

'Strengthening Democracy' Project  
Scottish Universities Insight Institute  
Scottish Parliament Building  
November 15, 2013

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# INCLUSIVE CAPITALISM IN AMERICA: REPORT FROM THE UNITED STATES

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# Agenda

**I. BACKGROUND AND PROCESS**

**II. THE CHALLENGES OF DOING**

**III. POLICY AND POLITICS**

# **Agenda**

## **I. BACKGROUND AND PROCESS**

### **A. The Broad Theme – Inclusive Capitalism**

- i. Assets over Paychecks - Wealth over Income
- ii. Implications for Natural Resources, Land, the Workplace

### **B. Facts and Figures About the Workplace – What is happening in the USA?**

### **C. Inside the Black Box:**

- i. Legal innovation/alchemy

## **Agenda (continued)**

### **II. THE CHALLENGES OF DOING**

- D. **Origination**: Four Starting Points - The “Verbs” of Inclusive Capitalism in the Workplace
- E. **Interpretation**: Four Conflicting Meanings – Climbing Babel’s Tower
- F. **Aspiration**: Four Competing Metaphors for the Workplace

### **III. POLICY AND POLITICS**

- G. Public Policy Ideas
- H. Implications for Politics

# **Agenda**

## **I. BACKGROUND AND PROCESS**

# A. The Broad Theme – Inclusive Capitalism



## Growing the Wealth

How Government Encourages  
Broad-Based Inclusive Capitalism

David Madland and Karla Walter April 2013

# 'An iron chain of bondage': Lessons from the Knights of Labor

ALEX GOUREVITCH 29 November 2012



## PREAMBLE AND DECLARATION OF PRINCIPLES OF THE KNIGHTS OF LABOR OF AMERICA.

### TO THE PUBLIC:

The alarming development and aggressiveness of great capitalists and corporations, unless checked, will inevitably lead to the pauperization and hopeless degradation of the toiling masses. It is imperative, if we desire to enjoy the full blessings of life, that a check be placed upon unjust accumulation, and the power for evil of aggregated wealth.

This much-desired object can be accomplished only by the united efforts of those who obey the divine injunction, "In the sweat of thy face shalt thou eat bread."

Therefore we have formed the Order of Knights of Labor, for the purpose of organizing and directing the power of the industrial masses, not as a political party, for it is more—in it are crystallized sentiments and measures for the benefit of the whole people, but it should be borne in mind, when exercising the right of suffrage, that most of the objects herein set forth can only be obtained through legislation, and that it is the duty of all to assist in nominating and supporting with their votes only such candidates as will pledge their support to those measures, regardless of party. But no one shall, however, be compelled to vote with the majority, and calling upon all who believe in securing "the greatest good to the greatest number," to join and assist us, we declare to the world that our aims are:

I. To make industrial and moral worth, not wealth, the true standard of individual and National greatness.

II. To secure to the workers the full enjoyment of the wealth they create, sufficient leisure in which to develop their intellectual, moral and social faculties; all of the benefits, recreation and pleasures of association; in a word, to enable them to share in the gains and honors of advancing civilization.

In order to secure these results, we demand at the hands of the State:

III. The establishment of Bureaus of Labor Statistics, that we may arrive at a correct knowledge of the educational, moral and financial condition of the laboring masses.

IV. That the public lands, the heritage of the people, be reserved for actual settlers; not another acre for railroads or speculators, and that all lands now held for speculative purposes be taxed to their full value.

V. The abrogation of all laws that do not bear equally upon capital and labor, and the removal of unjust technicalities, delays and discriminations in the administration of justice.

VI. The adoption of measures providing for the health and safety of those engaged in mining and manufacturing, building industries, and for indemnification to those engaged therein for injuries received through lack of necessary safeguards.

VII. The recognition, by incorporation, of trades' unions, orders

and such other associations as may be organized by the working masses to improve their condition and protect their rights.

VIII. The enactment of laws to compel corporations to pay their employees weekly, in lawful money, for the labor of the preceding week, and giving mechanics and laborers a first lien upon the product of their labor to the extent of their full wages.

IX. The abolition of the contract system on National, State and Municipal works.

X. The enactment of laws providing for arbitration between employers and employed, and to enforce the decision of the arbitrators.

XI. The prohibition by law of the employment of children under 15 years of age in workshops, mines and factories.

XII. To prohibit the hiring out of contract labor.

XIII. That a graduated income tax be levied.

And we demand at the hands of Congress:

XIV. The establishment of a National monetary system, in which a circulating medium in necessary quantity shall issue direct to the people, without the intervention of banks; that all the National issue shall be full legal tender in payment of all debts, public and private; and that the Government shall not guarantee or recognize any private banks, or create any banking corporations.

XV. That interest-bearing bonds, bills of credit or notes shall never be issued by the Government, but that, when need arises, the emergency shall be met by issue of legal tender, non-interest-bearing money.

XVI. That the importation of foreign labor under contract be prohibited.

XVII. That, in connection with the post-office, the Government shall organize financial exchanges, safe deposits and facilities for deposit of the savings of the people in small sums.

XVIII. That the Government shall obtain possession, by purchase, under the right of eminent domain, of all telegraphs, telephones and railroads, and that hereafter no charter or license be issued to any corporation for construction or operation of any means of transporting intelligence, passengers or freight.

And while making the foregoing demands upon the State and National Government, we will endeavor to associate our own labors.

XIX. To establish co-operative institutions such as will tend to supersede the wage system, by the introduction of a co-operative industrial system.

XX. To secure for both sexes equal pay for equal work.

XXI. To shorten the hours of labor by a general refusal to work for more than eight hours.

XXII. To persuade employers to agree to arbitrate all differences which may arise between them and their employees, in order that the bonds of sympathy between them may be strengthened and that strikes may be rendered unnecessary.

If you believe in organization, you are earnestly invited to join with us in securing these objects. All information on the subject of organization should be sent to the General Secretary-Treasurer of the Order, who will have an Organizer visit you and assist in furthering the good work.



Though they agreed to a labour contract, they made this contract under conditions of dependence.

