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A System to Facilitate Widespread Establishment of Worker-Owned and Self-Directed Enterprises

For democracy to survive, the institutions within democratic societies must not be antithetical to it, and if any institution becomes so, we must reform or reinvent it.

Corporate capitalism as currently practiced is anti-democratic. Workers in most corporations are told what to do and have no influence on corporate policy, including how corporate income is distributed among workers, management, and owners. For five days per week, most adults devote most of their waking hours (including commute time) to these anti-democratic institutions, and partly as a result, democracy is also disappearing from our political system. Corporations and the economic elites that control them are having an undue and extremely disproportionate influence on public policy.

Widespread employee ownership and control of business enterprises will create a more democratic society. Democratic control will eliminate wide income disparities and the resulting negative economic, political and social consequences and eliminate other injustices resulting from an anti-democratic, hierarchical form; develop a sense of community within businesses and between businesses and their local communities; and motivate more productive work. This can be more than just a utopian ideal. This policy is a detailed, practical route to widespread worker-ownership and control of business enterprises.

Our corporate capitalist form violates basis property rights. Most owners or shareholders of public companies have no say on how much of the profits of the corporation they will receive. Property rights normally imply access to the fruits of the property. Public companies' shareholders also generally have no say in the pay of the people running the company they own, which would also normally be part of an owner's property rights. And they have no say in how corporate funds are used to influence our political system through campaign contributions and lobbying. In general, it is difficult for public company shareholders to challenge what management does with the business they own. The essential character of employee-owned and controlled businesses includes basic property rights for the business enterprise owners.

Also, property rights are now commonly violated because in our knowledge-based economy the value of knowledge is a substantial part of the value of businesses, and much of this knowledge resides in workers. Essentially, workers embody company value to a far greater degree than the value of the company's financial capital they own. To estimate this value consider: As of November 24, 2014, the ratio of market value to book value (the total of the value of the company assets shown on its balance sheet or accounting records) for the S&P 500 was 2.88, so off-balance sheet intangible assets comprised 65.3% of the total market value of those firms. On Nov 24, 2014, the total market value of all publicly-traded U.S. firms was $21.7 trillion. Assuming the market value to book value ratio for the total market is the same as that of the S&P 500, intangible assets totaled $14.2 trillion for public companies. Not all intangible assets reside in workers, though. Intangible assets include the intellectual property of patents and copyrights; the intellectual capital of databases and general business methods; and the knowledge and practices of workers, or their "economic competencies."

One extensive study found that about 44% of the intangible asset value resides in employee's "economic competencies" or about 29% of total firm value.[1] *That is $6.2 trillion just in public company value alone.* (This does not include the value of other components of intellectual capital that current workers may have contributed to.) Workers embody or possess this capital in a limited sense because financial investors capture the market or financial value embodied in the workers. If workers were the financial owners of the firm, their economic competencies' associated financial capital would go to the rightful owners of this capital.

If it were common that businesses were wholly owned by the workers in them, our large and growing economic disparity would be substantially reduced because businesses are a major form of national wealth and the relatively low labor income disparity inherent in worker-owned and controlled enterprises. Also, widespread capital ownership allows widespread sharing of the appreciation of asset values. Among the reasons this is important is asset values tend to grow more rapidly than the economy.

An extensive study of international historical data found that although return on capital, *r*, depends on many technological, social, and cultural factors, it has resulted in an average return of roughly 4% - 5% for centuries. The economic growth rate, *g*, has been less. The long-term disparity between *r* and *g* results in growing inequalities of wealth and income. Income inequalities grow with wealth inequalities because income from investments grows at a rate exponentially faster than income from labor, whose growth rate is associated with the economic growth rate. However, over the last few decades, median labor income has been growing much more slowly than the economic growth rate, creating a more rapid than average growth in inequalities.

The two world wars and the Great Depression and their policy responses interrupted, for about three decades, the general trend of *r* being greater than *g* through the destruction of capital, high inflation, and radical policy changes; many of which have been undone.[2] This process will now continue to proceed with terrifying results unless it is interrupted again with vigorous public policy solutions. This New Enlightenment policy will solve the growing economic disparity problem and reverse the trend while increasing national prosperity. It will do so more effectively than any policy instituted in the history of the United States, and it will be more enduring because of its systemic nature.

