

Chapter 21

The Promise of Worker Cooperatives

5. The Shift from Autocratic Corporations to Worker-Owned Cooperatives (from Boss/Employee Hierarchies to Democratic Workplaces)

This shift has to do with the structure of business institutions. In current industrial nations there are four basic types of institutions: small privately owned businesses, large privately owned businesses, public stock-selling corporations, and worker-owned-and-controlled cooperatives. A business institution of any one of these four types can be internally corrupt, destructive of basic justice in the society, and damaging to the natural environment, but only one type, the public stock-selling corporation, is forced by its very structure to emphasize profit making above every other value.

Profit does not have to be the overriding value of a business institution. The value of being of service to the population could be the first priority. Profit making could be secondary, almost like axle grease for the wheels of service. But such is not the case for a public stock-selling corporation. In order to make a profit, this institution, like any business, must be of service (or at least convince people that it is of service). But for the public corporation, profit is the first priority; service is secondary – sometimes a very distant second.

The Objective Facts

The danger to democracy of the public stock-selling corporations is a fact not sufficiently emphasized in mainstream economic thinking. The public corporation must provide a strong return to its investors or it will be taken over by a board of directors and a management who will make profit primary. Indeed, if significant profits are not made, a public corporation will go out of being as an institution capable of attracting public capitalization. This structural characteristic makes the public stock-selling corporation a dangerous institution. It cannot volunteer to do “good things” if those actions in any way interfere with making the strongest possible return for its investors.

When writers speak of “ending corporate rule” in our societies, they are speaking of reigning in these huge public stock-selling corporations. Small privately-owned businesses are also legally incorporated, but these institutions are not the core problem. Large privately-owned corporations can also be hugely destructive, but it remains true that socially responsible owners of a privately-owned corporation can de-emphasize profitability in favor of service if they choose to do so. A public stock-selling corporation cannot do that. If it does not maximize profits, it will be bought out by those who will. This structural flaw of the public corporation makes it *the problem institution* of our era. It is not sufficient to ask these institutions to volunteer to be beneficial; they must be forced to be beneficial by those governmental structures which license their existence. If we cannot build governmental fabrics that are strong enough to regulate these institutions, then we must consider phasing them out of existence and replacing them with other institutions that can be meaningfully regulated. These are the facts, facts that are not even considered part of the discussion in many instances. But such facts must not be dismissed as someone’s political agenda or ideology. In spite of all the benefits that some public stock-selling corporations may be to modern life, these institutions remain dangerous to democracy, to ecological well-being, to every combination of positive long-range outcomes for humanity.

Two corollary assertions are also true: (1) these institutions do not have to rule our lives, and

(2) these institutions are now so predominant in our industrial societies that they cannot be phased out in a short period of time. It is likely that stock markets and public stock-selling corporations will remain part of our institutional mix for decades. So the immediate question is: Do these institutions have to dominate our economies? Can they be restrained by government regulations? Can they be prevented from circumventing our best attempts to restrain them? Can they be limited through meaningful competition from other types of institutions? Can one of the roles of democratic government be to enable such competition to take place rather than continuing to provide advantages to the stock-selling corporation?

Many hesitate to even ask such questions. They point out that the public corporation takes up a large space in our industrial societies. But we also need to note that space occupied by the public corporation is not all encompassing. Even in the most industrialized nations, small businesses may provide 60% or more of the jobs. It is also true that in many arenas small businesses are more effective than public corporations. For example, most family-owned restaurants provides better service than the typical restaurant chain. A local farmer's cooperative may do a better job of supplying good food than a nationwide supermarket. It is, however, not possible for some large public corporations (such as airlines or energy companies) to be replaced with small businesses. The most viable replacement for a large public corporation is a worker-owned-and-controlled cooperative. Some large public corporations have already evolved in this direction. Southwest Airlines is an example. It may not be a fully worker-owned-and-controlled cooperative, but it illustrates the potential for significant movement in this direction within a large institution.

Before describing some of the advantages and limitations of worker-owned-and-controlled cooperatives, I want to further explain why public corporations need to be phased out. For many decades supporters of the huge corporation have been encouraging us to mistrust labor unions, to call them "special interests," to characterize them as greedy or single-minded in overemphasizing excessive pay and benefits and thereby driving businesses to minimal profitability. It may be true that some labor unions have been inappropriate in their demands and even oppressive to their members; nevertheless, the labor union is at root a democratic organization. It came into being to moderate untenable, oppressive conditions for working people. Its purpose is the assembling of people power to right wrongs, bring justice and fairness, and promote the well-being of actual persons and whole societies. The labor union movement in the United States has made pay scales and working conditions better for all working citizens.