To capture this voluntary but unfree condition, George McNeill, an editor and leading figure in the Knights of Labor, remarked of wage-labourers that they *"assent but they do not consent, they submit but do not agree."*

*For this reason, labour republicans felt that "there is an inevitable and irresistible conflict between the wage-system of labour and the republican system of government. "*

They demanded a "a republicanization of labour, as well as a republicanization of government." This republicanization of labour amounted to the demand "to abolish as rapidly as possible, the wage system, substituting co-operation therefore."

# Billionaire Feels 'Guilty' About 'Having Gotten Rich At The Expense' Of All Of Us — Huffington Post — October 31, 2013



Bill Gross, co-chief investment officer of Pacific Investment Management Co. Photographer: Andrew Harrer/Bloomberg via Getty Images | Getty

## PIMCO

**Pacific Investment Management Company**

The world's largest bond investor

As of September 30, 2013

**\$1.97 trillion in assets under management\***

**\$1.59 trillion in third party client assets**

**“Admit that you, and I and others in the magnificent '1 %' grew up in a gilded age of credit, where those who borrowed money or charged fees on expanding financial assets had a much better chance of making it to the big tent than those who used their hands for a living.”**

- <http://www.pimco.com/EN/Insights/Pages/Scrooge-McDucks.aspx> — November 1, 2013



**PBS NEWSHOUR**

## **Making Sense**

Your Guide to the Economy

**Paul Solman**

August 28, 2013

### **The Alternative American Dream: Inclusive Capitalism Chris Mackin**

If the general problem of economic inequality could be likened to an overly deep bowl of soup that should be more fairly consumed, income-based solutions attack the challenge with forks.

We need spoons, asset spoons.

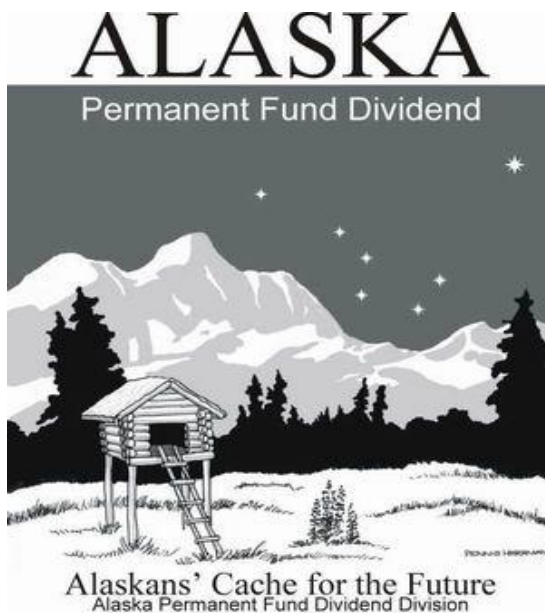


# **What are Key Assets for Inclusive Capitalism?**

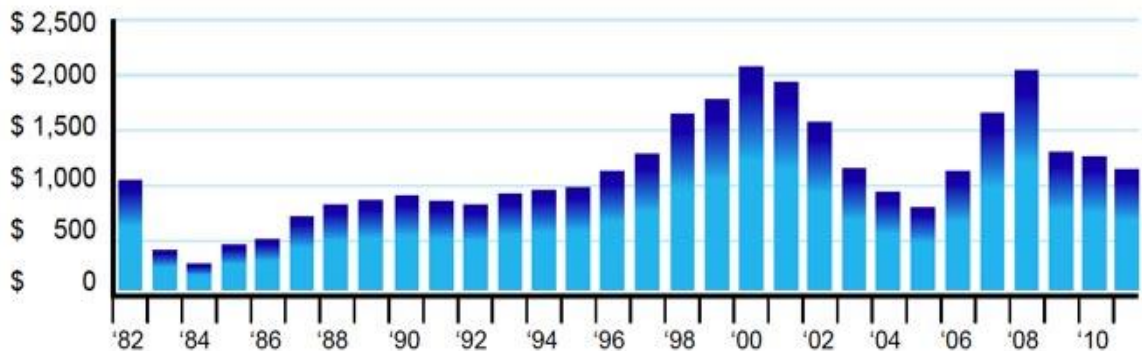
## **What Assets might be Shared?**

- I. Natural Resources**
- II. Environmental Commons**
- III. Land - Buildings – Land Trusts**
- IV. Businesses**

# I. Asset Sharing Strategies – Natural Resources



**PFD Amounts by Year**

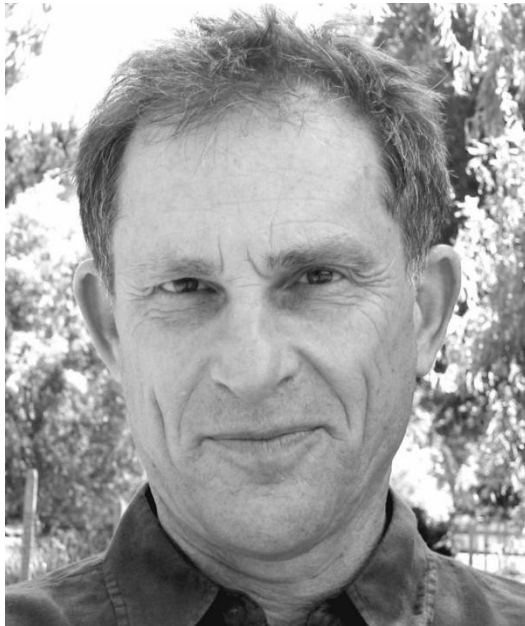
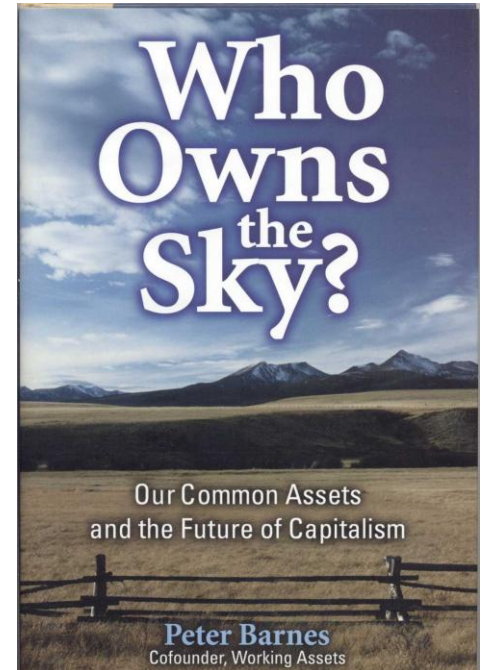


