Economic Democracy

Economic democracy

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Economic democracy is a socioeconomic philosophy that proposes to shift decision-making power from corporate shareholders to a larger group of public stakeholders that includes workers, customers, suppliers, neighbors and the broader public. No single definition or approach encompasses economic democracy, but most proponents claim that modern property relations externalize costs, subordinate the general well-being to private profit, and deny the polity a democratic voice in economic policy decisions.[1] In addition to these moral concerns, economic democracy makes practical claims, such as that it can compensate for capitalism's claimedly inherent effective demand gap.[2]

Classical liberals argue that ownership and control over the means of production belongs to individuals and firms and can only be sustained by means of consumer choice, exercised daily in the marketplace.[3] "The capitalistic social order", they claim, therefore, "is an economic democracy in the strictest sense of the word".[4] Critics of this claim point out that consumers only vote on the value of the *product* when they make a purchase; they are not voting on who should own the means of production, on who can keep profits or on the resulting income distribution.

Proponents of economic democracy generally argue that modern capitalism tends to hinder or prevent society from earning enough income to purchase its output production.Corporate monopoly of common resources typically creates artificial scarcity, resulting in socio-economic imbalances that restrict workers from access to economic opportunity and diminish consumer purchasing power.[5][6] Economic democracy has been proposed as a component of larger socioeconomic ideologies, as a stand-alone theory, and as a variety of reform agendas. For example, as a means to securing full economic rights, it opens a path to full political rights, defined as including the former.[1] Both market and non-market theories of economic democracy have been proposed. As a reform agenda, supporting theories and real-world examples range from decentralization and economic liberalization to democratic cooperatives, fair trade, and the regionalization of food production and currency.

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[edit] Deficiency of effective demand

In chapter 3 of his book, "Community Organizing: Theory and Practice", Douglas P. Biklen discusses a variety of perspectives on "The Making of Social Problems". One of those views suggests that "writers and organizers who define social problems in terms of social and economic democracy see problems not as the experiences of poor people, but as the relationship of poverty to wealth and exploitation". Biklen states that, according to this viewpoint:

"[C]orporate power, upper class power, uneven distribution of wealth and prejudice cause social problems... [T]he problem is not one of poverty, but of enormous wealth. The problem is not one of gaps or cracks in an otherwise fine system but of a system which perpetuates prejudicial views concerning race, sex, age, and disability. The problem is not one of incompetence but of barriers to education, jobs, and power. Accordingly, as long as there is a deep gulf between social classes, both in terms of wealth, power, and outlook, traditional social programs will act merely as palliatives to oppression and not as a way of ending large scale human misery. This perspective is, above all, eclectic. It embraces Marx's criticism of social class inequality but is not only a social class analysis. It is anti-racist, but it is not only a theory of race equality. It favors democratic distribution of power but is also an economic theory. It can be called a social and economic democracy perspective." [7]

According to many analysts, the most fundamental economic problem is that modern society does not earn enough income to purchase its output. For example, Geographer David Harvey claims, "Workers spending their wages is one source of effective demand, but the total wage bill is always less than the total capital in circulation (otherwise there would be no profit), so the purchase of wage goods that sustain daily life (even with a suburban lifestyle) is never sufficient for the profitable sale of the total output."[2] While balanced mixed economies have existed briefly throughout history, veteran Project Manager for the U.S. Treasury Department, Richard C. Cook, and other critics claim that command economies are predominate, citing state capitalism and imperialism as related. As common resources are monopolized by imperial centers of wealth and power, conditions of scarcity are imposed artificially upon the majority, resulting in large-scale socio-economic imbalance.[6]

In the Georgist view of any economic system, "wealth" includes all material things produced by labor for the satisfaction of human desires and having exchange value.Land, labor and capital are generally considered the essential factors in producing wealth. Land includes all natural opportunities and forces. Labor includes all human exertion. Capital includes the portion of wealth devoted to producing more wealth. While the income of any individual might include proceeds from any combination of these three sources—land, labor, and capital are generally considered mutually exclusive factors in economic models of the production and distribution of wealth. According to Henry George, "People seek to satisfy their desires with the least exertion".[5] Human beings interact with nature to produce goods and services that other human beings need or desire. The laws and customs that govern the relationships among these entities constitute the economic structure of a given society.

Alternately, David Schweickart asserts in his book, *After Capitalism*: "The structure of a capitalist society consists of three basic components:

- "The bulk of the means of production are privately owned, either directly by individuals or by corporations that are themselves owned by private individuals.
- "that is to say, goods and services are bought and sold at prices determined for the most part by competition and not by some governmental pricing authority. Individual enterprises compete with one another in providing goods and services to consumers, each enterprise trying to make a profit. This competition is the primary determinant of prices.
- "Most of the people who work for pay in this society work for other people, who own the means of production. Most working people are 'wage labourers'."[8]

While supply and demand are generally accepted as market functions for establishing prices, the present financial price system is not self-liquidating.[9] Corporate firms typically endeavor to 1) minimize the cost of production; 2) increase sales; in order to 3) maximize profits. But, according to David Schweickart, if "those who produce the goods and services of society are paid less than their productive contribution", then as consumers they cannot buy all the goods produced, and investor confidence tends to decline, triggering declines in production and employment. Such economic instability stems from a central contradiction: Wages are both a cost of production and an essential source of effective demand (needs or desires backed with purchasing power) [10], resulting in deficiency of effective demand.

[edit] Savings, investment, and unemployment

In his 1879 book *Progress and Poverty*, George argued that a majority of wealth created in a "free market" economy was appropriated by land owners and monopolists through economic rents, and that concentration of such unearned wealth was the root cause of poverty.[11] "Behind the abstraction known as 'the market' lurks a set of institutions designed to maximize the wealth and power of the most privileged group of people in the world—the creditor-rentier class of the first world and their junior partners in the third".[12] Schweickart claimed that private savings are not only unnecessary for economic growth, they are often harmful to the overall economy.[13]

In an advanced industrial society, business credit is necessary for a healthy economy. A business that wants to expand production needs to command the labor of others, and money is the default mechanism for exercising this authority.[14] It is often cheaper for a business to borrow capital from a bank than to stockpile cash. This was the purpose of the state banking system in the U.S. prior to the Civil War. For a modern industrial firm a considerable amount of earnings must be retained in order to invest in future improvements.[15]

If private savings are loaned out to entrepreneurs who use them to buy raw materials and hire workers, then aggregate demand is not reduced.[16] However, when private savings are not reinvested, the whole economy suffers recession, unemployment, and the eventual disappearance of excess savings. [17] By assuming that producers immediately spend the money they receive as the price for goods and services, Say's Law overlooks the key fact of retained earnings, which do not necessarily result in new spending. For a variety of reasons, most notably the necessity of retained earnings and the inclusion in prices of the costs of borrowing, sufficient income is never returned to the producing economy in order for people to purchase what can be manufactured.[15]

In this view, unemployment is not an aberration, indicating any sort of systemic malfunction. Rather, unemployment is a necessary structural feature of capitalism, intended to discipline the workforce. If unemployment is too low, workers make wage demands that either cuts into profits to an extent that jeopardizes future investment, or are passed on to consumers, thus generating inflationary instability. Schweickart suggested, "Capitalism cannot be a full-employment economy, except in the very short term. For unemployment is the "invisible hand"—carrying a stick—that keeps the workforce in line."[18] In this view, Adam Smith's "invisible hand" (market forces) does not seem reliable to guide economic forces on a large scale.[19]

Assuming business credit could come from public sources rather than from private savers, Schweickart and other analysts consider interest payments to private savers both undeserved and unnecessary for economic growth. Moreover, the personal decision to save rather than consume decreases aggregate demand, increases the likelihood of unemployment, and exacerbates the tendency toward economic stagnation. Since wealthy people tend to save more than poor people, the propensity of an economy to slump because of excess saving becomes ever more acute as a society becomes more affluent.[20] Richard Wilkinson and Kate Pickett suggested that health and social problems are significantly worse in more unequal wealthy nations.[21] They argue that there are "pernicious effects that inequality has on societies: eroding trust, increasing anxiety and illness, (and) encouraging excessive consumption"[22]

[edit] Monopoly power versus purchasing power

Regarding a social and economic democracy perspective on social problems, Douglas P. Biklen states:

"The theme of profit superseding individual well-being flows through this antimonopoly view of social problems. On the one hand, poor and middle income people find their lives deformed by their meager or nonexistent ability to pay for goods and services. Wealthy people, on the other hand, find that their relative position, in terms of wealth and power, grows with their ability to maintain the gulf between social classes. Thus monopolies or concentrated wealth plays a large part in creating social problems. Indeed, one might say, monopolies and policies which promote the former or concentrations of wealth are the problem." [23]

