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The Meaning of Social Ownership, the Priority of Cooperativism, and the Unpleasant Need for Private Shareholding: A Reply to Claassen

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Abstract: This paper defends the model of Plural Cooperativism against criticism. Plural Cooperativism is a society-wide economic system of cooperative ownership that allows for limited private shareholding, counterbalanced by public shareholding and a more democratic reallocation of control rights, while universal inheritances enable broad-based investment in cooperatives. In response to Rutger Claassen's critique, the paper clarifies the normative foundations of social ownership and argues that cooperatives can serve a wide range of values beyond workplace democracy, especially when a public shareholder complements them. It further defends the focus on cooperatives against Claassen's proposal to rely more strongly on trust-owned firms, since the latter exhibit a structural deficit in workplace democracy and impose overly demanding altruistic requirements. Finally, it justifies the opportunity for private shareholding by addressing issues of entry costs, financing, and portfolio diversification, and it argues for a strong role of the public shareholder by showing that disinvestment threats from private shareholders persist under Plural Cooperativism.

Keywords: social ownership; plural cooperativism; cooperatives; foundation-owned companies; stock corporations; federal shareholder

1 Introduction

In my paper "Plural Cooperativism", I outline a society-wide economic system based on cooperative ownership that systematically integrates other forms of social

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ownership (Kuch 2025). It allows for limited private stock ownership, which is counterbalanced by public stock ownership, and it reallocates control rights over firm ownership more democratically. Each citizen also receives a universal inheritance, a substantial financial endowment, part of which is earmarked for exclusive use as a cooperative share or membership fee in the particular cooperative they are about to join. This system is unique because it differs clearly from traditional models of market socialism, where firms are usually financed in some way or another by public banks. Instead, it rests explicitly on cooperative ownership, where cooperatives are significantly financed by contributions from their members themselves. At the same time, this model also differs from traditional models of cooperative ownership, which usually focus on strengthening the cooperative sector but stop short of addressing the question of how to envision a fully cooperative economy.

Rutger Claassen (2025) has offered a thoughtful and constructive comment on "Plural Cooperativism", which gives me the opportunity to clarify open questions, reinforce arguments, and add important nuances. Claassen's comment proceeds in three steps, which I follow in my response. First, he offers general observations on the normative framework of Plural Cooperativism, where the concept of social ownership is grounded in the value of workplace democracy. He raises questions about other values beyond workplace democracy, and he seeks clarification regarding the precise meaning of social ownership. In a second step, Claassen questions the exclusive focus on cooperatives, instead of allowing a pluralism encompassing a wider range of corporate forms, especially trust-owned owned companies. In the final step, Claassen challenges the inclusion of private and public shareholding within a cooperativist framework. In what follows, I reconstruct his questions and objections at each step and seek to respond to them by answering his questions, countering his challenges, or refining my argument.

2 Workplace Democracy and Social Ownership

Claassen rightly notes that I see social ownership as a way to realize workplace democracy. He then raises the question of how other goals and values, such as sustainability or John Rawls's two principles of justice, fit into this view (Claassen 2025, 429). What if, he asks, these goals are better served by non-democratic firms, such as state-owned companies? I do indeed assume that workplace democracy is of the highest importance. But surely, highest importance does not mean exclusive importance. Still, it is difficult to see how there could be a straightforward, extensive list of other values and goals that would easily rank above it.

Claassen points to Rawls's two principles of justice, which is fair enough. The paper treats these directly, especially the values of personal autonomy and

efficiency, which are closely tied to them. I explicitly acknowledge that Plural Cooperativism places some limits on personal autonomy and entails certain efficiency losses. But that is not a concession that undermines the overall argument. The point is rather that "the limited and highly specified constraints on personal autonomy and economic efficiency under Plural Cooperativism are acceptable on the grounds that cultivating a sufficiently strong sense of justice depends on it" (Kuch 2025, 155).

As for other goals and values, it is not entirely clear what else is supposed to carry decisive weight here. Claassen mentions sustainability. My implicit assumption is that cooperatives perform reasonably well in this respect, and plausibly across a broader range of normative goals (Albanese 2024). They may not always be the best option, but they are also not clearly worse. And under Plural Cooperativism, the federal (or public) shareholder is systematically involved, which provides an institutional mechanism to ensure that other important goals beyond workplace democracy are taken into account.