Source: State of Alaska Permanent Fund Dividend Division

## II. Asset Sharing Strategies – Environmental Commons



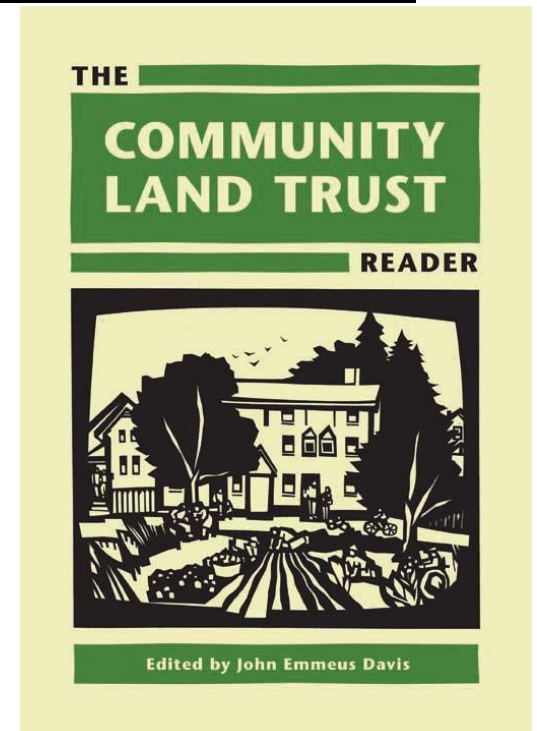
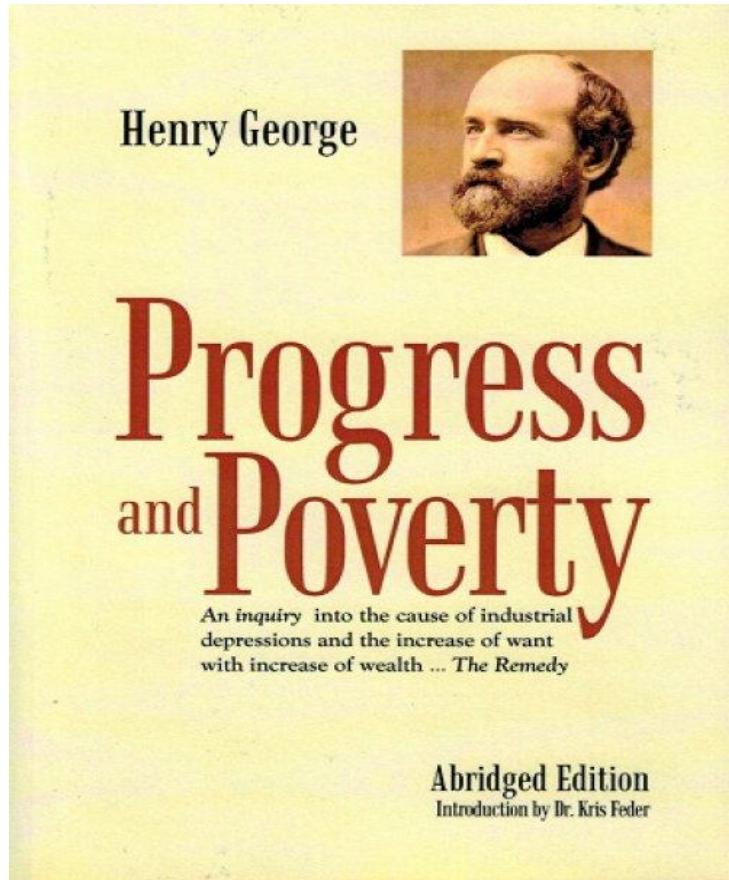
### The Sky Trust



The Sky Trust would sell a gradually declining number of carbon emission permits and divide its income equally among all Americans

**Peter Barnes**

# III. Asset Sharing Strategies – Land Trusts



## IV. Asset Sharing at the Workplace: Inclusive Capitalism

# ESOP

Employee Stock Ownership Plan



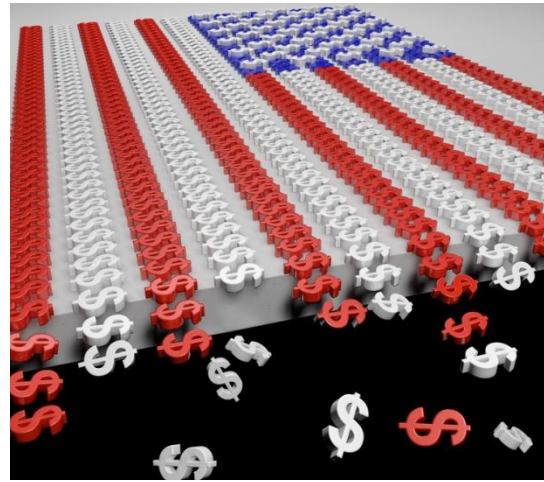
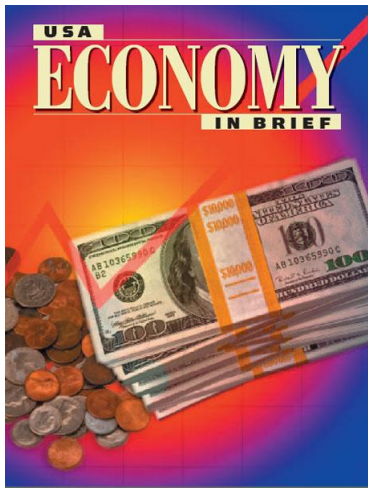
**Senator Russell Long (D- LA) – 1918-2003**

Son of Senator and Governor  
Huey Long (D- LA) – 1893-1935



## **B. Facts and Figures About the Workplace – What is happening in the USA?**





# **USA Economy**

**14 Million Companies – 155 Million Employees\***

**\*11 Million unemployed**

- ☐ **1 Million Companies 50-500 Employees**
- ☐ **5,000 Publicly Traded (“Quoted”) Companies**
- ☐ **12 Million 995 Thousand 1-50 Employees**

