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Occupy by Analogy: Christopher Mackin in conversation with *The Straddler*

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On April 17, 2012, The Straddler met Christopher Mackin in the lobby of the New Yorker Hotel to discuss his views on present-day American capitalism and the potential for economic alternatives. Mackin is founder and president of the Cambridge-based firm Ownership Associates, and has worked as both a professional and an academic in the field of worker ownership since 1978. A member of the core faculty of the Harvard Trade Union Program, he recently completed his second consecutive year as Ray Carey Fellow at Rutgers, where this past spring he taught a new course, called Democratic Capitalism, that he designed for the Rutgers School of Management and Labor Relations.

On his weekly trips between Cambridge and New Brunswick this past spring semester, Mackin made several stops in New York City to present a less structured version of his Democratic Capitalism course to individuals and working groups affiliated with the Occupy Wall Street movement.

Christopher Mackin, April 17, 2012

The general project of joining democratic values to economic structures can take place at several levels in society. But we must begin with nomenclature. My long-term interest, and the focus of this discussion, is the workplace—the level of the individual firm and how it is owned and controlled. This particular branch of what might be called “the economic democracy tree” is popularly known by at least three labels; worker ownership, employee ownership and cooperative ownership. There are problems with each label. Worker ownership suggests a radical break with the idea of a division of labor between management and workers in the firm. Tempting, but in most cases overly romantic. Employee ownership conveniently blurs those common role distinctions, but saddles us with the grey, colonized language of administrative law. Cooperative ownership is fine but it is overly specific and technically inaccurate for describing much of what is going on, at least here in the United States. Since we are having this conversation in the shadow of Occupy Wall Street, let’s go with worker ownership.

Worker ownership in America happens in one of two ways. In the first case, groups of like-minded individuals get together and agree that sharing ownership of their enterprise makes sense from the very start. In the second case, established ownership groups are persuaded by necessity, by morality, by simple economic self-interest—or by a combination of these—to hand over ownership to the broad community of workers and managers that happen to work in an enterprise.

The first case is easy to grasp. Actions follow ideals. It describes a deliberate decision, however difficult to execute, to choose democracy and solidarity

over narrow, elite ownership. This is relatively rare, but we are seeing a surge of interest in it, particularly as a result of the Occupy movement. It has a rich history and is also international in scope and is known primarily by the term “cooperative.” The Mondragon cooperatives in the Basque region of Spain are often looked to as the most evolved example. The second category is large, much larger than is commonly understood. It is made possible by a favorable and politically fascinating tax regime particular to the United States. This category contains multitudes, estimated at 11,000 firms, employing over 11 million workers. Those firms, making use of what are called ESOPs, or employee stock ownership plans, range from the nominally worker owned—that stay close to the regulatory minimums when it comes to corporate governance—to quite large and substantially democratic firms that have chosen to govern themselves democratically as a logical extension of the idea of broad-based worker ownership.

I think a common mistake in discussions of these ideas is that people look for *one* way of doing it. I’m a staunch pluralist about this, because I think the problems are so large, and because I think it is possible to convert already existing capitalism to some form of democratic capitalism. I’m all in favor of creating democratic capitalism from the ground up—and of doing that as fast as we can—but I also want to persuade some portion of the existing, installed base of capitalists to turn over and share ownership with workers. That can be done.

The big-picture vision that my colleagues and I share is that of a labor-managed market economy regulated by a liberal state. I’m a progressive who happens to believe that the market is not the enemy. It’s the ownership structures and the employment structures that surround the market that need to be fixed. The market can be tamed, as need be, by people and by the power of the state. Firms themselves are likely to behave more responsibly if they are labor- or worker-owned, for a very simple reason: people are less likely to want to foul their own nests. So there is a certain quantum leap forward socially that we can expect as a function of more democratic ownership structures in the economy. However, the potential for greed and irresponsibility will always remain, and so we must hold on to the idea of a vigilant political state that stands prepared to punish those who are violating the laws—even if those owners are the putatively virtuous workers.

