

**Sparking Solidarity:
Federal, State, and Local Policy Interventions to Incentivize the Creation of
Worker Cooperatives in the United States**

by

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May their inspiration continue to ruffle the academy forever.

Abstract

Globally, market crises have both produced and been diffused by worker cooperatives.

Cooperatives, as part of the broader solidarity economy, represent an alternative economic model to one based on competition and have been recognized by the international community as key to sustainable development. However, the prevalence of worker cooperatives across the world is not even. Despite global recognition, worker cooperatives remain relatively uncommon in both policy research and in the United States. This thesis aims to examine this nexus and elucidate policy interventions at federal, state, and local levels based on both global comparative analysis of cooperative development policy and the situated knowledge of solidarity economy actors and policymakers. The results demonstrate that while federal intervention is not feasible, both state and local policy interventions can incentivize the creation of worker cooperatives. These results provide a roadmap to policy interventions based on political conditions to inform theories on how policy can further strengthen the solidarity economy.

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I. Introduction

“Competition is the law of the jungle, but cooperation is the law of civilization.”

(Peter Kropotkin)

When you turn on Greenmount Ave to East 32nd Street, you would never guess you were about to enter an island of democracy. The sidewalk is cracked. Old storefronts are sprayed with the imaginations of street artists. Bleached pavement and low-rise stores face across the street to the Dollar General that just marched into the neighborhood fresh off its recent conquest of the rural United States.¹

Essentially, you’re in the heart of working class America. But there, around the corner, is an outpost of a brighter future: Red Emma’s Bookstore Coffeehouse.

Started in 2004, Red Emma’s is a model for worker cooperatives. All of Red Emma’s workers are its owners. Red Emma’s main products are radical literature and vegan food, but the bookstore is also a haven for a community constantly assaulted by the forces of neoliberalism. Red Emma’s has weathered recessions and gentrification – all while supporting its worker-owners’ achievement of better lives. Most worker-owners are women, queer, and trans people of color.² The core of Baltimore’s working class, these are also people that are conspicuously absent from the venture capital boardrooms. The goal of Red Emma’s is to be an “alternative business model” that runs democratically and can “demonstrate that this is a real way of running a business that can pay people’s bills.”³ It seems to be succeeding:

¹ Morris, Frank. “How Dollar General Is Transforming Rural America.” *NPR*, December 11, 2017, sec. Business. <https://www.npr.org/2017/12/11/569815331/loving-and-hating-dollar-general-in-rural-america>.

² Sullivan, Zoe. “Baltimore Worker Cooperative Continues Expanding and Evolving.” *Next City*, June 18, 2018. <https://nextcity.org/urbanist-news/baltimore-worker-cooperative-continues-expanding-and-evolving>.

³ McCabe, Bret. “The Expanding Business Plans of Red Emma’s Collective in Baltimore.” *Johns Hopkins Magazine*, March 10, 2014. <https://hub.jhu.edu/magazine/2014/spring/red- Emmas-baltimore-coop/>.

Red Emma's has relocated several times as the firm grows larger and larger. Red Emma's is an infrastructure for worker rights in the racial capitalist sea, but also a successful business.

But unlike non-cooperatives, Red Emma's is part of an ecosystem of mutual support: the solidarity economy. Competition is not their native language. When Red Emma's sought to expand, they received financing from the Baltimore Roundtable for Economic Democracy, a local hub for lenders and incubation of worker cooperatives.⁴ When Red Emma's needed more windows, they sourced them from a worker cooperative window factory in Chicago.⁵ Red Emma's was the first cooperative to incorporate in Baltimore, but it has now been joined by 19 other cooperative firms in the city.⁶ Red Emma's strengthens and is nourished in return.

Firms like Red Emma's contribute to a wide range of beneficial outcomes – particularly for worker rights and the economy. 80% of cooperatively-owned businesses in the United Kingdom survive the first five years of operations, compared to 44% of other businesses,⁷ and in one Canadian province, 84.6% of cooperatives endured the first five years compared to 48% for hierarchical corporations.⁸ Cooperatives' comparative resilience, combined with the fact that workers themselves participate in decision-making, is why cooperatives are linked to greater job security and satisfaction for workers.⁹ And beyond benefits to individual workers, cooperatives deliver massive dividends to the economy. They are linked to

⁴ Sullivan, "Baltimore Worker Cooperative Continues Expanding and Evolving."

⁵Ibid.

⁶ Spence, Imani. "Red Emma's Cements Radical Legacy with Move to 'Forever Home.'" The Baltimore Banner, November 1, 2022. <https://www.thebaltimorebanner.com/community/local-news/red-emma-s-waverly-move-P7LPD7O3GBAADGERKSPCPXYB5U/>.

⁷ Parkin-Kelly, Michelle. "Co-operative Business Survival." Co-operatives UK Research Report, 2019.

⁸ Stringham, Richard & Celia Lee. "Co-op Survival Rates in Alberta." Canadian Centre for Community Renewal, 2011.

⁹ Pérotin, Virginie. "What do we really know about worker co-operatives?" *Cooperatives UK* (2009).

the reduction of poverty and the maintenance of stable communities.¹⁰ Cooperatives function as bulwarks against economic tumult, which is why cooperatives tend to be produced by economic crises. In Italy, cooperative firms were a stabilizing factor for one regional economy,¹¹ while in Spain, cooperatives supported economic recovery during the 1980s recession.¹² Little wonder that the United Nations General Assembly passed a resolution in April 2023 identifying the solidarity economy in which worker cooperatives are embedded as furthering all 17 Sustainable Development Goals (SDG).¹³ Cooperation is driven by and diffuses market crisis for both the most vulnerable people in society and for the economy itself.

Despite cooperatives' importance, mainstream academic exploration of cooperation remains low. Few publications in public policy discuss worker cooperatives. Most times that I mentioned worker cooperatives in early 2023, as I decided upon a research question, faculty members mistook my reference as one to labor unions – distinctly different organizations. While anecdotal, this dearth of awareness of worker cooperatives as a distinct category and object of study reflects a wider neglect in the public policy field. As Jason Spicer noted in 2018, “despite the long-running episodic interest in cooperatives as a solution to crisis, systematic, empirical research pinpointing the socioeconomic and political conditions conducive

¹⁰ Dubb, Steve. “Community Wealth Building Forms: What They Are and How to Use Them at the Local Level.” *Academy of Management Perspectives* 30, no. 2 (2016): 141–52.

¹¹ Logue, John. “Economics, Cooperation, and Employee Ownership: The Emilia Romagna Model – in More Detail.” Community-Wealth.org, 2006. <https://community-wealth.org/content/economics-cooperation-and-employee-ownership-emilia-romagna-model-more-detail>.

¹² Adeler, Monica Juarez. “Enabling Policy Environments for Cooperative Development: A Comparative Experience.” Linking, Learning, Leveraging Social Enterprises, Knowledgeable Economies, and Sustainable Communities. Canada: Northern Ontario, Manitoba, and Saskatchewan Regional Node of the Social Economy Suite, 2013, pg 1. <https://institute.coop/resources/enabling-policy-environments-cooperative-development-comparative-experience>.

¹³ International Cooperative Alliance. “A Historic Moment as the UN General Assembly Adopts the First Ever Resolution on the Social and Solidarity Economy,” April 18, 2023. <https://www.ica.coop/en/newsroom/news/historic-moment-general-assembly-adopts-first-ever-resolution-social-and-solidarity>.

to developing large-scale cooperative enterprises is virtually non-existent.”¹⁴ Worker cooperatives are a policy research frontier.

Since policy tools that contribute to increases in worker cooperatives remain underexplored, *I seek to learn **what** policy interventions would incentivize an increase in worker cooperatives in the United States to understand **how** policy can strengthen the solidarity economy.* I have chosen the United States due to its status as a deviant, local knowledge case. To answer the question, I employ one round of initial semi-structured interviews with two sets of participants, solidarity economy actors and policymakers, alongside a discussion of the literature. Then, I utilize informant feedback in the form of a second round of email interviews with participants to co-produce final findings alongside them. Finally, I discuss potential policy interventions at three levels of government: federal, state, and local.

II. Research Motivation & Design

2.1. Who Am I?

In 2022, my partner, roommate, and I all worked in jobs that were not adequately compensated as landlords continued to hike our rent to increasingly unaffordable heights. Much like many individuals in the working class (see below: **Literature Review**), we dreamed about starting our own worker cooperative to achieve stability. Cooperation felt like emancipation. We researched and immediately ran into obstacles. How do we even start? Since I had participated in state legislative work to pass legislation a year before, and have been embedded in social movement

¹⁴ Spicer, Jason S. (Jason Simpson). “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere.” Thesis, Massachusetts Institute of Technology (2018), pg. 49.. <https://dspace.mit.edu/handle/1721.1/120238>.

spaces primarily as an actor rather than scholar, I wondered why policies enabling cooperation were not in existence. The ways in which I am personally informed by both lived experience and engagement in social movement “not only shapes [my] work but influences [my] interpretation, understanding, and, ultimately, [my] belief in the truthfulness and validity” of the research and social world that I engage below.¹⁵

Much like Ruth Wilson Gilmore referencing Karl Marx in her description of her scholarly motivation, I am “motivated to learn how to interpret the world *in order* to change it.”¹⁶ Since “what scholar-activism does is forthrightly bring the experimentation of academic research into relation with the experimentation of (any) political action,” this thesis is not an exercise in normative best practices.¹⁷ My goal is to create a roadmap for political action and then follow that roadmap to its destination. In other words, I intend to climb across the hyphen from *scholar* to *activist* – whether as worker-owner, solidarity economy actor, or policymaker.