The discipline of economics is largely a study of scarcity management; "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses". [24] Absent scarcity and alternative uses of available resources, many analysts claim there is no economic problem". For example, Richard C. Cook asserts that conditions of scarcity are artificially maintained by corporate structures that confine abundance to an exclusively entitled minority. In this view, socio-economic imbalance stems not from a failure to manage limited resources in a world of scarcity, but from mismanagement of virtually unlimited abundance and prosperity.[6] American businessman Edward Kellogg (1790–1858) supports this perspective in his 1849 book, *Labor and Other Capital*, where he states:

Money power is not only the most governing and influential, but it is also the most unjust and deceitful of all earthly powers. It entails upon millions excessive toil, poverty and want, while it keeps them ignorant of the cause of their sufferings; for, with their tacit consent, it silently transfers a large share of their earnings into the hands of others, who have never lifted a finger to perform any productive labor.[25]

While he considers these functions a public wrong, Kellogg also asserted the responsibility of the public to find and implement a remedy. Generally considered monopoly power, some view this "public wrong" as the most influential factor in artificial scarcity. For example, Henry George further suggested:

There is in reality no conflict between labor and capital; the true conflict is between labor and monopoly... Abolish the monopoly that forbids men to employ themselves and capital could not possibly oppress labor... [R]emove the cause of that injustice which deprives the laborer of the capital his toil creates and the sharp distinction between capitalist and laborer would, in fact, cease to exist".[26]

John Locke introduced, Adam Smith developed and later Karl Marx endorsed the labor theory of value, arguing that labor is the fundamental source of value. In these terms, "money is first, and foremost, a contract against another person's labor. Except for wealth produced by nature, value is properly a measure of the time and quality of all productive labor spent producing a product or service. If the difference between the payment received for productive labor and the price paid by the consumer for a product or service is greater than fair value for expediting that trade, either the producer was underpaid, the final consumer was overcharged, or both. When intermediaries underpay producers or overcharge consumers, they are siphoning away the production of the labors of one or the other, or both."[27][28]

For example, many analysts consider invention a "more or less costless store of knowledge, captured by monopoly capital and protected in order to make it secret and a 'rare and scarce commodity', for sale at monopoly prices. So far as invention is concerned, a price is put on them not because they are scarce but in order to make them scarce to those who want to use them."[29][30][31] Patent monopolies raise share prices above tangible labor value. The difference between labor-value and monopoly-value raises goods prices, and is collected as "profit" by intermediaries who have contributed nothing to earn it.[32]

Under such conditions, analysts generally agree that labor does not earn enough to buy what enterprises produce. According to

Richard C. Cook, the difference between earnings and prices is typically appropriated by industrial and banking centers of capital through monopoly control of finance and other market resources. Such exclusive entitlement tends to artificially impose conditions of economic scarcity upon the majority of the population.[6] While the accelerating advance of technology, developed and maintained by labor, tends to generate abundance, this process depresses wages as workers are replaced by machines, ironically minimizing the purchasing power of workers in the market. [6] According to Jack Rasmus, author of *The Trillion Dollar Income Shift*, in June 2006, investment bank, Goldman Sachs, reported: "The most important contribution to the higher profit margins over the past five years has been a decline in Labor's share of national income." [33]

[edit] Enclosure of the commons

The term "land" typically denotes the "universe of natural opportunities" or "public utilities", generally known as the commons. Artificially restricted access of labor to common resources is generally considered monopoly or enclosure of the commons. Due to the economic imbalance inherently imposed, such monopoly structures tend to be centrally dictated by law, and must be maintained by military force, trade agreements, or both.[34]

In 1911, American journalist Ambrose Bierce defined "land" as:

A part of the earth's surface, considered as property. The theory that land is property subject to private ownership and control is the foundation of modern society.... Carried to its logical conclusion, it means that some have the right to prevent others from living; for the right to own implies the right exclusively to occupy; and in fact laws of trespass are enacted wherever property in land is recognized. It follows that if the whole area of terra firma is owned by A, B and C, there will be no place for D, E, F and G to be born, or, born as trespassers, to exist".[35]

In *The Servile State* (1912), Hilaire Belloc referred to the Enclosures Movement when he said, "England was already captured by a wealthy oligarchy before the series of great industrial discoveries began". If you sought the accumulated wealth preliminary to launching new industry, "you had to turn to the class which had already monopolized the bulk of the means of production in England. The rich men alone could furnish you with those supplies". [36]

According to Peter Barnes, author of *Capitalism 3.0*, when Adam Smith wrote *The Wealth of Nations* in 1776, the dominant form of business was partnership, in which regional groups of co-workers ran co-owned businesses. From this perspective, many considered the corporate model—stock sold to strangers—inherently prone to fraud. While numerous scandals historically support this dim view of corporate policy, small partnerships could not possibly compete with the aggregate capital generated by corporate economies of scale. The greatest advantage of corporations over any other business model is their ability to raise capital from strangers. The corporate model benefits from laws that limit stockholders' liability to the amounts they have invested.[37]

In *A Preface To Economic Democracy*, Robert A. Dahl suggests that agrarian economy and society in the early United States "underwent a revolutionary transformation into a new system of commercial and industrial capitalism that automatically generated vast inequalities of wealth, income, status, and power." Dahl claims that such inequalities result from the "liberty to accumulate unlimited economic resources and to organize economic activity into hierarchically governed enterprises."[38]

[edit] The rise of corporations

According to author Greg MacLeod, the concept of the corporation originated in Roman times. However, "the modern business corporation evolved radically from its ancient roots into a form with little relation to the purpose as understood by historians of law." John Davis, a legal historian, noted that the precursor of the business corporation was the first monastery, established in the sixth century, the purpose of which was to serve society. Most business corporations before 1900 developed in Great Britain, where they were established by royal charter, with the expectation of contributions to society. Incorporation was a privilege granted in return for service to the crown or the nation. MacLeod goes on to say:

A corporation is considered by the law to exist as a legal person. In the Middle Ages it was called a "persona ficta". This is a very useful way of looking at a business corporation, because it suggests correctly that the corporate person has a certain personality. It has duties and responsibilities vested unto it by the legitimate government or society that fostered it. The corporate person receives great benefits from society – and, in return, it must exercise great responsibilities. One of the most basic responsibilities is job creation, a fundamental need in any society."[39]

By the mid-nineteenth century, corporations could live forever, engage in any legal activity, and merge with or acquire other corporations. In 1886, the U.S. Supreme Court legally recognized corporations as “persons”, entitled under the Fourteenth Amendment to the same protections as living citizens. Unlike average citizens, large corporations had large flows of money at their disposal. With this money they can hire lobbyists, donate copiously to politicians, and sway public opinion.

But, despite Supreme Court rulings, the modern corporation is not a real person. Rather, the publicly traded stock corporation is what Barnes terms an "automaton", explicitly designed to maximize return to its owners. A corporation never sleeps or slows down. It externalizes as many costs as possible, and never reaches an upper limit of profitability, because no such limit has yet been established. As a result, corporations keep getting larger. In 1955, sales of the Fortune 500 accounted for one-third of U.S. gross domestic product. By 2004 they commanded two-thirds. In other words, these few hundred corporations replaced smaller firms organized as partnerships or proprietorships. Corporations have established a homogeneous global playing field around which they can freely move raw materials, labor, capital, finished products, tax-paying obligations, and profits. Thus, corporate franchise has become a perpetual grant of sovereignty, including immortality, self-government, and limited liability. By the end of the twentieth century, corporate power—both economic and political—stretched worldwide. International agreements not only lowered tariffs but extended corporate property rights and reduced the ability of sovereign nations to regulate corporations.[37]

David Schweickart submits that such "hypermobility of capital" generates economic and political insecurity.[40] "If the search for lower wages comes to dominate the movement of capital, the result will be not only a [beneficial] lowering of worldwide wage disparities, but also a lowering of total global income."[41] Jack Rasmus, author of *The War At Home* and *The Trillion Dollar Income Shift*, argues that increasing concentration of corporate power is a cause of the large-scale debt, unemployment, and poverty characteristics of economic recession and depression. According to Rasmus, income inequality in contemporary America increased as the relative share of income for corporations and the wealthiest one per cent of households rose while income shares declined for 80-percent of the United States workforce. After rising steadily for three decades after World War II, the standard of living for most American workers has sharply declined between the mid-1970s to the present. Rasmus likens the widening income gap in contemporary American society to the decade leading up to the Great Depression, estimating "well over $1 trillion in income is transferred annually from the roughly 90 million working class families in America to corporations and the wealthiest non-working-class households. While a hundred new billionaires were created since 2001, real weekly earnings for 100 million workers are less in 2007 than in 1980 when Ronald Reagan took office".

