the high road

Newsletter of the North American Network for the Solidarity Economy (NANSE)

vol 2, no 1

In recent issues of "The High Road" and *Making Waves* magazine, Mike Lewis, Eric Shragge, and now Ted Jackson have all challenged us to dig into the theoretical and strategic questions that face the Social Economy movement.* In both the United States and Canada, the movement grapples with an ambiguity about its purpose.

Is the Social Economy a Third Way to produce and distribute goods and services, particularly suited to the margins of a market economy dominated by traditional, capitalist business interests and practices? Must real solutions to the economic devastation we see around us come only from government? Is our movement's primary arena of contention therefore that of politics at the local, regional, and national levels?

At the Center for Labor and Community Research (CLCR) we answer "no" to all three. We have an obligation and an opportunity to present a compelling and comprehensive alternative to the neo-liberal model in the political arena. But we can and must also do so in the market itself, and make ours the mainstream model of development for our countries.

The Social Economy is not a Third Way – it is the Only Way, and the market is the place to demonstrate this claim to hegemony in tandem with the use of our political skills in the more familiar terrain of the state. If we are willing to use our values, our militancy, our ability to organize, and our commitment to radical democracy, and to combine them with the technical skills of business assessment, finance, and management – if we are willing to do all this, we can compete in the market and *win*.

*Lewis, "The End of the Beginning," *Making Waves*, 15,1 (Spring 2004):2-3; Shragge, "Mainstreaming CED & The Social Economy," *Making Waves*, 15:2 (Autumn 2004):23-24; Lewis, "Building a Solidarity Economy in the 21st Century," in "The High Road," 1,3; Jackson "Yes, CED Should Be Mainstreamed," *Making Waves*, 16,1 (Spring 2005):2-3.

(right) The new site for Wal-Mart on Chicago's west side, on land that used to house a factory employing 700 workers. Photo courtesy the CLCR.

A Third Way? or the Only Way?

By Dan Swinney

If we are willing to use our values, our militancy, our ability to organize, our commitment to radical democracy, & combine them with technical business skills, we can compete in the market & win

The market is not synonymous with capitalism. The market is essentially value neutral. A plan for long-term company sustainability through re-investment of profits can be as competitive as one that "milks" a company dry.

Choosing the Low Road

The source of my confidence is 35 years of experience in American industry. They have been years marked by a huge social crisis due to the de-industrialization of our cities and society. In the eyes of many, this wreckage has come to be seen as the result of "globalization" and "new technology" and beyond our control. I have come to think otherwise.

Back in the '70s and '80s I worked at G+W Taylor Forge in Cicero, an industrial suburb of Chicago, as a machinist and was the organizer and a leader in United Steelworker Local 8787. Taylor Forge was a healthy, family-owned company that was committed to innovation, the company, and the industry. We used many of the machines Taylor himself invented. He had a decent relationship with the workforce and the company was generally well-run.

In the late 1960s, Taylor sold the company to Gulf + Western (G+W), a pioneer in developing the Low Road business strategies that are so common today. Their business plan was essentially the same as a slum-lord in the housing market. They took a healthy company and milked it dry, closing department after department as the impact of their refusal to invest became apparent. They closed the company in 1982.

Things didn't have to happen that way. If I knew then what I know now, the managers and employees could have purchased the company and guided its development with a business plan that provided for adequate re-investment. Taylor Forge could have had a long horizon for development – 20 or 30 years. It could have concentrated on how to use innovation to compete in changing markets, in much the same way as the company's founder had done.

As it was, the closure of Taylor Forge was just the start of bad times for Cicero. In the six years following, the suburb lost half its jobs to factory closures. In the 1980s, 3,000 of Chicago's 7,000 factories closed at a cost of 150,000 family-supporting jobs.

Fighting Back

It was in reaction to this community and economic implosion that labour and community leaders in Chicago came together 23 years ago to form the CLCR. The founders knew that fundamental changes were taking place in the economy and society. They also knew that the political left and the political right were equally superficial in their understanding of what was taking place. We needed an in-depth analysis based on solid research to determine what, if anything, could be done for specific companies, labour, and communities in this environment.