2.1. Conceptual Framework

There are three specific concepts involved in the research question: worker cooperative, solidarity economy, and policy interventions incentivizing the creation of worker cooperatives. The relationships between these concepts are visually depicted in **Diagram 1**.

¹⁵ Holmes, Andrew Gary Darwin. “Researcher Positionality - A Consideration of Its Influence and Place in Qualitative Research - A New Researcher Guide.” *Shanlax International Journal of Education* 8, no. 4 (2020).

¹⁶ Gilmore, Ruth Wilson. “Scholar-Activists in the Mix.” In *Abolition Geography: Essays Towards Liberation*, edited by Brenna Bhandar and Alberto Toscano. London ; New York: Verso (2022): 92.

¹⁷ Ibid., 97.

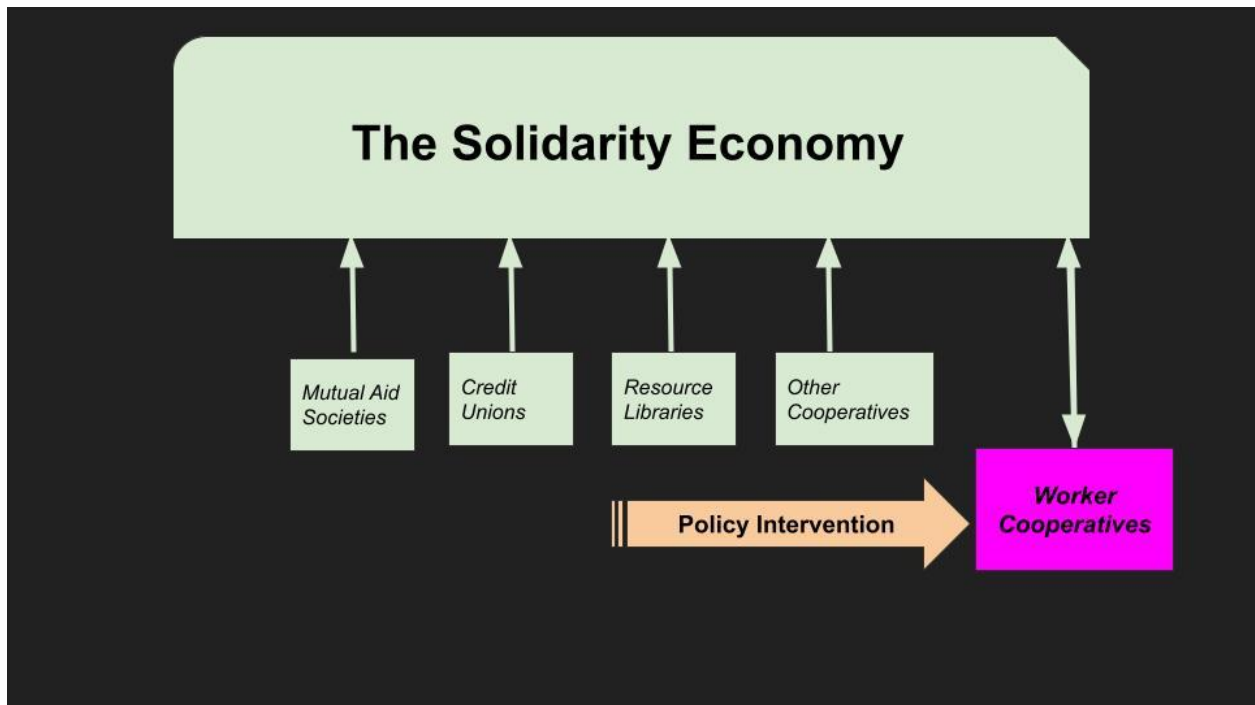


Diagram 1: The Concepts in Relation to One Another

I identified these three concepts as analytically necessary based on three assumptions:

- 1) Worker cooperatives are part of a broader solidarity economy;
- 2) The solidarity economy is the primary network of support for and thus beneficiary of policy intervention, and;
- 3) Policy intervention can make a decisive difference in cooperative growth and thus strengthen the solidarity economy.

First, I understand worker cooperatives as one component of the solidarity economy. Since other forms of cooperatives also exist, I define worker cooperative *as an organization where workers, rather than investors, act as primary decision-makers that democratically decide organizational direction*. The solidarity economy gives worker cooperatives wider meaning. Through supporting and being supported by the broader solidarity economy, worker cooperatives transform from benefiting a small number of individuals (the firm's direct employees) to benefiting a collective

ecosystem of hundreds of thousands of individuals, or, potentially, an entire society. The solidarity economy itself is an interconnected network of cooperative structures in which incentives are the reverse of those in the dominant, capitalist economy: cooperatives, fair trade initiatives, resource libraries, credit unions, community gardens, and more.¹⁸ I define the solidarity economy as *the organizational matrix that directly supports worker cooperatives and in which worker cooperatives are embedded* to stress the connection between worker cooperatives and the solidarity economy.

Finally, I assume that policy intervention can make a decisive difference in spurring on cooperative growth. The assumption is based on empirical evidence from several countries (see: **Literature Review**), but stands in tension with original theorists of cooperation, like Peter Kropotkin, who understood cooperation in the context of an anarcho-communist “no-government system of society.”¹⁹ I define policy interventions incentivizing the creation of worker cooperatives as *policy intervention that directly contributes to worker cooperative growth in particular*. I chose policymakers who were currently in office in both Site A and Site B as participants, since their situated knowledge would be informed by current political conditions on the ground. The natural units selected from interview transcripts thus allow me to measure policy interventions to incentivize the creation of worker cooperation by operationalizing the concept based on political feasibility.

¹⁸ Miller, Ethan. “Solidarity Economy: Key Concepts and Issues.” *Solidarity Economy 1: Building Alternatives for People and Planet*. Amherst, MA: Center for Popular Economics (2010)

¹⁹ MacLaughlin, Jim. “Peter Kropotkin and the Anarchist Intellectual Tradition.” Pluto Press, February 17, 2016. <https://www.plutobooks.com/blog/peter-kropotkin-and-the-anarchist-intellectual-tradition/>.

2.3. Case Selection

The United States is exceptional. The United States has not followed the trend of most of the world, where cooperation is a response to crisis. The United States is a deviant case – a case that differs from established generalization.²⁰

The United States is also a local knowledge case. As a U.S. researcher, I possess “intimate knowledge and ample opportunity for informed, in-depth analysis.”²¹ The case is a local knowledge case not only because of my positionality as a U.S. researcher – there are many U.S. researchers, one might be surprised to find – but also because of the selected elements. Site A and Site B, the two field sites I have chosen, are both places in which I have worked and participated in social movements. These contribute to a lived experience that reflexively adds to understanding situated field knowledge, as well as building trust with participants.

The two elements of the case are nested. As Thomas (2011) wrote, “a nested study is distinct from a straightforwardly multiple study in that it gains its integrity, its wholeness, from the wider case.”²² My research question does not seek to unpack the differences between both elements, but rather to understand the larger case – the principal unit of analysis – by understanding both elements in relation to one another to analyze the case itself. Thus, Site A and Site B both serve as different elements that I utilize to inform the development of policy interventions to incentivize the creation of worker cooperatives in the United States *in general*.

²⁰ Lijphart, A. “Comparative politics and the comparative method.” *The American Political Science Review*, 65(2) (1971), 692.

²¹ Thomas, Gary. “A Typology for the Case Study in Social Science Following a Review of Definition, Discourse, and Structure.” *Qualitative Inquiry* 17 (July 1, 2011): 511–21.
<https://doi.org/10.1177/1077800411409884>.

²² Ibid., 517.

2.4. Methodology

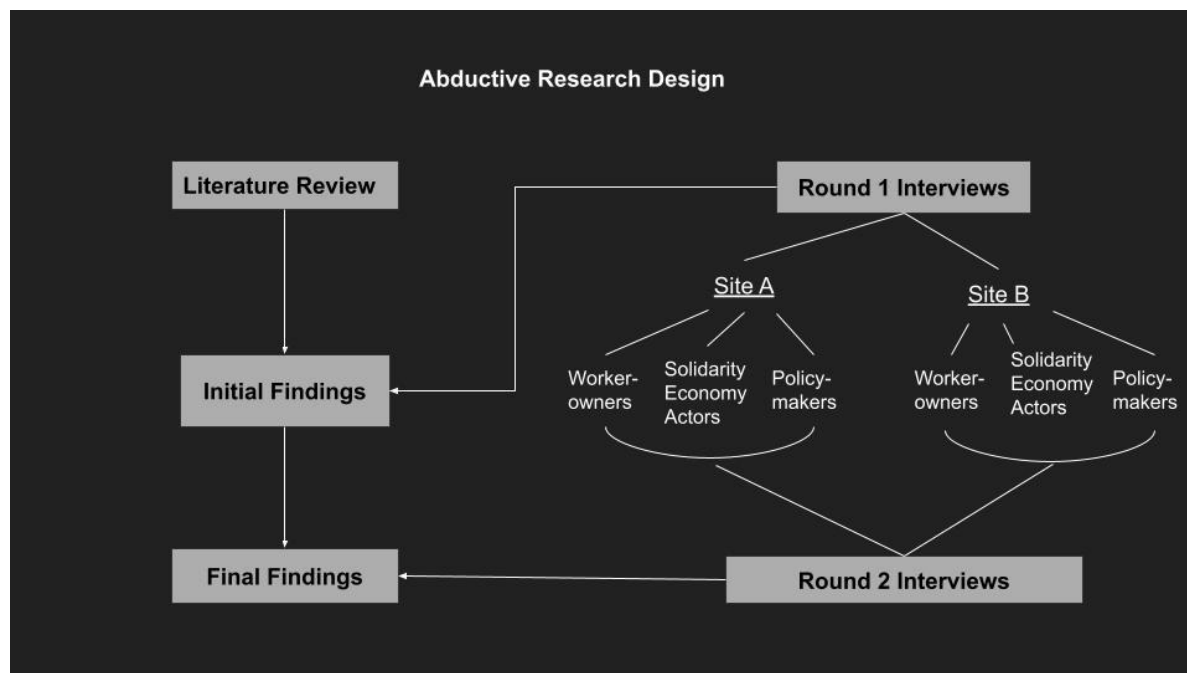


Diagram 2: Abductive Research Design

Ontologically, I have formulated my methodology based on an interpretive perspective where “social reality can be understood via the perspectives of social actors enmeshed in meaning-making activities.”²³ **Diagram 2** illustrates my research design involving two stages: initial and final findings. The literature review and first round of interviews – semi-structured and conducted via Zoom at two field sites involving two participant groups – were synthesized to produce initial findings. Thus, I understand initial findings to be a synthesis of reality as witnessed and produced by social actors that I personally co-produce knowledge alongside (Round 1 Interviews) and those whose knowledge shaped policy in the past and present beyond the scope of this paper (Literature Review). To ensure the anonymity of all participants, I

