

Producers of the World Unite! The Return of Reformist Unionism

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A form of unionism that flourished in the United States in the latter part of the 19th century is once again on the rise. This is what has been called Reformist Unionism (Wheeler 2002). Although attired in new clothing in the 21st century, the current version looks very much like the old one. It is being resurrected at a time when American unions have been in decline for several decades. Whether Reformism is a viable strategy for a resurgent American labor movement may determine the fate of that movement. This in turn depends upon whether the conditions are ripe for such a strategy. There is also the fundamental question of whether it is a strategy that is inherently sound.

This paper will speak briefly to the conditions under which Reformist Unionism originally arose, and set out the main features of the labor organization that embodied this approach – the Knights of Labor. It will then turn to the current setting in which the labor movement operates, and describe and analyze the principal Reformist strategies that are now being used. It will draw some conclusions about the prospects for this type of unionism making a significant contribution to the future of the American labor movement.

The Environment of the Old Reformist Unionism

The 1860's saw the birth of large-scale industrial capitalism in the United States. Following the American Civil War large national corporations began to dominate the U. S. economy. Factories utilized machinery as never before and became the chief source of manufactured goods. These goods were largely produced by unskilled and semiskilled laborers, who had little bargaining power. A national market was created, accompanied by hyper-competition that resulted in severe downward pressure on wages (Commons, et al 1966). By the mid-1880's this process was well advanced. The industrial revolution had become the predominant fact of life for American society, and by the turn of the 20th century what we now call old style industrial capitalism was solidly established (Commons, et al 1966).

It had long been the view of some American intellectuals that the work system of industrial capitalism was an evil that should be abolished. What Marx described as the "utopian socialist" ideas of Charles Fourier were imported to the United States by Albert Brisbane, and made popular by Horace Greeley in the first half of the 19th century (Taft 1964, p. 46). Like Marx, these reformers saw capitalism as dehumanizing and immoral. Unlike Marx, who saw capitalism as a development that would lead forward to its own demise, the utopian Reformists believed that they should take action to deliberately reform society by turning back the clock. They formed associative colonies such as Brook Farm. They advocated the setting up of cooperatives. In 1866, trade unionists founded the National Labor Union, which was Reformist in orientation. It lasted for a few years, but never achieved any significant strength.

By the 1880's, the evil that the Reformists opposed had come to dominate the economic landscape. But there was a precipitous economic downturn in the mid-1880's, re

vealing that capitalism might not be able to deliver on the prosperity that it had seemed to promise.

The Old Reformist Unionism

The Knights of Labor, which came to be considered as the classic example of Reformist Unionism, rose to prominence during the worst of the 1880's (Commons, et al 1966). Although the Knights were founded in the 1860's, it was not until 1886 that they reached their greatest strength. Their membership reached 700,000 in that year. Interestingly, given the opposition of the Knights' leadership to strikes, it was only after they had won some highly visible victories in strikes that their membership numbers soared.

The Knights have been aptly labeled "uplift unionism" (Hoxie 1921). Their basic notion was to "elevate" workers in order to give them a sense of dignity and the leisure to pursue culture, as well as to improve their conditions of work and provide them with material goods and job security (Hoxie 1921, 47). The Knights were primarily interested in mutual insurance, political action and cooperative enterprises. Although they reluctantly engaged in collective bargaining, they did not approve of strikes and, with some notable exceptions, were not very effective in conducting them. Their principal ideas were: (1) fundamental reform of the economic system; (2) solidarity among all producers; (3) producer cooperatives; and (4) education of workers.

Reform

Terrence Powderly, the leader of the Knights during their prime, set out their rationale for the need for fundamental reform.

"So long as it is in the interest of one kind of man to purchase labor at the lowest possible figure, and so long as it is in the interest of another kind of men to sell labor to the highest possible bidder, just so long will there exist an antagonism between the two which all the speakers and writers on labor cannot remove" (Powderly 1940, 268).

This agrees with the traditional trade union view. However, Powderly and the Knights also believed that the contest was inherently unequal, as the owners of machinery and land would always be able to:

"... render the lot of the workman so burdensome that he will consent to violate the laws of the land and the laws of organizations in order to earn sufficient bread to sustain life" (Powderly 1889, 264).