This point of view stands in contrast to an extremely fuzzy vision of a lot of my friends on the left, who, with the best of intentions, say we should have what they call “social” ownership of the means of production. At the end of the day ambiguous language like this is an invitation for supposedly enlightened government bureaucrats to make the tough calls. Does this vague idea of “social” ownership mean government ownership? Not really. Does that mean it’s worker ownership? No, not that either. This fundamentally ambivalent social ownership view comes out of social-democratic and socialist traditions that ultimately do not trust workers with ownership for fear of imagined crimes and misdemeanors that enlightened social democrats—who truly hold the reins of power—believe they alone can avoid. They believe this at the expense of the workers and at the expense of the possibilities that should be allowed to take place when there is genuine democracy at the level of the firm.

There is a disproportionate amount of attention to the market as the cause

of all evil—rather than letting the dynamics of supply and demand and markets do what they can do. You don't want to give up vigilance, because you want to be able to regulate these markets. But most all of the intellectual and moral firepower of the liberal left has been directed at the market and by extension the mechanism of competition within a market system as the central problem. I think there are different forms of competition. There's competition that can be healthy rivalry and there's competition that can be skullduggery, and competition to the death. It ought to be possible for us to flesh out some kind of spectrum between friendly rivalry and skullduggery and move things in the direction of competition and markets that are based more on the friendly rivalry idea.[1]

I find it ironic that so much resistance to the idea of markets and competition comes from the liberal left, because if I had to name the single biggest crime of present day monopoly capitalism, it is the degree to which the very largest companies in the world do everything they can to eliminate competition. They preach competition, but it's the last thing they ever want to deal with. Just as the hope for competition was the motivating force of bourgeois revolution—in a good sense—that's what it needs to be in the twenty-first century to give more people a chance to be able to take part in the economy directly.

I am of the opinion that we can't address the problems we've got just with the standard fare of income-based measures and government transfers. Given the scale of problems that exist when thinking about economic inequality, the idea that we can bridge the gaps that exist through these traditional strategies, through government transfer payments, earned-income tax credits, or whatever you may come up with, is really not enough. If you're looking at the drivers of income inequality, it's not just paychecks, it's wealth. Rich people are rich because they own stuff and that stuff gets more valuable as they sleep. The greater mass of the population is being asked to survive on paychecks—on income. That's a race they're never going to win. Strategies that intervene at the point of ownership of productive assets of business are, therefore, an important place to be.

The nineteenth-century labor movement explicitly advocated for the idea of worker ownership of business as its central goal. They sought to give people an alternative to having to go to work for a wage for someone. There was a belief back then that this new arrangement—getting a paycheck from an employer—was something of a trap. And there was a healthy debate looking at the economy and looking at how people were going to work and make their living and provide for their families. There was a sense that we need not take up this new proposition of going to work for an industrialist or an employer in a factory who was offering this thing called a wage; but that instead, those who've got skills should go ahead and form their own companies.

We're talking obviously about what was then a society of farmers and artisans moving toward industrialization. The population density was not what we have today. It was a simpler society. Agrarian and artisanal pursuits were not necessarily lucrative, but they were self-sustaining and they led to the creation of stable communities and career tracks for people. So there was a sense that people knew who they were. They were farmers or they made horseshoes or barrels, or whatever. And then steam power happened. Industrialization happened, and the economy was about to be

overtaken by a new mode of production. Still there really was a contingent moment there. There was an open question: How do we deal with this? How can it be done?

There were obviously people who were ahead in that race initially—they had pools of inherited capital from their European ancestors, so they were first to build the machines and buy the buildings. But these self-sufficient workers, the farmers and artisans, they got the picture too and said, if industrialization is the new mode of production that can't be avoided, if in fact it might have some good things going for it, if it can raise our standard of living, then why should we go to work for this guy who's offering to pay us a wage? He's going to get all the profits, and he's going to make all the decisions. That whole proposition was distasteful to the working classes of the era.