²³ Hesse-Biber, Sharlene Nagy. *The Practice of Qualitative Research* (3rd edition). Thousand Oaks: Sage (2017): 3.

do not identify any participant with any pronoun other than “they,” as distinguishing gender could lead to participant identification for participants whose gender differed from that assigned at birth. In the second stage of research, I directly incorporated participants in interrogating initial findings based on the idea that “their... positioned understandings of an event, organization, or policy, any of which the researcher may or may not have grasped.”²⁴ I asked informant feedback questions via email to provide participants more time to think through initial findings. Emails were anonymized and encrypted and the original email deleted upon completion of analysis. This abductive research design was created based on methodological considerations in line with the interpretive ontological position.

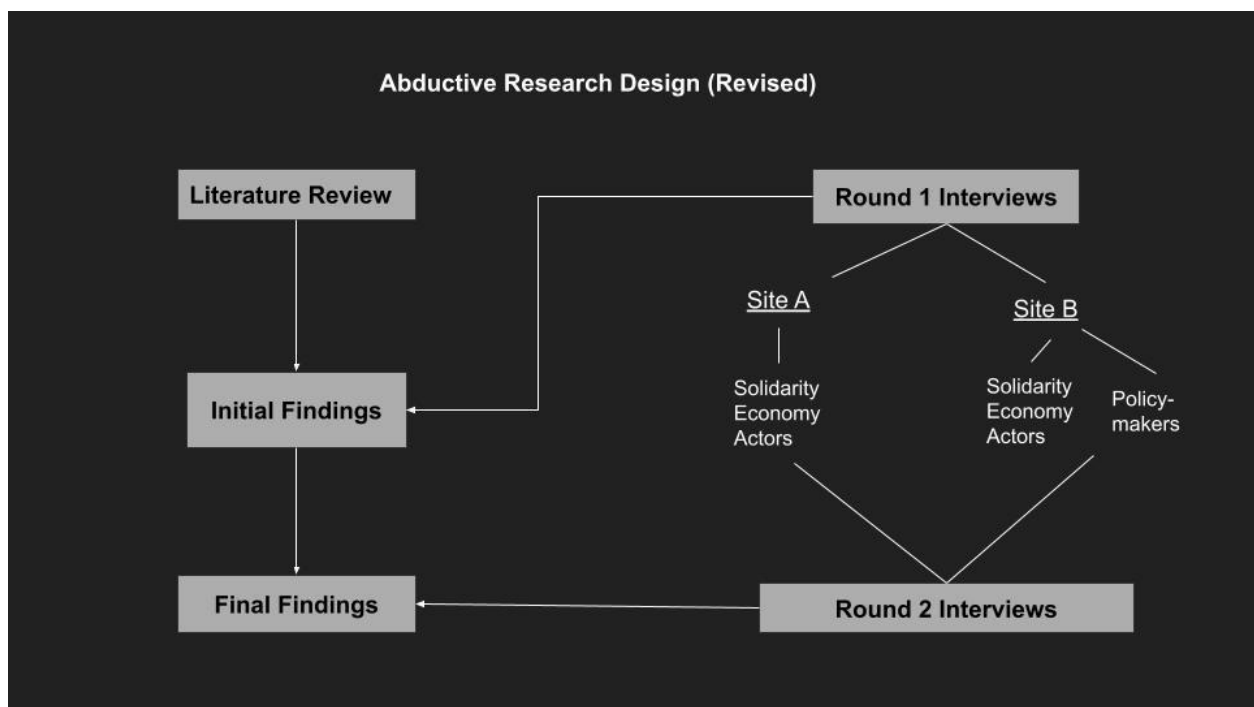
To analyze initial findings, I utilize meaning condensation. As written by Kvale & Brinkmann (2009), “meaning condensation entails an abridgement of the meanings expressed by the interviewees into shorter formulations.”²⁵ Meaning condensation, derived from psychology, involves five steps: 1) reading interview transcripts thoroughly, 2) assembling natural units from those transcripts, as expressed by subjects and interpreted by me, 3) coding those natural units by theme, and 4) discussing results by “interrogating the meaning units” in light of my research question, and 5) synthesizing themes in a descriptive statement. Finally, I developed final findings by bringing email responses from two participants into dialogue with the previously analyzed initial findings.

Two limitations emerged: the unavailability of certain participants and the limits of snowballing. The initial research design was based on three participant

²⁴ Schwartz-Shea, Peregrine. “Judging Quality: Evaluative Criteria and Epistemic Communities.” In *Interpretation and Method*, 2nd ed. Routledge, 2014.

²⁵ Kvale, Steinar, and Svend Brinkmann. *InterViews: Learning the Craft of Qualitative Research Interviewing*, 2nd Ed. InterViews: Learning the Craft of Qualitative Research Interviewing, 2nd Ed. Thousand Oaks, CA, US: Sage Publications, Inc (2009): 206.

groups, but during the course of the research process, worker-owners were unresponsive to outreach. I contacted three worker-owned enterprises in Site A and two worker-owned businesses in Site B. None responded, but one solidarity economy actor did mention – with a wry smile, as we finished the interview – that their job was, in part, to field researchers so as to protect worker-owners' time.²⁶ I concluded it was best to not pry further. If worker-owners were unresponsive and a participant situated in the field implied interviews were unwelcome, then it would be unethical to press further and become a burden in the name of research. Secondly, one policymaker consented to interview but was unresponsive after receiving questions with three outreach attempts. **Diagram 3** visualizes the revised research design based on this limitation. Further research is needed on the views of worker-owners themselves on policy interventions that may be beneficial to their enterprise, as well as the views of policymakers in Site A.



²⁶ Interview with a solidarity economy actor, Site B, April 14, 2023.

Diagram 3: Abductive Research Design (Revised)

The second limitation is inherent to snowballing. After an initial series of contacts, I located new participants as previously-interviewed participants put me in touch with new willing participants. There was a strategic purpose to this choice: participants were better equipped to know who would be willing and able to speak and snowballing ensured responsiveness from participants who may otherwise not have responded to me cold-contacting them. However, snowballing also entails the potential limitation of engaging the same school of thought, since the knowledge of multiple participants are socially-informed. I do not find this limitation inherently problematic, as I understand the knowledge produced in this thesis to be co-constructed alongside participants and honor the value of their situated understanding.

III. Literature Review

3.1. Worker Cooperatives and the United States

There are more worker cooperatives in the Basque Country than in the entirety of the United States.²⁷ Since cooperatives have not substantially grown in number in response to tumult, cooperation has also not played a substantial role in diffusing market crises. Scholars' explanations on why tend to focus on three different potential explanations: path-dependence, hostile federal law, and an inhospitable federal system.

²⁷ Landin, Sofia Arana. "The scarcity of worker cooperatives in the USA: enquiring into possible causes." *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa* (2018): 39-60.

Path-Dependence. The first explanation, path-dependence, refers to the United States' historical development. Spicer (2018) notes that chattel slavery during the critical juncture in which the cooperative movement was born – industrialization – disqualified the backbone of the U.S. workforce.²⁸ Attempts to cooperatively-run plantations by Black workers were violently crushed.²⁹ Rothschild (2009) demonstrates that policymakers have refrained from encouraging cooperative development throughout U.S. history ever since, excluding intervention in the rural agricultural sector during the Great Depression.³⁰ These are connected: a substantial solidarity economy never got off the ground, which meant few stakeholders pushed open policy windows at subsequent historical moments.

Other path-dependence ideas are less convincing. Landin (2018) floats the idea that “capitalistic culture” itself may be a factor,³¹ as Abell (2014) found that worker cooperatives face the cutthroat capitalist system as an obstacle to successful cooperative entrepreneurship.³² The argument understands the United States' “capitalistic culture” as a product of U.S. exceptionalism. This theory mistakes other causal factors for path-dependence. The United States' “capitalistic culture” is a product of policy, not U.S. culture. The first component was the violent subjugation of Black workers and the suppression of their cooperation; the second part is the ceaseless tide of federal legislation characterizing cooperative development – like hostile federal law.

²⁸ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 155.

²⁹ Ibid.

³⁰ Rothschild, Joyce. “Workers' Cooperatives and Social Enterprise: A Forgotten Route to Social Equity and Democracy.” *American Behavioral Scientist*, Volume 52, Number 7 (2009).

