Platform Cooperativism Consortium

INSTITUTE FOR THE COOPERATIVE DIGITAL ECONOMY

A POLICY FRAMEWORK FOR PLATFORM COOPERATIVES — GROUNDED IN U.S. HISTORY

A Report by

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About the Institute for Digital Cooperative Economy

The Institute for the Cooperative Digital Economy (ICDE) is the research division of the Platform Cooperativism Consortium. Established in 2019, its research covers the emerging cooperative digital economy, which is a relatively unexplored domain in fields like anthropology, political science, sociology, history, law, and economics. The cooperative digital economy is rapidly expanding and is closely linked to labor and cooperative studies. The ICDE's work also focuses on finance, entrepreneurship, and organizational studies in business schools, as well as governance and corporate structure, which are critical subjects in law schools.

At the ICDE, we recognize that scholars, technologists, artists, community organizers, and cooperators equally contribute valuable insights to the development of a more just and equitable digital economy. Therefore, the Institute's mission is to provide applied and theoretical knowledge, education, and policy analysis to bridge the research gaps in the emerging cooperative digital economy. Learn more at https://platform.coop

1.

INTRODUCTION

Amidst mass layoffs[1], a slew of antitrust investigations[2], and a controversial social media takeover[3], today's tech giants appear to be losing their luster.[4]

More than ever, the world is questioning whether the delicate balance of costs and benefits generated by digital platforms is tipping towards dystopia. Governments that allowed today's dominant firms to scale unabated into nearly every facet of modern life are coming to terms with their malign effects.[5]

Algorithms optimized to feed vanity, virality, and voyeurism. "Gig economy" platforms that accrue outsized returns to their investors and shareholders while sharing few gains with employees and displacing regulated businesses.[6] Outsized profits channeled into lobbying efforts[7] that might make even the United States' pharmaceutical lobby blush.

At the same time, a panoply of issues not unique to the digital sector undermine American workers: weakened labor laws, arbitration clauses, and ubiquitous surveillance.[8,9] Even non-competes, until their recent ban by the current Federal Trade Commission (which is likely to face court challenges), remain widespread in most states, diminishing worker autonomy and stifling competition between firms.[10]

On the other hand, the platforms that consolidated the internet claim they have brought the world into unprecedented prosperity and inclusivity. Their products, they might suggest, shepherded billions into the modern world by allowing them to advertise their businesses, connect with far-flung relatives, and surface a million libraries of Alexandria at their fingertips. They have given voice to the marginalized, allowing everyone and anyone to share their thoughts publicly and engage with the powerful.

Both narratives surrounding the platform era can be true at the same time. And if so, what if there were an arrangement that allowed us to reap the benefits of the platform economy without relying on a handful of democratically unaccountable firms to oversee them? What kind of assistance would it require from the public sector, if any, to help bring that future into fruition?

Convincing answers to the first question are coming from the movement for platform cooperatives.

A platform cooperative is “any business that uses a website, mobile app, or protocol to sell goods or services” that relies on “democratic decision-making and shared ownership of the platform by workers and users.”[11] They strive to provide the same functionality as publicly held or privately owned platforms while incorporating a fundamentally different approach to governance that prioritizes participation and ownership for workers and users. These cooperatives share several features in common that differentiate them from prevailing business models for digital platforms:

- Under broad-based employee ownership, employees control technological features, production processes, algorithms, data, and job structures.
- Democratic governance, in which all stakeholders who own the platform collectively govern it.
- Co-design, in which all stakeholders, including users, participate in the platform’s design and development to ensure that software grows out of their needs, capabilities, and aspirations.
- With the platform laying the algorithmic groundwork for other cooperatives, the cooperative aspires to open-source development and open data.[12]

Many real-world examples of platform cooperatives already exist and are flourishing.

For example, the Drivers Cooperative, launched in May 2020 in New York City, has over 2500 drivers who co-own a platform competitor to Uber and Lyft. It offers 9-10% more to drivers on each trip[13], voting rights in business and leadership decisions, and dividends paid as a share of the company’s profits after loans and expenses are paid.[14] Fairmondo, launched in 2013 in Germany, offers an alternative to eBay or the Amazon Marketplace where sellers on the platform are also its owners, prioritizing fairness, respect, commitment to transparency and fair-trade products. Another example, Stocksy, is a stock photo repository where contributing photographers are also the owners.

If the digital platforms of the 2000’s and 2010’s represented “disruptors” of old business models and regulations, then platform cooperatives can be seen as disruptors of the exploitative, monopolistic, and undemocratic approach those pioneering platforms grew to adopt — at odds with the generative ethos of the internet’s creators[15] and projects like Creative Commons, Wikipedia, and Wordpress.[16]

If platform cooperativism provides a promising alternative, that brings us to the second question: what kind of assistance from policy-makers does this movement demand? Answering that will be the primary focus of this paper. The status quo of extractive platforms will not follow an inevitable arc towards a cooperatively run future. No, this report shows that such a future requires intention and assistance from the visible hand of the public sector.

2.

PLATFORM COOPERATIVES REQUIRE POLICY SUPPORT

Despite the great promise of platform cooperatives, competing with publicly owned or venture-capital fueled platforms is no easy task.

Cooperatives in general face a variety of hurdles, which have been extensively detailed by scholars like Niels Mygind of Copenhagen Business School:[17]

- Start-Up Problem — employee-owned businesses are hard to create
- Entry and Exit — complexity of arrangements for new employees to become members and former members to exit
- Capital Problem — gaining access to funding
- Risk Problem — member employees' shares may also constitute their retirement savings

Cooperatives and academics have proposed many solutions to ameliorating these issues, which can reduce the attractiveness of the co-op model in some sectors. Academic institutes like the Center for Cooperatives at the University of Madison-Wisconsin[18] and trade associations like the National Cooperative Business Association[19] also provide guidance on setting up a co-op. However, platform cooperatives may face additional obstacles specific to competing in the digital sector.

Unique features of digital markets grant incumbents advantages that are not as significant in other industries. For example, network effects mean that an increase in users on a platform makes it more valuable to future users. Thus, when a dominant incumbent platform builds a substantial moat of users that derive value from their connections with other users, it becomes increasingly difficult for a competing platform to create a rivalrous user base to match.

Other dynamics upholding the dominance of existing platforms have been detailed extensively. For example, digital markets are prone to "tipping" towards a monopoly equilibrium.[20] According to a digital competition expert panel convened by the UK government:

> "Once a certain scale is reached, driven by a combination of economies of scale and scope; network externalities whether on the side of the consumer or seller; integration of products, services and hardware; behavioral limitations on the part of consumers for whom defaults and prominence are very important; difficulty in raising capital; and the importance of brands."[21]

Finally, dominant digital platforms benefit from capital and operational assistance from venture capital and private equity investors or from access to the public markets. Pools of capital are often distributed to insiders and those seeking returns based on profit above all else — values that may be at odds with those democratically decided upon by platform cooperatives.

Challenges associated with competing in digital markets will require innovative policy solutions more generally, not just to benefit platform cooperatives. However, some of these solutions are especially well-suited to aiding platform cooperatives; these will be outlined in Section III as part of a proposed policy strategy for supporting platform cooperativism in the United States.