According to Rasmus and other analysts, this "quarter century pay freeze", imposed by rapidly increasing control of wealth by the very rich, has resulted in innumerable negative externalities:[42]

For the first time since the U.S. government began to collect the data in 1947, wages and salaries no longer constitute more than half of total national income. In contrast, corporate profits are at their highest levels since World War II, having risen double digits every quarter in the last three and a half years alone and 21.3% in the most recent year, 2005, according to Dow-Jones 'Market Watch'. Corporate profit margins are higher than they have been in more than half a century, according to Merrill Lynch economist, David Rosenberg. After tax profits are now equal to 8.5% of the U.S. Gross Domestic Product – that's more than a trillion dollars – and the highest since the end of World War II in 1945."[42]

[edit] Imperialism

Imperialism, as defined by *Dictionary of Human Geography*, is "the creation and/or maintenance of an unequal economic, cultural, and territorial relationship, usually between states and often in the form of an empire, based on domination and subordination."[43] Vladimir Lenin viewed imperialism as the highest stage of capitalism. He asserted that the merging of banks and industrial cartels gave rise to finance capital, which was then exported (rather than goods) in pursuit of greater profits than the home market could offer. Political and financial power became divided among international monopolist firms and European states, colonizing large parts of the world in support of their businesses.[44] According to analyst Michael Parenti, imperialism is "the process whereby the dominant politico-economic interests of one nation expropriate for their own enrichment the land, labor, raw materials, and markets of another people."[45] Parenti says imperialism is older than capitalism. Given its expansionist nature, capitalism has little inclination to stay home. While he conceded imperialism is not typically recognized as a legitimate allegation about the United States, Parenti argued:

"Emperors and conquistadors were interested mostly in plunder and tribute, gold and glory. Capitalist imperialism differs from these earlier forms in the way it systematically accumulates capital through the organized exploitation of labor and the penetration of overseas markets. Capitalist imperialism invests in other countries, transforming and dominating their economies, cultures, and political life, integrating their financial and productive structures into an international system of capital accumulation."[45]

In his book, *The Political Struggle for the 21st century*, J.W. Smith examines the economic basis for the history of imperial civilization. On a global scale, he says developed nations tended to impede or prohibit the economic and technological advancement of weaker developing countries through the military force, martial law, and inequitable practices of trade that typically characterize colonialism. Rhetorically termed as "survival of the fittest", or "might makes right", such economic crises stem from the imbalances imposed by corporate imperialism. Just as cities in the Middle Ages monopolized the means of production by conquering and controlling the sources of raw materials and countryside markets, Smith claims that contemporary centers of capital now control our present world through private monopoly of public resources sometimes known as "the commons". Through inequalities of trade, developing countries are overcharged for import of manufactured goods and underpaid for raw material exports, as wealth is siphoned from the periphery of empire and hoarded at the imperial-centers-of-capital:

"Over eight-hundred years ago the powerful of the city-states of Europe learned to control the resources and markets of the countryside by raiding and destroying others' primitive industrial capital, thus openly monopolizing that capital and establishing and maintaining extreme inequality of pay. This low pay siphoned the wealth of the countryside to the imperial-centers-of-capital. The powerful had learned to plunder-by-trade and have been refining those skills ever since." [1]

Smith goes on to say that, like other financial empires in history, the contemporary model forms alliances necessary to develop and control wealth, keeping peripheral nations impoverished providers of cheap resources for the imperial capital centers. Belloc estimated that, during the British Enclosures, "perhaps half of the whole population was proletarian", while roughly the other "half" owned and controlled the means of production. Under modern Capitalism, J.W. Smith claimed that fewer than 500 individuals possess more wealth than half of the earth's population. The wealth of 1/2 of 1-percent of the United States population roughly equals that of the lower 90-percent. [46]

Richard Cook claimed that the United States maintained stability by economically dominating the world as a means of filling the gap between production and consumption. Beginning with loans to European combatants during World War I, and continuing through the lend-lease program of World War II, U.S. domination of trade peaked through economic recovery measures following those wars. Though forming the basis for

U.S. prosperity during the 1950s and 1960s, U.S trade domination was exhausted by the mid-1970s, when the United States implemented a policy known as dollar hegemony, intended to stabilize the economy.[47]

Cook suggests that with a consistently negative trade balance over the decades since, the United States has compensated for the gap between purchasing power and prices with a wide variety of debt in all economic sectors. In this process, Cook claims that dollar hegemony has flooded the world with U.S. currency, loans, or debt instruments to support U.S. fiscal and trade deficits, pay for extraordinary levels of U.S. resource utilization, induce foreign governments to purchase U.S. armaments, ensure the allegiance of foreign governing elites, and maintain foreign economies in subservience through World Trade Organization and International Monetary Fund trade and lending policies.[6]

[edit] Alternative models

With regard to closing the gap between production and purchasing power, Dr. Martin Luther King Jr. maintains:

The problem indicates that our emphasis must be two-fold. We must create full employment or we must create incomes. People must be made consumers by one method or the other. Once they are placed in this position, we need to be concerned that the potential of the individual is not wasted. New forms of work that enhance the social good will have to be devised for those for whom traditional jobs are not available.[48]

Schweikart argued that both full employment and guaranteed basic income are impossible under the restrictions of the U.S. economic system for two primary reasons: a)unemployment is an essential feature of capitalism, not an indication of systemic failure;[49] while capitalism thrives under polyarchy, it is not compatible with genuine democracy.[50] Suggesting that these "democratic deficits" significantly impact the management of both workplace and new investment,[51] he favors the creation and implementation of a new economic model over reform of the existing one.

According to Schweikart a serious critique of any problem cannot be content to merely note the negative features of the existing model. Instead, we must specify precisely the structural features of an alternative. "But if we want to do more than simply denounce the evils of capitalism, we must confront the claim that 'there is no alternative'—by proposing one."[52]

Hungarian historian Karl Polanyi suggested that market economies should subordinate themselves to larger societal needs. He states that human-beings, the source of labor, do not reproduce for the sole purpose of providing the market with workers. In The Great Transformation Polanyi says that, while modern states and market economies tend to grow under capitalism, both are mutually interdependent for functional development. In order for market economies to be truly prosperous, he claims social constructs must play an essential role. With the term "fictitious commodities", Polanyi claimed that land, labor, and money are all commodified under capitalism, though the inherent purpose of these items was never intended "for sale". He says natural resources are "God-given", money is a bookkeeping entry validated by law, and labor is a human prerogative, not a personal obligation to market economies.

Dr. Martin Luther King Jr. claimed "Communism forgets that life is individual. Capitalism forgets that life is social, and the Kingdom of Brotherhood is found neither in the thesis of Communism nor the antithesis of Capitalism but in a higher synthesis. It is found in a higher synthesis that combines the truths of both".[53]Trade unionist and social activist Allan Engler argued further that economic democracy was the working-class alternative to capitalism. In his book, "Economic Democracy", Engler stated:

"When economic democracy – a world of human equality, democracy and cooperation – is the alternative, capitalism will no longer be seen as a lesser evil. When the working class, not a revolutionary party, is the agency of social transformation, change will be based on workplace organization, community mobilizations and democratic political action. The goal will be to transform capitalism into economic democracy through gains and reforms that improve living conditions while methodically replacing wealth-holders' entitlement with human entitlement, capitalist ownership with community ownership and master-servant relations with workplace democracy."[54]

Assuming that "democracy is not just a political value, but one with profound economic implications", Schweickart suggested "the problem is not to choose between plan and market, but to integrate these institutions into a democratic framework".[55] According to Schweickart, economic democracy, like capitalism, can be defined in terms of three basic features:

- **Worker Self-Management:** Each productive enterprise is controlled democratically by its workers.
- **Social Control of Investment:** Funds for new investment are generated by a capital assets tax and are returned to the economy through a network of public investment banks."[56]
- **The Market:** These enterprises interact with one another and with consumers in an environment largely free of governmental price controls. Raw materials, instruments of production and consumer goods are all bought and sold at prices largely determined by the forces of supply and demand.

In real-world practice, Schweickart concedes economic democracy will be more complicated and less "pure" than this model. However, to grasp the nature of the system and to understand its essential dynamic, it is important to have a clear picture of the basic structure. Capitalism is characterized by private ownership of productive resources, the market, and wage labor. The Soviet economic model abolished private ownership of productive resources (by collectivizing all farms and factories) and the market (by instituting central planning), but retained wage labor.[*citation needed*]

Proposed models for economic democracy generally begin with abolishing wage labor. Schweickart's model goes further to abolish private ownership of productive resources.[57] Other proposals recommend abolishing the market, as well.

