

Rutgers University
School of Management and Labor Relations
Syllabus

Revised

Democratic Capitalism - 37:575:377:01 - (Spring 2015)

Professor Christopher Mackin

Spring Semester - Tuesdays 9:15 AM-12:15 PM
Labor Education Center Building

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 3) 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 4 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 (January 20): 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 (January 27): 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 (February 3): 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 (February 10): 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: (In class) *The Take*, Klein Lewis Productions.

Week Five (February 17): 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: (In class) *The Mondragon Experiment*. BBC.

Week Six (February 24): 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 (March 3): Return to Theory: Democratic Capitalism and the Employment Contract

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 (March 10) : 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

And Mid-Term Exam In Class

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

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

Week Nine (March 24):

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? --

Visiting Lecturer: Michael Keeling, President, ESOP Association of America, Professor Joseph Blasi, Rutgers University

Brief Outline: This session will explore the experience of the most statistically significant cohort of the employee ownership field. That cohort is the 9,000 plus enterprises, collectively employing over 11 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:

- *Keeling Readings – Sent by Sakai to DemCap Students.*
- *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
- An Overview of How ESOPs Work, Corey Rosen, National Center for Employee Ownership, Chapter 1, 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 (March 31): 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.

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
- 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 (April 7): Catching Up with David Erdal, Beyond the Corporation: Humanity Working and Continuing on Verb # 4 – To Buy – The King Arthur Flour Case – and “B” Corporations

Brief Outline: This session will begin with catching up with our David Erdal, Beyond the Corporation: Humanity Working readings. We will also catch up on some of the comments and questions you have posed over the semester from your weekly homework assignments. Finally, we will then explore a specific case of an employee owned firm, the King Arthur Flour Corporation as described in the Harvard Business School Case listed below. 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. We will explore the meaning of “B Corporation” concept and its significance in the future

Readings:

- Beyond the Corporation: Humanity Working, David Erdal, Chapter 14, *Governance and Power*,
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 15 *A Thousand and One Ways of Structuring Ownership*, pps. 196-213
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 16, *Culture*
- Harvard Business School Case: King Arthur Flour, pps. 1-18

**Week Twelve (April 14) : 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:

- *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.1-7
 - *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, Chapter 17, *Hunters and Gatherers Go to Market* pps. 214-244, Epilogue: *What is to be Done?*, pps. 245-252
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**Week Thirteen (April 21): 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 (April 28): Final Exam (In Class)