Accordingly, Powderly believed that trade union attempts to ameliorate the effects of capitalism on workers were doomed to fail. The Knights were of the opinion that the trade unions had sold their heritage for a mess of potage, accepting a weak role in society in exchange for being allowed to merely exist. As Reformists, the Powderly and his compatriots believed that the only solution worth pursuing was to *abolish the wage system*.

Solidarity

The Knights adopted as a core belief the principle of solidarity among producers. It was succinctly expressed in the motto "An injury to one is the concern of all" (Ware 1959, xiv).

The Knights' focus on solidarity would appear to be in agreement with the trade union view. However, once again, they parted ways from the trade unions in an important respect. They defined the group among whom solidarity was to be shared much more

broadly than did the trade unions. Powderly described the Knights as being concerned with the “rights of man” rather than the “rights of the tradesman” (Powderly 1889, 84-85). It was not members of a particular craft, or even workers, among whom solidarity was proposed. Instead it was “producers.” Unlike the unions of the day, the Knights included unskilled workers as well as skilled workers. They would accept anyone who was not a “social parasite,” a category that included professional gamblers, lawyers, bankers, and manufacturers and sellers of liquor. They saw conflict in society as being between the producers and the moneyed interests. The enemy consisted of the “...bloodsuckers who don’t work – who live by the sweat of other men’s brows” (Kealey and Palmer 1982, 282).

This extensive view of solidarity, encompassing all “producers,” was a defining feature of the Knights. Utilizing the label “producer” sets up the moral argument that those who produce the wealth in society *ought* to share in the fruits of their labor. This is similar to the Marxist view that labor is the source of all value and therefore entitled to it.

Cooperation

The Knights aimed at uniting in the persons of the producers both labor and capital. Their alternative to the wage system was producer ownership. They saw cooperatives as the way to achieve this. They believed that cooperatives were the only enduring solution to the problems of industrialization.

By the end of 1887, the Knights had set up 135 producer cooperatives. These were mostly in mining, cooperage and shoe manufacturing – industries that did not require a great deal of capital. The Knights provided some financial support to these cooperatives, as well as management advice. The cooperatives ran into stiff opposition from various capitalist enterprises, including the railroads. By 1888 most of the Knights’ cooperatives had failed. One historian has said that this showed that cooperatives that were small in scale could not succeed (Foner 1955). It has been argued that with the growth of large-scale production the cooperatives became “increasingly anachronistic” (Ware 1959, 320). The failure of the Knights’ cooperatives has been described as marking “the closing of the age of middle-class panaceas” (Commons et al 1966, 438).

Education

The Knights believed that even the better-educated workers of their day had been misled by teachers who held pro-capitalist and anti-labor views. Accordingly, the Knights set up their own education program. It related primarily to practical economics. The Knights viewed propagating “sound economic doctrine” as being their “holiest mission” (Foner 1955, 76). They established libraries and reading rooms and held discussions of economic issues at their meetings.

The problem with the educational program of the Knights was that they allowed it to be a substitute for action. While they were focusing on long-term projects such as education and cooperatives, the workers wanted immediate action to improve their low pay and miserable conditions of work (Foner 1955).

The Local Structure of the Knights

At the local level, the Knights were organized into either trade assemblies or mixed assemblies. In 1886 they had 1,088 trade assemblies and 1,279 mixed assemblies (Grob 1976). The trade assemblies consisted solely of trade unionists. The mixed assemblies included all

kinds of workers, employers and members of community social action groups such as eight-hour day leagues, women's suffragettes, and temperance societies. These were study and debating groups that engaged mainly in politics and agitation.

Decline and Fall of the Knights

After reaching their peak membership in 1886, the Knights' decline was exceedingly rapid. By the end of the century they had essentially disappeared (Commons et al, 1966). It is generally believed that their fall was occasioned by three factors: (1) the Haymarket Riot; (2) employer attacks; and (3) competition from the American Federation of Labor.

The Chicago Haymarket Riot of 1886 was a highly publicized instance of violence involving labor organizations. It brought down upon organized labor as a whole the condemnation of the American media and religious leaders. As the most visible labor organization of the time, the Knights constituted the chief target. Despite the fact that they had nothing to do with the riot, in the public mind they were tarred with the same brush as the Chicago anarchists who were convicted of the murder of several policemen.

