THE AMERICAN OWL

Capital Without Capitalists: Self-Management and Worker Ownership of Industry in the U.S.

During a period in which U.S. business is finding it more and more difficult to manage workers, increasing numbers of social planners--of the Right and the Left--are proposing that the crisis be solved by allowing workers to manage themselves. And during a time when corporations are liquidating many of their investments in certain sectors of industry in this country, these same planners are suggesting that workers take over ownership of the undesirable plants. In short, self-management and worker ownership of industry have suddenly become subjects of considerable political and economic debate in the U.S.

The tradition of worker ownership and participation in management has not been a strong one in the U.S. The union establishment has always concentrated on better pay and benefits for work, and the rank and file has struggled against work; there has been little interest in participating in the management of work or in owning the fixed capital with which the work is performed. In fact, until the mid-1970's the advocates of self-management and worker ownership could only point to a group of about 18 plywood factories in the Pacific northwest, about half a dozen agricultural co-ops in California, and a handful of other isolated cases as the sum total of the U.S. experience with alternative forms of business organization.

Beginning about five years ago, worker participation in management and ownership (at least partially) of industry acquired new status in the wake of an intensification of class struggle, marked on the one side by increased worker unrest in the factories (Lordstown, etc.), and on the other side by the flight of capital from the "hot" industrial belt to low-wage areas in the South and overseas. The federal government undertook an extensive analysis of the labor process, the result of which, the 1972 volume Work In America, called for movement in the direction of worker participation and ownership. Nevertheless, the first steps were minimal and ineffective. The federal government established the Center on Productivity and the Quality of Working Life, which collaborated with private industry to set up experiments in "job enrichment," such as the now-famous automobile mirror factory in Bolivar, Tennessee. At Bolivar and several other test sites assembly lines were replaced with team work (à la Volvo), with workers being given more "decision-making responsibilities" and shares in company profits. Yet after a while the novelty wore off and the redesigned jobs became no more than a new version of the same old grind.

At the same time, several influential members of Congress, especially Louisiana Senator Russell Long, became interested in the previously ridiculed proposals of writer Louis Kelso for a "capitalist

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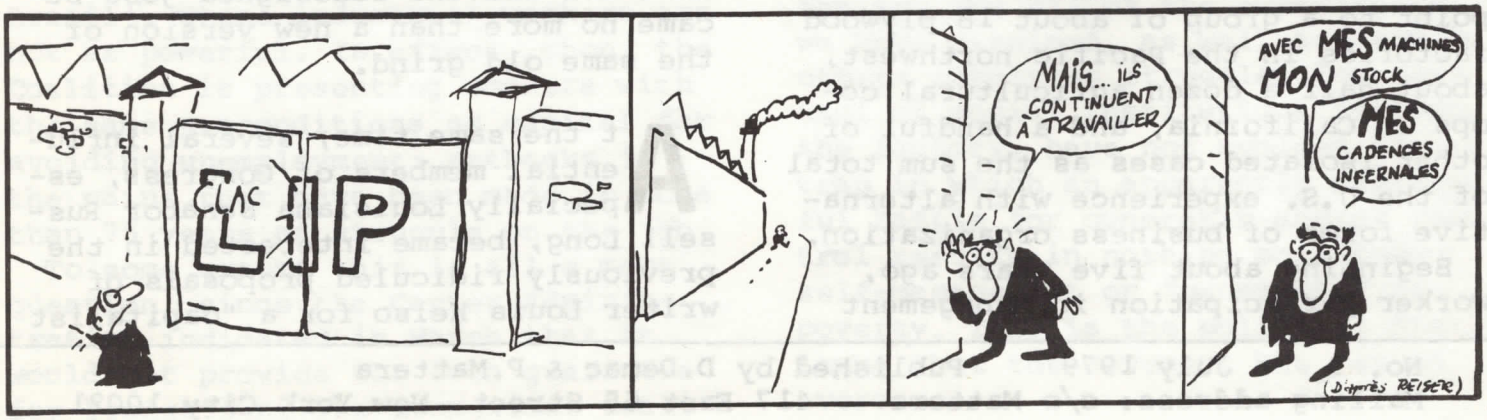
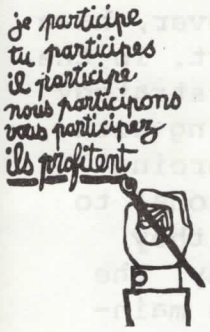
revolution" through the proliferation of employee stock ownership. Long pushed through legislation providing significant tax advantages for corporations establishing employee stock ownership plans (ESOP's). Today there are about 2,000 ESOP's in existence, yet--despite the calls of leftist planners for taking over companies through technicalities in the ESOP laws--these plans have done nothing to improve the "motivation" of workers or change the nature of life on the job--even in the 90 or so businesses in which workers own a majority of the stock. In fact, if ESOP's have done anything it has been to further demonstrate the irrelevancy of the issue of ownership of the means of production in contemporary capital, just as the experiments at Bolivar and elsewhere showed the irrelevancy of worker participation in management. The more hard-nosed spokemen for business ended up acknowledging this. Fortune magazine, for example, reaffirmed the traditional view in a 1976 article entitled "The American Kind of Worker Participation": "The U.S. is in the vanguard of the kind of participation that occurs naturally and organically through the evolution of the economic system. The change advances by tiny steps made by managers and workers who are trying to cut costs, improve product or service, and increase profits."