## US ESOP Firms (2009)

**9,687 Firms, representing:**

- **Over \$609 Billion in Assets (net Liabilities),**
- **Covering 14,808,903 employee participants,**
- **Averaging \$41,171 net assets per participant**
- **Average plan age 14 years.**



# TOP 15 Employee Owned Companies by Employment

	Company	City	State	Plan	Industry	No. of Emp's
1.	Publix Supermarkets	Lakeland	FL	ESOP, SP	supermarkets	144,000
2.	Hy-Vee	W. Des Moines	IA	PS	supermarkets	55,000
3.	Price Chopper dba Golub Corp.	Schenectady	NY	ESOP	supermarkets	24,000
4.	Lifetouch	Minneapolis	MN	ESOP	photography studios	22,175
5.	Nypro	Clinton	MA	ESOP	plastics manufacturer	18,000
6.	Daymon Worldwide	Stamford	CT	ESOP	food distribution	17,360
7.	Houchens Industries	Bowling Green	KY	ESOP	supermarkets & other services	16,826
8.	Penmac Staffing Services	Springfield	MO	ESOP	staffing services	15,700
9.	WinCo Foods	Boise	ID	ESOP	supermarkets	13,000
10.	Parsons Corp.	Pasadena	CA	ESOP	engineering/construction	11,500
11.	Amsted Industries	Chicago	IL	ESOP	manufacturing	9,600
12.	Black & Veatch	Kansas City	MO	ESOP	engineering	9,600
15.	W.L. Gore & Associates	Newark	DE	ESOP	manufacturing	8,600

## Business Performance



### Difference in Post-ESOP to Pre-ESOP Performance

Annual sales growth	+2.4%
Annual employment growth	+2.3%
Annual growth in sales per employee	+2.3%

## Financial Results for Participants



### ESOP versus 401(k) Returns

ESOPs have better rates of return and lower volatility than 401(k) plans.

1990-2010

ESOPs had a rate of return of 9.1% per year between 1990 and 2010 while 401(k) plans had a return of 7.8%. ESOPs outperformed 401(k) plans in 15 of 20 years and tied in two. ESOPs were also less volatile over the period.

U.S. Department of Labor, Private Pension Plan Bulletin Historical Tables and Graphs, Nov. 2012

## ANCHORING CAPITAL

## ANCHORING JOBS



*ESOPs provide important advantages from a state's perspective. Academic research and public data show:*

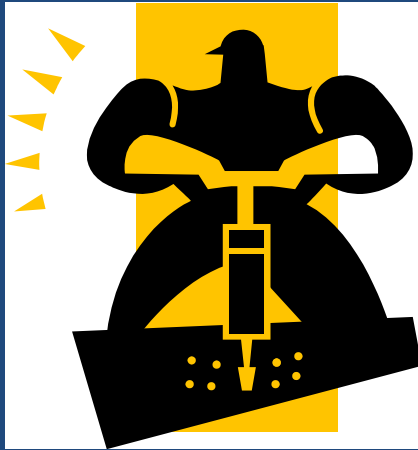
- Businesses are retained: ESOP companies are 25% more likely to stay in business.
- Employee-owners were 4 times less likely to be laid off during the last recession.
- Employees accumulate 2.5 times the retirement assets as employees in other plans, and they receive 5% -12% more in wages -- which they can spend locally.
- When a company creates an ESOP, this leads, on average, to an additional 2.5% more jobs per year.

### **3. Inside the Black Box:**

- ❑ Legal innovation/alchemy**



# Workers ...buying firms from... Owners



## THE DISTRIBUTION OF WEALTH IN THE UNITED STATES

THIS PERCENTAGE  
OF THE POPULATION



HAS THIS PERCENTAGE  
OF THE WEALTH

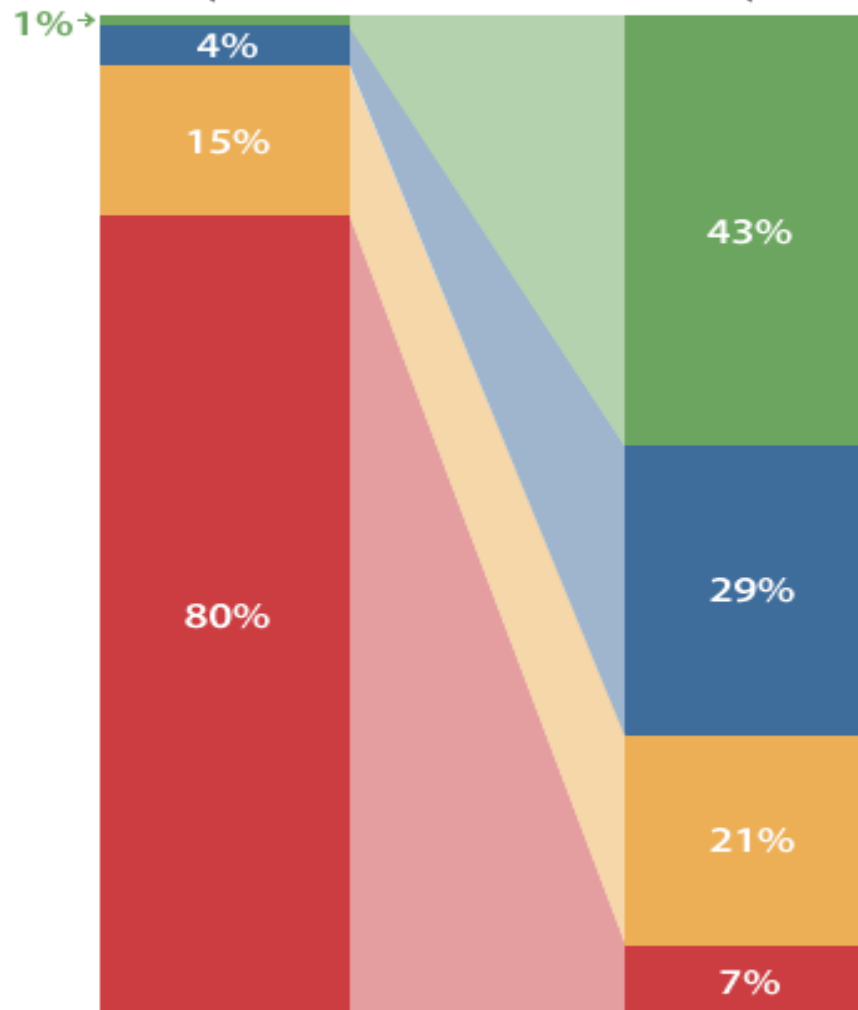


Chart: Michael DeGusta, TheUnderstatement.com - March 2011

Data: From 2007, as per <http://sociology.ucsc.edu/whorulesamerica/power/wealth.html>  
via <http://front.moveon.org/what-happened-to-good-ol-american-pie-chart/>

