

Rutgers University
School of Management and Labor Relations
Syllabus

Democratic Capitalism - 37:575:377 (Spring 2015)

Professor Christopher Mackin

Spring Semester - Tuesdays 9:00 AM-12 Noon

Course Description: The corporation is a controversial institution. It is the central institution that introduces us to the concept of capitalism. Among its virtues are the provision of jobs for employees and wealth for owners. Corporations serve as a site where innovation and productive common endeavors can take place. Corporations have also been charged with being the primary locale for the exploitation of workers and neglect of the public interest. This course will review the complex history of corporations and the debates that have surrounded them with an emphasis on understanding specific strategies to improve corporations in the interest of making them more inclusive and democratic. We will review four specific “verbs” that illustrate how those strategies actually take place in the real economy. We will review laws and public policies that have influenced corporate behavior. Finally, we will examine techniques to create increase democracy and participation within the enterprise.

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Office Hours: By appointment only (email is required to make appointments). Availability will be between 12:15 PM and 1:30 PM on Tuesdays.

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/Q94qC2 or through Google E Books – [see this link](#) - 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>
- The Citizen’s Share: Putting Ownership Back in Democracy. Joseph R. Blasi, Richard B. Freeman, Douglas L. Kruse, Yale University Press 2013. Purchase hard copy [here](#) or (when available) on Kindle

Other Required Readings

- Selected readings – Listed in syllabus below and available on Sakai

Additional Books:

- 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
- With Liberty and Dividends for All. Peter Barnes, Berrett-Koehler Publishers, Inc., 2014

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

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

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

Participation and Written Work: 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 Tuesday morning class, all participants are expected to submit through Sakai (submission deadline of 6 PM ET on Monday – the earlier the better) two items:

- 1) **Commentary** - A single paragraph commentary by you the current week's readings. Describe what you found provocative or interesting. Your comments may focus on a single reading or on readings as a whole and
- 2) **Question** - A single question that occurs to you that has been inspired or provoked by the current week's readings be that a single reading or readings as a whole.

These weekly submissions will be graded on a 1-5 scale and will be included as part of your participation grade. The comments and questions you pose will also be used anonymously to help provoke discussion in the class.

Week One: Introduction to Democratic Capitalism

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. We will introduce the general concept of co-owned assets such as clean air and the broadcast spectrum outside the enterprise. We will then review the four “verbs” of democratic capitalism that provide the basic structure for the course at the level of the individual enterprise. Finally, an illustration of apparent interest in this ideas will be shared by PBS NewsHour video clips and a subsequent discussion of the Summer, 2014 Market Basket grocery chain “uprising” in northern Massachusetts.

Required Readings: (36 Pages)

- **Beyond the Corporation: Humanity Working.** David Erdal, Introduction, Chapter 1, *Ownning 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 Week 2 class session).
- *With Liberty and Dividends for All*, Peter Barnes, Berrett-Koehler Publishers, Inc., 2014, The Dividend Potential of Co-Owned Wealth, pps. 139-146
- *The Labor Day Lessons of Market Basket*, PBS NewsHour Making Sen\$e of the Economy, Christopher Mackin, September 1, 2014 – pps.1-2 - [at this link](#)

Week Two: Reforming the Economy Through Policy and Through Enterprise – History of an Idea

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

Required Readings: (41 pages)

- Beyond the Corporation: Humanity Working. David Erdal, Chapter 2, *Founders*, Chapter 3, *Predictions* pps. 26-44
- The Citizen’s Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse, Introduction, pps.1-15 (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 Week 3 class session).
- For All the People: Uncovering the Hidden History of Cooperation, Cooperative Movements and Communalism in America, John Curl, pps. 1-6, plus
- *‘An iron chain of bondage’: lessons from the Knights of Labor*, Alex Gourevitch, Our Kingdom, Democratic Wealth, November 29, 2012 - <http://www.opendemocracy.net/ourkingdom/alex-gourevitch/iron-chain-of-bondage-lessons-from-knights-of-labor>

Week Three: Shareholders, Stakeholders and the Idea of Democratic Capitalism

Brief Outline: This session will focus on the alternative conceptions of the corporation. We will begin with reviewing the 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. We will then proceed to review an ongoing debate regarding the stakeholder theory of the corporation versus the shareholder theory of the corporation.

