as, by a kind of natural law, their servants and dependents, the rich, in their turn are regarded as a mere prey and pasture for the poor; the subject of demands and expectations wholly indefinite, increasing in extent to every concession made to them.[15]

These hostile social relations show little hope of disappearing under capitalist firm structures, and will continue to inadequately address community needs. Rather, a workplace democracy may go a long way towards reconciling both employer and employed and maintaining social relations conducive with cooperative civility.

Since the impact of business actions are often more direct upon workers than on communities, workers should be the primary owners of their firms. Of course, creditors and financiers are also important, and have a right to a say in operations. How a firm balances these interests should be reserved for each individual firm to resolve. Nonetheless, employees in any democratic economy should form the crux of ownership and the ultimate authority in the firm. Empowerment remains as powerful a tool today as it was at the dawn of our democracy.

WORKER COOPERATIVES

Worker-owned firms have existed since the beginning of the Industrial Revolution, albeit in small numbers. There are many names for them, such as worker cooperative, labor-managed firm, producer cooperative, employee cooperative, worker-owned firm, etc. Traditional firms view labor as merely a series of contract obligations, and nothing more. Worker cooperatives are owned by their employees, and empower them with certain rights and securities notably lacking in the traditional capitalist firms. The history of these firms serves as a lasting testament that there are alternatives that we may turn to for inspiration. Although only a small number of companies have been turned into workplace democracies, many of these examples can be repeated today. The long-term ramifications of such an option would be subtle, yet profound. There are many different kinds of cooperatives: consumer, agricultural, financial, retailing, franchise, and a variety of others. Although each type of cooperative contributes towards democratizing the economy, this work will only focus on the worker cooperative and its unique role in such an important process.

If a worker-owned firm can engage the market efficiently, many would question how this change in ownership would produce any long-term effects. Many of the negative things corporations do are said to be necessary actions demanded by the market, such as shedding its workforce under bad times, utilizing poor safety practices, or heavily polluting a community. Thus, if these unfavorable actions are the result of market logic, how can there be an alternative to this system that doesn't require abolishing the market? This question has long divided socialists and other progressives, and worker cooperatives are not always a perfectly benign organization. However, the experiences of the cooperative movement give ample encouragement that they can better serve a community's well-being than the current system of capitalist economic relations.

In brief, however, the difference stems from the motivations of the owners, which are more heterogeneous within worker-owned firms. Corporations are said to be ruled solely by the 'bottom line': capital maximization at any cost. In a worker-owned firm, the workers define the 'bottom line'. Acquiring capital is a necessary means to an end. However, when capital accumulation becomes the sole reason of enterprise, one should not expect any other value to dominate our economy; not democracy, not fairness, nor community, nor empathy for humanity. No amount of advertising campaigns can change the true intent of capitalist firms, and aggregated greed does not always produce social welfare. This is clearly demonstrated by the Wall Street scandals and the financial collapse of 2008-09, among other incidents. A democratized ownership would prevent such reckless gambling and wasteful uses of capital as shares are kept within the workforce. There is substantial evidence that worker-owned firms can meet market austerity as efficiently as its capitalist counterparts, while synthesizing more human and social values into its' business practices. The heterogeneity of worker interests may be considered a weakness to some, but it also provides flexibility. The need for profit will be a necessary feature in any firm. The strict homogeneity of capitalist investor interests ensures that the corporation will adapt to changing societal demands *only* if there are high profits to be made for minimal sacrifice. Worker cooperatives, and the heterogeneity of their interests, offer greater flexibility to adapt to new demands and to listen to community needs. One only needs to point to the world-renowned Mondragón Cooperative Corporation and Italy's sprawling Lega federation, both of which have enforced strict limits on financial speculation and harmful profit maximization.

WORKER COOPERATIVES AND ECONOMIC DEMOCRACY

Worker-owned firms, or worker cooperatives, exist in a variety of industries around the world. Successful worker cooperatives exist in the US, India, UK, Canada, Israel, and throughout Latin America and Europe. Economists are hopeful; many of these firms have shown tremendous potential. There have been varying definitions of cooperatives and its underlying principles throughout history. The most famous of these were the Rochdale principles. Established in 1844 by the Rochdale Society of Equitable Pioneers, they have become the core set of principles upon which most cooperatives around the world incorporate. They are a code of conduct that must be met to be considered a cooperative business, and the International Cooperative Alliance (ICA) has adopted the seven Rochdale principles as its criteria for defining cooperatives today.