The public stock-selling corporation, however, came into being to make a profit for its stock holders. This is its legal and actual purpose. The typical stock holder is only interested in a return on his or her investment. An investor in a mutual fund may not even know which stock-selling companies are being included, much less what those companies are contributing to society or the quality of that contribution. As a rule, a mutual fund manager is wiser about these matters, but in most cases, the manager's overriding purpose in managing a fund is making a return for the fund's buyers and for its managing group. Profits, returns, stock prices, growth, gains, these are the main focus of attention for almost all stock investors. Making money is measurable and somewhat easy to understand. Most other values can seem complex, intangible, and beyond the capacity or interest of the typical investor. This entire system of financing is warped toward the value of "making money" and away from every other value.

Furthermore, the public stock-selling corporation is internally structured in a manner that can in no way be called "democratic." Those who control the pool of money being invested run the company. The top manager is hired by this pool of wealth and is expected (indeed bribed with an outlandish salary) to make this pool of money larger. Everyone in the corporation including

the white collar and secondary managerial personnel are powerless to buck top management and this small circle of major stock owners. Similarly, the small investor is virtually powerless to change major policy. This is a topdown organization. It has been characterized as the last bastion of mediaeval feudalism. Recent innovations that seem to include laboring people in corporation decision making have, for the most part, not been sufficient to alter this topdown character. These "democratic innovations" have basically served the purpose of increasing worker moral and for assisting top management in having better access to the facts they need to make the big decisions. When an issue like closing a factory or moving it somewhere comes up, the laboring forces are often told rather than consulted. When the issue is out-sourcing jobs to India or China, the laboring forces may be consulted about lowering their pay, but they are usually powerless to significantly influence such trends. Indeed, even to have "a place at the table" on wages, benefits, and safe working conditions, working people need to retain the power to disrupt (or threaten to disruption) the entire business operation.

Furthermore, in the decision-making processes of the typical public corporation, almost no one in management or labor asks hard questions like: "Is Coca Cola good for people?" "Is having paper more valuable than polluting the fresh water of this river?" "Is this company's market share in the fish market more valuable than preserving key fish species for the next seven generations?" "Is the growth of this oil company more valuable than eliminating smog, lessening global warming, twisting our energy system out of shape, and creating greater unrest in the Middle East?" Only rarely does the management of a corporation find such questions relevant to their core decisions. They may consider such matters in a secondary way for the sake of their public image. More often, they use their advertising power to fight against the truths contained in such questions in order to put a better face on their socially guilty, profit-making oligarchy.

Let me illustrate these deadly dynamics with an issue that is very close to home for many people in the United States: the rising costs of healthcare. Stock-selling healthcare corporations currently dominate the U.S. healthcare system. I am referring to pharmaceutical companies, insurance companies, large hospital chains, and HMOs. Doctors' offices, and small clinics may be incorporated but they are in a different category; these institutions have not "gone public" and sold stock. Therefore, small privately-owned healthcare institutions can and often do find an ethical balance between making a profit and giving good service. But the huge public healthcare corporations serve their investors first and the public second.

We have in the U.S. today a debate about the relative effectiveness of our current for-profit healthcare system in contrast with a nonprofit, single-payer, government supervised insurance system that covers everyone. The healthcare corporations scream loudly about the disadvantages of the single-payer system. Their loudest scream focuses on the idea of giving a governmental body the power to control healthcare costs. But skyrocketing healthcare cost is a key flaw of the current system. Small business owners are being forced to lower health benefits to their workers or go out of business. Large businesses do whatever they can to find workers who do not have to be paid benefits. The US medicare system will become unworkable if healthcare costs are not lowered.

Many US Citizens and even several state governments are now buying their medicines from Canada where the prices are lower. The public healthcare corporations are fighting this and any innovation that lowers their profits. They argue about the "safety" of these Canadian purchases while they continue to downplay safety risks within the United States. They claim that high drug prices are needed to do medical research, while they fail to mention that much of their basic research is financed by the federal government or by private donations. For the most part public stock-selling healthcare corporations cannot be trusted to even tell the public the truth much less do what is needed to lower healthcare costs.