Probably the most beneficial and valuable form of capital or wealth that individuals can possess is the value of the business enterprises in which they work. In addition to business value appreciation, worker-owners gain profits, which can be larger than appreciation or the average gains on stocks. Corporate profit margins vary by industry, but on average, they were 13.6% in 2012, a post–World War II high.[3]

The top 1/100 million highest wealth holders in the world received an average rate of return of 6.8%, much higher than the average adult who received a 2.1% return from 1987 through 2013 (adjusted for inflation).[4] The profit percentage is relative to sales and the asset appreciation rate is relative to asset values so these numbers are not directly comparable, however, based on sales to asset value ratios it is common that profits exceed asset appreciation of even the super wealthy.

Receiving both profits and asset appreciation brings the greatest return on capital. *r* being greater than *g* is less important if the majority of people have a significant amount of the kind of capital—the business enterprise in which they work and that they control—that brings the greatest return.

Beyond greatly reducing economic inequality is a justification for the widespread establishment of worker-owned and self-directed enterprises of even more fundamental importance. Our nation’s most important ideal is that those in power should not be able to take away any of our fundamental rights without due process of law. Many lives have been lost to acquire and defend these rights, and we will continue to spend many trillions of dollars presumably to defend them. But the structure of the enterprises dominating our society requires that most of us sacrifice some of our fundamental human rights to live.

In addition to “bosses” grabbing an increasing portion of corporate income for themselves by using their power to depress median wages and benefits as much as the market will bear for workers, bosses can choose to end any worker’s income and often pension and healthcare entirely for almost any reason, with workers having no recourse. 150,000 people are fired without legitimate reason per year.[5] Also, “bosses” have knowingly devastated the lives of many people by firing all or a substantial fraction of their companys’ workers to move operations to a foreign low wage, low regulation country.

Workers sometimes must submit to control of their off-job time because their livelihood is in jeopardy if they don’t. However, many workers have been unable to avoid being fired based on behavior off the job. Workers have been fired for their political views, their blog content, whether they drink or smoke off job, associate with any group their boss disapproves, and other behaviors their boss disapproves (such as riding a motorcycle off work, which, to reduce healthcare cost risks, can be against company policy).

In addition to video, GPS and computer activity monitoring at work, workers are commonly required to access the company server at home, which gives access to personal information on their home computer. Many known cases exist where employers monitor personal emails of workers at work, and the power to access personal information likely is also abused at worker’s homes. 25% of employers have fired employees based on email content.[6] Your boss can require you to have with you a GPS enabled company cell phone evenings and weekends, which allows your boss to know where you are always. Privacy has also been obscenely violated during indiscriminate urine tests for drugs where workers have been required to allow a person watch as they give the sample, to guard against urine substitution.

Some “little tyrannies” that are the economic enterprises that dominate our larger society abuse their top-down structure less than others, but all such social structures where some people can dominate others unaccountable to any kind of democratically determined system of justice are unjust to varying degrees.[7] We must restructure at least most of them to a democratic form if we are to live in a truly democratic country.

Worker owned and democratically controlled enterprises exist in our economy and interact normally with conventional business, which facilitates successful transformation to a society where worker-owned and self-directed enterprises are the predominant kind of business enterprise in the country. The new society can gradually develop within the old. Worker owned and self-directed enterprises currently are in all sectors of our economy, from banking, finance, and insurance to education, manufacturing, retail, and agriculture. Nationwide, 223 worker cooperatives having 7,500 worker-owners now exist.[8] All worker cooperatives are worker-owned and self-directed enterprises (WSDEs). Also, in the United States, 13.8 million worker-owners are in Employee Stock Ownership Plan corporations (ESOPs) that are generally not worker self-directed.