As the largest non-governmental cooperative organization in the world, the ICA defines the necessary business conduct of a cooperative as 1) voluntary and open membership, 2) democratic member control, 3) member economic participation, 4) autonomy and independence, 5) education, training and information for its members, 6) cooperation among cooperatives, and 7) concern for community.[16]

The first principle states that membership must be open to all persons able to use the services and willing to accept responsibility, and *must not* discriminate on any grounds (gender, race, religious, etc.). Although this principle has been incorporated into employment today, it was quite revolutionary in the mid-nineteenth century. The second principle established that each worker/member had a right towards democratic participation, and voting was on the basis of 'one person, one vote'. Elected representatives are accountable to its membership.

The third principle established that workers/members must contribute equitably towards the cooperative, in terms of capital and otherwise. In addition, worker cooperatives strive to reduce inequalities in wages. Not only must members contribute equitably, but must also receive equitable compensation. In most worker-owned firms, the firm's profits are distributed to workers in an egalitarian fashion. Although some higher wages are granted for individuals in top positions, the wage ratio inequalities are much lower than in capitalist firms. In the Mondragón cooperatives, the wage ratios had long been 3 to 1 between the highest and lowest paid members. In order to stay more competitive with multinational firms, the maximum allowable ratio was raised to 6 to1 during the late nineteen-eighties. This has not gone without controversy. However, it pales in comparison with wage ratios in capitalist firms. Since that time, CEO compensation in capitalist firms has ranged between 100 and 300 times that of the *average* worker.[17] In many companies, it is far higher than that. Furthermore, the third ICA principle demands that capital contributions be used for the benefit of all and the development of the cooperative. Although workers/members retain some profits for compensation, most are to be reinvested for the development of the firm, just like any other business. Unlike Wall Street, financial speculation and collective greed are not allowed in its business practices.

The fourth principle states that a cooperative must be an autonomous organization ultimately controlled by its membership. Any agreement it enters into with other agents must be on terms that respect the membership autonomy of each organization. The fifth principle states that the membership must be provided with high amounts of training and open access to information in order to ensure an informed electorate. After all, any functioning democracy requires extensive education. The sixth principle states that cooperatives must not only serve themselves, but must work together with other cooperatives to ensure the greatest welfare. The last principle is that cooperatives must work for the sustainable development of the community through policies approved by the membership. Since the membership is drawn from the community in which it is based, there is often a similarity of interests between them.

Clearly, these principles more closely align with the foundations of our civil democracy than investor governance. Like the investor democracy, the elected representatives of top management are recallable by their shareowners. Unlike the modern corporation, worker cooperatives distribute power and participation rights *evenly*, their shares *cannot* be traded on Wall Street and outside investors, the membership *is* geographically bound to their community, and the endless pursuit of profit is *not* their sole raison d'être. Therefore, if we are to have liberty and freedom over our economic affairs as not merely its consumers but also its producers, then that liberty will only result from the incorporation of cooperative governance. Anything less, such as the attempts at capitalist investor governance, is but a sordid forgery.

There are many advantages to worker cooperatives, and many of them are hard to quantify. There is sufficient evidence to state that worker-owned firms have three major advantages over their traditional counterparts. The first comes in the form of employment. Worker cooperatives can provide greater stability in employment, even under harsh economic recessions.[18] If given the choice, most workers would rationally choose to not outsource themselves. The US plywood cooperatives of the Pacific Northwest and Spain's Mondragón cooperatives offer striking evidence of this. In fact, both of these organizations were initiated with the express purpose of providing more stable employment in the community.[19] During recessionary periods, workers chose to take wage cuts before initiating layoffs. Once again, this is an example of the positive effects of heterogeneous worker interests. Traditional firms will sacrifice workers for their single interest: maintaining high profit margins. Worker cooperatives also want profits, but will often find that more human interests should take precedence.