[edit] Worker self-management

In his book, "The Democratic Firm", veteran World Bank economic adviser David P. Ellerman stated:

In the world today, the main form of enterprise is based on renting human beings (privately or publicly). Our task is to construct the alternative. In the alternative type of firm, employment by the firm is replaced with membership in the firm. Economic democracy requires the abolition of the employment relation, not the abolition of private property. Democracy can be married with private property in the workplace; the result of the union is the democratic worker-owned firm."[58]

Ellerman maintained that contracts to buy and sell labor services are inherently invalid because labor, in the sense of responsible human action, is de facto non-transferable.[*why?*] The rights to the positive and negative fruits of one's labor are thus inalienable. In questions of governance (as opposed to production), the emphasis is on decision-making (as opposed to responsibility).[*citation needed*] But the basic facts are the same. Decision-making capacity is de facto inalienable.[*why?*] A person cannot in fact alienate his or her decision-making capacity just as he or she cannot alienate de facto responsibility. 'Deciding to do as one is told' is only another way of deciding what to do.

Ellerman concluded that employment contracts rather than private property needs to be abolished. In other words, "a firm can be socialized and yet remain 'private' in the sense of not being government-owned."[59]

In both proposals each productive enterprise is controlled by those who work there. Workers are responsible for the operation of the facility, including organization, discipline, production techniques, and the nature, price, and distribution of products. Decisions concerning distribution are made democratically. Problems of authority delegation are solved by democratic representation. Management is chosen by the worker, not appointed by the State, not elected by the community at large and not selected by a board of directors elected by stockholders. Ultimate authority rests with the enterprise's workers, following the one-person, one-vote principle.

In Schweickart’s model, workers control the workplace, but they do not "own" the means of production. Productive resources are regarded as the collective property of the society. Workers run the enterprise, use its capital assets as they see fit, and distribute the profits among themselves. Here, societal "ownership" of the enterprise manifests itself in two ways:

- All firms pay tax on their capital assets, which goes into society's investment fund. In effect, workers rent capital assets from society. Firms are required to preserve the value of the capital stock entrusted to them. This means that a depreciation fund must be maintained to repair or replace existing capital stock. This money may be spent on capital replacements or improvements, but not to supplement workers' incomes.

Firms that are unable to generate at least the nationally specified minimum per-capita income declare bankruptcy. Capital is sold off to pay creditors. The workers seek other employment. Workers are free to reorganize the facility, or to leave. They cannot use the proceeds of capital sales as income. A firm can sell some capital goods and use the proceeds to buy alternative capital goods. Should a firm wish to contract its capital base to reduce its tax and depreciation obligations, it can sell assets, but in this case proceeds from the sale go into the national investment fund, not to the workers, since these assets belong to society as a whole.[60]

[edit] Social control of investment

Economic Democracy does not depend on private savings or private investment for economic development. Under Schweickart a flat-rate tax on capital assets replaces all other business taxes. This "capital assets tax" is collected and invested by the central government. Funds are dispersed throughout society, first to regions and communities on a per capita basis, then to public banks in accordance with past performance, then to those firms with profitable project proposals. Profitable projects that promise increased employment are favored over those that do not. At each level, national, regional and local, legislatures decide what portion of their funds is to be used for public capital expenditures, then send the remainder to the next lower level. Associated with most banks are entrepreneurial divisions, which promote firm expansion and new firm creation. For large (regional or national) enterprises, local investment banks are complemented by regional and national investment banks. These too would be public institutions that receive their funds from the national investment fund.

Banks are public, not private, institutions that make grants, not loans, to business enterprises. According to Schweickart, these grants do not represent "free money", since an investment grant counts as an addition to the capital assets of the enterprise, upon which the capital-asset tax must be paid. Thus the capital assets tax functions as an interest rate. A bank grant is essentially a loan requiring interest payments but no repayment of principal.[61]

While an economy of worker-self-managed enterprises might tend toward lower unemployment than under capitalism,[*why?*] Schweickart says it does not guarantee full employment. Social control of investment, serves to increase employment. If the market provides insufficient employment, the public sector becomes the employer of last resort. The original formulation of the U.S. Humphrey-Hawkins Act of 1978 assumed that only in this way could full employment be assured in a market economy. Economic Democracy adopts this approach. Social control of investment then blocks the cyclical unemployment typical of capitalism.[62]

[edit] The market

Schweickart's economic democracy is a form of market economy, at least insofar as the allocation of consumer and capital goods is concerned. Firms buy raw materials and machinery from other firms and sell their products to other enterprises or consumers. "Prices are largely unregulated except by supply and demand, although in some cases price controls or price supports might be in order – as they are deemed in order in most real-world forms of capitalism."[63]

Without a price mechanism sensitive to supply and demand, it is extremely difficult for a producer or planner to know what and how much to produce, and which production and marketing methods are the most efficient. Otherwise, it is difficult to motivate producers to be both efficient and innovative. Market competition resolves these problems, to a significant if incomplete degree, in a non-authoritarian, non-bureaucratic fashion.

Schweikart claims that centralized planning is inherently flawed, and schemes for decentralized non-market planning are unworkable. As theory predicts and the historical record confirms, central planning is both inefficient and conducive to an authoritarian concentration of power. This is one of the great lessons to be drawn from the Soviet experience.

Enterprises still strive to make a profit. However, "profit" in a worker-run firm is calculated differently than under capitalism. For a capitalist firm, labor is counted as a cost. For a worker-run enterprise it is not. Labor is not another "factor of production" on par with land and capital. Labor is the residual claimant. Workers get all that remains, once other costs, including depreciation set asides and the capital assets tax, have been paid.[64]

Because of the way workplaces and the investment mechanism are structured, Schweickart's model aims to facilitate fair trade, not free trade, between nations. Under Economic Democracy, there would be virtually no cross-border capital flows. Enterprises themselves would not relocate abroad, since they are democratically controlled by their own workers. Finance capital stays mostly at home, since funds for investment are publicly generated and are mandated by law to be reinvested domestically. "Capital doesn't flow into the country, either, since there are no stocks nor corporate bonds nor businesses to buy. The capital assets of the country are collectively owned – and hence not for sale."[65]

According to Michael Howard, "in preserving commodity exchange, a market socialism has greater continuity with the society it displaces than does nonmarket socialism, and thus it is more likely to emerge from capitalism as a result of tendencies generated within it." But Howard also suggested, "one argument against the market in socialist society has been that it blocks progress toward full communism or even leads back to capitalism".[66] Thus, nonmarket versions of economic democracy have also been proposed.[*citation needed*]

[edit] Inclusive democracy

Main article: Inclusive democracy

Economic democracy is described as an integral component of an inclusive democracy, in Takis Fotopoulos' *Towards An Inclusive Democracy* as a stateless, moneyless and marketless economy that precludes private accumulation of wealth and the institutionalization of privileges for some sections of society, without relying on a mythical post-scarcity state of abundance, or sacrificing freedom of choice.Fotopoulos 1997

The proposed system aims to meet the basic needs of all citizens (macroeconomic decisions), and secure freedom of choice (microeconomic decisions). Therefore, the system consists of two basic elements: (1) democratic planning, which involves a feedback process between *workplace* assemblies, *demotic* assemblies and a *confederal* assembly, and (2) an artificial market using personal vouchers, which ensures freedom of choice but avoids the adverse effects of real markets. Although David Pepper called this system "a form of money based on the labour theory of value",[67] it is not a money model since vouchers cannot be used as a general medium of exchange and store of wealth.[citation needed]

Another distinguishing feature of inclusive democracy is its distinction between basic and non-basic needs. Remuneration is determined separately according to the cost of basic needs, and according to degree of effort for non-basic needs. Inclusive democracy is based on the principle that meeting basic needs is a fundamental human right which is guaranteed to all who are in a physical condition to offer a minimal amount of work. By contrast, participatory economics guarantees that basic needs are satisfied only for public goods or are covered by compassion and by a guaranteed basic income for the unemployed and those who cannot work.[68] Many advocates of participatory economics and Participism have contested this.[citation needed]

As part of inclusive democracy, economic democracy is the authority of demos (community) in the economic sphere—which requires equal distribution of economic power. Therefore, all macroeconomic decisions (overall level of production, consumption and investment, amounts of work and leisure implied, technologies to be used, etc.) are made by the collectively and without representation. However, microeconomic decisions are made by the individual production or consumption unit through a proposed system of vouchers.[citation needed]

As with the case of direct democracy, economic democracy is only feasible at the level of the confederated demoi.[clarification needed] It involves the ownership and control of the means of production by the people. This is radically different from capitalism and socialism and from various types of collectivist capitalism, such as workers' control and milder versions suggested by post-Keynesian social democrats. The people collectively become the authentic unit of economic life.[citation needed]

Proponents[who?] of inclusive democracy list three preconditions: Demotic self-reliance, demotic ownership of the means of production, and confederal allocation of resources[jargon].

