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for *The Architecture Lobby*

Cooperativizing Small Firms

Small firms operate under different conditions than large firms, which have personnel to address the complex web of administrative and business logistics. The difference results not merely in the precarious condition of the small firms – withheld payments; lawsuits; cost of insurance; poorly negotiated contracts; limited cashflows and savings – but also in the odd mixture of pride they take in their boutique status and their bemused befuddlement about business management. At the same time, this defiant pride is related to the unrelenting competition that small firms must face and that forces “economization,” usually at the expense of coherent, sustainable labor management.

It is with a combined sense of sympathy and critique that we, the Architecture Lobby, imagine a way of breaking through the systemic ideological and practical problems experienced by small architectural offices. Surely the foundation of this system is the neoliberal directive to compete at all costs, to be proud of one’s “entrepreneurialism,” to be comfortable with an every-firm-for-itself approach, and to be absorbed with we-don’t-have-the-time-or-money-to-deal-with-workplace-inequality thoughts. To break through this narrative, we seek a less threatening and more rewarding disposition: cooperativizing small firms.¹

1. A previous article, “Socializing Practice: From Small Firms to Cooperative Models of Organization,” by Architecture Lobby members Aaron Cayer, Peggy Deamer, Shawhin Roudbari, and Manuel Shvartzberg Carrió, on this same topic appears in *Spatial Practices: Modes of Action and Engagement with the City*, ed. Melanie Dodd (London: Routledge, 2019). Some parts of this essay are taken verbatim from that piece, but that article emphasized the conceptual and theoretical aspects of architectural cooperatives while this one emphasizes their practical aspects.

The initial thought was simple: sharing administrative obligations to help firms be better businesses. Instead of every small firm spending time figuring out the rules of the business game, these duties could be outsourced and shared with an organization with this expertise, an organizational cooperative. But the thought expanded: by sharing expertise that couldn’t be housed in every small firm, they could compete with large firms; indeed, they could pursue exceptional solutions beyond the generic ones offered by large firms. They could share workers not only to balance the changing staffing needs as projects come and go but also to gain perspective on alternate firm “practices.” They could share profits and win buy-in from staff. They could be worker owned. They could (the big goal) model the democratic alternative to the free-market system of development.

Why Cooperatives?

Within the Architecture Lobby, there was heated debate (now happily parsed out) about the relative efficacy of cooperatives versus unions. Those arguing for unionization felt strongly that cooperatives were islands within capitalism, unable to push for the needed socialist “revolution.” Those arguing for cooperatives felt that unions were only a means to an end, not the goal, that is, workers owning the means of production. This led to further debates. Did we believe in the socialist revolution? Many said yes; many no. A practical decision was made to avoid ideological disintegration: unionization for large firms; cooperativization for small firms – depending on one’s point of view, the revolution would either be tested, put on hold, or operate as an inspired but unachievable horizon. In any case, it led us to examine the role of cooperatives in the transformation of the social order, starting with the practice of architecture.

Cooperatives rose to prominence during the Industrial Revolution as part of the labor movement. As employment moved to industrial areas and family and community-based job sectors declined, workers began organizing and controlling businesses for themselves. Sparked by critical reaction to industrial capitalism and the excesses of the Industrial Revolution, co-ops allowed small businesses to survive by acting together for purchasing and marketing power.² Cooperatives were a smart business model to survive capitalism’s drive for growth and takeovers.

