

**Rutgers University School of Management and Labor Relations
Syllabus**

Democratic Capitalism - 37:575:377

Course Description: This course examines how to create a more inclusive economy where workers can obtain a fair share in the wealth that they create. Overview of relevant political and economic thinkers, both classical and contemporary. Review of relevant public policies and models both domestic and international. Examination of democracy within the firm, the role of unions and organizational cultures. Exploration of career tracks for students.

Professor Christopher Mackin

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Office Hours: Tuesday at 9:00 am and by appointment at SMLR Labor Center 160 Ryders Lane

Spring 2012

Monday

3:55 PM-6:55PM

Required Books and Reading:

- Beyond the Corporation: Humanity Working. David Erdal, The Bodley Head, London, 2011. Available for purchase from Professor at class. One copy is held on reserve at SMLR Library
- Democratic Capitalism: The Way to a World of Peace and Prosperity, Ray Carey, AuthorHouse, 2004. Complimentary (Free) copies of this book will be made available at the class
- Other Required Readings – Listed in syllabus below and available on Sakai

Approach: There will be a lecture at each class with some small group discussions and breakout small group sessions. Each student should submit to Sakai one question and one comment before each class on the reading assignment. Those submissions should be shared by 12 Noon on the same day as the class. This is part of your participation grade.

Grading: The following components will comprise 100% of the grade:

- Mid Term Exam – 30%
- Final Exam – 40%
- Participation – 30%

Attendance: Participation in the lectures and class meetings are critical to the class. Attendance will be taken in class and those not participating will lose points on the participation score. Materials will be presented in class that are not covered in the readings and will make up a significant part of the final exam. All materials will be available on Sakai.

11-28-11

Week One: Introduction to Democratic Capitalism – Monday, Jan. 23, 2012

Brief Outline: After introducing members of the class to one another, this session will introduce the broad themes of the course. We will discuss the apparent tension between a democratic political sphere and an economic sphere generally operating on other than democratic principles. Are concepts of democracy and efficiency compatible? How have these debates played out in American history, including the contemporary popular protests known as Occupy Wall Street? Finally, we will sketch out the general ambitions of the course that will cover both the theory and practices of democratic capitalism.

Required Readings (36 pages):

- The Practical Utopians: American Workers and the Cooperative Movement in the Gilded Age, Steve Leikin, *Introduction*, pps. 1-9 (xiii-xxi)
- Beyond the Corporation: Humanity Working. David Erdal, Introduction, Chapter 1, *Owning a Business and Making it Perform*, pps. 1-25
- *Occupy Wall Street ends capitalism's alibi*, Richard Wolff, The Guardian, October 4, 2011, pps. 1-2

Week Two: Reforming the Economy Through Reforming the Enterprise - Monday Jan. 30, 2012

Brief Outline: We will continue the discussion of the inevitable tensions between democracy and capitalism and begin our exploration of workplace centered efforts to reform the economy, including collective bargaining and broad based employee or worker ownership.

Required Readings (46 pages):

- Beyond the Corporation: Humanity Working. David Erdal, Chapter 2, *Founders*, Chapter 3, *Predictions* pps. 26-62 (Text purchased by class participants)
- Robert Owen and New Lanark, www.robert-owen.com, pps.1-3
- Robert Owen: “Good” versus “Bad” Capitalism, Carey Center for Democratic Capitalism, Ray Carey, pps.1-2
- *Employee Ownership in America: A Primer for Industrial Relations*, Perspectives on Work. Christopher Mackin, pps.1-5

Week Three: A Conversation with a Democratic Capitalist – Monday, February 6, 2012

Brief Outline: This session will focus on the career and ideas of Ray Carey, former CEO of ADT, Inc., the alarm system company now owned by Tyco International. Ray is the author of a book titled Democratic Capitalism: The Way to a World of Peace and Prosperity, AuthorHouse, 2004. Ray will address the class with prepared remarks. He will then be interviewed by me and members of the course.