- **Demotic self-reliance** involves radical decentralization and self-reliance, rather than of self-sufficiency.
- **Demotic ownership of productive resources** leads to the politicization of the economy, the real synthesis of economy and polity. This happens because economic decision making is carried out by the entire community, through assemblies, where people make the fundamental macroeconomic decisions which affect the whole community, as citizens, rather than as vocationally-oriented groups (e.g. workers, as e.g. in participatory economics[69]). Workers would also participate (in vocationally oriented groups) in their respective workplace assemblies, in a process of modifying/implementing the Democratic Plan and in running their own workplace.
- **Confederal allocation of resources** is required because much remains to be decided at the regional/national/supra-national level. However, delegates (rather than representatives) with specific mandates from the assemblies are involved in a confederal demotic planning process[jargon] which, in combination with vouchers, effects the allocation of resources in a confederal inclusive democracy.

[edit] Reform agendas

Assuming the most basic requirement for societal prosperity is a healthy, educated, and enterprising population,[70] Economic Democracy seeks to close the gap between purchasing power and productive output. While reform agendas tend to critique the existing system and recommend corrective measures, they do not necessarily suggest alternative models to replace the fundamental structures of capitalism; private ownership of productive resources, the market, and wage labor.

[edit] Social Credit

Main article: Social Credit

Rather than an economic shortfall, many analysts[*who?*] consider the gap between production and purchasing power a social dividend. In this view, credit is a public utility rather than debt to financial centers. Once reinvested in human productive potential, the surplus of societal output could actually increase Gross Domestic Product rather than throttling it, resulting in a more efficient economy, overall.[6] Social Credit is an economic reform movement that originates from theories developed by Scottish engineer Major C. H. Douglas. His aim to make societal improvement the goal of economic systems is reflected in the term "Social Credit", and published in his book, entitled *Economic Democracy*. In this view, the term "economic democracy" does not mean worker control of industry.[71] While technological advancement tends to increase unemployment along with productivity, Douglas suggests that our perspective will determine whether this problem is a "catastrophe" or a "magnificent achievement":

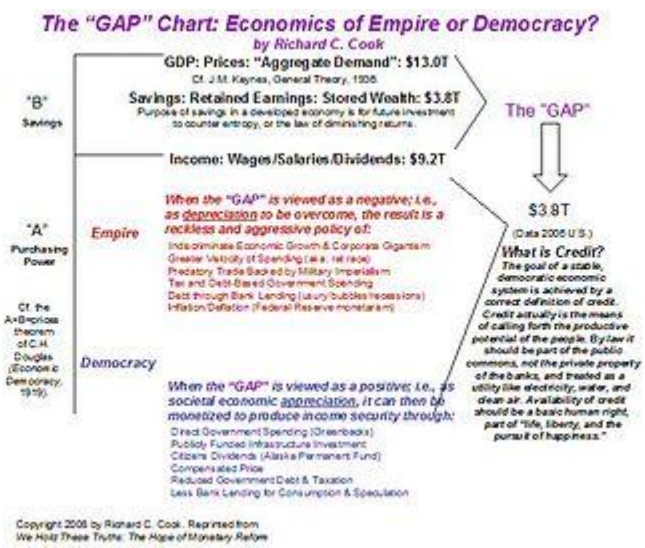
"The so-called unemployment problem is really a problem of leisure. The problem really is a problem, first of the distribution of purchasing power to those who are not required, and will decreasingly be required, in the industrial system, and secondly, of ensuring that the total purchasing distributed shall always be enough to pay for the goods and services for sale."[72]

A national dividend and a compensated price mechanism are the two most essential components of the Social Credit program. While these measure have never been implemented in their purest form, they have provided a foundation for Social Credit political parties in many countries and for reform agendas that retain the title, "economic democracy".

[edit] Credit as a public utility

Following Douglas and a reform program based on direct government spending set forth by groups such as the American Monetary Institute, veteran Project Manager for the U.S. Treasury Department, Richard C. Cook proposes two general measures, which together he terms, "economic democracy":[73]

- **Credit as a public utility:** "We should spend sufficient credit into existence to supply the basic operating expenses of government at all levels without recourse to either taxes or borrowing. At least ninety percent of all taxes could be eliminated. The only taxes that should be retained would be those in the form of user fees for infrastructure operations and maintenance and those levied only for dire emergencies. Capital expenses for infrastructure construction at the federal, state, and local levels should be financed through a self-capitalized national infrastructure bank lending at zero-interest. Operating on a national scale, such a bank could begin to rebuild our job base starting at the state and local levels. A public program of direct government expenditures as described herein would be as effective, as timely, far less inflationary, and much cheaper than creating new public debt by borrowing credit created 'out of thin air' by the banking system."[74]



GAP Chart from *We Hold These Truths*

- **A national dividend:** "The endemic gap between prices and purchasing power in an advanced economic system in reality is the “leisure dividend” that we never received from our amazing producing economy. That gap should now be filled by a non-taxable national dividend of two types. One would be a cash stipend paid to all citizens which would also serve the purpose of eliminating poverty by providing everyone with a basic income guarantee. The remainder of the national dividend would consist of an overall pricing subsidy, whereby a designated proportion of all purchases, including home building expenses, would be rebated to consumers. The average national dividend per person would probably exceed $12,000 per year under today's economic conditions. It would be a calculated value charged against a government ledger but would be off-budget, with no need to finance it with taxation or borrowing[74]

While Smith and others suggest an economic crisis might be necessary to drive a movement toward large-scale economic democracy,[75]{sfn|Barnes|2006|p=[*page needed*]}} Cook argues that "most economic reform programs address symptoms, not causes":[6]

"Monetary reform embraces the enormous productivity of modern industrial methods with approval and hope. But it identifies factors in the nature of industrial production at the level of the corporation as creating a chronic state of instability".[6] "The top priority of the reform program would be to use public credit to rebuild the producing economy which has been wrecked by the phony ideology of 'market' economics and the inept and self-serving manipulation of the money supply by the Federal Reserve and the banks."[76]

Cook avoided collectivist solutions. Rather, he affirmed the value of "democratic capitalism," combined with a shift to more public control of credit, and suggested a new approach to achieving worldwide prosperity, starting with economic recovery in the United States. Cook's argument stemmed from prior success in the United States treating credit as a public utility, including colonial paper currencies which allowed an emerging American society to monetize the value of its goods and services, the Greenbacks issued by President Abraham

Lincoln during the American civil war, and the Reconstruction Finance Corporation (RFC) which moved to recapitalize failing state banks in rural areas and small towns during the Great Depression. While President Herbert Hoover's efforts failed, Cook credits RFC programs with providing low interest loans to the railroad industry, farmers, exporters, state and local governments, and wartime industries over a period of at least 20 years.[77]

[edit] National dividend

Cook also proposed a national dividend, sometimes known as a Basic Income Guarantee or "BIG", was advocated in the United States by economists, politicians and reformers, including Thomas Paine, Milton Friedman, Dr. Martin Luther King Jr., and John Kenneth Galbraith. Friedman originally proposed a negative income tax to support this system, but then opposed the bill because its revised implementation would have merely supplemented rather than replacing existing tax-structures. Cook suggested that racism might have been at the root of BIG's demise in the late 1960s, as "many beneficiaries of the program would have been African-American".[78] In 2006, State Representative Bob Filner (D-CA) as H.R. 5257, proposed a basic income guarantee.[79] According to the U.S. Basic Income Guarantee Network:

"The basic income guarantee (BIG) is a government insured guarantee that no citizen's income will fall below some minimal level for any reason. All citizens would receive a BIG without means test or work requirement. BIG is an efficient and effective solution to poverty that preserves individual autonomy and work incentives while simplifying government social policy.

