

# Worker Cooperatives for a Democratic Economy

## *A Conversation with Critical Theory*

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► **Abstract:** Our article sheds light on two enduring debates within the cooperative literature: the degeneration thesis and the spillover thesis. While the degeneration thesis suggests cooperatives are doomed to failure, the spillover thesis suggests otherwise, contending that the experience of democratic control furthers social change beyond the cooperative itself. By turning to critical theory, we are able to bring new insights into these conversations. The early Frankfurt School placed a primacy on the subjectivity of social actors, arguing that capitalism serves to impact the consciousness, rationality, and depth-psychology of subjects, acculturating them to market societies. By exploring this in conjunction with the literature on cooperatives, we are able to add weight to the degeneration thesis and to demand further concessions from advocates of the spillover thesis. Ultimately, the article stresses the lack of importance placed to date on subjectivity within cooperative studies and argues that this needs to be remedied.

► **Keywords:** cooperatives, critical theory, degeneration thesis, Frankfurt School, spillover thesis

Precisely what a fully democratic society might look like has been debated since antiquity (Stasavage 2020). Yet, despite the value of many of these conversations, a restricted conception of democracy continues to dominate today: liberal democracy (Carter and Stokes 1998). While holding clear merit, liberal democracy is limited in that it typically provides the citizenry with only legal and political rights, restricting decision-making capabilities in the socioeconomic sphere to technocratic administrators and private market actors (Egan 1990: 67–68; see also Wright 2010: 81–84). In short, the dominant framing of democracy, globally, has not precipitated the democratization of crucial societal domains, such as the worlds of work, consumption, and exchange. In real terms, this means that citizens do not have a say over much of their lives and are excluded from key discussions, such as the ends to which their



labor is mobilized and the nature and conditions of their work (Wright 2010: 79). Crucially, an undemocratic economy is one in which workers are not only not given equal voice to determine their working conditions but also not given proportional remuneration for their labor (see Dorling 2017). For Marxists, this is an important and undemocratic contradiction that haunts the social world under capitalism: labor remains a social process, one carried out by the demos, yet profit is privately accumulated (Marx [1891] 1986; see Miliband 1969: 34; Wood 2002). The inequities created by this contradiction have created many movements seeking to extend the democratic project into the economic domain (Kelly and Howard 2019; Wright 2010).

Such movements have been truly heterogeneous in nature, consider, for example, unions, guilds, parecon, local economies, cooperatives, and mutual aid groups (Martell 2023). All of these have sought, with varying degrees of intensity, and within truly divergent sociocultural formations, a democratization of the economy (Kothari et al. 2009). The COVID-19 pandemic has served to further energize popular demands for greater economic democracy (Battilana et al. 2022; Ferreras et al. 2022; Klein 2020; Schwab and Malleret 2020) and has notably raised the profile of both mutual aid groups and cooperative enterprises across civil society and the academy (see Dave 2021; Spade 2020). While all such attempts at democratizing the economy are worthy of consideration, our focus in this article is on the democratic potential of workers cooperatives (see Ranis 2016). As such, our focus here is on the cooperative firm as a site of potential democratic transformation. Our article is situated within broader debates as to whether such cooperatives can provide a meaningful vehicle through which workers can have control over the purpose, means, intensity, and nature of their labor and share equitably in the wealth produced.

Cooperatives have been around in various guises since the 1830s (Mellor et al. 1988: ix) and remain a central component of attempts to democratize the economy today (Dave 2021; Gupta 2014: 100; Wright 2010: 237–240). Yet, few of the staunchest advocates of cooperatives would argue that, through the growth of cooperatives alone, a new democratic economy will emerge. Supporters of cooperatives acknowledge the challenges they face and the serious threat posed by “degeneration” into standard hierarchical capitalist firms (see Cornforth 1995). Indeed, there has long been ambivalent support for cooperatives among progressive academics and in some cases outright rejection (Mandel 1974; Webb 1920). This is epitomized by Marx’s observation (1976: 440) that cooperatives “represent within the old form the first sprouts of the new, although they naturally reproduce, and must reproduce, everywhere in their actual organisation all the shortcomings of the prevailing system.” The riddle over

the continuing popularity of cooperatives, despite such equivocation, makes their continued study worthwhile.

Yet, in itself, a return to such debates would be of limited scholarly merit. As we demonstrate in the first section of our article, a vast literature already exists on the relative benefits and pitfalls of the cooperative firm as a site for advancing workplace democracy. Indeed, a critic might argue that this literature has become rather stale, pointing out that two particular debates reoccur with such frustrating regularity, they are referred to colloquially as the “two theses”: the “degeneration thesis” (Cornforth 1995) and the “spillover thesis” (Pateman 1970). Both are introduced in the first section.