Claassen objects that the concept of social ownership is conceptually vague in the paper (Claassen 2025, 429–30). He would draw a line between state ownership and social ownership, and he wonders what makes cooperative and trust ownership social, given that they are legally private. In my use of the term, social ownership is an umbrella term to cover a range of ownership forms, from cooperative ownership to trust or foundation ownership to state ownership. The common structural feature they share is that these are forms of ownership in which productive assets are not controlled by private owners who have both the possibility and structural incentives to pursue solely their own private interests. Instead, control lies with some collective entity (workers, trusts, municipalities, the state etc.) which is equipped with a commitment device that orient it toward the common good. This is true of cooperatives, systems of worker self-management, and publicly owned corporations, public ownership at various levels, and may be extended to certain forms of trust ownership. The collective entity's commitment device may take different forms, such as a cooperative's general assembly or a trust's board, where in each case, some form of institutionalized practice of justification aims to channel the collective entity's decisions toward the common good.

Surely, this doesn't mean that social ownership is always normatively positive, that the common good toward which it is oriented is in fact good. Conversely, the fact that private owners of businesses have both the possibility and the structural incentives to pursue their own private interests does not mean that this is all they care about. Some owners of private businesses certainly care for their employees, local communities, or other stakeholders. But this is a matter of happenstance, not structure. The institutional setup of private ownership always leaves open, and indeed incentivizes, acting primarily in pursuit of their own private benefits. This is driven both by the competitive pressures that the market system exerts, which

push owners to prioritize profit over other goals and values, and by the fact that private owners shoulder the risk of investing entirely on their own, which further sharpens their narrow focus on financial returns. It is true that cooperatives and other socially owned businesses also face competitive pressures. But in these forms of ownership, the risk of investment is borne collectively by many.

Note that shareholding in stock corporations should also be considered a non-social form of ownership, a form of private ownership in the exact sense just outlined. This holds true despite the fact that one might think that stock corporations closely resemble what Henry Hansmann terms "capital cooperatives" (Hansmann 1996, 12–6), that is, cooperatives not of producers or consumers but of investors. But the internal logic of stock corporations points in the opposite direction of cooperativism. Each shareholder faces a structural incentive to care about nothing other than return on investment. They are drawn into a narrowed focus on 'bare numbers', since it is difficult for them to know much about the corporation beyond share price or dividend payments. This tendency is most pronounced in the case of ETF-based investment, where individuals invest in thousands upon thousands of corporations in a scattershot fashion, which removes how any particular firm behaves from view. As a result, shareholders are typically incentivized to ask little more than whether a four or five percent dividend is preferable. This quantitative difference is immediately salient, whereas other factors – such as working conditions within firms – are much more difficult, if not impossible, to ascertain. As these recede from view while the bare numbers remain clearly in focus, shareholders are structurally induced to care primarily, if not exclusively, about share price or dividend payments. The group of shareholders, then, does not constitute a collective equipped with a commitment device oriented toward the common good. Rather, stock corporations attract aggregations of private actors, each structurally incentivized to attend only to their own private interest.

3 The Priority of Cooperativism Over Trust Ownership

Claassen questions the rationale for prioritizing worker cooperatives over other forms of social ownership (Claassen 2025, 430–1). He asks why, for example, trust ownership should not serve as the default economic model. The obvious objection is that companies owned by trusts or foundations tend not to be democratic, which is true for employee stock ownership plans (ESOPs) in the United States, employee ownership trusts (EOTs) in the United Kingdom, or Germany's proposal for a limited liability company with bound capital. Claassen notes that there are examples of trusts that are at least partially democratic, such as the John Lewis Partnership.

However, these cases remain exceptions, and for structural reasons. Enterprises owned by trusts or foundations fundamentally rely on substantial private wealth being donated to the trust, or on business owners willing to sell their companies to employees at an affordable price. This dependence on wealthy individuals or successful business owners makes it likely that they will use their influence to shape the trust or foundation according to their own preferences.