³¹ Landin, “The scarcity of worker cooperatives in the USA: enquiring into possible causes,” 51.

³² Abell, H. “Worker cooperative: pathways to scale”, The Democracy Collaborative (2014).

Hostile Federal Law. The hostile federal law school of thought stresses the ways in which the U.S. government has directly and indirectly disincentivized cooperation. Landin (2018) notes that the lack of a federal legal framework for worker cooperatives beyond the rural sector has contributed to the scarcity of worker cooperatives in the United States.³³ That passive reality combines with active suppressive policy: “when cooperatives in the US are subject to national law, it is typically to restrict them; they are largely a matter for states to regulate” (Spicer 2018).³⁴ Birchall & Ketilson (2009) note that policy interventions by federal neoliberal architects in the late twentieth century enabled cooperatives’ transition to hierarchical ownership and substantially gutted the solidarity economy that did exist.³⁵ Finally, Landin (2018) argues that the “first possible stone in the path of worker cooperatives” was laid by U.S. federal lawmakers in the form of employee stock ownership plans (ESOPs) in 1974.³⁶ ESOPs allow for workers to own stock in the company, functioning like a pension plan, but notably do not transfer actual control of the company to workers in either the short or long run. The hierarchical form of the corporation remains completely in-tact. Rather than path-dependence, the idea of “capitalistic culture” as described by Landin (2018) should be understood more as a product of these continuous policy interventions against cooperation.³⁷

An Inhospitable Federal System. The third explanation for the relative weakness of worker cooperatives is based on the proposal that the United States’ federalism is systemically inhospitable to cooperation. Disagreement exists in the

³³ Landin, “The scarcity of worker cooperatives in the USA: enquiring into possible causes.”

³⁴ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 144.

³⁵ Birchall, Johnston. *Resilience of the Cooperative Business Model in Times of Crisis*, 2009.

³⁶ Landin, “The scarcity of worker cooperatives in the USA: enquiring into possible causes,” 49.

³⁷ Ibid, 51.

literature. Henry (2005) notes that the patchwork of laws governing cooperatives across states “[diminishes] the competitiveness of national cooperative movements,”³⁸ but Spicer (2018) argues other federal systems such as Switzerland, Belgium, and Germany all possess stronger solidarity economies and, thus, federalism itself is not the issue.³⁹ But while those systems may be federal, not all federal systems are made the same. The United States’ federal system – particularly the relationship between states and cities within the federal system – plays a significant role in curtailing cooperative growth. Schragger (2023) notes that “US politics has long been characterized by hostility to cities” and “state legislatures formally control cities and dictate the powers cities can exercise.”⁴⁰ That is a marked difference from other political systems.

The salience of the point that federalism is an important explanation due to its prohibitions on municipal action is evident when one considers that the geography where the potential for worker cooperatives is greatest is where the majority of production occurs: cities. Cities are simultaneously production centers and where government actors who may be most inclined to intervene positively in favor of worker cooperatives are also weakest. As Spicer (2018) noted, the law governing cooperatives is “largely a matter for states to regulate,” which includes the significant barriers that state legislatures can impose on municipal government actors.⁴¹ The federal system matters because of the ways in which it curtails municipal

³⁸ Henry, H. “Guidelines For Cooperative Legislation.” International Labour Office, Geneva (2005).

³⁹ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 121.

⁴⁰ Schragger, Richard. “We Can Build Pro-Worker Cities.” *Jacobin Magazine*, May 4, 2023. <https://jacobin.com/2023/05/city-government-policy-states-preemption-brandon-johnson>.

⁴¹ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 144.

policymakers who may wish to intervene in support of cooperatives through granting imbalanced power to state governmental bodies.

The United States' critical juncture of industrialization played a crucial role in ensuring the cooperative movement did not attain a strong foothold in the United States. That part of the path-dependence theory is convincing. However, I posit that the two more important factors in the U.S.' exceptionalism are in federal law and the unique federal system. Specifically, the continued lack of enabling framework combined with legislative steps to suppress cooperation like demutualization and ESOPs are significant impairments. These could potentially be overcome at different governmental levels by other policymakers, but the U.S. federal system occupies an important position as an obstacle to that end. The intricate knots binding the hands of municipal policymakers, in particular, makes the federal system a relevant factor in considering policy interventions to incentivize the creation of worker cooperatives.

3.2. Success Factors in Cooperative Development

Success factors are particular elements that emerge empirically as beneficial to cooperative growth. These success factors are drawn from the literature on global cooperation and include a supportive entrepreneurial ecosystem, technical assistance in cooperative entrepreneurship, positive institutionalization, and available capital.⁴²

⁴² There are limitations to these factors. While I engaged with the literature in order to produce the review, I also observed a strong eurocentric bias in the literature available. Information on cooperative policy in contexts outside of Europe and North America (e.g. Argentina) were less accessible. I did not have time to engage with that literature, which also likely required greater knowledge of Spanish than I possess. Thus, further research is necessary to expand these findings to include other cooperative policies.

Supportive Entrepreneurial Ecosystem. If “the co-op entrepreneurs play a central role” in all kinds of worker cooperative success, as Tanner (2013) argues, then the ecosystem supporting the worker-owner entrepreneur is central.⁴³ Scholars observe that alternative enterprises behave according to a different logic than hierarchical organizational forms and operate with “more-than-capitalist” incentive structures, even though those incentive structures may vary widely by firm (Friedland and Alford 1991;⁴⁴ Rothschild 1979;⁴⁵ Gibson-Graham and Dombroski 2020⁴⁶). Worker cooperatives are a case in point. Since worker cooperatives function upon different incentives, the ecosystem that supports cooperative entrepreneurship is different from traditional enterprises. Spicer & Zhong (2022) conclude that “[worker cooperatives’] relative local success or failure reflects the strength and interconnectedness of their internal [cooperative entrepreneurial ecosystem] elements.”⁴⁷ Corcoran (2019) concurs by pointing to Quebec, where the strength of the supportive ecosystem was significant for Quebec’s cooperatives weathering the rise and fall of the Cooperative Development Initiative (CDI).⁴⁸ The supportive network of other worker-owners serves as a bedrock of mutual support, connecting each other to funding, technical assistance, and mentorship.

The importance of a mutually-supportive cooperative entrepreneurial network can also not be overstated. Venture capital tends to not support cooperatives, both

⁴³ Tanner RA. *Worker Owned Cooperatives and the Ecosystems That Support Them*. Cambridge, MA: Massachusetts Institute of Technology, Master's Thesis (2013): 37.

⁴⁴ Friedland R, Alford RR. “Bringing society back in: Symbols, practices, and institutional contradictions.” In: Powell WW, DiMaggio PJ (eds) *The New Institutionalism in Organizational Analysis*. Chicago: University of Chicago Press (1993), pp. 232–263.

⁴⁵ Rothschild-Whitt, Joyce. “The Collectivist Organization: An Alternative to Rational-Bureaucratic Models.” *American Sociological Review* 44, no. 4 (1979): 509–27. <https://doi.org/10.2307/2094585>.

⁴⁶ Gibson-Graham, JK & Kelly Dombroski. *Handbook of Diverse Economies*. London: Elgar (2020).

⁴⁷ Spicer, Jason, and Michelle Zhong. “Multiple Entrepreneurial Ecosystems? Worker Cooperative Development in Toronto and Montréal.” *Environment and Planning A: Economy and Space* 54, no. 4 (June 1, 2022): 611–33. <https://doi.org/10.1177/0308518X211063216>.

⁴⁸ “CWCF’s Lobby History and Priorities 1991 - 2020.” *Canadian Worker Co-Op Federation* (blog), August 22, 2014. <https://canadianworker.coop/cwcf-lobby-history-and-priorities-1991-2019/>.

because they are cooperatives and because cooperative entrepreneurs tend to not be the type of people who can access venture capital. Tanner (2013) observes that “need is a primary motivation for cooperative development.” 71.5% of hierarchical entrepreneurs are middle class white collar workers likely to be embedded in networks of available capital (Wadhwa et. al 2009),⁴⁹ while “poverty or lack of resources” and a desire for “control and influence over their work environment” amidst instability characterizes cooperative entrepreneurs (Tanner 2013).⁵⁰ That not only characterizes the worker-owners of Red Emma’s (see: **Introduction**), but also me and my colleagues in 2022 (see: **Research Motivation & Design**). A supportive ecosystem thus may be even more important for cooperative entrepreneurs than for hierarchical entrepreneurs.

Technical Assistance. The importance of technical development – the paperwork, the nuts and bolts – to start a worker cooperative also emerges as a recurrent theme in the literature. Hoover & Abell (2016) list technical assistance as an essential element, alongside skills, financing (see: **Available Capital**), and cooperative developers (see: **Supportive Entrepreneurial Ecosystem**).⁵¹ Savard (2007) shows that the Ministry for Economic Development, Innovation, and Export funded an assistance program in Canada that provided \$3 million annually for cooperative development, with funds managed and allocated for technical services to both create new cooperatives and support existing ones.⁵² Logue (2006)

⁴⁹ Wadhwa, Vivek, Krisztina Holly, Raj Aggarwal, and Alex Salkever. “Anatomy of an Entrepreneur: Family Background and Motivation.” *SSRN Electronic Journal*, July 7, 2009. <https://doi.org/10.2139/ssrn.1431263>.

⁵⁰ Tanner, *Worker Owned Cooperatives and the Ecosystems That Support Them*, 38.

⁵¹ Hoover, Melissa, and Hilary Abell. “The cooperative growth ecosystem.” *A joint project of Project Equity and the Democracy at Work Institute* (2016).