While intertwined with socialism’s response to the same capitalist push, the cooperative movement should not be equated with the socialist movement. Socialists and communist leaders have argued that cooperatives have no collective agency for change, no class politics, no structural relationship to the state, and coexist too happily with private land ownership and capitalist entrepreneurialism. As Marxist theorist Rosa Luxemburg said, “The workers forming a co-operative in the field of production are thus faced with the contradictory necessity of governing themselves with the utmost absolutism. They are obliged to take toward themselves the role of capitalist entrepreneur – a contradiction that accounts for the usual failure of production co-operatives which either become pure capitalist enterprises or, if the workers’ interests continue to predominate, end by dissolving.”³

In other words, cooperatives have no role in the socialist revolution. But their role *post*revolution had more support from Marxists. While Lenin, too, critically disparaged cooperatives for their lack of class politics and their coexistence

2. For a recap of the history of co-ops, see Frank T. Adams and Gary B. Hansen, *Putting Democracy to Work: A Practical Guide for Starting and Managing Worker-Owned Businesses* (San Francisco: Berrett-Koehler, 1992).

3. Rosa Luxemburg, “Reform or Revolution, Part Two, Chapter VII: Co-operatives, Unions, Democracy,” <https://www.marxists.org/archive/luxemburg/1900/reform-revolution/ch07.htm>.

with private land ownership, he later saw them, “when assisted by the state,” as essential tools for educating Russian peasants on trading power.

In contrast, the anarcho-syndicalists, radically skeptical of the state as controller of work, saw the potential of cooperatives in shaping the revolution. Pierre-Joseph Proudhon, the so-called father of anarchism, believed that the small producer co-ops of Europe could usher in the revolution: “This role [of workers’ companies] will above all consist in the management of the great instruments of labor and of certain tasks, which ‘demand’ both a great division of functions and a great collective force.”⁴ He admitted at the end of his life, however, that the cooperative movement had not developed as he had hoped. Picking up Proudhon’s campaign, collective anarchist Mikhail Bakunin imagined a society somewhere between a state-run, state-owned governmental system and a market economy. The goods produced by the collectivized factories and workshops were to be exchanged not according to the highest price to be squeezed from the consumer but according to their actual production cost.⁵ Rather than state- or market-determined resource allocation and product distribution, the workers associations would decide allocation and distribution for themselves. Today, Cuba – whether we or they think it is pre- or postrevolutionary – is pursuing cooperativization. When President Raúl Castro liberalized Cuba’s socialist economy, he was allowing the operation of small businesses and turning state enterprises into cooperatives owned and run by workers.⁶

As co-ops have found their way into capitalism, their configuration has been codified. The ethos of cooperative business models is the following: voluntary and nondiscriminatory membership; one member, one vote; member-led; and the promotion of sustainable community development. As contractual business systems, there are four standard cooperative business types:

1. *Consumer co-ops*, which are owned by the people who buy the goods or use the services of the cooperative; these generally apply to housing, electricity and telecommunications, credit unions, healthcare, childcare, among other sectors.
2. *Producer co-ops*, which are owned by people who produce similar types of products and collectively market them to improve their incomes; these generally apply to farmers, craftsmen, and artisans.
3. *Worker co-ops*, which are owned and governed by the employees of the business – one worker, one vote; these generally apply to restaurants, taxicab companies, timber processors, and light and heavy industry.

4. Quoted in Daniel Guérin, *For a Libertarian Communism*, ed. David Berry, trans. Mitchell Abidor (Oakland: PM Press, 2017), 48.

5. Jon Bekken, “Bakunin: The Collectivist Tradition,” *Anarcho-Syndicalist Review*, August 1, 2012, <https://syndicalist.us/2012/08/01/bakunin-the-collectivist-tradition/>.

6. Jonathan Wolfe, “Cuban cooperatives present a new economic model,” *PRI*, February 25, 2015, <https://www.pri.org/stories/2015-02-25/cuban-cooperatives-present-new-economic-model>. Likewise, the lawyer specializing in cooperatives that the Architecture Lobby has been consulting, Therese Tuttle, is part of a group of lawyers who travels to Cuba to see how their co-ops are set up and administrated.

4. *Purchasing and shared services cooperatives*, which are owned and governed by independent business owners, small municipalities, and state government agencies that band together to enhance their purchasing power.