Probably more important were the two other factors – employer opposition and trade union competition. As is usually the case in describing the fate of American labor organizations, one must look to the behavior of capital and its agents as a crucial explainer. Capital, always powerful in American society, can generally achieve its aims. If a labor organization becomes too powerful it exposes itself to the full power of capital, which few institutions in American society can withstand. It takes extraordinarily intensive solidarity for a union to be the kind of army of defense that can survive in this situation. The Knights' solidarity was quite extensive. However, given its inclusion of everything from suffragettes to eight-hour day leagues as well as trade unionists, it never attained the strong sense of identity that the craft unions had.

The trade unions of the day, newly affiliated with their own national federation, the American Federation of Labor, pursued policies that were more consistent with the realities of their time. Their aims matched those of most workers – more pay and better working conditions. They knew how to strike and were willing to do so. These were organizations of intense solidarity among persons holding a common craft identity, providing them with very intensive solidarity. The Knights chose to compete with them rather than cooperate with them. They lost that competition.

Modern Reformist Unionism

The modern idea of Reformist Unionism has several aspects. The first is Social Unionism as a general concept. In practice this involves an approach to union strategy that emphasizes political action and coordination with other community groups. The second is worker rights organizations. These are not traditional unions, as they pursue workers' interests outside of the collective bargaining arena. The third is the utilization of workers' capital as an instrument of worker and union power.

The Environment of the New Reformist Unionism

The setting for modern Reformist Unionism bears some resemblance to that in which the old Reformist Unionism arose. The latter part of the 20th century, like the latter part of the

19th, was characterized by a sea change in economic realities. Large multinational corporations have become the dominant players in the international industrial relations system. Modern factories and machinery have spread beyond the West to the developing world. Hyper-competition is putting strong downward pressure on wages and labor standards. New technology has led to further deskilling of much manufacturing work. As factories replaced farms in the late 19th and early 20th centuries, service enterprises have replaced factories in the recent past. While the new globalized economy has brought many benefits, it has also carried along with it the loss of many highly paid jobs to developing countries and increasing disparities in wealth between classes in the United States.

As shown by demonstrations such as the “Battle in Seattle” and elsewhere, resistance to the new world order of globalization is growing. The labor movement in the United States is finding that it has a good deal in common with other progressive groups. As was the case with the late 19th century reaction against industrial capitalism, there are many both inside and outside the labor movement who believe that the economic and political systems are gravely ill and need to be reformed. As globalized capitalism has grown, opposition to it has grown as well.

Social Unionism

The key idea of Social Unionism is the community as a source of power. Although there remains some skepticism among scholars as to the effectiveness of this strategy (See, Craft 1990), it is one that is being pursued very actively, both by the various national unions and the peak national federation, the AFL-CIO.

Some instances of the use of this strategy have involved affiliation with community religious leaders. For example, in 1996 Clergy and Laity for Economic Justice (CLUE) was formed in California. It advocated that local governments require that firms doing business with them pay their employees a living wage. CLUE then moved on to supporting higher pay for hotel workers and involved itself in a dispute with the University of California system about contracting out jobs.

There are a number of other cases in which unions have teamed up with religious and other community leaders to fight for workers’ interests and rights. In 2000 a Pennsylvania group of nurses organized a union with the support of a coalition of community groups. At about the same time, a committee of religious and community leaders in California came together to insure that the 5,000 employees of Catholic Healthcare had a free choice to form a union ([Voice@Work](#) 2000). [Voice@Work](#), an arm of the AFL-CIO, has sponsored the “Seven Days in June” campaign which is aimed at publicizing the broken promise of the National Labor Relations Act for workers to have a free and uncoerced choice to form and join unions.

The Service Employees International Union (SEIU), the union formerly led by AFL-CIO president John Sweeney, has been a leader in Social Unionism. Its Justice for Janitors campaign has used the forms and methods of this style of unionism with considerable success.

Union political action, although not limited to union activists with a Social Unionist perspective, has sometimes taken on a social movement flavor. A prime example of this is the powerful progressive movement in California led by the Los Angeles County Federation of Labor (Meyerson 2001). The AFL-CIO’s launching of the Alliance for Retired

Americans in 2001 creates an advocacy group for the interests and needs of the elderly in American society (Bureau of National Affairs 2001).