⁵² Savard, C. “Co-operative Practices and the Experience of a Regional Development Cooperative.” In *Effective Practices in Starting Co-ops: The Voice of Canadian Co-op Developers*, ed. J. Emmanuel

demonstrates the importance of regional economic development agencies in providing assistance for Italian cooperatives, supporting cooperative clusters.⁵³ Finally, while the solidarity economy itself provides the bulk of technical assistance to cooperatives in Spain (Adeler 2009), the reality is that technical assistance still played a strong role in Spain, as well.⁵⁴

Available Capital. Money does, in fact, matter. Adeler (2013) argues that a dearth of “adequate funding suitable to the needs of cooperatives” was an important constraint on cooperative development.⁵⁵ In places where capital is available, cooperative success is more attainable. Tanner (2013) describes two Canadian province-wide cooperative funds, financed by labor movement actors, including in Quebec – the center of the Canadian cooperative movement.⁵⁶ The International Cooperative Alliance (2015) also argues that the 1985 Marcora Act ensured Italians could place unemployment benefits into a joint fund of workers’ capital to buy out a target company via share capital purchases, streamlining another pathway to available capital for a potential pool of cooperative entrepreneurs: the unemployed.⁵⁷ Over time, the Italian provincial government also added two new funds to support worker buyouts of existing firms – contributing to the explosion of cooperative growth in that province.⁵⁸

and L. Cayo. Victoria: New Rochdale Press, British Columbia Institute for Co-operative Studies, University of Victoria (2007).

⁵³ Logue, “Economics, Cooperation, and Employee Ownership: The Emilia Romagna Model — in More Detail.”

⁵⁴ Adeler, “Enabling Policy Environments for Cooperative Development: A Comparative Experience,” 550.

⁵⁵ Ibid, 551.

⁵⁶ Tanner, *Worker Owned Cooperatives and the Ecosystems That Support Them*.

⁵⁷ International Cooperative Alliance. “The Marcora Law Supporting Worker Buyouts for Thirty Years,” September 11, 2015. <https://www.ica.coop/en/media/news/marcora-law-supporting-worker-buyouts-thirty-years>.

⁵⁸ Ibid.

Despite its obviousness, available capital cannot be understated as an important success factor in cooperative development. Cooperative entrepreneurs are less likely to be embedded in networks of available capital, because their own background is lower-class than traditional entrepreneurs. Thus, the provision of capital itself becomes far more significant – particularly when an important source of capital for non-cooperatives is venture capital, which will be less available to cooperative firms. Nonetheless, the source of capital itself does differ by context. In Quebec, available capital comes from labor unions; in Italy, it comes from a combination of other funds (unemployment benefits) combined with state-provided funds at the provincial level; in Finland, capital is provided as start-up grants from the government directly.

Positive Institutionalization. The institutionalization of cooperative structures within the legal system, including a unique tax status that receives support and incentive, is an important success factor. Adeler (2013) argues that one of the most important public policies for cooperative development, across all geographic terrains and policy contexts, was “legal recognition.”⁵⁹ Finland, France, and New Zealand all have such legislation defining how to legally incorporate as a cooperative (Spicer 2018).⁶⁰ Spicer & Zhong (2022) describe how the cooperative structure is institutionalized in Quebec’s financial and legal frameworks, enabling smooth and streamlined support through policy for cooperative development.⁶¹

⁵⁹ Ibid, 557.

⁶⁰ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 127.

⁶¹ Spicer & Zhong, “Multiple Entrepreneurial Ecosystems? Worker Cooperative Development in Toronto and Montréal.”

Positive institutionalization is not limited to legal status – with legal status comes the potential for legal incentive. Adeler (2013) notes that Spanish cooperatives' corporate income tax rate is 10% of profits whereas private corporations pay 28%,⁶² which was credited by stakeholders as one of the “key policies that enabled the development of Spain's co-op sector to the point of strength, capacity, and autonomy it currently enjoys” (Noticias Juridicas 1990).⁶³ The issue of the corporate tax rate holds particular significance for the U.S. context, given that many corporations face a 35% tax rate but pay less or nothing as a result of the plethora of tax breaks available through loopholes.⁶⁴

In other contexts, positive institutionalization also creates a legal environment for policy to disincentivize hierarchical forms of ownership. In France, Spicer (2018) notes that non-cooperatives are subject to more regulations than cooperatives: union representation is required, a health and safety committee is mandated, and a workers' committee in all firms above 50 employees is legally necessary.⁶⁵ Garicano et. al (2016) demonstrates these regulations create strong incentives against behemothic growth of non-cooperatives.⁶⁶ Spicer (2018) also points out that Finnish non-cooperatives face higher incorporation fines than cooperatives, showing another road forward to intervene at the moment of incorporation, rather than expansion.⁶⁷

⁶² Noticias Juridicas. “Law 20/1990 — The Taxation of Co-operatives in Spain.”

⁶³ Adeler, “Enabling Policy Environments for Cooperative Development: A Comparative Experience,” 550.

⁶⁴ Institute on Taxation and Economic Policy. “The 35 Percent Corporate Tax Myth.” Accessed May 9, 2023. <https://itep.org/the-35-percent-corporate-tax-myth/>.

⁶⁵ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 142.

⁶⁶ Garicano, L., Lelarge, C., Van Reenen, J., 2016. Firm Size Distortions And The Productivity Distribution: Evidence From France. *The American Economic Review* 106, 3439-3479.

⁶⁷ Spicer, “Exceptionally Un-American? Why Co-Operative Enterprises Struggle in the United States, but Scale Elsewhere,” 143.

The incorporation fee difference thus makes entrepreneurship more accessible to the primary pool of potential worker-owners through legal provision.

IV. Discussion of Results

4.1. Initial Findings

4.1.1. Site A

Site A rumbles with the lived experiences of survivors. As a dense Northern urban space in which Black and brown communities have historically resided, neoliberalism has contributed profoundly to the disinvestment and gutting of Site A's social services. Gentrification has only further exacerbated these issues. Newcomers displaced from other urban spaces and arriving from other countries – particularly Asia and Latin America – continue to shift the demographics of Site A. Relative to most of the United States, Site A is characterized by a strong solidarity economy – including strong mutual aid networks and cooperative homes.

Table 1: *Meaning Condensation from Interviews at Site A*

Natural unit (Site A)	Central Themes (Site A)
<p>"Black Americans are really behind in that kind of generational wealth or they have very, very little compared to white Americans... when we think about like, economic development, we're also thinking about, like, how it will affect this generational wealth gap... [employee] ownership is really like the key to, to being able to, to have that wealth or create that wealth, and pass it on as well for generations." (Participant 2)</p> <p>".. employee stock ownership stuff [ESOPs] is the heart of US policy work around employee ownership. And it's very much focused on the benefits to the owner. The idea [of] all the policy levers around ESOPs are about the tax advantages to the owner and how it's going to benefit them and all those things... the policy levers aren't designed to care about worker [e]quality, like workplace [e]quality or workplace democracy." (Participant 5)</p>	<p>Who benefits from cooperative growth? Is this equitable?</p>

<p>"Is there any kind of strategy underpinning specific goals or outcomes in particular areas of the economy, around worker ownership or ESOPs, because this sort of broad, like, let's just inform everyone thing is good and fine, but you won't build a robust ecosystem out of that. You'll get some business owners who were or businesses across the city, or across the municipality or region who convert but they won't necessarily be a part of any coherent, you know, self, like mutually recognized or mutually reinforcing." (Participant 5)</p>	
<p>"... the coalition is a community labor coalition, and that labor, and that labor sees it as a mechanism to build economic development institutions that advance good jobs for workers... and that requires a little bit of willingness to work with the other, you know, the counterpoint, some of the social enterprise people aren't big fans of unions, there lots of people in unions that are not big fans of worker ownership and employee ownership." (Participant 5)</p> <p>"In order to win it, you will need more than just sort of the left socialist coalition..." (Participant 5)</p>	<p>Political capital might have to come from a mass movement of labor and community, not just the left.</p>
<p>"This is not like a radical, like we're not on the fringes here, like employee ownership is, is in the mainstream, we're not fighting... [to] get out idea into the mainstream. It's there. The question is, what are the policy actions at this point that we can take to advance it? And who did and who do they benefit?" (Participant 5)</p> <p>"There is interest in it, but there's a lot of challenges small businesses are going through before we can even get there to that point..." (Participant 2)</p> <p>"Let's say you have education and outreach and a bunch of businesses convert in the sense of, you know, someone retires, converts that workers takeover etcetera, that happens, but... it doesn't necessarily automatically organically happen that they [are] plugged within, you know, the existing solidarity economy. So there's still this matter of organization that is lacking." (Participant 5)</p>	<p>Education for business owners might not be an effective policy path because awareness is both there and not enough.</p>
<p>"My sense is that in the same way that the provincial level thing operates in Europe and Canada, that that would be the ideal that at the state level, enabling framework.. Would still be ideal, but in order to get state level enabling, you need to have movements in [Site A]." (Participant 5)</p>	<p>Option 1: State level enabling framework.</p>
<p>"And so one of the things, you know, to start a cooperative is that capital to or funding for that transition. And that's, I think, also where policy comes in. There's a lot of programs that we've seen in other places in the US... New Jersey's state budget just recently implemented or is trying to implement something like that, where they would be starting a program to help businesses transition into cooperatives." (Participant 2)</p> <p>"The state level is particularly important. Although there are some federal things that are helpful... but yes, mostly it's state level policy that needs to be addressed." (Participant 5)</p> <p>"... to push for something similar to like a task force for cooperatives to be able to have policies that get funding or give funding, for transitioning to cooperatives, from small businesses to cooperatives." (Participant 2)</p> <p>"Because it's such a large project, or includes [multiple districts] work, I think we're gonna need a lot more funding. And I think that's, that's something that we view as seeing or as getting mostly from state." (Participant 2)</p>	<p>Option 2: Funding or incentives for new cooperatives or for businesses selling to workers. Most likely, this has to come from the state.</p>
<p>"There's a lot of other challenges that small businesses are going through before we can even get there to that point. For example, like just making sure that you know books are in order. A lot of small businesses are like family owned and they still keep like written records instead of fully switching to technology.... It makes it hard to get capital." (Participant 2)</p>	<p>Option 3: Technical Assistance.</p>

In Site A, Black and brown communities' relative size may lead to a strong political base to demand policy to incentivize cooperative growth. Participant 2 specifically noted cooperatives could be a solution to closing the racial wealth gap for Black Americans: "[employee] ownership is really like the key to, to being able to, to have that wealth or create that wealth, and pass it on as well for generations."⁶⁸ The demand for policy intervention that actually improves cooperation could be higher than in areas that are less racially diverse. However, the type of employee ownership matters. Participant 5 noted that existing policy levers prioritize owners, rather than workers.⁶⁹ Since owners are fewer in number than workers (even if they are Black or brown), the advantages of employee ownership that does not actually transfer control to workers will be limited in closing the racial wealth gap because it would only benefit a small number of individuals.