The Architecture Lobby wants to work across these business types, starting with a cooperative network that would combine the advantages of a consumer co-op – better purchasing leverage – with a producer co-op – better marketing reach and productive capabilities. We then hope to set the framework for a real worker-owned cooperative. The point is partly to save small firms (and eventually architecture in general) from the forced competition that leads to a race to the bottom as architects compete primarily on fees, but more important, to suggest that architecture as a discipline could model the postcapitalist framework that yields a truly just society. Regardless of whether or not we architects can instigate change in the larger politico-economic system, we can model it in our own field. So, we've worked on a plan.

The Plan

Studying these cooperative categories, the Architecture Lobby has developed a template for cooperativizing small architecture firms grouped in a particular location. Instead of fighting for scraps, small firms should be capable of delivering complex projects on time and on budget, not by overworking and underpaying staff, but by organizing and sharing expertise strategically. The goal is a network of small firms that, in lieu of each paying for separate administrative services, shares them; that in lieu of competing against each other, consolidates power and voice. Currently, 76 percent of firms are small (1–9 people) and they get an aggregate 14 percent of total billings;⁷ these small firms not only can support each other but usher in a new, noncompetitive approach to practice. The first stage of the plan is the network cooperative, the second, the cooperative proper: that is, worker ownership.

7. The American Institute of Architects, "Overview," *Firm Survey Report* (2018): 7.

Network Cooperatives: Cooperativizing across Firms

The network cooperative cannot take on professional, design, or project-specific tasks. Because state licensing is meant to protect the public, it doesn't allow professional firms to collectivize because they normally include unlicensed individuals. But the network can take on administrative and staffing tasks, which allows firm owners to concentrate on the things they do best and love – design work, working with clients, and supporting their team. The network would offer member firms a full suite

of practice management tools: payroll supervision, benefits and insurance management, billing/invoicing, spec writers, metadata and technical support, access to nondesign consultants, such as engineers and cost estimators, and contracts with lawyers. It would offer joint educational opportunities, worker exchange, and lobbying power. Operating through a mix of co-op types, networked cooperatives make practical sense.

Functioning as a consumer co-op, all of the administrative and consultancy expertise that surrounds the business of architecture would become vastly more affordable. For firm owners, the logistics of scale and group rates for administrative and legal assistance can transform a small firm from an innocent bystander to an informed and confident leader. For many small firms, indeed, it is not just a question of being less expensive; it's an issue of access to expertise. The effect of access to affordable expertise is felt not only by firm owners but also by staff and clients. Staff members are no longer confused by where to turn for project advice, since the consultants operate as virtual in-house support, and clients get the benefit of the expertise that allows the firm to function more efficiently and more intelligently.

Functioning as a producer co-op, the network cooperative would offer marketing advantages that, again, are impossible when every small firm advertises sensitivity to client need and attention to design. The network would simultaneously promote the value of the combined areas of shared expertise and identify the particular strengths and experiences of the individual networks. It would make clear that a given member's appeal to a potential client could be enhanced, if there was need, by drawing on another member's background and staff. At the same time, members can organize exhibitions, lectures, and workshops that give a public face to the network's and its members' work and allow a sort of solidarity block to develop between members.⁸ This block is an advantage not only to firm owners, it also allows workers to "meet" each other across member firms. Beyond knowledge exchange, this provides a social arena previously provided by architecture school.

Finally, functioning as a worker exchange, the network would allow the member firms to share staff as different projects come and go. The advantages of this over a temp service are clear: a firm gets and lends staff to and from firms whose reputations are known, and trust develops between firms as sharing becomes more common and familiar. The supposed obstacle to worker exchange – the need to be clear, fair, and consistent about pay for the loaned worker – becomes an

8. One example is an event organized by PRO (Peterson Rich Office) in conjunction with other small firms that they had been introduced to via the AIANY small firms group. They organized "24x24x24" at the Storefront for Art and Architecture's Summer Solstice event (June 20, 2018), where 24 firms showed their work over a 24-hour period. The 24 were chosen by each suggesting five firms, and then a Cooper Hewitt fellow curating the final list.

advantage because it forces wage transparency, which, while initially frightening to firm owners, serves all in the long run.

