Rutgers University School of Management and Labor Relations Syllabus

Democratic Capitalism - 37:575:377 (Spring 2013)

Course Description: This course examines five distinct strategies for creating a more inclusive and democratic economy where workers can obtain a fair share in the wealth that they create. We review relevant political and economic thinkers, both classical and contemporary who have spoken both in support and against these ideas. We review relevant public policies and models both domestic and international. Finally, we will examine the various challenges brought on by efforts to create increased democracy within the firm, exploring the role of unions and organizational cultures.

Professor Christopher Mackin
Classroom: Ruth Adams Room 207 on the Cook-Douglass Campus

Monday

3:55 PM-6:55PM

Email: christopher.mackin@rutgers.edu

<u>Office Hours</u>: By appointment only (email required to make appointments). Availability will be between 8:30 AM and 10:30 AM on Tuesdays at SMLR Labor Center 160 Ryders Lane.

Required Books and Reading:

- Beyond the Corporation: Humanity Working. David Erdal, The Bodley Head, London, 2011. Not published in the United States. Week 1 and 2 readings will be made available on Sakai, but students will be expected to purchase either a hard copy (on Amazon or other sites) or a digital copy via Amazon Kindle at this shortlink: amzn.to/Qo4qC2 prior to Week 3 (February 11) session. One copy will be held on reserve at SMLR Carey Library to find the library see this site http://smlr.rutgers.edu/carey-library
- <u>Democratic Capitalism: The Way to a World of Peace and Prosperity</u>, 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

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

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

<u>Approach</u>: This course will make use of weekly lectures, the regular use of film, guest lectures and both large and small group discussion.

<u>Participation</u>: Participation represents a relatively high percentage (40%) of the final grade. Attendance at lectures and class meetings is critical to the class. Attendance will be taken in class and those not participating will lose points on the participation score. Lecture material will be presented in class that is not covered in the readings and will make up a significant part of mid-term and final exams. Beginning in week 2, in advance of each class, all participants are expected to submit through Sakai (no later than 12 Noon EST on Monday's) two weekly items: 1) a single paragraph comment as well as 2) a single question inspired/provoked by that week's readings. Those weekly submissions will be graded on a 1-5 scale, will be used anonymously to help provoke discussion in the class and will be included as part of your participation grade.

Week One: Introduction to Democratic Capitalism – Monday, Jan. 28, 2013

<u>Brief Outline</u>: 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, particularly at the level of the enterprise, compatible? Where are these ideas to be found in the modern world?, Finally, we will review the five "verbs" of democratic capitalism that provide the basic structure for the course.

Required Readings: (32 Pages)

- Beyond the Corporation: Humanity Working. David Erdal, Introduction, Chapter 1, *Owning a Business and Making it Perform*, pps. 1-25 (PDF of Chapter 1 provided on Sakai All students expected to obtain hard copy or digital ownership of Beyond the Corporation: Humanity Working prior to February 4 class session.
- Employee Ownership in America: A Primer for Industrial Relations, <u>Perspectives on Work</u>. Christopher Mackin, pps.1-5
- Employee Ownership: The Road to Shared Prosperity, Christopher Mackin, <u>The Nation Magazine</u>, Volume 292, Number 26, June 27, 2011, pps.1-2

Week Two: Reforming the Economy Through Policy and Through Enterprise – History of an Idea - Monday Feb. 4, 2013

<u>Brief Outline</u>: We will explore the historical roots of the idea of democracy in the workplace in the United States and in Europe.

Required Readings:

- Beyond the Corporation: Humanity Working. David Erdal, Chapter 2, Founders, Chapter 3, *Predictions* pps. 26-44
- Robert Owen and New Lanark, <u>www.robert-owen.com</u>, pps.1-3
- Robert Owen: "Good" versus "Bad" Capitalism, Carey Center for Democratic Capitalism, Ray Carey, pps.1-2
- For All the People: Uncovering the Hidden History of Cooperation, Cooperative Movements and Communalism in America, John Curl, pps. 1-6, plus

Week Three: The Five Verbs of Democratic Capitalism: Reform, Take, Start, Negotiate, or Buy Verb 1: To Reform – The Reform Agenda of Ray Carey, Democratic Capitalist - Monday, February 11, 2013

<u>Brief Outline</u>: This session will focus on the career and reform agenda 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.

Required Readings (41 pages):

• <u>Democratic Capitalism</u>, Ray Carey. Chapter 1, *Citizen's Choice*, pps. 1-14.

- <u>Democratic Capitalism</u>, 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 Five Verbs of Democratic Capitalism: Reform, Take, Start, Negotiate, or Buy Verb 2: To Take – Monday, February 18, 2013

Brief Outline:

In this session, we will cover two topics. We will first cover the primary research objections to the viability of worker ownership as an economic model for the firm. Next, we will introduce the second verb of democratic capitalism, to "Take." This segment 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 segment 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 (50 pages):

- Does Employee Ownership Enhance Firm Survival?, Park, Kruse and Sesil, Advances In the Economic Analysis or Participatory and Labor Managed Firms, Vol. 8, 3-33, pps. 1-8
- *The Case of Argentina: Recuperated Factories and the Multitude*, Derek Merrill, <u>Variant</u>, 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
- Film: The Take, Klein Lewis Productions.

