When Do Co-ops Work? When They're Allowed To

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At Stumbling and Mumbling, Chris Dillow asks "(When) Do Co-ops Work?" The answer:

> The great merit of worker co-ops is that they can solve the problem of how to motivate workers. In businesses where workers can't be monitored closely, giving them a share of profits can inspire them to work hard, and to encourage their colleagues to do so…
>
> There are (at least) three drawbacks to co-ops.
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> 1. They don't work in physical capital-intensive firms where worker effort can be monitored. Here, the key to success is getting machinery to run well, rather than getting workers to do well. Car plants, for example, are better run by capitalists, not workers.

This depends, arguably, more on the size of the enterprise or the work unit than on capital-intensiveness as such. For one thing, capital-intensiveness itself is not a given: the production of a given commodity is artificially skewed toward more capital-intensive forms of production by state intervention.

For another, the very reference to work-effort being monitored suggests that especially capital-intensive forms of production reflect strategic priorities of management (namely work-discipline) rather than the inherent needs of production. The Fordist assembly line was adopted precisely as a way to reduce the element of discretion in human labor, use machines to pace and organize work, and thus overcome the problem of opportunism–which suggests that manufacturing might be organized along different lines if its strategic priorities were set by self-managed workers.

And as Barry Stein argued in *Size, Efficiency and Community Enterprise*, the best way to make machinery run well is for the workers engaged in the process to be directly empowered to alter the production process and to internalize the benefits from improvement. Incremental process improvements raise productivity more than big generational changes in productive technology. And workers possess the distributed knowledge that such improvements depend on.

So cooperative ownership, seemingly, has the potential to cut through several of these concerns simultaneously like a Gordian knot.

> 2. Co-ops have less incentive to expand, because the profits from expansion are spread more thinly. It's probably no coincidence that the Co-op (a consumer, not worker co-op) has lost market share…

Much of the expansion that currently takes place among conventional enterprises involves growing beyond optimal economy of scale. If it weren't for the possibility of externalizing the diseconomies of large scale on the taxpayer, and the effect of regulatory cartelization and other forms of legal privilege in reducing the competitive disadvantage of inefficiency, there would probably be a lot more, and smaller, firms. Besides, if most production were small-scale and for local markets, the size of the local market would set a built-in limit to firm size except in those cases where economies of scale absolutely required larger market areas.

> 3. Co-ops' often lack access to capital with which to expand, even if they want to. This is because they work best in human capital intensive businesses. But such businesses find it hard to post collateral and so get bank loans.

Like smaller size, differential access to capital is less a disadvantage of cooperatives than a structural disability built into the system.

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