Along with providing stable employment, a study has found that worker cooperatives are capable of producing four times as many jobs as capitalist firms for the same level of investment.[20] This is partly due to its second advantage, which is their tendency for higher labor productivity. Since workers directly own their firms, they directly share in the profits and losses of the organization. This provides a strong motivation to be productive and efficient, as well as putting considerable social pressures on the entire workforce to pull their own weight. These motivations also contribute towards lower employee turnover rates and absenteeism.

Since workers have strong personal incentives for success, they also reduce the need for supervisors. Monitoring workers with supervisory personnel and middle management add up to large costs for traditional firms. Studies have found the employees in worker cooperatives need fewer supervisors because they have strong incentives to monitor one another. One study found that cooperative plywood manufacturers used only one or two supervisors per shift, while comparable traditional firms used six or seven.[21] By spending significantly less on supervision, these firms are able to hire more personnel for production. The firm also employed a balanced job rotation, where employees would be trained in all aspects of production. For the skeptic, evidence of this work ethic can be found in a variety of firms since the Industrial Revolution. Writing in the mid-19th century, English economist John Stuart Mill observed this very same tendency in his *Principles of Political Economy*. In studying a French worker-cooperative, he wrote:

> Their rules of discipline, instead of being more lax, are stricter than those of ordinary workshops; but being rules self-imposed for the manifest good of the community, and not for the convenience of an employer regarded as having an opposite interest, they are far more scrupulously obeyed, and the voluntary obedience carries with it a sense of personal worth and dignity.[22]

There are also lower informational asymmetries between workers and management. The same study of the US plywood cooperatives found that workers are allowed access to information that is typically reserved for management, and are often encouraged to know it. Management, similarly, are given access to production information that workers would typically keep to themselves. [23]

All of these features tie into the third advantage: greater worker satisfaction. Taylor's methods of scientific management have produced work lives that are rote, tedious, and mentally numbing. Of course, this may be the nature of employment; work is usually not a leisurely and exciting activity. This breakdown of work into tiny fragments and specific tasks also produces heavily hierarchical work relations. In contrast, many worker cooperatives restructure and rotate work roles to utilize greater human potential. Rotating work duties stands in stark contrast with the deskilling and spiritually-draining methods of Taylorism that has become a standard practice in offices and industries. Work rotation is more prevalent amongst smaller cooperatives than it in larger and more complex ones. Since workers are given ultimate authority, they can decide the appropriate level of hierarchy and labor division, and how much they can directly influence. Further, alienation in the Marxist sense is significantly reduced as workers are given direct incentives to be productive. Some workers, such as in the US Reforestation Company Hoedads, are heavily involved in decision-making, utilize role rotation heavily, and make decisions by consensus.[24] The democratic structure of each firm varies significantly by industry and by size. Evidence of greater worker satisfaction is found in their lower rates of employee turnover. For example, Henry Levin found that the annual rate of worker turnover in the Mondragón cooperatives of northern Spain was only 2 percent in 1974, while in similar firms in the surrounding provinces turnover reached 14 percent.[25] Overwhelmingly, one of the biggest reasons for greater satisfaction comes with the job security and promise of steady employment. In the US plywood cooperatives, a study found that members overwhelmingly did not join on ideological grounds. Rather, they joined, and stayed, due to employment security and the egalitarian work relations.[26] These benefits may be an important value for many American workers today as they experience yet another period of high unemployment.

CONCLUSION

It is clear that the economy is sorely lacking in democratic social relations, and it must come to resemble our civil institutions for the sake of liberty and human dignity. Ownership of economic production has slowly expanded since the dismantling of feudalism, yet meaningful control over production has largely remained within the hands of elites. Decades of globalized capital have left both white and blue-collared American workers highly insecure about their financial future. Many have felt the sting of unemployment from deindustrialization, and the financial bubbles of Wall Street. The more fortunate have been perpetually living under the sword of Damocles; outsourcing and recessions coupled with low social safety nets have produced tremendous anxiety amongst Americans. Worker cooperatives have long been an oft-ignored alternative to an authoritarian system, and they have been recognized by a litany of authors since their inception. In the 'Inaugural Address' of 1864, Karl Marx wrote,

> "But there was in store a still greater victory of the political economy of labour over the political economy of capital. We speak of the co-operative movement.... By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the

existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself..."[27]

The broadening of ownership and participation rights in economic organizations to include the mass of our citizenry is not only necessary, but also achievable today. This evolution of democratic practices has not only broad theoretical support, but also a body of empirical work suggesting there are tremendous advantages in doing so. Democratizing the economy is very much a possibility today, and the cooperative sector is the most powerful tool at our disposal. Institutionalizing a fairer economy of positive liberties will require generations of committed citizens demanding their right to be dignified and equal members in their workplaces.