Claassen asks why I believe trust ownership (or, potentially, steward ownership) would be less capable of functioning as a generalized model than cooperatives. The answer seems obvious: in a system where private ownership of businesses is abolished, but both cooperative and trust ownership is allowed, it is far from clear why most individuals would be willing to act so altruistically as to renounce any real ownership claims, especially to the firm's earnings and capital value, as trust or steward ownership models require, or why enough individuals would donate sufficient resources to fund trust-owned firms. Cooperatives, by contrast, demand only a comparatively modest degree of altruism or a basic sense of justice, while still allowing members to retain ownership claims over the firm's earnings and value. Finally, it is worth noting that proposals making trust or steward ownership the mandatory default are, to my knowledge, simply nonexistent.

Claassen also asks why I do not give fuller consideration to greater institutional pluralism, in which cooperatives, trust-owned companies, and state-owned enterprises would "exist side-by-side" (Claassen 2025, 431). As noted, Plural Cooperativism does not exclude trust- or foundation-owned firms or state enterprises; it is compatible with an economic landscape in which multiple forms of social ownership coexist. Nevertheless, as I argued above, cooperative ownership should remain the dominant form, as it is best suited to provide a foundation for workplace democracy. But Claassen questions how cooperatives are meant to become the focal organizational form if public and trust ownership are also permitted. The basic answer is that this will happen quasi-naturally whenever some form of decentralized initiative to found enterprises is allowed.

I have already indicated why cooperatives will fare better than trust-owned companies when both are permitted. Expanding state ownership, on the other hand, does not occur naturally. It requires extensive public investment and coordinated political decision-making on a large scale. At present, there is little indication of broad support for such a project – not in the philosophical landscape, and much less among the broader public. Were such a shift to gain traction in public debate, I would reiterate that this "risks concentrating too much economic power in the hands of the state" (Kuch 2025, 140). Cooperative ownership, by contrast, aligns more naturally with decentralized initiative. Where private ownership is no longer available but entrepreneurial activity remains possible, it is typically far more feasible for individuals to establish a cooperative than to mobilize the political process

to induce the state (or another public body) to create a specific enterprise in a specific context – for example, a coffee shop around the corner. In this sense, cooperatives can be expected to emerge naturally as the default organizational form under conditions of Plural Cooperativism.

Claassen raises these questions about a broader role for trust-owned enterprises and other forms of social ownership also because he assumes that cooperatives face challenges that I may be underestimating. He cautions that cooperatives might give rise to significant inequality (Claassen 2025, 431). In capital-intensive sectors, cooperative membership could generate large income disparities relative to workers in labor-intensive firms, such as the fruit-growing and harvesting businesses mentioned by Claassen. Plural Cooperativism mitigates this concern in two main ways. First, because it explicitly allows for private shareholding, workers in relatively low-profit cooperatives can invest in shares of highly profitable, capital-intensive cooperatives and thereby share in the wealth generated in those sectors. Second, mandatory public shareholding further reduces cross-firm inequality: dividends accruing to the state from highly profitable cooperatives are redistributed according to democratically chosen principles of distributive justice, with an egalitarian baseline as the default, from which deviations would require explicit justification.

Claassen also objects that my focus on workplace democracy may be too worker-centric and therefore too narrow, arguing that focusing on workers as the relevant 'demos' may be insufficiently justified given the claims of other affected stakeholders (Claassen 2025, 431–2). He suggests that alternative governance structures, such as multistakeholder governance, might better represent broader interests. In response, Plural Cooperativism adopts workers as the primary demos because they alone are subject to the firm's hierarchical authority, which grounds their claim to democratic self-governance (González-Ricoy and Magaña 2024). This does not, however, exclude the possibility of stronger multistakeholder governance arrangements inspired by the all-affected principle – but only to a limited degree. Moreover, as noted, mandatory public shareholding helps ensure that "the public interest is asserted" (Kuch 2025, 151). In fact, under Plural Cooperativism, in each cooperative the public interest must be defended not only against the narrow interests of private shareholders but also against the dangers of group egoism among insulated cooperatives. Cooperatives might pursue their collective interests at the expense of other stakeholders or broader normative goals, such as sustainability, and it is at this point that the public (or federal) shareholder bears the responsibility of protecting the broader public interest.