Worker Rights Organizations

There exists in the United States a little-known set of organizations that advocate worker interests but do not fall within the classic lines of trade unions. They are highly diverse and therefore difficult to generalize about. What they have in common is that the work for the benefit of workers who are at the lower end of the economic spectrum, and that they do this using methods of social protest and politics rather than collective bargaining.

There is a grouping of these organizations known as the Regional Economic Justice Network, located in the Southeastern U.S. A prominent member of this group is the Carolina Alliance for Fair Employment (CAFE), located in this author's home state of South Carolina (See, Wheeler 2002). CAFE has engaged in a variety of activities, ranging from educating workers about their legal rights to lobbying for legislation to strengthen worker rights to compensation when they suffer injuries. It has received national recognition for its work on behalf of temporary workers.

The fundamental principle of CAFE has been stated as follows:

"We, at CAFE, believe that everyone has a moral right to fair employment – to work that is free from bias, dishonesty, and injustice. It is reasonable and right to expect fair employment. The key to fair employment is having strong worker organizations" (Carolina Alliance for Fair Employment Undated).

CAFE has contributed to forming strong worker organizations in the form of trade unions, supporting union organizing campaigns in several instances. In 1994, it helped the International Union of Operating Engineers (IUOE) to organize the employees of Melrose Resort in Hilton Head, South Carolina. When the union won the representation election and began bargaining with the employer, CAFE joined in protests to bring pressure on the employer to sign a collective bargaining agreement with the IUOE. This involved protests at the MCI golf tournament that was held at the resort that included picketing using a giant inflatable rat named "Mickey Melrose" and using a loudspeaker mounted on a boat to advise the audience at the tournament of their dispute with the company. A collective bargaining agreement was finally signed. However, the resort was sold soon thereafter, giving rise to yet another campaign against the successor employer. CAFE once again stepped into the fray, helping to pressure the new owner into signing a contract with the union.

CAFE has been quite active in campaigning and lobbying for legislation at the state level. It was a principal supporter of a change in the state workers' compensation law to prohibit employers from discharging workers who filed workers' compensation claims. It has worked for general legislation that would require an employer to have cause before firing employees. CAFE also has conducted a longstanding program of worker education.

Examples of similar organizations are the Chinese Staff and Workers' Association (New York City), Movimiento Estudianti Chicano de Aztlan [Mexican-American Student Movement of Aztlan (Aztlan being their name for the Southwestern United States)], Atlanta Union of the Homeless, Farm Labor Organizing Committee (Toledo, Ohio), Worker Organizing Committee (Portland, Oregon), and Workplace Project (Hempstead, New York).

Workers' Capital

There are four strategies involving the power of workers' capital that are being pursued at present in North America and Western Europe: (1) producer cooperatives; (2) worker ownership of shares in their own company; (3) influence on the investment of worker pension and savings funds; and, (4) union funds for national or regional economic development.

Producer cooperatives. The oldest of the forms of worker capital, and the one favored by the Knights of Labor, is producer cooperatives. They have a long tradition in France, Spain and Italy as well as in the United States. Philosophically they are highly consonant with the Marxist principle of worker ownership of the means of production. Although the cooperatives founded by the Knights have long since passed away, there are still a number of producer and consumer cooperatives in the United States. Cooperative movements are alive and well in Italy and Spain.

Perhaps the best-known cooperative system is Mondragon, located in the Basque country of Spain. Founded by a Roman Catholic priest, it has survived since the mid-1950's. It has over 60,000 worker members and includes over 100 separate enterprises that range from manufacturing luxury buses to running an extensive chain of grocery megastores. At the core of Mondragon is a bank, which in the early days furnished management consulting services to the various cooperative enterprises. Now there is a consulting cooperative, LKS, that provides strategic planning and other management expertise. Students of Mondragon believe access to management consulting has been crucial to its success. It even has its own university (Freundlich 2002).

The Mondragon experience is very instructive. It has survived and prospered over a considerable period. Nevertheless, it is not immune to the challenges of the global economy. It has moved from being predominantly in old industry manufacturing to having nearly a majority of worker owners in the retail grocery industry. It has expanded into other countries, in the process hiring many workers who are not owners. In Spain it has employed non-owner temporary employees. Many of the enterprises have Social Councils, which are arguably union-like structures within Mondragon.