Required Readings (41 pages):

- Democratic Capitalism, Ray Carey. Chapter 1, *Citizen's Choice*, pps. 1-14.
- Democratic Capitalism, Ray Carey, Chapter 6, *The Economic Logic of Democratic Capitalism*, pps.165-174, 222-231, 235-238
- *Capitalism, the Good and the Bad*, Essay from Carey Center for Democratic Capitalism web site www.democratic-capitalism.org, pps. 1-6

Week Four: The Four Verbs of Worker Ownership: Take, Start, Negotiate, or Buy
Verb 1: To Take – Monday, February 13, 2012

Brief Outline: This session will commence a 4-6 week section of this course that will review four distinct paths towards economic democracy at the firm level viewed from both a scholarly and a practitioners perspective.

In this session, after reviewing the four discrete strategies, we will introduce the first verb of worker ownership, to “Take.” This session will focus on the dramatic efforts of workers and managers in Argentina in 2001 who in the face of massive plant closings took direct action and occupied their factories, converting them overnight into democratic worker-owned firms. We will begin this session with a viewing of an award winning documentary called “The Take” that explores how this novel effort took place. We will discuss the film and the readings listed below that summarize positive and negative data concerning this initiative in Argentina a decade after its launch.

Required Readings (44 pages):

- *The Case of Argentina: Recuperated Factories and the Multitude*, Derek Merrill, Variant, Vol. 2, Number 21, Winter, 2004, pps. 11-12
- *When Work is a Crime*, Naomi Klein in The Silent Change, Esteban Magnani, 2009, pps. 21-23
- *The Silent Change*, An Update in The Silent Change Esteban Magnani, 2009, pps. 147-160
- Beyond the Corporation: Humanity Working, David Erdal, , Chapter 4 *Creative and Inventive*, Chapter 5, *Decisions, Decisions*, Chapter 6, *The Discreet Charm of the Employee Owner* pps. 62-88 (Text purchased by class participants)
- Film: The Take, Klein Lewis Productions.

Week Five: The Four Verbs of Worker Ownership: Take, Start, Negotiate, or Buy
Verb 2: To “Start” – Monday, February 20, 2012

(Part 1) Democratic Ownership from the Ground Up: A Case Study of the Mondragon Cooperative Corporation

Brief Outline: This session will review how worker ownership takes place as a deliberate planned strategy for start-up enterprises. We will review the largest and most successful grouping of worker owned firms, referred to as the Mondragon Cooperatives, located in the Basque Region of Spain.

Required Readings (44 pages):

- *Mondragon: Notes on History, Scope and Structure*, Fred Freundlich, Hervé Grellier, Rafael Altuna, Dept of Strategy, Organization & Entrepreneurship, Faculty of Business, Mondragon University, Oñati, Spain, October, 2011, pps. 1-17
- *Spain’s astonishing co-op takes on the world*, The Telegraph, February 16, 2011, pps 1-3
- Beyond the Corporation: Humanity Working, David Erdal, Part Two, Having a Job, Prologue: The Deal, , Chapter 7, *Working for Shareholder Value*, pps. 89-113 (Text purchased by class participants)
- Film: The Mondragon Experiment. BBC.

**Week Six: The Four Verbs of Worker Ownership: Take, Start, Negotiate, or Buy
Verb 2: To “Start” – Monday, February 27, 2012
(Part 2) American Examples of Cooperative Start-ups**

*****Midterm Take Home Exam Handed Out at End of Class*****

Brief Outline: This session will examine cooperative start-up initiatives in the United States, some of which have been inspired by Mondragon, including the Evergreen Cooperatives of Cleveland, Ohio and the Arizmendi cooperatives in the Bay Area of California.