For such a strategy to succeed however, advocates must also learn from the history of policy that helped some cooperative movements succeed domestically. The following section will explore these lessons, focusing on rural electric cooperatives and employee stock ownership plans (ESOPs).

3.

CO-OP HISTORIES CAN LIGHT THE WAY FORWARD

“History never repeats itself, but it does often rhyme.” — Mark Twain

Advocates for platform cooperativism in the United States will likely benefit from understanding preceding movements for cooperative policy support throughout the nation’s history. For one, they could cite historical successes in order to convince lawmakers to explore a business model that may seem new and unpredictable but is, upon closer examination, grounded in a rich legacy. Politicians can rely upon the past to justify legislative proposals, and judges can gain a backdrop against which to consider any legal challenges to platform cooperative maintenance and formation. History provides the arsenal of arguments and evidence upon which effective advocacy depends, as well as warnings for how the movement could develop over time without vigilance in maintaining its principles.

In the United States, two strong historical analogues for platform cooperativism are rural electrification and the fight for broad-based employee ownership through the Employee Stock Ownership Plan (ESOP). This is not to say that these examples were the first or only movements for pro-cooperative policy within the United States. Furthermore, cooperatives have also flourished in the absence of policy support, and sometimes even hostility, from government authorities, as exemplified by black farmer cooperatives.[22] Cooperatives have been used by Americans as a bulwark against discrimination and as a tool for economic empowerment.

Support for cooperatives by the government dates to the “Founding Fathers.”[23] On February 16, 1792, Congress passed a new law, signed by George Washington, mandating that 3/8ths of any government allowances paid for cod fishery would go to each fishing vessel’s owners and that 5/8ths would go to the crew.[24] Allowances were only paid if shipowners had a written profit-sharing contract with all sailors before the voyage to cover the entire catch, and shipowners could collect their allowance only if they could produce the written agreement.[25] These government incentives for broad based profit-sharing in the cod industry extended well into the nineteenth century.[26]

Rural electrification shows us that political buy-in is critical to cooperative success within the United States. Political power helps generate policy support, providing valuable sources of capital through debt financing, as well as technical assistance, to help cooperatives remain competitive. But rural electrification also reveals that cooperativism in and of itself does not guarantee democratic participation, as shown in the limited participation of rural electric co-op member-owners in their governance today. Reliance on governmental support, and the conditions placed on debt financing, are also in tension with the reality that co-ops generally wish to rely on their own governance rather than on politicians. Furthermore, we must ask why it is that despite the extensive footprint of cooperativism in the nation's energy infrastructure, discussion of co-ops or their associated concepts plays little role in the dominant discourse around energy and economic policy.

ESOP history, on the other hand, reveals the power of convincing even just one influential member of Congress of a vision and demonstrating a value proposition that both preserves American capitalism and carries populist bona fides. Such was the case with Louis O. Kelso, a pioneering lawyer from San Francisco who, along with an academic philosopher named Mortimer Adler, built the intellectual infrastructure and movement for ESOPs. Kelso's eventual triumph after fifteen years of advocacy came from convincing the conservative Senator Russell Long, son of populist governor and U.S. senator from Louisiana, Huey Long, of the merits of broad-based employee ownership. That work codified ESOP policy (largely in tax incentives) through legislation Long helped push through as Chairman of the Senate Finance Committee.[27]

Finally, we must remember that a significant cooperative movement flourished in the United States not because of but in spite of policy support from government agencies or access to capital from banks: black farmer cooperatives. Black cooperators painted their own history, reclaiming their power through cooperative credit unions, supply stores, markets, and farms.[28] The most eminent among these cooperatives, like the Southwest Alabama Farmers Cooperative Association (SWAFCA) that was organized by veterans of the Selma March,[29] fought for loans and economic assistance from agencies like the Farmers Home Administration. The history of black cooperatives shows cooperation flourishing with limited support from the state, which may have contributed to a character less shaped by capitalist mores than federally sanctioned cooperatives like rural electric co-ops. A resolution from a 1907 conference to study black cooperatives (ranging from churches to banks to insurance and more) read: "from the fact that there is among Negroes, as yet, little of that great inequality of wealth distribution which marks modern life, nearly all their economic effort tends towards true economic cooperation."[30]

Learning from the History of Rural Electrification

The success of rural electric co-operatives in America dwarfs many comparable cooperative efforts domestically. Today, "75% of the US landmass gets its electricity from cooperatives, adding up to 42 million member-owners, 11% of total electricity sold, $164B in assets, and all amounting to wealth creation in 93% of persistent-poverty counties in the country."[31] Smaller cooperatives band together in larger co-ops of co-ops, with power suppliers that run power plants, share operations, and more. How, and why, these cooperatives achieved such massive scale and impact, provides critical lessons for those advocating for platform cooperatives today.

Co-ops Provide a Politically Acceptable Solution to Unmet Rural Electrification Needs

The advent of rural electric cooperatives hinged on governmental support, particularly from the Rural Electrification Act, which was signed into law by President Roosevelt on May 20, 1936.[32] The Act was borne out of unmet needs for rural electrification, as private power companies were either unwilling or unable to create energy infrastructure for sparsely populated areas at a reasonable cost. Two New Deal era policymakers, Senator George Norris (R-NE) and Congressman Sam Rayburn (D-TX) drafted the Act, which provided that loans be made "'for generating plants, electric transmission, and distribution lines' and for the 'installation of electrical and plumbing appliances in homes.'"[33] These loans were made on favorable terms to borrowers that included individuals, corporations, states, and most notably, co-ops. The Act also established the Rural Electrification Administration (REA) as a permanent agency to administer the loans and monitor the progress of rural electrification.

The passage of the Act depended on buy-in from powerful politicians like Roosevelt, Norris, and Rayburn — buy-in that sometimes came at a political cost. For example, Norris was cast as a "socialist" for supporting the Rural Electrification Administration and public electric power through the 1933 Tennessee Valley Authority Act; he was eventually forced out of the Republican Party but ran as an independent and won again anyway.[34] At the time, many conservatives equated New Deal policies with socialism or Soviet Communism, seeing them as influenced by Communist policymakers occupying the Roosevelt Administration.[35] Roosevelt was responding to the general mood in the wake of the Great Depression, cautioning that technological progress under an unregulated economy created conditions for unacceptable social inequalities.[36] The power industry exemplified the perversion of free enterprise at the times, which Senator Norris criticized through references to the "holding company octopus" of myriad connections between the power companies that served only to create great wealth for their owners.[37] These words seem like direct precursors to the prevailing discourse surrounding consolidation in our modern company, as tech giants hoover up competitors[38] and other sectors become dominated by a handful of large corporations.