The fundamental logic of cooperatives turns capitalism on its head. In cooperatives labor hires capital instead of the reverse being true. The second basic principle of cooperatives is distribution of the fruits of their labor to the workers. Cooperatives are seen by some as a third way of relating labor to capital that steps outside of the 19th century ideas of capitalism and socialism (Elortza 2002). This is believed by proponents of cooperatives to lead to a more consensual style of management (Zelaia 2002).

In the United States there is something of a cooperative movement, although this has largely consisted of consumer cooperatives and owner cooperatives in the agricultural sector. There is the recent example of Sweatx, a new workers' cooperative in Los Angeles. Started with foundation funding, its members, who are members of the textile workers' union (UNITE), are attempting to show that textiles can be profitably manufactured outside of sweatshops.

There is obviously some common ground between trade unions and cooperatives. Trade unionists, particularly in developing countries, see cooperatives as a tool for achieving a better society, for improving quality of work, and for the creation of socially responsible enterprises (Levin 2002). However, there are also many areas of conflict. For example, there is the question of whether worker owners of cooperatives should be unionized.

American trade unionists also have difficulty abandoning the notion that labor and capital are inherently separate and at odds with one another, and that the function of the union is to represent the side of labor. Indeed, they may fear that in a cooperative there would be no role for a labor organization. Also, one hears from trade unionists in some countries the argument that workers in cooperatives exploit themselves and thereby compete unfairly with unionized workers in traditional capitalist enterprises.

Worker ownership in shares of their own company. Ownership by workers of their own company's stock takes a variety of forms. Perhaps the most common in the United States is the *Employee Stock Ownership Plan* (ESOP). Given a recent boost by changes in Federal law, *401 (k) plans* have grown to a level that exceeds that of ESOPs by some measures. There are also *Deferred Profit-Sharing Plans*, *Employee Stock-Purchase Plans*, and *Broad Stock Options*. The popularity of stock ownership has been lessened by the events of the past year or so, which have seen the bankruptcy of Enron Corporation and Worldcomm and a sharp decline in the value of publicly traded corporate stock. Nevertheless, there is a great deal of worker ownership in own company stock in the United States, and its utilization as an instrument of worker influence on corporate governance is a very lively question.

ESOP's are defined-contribution retirement plans that are covered by the Employee Retirement Income Security Act of 1974 (ERISA). Typically, a trust is established and it proceeds to borrow money to buy the employer's stock. The employer guarantees the repayment of the loan. As the loan is paid off over a period of five to ten years with money given by the employer to the trust, proportional amounts of stock are allocated to individual employees' individual accounts. The motivation underlying the establishment of ESOP's is largely provided by tax considerations, although many managers believe that ownership will increase worker motivation and loyalty. The policy underlying the law was more idealistic. Its chief sponsor in Congress, Senator Russell Long, did so chiefly because he believed that it was good public policy to spread the wealth in the society and saw this as a means to that end.

Like ESOP's, 401 (k) plans are established by employers mainly with tax consequences in mind, but also with some hope of improving employee motivation. Although the majority of 401(k) funds are invested in own company stock, many do diversify their investments. These plans have been growing by leaps and bounds, so that a number of companies may see as much as 20 per cent employee ownership in a few years (Rosen 1998).

Deferred profit-sharing plans use profit-sharing plan money to buy company stock. Employee stock-purchase plans permit employees to buy their company's stock, usually at something of a discount. Broad stock options have made available to employees generally a perk that was formerly reserved for upper-level managers. These, of course, are a great deal less popular when it is feared that stock prices may go down.

While own company stock ownership is often viewed by workers entirely in terms of its value as a financial benefit, and by managers as a way to save on taxes, it is, I believe, much more interesting to see this as a means of employees influencing corporate governance. Certainly in majority employee-owned companies, and usually in companies where employee ownership is in the five to 20 per cent range, employee shareholders have opportunities to influence the policies of their employer. It is in the area of corporate govern

ance, “how power is exercised and decisions made” (Carberry 1996, 2), that employee ownership can have its greatest significance.