Required Readings (37 pages):

- What is a Worker Cooperative?, U.S. Federation of Worker Cooperatives, pps 1-2
- Worker Cooperative Toolbox, Northcountry Cooperative Foundation, 2006, pps. 1-22
- *Evergreen Cooperatives Forge an Innovative Path toward High-Quality Green Jobs*, Common Dreams.org, April 17, 2010, pps.1-5
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 8, Power and Accountability – Corporate Governance and CEO Pay, pps. 114-122 (Text purchased by class participants)

**Week Seven: Return to Theory: Democratic Capitalism and the Employment Contract
- Monday, March 5, 2012**

*****Midterm Take Home Exam Due Prior to Start of Class *****

Required Readings (47 pages):

- Beyond the Corporation: Humanity Working, David Erdal, Chapter 9, *How the Employment Contract Came to Be*, Chapter 10, *Thinking it Through*, pps. 124-144 (Text purchased by class participants)
- The Soul of Capitalism, Chapter 8, *Work Rules*, pps.49-69, 79-86

******* SPRING RECESS – March 10-18, 2012 *******

**Week Eight : The Four Verbs of Worker Ownership: Take, Start, Negotiate, or Buy
Verb 3: To “Negotiate” - Monday, March 19, 2012**

**(Part 1) How Unions Have Used Worker Ownership as a Tactic in
Collective Bargaining and Corporate Governance**

Brief Outline: This session will explore how select high profile cases of worker buyouts in the manufacturing and transportation sectors in the U.S. have fared over the past thirty years. We will consider both failed and successful cases.

Readings (48 pages):

- The Deindustrialization of America, Barry Bluestone and Bennett Harrison, Chapter 8, *Reindustrialization with a Human Face*, pps. 255-262
- Participatory Employee Ownership: How it Works, John Logue, Chapter 2, *Doing the Deal*, pps. 27-50
- *United It Was Not, An Analysis of the United Airlines ESOP*, Unpublished Essay, Christopher Mackin, pps. 1-5
- *Newspaper Union Accepts Givebacks Ahead of Sale*, Associated Press, May 30, 2009, p. 1
- Beyond the Corporation: Humanity Working, David Erdal, Part 3, *Humanity in Partnership*, Chapter 11, John Lewis: *Partners at Work*, pps. 145-161 (Text purchased by class participants)

**Week Nine: The Four Verbs of Worker Ownership: Take, Start, Negotiate, or Buy
Verb 4: To “Buy” - Monday, March 26, 2012**

**(Part 1) - How Does Worker Ownership Happens in the Mainstream
Economy? The Buying and Selling of Privately-held Businesses – Emphasis
on Employee Stock Ownership Plans or ESOPs?**

Brief Outline: This session will explore the experience of the most statistically significant cohort of the worker ownership field. That cohort is the 11,000 plus enterprises, collectively employing over 10 Million workers that have come about as a consequence of the adoption starting in 1974 of Employee Stock Ownership Plan (ESOP) legislation. We will introduce basic conceptual foundations as well as the statistical highlights of ESOP's.

Readings (42 pages):

- *Whose Pie? And Why ESOP's?*, Senator Russell Long (D-LA), United States Congress, Congressional Floor Statement, November 17, 1983, p. 1
- Congressional Record, Proceedings and Debates of the 97th Congress, Tuesday, May 12, 1981 – *Expanded Ownership Act of 1981*, pps. 1-4
- Understanding ESOPs, Corey Rosen and Scott Rodrick, National Center for Employee Ownership, Chapter 1, *An Overview of How ESOPs Work*, pps. 1-9
- National Center for Employee Ownership, *The Employee Ownership 100*, pps. 1-5
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 12, *Leadership*, Chapter 13, *Lining up the Arrows*, pps. 162-195 (Text purchased by class participants)

**Week Ten: The Four Verbs of Worker Ownership: Take, Start, Negotiate, or Buy
Verb 4: To “Buy” – Monday, April 2, 2012**

**(Part 2) – How Do Workers and Managers Actually Buy a
Company Through an Employee Stock Ownership Plan or ESOP**

Brief Outline: Examines how workers and managers typically will not have the personal cash resources to buy successful companies and will use bank loans to complete the purchase. Explains how ESOP transactions work through the use of bank loans and loans from founder/owners. Purchase process explained by Jim Steiker, Esq., (invited) founder of Steiker, Fisher, Edwards and Greenapple of Philadelphia.

