

THE LAURA FLANDERS SHOW

THIS NEW COOPERATIVE BUSINESS MODEL COULD CHANGE EVERYTHING

LAURA FLANDERS: Apple, Amazon, Google. Today's biggest monopoly businesses were once just some founder's idea. Then they followed the fairly typical path from toiling in the proverbial garage to success by going public, prioritizing shareholders, and if not becoming a giant conglomerate, then selling to one. But depending on who the founders of a business are, that may not always be the original intention. Our guests today say that this conventional path to business success is desperately in need of an overhaul. Why must new and innovative ideas come to market through old and undemocratic platforms? What if rather than selling out, successful startups became community assets that put ownership and governance in the hands of workers, even consumers? Could the startup then become a means of building community wealth, collective power, and accountability over our technology? Could the new business model that we're talking about change the way we do just about everything? Our guests today say, "Yes, it can!" But before we go to those conversations, to give you an idea of what this project entails, here's a piece created for us about their work by the Meerkat Media Collective.

PIA MANCINI: I'm just not interested in traditional startup. I don't want to spend my life growing for growth's sake. I come from a generation from the Occupy Wall Street Movement, Movimiento 15-M, the students in Chile, that's where my activism started. It was very easy to get folks out on the street and protest against what we were seeing. There is a lot of value in that, but unless we figure out what we want, then all the fight is gonna be pointless because what are we gonna build? I think Open Collective is this alternative that we are building. So Open Collective is a platform that helps communities unlock access to money that otherwise they wouldn't be able to access. So if you are a group and you are pooling money together to support your neighbors, say, for example, during the pandemic, where do you put that money? Do you take that money personally in your own bank account? How'd you manage that, right? There's issues with trust and also there's issues with taxes for the person who's receiving the money. So Open Collective solves that problem with the Open Collective platform, plus a fiscal host that gives a business bank account where these groups can put the money. In order to do the type of work that we do, that is to invest in creating a tech platform, it takes a fair amount of money to do that and often not-for-profits, is very difficult for them to get grants to invest in technology. It's very important for us that we maintain this independence. The majority of the company is in the hands of the founders and the employees. And that was a very clear signal to our investors that if they were gonna invest in Open Collective, it wasn't on a company that we were gonna grow and flip in four years and sell to another

company. That wasn't the goal. So when we set out to fundraise, that already took away half of the potential investors off the table. And so it made the conversation a lot easier with the ones who still wanted to support what we were doing. And we raised half a million dollars. We raised a very small round in the middle and so that was like \$300,000, and then we decided finally after a lot of struggling and concentration, we decided to raise what is called a proper seed round, and we raised \$2 million. Open Collective operates as a collective itself. And we are an amazing team of folks distributed around the world from British Columbia all the way to New Zealand, and you stop in Mexico, California, and New York, Europe, and Nigeria, and India. We want to grow what's needed for this community, not just numbers on a spreadsheet. That's what gets me going every morning, knowing that we are building infrastructure for the commons.

LAURA FLANDERS: Pia Mancini is the person speaking throughout that piece. She is co-founder and CEO of Open Collective.

PIA MANCINI: I spent most of my life working in politics until 2015 when we started Open Collective. We were coming from this feeling that the institutions that we have are completely out of sync with the society that we live in. We need to update democracy, we need to update our political institutions for the type of society that we have today. Our financial system is designed for corporations that compete in a scarcity-driven economy, because before collaboration needed to be kind of created, right? So we have the firm so we could efficiently lower the transactional costs of collaborating. But the world changed. Now we are contributing online, we collaborate online, we breathe open source, we share the product of our creativity, and we do that with people we've never met and we will never meet face to face. And so communities are stuck in this situation where they cannot get funding because they are not what the current system understands are organizational structures.

LAURA FLANDERS: Nathan Schneider is assistant professor of media studies at the University of Colorado Boulder, where he leads the Media Enterprise Design Lab. He's a journalist and author who covers the intersections of emerging digital platforms, cooperative economics, and media.

NATHAN SCHNEIDER: I came into questions of shared ownership really through my work as a reporter on social movements, and realized that a really essential part about how successful movements create change is by building alternatives. The cooperative movement became a big part of that for me, it's something that you all cover so well here. And in particular, in recent years, I've been wrestling with the challenge of how to bring that old cooperative movement of economic democracy into the online economy, into digital media.