In an effort to reanimate the debate on worker cooperatives as a democratic force we bring insights from critical theory into conversation with the existing literature (the second section). Our reasons for turning to critical theory are threefold. First, critical theory was devised as a research endeavor to explicitly address the question of the failure of radical democratic social change to manifest (Harris 2022; Horkheimer [1937] 2002; Jay 1973). Our research shares an identical knowledge interest: why is it that cooperatives have failed to facilitate broader democratic transition? Second, critical theory, by its very definition, seeks to connect the politico-economic logics to the dominant forms of thought and desire that exist within the social world (Horkheimer [1937] 2002). Such insights are clearly significant when discussing the possibilities of transition and its potential obstacles (Delanty 2020; Harris and Acaroglu 2022; Marcuse [1964] 2007). Yet, to date, there is yet to be an extensive interdisciplinary study engaging with cooperatives that unites epistemology and psychoanalysis; thought and desire, in cooperative strategy. This seems an obvious direction for us to extend the literature, which will be shown to provide important insights. Third, critical theorists have sought to understand and resist forms of “totalitarianism” and “unfreedom” within the socioeconomic domain (Marcuse [1964] 2007: 3). The explicit discussion of antidemocratic tendencies that need to be surmounted within the economy offers an obvious point for dialogue between critical theory and cooperatives. As this article shows, such a conversation between the literature on cooperatives and critical theory is indeed productive, and extends the debate in important directions.<sup>1</sup>

As we explore below, the turn to critical theory suggests that cooperatives will continue to struggle to democratize the economy as they have, thus far, failed to substantially challenge the dominant modes of thought and desire that facilitate and perpetuate capitalism. This leads us to two substantive conclusions. First, bringing critical theory insights into the conversation on cooperatives provides further support to the

degeneration thesis and serves to question the spillover thesis. Second, and more productively, we conclude that there is an imperative for further dialogue between theorists of cooperatives and social epistemology and depth-psychology.

## **Two Hundred Years of Debate: Can Cooperatives Democratize the Economy?**

### ***The Degeneration Thesis***

One of the most damaging criticisms leveled at cooperatives as a means of democratizing capitalist economies is the “degeneration thesis,” advanced famously by Beatrice Webb (1920) and Rosa Luxemburg (1970). This idea suggests that cooperatives, despite good intentions, will be forced through the pressures of market competition, capitalist logics, and internal contradictions to become conventional capitalist businesses or face failure. As we demonstrate in this section, the literature on cooperative degeneration is vast and inconclusive.

Past attempts to provide a typology of the forms of cooperative degeneration have emphasized the ways such degeneration is manifest (Bretos et al. 2020: 435; Cornforth et al. 1988):

- (a) constitutionally, via exclusion from membership of employees;
- (b) organizationally, in which decision-making becomes centralized; and
- (c) culturally, in which the cooperative’s ethos and goals are lost or attenuated in the search for profits.

Cooperatives do seem to follow a particular life cycle (Meister 1984). As described by Ignacio Bretos, Anjel Errasti, and Carmen Marcuello (2020: 438–439), they are typically born with idealistic goals and see an initial high commitment from their membership. Over time, and with conflicts between ideals and expediencies, decision-making becomes less democratic and direct participation may be replaced with representative approaches; accordingly, the organization of work increasingly mimics a capitalist firm. As the organization grows, it becomes difficult to manage collectively and the input of individual members is increasingly diluted and negated by centralized oligarchic decision-making (Cornforth 1995).

One set of explanations for this assumes that cooperatives are naturally less efficient than capitalist competitors and/or contain inherent contradictions (Ben-Ner 1984: 247–248). This might come about for a plurality of reasons, such as their typically small size (meaning that they cannot approach the economies of scale of larger firms), their difficulties

in attracting financing due to a lack of collateral, prejudices in financial markets, or aversion to capitalist financial systems (Doucouliagos 1990; Elster 1989: 97; Putterman 1993; Thornley 1981); structural impediments to growth, including the urge to avoid degenerative pressures (Rothschild and Whitt 1986) and to underinvest (Major 1996; Miller 1981); slow decision-making as a result of democratic management (Cornforth et al. 1988; Ng and Ng 2009); potential conflict and schism due to the open nature of decision-making and personal relationships between members (Ng and Ng 2009; Rothschild-Whitt 1979); risk aversion and lack of innovation or flexibility (Doucouliagos 1990: 49–50; Elster 1989: 95; Hindmoor 1999; Jossa 2017; Major 1996: 551); issues with discipline and supervision (Ben-Ner 2013; Elster 1989: 104–106) or a lack of entrepreneurial expertise (Cornforth 1988; Doucouliagos 1990: 51). As a result, they might adopt practices such as employing wage labor outside of the membership (Ben-Ner 1984: 248; Storey et al. 2014) and/or the introduction of hierarchies (Cornforth 1995) to survive. Even if they do survive, cooperatives could degenerate as they begin to grow, with each member’s say becoming increasingly diluted and the role of any management becoming stronger (Somerville 2007: 10).