The REA was not itself sufficient in establishing the rise of rural electric cooperatives. Rather, cooperatives arose as a solution to the reality that farmers needed electricity to be cheap enough for it to be widely adopted. Thus, the REA needed to find a way to keep rates low, and low-interest loans could only go so far. At first, private power companies sought the loans, provided they met certain criteria such as reasonable rates that encouraged consumption and guarantees to sell to power distribution cooperatives. However, the private companies proved intransigent to the REA criteria, leading to failures such as the REA's inability to allocate over 86% of $100,000,000 it had been given by an Emergency Relief Appropriation.[39] The REA then turned to cooperatives, which were more willing to keep costs down by volunteering their own time and resources. It was critical to the REA that cooperatives were not publicly run power; they thus proved to be a compromise solution to those opposed to private or public power as private non-profit institutions relying on federal loans. They posed "little financial burden to the country and taxpayers, while promoting government ideals of economic growth."[40]

To recap, rural electric cooperatives were borne of multiple forces: the politics of the Great Depression, influential proponents in Congress and in the White House, the need to fulfill the unmet electrification requirements of rural areas, and as a solution to gridlock between those opposed to either wholly private or public power. Today, the U.S. is undergoing a similar populist backlash against tech firms, rather than private power, with politicians on both sides of the aisle in Congress[41] and in the White House[42] supporting greater regulation. Many remain opposed to the idea of turning platforms like social media companies into public utilities as well, and for good reason, given the implications of having platforms that host social discourse controlled by the state. Thus, in many ways, cooperatively run digital platforms that can rise to fulfill an unmet need could serve as a middle way between public and private platforms, much as rural electric cooperatives did beginning in the mid-1930s.

Government Debt Shapes the Cooperatives

The significant extent to which government agencies like the REA and USDA shaped the character of the electric cooperative also reveals how policy to support platform cooperatives could be implemented. There is a fundamental tension inherent in making government loan support for co-ops contingent on certain requirements, while maintaining the democratic, community-owned ethos of the co-operative. The REA's use of debt financing, as explored by Dr. Abby Spinak at the Harvard Graduate School of Design, provides an ideal case study for exploring this tension.

Spinak argues that "REA debt financing, in the long run, created in co-ops conditions like private company objectives — incentives to keep costs low and to maintain profits by expanding usage and winning new customers — much more so than an ethic of participatory democracy or service to the community. In order to do this, the REA had to teach rural communities to be better capitalists — how to run businesses for profit (to pay back debt); how to want commodities (because they helped the local economy); and how to improve the efficiency of existing production methods and look beyond subsistence lifestyles to rural industries."[43]

Essentially, the co-ops participated in the REA's focus on financial solvency through growth rather than a focus on social benefit. Spinak writes, "[o]perating within this growth orientation, non-tangible goods such as community engagement, volunteer labor, and even the practice of democracy were all pressed into service towards such rural growth machinations, with all of the associated injustices of the same processes in urban America....[M]oreover, while over the nearly eighty-year history of the REA co-op network, most co-ops have never been in default on loan payments, most have also never been debt-free."[44] While opponents of the REA called it "socialism" that predicted the "complete destruction of the private-utility industry," its financing criteria explicitly encouraged market-based production and consumption as paths to progress.[45]

In many ways, the REA's debt financing had a disciplining effect on cooperatives by creating incentives to keep costs low and maintain profits through greater usage and more customers.[46] But viewed another way, the REA was directly intervening in the self-determination of these co-ops and their ethics of participatory democracy or service to community, injecting capitalist values of growth above all. Spinak cites David Graeber, who cuts to the core of the issue: "Debt, when it can be separated from the lender in moral ambiguity...defines who dictates cultural norms."[47] The overall combination of co-operative community ownership and democratic management, as well as the discipline of the REA's debt financing, undoubtedly led to massive success, if one views such success in terms of the expansion of rural electrification and the development of farmland, all within the context of American capitalism.

Public Power Advocates and Sympathetic Technology Partners Enable Success

While these forces helped make electric cooperatives the choice for rural electrification, their growth and success also depended critically on other forces that weren't co-ops, namely: advocates of public power and technology partners.

Co-ops had to source their power from somewhere. Often, private power generators seeking to maximize profit did not enable the cheap rates required by the REA. In some cases, the REA helped fund the construction of many co-op controlled generating plants.[48] Many also relied on taxpayer-funded public power, made possible by advocates opposed to exploitative private power companies.

Perhaps no figure better exemplifies the critical role of informed advocacy than Leland Olds. Interestingly, Olds was also a deep believer in consumer cooperatives, which he saw as a worthy cause for improving the social well-being of Americans in the context of achieving cheap power through regulation and community owned power distribution and generation. Olds also served on President Roosevelt's Inquiry Commission on Cooperative Enterprise in Europe in 1936, which produced a study of European cooperativism.[49]

His work was inspired by the 'Social Gospel,' a protestant movement to ensure social justice and a moral element in reforms, and a belief in the need to reform American capitalism to be less exploitative and individualistic. In 1919, President Wilson had already advocated for a " 'genuine democratization' of industry; a 'cooperation and partnership based upon... worker participation in control" of industry."[50] Olds's writings targeted the power of big money everywhere, including government and even universities, whose investment portfolios were filled with railroad and oil stocks.[51] Olds found that the "old ideal of democracy" had been perverted through a loss of economic freedom that was denying Americans political freedom.

After working as a labor journalist, Olds then went to work for an economic consulting firm but wanted to take a "month's vacation" in a library to learn everything he could about "power and utility" in "all its aspects."[52] He found that most of the nation's hydroelectric power was controlled by a handful of private companies, and that a complex array of holding companies were layered on top of all the local electric companies as well. The regulator in charge of addressing the holding companies, which were interstate and thus beyond state regulators' authority, was the Federal Power Commission, and it had little interest in regulating them. Thus, the holding companies operated as poor stewards, hiking up costs for their services, diluting their stock, charging rates too high to enable power for low-income urban and small-town families, and almost entirely denying any power lines to rural customers, for whom the holding companies saw little profit in building out capacity.[53]

Given his training as a mathematician, Olds was able understand the financial complexities and obfuscations of the electric holding companies and discern the true cost of what customers should be charged for electricity under state regulation, while exposing the argument that utility companies could not electrify rural areas given the economics as false. Olds gave up his new job, after discovering at the month's end that he'd found his calling.[54]

Around the same time, then New York Governor Roosevelt was looking to use the State Power Authority to develop public power for the people and break the hold of private utilities. The Chairman of the Authority, Frank P. Walsh, admired Olds' articles and called him about serving as a staff expert on a commission to explore stricter regulation of utilities and lower rates based on new formulas. Olds was invited to meet Roosevelt in 1929, and his ideas were codified into legislation in 1931 expanding the power of the New York State Power Authority, with Olds appointed its executive secretary.[55] There, he played a critical role in his tenure to enable public power generation. And in his later years, he helped start the Basin Electric Power Cooperative, having always believed in the combination of public power generation and consumer cooperativism.[56]

While Olds' academic work and advocacy for public power played a powerful complement to rural electrification, so too did technology partners like General Electric (GE). But for the contributions of electrical engineers working in the field prior to 1935, the efforts of the REA or Olds could not have guaranteed the success of rural electrification itself. In the words of Owen D. Young, the former President and Chairman of GE, "the electrification of the farm requires the co-operative effort of the farmer, the electric light and power company, and perhaps most of all, the electrical manufacturer. The problem is difficult, but it must be solved. Farms must be made attractive as a place to live and profitable as a business."[57]