Some researchers estimate that a small BIG, sufficient to cut the poverty rate in half could be financed without an increase in taxes by redirecting funds from spending programs and tax deductions aimed at maintaining incomes."[80]

Cook suggests existing U.S. (GDP) could support such a system. GDP of $12.98-trillion minus $9.21-trillion in purchasing power ("wages") equals a difference of $3.77-trillion.[*citation needed*] Distributed equally amongst United States citizens, Cook estimates a "National Dividend" of approximately $12,600 could be provided annually to every U.S. citizen. A primary function of monetary reform is to "provide sufficient individual income"—not merely "create jobs"—for American workers displaced by technological advancement, outsourcing, and other economic influences beyond their control.[*citation needed*] Funding of the National Dividend would be drawn from a national credit account, which would include all factors that generate production costs and create new capital assets. The national credit account could also be used for price subsidies to discourage manufacturers from cutting costs by shipping jobs overseas. Rather than Federal Reserve Notes, circulated only through debt payable to a bank with interest, the National Dividend would be "real money", based on the productive capacity of the economy expressed as GDP. Cook says, "it's important to realize that Social Credit is not a socialist system. Rather it is 'democratic capitalism,' in contrast to the 'finance capitalism' that has become so damaging".[81] Rooted in the ideals of Social Credit, proposed by Douglas in the 1920s, Cook explains:

"The difference between a National Dividend and a basic income guarantee is that the dividend is tied to production and consumption data and may vary from year to year. During years that the dividend falls below a designated threshold, the balance of a basic income guarantee could be provided from tax revenues. But in a highly automated economy such as that of the U.S., the National Dividend would normally be sufficient".[47]

In his book, *Capitalism 3.0*, Peter Barnes likens a "National Dividend" to the game of Monopoly, where all players start with a fair distribution of financial opportunity to succeed, and try to privatize as much as they can as they move around "the commons". Distinguishing the board game from real-world business, Barnes claims that "the top 5 percent of the population owns more property than the remaining 95 percent", providing the smaller minority with an unfair advantage of approximately "$5-trillion" annually, at the beginning of the game. Contrasting "redistribution" of income (or property) with "predistribution"[*jargon*], Barnes argues for "propertizing" (without corporately privatizing) "the commons" to spread ownership universally, without taking wealth from some and giving it to others. His suggested mechanism to this end is the establishment of a "Commons Sector", ensuring payment from the Corporate Sector for "the commons" they utilize, and equitably distributing the proceeds for the benefit of contemporary and future generations of society.[*citation needed*]

One real-world example of such reform is in the U.S. State of Alaska, where each citizen receives an annual share of the part of the state's oil revenues via the "Alaska Permanent Fund Dividend". Barnes suggests this model could extend to other states and nations because "we jointly own many valuable assets". As corporate pollution of common assets increased, the permits for such pollution would become more scarce, driving prices for those permits up. "Less pollution would equal more revenue", and over time, "trillions of dollars could flow into an American Permanent Fund".[82]

However, none of these proposals aspire to the mandates recommended by Dr. Martin Luther King Jr.:

Two conditions are indispensable if we are to ensure that the guaranteed income operates as a consistently progressive measure. First, it must be pegged to the median income of society, not the lowest levels of income. To guarantee an income at the floor would simply perpetuate welfare standards and freeze into the society poverty conditions. Second, the guaranteed income must be dynamic; it must automatically increase as the total social income grows. Were it permitted to remain static under growth conditions, the recipients would suffer a relative decline. If periodic reviews disclose that the whole national income has risen, then the guaranteed income would have to be adjusted upward by the same percentage. Without these safeguards a creeping retrogression would occur, nullifying the gains of security and stability.[83]

Barnes deem any such reform unlikely. Thomas Paine originally recommended a National Dividend to compensate for the brutality of British Enclosures, but his idea was never adopted.[84]

[edit] Monopoly power versus public utility

Main article: J. W. Smith

Rather than superficially compensating for legalized inequities, Smith recommends abolishing or redefining property rights laws with particular respect for "the commons".[85] According to Smith exclusive title to natural resources and technologies should be converted to inclusive conditional titles—the condition being that society should collect rental values on all natural resources.[86] Smith suggests the basic principles of monopolization under feudalism were never abandoned, and residues of exclusive feudal property rights restrict the potential efficiency of capitalism in Western cultures.[87] He estimated that roughly 60 percent of American capital is little more than capitalized values of unearned wealth. He proposed that elimination of these monopoly values would double economic efficiency, maintain quality of life, and reduce working hours by half. Wasteful monetary flows could be stopped only by eliminating all methods of monopolization typical in Western economies.[88]

Smith divided "primary (feudal) monopoly" into four general categories: banking; land; technology and communications. He listed three general categories of "secondary (modern) monopoly"; insurance, law, health care.[89] Smith further claimed that converting these exclusive entitlements to inclusive human rights would minimize battles for market share, thereby eliminating most offices and staff needed to maintain monopoly structures, and stop the wars generated to protect them. Dissolving roughly half the economic activity of a monopoly system would reduce the costs of common resources by roughly half, and significantly minimize the most influential factors of poverty.[90]

In Smith's view, most taxes should be eliminated, and productive enterprise should be privately owned and managed.[91] Inventors should be paid well and all technology placed in the public domain. Crucial services currently monopolized through licensing should be legislated as human rights.[92]

Smith envisioned a balanced economy under a socially owned banking commons within an inclusive society with full and equal rights for all.[93] Federated regions collect resource rents on land and technology to a social fund to operate governments and care for social needs.[94] Socially owned banks provide finance capital by creating debt-free money for social infrastructure and industry.[95] Rental values return to society through expenditure on public infrastructures. Local labor is trained and employed to build and maintain water systems, sewers, roads, communication systems, railroads, ports, airports, post offices, and education systems.[96] Purchasing power circulates regionally, as labor spends wages in consumption and governments spend resource rent and banking profits to maintain essential services.[97]

According to Smith, all monetary systems, including money markets, should function within fractional-reserve banking.[98] Financial capital should be the total savings of all citizens, balanced by primary-created money to fill any shortfall, or its destruction through increased reserve requirements to eliminate any surplus.[99] Adjustments of required reserves should facilitate the balance between building with socially created money or savings. Any shortage of savings within a socially owned banking system should be alleviated by simply printing it.[100]

[edit] Democratic cooperatives

Main article: Cooperative

A cooperative is a limited liability entity, organized either for-profit or not-for-profit, that differs from a corporation in that its producing members, rather than investors, comprise the decision-making authority. By various names, cooperatives play an essential role in all forms of Economic Democracy. Classified as either consumer cooperatives or worker cooperatives, the cooperative business model is fundamental to the interests of economic democracy.

According to the International Cooperative Alliance's Statement on the Cooperative Identity, "cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner."[101]

[edit] Worker cooperatives

Main article: Worker cooperative

According to the United States Federation of Worker Cooperatives, "a worker cooperative is a business entity that is owned and controlled by the people who work in it". In many ways, the operations of worker cooperatives are quite similar to conventional businesses. They develop products or services, and offer them for sale to the public, with the goal of generating enough income to support the business and its owners. They incorporate with the state, get business licenses, pay state and federal taxes, have payroll and benefits, and so on. At the end of each year, worker-owners are paid a portion of the profits, distributed according to various criteria.[citation needed]

Worker control alone does not imply that a firm is a worker cooperative. In general, these are called democratic workplaces. Across the United States, democratic workplaces occupy multiple sectors and industries, mostly in the Northeast, the West Coast and the Upper Midwest, totaling 300 democratic workplaces in the United States, employing over 3,500 people and generating over $400 million in annual revenues. While a few are larger enterprises, most are small. Growing steadily between 1990 and 2010, technology and health care experienced most of the recent increase.[citation needed]

Dahl argued that self-governing enterprises should not be confused with other systems they might resemble:

"Self-governing enterprises only remotely resemble pseudodemocratic schemes of employee consultation by management; schemes of limited employee participation that leave all critical decisions with a management elected by stockholders; or Employee Stock Ownership Plans (ESOPs) that are created only or primarily to provide corporations with low-interest loans, lower corporate income taxes, greater cash flow, employee pension plans, or a market for their stock, without, however, any significant changes in control."[102]

Worker cooperatives generally employ an industrial model called Workplace democracy, which rejects the "master-servant relationship" implicit in the traditional employment contract. This term is often used synonymously with industrial democracy. Companies like Semco, DaVita, Google, Freys Hotels and Linden Labs maximize employee participation and engagement in this regard, as the New Unionism movement views workplace democracy as a necessary link between production and economic democracy.[*citation needed*]

Worker-control can take many forms depending on the size and type of the business. Approaches to decision-making include: an elected board of directors, elected managers, management job roles, no management at all, consensus, majority vote, or combinations of the above.[103] Participation in decision-making becomes the responsibility and privilege of each member.[104]