Another approach to understanding cooperative degeneration rests on the assumption that capitalist logics of accumulation, driven by competition, will overcome any cooperative intentions of founding members. As Muchetto (2021: 291) words it, “capitalist hegemony is thus assumed always to force the cooperative to exploit labour.” These are broadly the same pressures that would face any firm including, for example, a philanthropic firm, which paid wages above the market rate. If the cooperative expands to employ wage labor, it is possible for it to grow without diluting founding members’ control and without needing to share surplus proportionally among a larger workforce (Pencavel 2001: 17). This might be a particular risk in cooperatives that do not place their ideology at the heart of their operations but instead emerge as buy-outs of failing companies or are instituted for job creation. This makes them inherently unstable (Ben-Ner 1984). There may also be a “goal degeneration” as the cooperative loses its commitment to democracy in search of profits (Cornforth 1995; Meister 1984; Pek 2021). This can happen as newer members join, who do not share in the values of the founding members and lack a sense of solidaristic ownership (Ben-Ner 2013: 76). This opens broader questions about what it means to succeed as a cooperative. As Ernest Mandel (1974) notes, the criteria for measuring the success of a cooperative remains capitalist in character: it must make a surplus and ideally grow that surplus over time. Firms that fail to do this not only struggle to attract investment but might not be judged as being as successful as they could be in a different

organizational form. Godfrey Baldacchino (1990) makes a similar point, arguing that the dominance of capitalist logics shapes the idea of what makes a firm successful. Cooperatives that privilege social purpose over profit making and suffer from the problems of inefficiency listed above will fail to attract financing and as a result the capitalist model of capital ownership becomes the only viable firm structure.<sup>2</sup>

Related to this is the “horizon problem” in cooperative financing. There exists an investment horizon problem whereby there will be reluctance to re-invest surplus due to the difficulties for members of realizing returns on their investments (Major 1996: 549–550). For this reason, debt financing becomes a potential model of cooperation but remains problematic as the need to make payments on debt imposes further restrictions on the operation of the firm (Pencavel 2001: 74) as well as imposing potentially higher borrowing costs (Gunn 2006: 348). Here the incentive for members to take home higher wages, unless they can realize gains from reinvestment, clashes with the need for investment in competitive economies and highlights the tension between the social and individualistic elements of cooperation. More problematic for degeneration is the “residual horizon problem” in which newer members are able to benefit from the sacrifices of older members, creating an incentive to contain member-ownership to founding members and hire wage labor instead (Major 1996: 551–553). There are institutional arrangements possible to avoid these incentives to degeneration such as different models of share ownership (Elster 1989; Jossa 2017; Major 1996; Vanek 1977) or a collective ownership or social ownership (Horvat 1979).

Yet, despite the clear depth of the literature investigating the degeneration thesis, there is no clear consensus on the inevitability of such degeneration. Multiple academics (Bretos et al. 2020; Hernandez 2006; inter alia) make the point that while there may be tendencies to degeneration, there is potential for regeneration, as cooperatives can restore their democratic nature through reform and rejuvenation. Cooperatives can exercise agency to reprioritize cooperative principles in their operations and organizations (Bretos et al. 2020: 453). Sarah Hernandez (2006) highlights the tensions that exist within cooperatives and discusses the dialectical nature of the degeneration/regeneration cycle. John Storey, Imanol Basterretxea, and Graeme Salaman (2014: 638) highlight reforms at the Mondragon cooperatives including empowering shopfloor workers and the conversion of subsidiary firms to cooperatives including granting membership to employees. Chris Cornforth (1995) notes similar cyclical phases, and alongside Yohanan Stryjan (1994) highlights the importance of an active membership in overcoming the formation of elite groups and revitalizing democracy, but also suggests, if necessary,

a shift to representative democracy to accommodate larger numbers, which should be accompanied by free flows of information to allow informed decision-making. Excessive restrictions on eligibility for joining a cooperative obviously directly challenges the idea that it can have a democratic function. Arbitrary exclusions from an organization are not justifiable democratically, yet it is also undeniable that as cooperatives grow, so do their logistical and procedural challenges. Simon Pek (2021) suggests that a “sortition”-based approach to representation may solve many of the issues of representative democracy within cooperatives by preventing the formation of informal hierarchies and creating a culture of participation as each member ends up taking on these responsibilities at some point in their career. The importance of a values-based cooperative culture emerges repeatedly in the literature, especially highlighting the significance of cultures that resist individualistic neoliberal approaches (Cornforth 1995; Egan 1990; Langmead 2016).