Young was devoted to improving life for those living on farms.[58] He therefore put his company efforts behind farm electrification, through technologies such as a low-cost electric substation in 1929. Evidence of his efforts to support farm electrification can be found in publicity, company-sponsored training of agricultural engineers, design of low-cost rural substations, and gathering of hard data on farm electrification needs.[59]

Together, Olds and Young serve as symbols for two complementary forces essential to the success of rural electrification: technically informed advocates of public power and technological innovation. We can see how this could be analogized to the platform cooperative context quite easily. Public data commons, which have already been proposed in Europe, could serve as publicly provisioned complements to reduce the cost of gathering data for platform cooperatives to improve and build their services. Similarly to GE and its farm-focused electrical innovations, a motivated cohort of technology firms interested in supported platform cooperatives could work to develop open-source or other public interest, non-profit technology initiatives that improve their effectiveness.

How Electric Cooperatives Evolved Over Time

While the above history sheds light on the conditions that shaped the rural electric co-ops success in America, it is also important to examine where these co-ops stand today.

Their situation in U.S. politics has shifted over time. Initially, Republican Presidents like Eisenhower and Nixon regarded electric cooperativism as ‘communism,’ while Democratic presidents benefited from their support in elections. Democrats Lyndon Johnson and Jimmy Carter were intimately tied to their own electric co-operatives; Johnson set up the co-op serving his ranch and Carter’s father had been on the board of theirs.[60] Under Bill Clinton however, co-ops were singled out for cuts, and as more recently reflected in donations to the political parties, the National Rural Electric Cooperative Association (NRECA) has flipped from 50-50 giving to both parties to now giving 72% to Republicans.[61]

Such results might lead one to question how it is that Democrats lost so much support from members of America’s rural electric co-ops and Republicans gained it. That analysis is outside of the scope of this report. The shift should however remind any advocate of co-op policy not to assume the politics of co-op members and their leaders. Allies may come from unexpected corners of both political aisles, and advocates cannot presume to predict that co-ops, by virtue of their structure, are inherently tied to one party or the other.

Another, more worrisome reality of today's electric co-ops may be revealed in arguments made by former Congressman Jim Cooper (D-TN) and others who question their rates of actual democratic participation and criticize their use as vehicles to exploit governmental support. In an essay, Cooper alleges that co-ops have engaged in a "massive, nationwide cover-up" and points out that billions of dollars in "capital credits" are held collectively by co-ops from surplus revenues that are technically owned by members but which often go unclaimed and thus serve as a pool of interest-free financing.[62] He further claims that while policies vary, some co-ops prevent members of their families from recouping equity, a practice that can go on for generations. "Local co-ops are primarily owned by dead people," Cooper claims. He proposes reforms including mergers to unlock efficiencies and more mandatory disclosures to co-op members and the public; he also wants them to take on new policies of economic development and environmental conservation in order to obtain federal support.

Congressman Cooper's arguments may provide cause for reforming governmental support for electric co-ops, which we can now see as essential for their survival and for holding on to their cooperation. However, the quality of that cooperation should also bear scrutiny. Nathan Schneider reports that 3/4ths of co-ops see voter turnout of less than 10% in board elections.[63] Such low rates of participation have prompted movements like We Own It, a national network "that stands together with co-op members working to reform and make positive change at their co-ops."[64]

Believing that the need for member-owner reengagement and power-building was most urgent in the rural electric cooperative sector, We Own It began its work in 2016 to develop member education and organizing. Beyond participation, other questions about co-op quality stem from how exactly the governmental institutions providing support define cooperation. Schneider notes that the Department of Agriculture's own set of principles for defining a cooperative deserving of government loan eligibility leaves out the notion of "voluntary" membership, for example.[65] The full history of rural electric cooperatives shows that the co-operative ethos does not persist simply by virtue of co-operative organization. Democratic ownership does not necessarily imply democratic control, and democratic participation cannot be taken for granted.

Learning from the History of ESOPs

A very different approach to broad-based worker ownership from cooperatives, the Employee Stock Ownership Plan (ESOP), enjoyed similar success in garnering policy support at the federal level. According to Blasi et. al in their 2013 book, The Citizen's Share: Reducing Inequality in the 21st Century, "there are an estimated 10,300 corporations with ESOPs and similar plans, with about 10 million workers and almost a trillion dollars in total market value."[66] The ESOP's strange history also provides valuable lessons for advocates of platform co-operatives.

The ESOP owes its success almost entirely to the efforts of a lawyer, Louis. O. Kelso, whose firm specialized in financing purchases of corporations by their workers and discovering legal formats to make their ideas work.[67] Together with a University of Chicago philosopher, Mortimer Adler, Kelso wrote The Capitalist Manifesto, in which he proposed creative ideas with which to finance broad-based capitalism. Kelso argued that capital was too heavily concentrated in the hands of a few families and argued that the lack of capital ownership for working families had to be remedied, citing problems with other forms of supporting workers through government policy (i.e., minimum wage, welfare, farm subsidies" or labor unions).[68] He was an ardent capitalist, and his ideas led to the creation of mechanisms such as the leveraged ESOP, through which workers are given the opportunity the borrow money needed to buy stock and then pay back the loan with earnings on the stock, as well as establishing other mechanisms for providing workers with a "second source of income derived from capital rather than labor."[69]

While The Capitalist Manifesto brought attention to the idea of worker ownership and some of Kelso's clients adopted ESOPs, he was initially unable to convince legislators or policymakers of their merits nor for his overall program to establish worker ownership of capital. His breakthrough came upon meeting U.S. Senator Russell Long in 1973, the eldest son of a famous populist governor and U.S. Senator from Louisiana, Huey Long. While his father was decidedly of the 'Left,' regularly taking behemoths like Standard Oil (which he called "the Octopus") to task, Russell Long was fundamentally conservative. Nevertheless, he became a full believer in Kelso's philosophy after a meeting in which he apparently asked, according to Kelso, "Are you saying that using financing techniques based on a two-factor (labor and things) economic theory can haves out of the have-nots without taking it away from the haves?"[70] As Chairman of the Senate Finance Committee, Long had the power to secure inclusion of

ESOPs into the Employee Retirement Income Security Act of 1974 (ERISA), along with a multitude of other incentives and tax credits.[71]

Kelso's key insight was in using an IRS tax-qualified plan as a tool for business succession. He solved a genuine problem, which was that retiring business owners had limited options on what to do. They could sell to a competitor, sell part of the company to a few employees, or go public, which was not an option for many. Thus, Kelso's proposal solved a genuine problem of American capitalism and thus offered a win-win solution. Furthermore, it managed to attract the interest of Republican leaders, including Barry Goldwater, Richard Nixon, Gerald Ford, and even Ronald Reagan, though it faced criticism from liberal Democrats because the ESOP served as a tax break.[72]