Legally structuring the network is clearly an exercise in detail and good will. There are regionally organized cooperative support groups for this work, but a good lawyer is necessary too. Membership fees could cover the cost of participating in and running the network, and the cost of the network could be shared across the member firms according to firm size and use of services. But a more radical concept deploys a collective reserve, a form of profit appropriation that enhances the probability that internal capital accounts will be paid in full and external expenses coverable. Implementing this would require transparent pay scales that are applied to each firm, with some percent, say, 25 percent, of the surplus going to a collective reserve. A portion of this collective reserve would be allocated for the internal collective expenses and the other portion to the external consultants, lawyers, etc. In addition, a cooperative society is exempt, up to a certain limit, from income-tax and surcharge on its earnings. There are no real limitations to establishing a cooperative network and many advantages.

Firm Cooperatives

A network cooperative should be a co-op of co-ops, not just a network of traditional, hierarchically structured firms. The true success and value of the network (and its push on capitalism) is cooperativization within the individual firm – that is, making it worker owned. After all, owning the means of production is ultimately the goal of any enterprise that wants to thwart the worst aspects of capitalism. Those currently working in an architecture firm can imagine the transformation in their work lives: each member of the firm weighs in on its direction and the types of projects pursued; everyone has an equal vote about the distribution of profits; everyone participates in determining the allocation of work; everyone votes on what contributions warrant “promotion” and why; business acumen is shared by all and not divorced from design; democracy and trust replace anxiety and coworker competition. Workers are spared what Marx identified as the three forms of capitalist alienation: alienation from the products one makes, alienation from other workers, and alienation from one’s own labor.

The advantages go beyond the individual workplace. Worker-owned co-ops instill an ethos of solidarity with other workers at large and with the social and political transformations that come with that solidarity. At the local level, because profit goes directly into the hands of workers who, tend to

9. The present difficulties of cooperativizing in the US mean that co-op networks (for example, the United States Federation of Worker Cooperatives) allow noncooperatives that function “cooperatively” into the organization.

10. The Capper-Volstead Act of 1922 gave agricultural producers the right to cooperate on pricing when prices for farm goods plummeted after WWI. The act contains two key provisions: it permits farmers to collectively market their products, which, in the absence of such an enabling provision, could result in antitrust action against them, and it protects the general public against the possibility of undue price enhancement as a result of any monopoly position that a group of producers could legally achieve by getting together. The act pertains to agricultural producers specifically, and while it sets the framework for other businesses to establish co-ops if they prove advantageous to the public, other businesses are still viewed as potential monopolies.

11. John Curl, *For All the People: Uncovering the Hidden History of Cooperation, Cooperative Movements, and Communalism in America* (Oakland: PM Press, 2009), 544.

12. See, for example, James Sullivan, “List of top 100 co-ops in the USA released,” *Co-op News*, December 15, 2015, <https://www.thenews.coop/100093/sector/retail/list-top-100-co-ops-usa-released/>. Most are agricultural, groceries, utilities, and finance, but number nine on the list is ACE Hardware.

spend locally, co-ops strengthen their neighborhoods; at the global scale, co-ops connect workers to national and international worker/cooperative movements. If the traditional cooperative network brings together preexisting business co-ops (or those that function as such),⁹ the plan is to let the co-op network seduce firms into going farther, into a worker-owned cooperative firm.