Beyond the unsolved question of the validity of the degeneration thesis at a more abstract and theoretical level, empirical evidence of the existence of degeneration<sup>3</sup> is also very mixed,<sup>4</sup> with strong cases supporting both its inevitability and the ability of cooperatives to rejuvenate their democratic credentials. In part, this is due to the number of variables at play. Job creation, philanthropic, and rescue cooperatives might lack the strong sense of social purpose and resistance to capitalism that is present in more radical cooperatives, and as a result this might make them more resilient to degeneration. Degeneration threatens the *raison d'être* of a radical cooperative in a way that it might not with a rescue or job creation cooperative. Chris Doucouliagos (1990) notes that cooperation might only work effectively when capitalist firms are in crisis and survival is prioritized over profit; but that in times of success, members will look to increase their own profits. Furthermore, cooperatives that already exhibit a degree of hierarchy or depend more heavily on representative systems could also contain the seeds of degeneration; and this is also likely to be linked to their political outlook. Looking externally, both the existence of a supportive environment for the cooperative as outlined above, alongside cultural norms of solidarity (Egan 1990), may also act against degenerative tendencies in theory. A less competitive sector, or one in which cooperation and ethical principles in business are highly valued by consumers (such as vegan and wholefood markets) may also be amendable to the success of cooperatives; while working in labor-intensive industries could also help to overcome investment issues threatening success. With the pressures of competition reduced, degeneration should become less likely.



In summary, disagreement abounds over the validity of the degeneration thesis. Impactful studies (Luxemburg 1970; Mandel 1974; Webb 1920; inter alia) have argued that cooperatives are predetermined to fail as structural imperatives will force them to adopt capitalist norms. Opposing studies, such as those by Chris Cornforth (1988) and Daniel Egan (1990), have rejected the idea that cooperatives are all simply doomed to failure, arguing one must look beyond the degeneration thesis, with its alleged reliance on structural determinism. Yet later academics have identified tendencies to degeneration that are structurally built into the cooperative firm but are counterbalanced by opportunities for regeneration that are also systemically present (Bretos et al. 2020; inter alia). The literature continues to bloom, but consensus remains elusive.

### ***The Spillover Thesis***

Questions of how cooperatives might operate contrary to the logics of the systems they exist under brings us to questions of spillover and the role of cooperation in changing individual subjectivities. Does working in a cooperative and experiencing democratic control fundamentally change people's social outlook and willingness to participate politically outside the cooperative? Variations on this question have interested scholars for over a century (Dewey 1916; see Rybnikova 2022). Despite the extensive literature, the evidence is ambiguous (Rybnikova 2022; see Timming and Summers 2020; Weber et al. 2020). Clearly many individuals have felt more empowered as a result of their experience of democratic participation in their economic life, and many have accordingly felt more able to take part in democratic processes more broadly (see Smith 2009). Yet, this does not inevitably mean that all members of cooperatives become more enamored of existing democratic structures; cooperatives are varied in organizational formation and their memberships are far from homogeneous. Indeed, an important study suggests that socialization within particularly progressive economic institutions, where democratic values are most embedded, may actually disenchant citizens from engaging with ideal-typical representative-democratic bodies, where genuine space for collaborative discussion and participatory decision-making is limited (Greenberg et al. 1996). As such, the crude proposition that engaging in cooperative economic activities necessarily leads to increased, or more enthusiastic participation, in liberal democratic institutions requires "respecification" (Greenberg et al. 1996: 306). This leads to more questions than answers. One question that remains is: is participation within bourgeois institutions, such as liberal democracy, in keeping with the objectives of more radical cooperatives, which are predicated on a



more expansive notion of democracy? Clearly the spillover thesis is fertile ground for further study.

The idea of spillover as applying to cooperatives has its roots at least as early as the work of J. S. Mill, who argued in *Principles of Political Economy* (1848) that cooperatives were likely to foster egalitarian and just norms of behavior. More recently, we can locate themes of socialization toward democratic and cooperative principles in the work of Robert Dahl (1985: 95), Bruno Jossa (2017: 62) and Joyce Rothschild (2009). This idea broadly splits into two categories. The first is that cooperation emphasizes the social goals of the firm, taking its objectives beyond the accumulation of surplus toward meeting community needs (Daudi and Sotto 1986). This objective of cooperation is inherent in the cooperative principles that involve “concern for community” (ICA 2015). The second account of spillover contends that democratizing the workplace teaches norms of democracy and participatory citizenship that allows for more effective democracy and higher rates of democratic participation outside of the cooperative.

The importance of work as the primary authority relationship in people’s lives makes participation at work particularly important for participation in other social institutions (Greenberg et al. 1996). Empirical evidence for this is mixed. Edward S. Greenberg (1986) found that members of cooperatives were more likely to be involved in wider political causes in their community, including voting, but Edward S. Greenberg, Leon Grunberg, and Kelley Daniel (1996) found an inverse relationship between the level of participation at work and likelihood of voting.<sup>5</sup> Neil Carter (2006: 414) offers a brief account of empirical findings, noting “weak statistical links between various forms of workplace participation and political participation.” Robert Sobel (1993) investigated a more sophisticated hypothesis and found that the more that political systems within and outside of the workplace mirrored one another, the more spillover would be observed. This perhaps suggests that cooperatives, with a radical form of participatory democracy, would be less likely to encourage spillover than more representative forms of workplace democracy. Here, as Greenberg, Grunberg, and Daniel (1996: 309) note, there is a divergence between empirical and theoretical approaches to spillover: theoretical approaches tending to argue that more participatory workplaces will lead to more spillover due to the “intensity and duration of involvement.” It is important to consider a plurality of forms of political participation here; perhaps members of more radical participatory cooperatives do not participate in electoral and party-based political systems that they feel do not represent them and instead see participation in cooperatives and alternative social movements as a form of political participation (Schweizer 1995: 377), which might not necessarily be measured and quantified by all empirical studies.