In the American legal system, the duties of members of boards of directors and managers are clear. Their obligation is to work to financially benefit the shareholders. The legal personality of the corporation is that of an instrument to serve the shareholders. Given this, it makes a considerable difference who the shareholders are. If they are persons or institutions whose only interest in the company is having its stock surge in price in the short run so that they can cash in and make a quick profit, the managers are under pressure to manage the company to accomplish this result. On the other hand, if they are persons who have a strong interest in the long run survival of the firm as a going concern, the pressures on management would be expected to be quite different. I suggest that the rank and file employees of most corporations are the persons with the strongest self-interest in the long run success of the firm. The non-employee shareholders can sell their stock and move on. Upper level managers tend to have a larger degree of job and geographic mobility. It is only the rank and file, and perhaps the holders of corporate debt, who have a vital interest in the long run success of the firm.

The problem with individual employee stock ownership resulting in influence on corporate governance is that each employee has what an old union song calls “the feeble strength of one.” Worker ownership, like labor, must be aggregated into a collective form in order for it to be a source of significant influence. It seems to this writer that the logical instrument for this is the trade union. There is no reason that it cannot serve as an avenue for capital power as well as labor power.

There have been some interesting developments in Europe – in particular in France – in worker owner representation in recent years. French worker owners have formed worker shareholder associations in a number of large French companies. In such companies as Total/Elf/Fina and Rhodia there are active associations of worker shareholders (Conan 2002; Alline 2002). The experience with works councils in Europe would lead one to believe that the conflicts between unions and other worker organizations are capable of being resolved.

It is relatively clear that in order for worker stock ownership to be an effective avenue for worker influence on corporate governance it has to have a collective expression. This could be through either a union or a worker shareholder association. What this collective organization must provide, above all else, is leadership. Without leadership workers may continue to see stock ownership solely in terms of financial benefits. This has two disadvantages. First, as a provider of retirement income, own company stock ownership is a poor substitute for a diversified stock portfolio or a state sponsored pension scheme. Even as an investment vehicle unrelated to pensions, an undiversified stock holding is a poor investment strategy. Second, if all that is involved is a financial benefit, it makes perfect sense for worker owners to sell their stock as soon as they can do so without suffering tax disadvantages.

Leaders must educate worker owners about the advantages of holding an ownership share in their company in order to have influence over corporate policy. This can be rationalized on grounds of the necessity of worker influence to guarantee sound management for the long-term benefit of the company. Avoiding excessive executive compensation and benefits is an issue that is relevant to the success of the company. It is one on which worker owners share a common interest with other shareholders. It is also possible for

worker owners to influence particular strategic decisions that may have powerful effects on their working lives. Decisions to close a plant, to merge with another company, or to develop facilities in other countries, are examples of such strategic choices.

Influence through worker pension funds. A trade union strategy that has become highly visible of late is the influencing of corporate policy through the power of worker pension funds. One sign of this is the publication of a book, *Working Capital: The Power of Labor's Pensions* (Fung, Hebb and Rogers 2001), that reflects the work of a number of scholars on this subject. Leo Gerard, the newly elected president of the United Steelworkers of America (Steelworkers) has played a leading role in this work, and wrote a foreword to the book.

The AFL-CIO is very actively pursuing this strategy at present. It has established the Center for Working Capital for this purpose. The Center encourages worker pension funds to engage in Economically Targeted Investments (ETI's) that focus on a particular region, set of persons, or industry. It aims to educate pension fund trustees in the virtues of such investing, and to influence them to invest in a socially responsible fashion.

Largely at the instance of the AFL-CIO, the International Confederation of Free Trade Unions (ICFTU) has put into operation an international effort to bring to bear upon corporate decision makers the power of labor's capital – chiefly pension funds. The British Trades Union Congress (TUC) has furnished a headquarters for this effort. This is in its infancy, so it is difficult to judge how effective it will be.

In France, stimulated by the passage a new law, the long-established system of worker financial participation is growing. Four of the five major trade union federations have set up a committee to review and express their approval of financial products in which these funds might be invested. Although they have so far (as of Spring, 2002) approved only a handful of these products, it appears likely that there will soon be a number of products of financial institutions that will have been labeled as meeting with the approval of the unions. The criteria for approval relate to socially responsible investing, including compliance with environmental requirements and international labor standards.

It is difficult to judge the potential effects of this strategic approach. It is alluring because of the enormous size of the funds and their importance as institutional investors. However, there are some severe limitations. The principal constraint comes from the requirement that the funds exist for the primary, and vital, purpose of providing retirement income for workers. This purpose must necessarily take priority over any other. While there is some evidence that socially responsible investing can be sound financially, it seems clear that where the choice is between being socially responsible and maximizing the financial outcomes for workers, it is the financial interests of workers that must prevail.