Economic democracy does not reject the role of markets, rather it tempers the profit maximization motive that currently drives the way in which businesses engage with the market with a greater emphasis on worker and community interests. For example:

A non-worker board of directors directs conventional corporations; they make the decisions on all important corporate policies. They decide how to distribute corporate income, including among the workers as pay, or select managers that determine worker pay. Public company managers often decide on their own pay or influence the selection of those who do, which is responsible for much of the explosive growth in income inequality. This results in harmful consequences, including the corruption of our political system. In cooperatively owned businesses the workers make all the important decisions through democratic processes, both directly and through an elected board of directors from among the workers. The workers choose the maximum level of wage disparity among workers that they consider the most just and beneficial, which results in far lower disparities.

One of the most serious, common and well-justified criticisms of conventional capitalism is that its design intrinsically motivates enterprises to create “negative externalities” (costs associated with a product or service that the provider does not pay so are not incorporated in the price) to maximize profits. With worker-ownership and control, this tendency is reduced for some kinds of negative externalities and eliminated in others.

One example of a negative externality: A business pollutes the environment to save pollution mitigation costs. Associated cleanup and possible harm to health and other costs are paid by others rather than the business. Another example is when a business leaves a community for lower labor or regulatory costs, or tax or subsidy advantages elsewhere, conventional businesses ignore the economic and social costs to the abandoned community, and the community pays. All the harmful consequences of inequality are also negative externalities of businesses of conventional corporate form.

A board of directors in a remote city may not be concerned with their decision's resulting harm to the environment of their business. They tend to base their decision purely on the profit motive, but workers in control of their business would make more beneficial decisions because they have to live with the consequences.

Worker-ownership also keeps resources from being transferred from local communities to multinational corporations and their owners, which can also be considered a negative externality. Supreme Court Justice William O. Douglas decried the "*effect on the community when independents are swallowed up by the trusts and entrepreneurs become employees of absentee owners.*" The result, Douglas wrote, "*is a serious loss in citizenship. Local leadership is diluted. He who was a leader in the village becomes dependent on outsiders for his action and policy. Clerks responsible to a superior in a distant place take the place of resident proprietors beholden to no one.*"[9] In Fireside Chat 6, Franklin D. Roosevelt warned of a "*definition of Liberty… where a free people* (are) *gradually regimented into the service of the privileged few.*"

Almost everyone considers democracy the best way to govern our society. In democracies, people participate in decisions that affect their lives either directly or through their representatives. As you will see, it is eminently practical to realize democratic ideals in our economy or work life, through widespread business enterprise worker-ownership and control.

Cooperatively owned businesses can range from small-scale to multibillion-dollar businesses. The worker-owned Mondragon Corporation (a conglomerate of cooperatives) in Spain has over 83,000 full-time and over 15,000 part-time workers. It is one of the most successful corporations in Europe. Their highest paid worker is compensated in amount about 6.5 times that of the lowest paid worker. In the U.S., the top to median pay ratio for corporations of similar size is over 350 to 1, top-to-bottom over 750 to 1. As are all worker cooperatives, the Mondragon Corporation is both worker owned and worker self-directed.[10]

The number of Americans involved in worker-owned ESOP firms has increased, from 250,000 in 1975 to about 13.8 million working in over 11,000 firms today. These firms are not "worker cooperatives" or WSDEs, or democratically run to the degree that Mondragon Cooperatives are, and most are not 100% worker-owned. However, their degree of worker-ownership has revealed some important advantages of workers sharing in the ownership of the firms in which they work:

Each year Fortune magazine publishes the results of surveys on “100 Best Companies to Work For.” Corporations with broad-based employee ownership or profit sharing, although only 10% of the Fortune 500, regularly represent over half the winners.[11] Publix Supermarkets is the largest ESOP, with 160,000 employees. It was named as one of Fortune magazine's “100 Best Companies to Work For” (1998–2014) and “Most Admired Companies” (1994–2014) and was ranked as one of the top ten companies on the Forbes list of the largest private companies (1996–2013). Publix also scored higher than any other supermarket for customer satisfaction in a national survey conducted by the American Customer Satisfaction Index (1995–2014).

ESOPs by the end of 2012 generated $1.059 trillion in assets for 13.8 million employee-owners—a per capita retirement account balance of about $77,000,[12] about 2.5 times the retirement assets of employees in non-ESOP companies.[13] 12.1% of all working adults in the private sector reported getting laid off in 2010, but just 2.6% that were part of an ESOP.