In spite of all this evidence, most politicians and the US public are not drawing the conclusion that a for-profit healthcare system is a core healthcare problem. Nevertheless, these plain facts remain: if making a profit is the main energizer of the overall healthcare system, healthcare costs will continue to rise. This is true because a for-profit corporation is not going to invest in medical treatments that reduce profits. More money can be made on expensive treatments. When a choice can be made between a \$50 capsule and a 20 cent tablet, the 20 cent tablet is not the likely winner. Research dollars go into discovering treatments that will be expensive enough to make large profits.

Furthermore, we cannot expect to see public, for-profit, stock-selling pharmaceutical companies giving a significant emphasis to preventative care, inexpensive life-style changes, or environmental cleanup. Perhaps an insurance company might be interested in such matters, but only slightly. The for-profit health insurance company can only justify large insurance premiums with the client's threat of expensive medical treatments. Wherever big money flows, the vultures gather. The current trend for the entire US healthcare system is toward increasing the proportion of the family budget and the national budget that goes to healthcare. "Spending on healthcare more than doubled from 5.1 percent of GDP in 1960 to 14.9 percent in 2002. It is projected by the U.S. Center for Medicare and Medicaid Services to rise to 18.4 percent of GDP by 2013. Some well informed experts predict that healthcare expenditures could reach as high as 25 percent by 2025."¹

Many factors contribute to these trends, but among them is our commitment to a for-profit healthcare system. The administrative costs of this complexity of competing for-profit institutions is hugely excessive as are the salaries used to attract ever more shrewd CEOs. Unless the current U.S. healthcare system is firmly checked or replaced it will grow and grow, like a cancer, until it kills the entire social body that hosts it. Already many families are having to choose between medicine and food. And this is taking place at the same time that enormous profits are being made by many healthcare corporations.

Proposals are still being made to moderate these disastrous trends without altering the basic system, but even if enacted these proposals would not resolve the problem. Sooner or later we will have to face the fact that we must dispense with a for-profit healthcare system that we then try to regulate (adding even more expense.) Instead we could construct a public, single-payer, nonprofit system within which we include whatever for-profit corporations are needed. Such a change does not require new technology. It only requires imagination and the political will to oppose the current system and construct a system that works.

But healthcare is only a vivid illustration of a flaw that is much wider. Public stock-selling corporations in every area of society are creating disastrous effects. Oil companies and automobile manufacturers are another ready example.

The Spirit Challenge

In this arena as in others, the basic Spirit challenge is facing up to the grim facts and embracing the need for far-reaching changes. We citizens of the industrial world are gradually becoming aware that something is amiss, but we seldom think through all the implications. We seldom conclude that a truly major shift in the overall economic practice of industrial civilization is being called for. We are so used to the public stock-selling corporation that we can barely imagine what it would be like to be without this institution. Even when we do imagine being without it, we may find it difficult to imagine finding the political will for phasing it out. We also

¹ Alperovitz, Gar; *American Beyond Capitalism* (John Wiley and Sons: 2005) page 193

find it difficult to trust proposals to replace this institution with something better. We are basically without adequate imagination on this topic. Thus we trail along with a status quo that is destroying every value of democracy and equity we claim to cherish. We allow ourselves to be taken in by corporation propaganda that tells us that our prosperity, our jobs, our security, our cornucopia of products are dependent on these institutions. In other words, we are blind and passive rather than deeply concerned about this issue. The primary Spirit issue is a fundamental awakening to the deadly qualities of these institutions: their greed, their ineffectiveness, and their lack of democracy within plus the destruction of democracy in the general society.

The Needed Consensus

I want to flesh out the proposition that the consensus we need to develop among our citizenries and their democratic representatives is a three step phasing out of the public stock-selling corporation.

The first step in this phasing out is simply stiffening governmental controls over existing public corporations. We are currently allowing these institutions to avoid taxes, hire excessively cheap labor, defraud stockholders, pollute environments, and wreck entire economies. In some third-world places, we literally allow them to get away with murder. If they do not directly hire murderous thugs, they arrange profitable collusions with fascist regimes who murder on their behalf.