A further limitation of this strategy is that it may not get to the heart of the problems of the American labor movement. What the labor movement needs more than anything else is to soften the opposition of employers to unions. While socially responsible investing may be in the general interest of society and workers as members of society, it may not have a direct benefit for unions. Companies in whom pension fund trustees invest may be prevented from, for example, using slave or child labor. They may even be disqualified by breaking labor laws. However, there is nothing to prevent a socially responsible company from vigorously opposing the unionization of its workers, or from supporting anti-union lobbying groups.

What unions may gain from this strategy is good public relations. If they do in fact influence corporations to be more socially responsible, this will be a victory for the society in which they are embedded. Public opinion affects politics, which in turn affects the legal system. A more favorable public image may help American unions gain the support of government for badly needed reforms of our labor laws.

Union funds for economic development. Unions putting together funds for economic development, although a fairly new idea in the United States, is a longtime strategy of the labor movement in neighboring Canada. The Canadian Labor Sponsored Investment Funds (LSIF's) are the largest source of venture capital in Canada (Falconer 1998). Starting with Quebec's Solidarity Fund in 1983, they now have assets worth billions of dollars. The money comes from employees placing their Individual Retirement Account money in these funds. A substantial share of the investments by LSIF's is devoted to the establishment of worker owned enterprises.

In the United States, at this writing, a similar fund with assets in the neighborhood of \$77 million is in the process of being established. This is being led by the Steelworkers, the Union of Needletrades, Industrial and Textile Employees (UNITE), and the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers (IUE). The investments will be aimed at firms with high road work practices, such as investments in training and "positive labor-management relations" (*Heartland Journal Special Edition* 2000, 1

An interesting parallel in Europe is Metallica, a company owned by the Swedish Metalworkers Union. It was transformed into a venture capital company in 1998. Metallica handles five percent of the union's own funds. It invests these funds in a variety of venture capital projects (Petterssen 2002).

Similarities Between the Old and the New Reformism

To what degree do the new strategies set out above parallel those of the old Reformist unions? Can we usefully understand the old as being a revival of the old?

With respect to the fundamental Knights of Labor principle of abolition of the wage system, and accomplishing this through ownership of the enterprise by the workers, the similarities are striking. In the modern cooperative movement, as exemplified by Mondragon, the principles of labor hiring capital and the workers sharing in the fruits of their labor are being applied. Modern producer cooperatives abolish the wage system, in whole or in part, by substituting a share of the profits for a wage. Thus, they do away with the historic separation of interests between what Terence Powderly described as the "kind of man" in whose interest it is to buy labor as cheaply as possible and the other "kind of man" who wants to receive the highest wage possible.

Where workers both earn a wage and own stock the situation is a bit more complicated. Instead of being only an owner or a worker, the person is both – a worker-owner. Such a person remains a wage earner, and often will be in a situation where the wage accounts for a greater share of income and wealth than the ownership share. The ideas of the Knights provide a rationale for the producer owning the enterprise, but not for the wage earning nature that such a producer retains. It may be that a new set of concepts needs to be developed to deal with this reality.

The Knights' principle of solidarity is a familiar one to the labor movement. Yet, the description of the persons who share solidarity as "producers" introduces a different element than is present when one speaks of "employees" or "workers." The term producer implies that these are the persons who are productive in the organization and the society. The sweat of their brows produces goods and services. They therefore deserve to receive the fruits of their efforts. This is an element of the old Reformism that has not been captured by the new. It may be a vital point, as it provides a philosophical foundation for the whole idea of worker control of the productive assets of society.

The local structure of the Knights in their mixed assemblies resembles the community-based alliances that are part of modern Social Unionism. Progressive community action groups of the day were closely linked to the Knights. The same is true of present day Social Unionists. The difference is that the Knights had a formal umbrella structure, the mixed assembly, that covered both the trade unions and the other groups. This has not been true of the current structures, which have tended to be ad hoc, and lacking in central leadership. There have been efforts by the AFL-CIO to revive and empower the local central labor bodies, which consist of representatives of national unions that have local unions in the community. These local labor federations could possibly serve as the umbrella organizations for local coalitions.