Because workers own at least part of ESOP corporations they benefit directly from increases in company income and value, so they tend to be more productive. In the largest study of the performance of ESOPs, Rutgers University researchers found that they increased sales/employee by about 2.3% to 2.4% per year over what would have been expected absent an ESOP.[14] If ESOPs are structured as WSDEs, productivity will be further enhanced.

From the earliest days of our country’s founding, it was known that businesses where workers share in the profits are more productive. Research commissioned by Thomas Jefferson found that when fishermen shared in the profits of fishing operations they were more efficient. Paying workers a share of profits helped build the fortunes of many of the most successful businessmen. John D. Rockefeller of Standard Oil, George Eastman of Eastman Kodak, William Cooper Procter of Procter & Gamble and grain merchant Charles A. Pillsbury all used profit-sharing to attract the best workers, reduce turnover and give employees a greater incentive to make their businesses prosper.[15]

Democratic participation brings important advantages above those of just some sharing in profits, so we will take all practical measures to direct the expected large increase in the number of ESOPs that will be formed over the next 15 years resulting from “baby boomer” business owner retirement, instead to the formation of corporations with the WSDE structure. This process will be important in achieving the goal of widespread WSDE establishment.

More Evidence of the Superior Performance Resulting from Worker-Ownership and Self-Direction

Many studies have shown that participatory ownership, when combined with participatory work practices, greatly improves business performance, as indicated by higher sales and sales growth per worker. The consistency of the results of the many studies demonstrates this definitively. One study found that ESOP companies had sales growth rates 3.4% per year higher and employment growth rates 3.8% per year higher in the post-ESOP period than would have been expected based on pre-ESOP performance. When the companies were divided into three groups based on the degree of participative management, the most participative companies showed a gain of 8% to 11% per year faster than they would have been expected to grow. Other studies have shown similar results.[16]

Studies have revealed that workers in these companies have greater company loyalty and pride in working for the firm, so turnover is reduced. This creates a competitive advantage by reducing the costs of recruiting, training, and integrating new employees in money, time, and effort. Also, workers in firms with participatory ownership and participatory work practices express a willingness to work harder and innovate more, and they are more willing to co-monitor other worker's performance which, in addition to workers being more motivated to perform well, reduces the need for supervisors.[17]

Studies have found much higher failure rates for conventional capitalist companies than worker cooperatives in North America.[18] A study conducted by Quebec's Ministry of Industry and Commerce in 1999 concluded that "*Co-op startups are twice as likely to celebrate their 10th birthday as conventionally owned private businesses.*"[19] An international survey of studies on business survival time of worker cooperatives compared to conventional firms discovered worker cooperatives early survival and median lifespan meet or exceed that of conventional firms, and that worker cooperatives are uncommon mainly due to difficulty in securing capital.[20]

- In France, the three-year survival rate was 80-90% for cooperatives converted from "in crisis" or "sound" enterprises, respectively. The average three-year survival rate for all French enterprises is 66%. The five-year survival rate of cooperatives formed from existing businesses was 61-82%, for all French businesses it was 50%.[21]
- Cooperatives in British Columbia between 2000 and 2010 had a five-year survival rate of 66.6% (100 out of 150), compared to conventional Canadian businesses which had a 43% and 39% 5-year survival rate in

1984 and 1993, respectively. Alberta cooperatives created in 2005 and 2006 had a three-year survival rate of 81.5% compared to 48% for conventional Alberta businesses. A 2008 study in Quebec showed that co-ops had a five-year survival rate of 62% and ten-year survival rate of 44%, compared to 35% and 20%, respectively, for other Quebec businesses.[22]

- Cooperatives in Italy have shown a lower mortality rate and incidence of bankruptcy than conventional businesses.[23]
- In 2005, 1% of German businesses were declared insolvent, but the statistic for cooperatives was less than 0.1%.[24]