Carter (2006: 417) notes the importance of the roots of cooperatives and distinguishes between those with a more radical and socially driven purpose and those that exist for job creation, rescue of failing firms, or from philanthropic capitalism. Meanwhile members of firms that allow for some workplace participation might lack that radical political focus to their work that is present in many worker cooperatives (Jervis 2016) and therefore be more inclined to participate in the formal political system. That there needs to be an unpacking of what it means to participate in wider democratic structures outside of the cooperative is made clear by the findings of Edward S. Greenberg, Leon Grunberg, and Kelley Daniel (1996: 317) who find positive associations between direct workplace democracy and campaign participation, but no significant effect on voting. There are also questions of selection biases here: the people who choose to work in cooperatives may operate differently in their political lives than those who choose not to (Gupta 2014), and so the causality is reversed (Greenberg et al. 1996: 322). Other theorists (notably Pateman 1970) link spillover to a sense of political efficacy: if people feel they have the power and means to enact change in the workplace they are more likely to see themselves as empowered in other democratic spheres. This is reinforced by Greenberg, Grunberg, and Daniel (1996) who find that feelings of mastery and political efficacy to be positively associated with all forms of participation. More direct and participatory forms of democracy in work increase the sense of mastery and efficacy; while indirect forms, especially in troubled firms, actually decrease the sense of mastery, perhaps linking the chances of wider political participation to the success of participation within the workplace.

As we continue to assess the possibilities of cooperatives as a means of democratizing capitalist market economies, a set of pertinent questions remain. First, can the advantages of cooperative work outlined above, both in abstract terms of freedom and more practical terms such as more enjoyable work, be realized in competitive markets without the firm degenerating? Second, does cooperation actually change people's behavior and cause spillover effects, or does the dual role of worker and entrepreneur inherent in cooperative directorship actually reproduce individualistic logics? To consider new approaches to engaging with these questions, we turn now to critical theory. This exercise produces two outcomes. First, it is shown to offer further support for the degeneration thesis and serves to further nuance the spillover thesis. More promisingly, it also highlights key insights from critical theory, which are comparatively absent within the literature on cooperatives, which could prove valuable avenues for further study.

## Enter Critical Theory

In light of these decades-old and unresolved debates, we approach co-operatives from a hitherto unadopted perspective within the literature: critical theory. As stated in the introduction, there are various reasons why critical theory seems a productive approach for us to utilize, which may help provide new insights. Critical theory provides an explicit focus on social change: its conceptual arsenal was developed solely to help address questions of impeded democratic transition (Horkheimer [1937] 2002). Further, the concepts it holds are able to delve deeper into forms of subjectivity than “traditional” theory, through its idiosyncratic critique of social epistemology, depth-psychology, sociology, and political economy (Delanty and Harris 2021). Through such a fusion, critical theory enables researchers to target forms of totalitarianism and “unfreedom” located deeply seated within both the subject and within the market logics that permeate the social totality (Marcuse [1964] 2007; Sohn-Rethel 1978).

But what exactly is critical theory? As Razmig Keucheyan (2013: 1) notes, the signifier “critical theory” is today used to refer to a wide range of approaches, including, but not limited to, “the queer theory developed by the North American feminist Judith Butler and the metaphysics of the event proposed by Alain Badiou, as well as Fredric Jameson’s theory of postmodernism, Homi Bhabha and Gayatri Spivak’s postcolonialism, John Holloway’s ‘open Marxism,’ and Slavoj Žižek’s Hegelian neo-Lacanianism.” The genesis of the term, and indeed the original founding insights of the research agenda, of course derive from the “first generation” of intellectuals associated with the Institute of Social Research in Frankfurt, authors such as Theodor Adorno, Max Horkheimer, Erich Fromm, and Herbert Marcuse. The term itself derives from the work of Horkheimer ([1937] 2002), whose opening address to the Institute, later published as “Traditional and Critical Theory,” provided something of a mission statement for the research program. “Critical theory,” in whatever form, differs from “traditional theory,” by holding to an appreciation of the connection between all research and political economy. From this insight, critical theorists know that the researcher must be conscious of their positionality and be mindful that their conceptual and analytical toolkit is informed by, and reflects the dominant modalities of power within, capitalistic, patriarchal, racialized society. This, then, is the connection between post-structuralism and the Frankfurt School, between deconstructionism and critical race theory: that socioeconomic power must be forever connected to epistemology and depth-psychology. With critical theory, epistemology becomes political.