4 The Role of Private Shareholding and Public Stock Ownership as a Counterbalance

Claassen questions why private shareholding should be allowed at all (Claassen 2025, 432–4). I should begin by emphasizing that I share Claassen's skepticism towards private shareholding and stock markets, including the more fundamental critique he raises in passing, namely that stock markets "basically extract more from companies than they invest, and that they exist more to allow first-generation entrepreneurs to exit (making their company liquid), than for the benefit of the company itself." (Claassen 2025, 434, fn 5) My own reservations about stock markets should by now be even clearer in light of my earlier diagnosis that stock markets tend to lead shareholders to a narrowed focus on bare numbers.

However, I still accept stock markets provisionally, on the assumption "that calling for their complete abolition carries a significant burden of proof, likely greater than the burden of proof for their provisional acceptance" (Kuch 2025, 143). I remain doubtful that Claassen's objections meet this burden, though I would welcome it wholeheartedly if they did. The overall logic of my argument is somewhat hypothetical: *Suppose* we had good reasons to accept stock markets – would that mean a fully cooperative economy is impossible? My answer is no: a fully cooperative economy is possible even with the continued existence of stock markets.

But the question remains: Do we have reasons to accept stock markets, at least provisionally? It should be noted at the outset that, if I understand him correctly, Claassen does not address the portfolio problem at all. This problem points to the danger of investing one's wealth in a single firm, the very firm in which one is also employed. Avoiding the portfolio problem is therefore an important reason for allowing stock markets and external shareholding. By permitting external shareholding, members of cooperatives are required to hold fewer cooperative shares; this frees part of their resources for investment elsewhere and thereby enables diversification.

Claassen (2025, 433) suggests that I overstate the problem of entry costs, since cooperative membership fees are often lower than assumed and could be financed through the universal inheritance (or citizen endowment). This is questionable. What about citizens who lost their universal inheritance in a failing cooperative and now need to finance the membership fee (or the mandatory cooperative share) themselves? One should also keep in mind that the possibility of wage labor in cooperative firms is explicitly allowed under Plural Cooperativism, and this is so for good (liberal) reasons of freedom of choice, especially for young people. (Wage labor is permitted only up to a certain limit, say 10 percent of a cooperative's workforce, but

the real possibility for wage labor still exists.) If it is indeed justified to allow wage labor in some form, an internal tension arises.

The very availability of wage labor creates a motivational barrier to cooperative membership, since the obligation to pay membership fees becomes significantly more demanding as the opportunity costs increase. This tension is illustrated by Claassen's own example. He notes that, in Mondragon, the required cooperative share can be paid as a deduction from one's wage over a period of five years, although it may amount to the equivalent of a full annual salary at the lowest pay scale (Claassen 2025, 433). However, what this means in practice is quite stark: Individuals are effectively confronted with a choice between engaging in wage labor at a decent income level or entering a path where their wages are reduced by around 20 percent each month for five consecutive years. Unsurprisingly, such a requirement is likely to create a substantial deterrent effect. Before this backdrop it becomes clearer why allowing private shareholding benefits cooperatives and its members themselves: it brings cash into the cooperative and thus reduces the need to raise capital mainly through cooperative shares financed by members.

Claassen (2025, 433) also argues that the financing challenges I attribute to cooperatives are overstated, since each individual enters Plural Cooperativism with a substantial universal inheritance that helps fund the cooperatives. At the same time, individuals are not in a position to opt out of the cooperative system entirely but are limited to choosing between different cooperatives. When this built-in financial capacity is combined with the considerable support provided by public banks, Claassen concludes that it becomes uncertain whether cooperatives would face any serious financing constraints at all.

This claim is also disputable, as it underestimates the need for investment capital in highly capital-intensive firms or in cases where rapid, large-scale investments are required. Claassen points to the financing structure of Mondragon as an example of how cooperatives can secure funding (Claassen 2025, 433). However, research cited by Dow shows that Mondragon's membership fee covers only about 20 percent of the investment cost per new worker (Dow 2003, 59), despite the relatively high fees. Fortunately, the Mondragon cooperatives receive strong credit support from the Caja Laboral, the credit union within the Mondragon network. This situation is not fundamentally different from what one might expect under Plural Cooperativism: Even with significant membership contributions, individual fees may be insufficient to fully finance their workplaces, and it is highly questionable whether strong public banks could easily make up the financing gap, which at Mondragon amounts to a staggering 80 percent per job.