The major reason for the success of worker cooperatives has been superior labor productivity. Studies comparing square-foot output have repeatedly shown higher physical volume of output per hour, and others show higher quality of product and also economy of material use.[25]

Some people claim that co-ops are impractical due to their inability to attract good managers. But this claim is false, and the mythology of super-managers being mainly responsible for the performance of well-performing companies is just that, mythology. Studies have found a negative correlation between CEO pay and long-term profitability of companies. Researchers from the University of Utah, Purdue University and the University of Cambridge studied 1,500 company's performance compared to other companies in the same field from 1994 to 2011. They found "The (stock value) returns are almost three times lower for the high paying firms than the low-paying firms" and that the longer the highly paid CEOs were in office, the more their firms underperformed.[26]

Analysis of the cooperatives that comprise the Mondragon Corporation found that productivity and profitability are consistently higher for the cooperatives than for comparable traditional capitalist firms. A study in 1974 found the worker turnover rate in Mondragon was 2% compared to 14% in similar traditional capitalist firms.[27] One particularly successful Mondragon company, Irizar, has been awarded prizes for being the most efficient company in its sector; in Spain, it competes against ten private enterprises, but its market share is 40%.[28] It manufactures products for transportation, from luxury coaches to city buses.

Each cooperative in Mondragon has its own workplace structure, though they share some common characteristics. Irizar's structure is especially interesting and important to learn from. To encourage innovation and the diffusion of knowledge, it has a flat organizational structure based on work teams with a high degree of autonomy, and there are no bosses. Rather, each team sets its own targets, establishes its own work schedules, and organizes the work process as they choose. The teams also work with each other, so that knowledge is transmitted efficiently. Participation also occurs in a general assembly, which meets three times a year rather than the one time common in other Mondragon firms, where they approve the company's strategic plan, investments, etc. These participatory structures have enabled Irizar to surpass its competitors in profitability and market share.[29]

The Emilia-Romagna region of northern Italy is an excellent example of a successful cooperative economy, with 40% of its region's GDP deriving from cooperative enterprises. The region of four million people, one of the richest and most developed areas in Europe, rose from poverty only a few decades ago based on its development of a cooperative economy.[30] Per capita GDP is 129% of the European Union average. The region is based on a dense network of 420,000 small and medium-sized firms. Agricultural, manufacturing, building and construction, mechanical engineering, robotics, biomedicine, graphic arts, wholesale trade, brokering, hotels, catering, transport, communications, banking and insurance, and business-related services, among other kinds of firms, comprise the network.[31]

Worker cooperatives are uncommon in Europe and the United States due in large part to difficulties in securing capital, but there's also lack of knowledge and support systems. Widespread awareness of the viability of worker-owned and self-directed enterprises and knowledge of successful organizational structures is necessary for widespread establishment. This can be best accomplished in our educational institutions, especially colleges. Within The New Enlightenment's free college education proposal, we recommend that the basic skills and knowledge needed for cooperative business enterprise management and direction be a part of the core curriculum of two and four-year colleges.

However, we do not need to wait for all college graduates to have this knowledge. Sufficiently effective educational and support systems can be put in place before the optimal situation of large numbers of college graduates having detailed knowledge of the character of WSDEs. With education, capital, technical support, and other policy changes—all of which have been important for the success of conventional capitalist businesses—the widespread establishment of businesses with participatory management and ownership could be the next great movement of American history, and ultimately world history.

Another obstacle to widespread establishment of WSDEs, especially in modern America, is an atomized population where collective civic engagement is uncommon and withdrawal from our political democracy is occurring. Pervasive feelings of disempowerment, interpersonal alienation, and mistrust exist and must be overcome. Also, many people assume that participating in the decisions of directing a business requires sophisticated entrepreneurial instincts and other skills or knowledge too difficult for them to acquire. Most people have never considered the possibility.

Widespread knowledge dissemination in colleges and our mass media on the advantages and nature of workplaces with collective ownership and direction can overcome these obstacles. This will not only result in an improved and more just economy, but also improve our democracy and social relations. The more that people hear about worker-ownership and self-direction, know about it, learn of its successes and potentials, the more they'll be open to it, including those who might now reject it as "foreign," "socialist," "idealistic," or "impractical." The New Enlightenment's media policy will result in a media that will focus on issues that serve the best interests of the country, including the character of WSDEs, of which many media corporations will be important examples.