Some argue that the benefit of the ESOP is limited. If the goal of platform cooperativism is to be bolder, to reimagine the digital economy, then something like the ESOP seems like a small step. While it guarantees some voting rights, it is generally a mechanism for providing more money to workers. Furthermore, the extent to which company adoption of an ESOP improves worker morale or productivity is a matter of debate. ESOP plans also face serious critique with regards to workability, given the issue of double payment, wherein the principal for the loan that facilitates the worker ownership is repaid twice by the employer, once through dilution of its shares when new stock is first issued to the ESOP and again when the annual contributions are made to the plan to repay the loan. Finally, ESOPs can generate risk for employees by centralizing their equity ("eggs in one basket" problem), as opposed to building wealth through retirement savings invested in something like a diversified 401(k) plan.[73]

Of course, Kelso was not the first to develop some kind of employee stock ownership plan, which does not necessitate government incentives and tax credits to be implemented. One of the most productive efforts at employee stock ownership came from the Reynolds Tobacco company, prior to its consolidation into RJR Nabisco, the downfall of which is the subject of John Helyar and Bryan Burrough's legendary business book Barbarians at the Gate: The Fall of RJR Nabisco.

That effort came directly from the founder of RJ Reynolds, who was looking to ensure the company would not fall into the hands of "the New York Crowd" and told his employees that "you should have an interest in this company" as he arranged bank loans for them to buy stock. -Salem, Reynolds' headquarters, became known as "the city of reluctant millionaires" as the employees' fortunes grew with the success of the highly profitable tobacco company.[74]

Reynolds' efforts to promote broad-based ownership went further with his creation of Class A stock that put all voting powers in the hands of workers and paid a massive dividend of 10% of all profits in excess of $2.2 million. The IRS disallowed Class A stock in the 1950s but until that point, Reynolds employees controlled the majority of the company's stock. The company went well beyond this stock ownership; it loaned employees up to two-thirds of their property, operated lunchrooms at cost, had ice water on hand in steamy tobacco factories, provided day care for the children of women workers. The company provided housing for many more who came to work and their families at cost. RJ Reynolds was defined by local control distributing prosperity to its community, rather than distributing its proceeds to shareholders regarded as "absentee Yankees."[75] RJ Reynolds' history reveals how worker ownership through equity expansion and ancillary services, short of cooperativism, provided a sense of community and incentive alignment. However, we must note that these benefits were not distributed equally to all; they were deplorably segregated along racial lines.

Today, the fight for broad-based ownership through ESOPs as well as cooperatives is gaining momentum at the state and federal level.

In 2022, both California[76] and Massachusetts[77] passed legislation institutionalizing state offices focused on employee ownership, reaching out to business owners, serving as a resource hub, making grants to local organizations to help them carry out their mission, and working across agencies to remove barriers to state programs and resources. New state employee ownership legislation is also on the slate in 2023, including a Bill advanced on a bipartisan basis in Washington, which would create an employee ownership commission, introduce a tax credit to conduct feasibility studies for ESOPs and worker co-ops, creating a revolving loan fund for small businesses to transition to employee ownership, and formalizing employee ownership for Washington's State Small Business Credit (SSBCI) funds.[78]

At the federal level, legislation unveiled by Senator Bernie Sanders (D-VT) 13 years ago was included in a recently passed omnibus package, authorizing a $50 million grant program to create and expand employee ownership centers in America. The centers are intended to "provide workers with the tools they need to own their own businesses through employee stock ownership plans (ESOPs) or eligible worker-owned cooperatives."[79] The Act authorizes the "Department of Labor to provide education and outreach, training, and technical support for local and state programs dedicated to the promotion of employee ownership and participation," according to Senator Sanders' office.[80]

4.

SUPPORTING PLATFORM CO-OPS IN THE UNITED STATES:

A MULTI-PRONGED POLICY STRATEGY

In Section I, we learned about hurdles that platform cooperatives face in competing with incumbent business models and how they raise the need for policy intervention. For example, network effects in digital markets make it difficult for competing platforms to gain traction as dominant platforms build a moat around their valuable user data.

In Section II, we examined historical policy interventions on behalf of rural electric cooperatives and advocates of employee stock ownership and drew critical lessons for advocates of platform cooperatives.

With rural electrification, we saw the need for cooperatives to satisfy an unmet need of rural electrification, given the lack of incentive for private companies to do so and political opposition to handing it all to the public sector. Advocates helped garner legislation establishing a new agency, the REA, to provide material support to cooperatives through loans and technical assistance by framing co-ops as a middle way between the impasse of private or public power. Those advocates had to be willing to face baseless charges of socialism and to accept the consequences. In reality, cooperatives proved to follow a capitalist logic of growth, as instilled by conditions placed on REA debt financing and the agency's emphasis on keeping rates low above all else. Furthermore, some electric cooperatives are today more Republican leaning than Democrat. We also learned that the success of these cooperatives did not exist in a vacuum — they depended critically on the complementary advocacy for public power, by technically informed experts like Leland Olds, and on the technical partnership of co-op sympathetic firms like GE. Finally, we drew warnings upon seeing the ways in which electric co-ops today feature low rates of democratic participation, the criticism they receive for exploiting government loopholes, and the potential that government defined principles for cooperatives (i.e., the USDA's lacking the criteria of voluntary membership, in this case) may not align with how cooperative advocates think of themselves.

With ESOPs, we draw different lessons. We see in Louis Kelso an ardent capitalist, whose argument for ESOPs remained fundamentally grounded in capitalist logic while focusing narrowly on the question of providing workers with more money through ownership. We see his ability to succeed by convincing a conservative lawmaker, Senator Russell Long, of the benefits of ESOPs as a tool for satisfying populist sentiment and being pro-business. We also see the value of framing ESOPs as solving a critical problem: succession for retiring business owners; and we note that it is primarily implemented through tax incentives. We recalled RJ Reynolds, an older example of a firm employing a form of employee stock ownership plan to build community and align incentives for some of its workers. Finally, we see the success that ESOPs are having today through employee ownership legislation across states.

Noting all these challenges and lessons can help inform a multi-pronged policy strategy for platform cooperative advocates.

First Prong: Antitrust and Interoperability

As stated in Section I, the challenges associated with competing against the dominant digital platforms are not unique to platform cooperatives — any new entrants are subject to these obstacles. As a result, governments around the world are exploring regulations and policy reforms that would allow new entrants to compete with so-called “gatekeepers”. Two of the most prominent include revamping competition / antitrust law and implementing interoperability requirements.

Antitrust enforcement challenges anticompetitive conduct that hurts consumer welfare. As demonstrated through numerous cases filed in the United States, Europe, and United Kingdom now against the large technology firms, they stand accused of misconduct ranging from using third-party seller data to develop competing products (Amazon)[81] to monopolizing digital advertising (Google).[82] The panoply of misconduct exhibited by technology firms as alleged in government lawsuits and landmark reports like the House Antitrust Subcommittee’s Report on Competition in Digital Markets demonstrate how difficult it is for alternative platforms to compete meaningfully with incumbents.[83] In many ways, antitrust enforcers and academics in the U.S., Europe, and U.K. have done the technical work of dissecting how dominant platforms can abuse their positions, much as Leland Olds did when it came to the electric holding companies of the early 20th Century.