Nevertheless, the proposals for worker participation and ownership have not faded away; rather they have been reproposed in new forms: first, in a more repressive way in order to try to restore labor discipline. The new "reforms" put much more stress on increased productivity than on improved "job satisfaction." Drawing on the precedent of the 5,000 labor-management committees formed during the war emergency of the 1940's, business is using the economic emergency of the 1970's to give unions and other worker representatives more and more managerial responsibility for raising output on the shop floor. There are now several hundred labor-management committees functioning in the U.S., but this form of cooperation has perhaps been developed furthest in the public sector to cope with the fiscal crisis.

The municipal unions of New York City, in particular, have accepted the role of imposing austerity on their memberships through productivity agreements that are supposedly aimed at helping the city avoid bankruptcy. Acting in conjunction with the financial junta of businessmen that effectively took control of the city in 1975, the public union leaders have helped to reduce wage and benefits and implement new job rules that have drastically increased the intensity of work. The unions have also carried out the campaign for labor discipline through a form of worker ownership. As the city found itself frozen out of the private capital markets the unions agreed to invest nearly $4 billion (of $11 billion in total assets) of worker pension funds in the very city notes and bonds the large banks had dumped in 1974, precipitating the budget crisis.



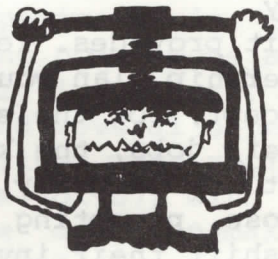


Rank and file workers were thereby seriously inhibited in any attempt to resist the collusion of the union leaders, since the financial junta could respond by declaring bankruptcy and thus jeopardize the retirement money. Not surprisingly, the workers' status as "owners" (or at least, creditors) of the city did not make them any less vulnerable to the austerity attack.

The other area in which proposals for worker participation and ownership have remained alive is the campaign to "save" factories being abandoned by capital because of low profitability. One of the first and most notable experiments of this sort took place at an asbestos mill in northern Vermont. The mill was owned by the conglomerate GAF, which decided to close the plant in 1975 after being ordered by the federal government to install pollution control equipment costing several million dollars. A group of employees at the mill, located in an area with almost no other industry, devised a scheme to buy the facility by having workers and members of the community purchase shares of $50 each. The workers won endorsement from government officials and local businessmen, and managed to raise the funds necessary to buy the mill and put in the pollution equipment. Aside from selling 2000 shares, the new corporation, Vermont Asbestos Group, got credits from GAF and state-guaranteed loans. The new company, managed by a board of directors consisting of employees and local investors, prospered for a while, mainly as a result of soaring market prices for asbestos.