Some see the fraction of the time it takes for a boss to decide on and hand down a bureaucratic order, compared to the time it would take a group to decide the issue democratically, implies superior efficiency in undemocratic structures. But those who would implement the policy are less likely to overlook unforeseen contingencies if they participated in its development, and any democratically determined policy is likely to be implemented more effectively since workers would be more committed to it.

Hierarchical bureaucracies are commonly criticized for inefficiency because of their undemocratic, inflexible, uncommunicative, uncreative character. In centralized organizations, change can come only from the top—but at the top are people who often do not learn of "errors" at the bottom. Information does not flow efficiently to bureaucrats, who are isolated from the consequences of their actions. And workers who can expeditiously and effectively correct an "error" instead wait for dictates from on high. These and other failures of bureaucracy do not apply to democracy.

In the literature, one finds descriptions of workers in cooperatives who do not have the desire to participate in the governance of the firm, who want only to get their paycheck and not deal with the challenges of deciding policy. Workers in a WSDE may participate in its direction to the degree they choose. But if too many choose not to participate, or participate reluctantly, this can undermine the WSDE's democratic functioning. This problem can be overcome by well-designed democratic structure that will invite participation.

Almost everyone craves new challenges periodically, and rarely would people choose a job bereft of challenges or opportunities for growth, if the opportunities were well understood. Many studies have shown that control over one's work is positively associated with job satisfaction, which, as previously noted, is low and trending lower.

Our wage subsidy policy (Policy 1) would not be necessary for an economic system that did not create large, unjust income disparities, and ideally will be a temporary policy until we develop an economic system that did not require income redistribution. An economic system mainly composed of worker-owned and self-directed enterprises would be such a system. It would have inherently smaller and more just income disparities and the other beneficial characteristics described in this policy proposal.

The awareness of the importance of widespread worker-ownership and self-direction of businesses has been growing. In the U.S., among the many groups that have made important contributions in advancing the movement toward widespread worker-ownership and self-direction of businesses are The Sustainable Economies Law Center, Democracy at Work, the Federation of Southern Cooperatives and The Democracy Collaborative. The Democracy Collaborative, co-founded by Gar Alperovitz, one of the intellectual leaders of the movement, has helped create several within a system designed to add to their numbers over time. But the system, though innovative and valuable, as is the work of the other groups, will not result in pervasive WSDEs. Progress is far too slow if we are to achieve the ideal we seek. We need major national public policy changes.

Total business sales value in 2014 was $30.9 trillion.[32] The total value of all U. S. businesses is over $54 trillion.[33] Only about 250 cooperatives (or WSDEs) exist in the US. Their total business and sales value was not available, but it is certainly an insignificant fraction of a percent of that of all U.S. businesses. Based on current growth rates, establishment systems, and financing options, it is very unlikely that this basic fact will change in anyone's lifetime reading these words in 2017.

If we are to achieve the imperative of widespread worker-ownership and self-direction of businesses within a tolerable time frame two formidable obstacles must be removed: Lack of access to sufficient capital and lack of knowledge in the majority of the citizenry.

More than half of our population have little, no, or negative wealth, making business investment under current circumstances difficult, and over 95% know little or nothing about worker-ownership and self-direction of businesses. Even when people have the necessary knowledge and want involvement the necessary financing is often not available, or burdensome obstacles to it exist (such as through crowdsourcing). A massive increase in worker-owned business financing availability and knowledge are necessary.

New Enlightenment policies overcome the obstacles of lack of financing and lack of knowledge in the majority of the citizenry. The following policies are designed to facilitate a gradual transformation over about two decades to an economic system where employee owned and self-directed enterprises will be the predominant type of business enterprise in the country. The creation of new businesses organized as WSDEs and the conversion of existing businesses, both privately and publicly owned, to worker-owned and worker self-directed enterprises we will vigorously support by various systems. We begin with a modified version of a system proven successful over decades in Italy.