# ESOP

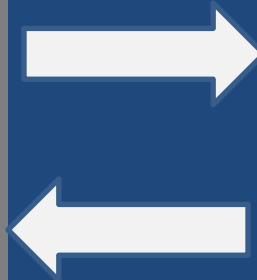
Employee Stock  
Ownership Plan



# ESOT



Employee Stock  
Ownership Trust

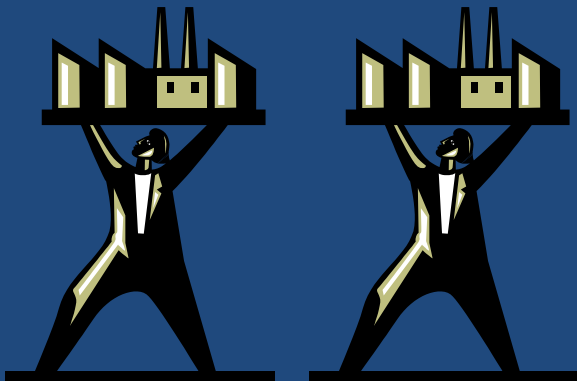


Download more graphics at [www.psdgraphics.com](http://www.psdgraphics.com)

# ESOT



Employee Stock  
Ownership Trust



Inclusive Leverage  
Tax Favored

# **Agenda**

## **II. THE CHALLENGES**

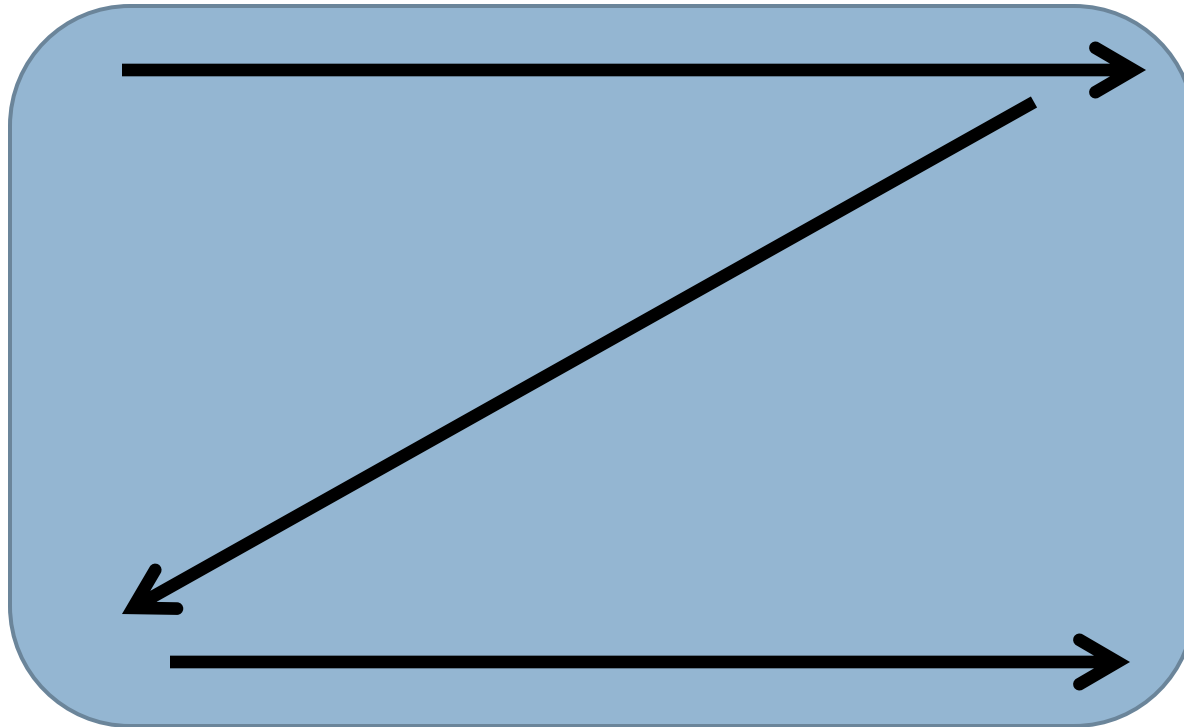
**D. Origination:** Four Starting Points -  
The “Verbs” of Inclusive Capitalism  
in the Workplace