The second step in phasing out the public corporation is employing an imaginative use of the powers of democratic governments to redesign the economic playing field so that all economic institutions are required to care as much for their contribution to society as for their profits. Governments can provide advantages to responsible businesses and legislate disadvantages to those who slight their obligations to the public consensus. This might include an imaginative use of the tax laws – giving tax breaks for progressive work and tax increases for the various social costs that a business might incur. It also includes making laws that support the values that the entire society wants to realize and enforcing those laws fairly and firmly. “Firmly” can include the death-sentence of withdrawing the license of incorporation from any corporation that persistently refuses to obey the law. Rather than continuing to tolerate governments being bought by the corporations, we the people can, if we choose, license only those corporations or other business institutions that are willing to be faithful servants of the entire body politic.

The third step in phasing out the public stock-selling corporations is promoting the growth of better type of business institution. How can large amounts of capital be assembled for large business operations without stock-selling corporations and a stock market? Large privately-owned businesses already do this. How do they do it? The owners of these bodies are also its investors. There is no impersonal, profit-hungry array of investors demanding returns. The privately-owned company must make a profit to survive, but it is not vulnerable to an unfriendly take over when its profits are not maximized. It can establish long-term loyalties within its internal family of workers, managers, and communities. And it can even evolve into an institution that is owned by those who work for it and manage it.

The worker-owned-and-controlled cooperative is a form of privately owned business in which the owners, the managers, and the workers are all the same family of people. There is no adversarial relationship between management and labor. There is no need to make a profit over and above paying each member of the team for their contribution. There is no need to grow endlessly. Both expansion and no expansion are viable alternatives. An effective and well managed cooperative also tends to be a good neighbor within its physical location. The owners, managers, and workers live there and thus have a stake in the overall well-being of that

community and that region of the planet.

It is true that a worker-owned-and-controlled cooperative can also become a wayward and destructive institution. But given meaningful governmental restraints that are fairly and firmly enforced, the cooperative is not a cancer that is constantly threatening to destroy the whole society. The cooperative is a democratic association of people who can be expected to build cooperative democratic relations with every other aspect of society and with every other region of the planet. Bad cooperatives are a solvable problem. Bad stock-selling corporations are a threat to human survival. To make these assertions fully plausible would require a full inquiry into the functioning of the cooperative. I will not take space here to further elaborate cooperative structures, but I recommend a book that provides considerable help toward filling this need: *We Build the Road as we Travel: Mondragon, A Cooperative Social System* by Roy Morrison (New Society Publishers: 1991)

The Overall Economic Transition

Obviously, in this and previous chapters on the economic transition, I have only sketched some basic directions for building a viable economy. An optimal economy for the future has many nuances not covered. I have not dealt with the various new skills and methods needed in agriculture, architecture, land management, rural and urban design, water system care, ocean care, and this list goes on. Each of these matters could easily merit a book of its own. My concern has been envisioning the overall structure of values and operations within which these many new skills and methods can flourish. And the full realization of each of these arenas of special focus is prevented by the rulership of the huge public stock-selling corporations over our economic and political lives.

It may also turn out that some of the points I have made are understated or overstated. Nevertheless, I do not expect to withdraw my support for the basic directions I have described. I am willing to affirm these shifts in definite terms. In a Spirit-based ethics, the Awed Ones who are devoted to the Awesome ACTUALITIES of the FINAL ACTOR in history experience themselves as called to be "prophets." In the biblical tradition a prophet is not an ancient magical figure who was able to predict the future. A prophet is someone who sees the handwriting on the historical wall and reads what it says. In that sense, all persons who are awakening to their deep Spirit Essence are being called to be prophets.

When the biblical prophets addressed the events of their times, they spoke of both catastrophe and new creation. It has been my aim in these chapters on economics to be both a prophet of catastrophe and a prophet of new creation. The following trends are indeed leading to catastrophe: (1) continuing our all-out use of the Earth, (2) continuing our fossil-fuel-driven economy, (3) continuing our dependence on perpetual economic growth, (4) allowing vast riches side-by-side with grueling poverty, (5) continuing an oppressive style of globalization, and (6) allowing the autocratic, stock-selling, public corporation to dominate our institutional mix. At the same time we Spirit descendants of the biblical prophets can point to some realistic hope for new creation: (1) a full commitment to a mutually enhancing human/Earth balance, (2) the transition to a renewable-energy-driven economy, (3) the development of a just and flexible steady-state economy, (4) the end of poverty, (5) the building of indigenous local economies, and (6) the transition toward worker-owned-and-controlled cooperatives plus some further dependence on small local businesses.

The prophetic task is ongoing, not only in naming the key economic transitions, but also in naming the key cultural transitions and political transitions. Key cultural transitions will be described in Part Five. Key political transitions will be described in Part Six.