Improving One of Italy's Successful Worker-Owned Business Establishment Policies

The following part of The New Enlightenment's comprehensive WSDE establishment policies is adapted and improved from a long-term policy in Italy, under its "Marcora" Law.[34] Since 1985, the Marcora Law has succeeded in promoting the establishment of prosperous, worker-owned and worker self-directed enterprises by unemployed workers. It does this by providing two or three years' total unemployment benefits in advance to groups of ten or more unemployed workers that present an acceptable business plan (a detailed description of the business including projected cost and revenue streams) for a worker-owned enterprise. These workers are required to forgo rights to these benefits if the enterprise fails. The success rate of businesses established under the Marcora Law has been 90%, and only 5% of capital supplied was lost through failures.[35] This compares favorably to the rate of 37% of new businesses surviving four years in the U.S.[36]

We propose the following way of adapting and improving Italy's successful Marcora law in the U.S.:

Our unemployment compensation currently runs for 73 weeks maximum including federal unemployment insurance extensions. Supplying just this total amount instead of a two-year benefit amount in advance is not likely to be adequate in many cases. Manufacturing businesses, for example, have higher than average capital requirements. Also, since the individual states supply unemployment compensation for the first 26 weeks, any policy to adapt the Marcora law to the U.S. would require state cooperation.

To solve both problems, the 26-week unemployment benefits that states typically provide will be supplemented by grants and loans from the federal government of an amount equal to 78 weeks (totaling two years) of benefits for any state willing to cooperate by lending (not granting) 26 weeks of benefit amounts to qualified worker-owner groups. The federal grants will be in an amount equal to eight weeks of unemployment benefits, and loans in an amount equal to 70 weeks of benefits. This federal money, and that the state money is provided as a loan, not a grant, as is now the case with any provided unemployment benefits, will motivate most states to cooperate, and likely all of them, as the success rate in Italy is duplicated or exceeded here.

We will not limit eligibility for this program to those at the start of the unemployment benefit period. All receiving benefits will be eligible, so in some cases, unemployment benefits will increase under this program. However, the benefits are mainly in the form of loans, not grants, as are current unemployment benefits. Also, the costs of this program will decline quickly as we institute New Enlightenment policies because little or no unemployment will result.

In some cases, the loaned and granted amount, plus any other contributions the worker-owner group can make with personal funds, or loans or grants from sources they could find independently, may be insufficient capital to satisfy the funding needs of the planned business. In these cases, the federal government will partner with a local community credit union or bank if it lends a minimum of 20% of the additional WSDE funding requirements.

Current law stipulates that federally insured credit union loans to businesses cannot be above $50,000 and that the personal liability and guarantee of the principal is required.[37] New Enlightenment policy will eliminate these restrictions, which do not exist for commercial banks, on credit union loans to WSDEs.

The federal loans will originate in a newly established national "Commonwealth Bank" with ten regional branches. ("Commonwealth" is derived from the conjunction of the words "common" and "wealth" since the companies so assisted will hold the wealth of the company in common by the workers.) I will describe the Commonwealth Bank further in a Banking Reform and Public Banks policy (to be detailed in a future document).

Many qualified local credit union or bank loan officers exist nationwide. They are a valuable and widely dispersed resource that will be essential in determining the likely viability of proposed WSDEs nationwide. We will institute policies to incentivize local credit union or bank involvement financially in this and most of the following WSDE establishment programs.

In addition to facilitating the widespread establishment of WSDEs, this will reduce the relative power of the big national banks, which is also an important New Enlightenment goal.

The federal partnership with local community credit unions or banks will direct public funds most effectively because local financial institutions would generally be in the best position to evaluate proposals of local businesses for further Commonwealth Bank evaluation. They would also be most conveniently located for evaluating the proposals of local residents for businesses whose customer base would extend beyond the local community and would offer funds only for businesses determined worthy of the risk.

Greatly financially leveraging the result of local credit union or bank loan officers' loan decisions will be a highly advantageous way to facilitate the widespread establishment of WSDEs. In addition to local credit union or bank loan officer's knowledgeable evaluations, the second level of evaluation at the Commonwealth Bank will ensure a low risk for the loans.