Yet, as has been argued repeatedly, there are substantial, and possibly insurmountable differences between different schools of critical theory, despite this shared insight (Delanty and Harris 2021). Indeed, there are even substantial intra-tradition debates within subfields of critical theory, with much contemporary Frankfurt School critical theory far removed from the work of its forebears (Harris 2022; Kouvelakis 2019; Thompson 2016). In short, the methodological foundations of Foucauldian discourse analysis, Honneth's recognition theory, and Adornian negative dialectics cannot be neatly and coherently elided. As such, when we draw on critical theory to help advance the debate on cooperatives, we are mindful to work with complementary traditions. As such, in what follows, we draw upon concepts associated with the first generation of the Frankfurt School of critical theory, whose scholars brought complementary and timely insights, with clear and salient relevance to debates on cooperatives. Through this exercise, we identify further, deeper-set complications impeding the ability of cooperative movements to offer a qualitative transition to a democratic economy while crucial facets of the social subject remain interpellated by capitalistic modes of cognition.

Through our review of the literature, we demonstrated that a host of explanations have been put forth to explain the record of cooperative degeneration and failure; yet, equally we noted the lack of consensus on the most basic premise of the "degeneration thesis." Put simply, not all scholars believe there is a structural tendency for cooperatives to degeneration. Yet, despite the quantity of research, one basic presupposition of the Frankfurt School branch of critical theory has not featured significantly in this literature: that capitalism refers also to a social totality with an attendant form of subjectivity, which is lodged within the social subject themselves (Fromm [1962] 1983; Marcuse 1969). From such a perspective, leaving a capitalist firm for a cooperative firm does not suddenly extricate the subject from capitalism, their capitalist subjectivity remains. Therefore, adopting a Frankfurt School critical theory approach to the conversation places the focus not on the cost-benefit analysis of particular financing strategies nor on the "creative tensions" between democracy and efficiency (Storey et al. 2014: 638). Rather, adopting a Frankfurt School perspective invites a new look at the epistemic and depth-psychological facets of the subject and the capitalist form of subjectivity they retain. From such a perspective, cooperatives are seen as susceptible to degeneration because their members remain, at some essential level, capitalist in their subjectivity (Adorno and Horkheimer (1944) 1997; Thompson 2022).

We stress that from a Frankfurt School perspective, the idea that a subject could simply step "outside" of the capitalist totality and commence

working within a new, democratic economic model with a swish of a pen is laughable. Capitalist subjectivity cannot be escaped by ending one contract and changing firms. Even when the cooperative firm is explicitly designed to facilitate non-capitalist modes of social interaction, subjects have been socialized their entire lives within a reifying and repressive capitalist totality (Fromm [1991] 2010, [1962] 1983; Marcuse [1969] 2007]). Indeed, cooperatives remain, even at their most impactful, “islands within capitalism” (Luxemburg 1970: 69). As such, cooperative proclivities will be forever eroded by the forms of thought capitalism necessitates. As they walk to their cooperative firm, members will be attacked by a barrage of commodified false equivalence on their commute. As Žižek demonstrates, they will be bombarded by a latticework of ideologically saturated signifiers (Fiennes et al. 2013). In short, Frankfurt School critical theory exposes the myth that subjects can simply move from work within a capitalist society and enter cooperative partnership without the deeply ingrained capitalist modes of thinking and desiring remaining. It is thus the focus on the subjects and their enmeshed reality within the capitalist totality, which the Frankfurt School critical theory approach adds to the debate on cooperative attempts to democratize the economy.

The theoretical and conceptual arsenal of early critical theory provides tools to help expose how capitalist subjectivity is manifest through epistemological and depth-psychological pathologies (Harris 2022). Both rationality and depth-psychology serve to reinforce the dominating power of the capitalist socioeconomic system and makes the move to an emancipatory democratic form of economy much harder than simply setting up, or joining, a cooperative firm. While Frankfurt School critical theory is vast and idiosyncratic, we now briefly identify three insights that reinforce the idea that subjectivity, epistemology, and phenomenology can be reshaped through the “constitutive power” (Thompson 2016). To do so, we point to brief lessons from Theodor W. Adorno, Erich Fromm, and Herbert Marcuse.

Perhaps the most famous critical theorists of the Frankfurt School is Theodor W. Adorno (see Müller-Doohm 2005). One of the prime concerns of Adorno’s output was the ascent of a pathological form of reasoning: “instrumental rationality” (see Adorno [1951] 2005; Adorno and Horkheimer [1944] 1997). From such a perspective, as outlined in *Dialectic of Enlightenment* (co-authored with long-term colleague Max Horkheimer), the social world is processed by the subject as a domain of calculation, of quantities, of game-theory scenarios. The capitalist subject becomes myopically obsessed with efficiency and reduces the external world to components of quantitative equations. Society is reduced to mere “dead matter—a heap of things” (Horkheimer 1993: 81). The qualitative and affective

dimensions of life are “extirpated” so as to enable seamless conversation of the whole world into mere utility-maximizing functions (Adorno and Horkheimer [1944] 1997: 36). As a result, the social totality comes to adopt the mark of the capitalist economy; culture becomes a “culture industry,” with art, even love, even gift-giving, becoming a commodified moment of desublimation (Adorno and Horkheimer [1944] 1997). One no longer simply gives a gift without expecting something in return, wrote Adorno ([1951] 2005) in *Minima Moralia*.