# Four Origins

1. To Take

2. To Start



3. To Negotiate

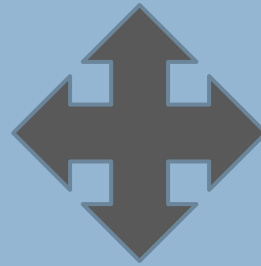
4. To Buy

# Four Origins

## 1. To Take



## 2. To Start



## 3. To Negotiate

## 4. To Buy

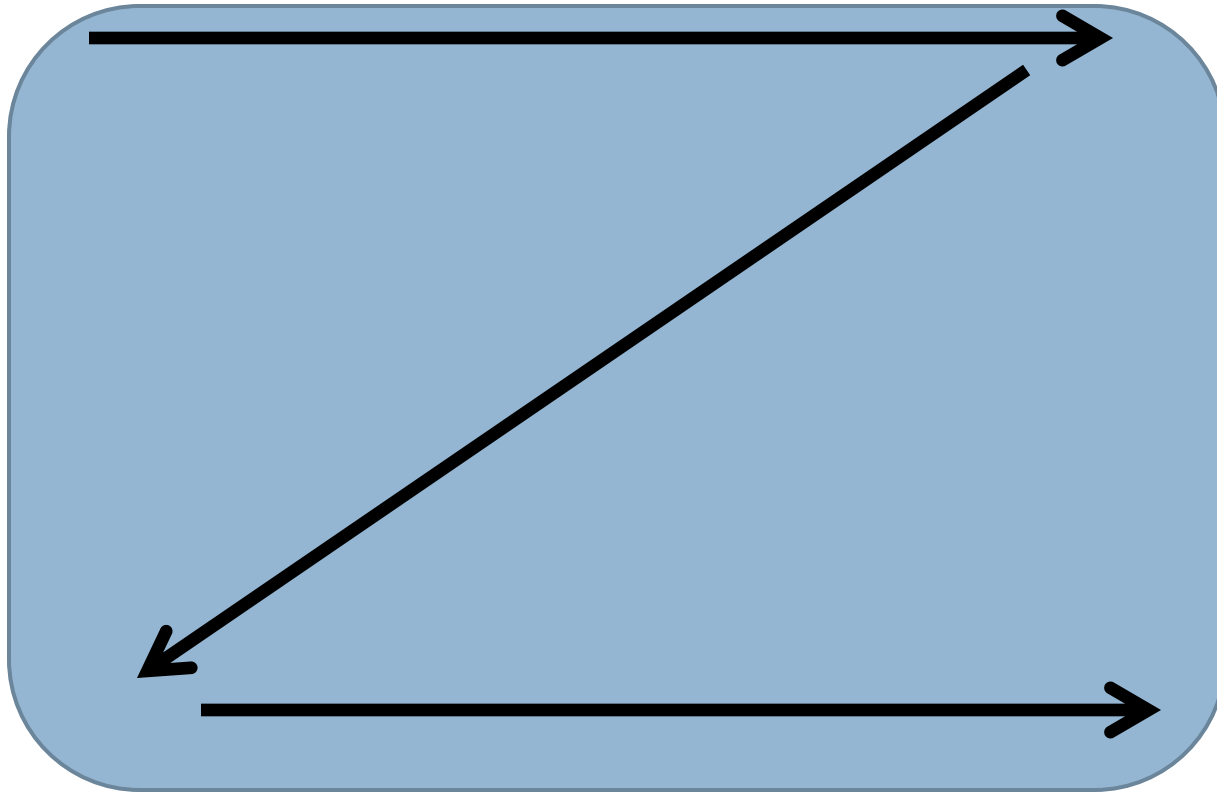
## E. Interpretation: Four Conflicting Meanings – Climbing Babel's Tower



# Four Meanings of Ownership

**Compensation**

**Investment**



**Benefit**

**Membership**

## *Meaning 1: Ownership as Compensation*



## *Meaning 2: Ownership as Investment*



STOCK MARKETS									
Price	Chg	52 week		P/E	Yield	Div	Div Yield	Company	Sector
		High	Low						
937.64	50	3.5	11.4	805				Chl. Pharm.	Pharm.
421.25	4.1	23.5	208.44					Chl. Merck	Pharm.
4987		12.8						Chl. Merck	Pharm.
3967		10.8						Chl. Merck	Pharm.
1161		12.0						Chl. Merck	Pharm.
82166		19.4						Chl. Merck	Pharm.
5889		4218						Chl. Merck	Pharm.
4041		316						Chl. Merck	Pharm.
1437								Chl. Merck	Pharm.

## Meaning 3: Ownership as Benefit



TIMELY and THOROUGH  
Cost Management **EXPERTS** COMPREHENSIVE  
Health, Innovative Benefit Annual Reviews  
Dental, **SOLUTIONS** Unique Funding STRATEGIES  
Vision, Creating a Competitive Environment  
Life, Making Complex **SIMPLE**  
Disability Attract and Retain **KEY EMPLOYEES** EFFECTIVE  
Employee Communication and Education



## Meaning 4: Ownership as Membership



# Two Categories of Meaning

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## Ownership As ...

- ❑ Compensation
- ❑ Investment
- ❑ Benefit

## Ownership As

- ❑ Membership

# Two Categories of Meaning

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## Property/Commodity

### Property Rights

- ❑ Compensation
- ❑ Investment
- ❑ Benefit

## Relationship

### Personal Rights

- ❑ Membership

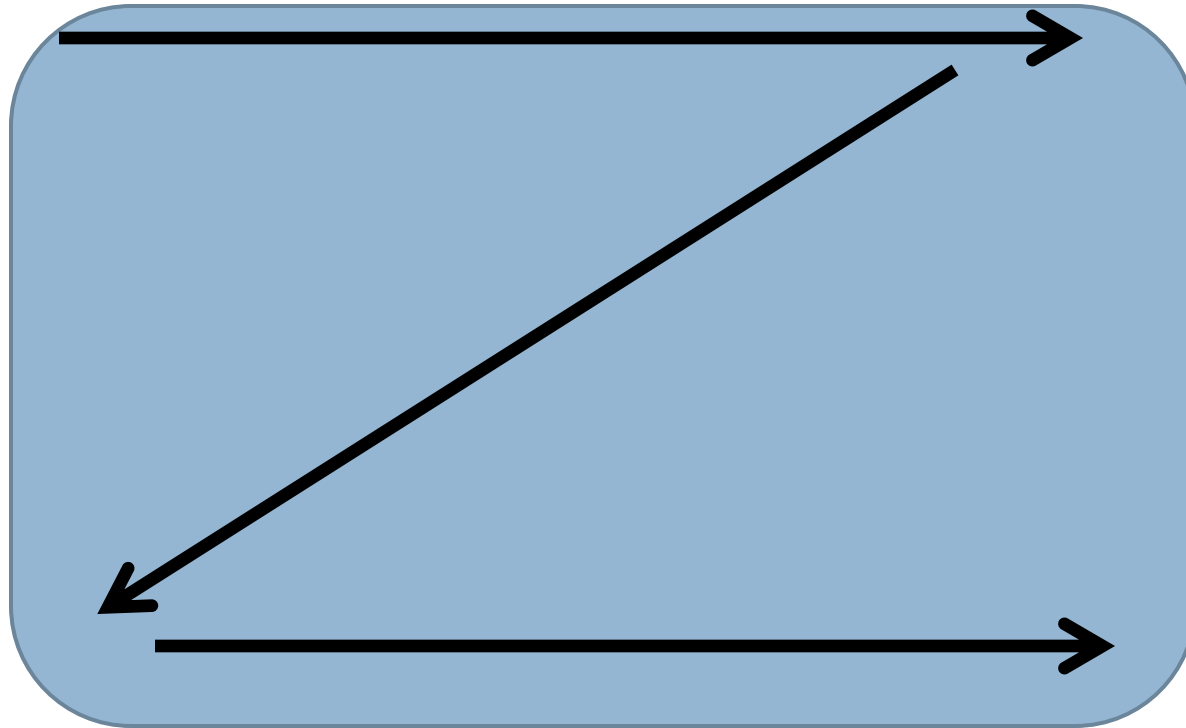
## F. Aspiration: Four Competing Metaphors for the Workplace