Readings:

- U.S. Department of Labor, Employee Benefits Security Administration, What You Should Know About Your Retirement Plan, *Chapter 1: Types of Retirement Plans*, p. 1
- Participatory Employee Ownership: How it Works, John Logue, Chapter 3, *Setting Up the Employee Owned Company*, pps. 51-62
- Materials supplied by Steiker, Fisher, Edwards and Greenapple
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 14, *Governance and Power*, Chapter 15 *A Thousand and One Ways of Structuring Ownership*, pps. 196-213 (Text purchased by class participants)

**Week Eleven: “Sold” – The Experience of Workers and Managers in a Worker Owned
Firm: The Case of King Arthur Flour (invited) – Monday, April 9, 2012**

Brief Outline: Examines a specific case of an employee owned firm from the perspective of its CEO and its workers. King Arthur Flour is America’s oldest flour company, founded in 1790. Beginning in 1996, the owners of King Arthur began a process of selling the business to its employees. Today, King Arthur Flour is 100% owned by its 160 employees.

Readings:

- Harvard Business School Case: King Arthur Flour, pps. 1-18
- Other Readings to be announced

**Week Twelve: Organizational and Ownership Cultures:
Part 1 – Building a Culture of Trust – Monday, April 16, 2012**

Brief Outline: Examines the research evidence on the relevance of participation and education within worker owned firms. Explores curricula used within worker owned firms to teach about the concept of worker ownership

Readings (48 pages):

- Understanding ESOPs, Corey Rosen and Scott Rodrick, National Center for Employee Ownership, Chapter 9, *ESOPs, Corporate Performance and Ownership Culture*, pps. 119-136

- *Ownership Theory: Rights and Responsibilities of Ownership*, Christopher Mackin, Journal of Selected Readings, Foundation for Enterprise Development, January, 1996, pps. 25-27
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 16, *Culture*, Chapter 17, *Hunters and Gatherers Go to Market* pps. 214-244 (Text purchased by class participants)

Week Thirteen: Organizational and Ownership Cultures:

Part 2 – Sharing Decision Making Power – Monday, April 23, 2012

Brief Outline: Examines how to measure the concept of ownership culture as well as how different worker owned firms share decision-making power and authority

Readings (41 pages):

- *Representative Structures in Employee Owned Firms*, The Journal of Employee Ownership Law and Finance, Christopher Mackin and Fred Freundlich – Spring, 1995, pps. 191-215
- *The Legitimate Opposition at Work: The Union’s Role in Large Democratic Firms*, David Ellerman, Economic and Industrial Democracy, Vol. 9, 1988, pps 437-453
- *Frontiers and Boundaries: Managing Ownership Expectations*, Christopher Mackin, p.1

Week Fourteen:

The Future of Democratic Capitalism:

Public Policy and the Battle of Ideas - Monday, April 30, 2012

Brief Outline: Examines how democratic capitalism “fits” within the contemporary public policy discussion around economic ideas. Reviews pending legislation and policy programs that incorporate democratic capitalist ideas.

Readings (41 pages):

- *Employee Ownership: The Road to Shared Prosperity*, Christopher Mackin, The Nation Magazine, Volume 292, Number 26, June 27, 2011, pps.1-2
- *Inclusive Capitalism for the American Workforce*, Richard Freeman, Joseph Blasi and Douglas Kruse, Center for American Progress Policy Report, pps. 1-4, 22-28 – Full report at http://www.americanprogress.org/issues/2011/03/pdf/worker_productivity.pdf
- *An Agenda to Reform Capitalism*, Ray Carey, pps. 1-22
- Beyond the Corporation: Humanity Working, David Erdal, Epilogue: *What is to be Done?*, pps. 245-252 (Text purchased by class participants)
- To be determined

Final Exam May 9, 2012 -- 12 PM - 3PM