LAURA FLANDERS: So you and I, I think first crossed paths, yes, in reporting on co-ops, in reporting on this new vision or fresh take of a vision of an economy that was more cooperative and open coming out of Occupy, would that be about right?

NATHAN SCHNEIDER: Yeah, you know, I really got into covering the cooperative movement just by following people who had been Occupy Wall Street activists. At the same time, too, there were some other things starting to happen. There was this idea of a sharing economy emerging in the kind of Silicon Valley world, and then also at the same time, we started to see the rise of blockchain projects, which were exploring a new way of doing shared ownership of a sort online. So there've been a lot of pieces converging over the last few years.

LAURA FLANDERS: And what was the problem with some of those models, particularly the sharing economy model? The problem that this Open Collective type of a model and Exit to Community is trying to address.

NATHAN SCHNEIDER: Well, the sharing economy idea I think appealed to a lot of people in that it was, you know, let's waste less, let's share more, but what wasn't shared was the companies themselves. Uber might be helping us connect with each other and meet new people and find employment in a different way, but this company doesn't necessarily have those workers' interests at heart, for instance. And that kind of whetted I think a lot of people's appetites for something where the sharing was not only part of the product, but actually part of the structure of the company. So I worked on supporting this idea of platform cooperativism, trying to bring this cooperative model into the online economy so we end up with companies like The Drivers Cooperative in New York city that is a driver-owned company.

LAURA FLANDERS: Many of the people watching and listening may be familiar with having tried to start their own business, or their family did. The first pressure is where are you gonna get the money from if you're not individually wealthy? And then the problems just mount. And the traditional path, well, as you say, it's very traditional, you're stirring things up. How?

PIA MANCINI: So imagine you want to pool money together to work on a project that has impact, whether that's a mutual aid group, that's a bail fund, that's an open source project, it's something that you wanna do with your peers in a way where you're all collaborating and you're all sharing. The first thing is we need money. Great, so you go out and you want to fundraise, and you start getting traction and people are like, wait, wait, where can I send money? I wanna support you. You're like, uh, my personal bank account? My work bank account? Maybe not? You need a collective bank account that lets you operate in full transparency without having to have the burden of having an institutional, like a legal entity to do the work you do, because it's overkill.

LAURA FLANDERS: So what have you created?

PIA MANCINI: Imagine accessing not-for-profit status overnight, right? Instead of having to spend two years filing for 501 status with the IRS, boom, we'll give you a fiscal sponsorship as a service, we get you onboarded to the Open Collective platform. The Open Collective foundation receives the money for you and handles all the boring bits, really kind of catalyzing so much social power out there for the solidarity economy, for the open source world, for all of these spaces that are blocked, are blocked because we're forcing them to be something that they're not.

LAURA FLANDERS: Lauren Ruffin is the co-founder of Crux, what she calls an immersive storytelling cooperative. She's also the former CEO of Fractured Atlas, the country's largest association of independent artists. She's currently also working with Open Collective on the Exit to Community model.

LAUREN RUFFIN: I think in the last, you know, 18 months, two years, five years, we've really seen a need to support folks who are doing mutual aid work, who are working in sort of really, really deeply rooted justice work in communities. And when you look at the commitment that many companies made to supporting, you know, organizations last year during the pandemic and after the sort of rise of, you know, after George Floyd's murder, that money never reached the groups doing the work on the ground. Because they did not have charitable status. But Open Collective solves that problem and that's why I'm passionate about their work.

LAURA FLANDERS: So if I were trying to start a mutual aid fund to support, I don't know, farm workers in my community, and I didn't want it to live forever, I didn't wanna have a board, I didn't wanna have to start fundraising for an institutional overhead structure, what would I do?

LAUREN RUFFIN: I think Open Collective is that solution for you. You can do it all on the website and web app. We've got a fantastic onboarding process, you get a lot of support, and moving down the line we're really gonna be thinking about how can we really smooth cashflow issues? How can we really increase transparency? How can we sort of build tech and build a workflow that allows groups to work together? And you know, in the United States in particular, there's so much isolation in rural communities and in Black and Brown communities, there just isn't a lot of access to resources. Even increasing that visibility in terms of being able to crowdfund and being connected to larger networks is super, super important. It's not a quick fix, but it is a really, really solid solution and a great step on that pathway to justice.

LAURA FLANDERS: Take our audiences through the kind of conventional path for a startup or a beginning business online. Where are the stumbling blocks for those who wanna do things differently in the way that you describe?