In worker cooperatives, net income is called surplus instead of profit and is distributed among based on hours worked, seniority, or other criteria. In a worker cooperative, workers own their jobs, and therefore have a direct stake in the local environment and the power to conduct business in ways that benefit the community rather than destroying it. Some worker cooperatives maintain what is known as a “multiple bottom line”, evaluating success not merely in terms of net income, but also by factors like their sustainability as a business, their contribution to the community, and the happiness and longevity of their workers.[103]

In one variation, workers usually invest money when they begin working.[103] Each member owns one share, which provides its owner with one vote in company decision-making. While membership is not a requirement of employment, only employees can become members.[105]

According to Tim Calvert, a founding member of the worker-owned Portland, Oregon cooperative, City Bikes, "the marks of a worker co-op are an emphasis on cooperative working for collective success, a democratic structure for decision making with each member having an equal vote, a collective determination of how net income or net losses are allocated, an equal contribution to and benefit from the co-op's cash and an equal sharing of the risks and benefits of working at and owning a business".[106] Absent enabling legislation regarding worker cooperatives in the United States, worker cooperatives tended to utilize consumer cooperative. While Calvert believed a genuine worker cooperative should be incorporated as owned solely and equally by employees, he observed that CityBikes was one of the few that strictly adhered to the principles of a properly incorporated worker-owned cooperative. Instead, many worker-cooperatives choose to incorporate as limited liability corporations, because there is less paperwork involved and offers protection from personal lawsuit.[107]

[edit] Consumer cooperatives

Main article: Consumer cooperative

A consumers' cooperative is owned by its customers for their mutual benefit. Oriented towards service rather than profit, consumers often provide capital to launch or purchase the enterprise. In practice, consumer cooperatives price goods and services at competitive market rates. The co-op returns profits to the consumer/owner according to a formula instead of paying a separate investor group.

Large consumer co-ops run like other business. In smaller cooperatives, consumer/owners are often workers as well. Consumer cooperatives vary in organization and operations, but typically follow the Rochdale Principles. Consumer cooperatives may also form Co-operative Federations. These may take the form of co-operative wholesale societies, through which they collectively purchase goods at wholesale prices and, in some cases, cooperatively own factories. Alternatively, they may be members of Co-operative unions.

Consumer cooperatives are very different from "discount clubs," which charge annual fees in exchange for a discount on purchases. The club is not owned or governed by the members and profits go to investors, not to members.[108]

[edit] Food cooperatives

Most food co-ops are consumer cooperatives that specialize in grocery products. Members patronize the store and vote in elections. The members elect a board of directors to make high-level decisions and recruit managers.[108] Food cooperatives were originally established to provide fresh, organic produce as a viable alternative to packaged imports. The ideas of local and slow food production can help local farmers prosper, in addition to providing consumers with fresher products. But the growing ubiquity of organic food products in corporate stores testifies to broadening consumer awareness, and to the dynamics of global marketing.[*citation needed*]

Associated with national and international cooperative communities, Portland Oregon cooperatives manage to survive market competition with corporate franchise. As Lee Lancaster, financial manager for Food Front, states, "cooperatives are potentially one democratic economic model that could help guide business decisions toward meeting human needs while honoring the needs of society and nature". He admits, however, it is difficult to maintain collaboration among cooperatives while also avoiding integration that typically results in centralized authority.[*citation needed*]

Tim Calvert believes that dollars are the most important vote to make, and others tend to agree. Citing members of People’s Co-op[109] and Alberta Cooperative Grocery,[110] Romona DeNies of *The Portland Alliance* states, "Co-ops are the antidote to the centralization of power. People forget they have power as consumers to make choices. We can’t be completely disentangled from the corporate world, but we can try to provide a local model of living further from it. No one is getting rich off your money at a co-op. But that’s the economic value of shopping here. In return, you support a viable alternative to the vicious cycle of bottom lines and end profits".[104]

As World Trade Organization representatives negotiate issues of competition, agricultural subsidies, and protectionism among developed nations, the American farmer resembles third-world farmers who must compete with subsidized agricultural giants like Monsanto Company. Lee Lancaster says, “Underneath our unique aspects, we have the same structure and principles. Welfare of our respective neighborhoods is of vital concern to us. Food co-ops were started to provide local, organic produce.

Now with those things more mainstream, the demand is going up, and our share of that market is declining. We have to reevaluate."[*citation needed*]

Further, Lancaster claims that the traditional independence and decentralization of U.S. cooperatives have restricted their impact on the food industry through economies of scale, proposing more collaboration: "What if we could work with other co-ops to nurture and establish other cooperatives?" he asks, "In essence, this is an extension of neighborhood organizing. We're all driven by competition from national chains, but in looking at national issues and realizing there's a lot to address, what's needed is a bigger movement, not a big corporation."[104]

[edit] Regional trading currencies

This section is **outdated**. Please update this section to reflect recent events or newly available information. Please see the talk page for more information. *(January 2012)*

According to Thomas H. Greco, Jr., author of New Money for Healthy Communities "The pinnacle of power in today's world is the power to issue money. If that power can be democratized and focused in a direction which gives social and ecological concerns top priority, then there may yet be hope for saving the world". In this regard, he recommended the regionalization of currencies. Cook suggested that "under the Bretton Woods system, the Federal Reserve acted as the world's central bank. This gave America enormous leverage over economic policies of its principal trading partners".[111] Cook claimed that developing nations were susceptible to exploitation mainly because they have no independent monetary system, using the

U.S. dollar instead. This fed the fractional reserve banking system, operated by the U.S., Canada, Europe, and Japan. Developing nations paid heavily for this service through market interest rates and because banking profits and property ownership emigrate to financial centers elsewhere.[112]

According to Smith, "Currency is only the representation of wealth produced by combining land (resources), labor, and industrial capital". He claimed that no country was free when another country has such leverage over its entire economy. But by combining their resources, Smith claimed that developing nations have all three of these foundations of wealth:

By peripheral nations using the currency of an imperial center as its trading currency, the imperial center can actually print money to own industry within those periphery countries. By forming regional trading blocs and printing their own trading currency, the developing world has all four requirements for production, resources, labor, industrial capital, and finance capital. The wealth produced provides the value to back the created and circulating money.[*citation needed*]

Smith further explained that developed countries need resources from the developing world as much as developing countries need finance capital and technology from the developed world. Aside from the superior military power of the imperial centers, the undeveloped world actually has superior bargaining leverage. With independent trading currencies, developing countries could barter their resources to the developed world for the latest industrial technologies. Barter avoids "hard money monopolization"[*clarification needed*] and the unequal trade between weak and strong nations that result. Smith suggested that barter was how Germany resolved many financial difficulties "put in place to strangle her", and that "World Wars I and II settled that trade dispute". He claimed that their intentions of exclusive entitlement were clearly exposed when the imperial centers resorted to military force to prevent such barter and maintain monopoly control of others' resources.[113]

[edit] See also

- Democratic Socialism
- Profit-sharing
- List of Worker Cooperatives
- Cooperative economics
- Guaranteed minimum income
- Social economy
- Workers' control
- Workers' self-management

[edit] Notes

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[edit] External links

- The Institute for Economic Democracy (IED)
- Economic Democracy online
- Assistance in establishing workplace cooperatives

- International Cooperative Alliance
- Progressive Utilization Theory
- Effortless Economy, an economic environment without labor
- History of Work Cooperation in America
- Mondragon Corporacion Cooperativa, Spain

The Institute for Economic Democracy

Sustainable World Development — Elimination of Poverty and Wars

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About the Institute

On this page:

1. Mission Statement

2. Our work for everyone to see
3. Publishing rights for your part of the world

This institute, founded by Dr. J.W. Smith, is a 501C3 non-profit/educational foundation researching the causes of, and elimination of, poverty and war.

We are told monopolies have been eliminated. That is not true. As our research shows

- Throughout history, the powerful created our *property rights laws as applied to nature's resources and technologies, denying others their rightful share of which nature offers to us all for free* and those laws are the beating heart of the current monopoly system which we are told does not exist.
- Monopolization, Mercantilism, rentseeking, and capitalism as practiced, are all the same thing. Throughout the past 700 years, whenever they stood exposed, the powerbrokers simply accepted what was supposedly a new philosophy and went on with the same principles of wealth appropriation under that new name.
- The foundation plunder systems, Plunder by Trade and Property Rights Law as Applied to Nature's Resources and Technologies, Denying Others Their Rightful Share of What is Offered to Us All for Free , continued to amass massive unearned wealth, create equally massive povety, and the wars to protect and expand the monopoly system became ever more ferocious.
- That today's subtle monopolies are the most efficient economic system is only a belief system imposed to protect those monopolies. Global warming activists, resource

depletion activists, and all who wish to eliminate poverty and war take note: Well over half the economic activity of imperial nations is wasted and this is without counting the wealth destroyed militarily protecting and expanding the monopoly system we call capitalism.