There is another financing issue that Claassen mentions himself, but only in passing in a footnote: the need to scale quickly through venture capital injections. But he contends that this is only problematic for cooperatives in a capitalist context:

"Cooperatives cannot rely on slow, organic growth paid out of retained earnings in a competition where capitalist firms can scale up quickly through venture capitalist injections of capital. However, this too would not be a problem in Plural Cooperativism, where standard business corporations are prohibited" (Claassen 2025, 433, fn 4). This observation is true and false at the same time. It is true that, without competitive pressures from standard business corporations, cooperatives would not face the same incentive to scale rapidly. Yet Claassen's claim overlooks the fact that, even absent such competition, there can be strong normative reasons to create an economic context that encourages cooperatives to grow rapidly through substantial investment, for example, to make new but costly technologies accessible to all, such as innovative vaccines. In these cases, relying solely on membership fees and public banks could prove insufficient, which means that capital constraints remain a relevant concern even under Plural Cooperativism. Consequently, the financing argument in favor of allowing private shareholding retains its force.

Finally, we should recall that Claassen's own objections gave rise to counterarguments that highlighted additional reasons for the important role of stock markets – notably the argument that the possibility of private shareholding reduces inequality between cooperatives. In conclusion, while Claassen raises important points, my counterarguments indicate that, whether we like it or not, private shareholding and stock markets will likely remain crucial for supporting a fully cooperative economy.

Another counterargument from Claassen concerns the public (or federal) shareholder, its overall role under Plural Cooperativism, and its source of financing in particular (Claassen 2025, 434). Regarding financing, Corneo (2016) proposes that the public shareholder can be funded through public borrowing, which is usually available at very low interest rates, with the resulting debt repaid from dividends earned on its equity holdings in companies, dividends that are frequently many times higher than the interest costs.

Claassen, however, questions the importance of the public shareholder, particularly its supposed function in counterbalancing the power of private shareholders. He claims that their power is already counterbalanced by the majority control that the members of the cooperative enjoy in corporate governance, and he questions whether the threat of shareholder disinvestment is still significant under Plural Cooperativism.

While it is true that under Plural Cooperativism individual shareholders cannot collectively terminate the firm and can only sell their shares to other shareholders, this does not eliminate the threat of disinvestment to a sufficient degree. Suppose 40 % of a cooperative's equity is held by private shareholders, counterbalanced by 40 % held by the public shareholder. Without the public shareholder, the cooperative would either have 40 % less equity or be forced to allow more private equity. The first option strongly limits necessary investments, which is unattractive

for normative reasons, while the latter option reintroduces the threat of disinvestment. Even if shares can only be sold to other investors, this can still lead to substantial value loss, which in turn affects creditworthiness. This is particularly relevant for capital-intensive industries, where debt is often twice as high as equity, which makes firms highly sensitive to changes in their capital structure.

Claassen argues that strong public banks could assess the creditworthiness of cooperatives under disinvestment pressure independently. This may be true to a certain extent, and they may judge cooperatives more benevolently than commercial banks. But in any case, the problem with relying too strongly on bank loans is that access to credit can become immediately critical, and the rejection of new loans may quickly push a cooperative into insolvency.

Another advantage of including a public shareholder is that it is involved in the ongoing operation of the business, in contrast to public banks, which simply assess creditworthiness after the fact, as it were. The public shareholder provides not only funds for necessary investments but also guidance that supports sustainable growth. Finally, we should recall that Claassen's own objections prompted counterarguments that emphasized further reasons for the importance of the public shareholder. As mentioned above, the public shareholder helps equalize cross-firm inequalities, and as also noted earlier, the public shareholder is important to make sure that other important goals beyond workplace democracy are taken into account in governing cooperative firms.

Looking back at the overall dialogue with Claassen, I won't hide my pleasure in engaging with a critical friend who combines warmth of tone with critical sharpness. The exchange was productive, marked by careful reading and thoughtful reconstruction of arguments, alongside remarkable clarity and incisiveness in critique. It clarified open questions and paved the way for further reflection. I hope the dialogue continues, and I look forward to Claassen's vision of a social ownership democracy and his ideas for generalizing social ownership.

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