NATHAN SCHNEIDER: Startups are very risky. A lot of them don't succeed. And the way that the startup ecosystem so far has dealt with that risk is through venture capital. Through essentially selling off companies to investors so that investors take on a whole bunch of risky deals. And their goal is that a few of them work out really, really, really well, and they get to have a big chunk of a huge monopoly as a result. We're starting to recognize some of the deep problems of that model. We end up with these rapacious monopolies that kind of can't be stopped and that grow at all costs. What we need, I think, is another kind of strategy. And we really need a new set of tools to enable companies as they mature, as they really become essential pieces of our lives, of our digital economy, to become community-owned by whoever really relies on them the most.

LAURA FLANDERS: Why is this different from something like a credit union?

NATHAN SCHNEIDER: It's a similar destination. A credit union is a cooperative financial institution that's owned by the people it serves and that's fantastic. But the credit union model grew on the basis of replication. It grew at a time, you know, the models that really instantiated in US law in the 1930s at a time where you had local banks all over the country and you basically had a model and you could just replicate it wherever you went. Today in a digital economy where you could have one business that serves the entire country or beyond, you have to have a strategy that's able to recognize that every new startup is in many ways trying something new.

LAURA FLANDERS: Give us an example. I mean, maybe two examples. One of the typical way of business goes, and one of the sort of project that you believe will benefit from Open Collective, or maybe already is.

LAUREN RUFFIN: So BET is actually a great example of an organization that has sort of lost its way. In my opinion. I learned yesterday that their current president sits on the board of the New York Police Foundation. But I think your traditional organizations are just about scale. I think the folks who run it forget to really ask, What is our real mission? Who are we really benefiting? Who are our ultimate consumers? Who do we really care about? When you're in the Open Collective model, because it's open source software, because we're typically working with mutual aid groups, folks who are really talking about how do you root everything you do in justice and democratic governance, it's a lot harder to lose your way when you have that many voices. And there's a level of accountability in that network and in those relationships, because at some point, if someone begins to sort of go that route that's a little bit too scaly, too capitalistic, let's bring some venture dollars in, someone's gonna raise a flag.

LAURA FLANDERS: So give us an example of a company or a startup that is following this alternative model, this alternative path.

NATHAN SCHNEIDER: One is a family business here in Colorado called Hacker News, kind of a news website for techies. And they were trying to get off Medium, which is where they initially built the business. And they had very successful business. They were approached by investors who wanted to buy a chunk of it in order to finance the development of a new platform, but they wanted to keep control. And so they launched an equity crowdfunding campaign and actually used ownership through their community to raise \$1 million from people who just loved the platform. Confession, I'm one of them. And they built a platform, a new platform, with those funds. And finally, we see examples like a project in the cryptocurrency space called Gitcoin, which is a kind of funding platform for cryptocurrency projects. And that has recently, this past summer, released a token that is essentially distributed ownership of the company, of the project, outside a company, into the community of users who are relying on it.

LAURA FLANDERS: Let's talk a little bit about Exit to Community. You talked about businesses with their, you know, business founders with their mindset on exit, meaning typically selling out usually to some entity bigger and richer than themselves and leaving the business. Your idea of exit for founders or founding groups is different. Can you explain how, and how Exit to Community works?

LAUREN RUFFIN: Exit to Community provides an opportunity whereby your community, meaning, the folks if you-- Let's take a restaurant. If you own a restaurant and you decide, hey, I wanna retire. The chances of a large business, of McDonald's coming in and saying, hey, I wanna buy Mom and Pop's Pizza Shop, nonexistent. The only thing you do is sort of cut your losses or maybe you can sell the business to an individual. But what if you sold that business to the patrons who'd been coming there and bringing their families there for 40 years? That's all Exit to Community is.

PIA MANCINI: If you take a really long view on your business, on the impact of your project, then you need to think, how's the project gonna survive me? Traditionally, startups have two paths for exit. They either get sold to Amazon, Facebook, or what have you, or they go public in an IPO. Because we are fearless, we are trying to do a different path that is called Exit to Community. We want to find a way for community ownership of Open Collective, because we believe that the tech should be owned by the community it serves.

LAURA FLANDERS: We have an idea of public ownership. Particularly in the 20th century, we saw companies that provided utility services, everything from water and electricity to, at the end of the century, broadband, owned publicly. How is this different? Aren't you in a sense kind of re-inventing that for the 21st century?