Over the next ten years, CLCR looked at hundreds of companies in crisis in Chicago and around the country on behalf of unions, local community organizations, and local government. We examined some companies for which closure was the right thing, because they no longer produced a product that was in demand or because their problems were so deep that they were beyond hope. We also saw many companies that really didn't need to close – if labour, business, local government, or the community were proactive, creative, and determined to save the assets so critical to their concerns.

Take the example of Brach Candy. In 1987 it was a relatively healthy company on Chicago's West Side employing 3,700 workers. Then Swiss billionaire Klaus Jacobs purchased the firm. In two years he laid off 1,000 people, lost $100 million, fired his top management team five times, and put the company into chaos.

Then & now. (above left) Production at Taylor Forge in the 1970s, and (above right) the empty lot that is Taylor Forge today. Photos courtesy of CLCR.

Local community organizations introduced CLCR to the crisis. Our research told us that Brach Candy was a potentially viable company. We created a partnership between the community, Teamsters union, and past management to save the company.

First we tried to purchase the company as a management/employee buyout. Jacobs refused to sell. He then tried to break the union during a contract fight. CLCR successfully led a coalition that supported the union and prevailed with a contract that effectively blocked Jacobs' Low Road approach for nine years. Following the campaign, we launched the Candy Institute which later became Food Chicago: an organization dedicated to demonstrating how local companies could be retained through such High Road business strategies as employee training, incubators for micro and small companies, improved services, and supportive city policy. (See "The High Road," Vol. 1, No. 1.)

The Succession Issue

Most manufacturing companies aren't big firms. In fact, 90% of the manufacturing companies in North America have less than 100 employees. At the CLCR we began to get called about problems in these companies.

One such call (a customer, in this case) led us to Bankers Print, a small, full-service printing company on Chicago's South Side. Its founder was in his 80s, had cancer, and no one in the family to take over the company. We were introduced to the 20 employees, assessed the viability and value of the company, and helped the employees buy it at that price. The company and jobs were saved; the founder got a fair price; unions preserved their dues base; and we had an interesting example of worker-owners demonstrating a form of economic democracy.

In 1989, CLCR did a study of 800 small companies with less than 100 employees for the Economic Development Commission of Chicago and found that among companies with a principle 55 years or older, 40% had no apparent successor and were at risk of closing. We also found

that less than half a percent of manufacturing companies had African American or Hispanic owners – a profound indication of discrimination that's destructive to our whole society. CLCR worked with both employees and Black and Latino entrepreneurs to buy companies that succession problems had put at risk.

Clearly the marketplace offered opportunities to save companies, jobs, and unions, to fight discrimination, and to promote development that was genuine, significant, and more democratic than the old way. This applied whether the company was a Bankers Print with 20 employees or Brach Candy Company with almost 4,000.

On the basis of this experience and many, many others, CLCR has concluded that the industrial decline that occurred in the '80s and '90s was by no means inevitable. On the contrary – given government support, local business, labour, and community organizations could have saved 80% of the companies and jobs that fell victim to emerging and powerful Low Road business practices in those years. Missing was timely intervention with a viable business strategy based on different values.

What It All Means

What lessons does that history have for people engaged in the Social Economy today? I see five.

Firstly, the market is essentially value neutral. Every CLCR intervention was in the marketplace. We found business plans could reflect any number of different values and financial variables. Worker ownership (an expression of economic democracy) could be a part of a competitive business plan just as much as a conventional, top-down approach to management and governance. A plan for long-term company sustainability through re-investment of profits could be as competitive as one that "milked" the company dry.

The most powerful trend in business currently is that of the Low Road. This creates crisis. It also creates opportunity for a movement capable of spelling out the limits of strategies that focus only on wealth distribution.

You win some, you lose some. (right) Brach Candy, shuttered and closed; (above) the worker owners at Bankers Print. Photos courtesy of CLCR.