Another solution in the same vein as antitrust enforcement is requiring interoperability. Just as one can email a Gmail user with a Microsoft Outlook email account, or call a Verizon user with an AT&T registered cell phone, interoperability requirements would demand that digital platforms speak to each other. For example, an iMessage user should be able to message a user of a competing messaging platform; a user should be able to migrate to a social media network with their preferred values without losing any of the friends they’ve gained on Facebook.

Both reinvigorating antitrust enforcement and requiring interoperability are key policy levers for enabling platform cooperatives to compete meaningfully with the existing platforms. However, the United States is lagging well behind other regions when it comes to creating a competitively friendly environment for platform cooperatives.

Europe, which also has a stronger underlying civil infrastructure through greater labor protections, data protection rights, and antitrust enforcement powers, is going full steam ahead with new legislation aimed directly at addressing the dominance of digital platforms. The landmark Digital Markets Act (DMA), passed and set to be implemented over the coming years, will become the global standard for digital platforms, which will hope to remain in compliance with the law in Europe.[84] The UK as well, with its Digital Markets Unit (DMU), will implement specialized oversight and regulation of the digital sector that will complement and mirror the powers in Europe.[85]

Both Europe's DMA and the UK's DMU contain provisions including interoperability requirements as well as restrictions on anticompetitive practices like tying core platform services to certain apps and defaults. Furthermore, European nations like Germany have revamped their competition laws, to provide an even stronger complementary force to accompany the DMA rules.

The DMA rules come with teeth. First, the DMA designates firms that are subject to its rules, namely those that have a significant impact on the European market, provide a core platform service as an important gateway for a set number of business users based in Europe, and enjoy an entrenched and durable position in their operations (or it is foreseeable that they will). Cases of noncompliance with the rules can result in comprehensive remedies that include fines of up to 10% of worldwide revenue in a preceding financial year, up to 20% in cases of repeated non-compliance, periodic penalty payments of up to 5% of daily revenue, and a merger moratorium in cases of systemic non-compliance. Alongside the DMA, Europe is actively pursuing 51 antitrust cases against potential DMA gatekeepers, targeting conduct that overlaps with the types of conduct targeted by the DMA (such as, platforms like Amazon 'self-preferencing' their own products or forcing sellers to agree to unfair terms). [86]

So, given that Europe is working actively to create a competitive environment that would allow platform cooperatives to compete more effectively, where does that leave the United States?

As of now, the United States has not yet found a way to effectively address dominant digital platforms. While antitrust enforcement actions have grown in recent years, as well as calls for new legislation that would enable new antitrust powers and restrictions on some of the undesirable conduct by the dominant platforms that hurts competing businesses, none of these efforts has yet completed or been brought to fruition.

Senators Amy Klobuchar (D-MN) and Chuck Grassley (R-IA) have led efforts to pass the American Innovation and Choice Act, which would create rules and obligations like those intended by the DMA targeting gatekeeper-like platforms, however, they would still leave considerable room for platforms to make defenses based on efficiency and other justifications. This Bill, while passed with bipartisan support out of the Senate Judiciary Committee, has not yet been brought to a floor vote by Democratic Senate Majority Leader Chuck Schumer (D-NY).[87]

Another Bill would also mandate that the largest digital platforms make their user data portable and their services interoperable with other platforms. The Augmenting Compatibility and Competition by Enabling Service Switching (ACCESS) Act was introduced by a bipartisan group of Senators including Mark Warner (D-VA), Richard Blumenthal (D-CT), Lindsey Graham (R-SC), Josh Hawley (R-MO), and Amy Klobuchar (D-MN).[88] The status of this Bill is also dubious, and its likelihood of passing will be affected by the shift in Congress to a Republican-led House of Representatives.

Meanwhile, the Federal Trade Commission continues to investigate Amazon while pursuing its multi-year case against Facebook (Meta), and the Department of Justice pursues its case against Google. States have gotten in on the action as well, pursuing various state-level antitrust cases or at times joining up with the federal cases. However, it is too early to tell whether these Bills intended at creating interoperability requirements or enabling more competition through antitrust enforcement will prove successful.

With antitrust legislation and interoperability efforts at a standstill, other efforts worth exploring to support platform cooperatives might be antitrust exemptions. The Capper-Volstead Act, adopted by Congress in 1922, gave “associations” of persons producing agricultural products certain exemptions from antitrust laws, and it is sometimes called the “Magna Carta” of cooperatives.[89] Specifically, it is meant to provide a limited antitrust exemption for agricultural marketing associations, where producers may be agreeing on prices and other terms of sale, engage in joint marketing practices with other cooperatives, and achieve substantial market share and influence, all of which would provoke the ire of the antitrust laws absent the exemption.[90] Similarly, providing an antitrust exemption for platform cooperatives in the digital sector could provide a significant incentive to opt for cooperative formation, given the massive increase in antitrust enforcement in recent years against dominant tech platforms.

Second Prong: Federal Loans and Tax Incentives

The Small Business Administration (SBA) is an independent federal agency tasked with providing support to entrepreneurs and small businesses through capital, contracts, and counseling. Its loans are generally made through banks, credit unions, and other partnering lenders, who received a government backed guarantee on part of the loan. The SBA's flagship program is its 7(a) Loan Guarantee Program. These loans can be used for working capital, refinancing debt, purchasing supplies and more. As such, SBA loans could be a critical ingredient to helping platform cooperatives get off the ground by building out their infrastructure and helping with their initial hiring and customer acquisition.

Unfortunately, the SBA has long denied access to the 7(a) loan program for cooperatively owned businesses, though this has changed recently due to the passage of the Main Street Employee Ownership Act in 2018 and additional language in the 2022 Appropriations Bill to instruct the SBA to open its lending programs to employee-owned businesses.[91]

Assuming that the SBA does begin to treat cooperatively owned businesses the same way it treats other small businesses, platform cooperatives may still require additional support. Furthermore, there is no reason why the SBA should merely treat platform cooperatives the same as it reaches traditional businesses — rather, advocates for platform cooperatives should insist on advantageous treatment of cooperatively owned platforms based on arguments showing the benefits of the platform cooperative model in aligning incentives, benefitting workers, and creating more productive and inclusive growth. Platform cooperatives can also commit to demonstrating their models are more conducive for racial inclusiveness, as an incentive for receiving financing aimed at promoting racial equity.

Beyond the SBA's loans, the federal government can also explore tax incentivizing platform cooperatives, the way it has done for Employee Stock Ownership Plan transitions (ESOPs), wherein contributions used to repay loans that ESOPs take out to purchase company shares are made tax deductible. Examples of such tax incentives can be found in recent House initiatives in a budget Bill that includes direct-pay tax credits for electric cooperatives to deploy new energy technologies.[92] Access to tax incentives available to for-profit businesses must be brought into parity for cooperative businesses, and folding platform cooperatives into such efforts should be a priority. Therefore, legislation in the future aimed at promoting digital competitiveness for US businesses should also be sure to include tax incentives for platform cooperatives as well as traditional startups.