The racial wealth gap presents a potential political base, but that base must be acted upon to actually lead to policy change. Participant 5 argued that a "left socialist coalition" is insufficient; instead, a movement of labor and community organizations – assumingly, including the solidarity economy itself – is necessary.⁷⁰ Labor must "[see] it as a mechanism to build economic development institutions that advance good jobs for workers," despite pre-existing tensions between the labor movement and ideas of cooperation.⁷¹ That pathway may be actionable for labor, since two-thirds of union members are women and/or people of color,⁷² and one of the primary benefits of union membership is the closing of the racial wealth gap for

⁶⁸ Interview with a solidarity economy actor, Site A, April 18, 2023.

⁶⁹ Interview with a solidarity economy actor, Site A, May 3, 2023.

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Economic Policy Institute. "Who Are Today's Union Workers?: Unionized Workers Are Diverse, and They Work in Most Industries across America." Accessed May 22, 2023. <https://www.epi.org/publication/who-are-todays-union-workers/>.

families of color.⁷³ And as observed above (see: **Literature Review**), cooperative entrepreneurs are more likely to cooperate due to need: worker-owners of businesses like Red Emma's are primarily women, queer, and trans people of color (see: **Introduction**). In other words, both the actors and the incentives driving cooperation and unionization are similar. A strong coalition of labor and community could recognize labor and cooperation as two essential planks in a program to close the racial wealth gap itself.

Increasing education may be less important as a policy goal than an enabling framework, funding, and technical assistance. Site A's small firms are already aware that worker ownership is an option: "there is interest in it, but there's a lot of challenges small businesses are going through before we can even get there to that point."⁷⁴ A state enabling framework could both educate those less aware and create "ideal" conditions for greater policy intervention.⁷⁵ Beyond a state enabling framework, Participant 2 mentioned the need for funds among cooperative entrepreneurs and the merit of allocating funding to both cooperative entrepreneurs and firms converting to worker ownership.⁷⁶ More capital available to cooperatives is advantageous (see: **Available Capital**), but there are other obstacles that capital also would not solve. For example, small firms often need to ensure their "books are in order" through digitization of business records.⁷⁷ Technical assistance provided for firms converting to worker ownership – specifically in digitization services – would be useful to cooperative growth.

⁷³ Weller, Christian & David Madland. "Union Membership Narrows the Racial Wealth Gap for Families of Color," Center for American Progress. September 4, 2018. <https://www.americanprogress.org/article/union-membership-narrows-racial-wealth-gap-families-color/>.

⁷⁴ Participant 2, interview.

⁷⁵ Participant 5, interview.

⁷⁶ Participant 2, interview.

⁷⁷ Ibid.

The literature verifies the importance of technical assistance. It was key to cooperative growth in Quebec, Italy, and Spain (see: **Technical Assistance**), but participants suggest a more direct link: only through technical assistance can available capital be meaningful. Participant 5 suggested the state as the necessary policy actor for cooperative growth, to which Participant 2 concurred.⁷⁸ The state has the capacity to enact all three policy goals most effectively.

In summary, cooperative growth is possible in Site A through a movement of labor and community actors aiming to close the racial wealth gap as the primary political demand. The target of such a movement would likely be the state. The three most important policy goals to that end in Site A are a state enabling framework and increasing available capital, the utility of which is maximized if the state also provides technical assistance.

4.1.2. Site B

Site B is a landscape of mild cities and towns in a Southern state. Progress is suppressed through anti-democratic legal and political instruments. Once, the Knights of Labor attempted to organize formerly enslaved people to form cooperatives on plantations and were violently crushed.⁷⁹ Many people in Site B are descendents of those inhabitants, but another significant portion of residents are migrants to Site B from the U.S. coastal urban core.⁸⁰ Unionization rates are low and the solidarity economy is relatively weak.

⁷⁸ Participant 5, interview.

⁷⁹ Gourevitch, Alex. "Our Forgotten Labor Revolution." *Jacobin Magazine*, August 26, 2015. <https://jacobin.com/2015/08/knights-of-labor-jim-crow-labor-populism-reconstruction>.

⁸⁰ Badger, Emily, Robert Gebeloff, and Josh Katz. "Coastal Cities Priced Out Low-Wage Workers. Now College Graduates Are Leaving, Too." *The New York Times*, May 15, 2023, sec. The Upshot. <https://www.nytimes.com/interactive/2023/05/15/upshot/migrations-college-super-cities.html>.

Table 2: Meaning Condensation from Interviews at Site B (solidarity economy actors in white, policymakers in gray)

Natural Unit (Site B)	Central Themes (Site B)
<p>"No one knew what a coop was [when we started]." (Participant 1)</p> <p>"It is thinner on the ground in terms of an understanding of employee ownership, and the sort of ecosystem of technical assistance that supports employee ownership." (Participant 3)</p> <p>"You will never encounter the word coop in the United States as a viable business model." (Participant 1)</p>	There is a need for understanding that cooperation is a viable option.
<p>"A lot of energy is in passing co-op enabling legislation in the United States... [but] the tax status and legal entity does not have to predict how you operate." (Participant 1)</p>	The need for an enabling framework may be overstated.
<p>"Folks on the left [tend] to see worker empowerment and, you know, worker power on the shop floor and wealth going back to the people who are creating that wealth in the first place, and all these kinds of things. And folks on the right see locally rooted capital, not big global conglomerates, not those Chinese coming in and buying up our, you know, our local firms, or even the hedge funds out in New York City that we don't particularly trust. They see, you know, companies that are providing social benefits that isn't being provided through the public sector. So I saw a huge opportunity there for a pro-worker wealth-building strategy that can keep businesses locally controlled and locally rooted, that can be sold to a very wide range of political people." (Participant 3)</p>	Political capital might have to come from either conservative voices or rural areas to succeed at the state level.
<p><i>"[For conservatives,] it kind of flirts with like a sort of economic nativism... [but] as long as you're clear eyed about sort of, like actual racial, sexual identity class solidarity in this... I do think as far as, like, messaging this, building public support and a campaign, yeah, I think like, it's, it's a very viable way of talking about it, if we were able to get like a local grassroots target movement." (Participant 4, Municipal Policymaker)</i></p> <p><i>"Worker cooperative immediately sends off, right, left wing alarm bells... but if you are coming at it from a point of view, that really isn't about this is about labor versus corporate interests, then there's a little more room for a conversation, I guess." (Participant 6, State Policymaker)</i></p>	
<p>"The policy I would like to see ... is to give workers the right and priority to match the bid if their business is getting sold." (Participant 1)</p>	Option 1: Right of first refusal. Allowing workers the right to buy out a company first if they can pool capital presents one option.
<p><i>"I believe [right of first refusal] is viable... I kind of dig it, personally. Because, you know, for reasons others might not like it, it's a good compromise with the business owner, and it gives us a direct opportunity to subsidize as a town..." (Participant 4, Municipal Policymaker)</i></p>	
<p>"A lot of people think the reason worker coops don't get started is they don't have finances.. We're in the business of helping poor people start cooperatives. People think that's what's inhibiting the growth of cooperatives. But it's not... basically, having a good business idea and the cohesiveness to work together cooperatively. You can have all the money in the world and if you don't have those things, you're fucked." (Participant 1)</p> <p>"There have been states that have put money into, like the Ohio Employee Ownership</p>	