Week Five: The Five Verbs of Democratic Capitalism: Reform, Take, Start, Negotiate, or Buy Verb 3: To "Start" – Monday, February 25, 2013

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

<u>Brief Outline</u>: This session will introduce Verb 3, to "Start". We 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

- <u>Beyond the Corporation: Humanity Working</u>, David Erdal, Part Two, Having a Job, Prologue: The Deal, , Chapter 7, Working for Shareholder Value, pps. 89-113
- Film: The Mondragon Experiment. BBC.

Week Six: The Five Verbs of Democratic Capitalism: Reform, Take, Start, Negotiate, or Buy Verb 3: To "Start" – Monday, March 4, 2013
(Part 2) American Examples of Cooperative Start-ups

Midterm Take Home Exam Handed Out at End of Class

<u>Brief Outline</u>: This session will continue our exploration of Verb 3, To Start, by examining 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
- <u>Beyond the Corporation: Humanity Working</u>, David Erdal, Chapter 8, Power and Accountability Corporate Governance and CEO Pay, pps. 114-122

Week Seven: Return to Theory: Democratic Capitalism and the Employment Contract - Monday, March 11, 2013

***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
- The Soul of Capitalism, Chapter 8, Work Rules, pps.49-69, 79-86

Week Eight: The Five Verbs of Worker Ownership: Reform, Take, Start, Negotiate, or Buy Verb 4: To "Negotiate" - Monday, March 25, 2013

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

<u>Brief Outline</u>: This session will explore how select high profile cases of worker buyouts in the manufacturing, retail food 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):

- <u>The Deindustrialization of America</u>, 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

Week Nine: The Five Verbs of Worker Ownership: Reform, Take, Start, Negotiate, or BuyVerb 5: To "Buy" - Monday, April 1, 2013

(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?

<u>Brief Outline</u>: 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), <u>United States Congress</u>, <u>Congressional Floor Statement</u>, November 17, 1983, p. 1
- <u>Congressional Record, Proceedings and Debates of the 97th Congress,</u> Tuesday, May 12, 1981 *Expanded Ownership Act of 1981*, pps. 1-4
- <u>Understanding ESOPs</u>, 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

Week Ten: The Five Verbs of Worker Ownership: Reform, Take, Start, Negotiate, or

Buy- Verb 5: To "Buy" - Monday, April 8, 2013

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

<u>Brief Outline</u>: 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
- <u>Participatory Employee Ownership: How it Works</u>, John Logue, Chapter 3, *Setting Up the Employee Owned Company*, pps. 51-62
- Materials supplied by Steiker, Fisher, Edwards and Greenapple
- <u>Beyond the Corporation: Humanity Working.</u> David Erdal, Chapter 14, *Governance and Power*, Chapter 15 *A Thousand and One Ways of Structuring Ownership*, pps. 196-213

Week Eleven: "Sold" – The Experience of Workers and Managers in a Worker Owned Firm: The Case of Carris Reels (invited) – Monday, April 15, 2013

Brief Outline: Examines a specific case of an employee owned firm from the perspective of a former CEO and primary owner, Mr. Bill Carris who helped engineer the sale of Carris Reels to its employees. Carris Reels is 100% owned by its 471 employees spread through seven locations including Mexico. VT, CT, CA, VA, NC, MI and MX. The company headquarters are in Rutland, Vermont and the company employs 183 people in Vermont. Mr. Carris will join us for this session. He has retired from Carris Reels and presently serves as a State Senator in the Vermont legislature.

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 – Part 2 – Sharing Decision Making Power Monday, April 22, 2013

<u>Brief Outline</u>: 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):

- Ownership Theory: Rights and Responsibilities of Ownership, Christopher Mackin, <u>Journal of Selected Readings</u>, Foundation for Enterprise Development, January, 1996, pps. 25-27
- Frontiers and Boundaries: Managing Ownership Expectations, Christopher Mackin, p.1
- *Political Metaphors and Workplace Governance*, Christopher Mackin, paper presented to the International Association for the Economics of Participation, July, 2012, Rutgers University
- <u>Beyond the Corporation: Humanity Working</u>, David Erdal, Chapter 16, *Culture*, Chapter 17, *Hunters and Gatherers Go to Market* pps. 214-244

Week Thirteen: The Future of Democratic Capitalism: Public Policy and the Battle of Ideas - Monday, April 29, 2013

<u>Brief Outline</u>: 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):

- Occupy by Analogy: A Conversation with Christopher Mackin, The Straddler Magazine, Summer, 2012, pps. 1-7
- 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

Week Fourteen: Final Exam Review and Discussion – May 6, 2013

Final Exam To Be Scheduled

Dem Cap 2013 - Syllabus Draft - November 23, 2012 - CM Subject to Revision