Third Prong: Working Groups

As a result of the 2014 Farm Bill, the United States Department of Agriculture (USDA) created an interagency working group on cooperative development. This working group has put together resources that make it easier for agricultural cooperatives to find resources from the federal government.[93] Given political changes, the convening of the Interagency Working Group did begin until October 29, 202 under the Biden Administration, and the Committees of the Working Group are set to report on their activities in October 2022.

While more detail should be available shortly, the description of activities from that working group could provide a basis on which to model a similar working group aimed at incentivizing platform cooperatives. Given that platform cooperatives can cut across industries but are unified in being digitally native and built upon online platforms, the working group should combine stakeholders across agencies and organizations that deal with the digital sector. As such, these may include, but are not limited to, the Federal Trade Commission (FTC), the Department of Commerce, the Consumer Finance Protection Bureau, and Executive Branch offices like the Office of Management and Budget.

An interagency working group on platform cooperative development may work on items such as:[94]

- Developing a website platform for sharing information on available government and stakeholder programs and resources for cooperatives;
- Fostering a working relationship among government agencies

and cooperative stakeholders to facilitate the use of the platform cooperative model to solve problems; and

- Continuing to educate federal and nonfederal participating regarding platform cooperatives and the value of developing platform cooperatives.

This interagency working group could also solicit input from organizations like the Platform Cooperativism Consortium, representatives from existing platform cooperatives in the United States, and academic researchers.

Fourth Prong: Regulatory Exemptions as Incentives

Advantages in Complying with Privacy Regulations

While federal efforts can be slow-moving and susceptible to the whims of political changes, state efforts allow for experiments that could then be deployed at a larger scale. California is a promising testing group.

For one, California has recently passed and implemented the most comprehensive digital legislation in the country through its California Privacy Rights Act (CPRA), which expands the newly enacted California Consumer Privacy Act (CCPA). This legislation, modeled heavily upon Europe's GDPR, will create a substantial degree of regulatory burdens for digital platforms that collect and process user data.

Platform cooperative advocates might take advantage of these regulatory burdens by convincing lawmakers of the benefits that the cooperative model provides towards protecting user privacy. For example, a social media platform that is owned and operated by its employees and users will likely input a far greater degree of control and input among users / employees into how data is used and governed than under traditional publicly owned or investor-owned digital platforms with a corporate governance structures. As such, the motivations for legislation like the CCPA and CPRA, which are to protect against the abuse of user data by platforms in violation of user consent, are satisfied because users and employees have far greater agency in the collection and use of data.

Accordingly, platform cooperatives could argue for an exemption from privacy regulations under the presumption that platforms meeting certain pre-defined criteria of cooperative governance are less likely to exploit user data. Achieving such an exemption will demand organization on the part of platform cooperative advocates, who may benefit from offering criteria, guidelines, and standards by which to determine that a platform is sufficiently cooperative to meet the presumption for exemption from privacy regulations.

Cooperativism as a Condition for Retaining Section 230 Immunity

Section 230 of the Communications Decency Act (CDA 230), which essentially provides immunity to platforms for liability for third party content that they host or choose to take down, is currently facing severe scrutiny.[95] CDA 230 is fundamental to the modern web; without it, most platforms, especially social media, argue that they would either be forced to shut down or drastically change their business models and platform design given the legal liability that may ensue. An upcoming case at the Supreme Court, Gonzalez v. Google, could potentially lead to a loss of Section 230 protections for algorithmic recommendations, which are a central aspect of many of today's platforms and their business models.[96]

Given these increasing threats to CDA 230 and its shield, one solution might be to provide CDA 230 immunity as an incentive for adopting platform cooperativism. The justification for such a policy would be that in a co-op, unlike a traditional platform, the rules governing content are democratically decided upon by users, employees, or both. Under this theory, concerns about liability for content on the platform would be mitigated by the fact that each stakeholder has both ownership and a say in how the platform is governed. Of course, illegal content would not enjoy any protection, as is the case under the status quo.

In his vision of "platform democracy", Aviv Ovadhya finds that when decisions on a platform are made by a democratic process, it can be much harder for stakeholders to attack it and it can build public trust. He sees platform democracy as a solution to platforms' concerns around how to handle misinformation and hate speech. By creating "platform assemblies" of members, paid and selected by a lottery to be representative of those impacted by the platform, the assemblies are then able to produce a set of recommendations for the platform with rough consensus — recommendations which are then implemented by the platform or not (with accompanying reasons).[97]

Many implementation challenges would certainly abound in platform democracy. To name only a few, it is possible that the vast majority fail to exercise their participation rights or that a meaningful level of generality at which decisions should be subject to democratic input are impossible to decide upon. Furthermore, questions remain as to what kind of consensus threshold would be required for decision making, and whether the decision may lead to majoritarian decision making that shuts out the views of minorities or enables capture by a vocal and active minority.

Nevertheless, if platform cooperatives can advocate a structure that can strike a sound balance of democratic participation and operational efficiency, they could make a strong case for including adoption of such a structure as a condition for future 230 immunity, through legislation at the federal or state level.

Fifth Prong: Employee Ownership Legislation

Recently, Governor Gavin Newsom signed legislation that will encourage employee ownership by providing support for businesses transitioning to employee ownership — this is codified through SB 1407 by Senator Josh Becker (the California Employee Ownership Act).[98] This legislation shows official state recognition that "employees becoming owners would create opportunities for wealth-building and community stability…also help California create a more inclusive, equitable and stable economy, supported by the studies of employee-owned businesses and their success and resiliency during the Great Recession and the Covid-10 pandemic."[99] As part of the Bill, California will create a "California Employee Ownership Hub" administered by an Employee Ownership Hub Manager. Among tasks like partnering with employee ownership focused organizations, sharing materials regarding employee ownership benefits, and providing a referral service to help businesses and other stakeholders take on employee ownership transitions, the Bill also works to increase access to California Capital programs by making the Hub work with the California Infrastructure and Economic Development Bank, the California Pollution Control Financing Authority, and other entities. Copycat efforts to the California legislation abound in other states, as discussed near the end of Section II.

Advocates for platform cooperatives should lobby for the inclusion of a specialist advisor on platform cooperatives within these new state employee ownership hubs as well as specialized resources aimed at platform cooperatives. These hubs can become a critical resource for platform cooperatives, while also dispensing guidance on approaches like Exit to Community[100], which is an effort to develop alternatives to traditional startup "exit" models to acquisition by more established companies or public stock offerings. Instead, Exit to Community asks that startups aim to mature to ownership by their community of stakeholders, such as founders, workers, users, investors, activists, and friends.

Sixth Prong: City Task Forces

The city of Pittsburgh recently created a city-wide Task Force on Employee Ownership that works to assess the economic landscape of Pittsburg districts to determine opportunities and challenges for the creation of employee owners. Part of the Task Force's responsibilities incudes creating a funding model that truly assists transitions to employee ownership. Other cities should consider creating similar task forces that also incorporate learnings specific to platform cooperatives. These task forces can play a critical role in studying local circumstances that might foster the need for platform cooperatives and identify problems / gaps that are solved well by the platform cooperative model. By providing this layer of support at such a localized level, platform cooperatives can benefit from democratic input from local community stakeholders.