Providing general economic education, which was one of the basic strategies of the Knights, is an idea that has been put into practice to some degree by American unions. However, it has never formed the core of American labor education – the education of trade unionists. There have been continuing efforts by American trade unions to make union friendly practical economics a subject of public education, although there has been employer opposition to this.

Conclusions

In sum, it seems that there are some interesting parallels between some of the strategies of modern trade unionism and those of the Knights of Labor. Although not articulated in these terms, it seems that what we have seen is nothing less than a resurrection of Reformist Unionism.

It is useful to recognize this revival of an old form of unionism for several reasons. First, the old Reformist Unionism had a well-developed philosophical basis, something that is sorely lacking in modern-day American unionism. Second, observing the conditions under which it arose and died can be useful in judging the feasibility of similar strategies under current conditions. Third, some of the ideas that accompanied its forms can be considered as candidates for ideas to accompany modern versions of the same practices.

The philosophical basis of the Knights of Labor was pre-socialist, but included some of the same motivations and beliefs that gave rise to socialism. If the old socialist enterprise is dead, as some trade unionists believe, this may be a logical place to search for a replacement. The ideas that capitalism is fundamentally flawed, and that human beings can act to reform society, are at odds with the market-worshipping conventional wisdom that holds sway in the U.S. and Europe. One does not have to choose between capitalism and socialism. There are other intellectual systems that are capable of furnishing a well-rationalized approach to workplace relations. The old Reformism is one such system.

The core reasoning of Reformist Unionism goes something like this. There is a contradiction in capitalism that pits the productive members of society against those who

use, i.e., employ, them. Those who employ others are in a position of power over those whom they employ. So long as the wage system exists this power imbalance will exist. Experience shows, and I would suggest human nature dictates, that there is a tendency for this power to be abused. A way to escape this is to establish structures of ownership of the means of production where those who are doing the producing also own the means of producing the goods and services needed by society.

One does not have to accept this reasoning completely to see some merit in it. That is, it may be that the oppressive tendencies that are correctly identified by Reformists may be capable of being corrected by having real power in the hands of the producers without the entire ownership of the firm being in their hands. But the key part of the Reformist argument is that the power to resist the dominance of owners of capital *cannot derive from labor alone*. It must include the muscle provided by ownership of capital, combined with labor power.

From the standpoint of the 21st century it appears that Terence Powderly may have been right in observing that trade unionism by itself would necessarily occupy a subordinate position in American society. It has in fact been only during a brief period in the 20th century that trade unions were in a powerful position.

The old Reformism arose at a time of the expansion of markets and hyper-competition that created strong downward pressures on wages and working conditions. This is similar to the conditions in the current globalized world economy. Current forms of trade unions do not appear to be having much success. They have been in decline for a number of years. Without a dramatic change in conditions, or in their approach, their prospects may not be good. American trade union leaders are more open to new ideas than they have been for many years. Now would appear to be a propitious time for experimenting with Reformist ideas once again.

How about the likelihood of conditions similar to those that doomed the Knights reoccurring? As to employer opposition, it is difficult to predict. Modern managers talk much about the need for developing participative forms of work. Participation in ownership should make these easier to put in place. There is at least some evidence that a combination of financial participation and participative workplace practices increases profitability. Also, much corporate ownership is already in the hands of pension funds and employee trust funds. Will these capital owners support management policies that are opposed to worker ownership?

If Reformism becomes the policy of existing unions they will be unlikely to oppose it. The Knights got themselves in a position of competing with the trade unions of their day. To some extent this was a matter of personalities and circumstances. It may be that there does not have to be competition between Reformists and trade unionists.

As to the ideas of the Knights, their description of the worker as a “producer” is one that seems to resonate with at least some American trade unionists. This is because it makes a moral statement. In the absence of something like the labor theory of value there is no rationale for wealth moving to workers. The claim to wealth by persons who are used (employed) by others has no special status. However, if one accepts the view that it is the ordinary worker who produces the wealth of society, and is not simply the beneficiary of job creation by capitalists, workers rise to a position where they at least have a plausible claim to share in the fruits of their labors.

There are some things that current American trade unionists can learn from the past. In particular, the Knights of Labor is an alternative model of unionism that offers some intriguing possibilities. Given the current low state of the labor movement in the United States, and in many other countries as well, it makes sense to pay serious attention to the practices and ideas of the Knights.

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