There's a great book, *Practical Utopians* by Steven Leiken,[2] that shows how working people of that era got together and said, "We can do this too—we'll form our own companies." And they did this, in firms structured as cooperatives. These people were the founders of two labor organizations, the National Labor Union and the Knights of Labor that preceded the labor movement of today. Those early labor organizations provoked a debate that had on the one side people who said, "Let's go do it ourselves," and on the other side people who felt this new employer-employee relationship could be made tolerable. The second school of thought eventually won out, but the arguments and the logic, the persuasive power of the alternative view, has never entirely died. It is part of our historical memory.

This is also the same drama that went on in every nation-state in the world that encountered industrialization: There was a fork in the road, and, depending on the resources and the skills of the people involved, there existed a more or less successful era of bottom-up, self-reliant industrial cooperation—businesses owned cooperatively. The fact that this model did not ultimately prevail, to me, is a matter of tactics and limited resources. It is not because a superior form prevailed. We see today what the so-called superior form has wrought. Minds are more open now than they have been in a long time. And the best place for those minds to go is to history, to see how this all played out in the past and how it might play out differently in the present.

I have always been most interested in the social psychology side of these questions, what these various historical turns in the road have done to personalities and cultures. The perhaps temporary triumph of a certain remote kind of industrial and modern-day capitalism seems to have led people to believe that they're not entitled to be masters of their fates and that they are fated to be servants for their entire lives. There's a researcher, Melvin Kohn, who wrote a book many years ago called *Class and Conformity*,[3] which was the first empirical look at how relationships of production affect and actually create values, how they create senses of expectation and human agency or capability. It's the age-old question: Where do values come from? The easy answer is to say family. But where do the parents learn their sense of possibility and hierarchy and agency? They learn it through their work lives.

What is of most interest to me is the way in which the idea of worker ownership can begin to reverse a kind of servility that is communicated as how much of the world's population is supposed to live: You have to go

work for someone else and there's no alternative to that. And therefore you need to kiss their asses and please them, as opposed to figuring out who you are, what you believe, what you love, what your powers are, and so on. The Occupy people I have met don't want to go work for someone else. They want to work for themselves. Whatever creative, productive, hard work is involved in that, they're ready to do it. And when I say "for themselves," I mean in a collective sense.

The book I haven't written, which I like to think could shine some light on how to proceed with these ideas, would be a history book. It would be titled *Proceed by Analogy: Imagining Economic Democracy*. I believe that when faced with the daunting challenge of how to build democratic institutions in the workplace, the best source of wisdom is history—it comes from the careful study of how political democracy evolved from, or gradually emerged from feudalism.

With the exception of a growing minority of democratic experiments, the ownership character of our workplaces today remains largely feudal. For smaller workplace settings—the corner grocer comes to mind—that kind of structure is benign. For larger organizations, the persistence of feudal norms, that originate with founders, can become perverse and unnecessarily servile. Certainly some person or some small group of persons, the founders, took the initial risks. They took the lead and formed an initial culture. They should govern these firms and be rewarded accordingly. Over time, however, a larger community of workers join the enterprise. And they are the ones who deliver on the task of implementing, refining, and improving the initial vision of the founders. Over time that community should assume increasing responsibility for the firm and should replace feudalism with democracy.

The task of imagining democracy at the firm level is a task of building norms. It is a task of helping people construct their own constitutional existence within democratic social institutions. If there is a font of knowledge about how to go about this task, at least some of it can be found by studying how, over the course of the past five or six hundred years, we built political democracy out of feudalism. Analogies can be made. Organizational architects need to miniaturize that project to each enterprise they are working with, to the culture of the people who comprise the organization. Help them find their next step forward. Each organization needs to think hard about what its theory of democracy is. Is it total horizontalism, to use the term of Occupy? Or is it representative democracy in some fashion, where there are leaders, but the leaders are somehow accountable to the people? There are different models out there.