As already mentioned, professional firms are not allowed to legally cooperativize because state regulators fear the mix of licensed and unlicensed individuals in one business entity. Co-ops were legalized because states understood the advantage of small farmers banding together to set standards for produce and for coordinating processing and distribution; but the states have been slow to see the advantages of expanding to other industries.¹⁰ Beyond agriculture, co-ops in retail, land management, and craft-based production are found in only five states: California, Texas, Colorado, North Carolina, and Massachusetts. Despite this, architecture firms can function as a co-op within other legal entities if the bylaws are shaped according to cooperative principles. Partnerships, limited liability companies, and S corporations can for the most part function like a true co-op minus the one person, one vote directive. Fitting cooperative bylaws into these standard businesses takes, once again, a lawyer, because adjusting a non-competitive model of business to a competitive frame is not obvious, and the goals of each firm are generally very specific.

Why Cooperativizing Small Firms Is Smart

The fact that true co-ops are rare in the US testifies to their outlier status in capitalism; antitrust laws fear collusion and monopolization when entities don’t compete. As historian John Curl has argued, capitalism has “always worked hard to weaken, discredit, and destroy [cooperatives] through waging price wars, enacting legislation that undercuts their viability, labeling them in the media as subversive and a failure, and using numerous other stratagems.”¹¹ Hence, small firms that pursue network and business cooperatives are not only making a better business plan but also nudging toward an escape from capitalism as we know it. There are numerous nonarchitectural co-ops in the US that fly under most radars but need to be acknowledged, supported, and built upon.¹²

In other words, the cooperativization of small firms is part of a larger existing movement to bypass forced, discipline-defeating competition. It is a movement spearheaded in part by lawyers who specialize in setting up cooperatives and

who share information specific to their respective states to advance a national movement. This group is now doing an in-depth study of the Cuban cooperatives. A group of California lawyers is pressing their state legislature to allow professionals to incorporate as co-ops and have asked the Architecture Lobby to join in this advocacy. The effort is also spearheaded by the numerous regional cooperative support groups that currently give advice for navigating all of the legal obstacles to cooperativization and would ideally direct those that are co-op-inclined to various sophisticated and accommodating co-op business models in the future.¹³

13. The Cooperative Development Institute is one of the most established in the Northeast. See also the National Cooperative Business Association and the International Cooperative Alliance.

14. For more on the regional possibilities of architectural co-ops, see "Socializing Practice."

15. Vera Zamagni, "Learning from Emilia Romagna's Cooperative Economy," interview by John Duda, *Next System Project*, February 18, 2016, <https://thenextsystem.org/learning-from-emilia-romagna>.

Of the four types of cooperatives, shared services co-ops are not discussed in this Architecture Lobby plan, but they should not be forgotten. Architecture firms could operate as catalysts for cooperating with other community services, such as schools, libraries, grocery stores, point-of-service health care, and energy companies, collectivizing a community, city, or region. Together, these cooperating co-ops could resist real estate development and preserve the ethos of the community's main actors. One can map an architectural narrative on top of inspiring examples such as Emilia-Romagna in Italy, where producer, consumer, and worker cooperatives coexist with social cooperatives to ensure that the region provides for its own needs without reliance on either the capitalist global market or a corrupt state.¹⁴ There is less a scaling up of various co-ops than an expansion of networks both horizontally and vertically, supported by complementary financial networks and strategic umbrella organizations. As the organizers of the Emilia-Romagna regional co-ops describe it, "Cooperatives do their best in services that have a high content of relations, or in sectors of production that rely heavily on traditions and differentiation, or in sectors where ownership is fragmented and the processing of the products must be joint."¹⁵ While the assumed enterprise here is agriculture, it describes the work of architects almost perfectly. We are all of these things and more, organizing as we do the spatial distribution of people and resources. We must grab these utopian but realistic reins.

Regardless of the scale at which a small firm might embrace cooperativization, there are clear practical, social, political, personal, and psychological advantages to our plan. We in the Architecture Lobby hope to assist as firms catch on to an alternate way of working that more accurately reflects the kind of structure we architects always assumed we would enjoy. Cooperativize! Join together! It is the way for small firms to not only survive but trump the system as well.

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