Seventh Prong: Conditional Bailouts

If a digital platform that serves as a provider of critical services for Americans faces an existential threat to its business, there is a chance that the federal government views its services as too systemically important to allow the business to fail. This tendency of government has been about banks in the wake of the 2008 financial crisis and with critical industries like airlines amid the Covid-19 pandemic.

While such a possibility seems fanciful given the dominance of today's digital platforms, some have made the argument that the entire online advertising economy presents a bubble akin to the subprime mortgage crisis. Tim Hwang makes this argument in Subprime Attention Crisis, in which he argues that the unreliability of advertising numbers, the unregulated automation of advertising bidding wars, and the simple fact that online ads mostly fail to work are all reasons that the massive online advertising economy is an inflated bubble waiting to burst. If one is to take his argument seriously, then there certainly is a possibility that today's dominant platforms go belly-up in a fashion requiring governmental intervention and bailouts.

As such, any such bailout should be preemptively conditioned upon transitioning the platform to a cooperative model. Such an approach could also be deployed to address firms receiving bailouts in general, regardless of whether they operate in digital markets. Distribution of government funds to save supposedly systemically essential businesses should be conditioned upon ensuring that the restructured business serves its employees and users first rather than the shareholders and executives that put the business in a threatened state to begin with.

Eighth Prong: Technological Partnerships

As we saw with GE's engineering and provision of specialized equipment for rural electrification, today's tech firms and software engineers could engage in a mission to build out software suited to building for platform cooperatives.

They could create tech toolkits, develop technical standards for data sharing and interoperability, disseminate open-source software for consensus building and management, and more. Doing so will require building greater awareness of the platform cooperative model amongst talented engineers in the digital sector and convincing them of the need to technically support the platform co-op ecosystem.

Ninth Prong: House Platform Cooperative Loan Support within a New Agency

One of the most difficult to achieve, but potentially most impactful policy initiatives would be to support advocates of a new agency aimed at regulating the digital sector. One proposal from former Federal Communications Chair, Tom Wheeler, and antitrust experts, Gene Kimmelman and Jonathan Sallet, would create a new digital regulator that can act flexibly and adapt to rapid change in digital markets, while complementing state laws and antitrust enforcement. Solutions like a new agency could improve communication between Big Tech, regulators, and competitors by creating an even competitive playing field for all.

For platform cooperatives, the new agency could play a role akin to what the REA did for rural electric cooperatives. The agency could house a lending authority, which provides qualified debt financing to platform cooperatives that meet definitions it sets forth. Platform cooperatives would have to play a strong collaborative role in such definition setting, to avoid being shaped in the image of the regulators and undermining the spirit of cooperativism. The lending authority could also become a conduit for technical assistance, providing platform cooperatives with support regarding data models, interoperability, platform design, trust and safety, and more, in addition to the employee ownership resources available through new state employee ownership hubs.

5.

CONCLUSION: A WAY FORWARD FOR PLATFORM CO-OPS IN AMERICA

For platform cooperatives, achieving these policy wins could go a long way towards making them viable competitors in the digital economy. Achieving these wins however, will require political buy-in, much as rural electricity and ESOP advocates needed decades ago. Those efforts succeeded because advocates showed how their models could satisfy an economic need unmet by public or private forces, won the support of conservative and liberal lawmakers, kept them embedded in the logic of American capitalism, and delivered results. Similarly, platform cooperative advocates must work to win bipartisan support alongside those fighting for adjacent broad-based ownership efforts, like ESOPS, and take advantage of the growing bipartisan consensus that private tech platforms are out of control, but that turning them into public utilities is likely not a viable solution.

At the same time, platform cooperatives must understand themselves well enough to form a defined identity in the event they do achieve policy wins, capable of withstanding the influence of conditional loans from the SBA or another agency, as was the case with rural electric cooperatives. Along with other researchers, I explored the question of whether platform cooperatives should be certified at the Harvard's Berkman Klein Center for Internet & Society.[101] We found considerable variation in how platform cooperatives thought of and defined themselves, which leaves vital room for creativity and flexibility for a movement in its early stages, but also an indeterminacy that would make it difficult for any government agency to develop criteria upon which to disburse loan support or tax incentives.

Messaging is essential, and advocates of platform cooperatives should rigorously demonstrate to liberal supporters that they provide the best model for achieving progress on goals like remedying past racial inequities through a structure that promotes inclusivity, shared prosperity, and collaborative governance.[102] Furthermore, advocates need not assume that conservatives will not be receptive, as we are seeing with Republican support for worker ownership legislation.[103]

Christopher Lasch shows that many conservatives are sympathetic to the cooperative enterprise, but do not yet acknowledge contradictions inherent in their opposition to government support for them while they favor subsidies and tax giveaways for corporations. He discusses E.L. Godkin, a nineteenth century liberal with thoroughly conservative social instincts, who felt that "the only way to preserve the moral advantages of individual proprietorship under modern conditions of production, he argued, is some form of cooperative enterprise." What Godwin and others did not realize is that cooperatives, many of which were formed by farmers in his town, would be crushed by banks withholding credit and denial of federal assistance, drafted with the help of conservatives like himself, who believed that the state interfering with the laws of supply and demand was the first step towards communism.[104] Lasch writes: "in effect, governmental policy, not only in the United States but in other industrializing countries as well, subsidized one form of cooperation—the multi-million dollar corporation-while discouraging others. Neither smallscale property ownership nor its moral equivalent, cooperative enterprise among small producers and craftsmen, could flourish without the support of state policies far more radical than anything conservatives were prepared to consider."[105]

Advocates must also do more to make university students and faculty more aware of platform cooperatives and cooperativism in general. Leland Stanford accompanied his 1885 initial endowment to Stanford University with instructions to promote "the right and advantages of association and cooperation,"[106] and as a U.S. Senator, he championed legislation to support worker cooperatives, which he saw as preferable to the investor-owned enterprises that made him wealthy. He told the university's first class of students, "Cooperative societies bring forth the best capacities, the best influences of the individual for the benefit of the whole, while the good influences of the many aid the individual."[107] According to Nathan Schneider in his 2018 book, not a single one of twenty leading MBA programs he polled, including Stanford, offered a course devoted to cooperative enterprise, and many professors of management and economics were unaware of the concept.

For platform cooperatives to succeed, they must advocate for policies unique to the digital sector but also for greater awareness of cooperativism in general. Its legacy in the United States is too rich to ignore, with deep roots dating back to the 'Founding Fathers.' Cooperativism has been essential to providing necessary services to Americans exploited by private enterprise and skeptical of public options. The latest beachhead for that history is the digital economy, and platform cooperators must arrive to provide the solution that so many other advocates of worker ownership provided in America's past.

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Published by the Platform Cooperativism Consortium, March 2023.
Editor Aman Bardia.

Platform Cooperativism Consortium

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COOPERATIVE
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