# Four Metaphors

**Model 1**

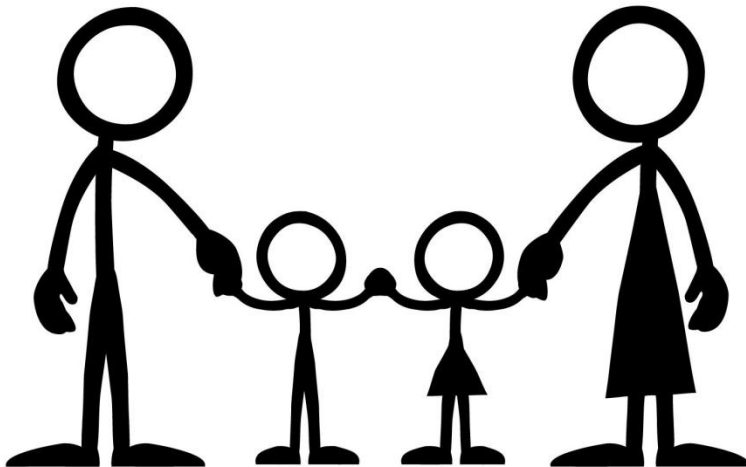
**Model 2**



**Model 3**

**Model 4**

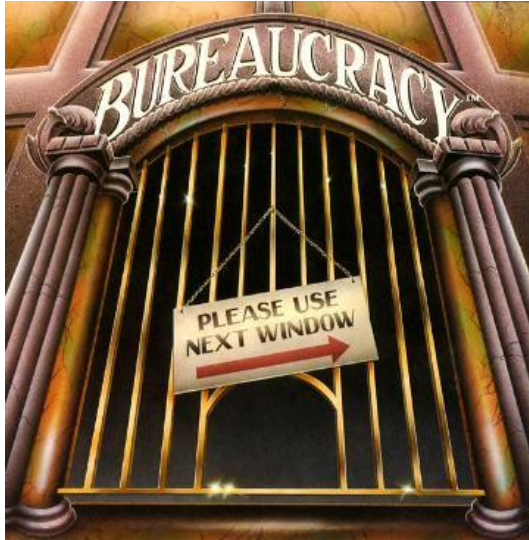
# Model 1: *Workplace as Family*



# Model 2

## Workplace as Bureaucracy

Two Cheers for Max  
Though he should cheer up ...



**Max Weber**  
*Principles of bureaucracy*

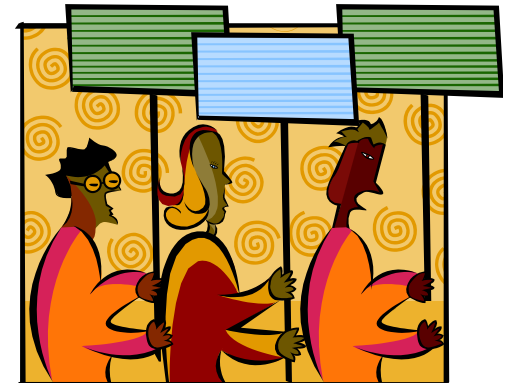
*A bureaucratic organization is governed by the following seven principles:*

1. *Official business is conducted on a continuous basis;*
2. *Official business is conducted with strict accordance to the following rules:*
  - a) *The duty of each official to do certain types of work is delimited by impersonal criteria,*
  - b) *The official is given the authority necessary to carry out his assigned functions,*
  - c) *The means of coercion at his disposal are strictly limited, and their use is strictly defined;*
3. *Every official's responsibilities and authority are part of a vertical hierarchy of authority with respective rights of supervision and appeal;*
4. *Officials do not own the resources necessary for the performance of their assigned functions but are accountable for their use of these resources;*
5. *Official and private business and income are strictly separated;*
6. *Offices cannot be appropriated by their incumbents (inherited, sold, etc.);*
7. *Official business is conducted on the basis of written documents.*

*(as defined 1904-1905)*

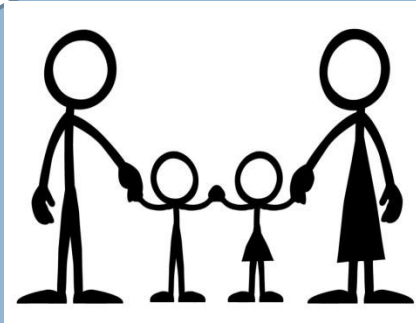
# Model 3

## Workplace as Contested Terrain



# Four Metaphors

Model 1



Model 2



Model 3



Model 4



# Model 4

## Workplace as Democratic Social Institution



DEMOCRACY IS A GREEK WORD  
COMPOSED OF TWO PARTS:  
DEMOS THE PEOPLE  
KRATOS RULE  
THE RULE OF THE PEOPLE

INFORMATION IS THE  
CURRENCY OF  
DEMOCRACY.