Yet soon the tensions among worker, manager, and investor interests erupted: an outside manager had to be hired to raise productivity, and in 1977 the workers nearly went on strike during contract negotiations (even though they were, in effect, negotiating with themselves). As conflicts grew over the division of earnings into profits, dividends, and increased wages, a local businessman began to purchase large numbers of the company's shares. By the middle of 1979 the businessman effectively controlled the company, and the experiment had come to an end.

Despite the Vermont fiasco there has been another attempt, on a much larger scale, to use worker and community investment to preserve an abandoned factory. In September 1977 the Youngstown Sheet & Tube Company, a subsidiary of the Lykes conglomerate, announced that it would soon close its steel mill in Campbell, Ohio, eliminating 5000 jobs. The community was stunned by the news, but soon after the announcement a group of religious leaders in the area formed the Ecumenical Coalition and began to organize an effort to re-open the plant under worker and community ownership. The Coalition raised some money locally and got federal research funds to pay for a study of the feasibility of the scheme. In April 1978 the study, conducted by the left-liberal Exploratory Project for Economic Alternatives, proposed two



scenarios for re-opening the plant. The first, costing $525 million, would involve limited replacement of the obsolete and relatively inefficient equipment of the plant; the second would involve extensive modernization (including highly efficient basic oxygen furnaces) and would require $730 million. Either of these sums was far beyond what the community could raise by itself, so the plan called for as much as $400 million in federally-

guaranteed loans.

Since the announcement of the plan there has been heated debate about its viability. The Ecumenical Coalition has taken the position that the community-owned plant could survive, because labor costs would be drastically reduced through the elimination of seniority, decreases in vacation and pension benefits, and some deferral of wages. The proposal of these sacrifices makes it no surprise that most of the steelworkers themselves remain skeptical.

And there is certainly much to be skeptical about in the plan. Its advocates are trying to create an island of community ownership within an industry that is highly monopolized and in the throes of a severe crisis in the U.S. Perhaps the Ecumenical Coalition proposal is a bit more acceptable than the position of the steelworkers union, which calls for trade barriers, relaxed environmental regulations, and higher profits to save the private steel industry and the jobs it provides. Yet the community ownership plan would force workers to accept, for the sake of preserving their jobs, the kind of austerity that the industry has been unable to impose, prompting the corporations to shift their investments to other sectors or to steel production in the Third World (especially Brazil), where industrial workers are not as powerful. In effect, then, the Coalition is presenting workers with the same preconditions as capital for avoiding unemployment: setbacks in the gains that have been made in more than 75 years of struggle on the job.

To some extent this is all a moot question, since the Carter Administration indicated in March that it would not provide the loan guarantee for Youngstown. The Ecumenical Coalition and its supporters, however, have vowed to continue their effort. In the meantime, the more promising strategy now being discussed for dealing with plant shutdowns is that of forcing corporations to pay "reparations" to workers and communities when they shift investments. In this way, the income of the people could be maintained as long as possible, and the danger of workers having to impose austerity on themselves might be avoided. Legislation containing weak versions of the reparation proposal has been introduced in Congress, and already business is alarmed. The Wall Street Journal was so disturbed by the prospect of such a restriction on the mobility of capital that it denounced the proposed payments as comparable to the exit tax imposed on emigrating Jews by the Soviet state.

Even a strong reparations program would not be enough, since the payments would probably not be as high as former wages and would terminate at some point. And busines would find ways of avoiding the requirements.

What is needed is an approach that combines the positive elements of the Ecumenical Coalition scheme--the attempt to find immediate alternatives to capitalist ownership and control of production--with a strategy for defeating austerity. For all of the experiments we have examined, as well as many others involving struggles for control of social institutions besides the factory, have not avoided the trap in which an apparently successful battle for ownership and/or control results in nothing more than self-management or "ownership" of poverty. This is the political dilemma that the movement has yet to overcome.