Required Readings (47 pages):

- The Citizen’s Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse, Introduction, pps.16-43
- *Capitalism, the Good and the Bad*, Essay from Carey Center for Democratic Capitalism web site www.democratic-capitalism.org, pps. 1-6
- *Stakeholders, Shareholders and Wealth Maximization*, V. Sivirama Krishnan, *University of Central Oklahoma*, pps. 1-9 – [at this link](#)
- *Employee Ownership in America: A Primer for Industrial Relations*, Perspectives on Work. Christopher Mackin, pps.1-5

Week Four: The Four Verbs of Democratic Capitalism: Take, Start, Negotiate, or Buy Verb 1: To Take

Brief Outline:

In this session, we will introduce the first verb of democratic capitalism, to “Take.” This segment will focus on the dramatic efforts of Employees 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 Employee-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 (30 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
- 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 Four Verbs of Democratic Capitalism: Take, Start, Negotiate, or Buy
Verb 2: To “Start”**

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

Brief Outline: This session will introduce Verb 2, to “Start”. We will review how employee ownership takes place as a deliberate planned strategy for start-up enterprises. We will review the largest and most successful grouping of employee 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
- Film: *The Mondragon Experiment*. BBC.

**Week Six: The Four Verbs of Democratic Capitalism: Take, Start, Negotiate, or Buy
Verb 2: To “Start”
(Part 2) American Examples of Cooperative Start-ups**

Brief Outline: This session will continue our exploration of Verb 2, 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 Employee 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

Week Seven: Return to Theory: Democratic Capitalism and the Employment Contract

*****Midterm Exam In 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

***** **SPRING RECESS** *****

**Week Eight : The Four Verbs of Employee Ownership: Take, Start, Negotiate, or Buy
Verb 3: To “Negotiate”**

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

Brief Outline: This session will explore how select high profile cases of employee 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):

- 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

**Week Nine: The Four Verbs of Employee Ownership: Take, Start, Negotiate, or
Buy Verb 4: To “Buy”**

**(Part 1) - How Does Employee Ownership Happen 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 employee ownership field. That cohort is the 10,000 plus enterprises, collectively employing over 10 Million Employees 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 (44 pages):

- *Employee Ownership: The Road to Shared Prosperity*, Christopher Mackin, The Nation Magazine, Volume 292, Number 26, June 27, 2011, pps.1-2
- *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. 1-3
- 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

Week Ten: The Four Verbs of Employee Ownership: Take, Start, Negotiate, or Buy- Verb 4: To “Buy”

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

Brief Outline: This session will examine how employees and managers actually acquire companies. Managers and employees typically will not have the personal cash resources to buy successful companies and will use bank loans to complete the purchase. This session will describe 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

Week Eleven: “Sold” – The Experience of Employees and Managers in an Employee Owned Firm: The Case of King Arthur Flour

Brief Outline: This session will explore a specific case of an employee owned firm, the King Arthur Flour Corporation, from the perspective of its recently retired CEO and President, Mr. Steve Voigt. King Arthur employs approximately 200 people in locations primarily in Vermont. King Arthur is also a Benefit Corporation or “B Corp” a new designation of corporate ownership that emphasizes commitments to stakeholders as well as shareholders.

Readings:

- Harvard Business School Case: King Arthur Flour, pps. 1-18
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 16, *Culture*, Chapter 17, *Hunters and Gatherers Go to Market* pps. 214-244

Week Twelve: Organizational and Ownership Cultures:

Part 1 – Building a Culture of Trust – Part 2 – Sharing Decision Making Power

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

Readings (48 pages):

- *Ownership Theory: Rights and Responsibilities of Ownership*, Christopher Mackin, Journal of Selected Readings, 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
 - Beyond the Corporation: Humanity Working, David Erdal, Epilogue: *What is to be Done?*, pps. 245-252
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Week Thirteen: The Future of Democratic Capitalism:

Public Policy and the Battle of Ideas

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):

- *With Liberty and Dividends for All*, Peter Barnes, Berrett-Koehler Publishers, Inc., 2014, The Dividend Potential of Co-Owned Wealth, pps. 139-146
- *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/Employee_productivity.pdf

Week Fourteen: Final Exam Review and Discussion

**Final Exam
To Be Scheduled**