The ascent of such a clouded instrumental form of thought over the entirety of social interaction remains an idea explored by critical theorists today. This is thus not simply an old idea confined to history (Schecter 2010). It is operationalized to explore contemporary obstacles to social transition; most recently by scholars such as James Bridle on technology (2018) and Michael J. Thompson (2016; 2020; 2022) on political judgment. We see no reason why such ideas cannot also be applied to extend the conversation on cooperatives.

From such a perspective, the capability of members of cooperatives to simply shake off such forms of rationality is deeply unrealistic and not in keeping with contemporary psychological studies (Ratner 2019). Put in philosophical terms, believing subjects can just walk out of capitalist firms and become “cooperatively minded” it is to invest subjects with laughably “neo-Idealist” forms of subjectivity (Thompson 2016, 2020, 2022). Put more colloquially, people are socialized by their worlds: you cannot just step outside of the world that shapes you. Thus, when one engages with Adorno’s work, it becomes apparent that for cooperative members to genuinely act in a cooperative manner, consistently, they may first need to consciously seek to combat instrumental norms. In real terms, this would require unprecedented engagement in consciousness-raising activities to challenge the dominance of instrumental forms of thought within their members’ view of the social totality. Such an exercise would be complex and would require considerable skill and resources. To fruitfully explore key “horizon problem” questions, such as the inability of cooperatives to acquire financing from members without a high-yield return on investment (Major 1996: 549–550), calls for such a focused analysis on forms of reasoning. When viewed from such a perspective, an excessively instrumental rationality is clearly impeding cooperative development, even when the entire principle of cooperation appears at odds to speculative self-interested investments. Clearly there are incompatible forms of thought and action at work. Ultimately, as Christopher Gunn (2006) demonstrated, atomistic instrumental decision-making ultimately serves neither the interests of the cooperative nor the member. What seems obvious when one is familiar with critical

theory insights is that without at least some reflexive attempt to combat viewing the entire world through an instrumental optic, the capability for cooperative forms of organization to succeed seems slim.

While Adorno's work provided a powerful sociological-epistemological critique of the instrumental form of reason, Fromm ([1991] 2010, [1962] 1983, [1955] 1963) and Marcuse ([1964] 2007) sought to unite Marx with depth-psychology to explore the deep-set psycho-pathologies induced by capitalism. For Marcuse ([1964] 2007), subjects' phenomenological engagement with the world has been pathologically denatured by capitalist logics. A "one dimensionality" rules, in which everything is viewed and experienced in a terrifyingly uniform, cold, "petrified," manner. In Andrew Feenberg's (2013) reading of *One Dimensional Man*, Marcuse is held to identify a pathological shift in the subject's phenomenology, to that of a "technical a priori" way of seeing the world. From such a perspective, the logics of perpetual consumption and possession, connected to depth-psychological neuroses induced by the capitalist formation, ferment and fester (see Allen 2020). The capitalist subject is thus held to dance through hoops of "repressive desublimation," through which possibilities for transcending the irrationality of the capitalist formation are structurally negated by the transference of libidinal energies to consumption (see Harris 2022). Frustrated with working life? Buy a beer; watch Netflix; buy a car; watch pornography (see Wolff et al. 1965). The permissive society, the society of tolerance, replicates the one dimensionality of commodification, endless consumption, and perpetual reification.

Likewise, for Fromm, despite presenting a vastly different reading of Marx and Freud (Fromm [1962] 1983), the subject within capitalism succumbs to "pathological normalcy" (Fromm [1991] 2010). The subject is unable to see their confinement within such limited modes of social interaction because they are socialized into developing "socially patterned defects" (Fromm [1955] 1963). Through logics of "consensual validation" the irrationalities of the capitalist formation are obscured, naturalized, normalized (Fromm [1955] 1963). Before long, the obscene whole is "normal"; the very normalcy of the pathological status quo itself becomes part of the pathology. Cooperative members will need to be painfully extricated from this comforting pathological normalcy, yet will forever be drawn in by its siren's allure (Fromm 2010).