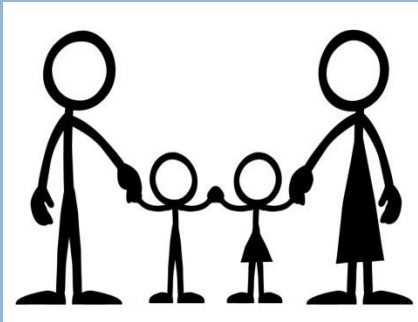


Thomas Jefferson  
3rd U.S. President

QuoteHD.com

(1743-1826)

Family



Bureaucracy



Contested Terrain

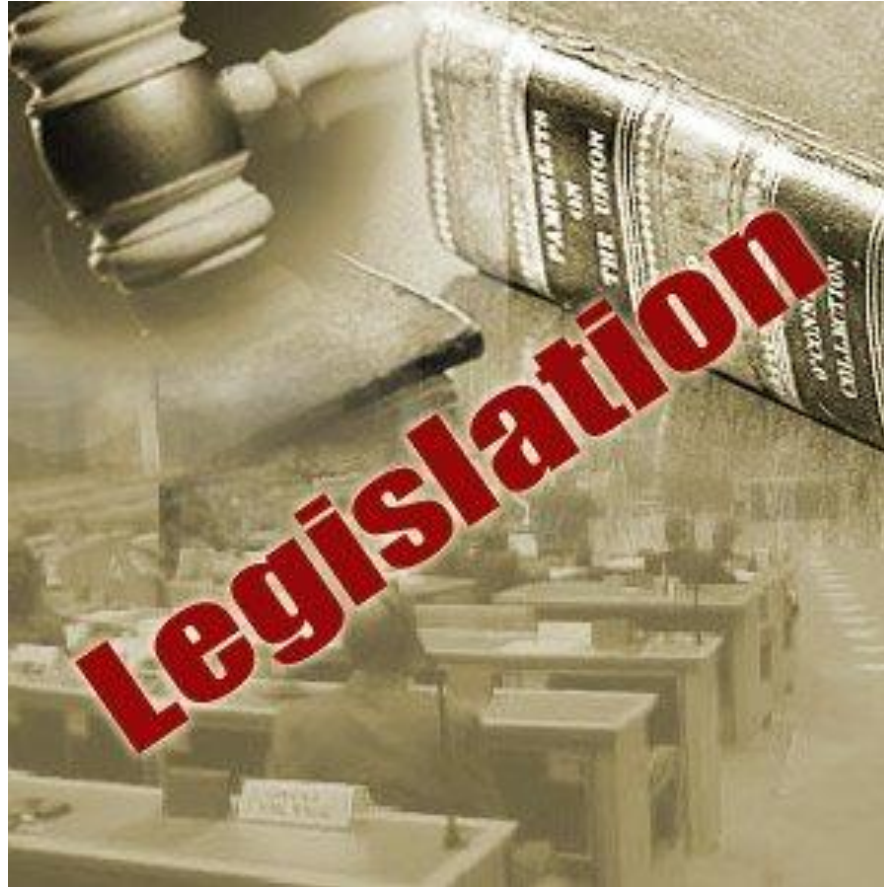


Democratic Social Institution

# Agenda

## III. POLICY AND POLITICS

## G. Implications for Public Policy



# Public Policy Ideas – Inclusive Capitalism

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- Trusts that can borrow on behalf of established workforces
- Financial guarantees – US EO Bank
- Governmental procurement – tax dollars should favor inclusive ownership vendors
- Capability – information sharing, business planning
- Education – High School and College
  - ▣ Technical School/Business School Adoptions
  - ▣ Within the firm continuous improvement

## H. Implications for Politics



**Senator Bernie Sanders I-VT**

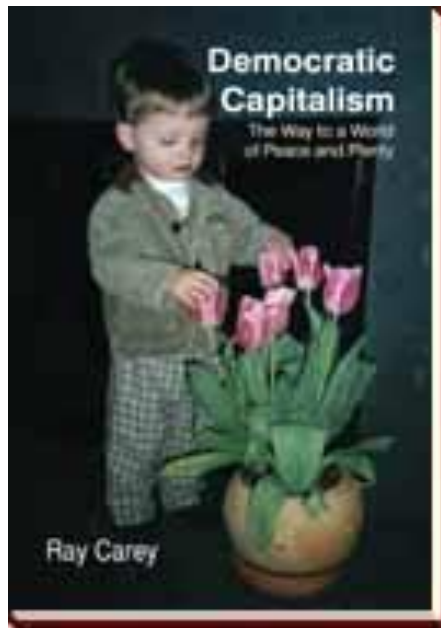


**Representative Dana Rohrabacher R- CA**

Further Reading:

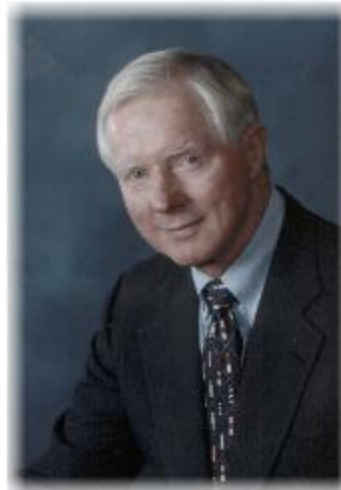
**Democratic Capitalism:**  
**The Way to a World of Peace and**  
**Plenty, AuthorHouse, April, 2004**

[www.democratic-capitalism.com](http://www.democratic-capitalism.com)



“You have created something of value that will be important and enduring—a book that helps others understand our circumstances more deeply and perhaps gives them the courage to engage in changing the future. Liberals typically don’t understand capitalism and are intimidated by the subject. Your voice can be especially meaningful in bringing around such good people, helping them out of the fog.”

*William Greider, author of  
Secrets of the Temple and  
One World, Ready or Not*



Raymond B. Carey Jr. is the former CEO and Chairman of the Board of ADT, Inc. At ADT Carey introduced the “Care and Share” Program that resulted in employees owning about 13% of the company. He was born in 1926 in Cambridge, MA. He graduated from the College of the Holy Cross and received his Masters Degree from Harvard Business School in 1950.

Further Reading:

## **The Citizen's Share**

Yale University Press UK

<http://yalebooks.co.uk/display.asp?K=9780300192254>

January, 2014



“Citizens should know about *The Citizen's Share*--it's important. And there is no better trio than Blasi, Freeman, and Kruse to tell them about it.”

--Alan Blinder, Princeton University



Joseph Blasi  
Rutgers



Richard Freeman  
Harvard



Douglas Kruse  
Rutgers

**Quite Enough**

**Thank You and Good Day!**