<p>Center, on and off, can receive state funds to do education and outreach to business owners to say, hey, here's an option, have you considered it?" (Participant 3)</p> <p>"There are some states that have created additional incentives to business owners to sell to their employees, either for business owners that wouldn't qualify... or just additional grants or tax credits, that would reward a business owner for selling to their employees." (Participant 3)</p>	<p>Option 2: Funding or incentives for new cooperatives or for businesses to sell to workers. But where do the funds come from?</p>
<p><i>"Basically looking into using town funds for a program to help found worker-owned businesses.. Essentially, I think we would be able to make several \$1,000 available for applicants who are presenting a worker-owned business to the town for support.... [or for conversions] we'll put \$1 on every nine that the employees are able to raise." (Participant 4, Municipal Policymaker)</i></p> <p><i>"I am tempted to think that in the grander scheme, like real policy change, organizing would be best targeted at the state level." (Participant 4, Municipal Policymaker)</i></p> <p><i>"I think the focus [in managing the state budget] is on giving that money back. And so my personal view of it is we have been underspending on things, we don't have a surplus, we have unpaid bills, right. So like, if I didn't pay my mortgage for a few months, I'd have a surplus in my bank account, but then I wouldn't have a home." (Participant 6, State Policymaker)</i></p>	
<p>"The other big bucket that[']s really critical is some cheap or free technical assistance.... that's a relatively common experience for a business owner, will hear about employee ownership. And either they go to their accountant that they've worked with for 20 years, who doesn't specialize in it. Who's going to tell him? Oh, no, you don't want to do that. It's complicated. The feds are gonna be up your ass, you got to be, you know, you got you don't want to do any of that. Or they're gonna reach out to one of these, you know, consultancies that do know what they're doing – I'm not trying to cast shade on them ... but, you know, they're gonna ask you for money, you know, they're gonna say, you know, pay us, you know, at least five figures, probably to tell you either, whether this makes sense for your company? Well, that's a really expensive way to answer a question that is just forming in the mind of a business owner." (Participant 3)</p>	<p>Option 3: Technical assistance.</p>
<p><i>"[The state] can always make a grant right to, to any kind of entity to provide technical assistance." (Participant 6, State Policymaker)</i></p> <p><i>"My thinking is that it would be much easier to lower the barrier for a group of employees who was ready to go into business for themselves than it would be to take current owners and have them take their business model work around, I see almost no will for that." (Participant 4, Municipal Policymaker)</i></p>	

In Site B, cooperation is not well-understood. Participant 1 remarked that “no one knew what a coop was” when they began working in the solidarity economy,⁸¹ and when I asked a state policymaker my first question about cooperatives, they paused and – after a moment of silence – asked me to elaborate on what I meant by

⁸¹ Participant 1, interview.

worker cooperative.⁸² Participant 3 indicated awareness was “thinner” in Site B than elsewhere.⁸³

The other primary differences between Site A and Site B may result from different political conditions. Unlike in Site A, a state enabling framework was not noted as extremely critical to advance cooperation: “the tax status and legal entity does not have to predict how you operate.”⁸⁴ While that may be the case, a potential reason for this de-emphasis is the fact that the state does not represent a promising route forward politically in Site B. A state policymaker described how the state had unpaid bills because of chronic underfunding of social services resulting from the political suppression of progress in Site B at the state level.⁸⁵ There are minimal funds available and those funds are trapped in gridlock. A state enabling framework may be advantageous, but far from politically feasible.

The same political conditions may also explain the markedly different route forward to open a policy window compared to Site A. Participant 3 perceived “a pro-worker wealth-building strategy that can keep businesses locally controlled and locally rooted” in order to attract conservative voices to support worker cooperatives,⁸⁶ which one municipal policymaker agreed was a “very viable” rhetorical strategy in Site B despite it “[flirting] with economic nativism.”⁸⁷ Appealing to conservatives or rooting any campaign to support worker cooperatives in a conservative rural base is necessary to move forward policy in Site B. Interestingly, a state policymaker described the need to intentionally downplay the connection

⁸² Interview with a policymaker, Site B, May 11, 2023.

⁸³ Interview with a solidarity economy actor, Site B, April 27, 2023.

⁸⁴ Participant 1, interview.

⁸⁵ Participant 6, interview.

⁸⁶ Participant 3, interview.

⁸⁷ Interview with a policymaker, Site B, May 2, 2023.

between cooperation and labor.⁸⁸ Ties to labor could be potentially fatal to policy in Site B – unlike in Site A.

Three options were identified as policy goals to incentivize cooperation in Site B: the right of first refusal, funding or incentives for conversion, and technical assistance. Participant 1 mentioned the right of first refusal – the right for workers to have first bid on a business if the owner sells to form a cooperative – as a top priority,⁸⁹ which a municipal policymaker agreed was possible.⁹⁰ One issue in the right of first refusal, however, is money. Where do workers pool capital when their wages are derived from the employer they wish to buy out? Participant 1 argued that funds are not a major factor prohibiting cooperative growth,⁹¹ but Participant 3 described different kinds of financing and incentives, like state funds for outreach to businesses and incentives for selling to workers – all of which are absent in Site B.⁹² Municipalities could provide matching funds for both cooperative entrepreneurs and converting firms, but while one municipal policymaker was “tempted to think that in the grander scheme, like real policy change, organizing would be best targeted at the state level,” a state policymaker indicated that the state budget consists of unpaid bills rather than surpluses. The state might not be the best actor to provide capital when funds are limited and political gridlock traps those funds in the coffers of the government.

Participant 3 focused on another “big bucket [that’s] really critical:” education and outreach to business owners. That stands in contrast to Site A, where this was not identified as necessary. Technical assistance was only mentioned in the context

⁸⁸ Participant 6, interview.

⁸⁹ Participant 1, interview.

⁹⁰ Participant 4, interview.

⁹¹ Participant 1, interview.

⁹² Participant 3, interview.

of conversions by existing businesses to cooperatives by Participant 3,⁹³ but a municipal policymaker argued a better use of resources would be providing technical assistance to “lower the barrier for a group of employees who was ready to go into business for themselves” instead of existing business owners.⁹⁴ The target may be a non-issue: municipal services could be provided to both.

Essentially, cooperative growth is possible in Site B only through greater awareness of cooperation as an option and movement intentionally built on a conservative constituency that stresses cooperation’s locally-rooted nature. Unlike in Site A, the state is not likely to be the best actor for policy change because of both financial and political limitations. Instead, policies incentivizing the creation of worker cooperatives may require enactment at the municipal level in Site B. The right of first refusal, making capital available through matching funds, and technical assistance for both business owners and cooperative entrepreneurs may all contribute to achieving the policy goal of more worker cooperatives.

4.2. Final Findings

⁹³Participant 3, interview.

⁹⁴Participant 4, interview.

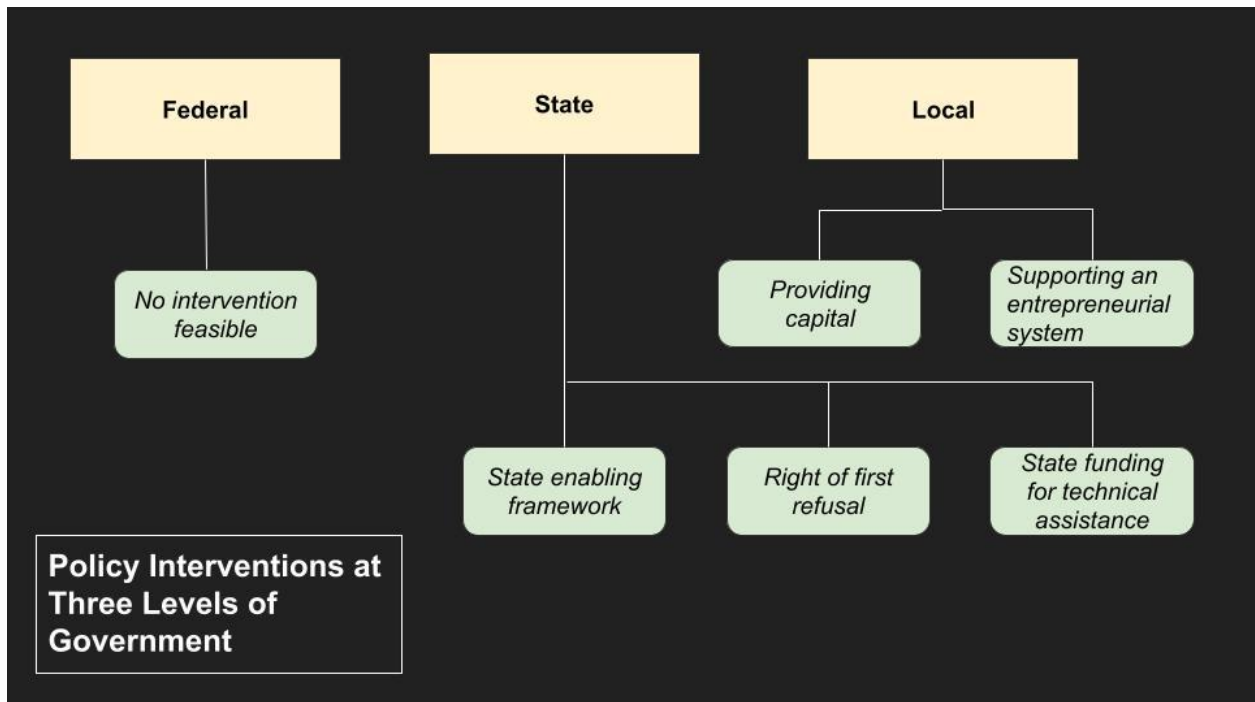


Diagram 4: Policy Interventions at Three Levels of Government

4.2.1. Federal Policy Interventions

Normatively, the horizon for federal intervention to favor cooperation is broad. But while the federal government has the power to enact a legal enabling framework, there is no political route forward for such intervention (see: **Diagram 4**). The U.S. solidarity economy remains weak; there is no coordinated campaign to expand it; even with broadly-supported and popular policies, translation to federal policy is rare.⁹⁵ Only a shift in one of the three inhibiting factors would change the equation, but all of these shifts first require action at local levels.