PIA MANCINI: We want the community to own this, not the government to own the technology. I think that's a big difference. So I guess in a sense we are reinventing this because again, that type of public ownership structures were originated in a time where that was the only option, right? How on earth were you going to structure multiple stakeholder ownership of the hundreds of thousands of people? It's just impossible, right? But now that's not impossible anymore. Now we have the tools to ensure ownership by thousands of people.

NATHAN SCHNEIDER: When the government wanted to enable more people, unfortunately along very racist and exclusionary lines, to access housing ownership, they created the infrastructure of what's now Fannie Mae, Freddie Mac. A public insurance pool that supports a private market. I think something similar along the line for many more kinds of activities is called for, something that enables groups of people, whether they're employees wanting to buy the business where they work, or people in a rural community or an urban community who lack affordable broadband access and wanna build their own broadband network, a pool like that could help secure those kinds of models and enable the economy to support them.

LAURA FLANDERS: What do you say to people that listen to this and they say, okay, well that's very well, all well and good, but I worked really hard for my company, I worked really hard for my startup, I built a business and, you know, I provide a service to my customers, isn't that enough?

NATHAN SCHNEIDER: Well, what's interesting is how founders really seem to be embracing this. They actually often recognize that the future success of what they built depends on the loyalty and relationship with those core stakeholders.

LAURA FLANDERS: I'm reminded of the story of Ben and Jerry's, which I'm sure you know, where the owners felt like they kind of lost control of their project.

NATHAN SCHNEIDER: Ben and Jerry are people who've been more public about that. There are many, many more founders of successful companies you know who, you know, I've heard in private contexts say the same thing, say that "I didn't build this for the outcome that we got." And that, for a lot of these founders doing these kinds of things now, is a huge motivation. The problem is if you're trying to do things with shared ownership with cooperative models, the space is highly constrained. It's almost like our political system is afraid of the power of cooperative ownership. And even though it's worked very, very well in the sectors that it's been enabled in, we don't have policy to support people actually using this model creatively. Shared ownership should be an engine of creativity, of imagination, of innovation.

LAURA FLANDERS: Your tools are, as you said, designed and operated with a view to a specifically, I think, racial, gender, economic justice. How so? What does that actually look like?

LAUREN RUFFIN: There's an onboarding process that makes a lot of sense. The onboarding process is done by people who come from the communities that we wanna serve. Again, recognizing that assets are already within those communities. But we're just a tool, we're not saviors. And there's a fair amount of just community building and listening that happens. That typically doesn't happen. I feel like a lot of large tech companies are afraid of their consumer base. But we have, it was really interesting joining and realizing that like, we have an open Slack channel where all of our collectives are on there. It really does make a difference when you're talking about creating safe spaces for folks.

PIA MANCINI: The only thing that is gonna change reality are new models, are building alternative systems. And so when I look back, the thing that joins the dots in my life has to do with building alternatives. Really thinking about what are the new institutions that we want, what other alternatives do we have? How do we build around this mess and create something that we can really use to propel us forward?

LAURA FLANDERS: The Great Resignation, so-called, slowed a bit in October, but 4.2 million Americans still quit their jobs. The whole phenomenon of workers leaving the workforce, even as wages and opportunities abound has economists befuddled. And it reminds me of a discussion that took place in the 1850s in England when Karl Marx took to task the British Economist magazine. At the time the population was down a bit and wages were about 10% up. "It all presented a golden opportunity," wrote The Economist, for workers to work harder, save more and assume a place in the capitalist class. "But that's not what they were doing," The Economist wrote, aghast. Instead workers were marrying and multiplying and living a more, rather than less, luxurious life. Fast-forward to now and Bloomberg News reports that the American phenomena is not just here. It's also in Japan and in Germany, in China. They consulted an anthropologist who said it might be rational concerns about COVID, or it could be a shift back to something like the 1960s counter-cultural moment. Well if we're gonna have a cultural shift, let's go back further than that. Back 200 years, perhaps, to Marx's day when people were debating the very concept of waged work. Since that time, work has become entirely separated from home and paid labor has taken up more and more of our hours, our energy, and our sense of ourselves. Is something shifting? Well, perhaps. The Reddit website has a site called Antiwork. Last time I looked it had 1.3 million members considering how to live without working for a boss. Will those numbers multiply? I don't know, but I'll keep an eye on it. I'm Laura, 'til the next time, stay kind, stay curious, and thanks for joining us.

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