The Social Economy is not a Third Way – it is the Only Way, & the market is the place to demonstrate this claim to hegemony in tandem with the use of our political skills in the more familiar terrain of the state.

The market is not synonymous with capitalism. The market is an achievement of human civilization that both predates capitalism and will persist for a long time even if capitalism is replaced by another system. Competition requires technical and financial skill but it doesn't have to be exclusive of social values. (In fact, in some of our more militant campaigns, deep social values gave CLCR's approach to business a competitive advantage.)

Second, the most powerful trend in business currently is that of the Low Road. This creates crisis. It also creates *opportunity* and *need*. It creates opportunity for a movement capable of spelling out the limits of strategies that focus only on wealth distribution (jobs, wages, benefits). It creates the need for that movement to intervene in the wealth creation process in order to defend and develop our productive capacity whenever and wherever possible.

My second point notwithstanding, make no mistake – mainstream business is by no means all Low Road. There are High Road-minded managers, entrepreneurs, owners, investors, and consultants with whom we can form a tactical and strategic alliance. To blame the "corporation" *per se*, regardless of who's running it, is inaccurate and destructive. In reality, corporate practice of the Low Road is most common in the larger, publicly-traded companies. They have enormous influence and must be exposed and blocked. But there are other corporations that will choose High Road alliances with labour and community as we build our skills in the marketplace.

In short, there is enormous room in the market economy for social entrepreneurs to compete. Through projects like those of the CLCR, we can build the capacity and sophistication and breadth of the labour movement. In doing so, we can win over significant sections of the business, governmental, and civic communities. Faced with the challenge of global competition, these groups are more open than ever before to new approaches – so long as they are anchored in the marketplace.

Fourth, just like the market, size is value-neutral. Small can be beautiful, but so can Big. The only limit to scale is that posed by our imagination and willingness to work. In fact, larger projects are inspirational to a broader public. Larger projects that achieve success in the marketplace strengthen our hand in our dealings with governments at the local, provincial/state, or federal levels.

Finally, our role in the market is complemented by our success and influence in the state and civil society. There has never been and never will be a "free market." Every value system uses the regulatory, coercive, co-ordinating, and incentive power of the state, as well as its influence in the broader culture to supplement its power in the market. And so must we.

Our world is in a period of great transition. I'm genetically optimistic but not naive. This is a time of great danger. It could be the beginning of decades of darkness. It could also the beginning of explosive progressive change.

What happens really hinges on us and our willingness to transform our movement. We must transform it from one content to skirmish on the margins of our society, to one that develops and champions an alternative model of development – a model representative of the interests of a majority of people, that can contend in the marketplace as well as in the halls of government. ■

DAN SWINNEY is Executive Director of the Center for Labor and Community Research (CLCR) in Chicago, www.clcr.org. Contact him at 312-278-5418 ext. 13 or dswinney@clcr.org.

In the next issue of "The High Road," Dan will detail the experience of CLCR and the FTQ in creating Early Warning Business Development Systems.

(above) The author as a turret lather hand at Taylor Forge. Photo courtesy of Kay Berkson.

The High Road is the quarterly newsletter of the North American Network for the Solidarity Economy. To learn more about NANSE, contact:

- Mike Lewis, Executive Director, Centre for Community Enterprise, Port Alberni, BC (tel) 250-723-1139, (fax) 250-723-3730, ccelewis@island.net, www.cedworks.com.
- Nancy Neamtan, President, Chantier de l'économie sociale, Montréal, QC (tel) 514-931-5737, (fax) 514-931-4317, Nancy.Neamtan@chantier.qc.ca, www.chantier.qc.ca.
- Dan Swinney, Executive Director, Center for Labor and Community Research, Chicago, IL (tel) 312-278-5418, (fax) 312-278-5918, dswinney@clcr.org, www.clcr.org.

Logo photos on page 1 (left to right) permission of the Centre for Community Enterprise, Hecate Logging, Juan Tellez, Stewart E. Perry, and Community Ownership Solutions (Winnipeg).