If we are working within larger groups, then pure horizontalism is going to be problematic because you're basically questioning the wisdom of any kind of division of labor. The division of labor is not necessarily a bad thing. People have different skills and talents and they needn't be frozen into one specialty for their entire career. Assuming therefore a division of labor and different kinds of talents, you're going to have people playing different roles. In a healthy democratic firm, management's job should primarily be understanding the general competitive and technological environment in which they are operating. They should have far less to do with executing the plan of actually producing the goods and services. That job should reside with the people who have those skills. In a democratic firm, you should be able to eliminate the most inefficient role of management that

has existed under capitalism, which is policing and supervision. In a democratic firm, there's much less of a need for that. Ideally no need for it at all—people understand they are working for themselves.

We have to see the present economy for what it is: An economy owned by the few, employing the many. However, unless one believes in the possibilities of widespread expropriation of business enterprises—a belief which strikes me as both delusional and morally questionable—then one has to figure out some other more compelling propositions, some other means of negotiation with the ownership class to persuade it to invite others into the party. Favorable tax laws represent one such means of negotiation. We are lucky to have a promising set of laws in the United States to help start the conversation with the ownership class, many of whom are baby boomers approaching retirement. As I mentioned, we can and should encourage a multitude of start-ups as well, and allow them to be as democratic as people want them to be, but we need to acknowledge the limits of that as an exclusive strategy.

As I wrote in *The Nation* last summer, a lot of business owners of various sizes and shapes, who proudly call themselves capitalists, feel very alienated from Wall Street capitalism.^[4] This tells me that there are cleavages within capitalism between what I like to call responsible capitalists and everyone else. I subscribe to that qualified moral framing of the challenge, responsible capitalists versus the rest, as an alternative to dragging all people of good will—whether they're workers or managers or financiers or owners—through the rusty keyhole of socialism and its exotic linguistic variants. I am not partial to the use of utopian language and categories that make sense to you and your friends in the coffee house, but that make little or no sense to people on Main Street or at the American Legion Hall. I frankly think that the choice, and in some quarters the insistence, on using that language is indulgent.

One of the things I found inspiring about OWS, and the people I talked to there, was their wariness and suspicion of ideologically rigid and traditional ways of branding or labeling the change that they were serious about bringing about. I do think that part of what pushed the OWS ideas forward was finding a broad swath of middle-class allies—idealistic people, librarians, nurses, and computer programmers, who won't accept the status quo or the world that was handed to them and who want to push for something bigger and better. You're not necessarily going to find that same spirit in the academy, and you're very likely not to find that in the consulting community. You're much more likely to find that spirit in the public square, where it showed up in spades.

The opposition has no good arguments on its side. The most familiar note that you hear is that these ideas are not practical, that it can't be done. That is a tired, cynical, defensive posture that wilts in the face of OWS-type hope. There are, of course, business owners and people of wealth, who, for whatever sad, distorted reasons, want to hold on to more wealth than they could ever use until they hit the grave—and beyond that. These people do not want to talk about sharing anything with anybody. They have followers and boosters in the media and the culture, who, like them, can't imagine a different world than the one we're in right now and say that all this isn't practical, it's impossible.

Just as I was coming into adult consciousness about these sorts of questions,

in the early 1970s, I learned a famous slogan from a slightly older cohort who had taken to the streets in 1968. It has always stuck with me. The slogan is attributed to the French left and it states: "Be practical. Demand the impossible!" That sentiment is precisely what the Occupy movement has revived. It is a sentiment that pushes against this ever-present cynicism that nothing can be done. Now is the time to build the institutions that prove the cynics wrong. It's going to take a lot of work.

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[1] A reference to John Stuart Mill's construction as described in *The Principles of Political Economy*.

[2] Steven Leiken, *Practical Utopians: American Workers and the Cooperative Movement in the Gilded Age*, Wayne State University Press, 2004.

[3] Melvin Kohn, *Class and Conformity: A Study in Values*, 2nd ed. (Dorsey, Homewood, Illinois, 1969; University of Chicago Press, 1989).

[4] Christopher Mackin, "Employee Ownership: The Road to Shared Prosperity." *The Nation*, 27 June 2011. <http://www.thenation.com/article/161255/employee-ownership-road-shared-prosperity>.

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