- If technology had been shared instead of monopolized the past 300 years, production would have been double, in a few years it would have doubled again, a few more years it would have doubled again, and it would have done so on up to the development of the entire world. Instead it has been one steady drumbeat of wars maintaining and expanding the monopoly system whose foundation principles are "never share with anybody."
- By society restructuring to full and equal rights for all, economic efficiency will increase equal to the invention of money, the printing press, and electricity.
- That efficiency, if the world started utilizing it today, will eliminate poverty in ten years and provide a quality life for all the world's citizens in 50 years.

Mission Statement

IED is organized to publish, publicize, and distribute high quality books on elimination of poverty and war and sustainable development of the impoverished world.

Our research demonstrates it is possible to,

- Eliminate the causes of war;
- Do away with poverty in a few short years; and
- Develop the world to a sustainable level in two generations, only 50 years

And all while maximizing private property rights, individualism, and competition. Moreover, we prove that the powerbrokers of subtly-monopolized capital understand this very well, practiced sharing whenever under threat, and, at these times, obtained a substantial share of the enormous efficiency potentials we describe.

Towards those goals, this cooperative publishing house pays higher than normal royalties. If our books gain broad enough classroom use, we will increase those royalties even more (J.W.Smith, founder of IED, at this time, accepts no royalties).

If you have a planned book further expanding the world's understanding on elimination of poverty and war or otherwise socially useful, that you would like to teach with or just get your message to the world, please submit your ms to us.

We have some contacts now and hope to use those and these to establish support groups throughout the 3rd World for printing and distributing these books and their books cheaply in those regions.

All profits of this 501C3 educational foundation are to be utilized spreading philosophies for peace and elimination of poverty throughout the World.

Our work for everyone to see

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We are a cooperative publishing house dedicated to the elimination of poverty and war that pays ourselves double the normal royalty and will pay substantially higher yet as soon as we can.

We need more cutting edge researchers. If you can broaden our understanding and that of our readers, if you have a high-quality book within you that you wish to use in class, or if you just wish to reach the world, please Contact Us.

a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

http://www.ied.info/about

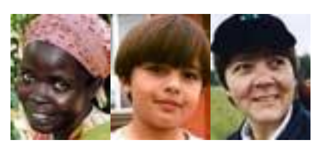
What is a co-operative?

What is a co-operative?

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. See Co-operative Identity Statement: Co-operative Values and Principles > > >

Ranging from small-scale to multi-million dollar businesses across the globe, co-operatives employ more than 100 million women and men and have more than 800 million individual members.

What is the co-operative difference?



Co-operatives are enterprises that put people at the centre of their business and not capital. Co-operatives are business enterprises and thus can be defined in terms of three basic interests: ownership, control, and beneficiary. Only in the co-operative enterprise are all three interests vested directly in the hands of the user.

Co-operatives put people at the heart of all their business. They follow a broaderset of values than those associated purely with making a profit. Because co-operatives are owned and democratically-controlled by their members (individuals or groups and even capital enterprises) the decisions taken by co-operatives balance the need for profitability with the needs of their members and the wider interests of the community.

Co-operatives are also enterprises that follow a set of principles and values - The Co-operative Principles. The Co-operative Identity Statement elaborated in 1995 by the ICA is the internationally recognised definition of the co-operatives, its values, and principles. Go to Co-operative Identity Statement >>>

Videos: What is a co-operative?

- Spain (Catalunya): Les cooperatives
- United Kingdom: There is an alternative
- Uruguay: Que es una cooperativa?

Type of co-operatives

The co-operative model of enterprise can be applied to any business activity. They exist in traditional economic sectors such as agriculture, fisheries, consumer and financial services, housing, and production (workers' co-operatives). However, co-operative activity spans to large number of sectors and activities including car-sharing child-care, health and social care, funeral, orchestras and philharmonics, schools, sports, tourism, utilities (electricity, water, gas, etc.), and transport (taxis, buses, etc).

http://www.ica.coop/coop/

Economic Democracy

In most of the world today people have come to think of democracy as being the best system of government. But what exactly do we mean by democracy? Generally, people think of democracy as meaning the enfranchisement of the masses. It means a political system that allows all of its citizens the right to elect political representatives who look after their interests. True democracy encompasses much more than this however. In order to have genuine self-determination and economic security, the concept of democracy must be expanded to include "economic democracy."

Certainly it is true that political democracy has given people the right to vote. But what is the practical use of this right? In some democratic countries, such as the United States, many voters have become so disillusioned with the choices offered to them that they do not even bother to vote. Many who choose to vote, do not study the issues involved but base their vote on a candidate’s political affiliation, the effectiveness of their advertising, or other issues which ought to be peripheral to the selection of the best candidate. Due to financial and political interests, the media is often ineffective in its portrayal of issues that have the greatest impact on people. Thus, in most instances, political democracy creates the illusion in people that they do indeed have a say in their own future, while the real power continues to lie with the wealthy and powerful, who have a vested interest in seeing that their interests are served at the expense of the great majority. The choice Americans typically make between the two main political parties is a choice between two parties serving the same masters. Having put one or the other party in power, people then sit back in dismay as they watch decisions which affect them and their livelihood made against their best interests. Or if some action is taken on behalf of the majority, the allocation of funds is never enough to change conditions or alter the distribution of wealth.

The underlying idea of *economic democracy* is that humans should not be exploited by those who are in control of capital. On the political level, democracy may mean a certain degree of choice and freedom; but on the economic level little has changed since the days of feudalism. Workers are still forced by necessity to provide their labor to those controlling capital resources. Their only right is to quit. Although they do the work, they have little or no say in managerial affairs and rarely receive a share of profit. Those with capital are able to compel others into a sort of bondage by force of circumstances - and this is accepted as natural. Allegedly the controlling mechanism is again the free market system, which is supposed to guarantee sufficient competition between employers that they are compelled to make jobs appealing. The reality for many workers is quite different, as they are increasingly compelled to work on others' terms - if at all - even in the industrialized nations.

According to PROUT, one has an intrinsic right to the fruit of one's labor, and an intrinsic right in managing the products of his or her actions. To accomplish this, PROUT recognizes the need for a decentralized economy based upon cooperative management as far as is possible and practical. These concepts will be further discussed in subsequent sections and chapters.

Economic democracy entails the planning of economic development in a particular region by the people of that region. This type of democracy represents a truer freedom than the high sounding but ultimately ineffectual and incomplete political democracy. Political democracy without economic democracy becomes less meaningful as purchasing power is drained from working people to fill the already overflowing coffers of those few with capital.

For economic democracy to come about, four requirements must be fulfilled. The economic ideas of PROUT are geared toward meeting these requirements.

The first of these is that there must be a guarantee that the *minimum requirements* of a certain time and place are available to everyone, as discussed in the previous section. This will increase the all-round welfare of a society by removing existential fear.

Secondly, people must have *increasing capacity to purchase goods and services*. Their incomes must be constantly rising. In order to achieve this in an economic democracy, the raw materials and other assets of a particular region ought to stay in that region for purposes of refinement and manufacturing. As improvements in production occur and new, more efficient uses for resources are developed, the benefits should accrue to the local inhabitants rather than to outsiders. Such advances will increase the standard of living rather than making select individuals wealthy. Such a system will help to bring about full employment and raise the standard of living in a region.

The third requirement for the establishment of economic democracy is that *local people must have the right to make all decisions in regards to the local economy* (that is, the creation of a decentralized economy as discussed in the next section).

Finally, the fourth criteria is that *all outsiders must be prevented from interfering in the business of the local economy*. Ideally there will not be outside ownership. Such a restriction will serve to stem the outflow of local capital, so that those living near a source of raw materials will be the rightful beneficiaries and also the rightful stewards of that wealth.

http://www.prout.org/ChapterThree.html

Published on Friday, March 25, 2011 by Grit TV

Dennis Kucinich: Creating Economic Democracy

"We have to change the balance here and the way you change the balance is a conceptual shift in what you see as the purpose of a nation. The purpose of a nation isn't to make the rich richer or to make the poor poorer, it's to make sure that you have a vibrant economy where there's room for everyone," says Ohio Representative Dennis Kucinich. Laura sat down with Rep. Kucinich in Madison March 12 after his speech at a rally hosted by The Progressive magazine and discussed the attacks on public sector workers and what a real economic democracy would look like--full employment, universal health care and education, and a commitment to peace.

http://www.commondreams.org/video/2011/03/25