What was immediately obvious through our engagement with the Frankfurt School was the insight that capitalism has a significant and lasting impact on subjectivity; the socioeconomic system shapes the epistemic capacities and depth-psychology of the social actor. If neoliberalism has induced what Thompson (2022) calls the "twilight of the self," cooperatives may need to rebuild the critical capacities of their members as a



priority, even as a foundational activity. From such a view, the degeneration that cooperatives have long been susceptible to can be seen to derive from the persistence of capitalist modes of reasoning, of experiencing, and of desiring, which are not negated simply by working in cooperative firms. For critical theorists, the capitalist world of instant gratification and reification washes forever on the confines of Luxemburg's cooperative "island." From Fromm, we can read that such "islands within capitalism" are forever being eroded by capitalist "pathological normalcy." As such, any idea there could be an unmediated "spillover" from the cooperative island into the capitalistic ocean seems to indeed require further analysis; or, to use Greenberg, Grunberg, and Daniel's term, considered "respecification" (1996: 306). Our engagement with critical theory thus provides further support for the degeneration thesis and serves to further calls to nuance the spillover thesis.

## Conclusion

We have argued that to understand the tendency of cooperatives to degenerate, whether this is to be understood as a predetermined inevitability or a contingent possibility, scholars should consider exploring in more detail the subjectivity of cooperative members. We learn from the early Frankfurt School that it is highly likely the forms of thought and desire that such members will possess will have been significantly shaped by capitalism in a manner which may preclude successful cooperation. This insight poses questions as to what role cooperatives can take as part of any broader effort to democratize the economy. We suggested above that consciousness-raising activities may need to be considered as a crucial component of future cooperative strategy. This insight could be extended to other vehicles directed at producing a more democratic economy; all such attempts will need to actively challenge the instrumental rationality and normative-individualism imbued within the neoliberal subject. Activists will struggle to create a stable democratized, solidaristic economy, with subjects socialized to be neoliberal actors. This is a challenge for all thinkers and activists invested in democratizing the economy.

Critics of critical theory have argued that the tradition is unduly bleak and that it presents a falsely totalizing picture of society, where capitalism is given undue primacy as the dominant force impacting subjectivation (Allen 2017; Bhambra 2021). Yet, such arguments do not need to concern us here. The submission we conclude with in this article is that the subjectivity of actors engaged in cooperative firms needs to be considered and that such a concern can productively extend the literature on

“degeneration” and “spillover.” This insight indeed stems from bringing the literature on cooperatives into dialogue with critical theory, however, it does not depend on the total coherence of the Frankfurt School tradition’s substantive output.

The critical tone of our contribution should not be mistaken for a hostility to the model of the cooperative firm. Rather, we have sought to advocate the need for an extension of the debate beyond the strictly economic, abstractly philosophical, managerialist, and institutionalist conversations that have predominated. We suggest that without a focus on the subjectivity of the actors within cooperatives, a subjectivity conditioned by capitalism, cooperatives are likely to continue to fall victim to degeneration. Our submission is not that one should renege on attempts to construct cooperative firms; rather that they need to be constructed with a more explicit consideration of the subjectivity of their membership. We believe that this will support cooperative endeavors to bring about a more democratic economy.

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## ► NOTES

1. There are, of course, a range of important criticisms of all sociological perspectives. For indicative scholarship of contemporary critiques of the Frankfurt School, see Amy Allen (2017) and Gurminder. K. Bhambra (2021). For responses to these criticisms, see Gerard Delanty and Neal Harris (2021).
2. One could potentially read this as being a tautological line of reasoning: “success” is defined by capitalist metrics; yet if a cooperative organizes primarily so as to meet capitalist objectives then they have already degenerated, as they have discarded their cooperative animus. The degeneration thesis is not tautological, however, insofar as the ideal-typical “successful cooperative” is one that succeeds in generating a surplus, receiving investment for future growth, retaining staff and efficiencies, while simultaneously retaining its

primary cooperative principles of democratic ownership and democratic decision-making.

3. This is a normative question as to what constitutes degeneration from an ideal type of cooperative; Christopher Cornforth (1995: 493) notes the implausibility of perfectly democratic organizations. Given the difficulties of researching failed cooperatives that did not degenerate and identifying former cooperatives that have degenerated, the empirical question is open to selection bias. Different economic and legal systems also define cooperatives in different ways.
4. Avner Ben-Ner (1982: 248) lists studies finding support for the degeneration thesis. Robin Jervis (2016) found evidence of economic strains at start-up and the potential for schism and failure, but no evidence of tendencies toward degeneration at existing cooperatives. Gerald. C. Hunt (1992) finds evidence that division of labor increases as cooperatives mature but not necessarily at the expense of democracy depending on how division moves decision-making. Saul Estrin and Derek. C. Jones (1992) do not find evidence of degeneration in French producer cooperatives, noting high survival rates and the dominance of US-based studies in degeneration literature. This is also found in Eric Batstone (1983) who locates resurgence of democracy as part of the cooperative life-cycle, but these cases did not represent an ideal type owing to a large number of voluntary non-member workers owing in part to the costs of buying shareholder membership.
5. This measure of “political participation” on the basis of engagement in liberal democratic politics is worthy of contesting.

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