---

[1] Richard J. Arneson, *Democratic Rights at National and Workplace Levels* Ch. 2 Ugo Pagano and Robert Rowthorn *Democracy and Efficiency in the Economic Enterprise* (Routledge: New York, 1996)

[2] Robert Dahl, *A Preface to Economic Democracy* (University of California Press: Los Angeles, 1985)

[3] Samuel Bowles,, Herbert Gintis and Bo Gustafsson, *Markets and Democracy: Participation, Accountability, and Efficiency* (Cambridge University Press, New York: 1993) p. 14

[4]. Dahl, p. 61

[5] John Rawls, *Justice as Fairness: A Restatement* (Harvard University Press: London, 2001) p. 140

[6] Joel Bakan, *The Corporation* (Free Press: New York, 2004) p. 8.

[7] As cited in Rob McQueen, *Company Law in Great Britain and the Australian Colonies 1854-1920: A Social History* (Ph. D. thesis, Griffith University) p.75

[8] As cited in Alfonso Narvaez, *Louis O. Kelso, Who Advocated Worker's Capitalism, is Dead at 77* (The New York Times: February 21, 1991)

[9] John Kenneth Galbraith, *The New Industrial State* (Mentor Books: New York, 1972) p. 96.

[10] Economic Policy Institute, *The State of Working America 2008/09,* Table 5.7: Share of Households owning stock 1989-2004, citing Wolff 2006.

[11] Economic Policy Institute, *The State of Working America 2008/09,* Table 5.6: Distribution of Asset Ownership Across Households, 2004, citing Wolff 2006.

[12] Ohio State University Research News, *Higher Crime Rate Linked to Low Wages and Unemployment, Study Finds* (Ohio State University. Last updated April, 10, 2002). Retrieved on May 3rd, 2010. Available at: http://researchnews.osu.edu/archive//crimwage.htm

[13] Ibid.
[14] Gregory Dow, *Governing the Firm: Worker Control in Theory and Practice* (Cambridge University Press: New York, 2003) p. 38
[15] John Stuart Mill, *Principles of Political Economy, Book Four, Ch. VII: On the Probable Futurity of the Laboring Class* (Prometheus Books: New York, 2004) p. 700
[16] For more information on the ICA, please consult their website at: http://www.ica.coop/coop/principles.html
[17] Lawrence Michel, *CEO-to-Worker Pay Imbalance Grows* (Economic Policy Institute, June 21, 2006. Retrieved on May 3rd, 2010) Available at: http://www.epi.org/economic_snapshots/entry/webfeatures_snapshots_20060621/
[18] Henry Levin, *Employment and Productivity of Producer Cooperatives*, Ch. 2 in Robert Jackall, and Henry Levin *Worker Cooperatives in America* (University of California Press: Los Angeles, 1984) p. 22
[19] Ibid, p.22
[20] Ibid, p.18-20
[21] Edward Greenberg, *Producer Cooperatives and Democratic Theory: The Case of the Plywood Firms*, Ch. 8 in Robert Jackall, and Henry Levin *Worker Cooperatives in America* (University of California Press: Los Angeles) 1984
[22] Mill. p.713-14
[23] Greenberg.
[24] Christopher Gunn, *Hoedads Co-op: Democracy and Cooperation at Work* Ch. 7 in Robert Jackall, and Henry Levin, *Worker Cooperatives in America* (University of California Press: Los Angeles) 1984.
[25] Levin, p.26.
[26] Greenberg.
[27] Cited from Micheline R. Ishay, Human *Rights Reader Major Political Essays, Speeches, and Documents from the Bible to the Present* (Routledge: New York) 1997. p.206