4.2.2. State Policy Interventions

There are three primary policy interventions that states can prioritize to incentivize the creation of worker cooperatives: a state enabling framework, right of first refusal, and state funding (see: **Diagram 4**). Firstly, a state enabling framework

⁹⁵ Blumberg, Yoni. “70% of Americans Now Support Medicare-for-All—Here’s How Single-Payer Could Affect You.” CNBC, August 28, 2018.

would ensure states become laboratories for cooperative development (see: **Positive Institutionalization**). States could capitalize on institutionalized cooperative tax status through passing legislation incentivizing cooperation or disincentivizing non-cooperatives. However, a state enabling framework is a policy goal with both geographic and political preliminary conditions. Places like Site A are geographies where such intervention is possible; Site B, less so. Even in places like Site A, a state enabling framework requires first opening a policy window. When I inquired during the second interview round to Participant 2 about how to bring together both labor and community actors in order to build such a campaign to expand the solidarity economy, they answered that

“Economic democracy to me means ending poverty, achieving racial justice, and building a world where everyone thrives. I think many people can say that is what they are working towards as well.”⁹⁶

Secondly, states can prioritize the right of first refusal. Participant 4 indicated during the second interview round that they believed “[the right of first refusal] would have to be a state policy.”⁹⁷ Though there was no consensus among solidarity economy actors on the efficacy of reserving the right to buy the firm for its existing workers, the right of first refusal could become effective when paired with municipal intervention to provide matching funds to workers (see: **Local Interventions**).

⁹⁶ Email from a solidarity economy actor, Site A, May 28, 2023.

⁹⁷ Email from a policymaker, Site B, May 25, 2023.

State funding for employee ownership also can be advantageous. Since state funding in states including Ohio⁹⁸ and, most recently, New Jersey⁹⁹ include employee stock ownership plans (ESOPs), an important obstacle against cooperation (see: **Hostile Federal Law**), state funding should only include ESOP funding only if politically necessary. Instead, state funding should focus on providing technical assistance for firms converting to worker cooperatives. Since policy intervention in Site B requires a more conservative mobilization,¹⁰⁰ political conditions on the ground actually favor intervention in Site B, as well as Site A. The generation seeking to sell their firms are more likely to be conservative,¹⁰¹ and the current primary group to whom firms are sold are out-of-state buyers.¹⁰² State funding for technical assistance to provide business owners an option to transfer ownership to actors besides out-of-state buyers could assemble significant political capital. One Site B lawmaker did indicate that a budgetary allowance could be made through states' economic development agencies,¹⁰³ so state funding for technical assistance for converting from hierarchical to cooperative ownership is also logistically feasible.

4.2.3. Local Policy Interventions

There are two major areas in which local governments can intervene to incentivize the creation of worker cooperatives: providing capital and fomenting a

⁹⁸Participant 3, interview.

⁹⁹ Rosen, Corey. "Employee Ownership Efforts Move Forward in NJ, MO." National Center for Employee Ownership, March 1, 2023. <https://www.nceo.org/employee-ownership-blog/employee-ownership-efforts-move-forward-nj-mo>.

¹⁰⁰Participant 3, interview.

¹⁰¹ Jones, Jeffrey. "U.S. Baby Boomers More Likely to Identify as Conservative." Gallup, January 29, 2015. <https://news.gallup.com/poll/181325/baby-boomers-likely-identify-conservative.aspx>.

¹⁰² PRWeb. "New Research Details Effects Of Silver Tsunami On Local Washington Economies And What To Do About It," April 23, 2019.

¹⁰³Participant 6, interview.

supportive entrepreneurial ecosystem (see: **Diagram 4**). While Participant 1 argued that funds from municipalities may not be needed due to the existence of solidarity economy-provided funds, Participant 4 questioned whether those were sufficient at a “truly meaningful scale” and requested further worker-owner confirmation during the second interview round.¹⁰⁴ In the second interview round, Participant 2 also mentioned more funding from the city government for technical assistance would be beneficial to cooperative development.¹⁰⁵ Municipalities could fund a survey for confirmation or they could directly deposit funds into an account for capital to new worker entrepreneurs and matching funds provided to workers who pool their capital to purchase an existing firm. The latter would also lead to the right of first refusal passed at the state level becoming more effective, as workers would be able to access more capital. More capital does not hurt cooperation (see: **Available Capital**), even if some is available in the solidarity economy itself. If municipalities are capable of providing more capital, they can and should.

Secondly, municipalities can house a program to support cooperation in their economic development department. According to Participant 4, a program that connects cooperative entrepreneurs to one another and to technical assistance “could be a fairly straightforward program with our Economic Sustainability Department.”¹⁰⁶ The same department in Site B also has programs for women and minority-owned businesses, which could provide the template structure.¹⁰⁷ A cooperative entrepreneurial program could include technical assistance for potential worker-owners, as well as capital funds for new worker entrepreneurs and matching

¹⁰⁴Participant 4, email.

¹⁰⁵Participant 2, email.

¹⁰⁶Participant 4, email.

¹⁰⁷ Ibid.

funds allocated within the municipal budget for workers seeking to purchase their firm. Participant 2 indicated during the second interview round that some such services exist, both from small organizations and municipal programs, but they are insufficient.¹⁰⁸ Municipal programs supporting cooperatives in existing departments could be a powerful corrective.

V. Conclusion

“By extending new institutional experiments and the principles behind them we can begin to sketch the outlines of a new economic framework based on the democratization of wealth. This offers not merely new hope for a left that has spent decades out in the cold but also points to the possibility of generating a new economic paradigm that could eventually displace neoliberalism.”

*(Joe Guinan & Martin O’Neill)*¹⁰⁹

Cooperation provides workers great job security and satisfaction while also reducing poverty and economic crisis. In this thesis, I fill in a gap in the literature – namely, what policy tools are available to incentivize the creation of worker cooperatives in the United States. Red Emma’s, one successful cooperative in Baltimore, shows how cooperatives can both support their own workers while nourishing a wider solidarity economy. But Red Emma’s is also an exception: for most people in the United States, cooperation is not an option. What few worker cooperatives have succeeded in the United States have done so despite opposition from the federal government.

In order to discover what policy interventions can incentivize the creation of worker cooperatives, I first investigated the historical reasons for the United States’s

¹⁰⁸ Participant 2, email.

¹⁰⁹ Guinan & O’Neill. *The Case for Community Wealth Building*, 28.

status as a deviant case. Three different factors play a role in suppressing cooperation: path-dependence, hostile federal law, and an inhospitable federal system. The United States, uniquely among developed nations, industrialized while maintaining chattel slavery. Chattel slavery suppressed cooperation at its foundational moment, which was then only further combated in subsequent history through law after law blocking or reversing cooperative development. The U.S. federal system ensures the centers of production where cooperation is most possible are uniquely hostaged by state governments. All three of these factors lead to a weak solidarity economy in the United States.

This thesis finds that there are four significant success factors for cooperative development. A supportive entrepreneurial ecosystem, connecting worker-owners together, is mutually-beneficial to all worker-owners and cultivates further resilience in solidarity economies. A supportive ecosystem also makes cooperation accessible to workers who can otherwise not afford entrepreneurship. Technical assistance makes cooperation logistically possible; available capital renders cooperation financially possible. Finally, positive institutionalization – enshrining cooperation in the legal architecture of the state itself – makes room for a plethora of different potential interventions to favor cooperation.

Based on synthesizing initial findings with informant feedback, I find that several policy tools exist to incentivize the creation of worker cooperatives. Unfortunately, they are not at the federal level. There is no politically feasible pathway to federal intervention at this time. However, a state enabling framework could lead the way to positive institutionalization of cooperation at the state level. That would open up the ability to intervene in favor of cooperatives and against non-cooperatives. Policymakers can pass legislation to allow for workers to have the first

right to purchase the firms in which they work when owners decide to sell, and state funding could finance technical assistance for conversions to worker cooperatives by existing firms.

Local policymakers hold two effective policy interventions. First, they can make available capital for new cooperative entrepreneurs and matching funds for workers seeking to purchase the firms in which they work, which would make state intervention in the form of the right of first refusal more effective by providing workers the means by which to actually purchase the firm. Local policy intervention can also include programs for supportive entrepreneurial ecosystems, connecting cooperative entrepreneurs to successful worker-owners and technical assistance. Both of these options would make cooperation an option available to potential worker-owners, and thus incentivize the creation of worker cooperatives through policy intervention, and remain still within the capacity of city governments otherwise limited by the inhospitable federal system.

This thesis attempts not only to explain a deviant case, but also to concretize potential routes to advance worker cooperatives and, through them, the solidarity economy. These recommendations are not focused on areas with strong solidarity economies already, nor are they designed only with normative considerations in mind. Rather, they seek to synthesize best practices in policy with the political conditions of the United States itself, thus providing a roadmap for policymakers and other practitioners to follow. This thesis, then, seeks to advance the cause of building the solidarity economy with a mind to practical considerations. Perhaps, through taking some of the steps outlined here, it is possible to cultivate a solidarity economy at local levels that can eventually increase workers' stability and allow U.S. society to weather economic crises with fewer repercussions for its most vulnerable members.

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VII. Appendices

7.1. Appendix A: Interview Participant Information

1. **Participant 1:** Solidarity Economy Actor in Site B. They specialize in seed funds for cooperatives and other solidarity economy actors, and have worked in the solidarity economy since 2007.
2. **Participant 2:** Solidarity Economy Actor in Site A. They specialize in economic democracy more generally, including but not limited to supporting worker cooperatives.
3. **Participant 3:** Solidarity Economy Actor in Site B. They specialize in policy conducive to employee ownership and have sat on boards for solidarity economy actors.
4. **Participant 4:** Policymaker in Site B: They have been in municipal office since their election in 2021.
5. **Participant 5:** Solidarity Economy Actor in Site A. They have been involved in the solidarity economy at a managerial level since the mid-2010s; prior to that, they were also a researcher on economic democracy.
6. **Participant 6:** State Policymaker in Site B. They have been a state legislator since their election in 2022.