Loan rate bidding by banks will determine the WSDE loan interest rates. As success rates become more commonly established with time for WSDEs formed through this policy, the rates would go down. Rates will vary for each WSDE, based on the bidding process. The Commonwealth Bank loan term and interest rate will be 20 years, typically at an interest rate 0.25% lower than the loan rate of the bank with the winning bid. However, the Commonwealth Bank will have the discretion to choose up to a 1% lower interest rate if it determines that the lowest rate resulting from the bidding process is unreasonably high.

The business assets will collateralize the loans and the likelihood of long-term viability will be high, based on both private and public bank evaluations and the superior performance resulting from the character of WSDEs relative to conventional enterprises. After three years, WSDE success rates will be widely established and known, allowing refinancing at lower rates based again on bank bidding. Federal policy would incentivize this by paying a reasonable refinancing fee to the original lender.

To assure equal opportunity to the poor, we will require for the partnership, which includes a loan fee, that banks evaluate worker-owner loan applications solely on the merits of the proposed business, and whether the experience and knowledge or education of the applicants will meet operational requirements. These are the important criteria for predicting business success. This New Enlightenment policy will not allow wealth or assets and prior income data as loan approval criteria. However, all workers will have a significant amount of wealth for investing in WSDEs because we will offer federal grants to economically disadvantaged households for WSDE investment. This will reduce an unjust consequence of our enormous wealth inequalities.

The federal government will provide to the credit union or bank, a WSDE loan origination fee of 2% of the amount lent as an incentive to give some preferential attention to loans for this purpose. This will largely insure against the risk for a typical loan for the bank. The New Enlightenment's Banking Reform and Public Banks policy will also offer preferential federal funds access to credit unions and community banks organized as WSDEs, with discounted rates for this purpose, at approximately a .25% discount. The rate would vary depending on the Federal Reserve Discount Rate. The Federal Discount Rate in 2015 was 1%, so a .25% discount would have reduced this rate by 25% [38] The discount would give a competitive advantage to credit unions and community banks organized as WSDEs while allowing them to offer lower rates for WSDE establishment loans.

The 2% fee incentive to make worker-owner loans would not lead to injudicious lending because 98% of the capital lent by the credit union or bank would be at risk, and the loan review at the federal level will further assure this.

If no community banks or credit unions will make a loan to a specific worker-owner group, governmental support for this worker-owned business will be limited to the grant and loan amount total equal to two years of unemployment compensation. In which case, the workers would need to develop an alternate business plan that this amount would satisfy or seek other lenders for additional funding, or use more of the group's personal funds. New Enlightenment policy also motivates municipal governments to assist in the formation of WSDEs with loans. The substantially different local government partnership system I detail later.

Within all New Enlightenment WSDE establishment systems we will also motivate support from local sources in the following way, which will minimize the need for federal loans and increase community involvement with local businesses: We will determine federal loan requirements after bonds to support WSDE funding needs are offered for purchase only by community members or the municipal government. These bonds will be made available through the lending credit union or community bank for a period of three weeks. The bonds, with a detailed description of the recipient business and specific purpose of the bond funds, will also be offered on a website where only local residents will be eligible investors. This will allow community members to vote with their dollars on what kinds of businesses are most worthy of support. Bonds will only be offered if the bank partnership requirements are met.

Although funds sourced outside the community have equivalent financial value, part of the purpose of this policy is for the community to be involved with the establishment, practices, and success of businesses in their community. New Enlightenment policies will motivate community members to seek local businesses for investment support through bond purchases by exempting the first $1,000 of bond interest from income taxes for each of the WSDEs an individual supports with bond purchases within this and all of our WSDE establishment programs. For example, if someone invests $22,000 in each of eight local WSDEs at 4.5% interest, their interest payment from each WSDE would be $990, and this person's total $7,920 interest annual payment from the WSDEs will be exempt from tax. (A 4.5% bond interest rate is the average of the 20-year rate for A and AA rated corporate bonds in April 2014.)[39]

Municipal bonds are also exempted from federal tax, but these WSDE corporate bonds will pay the higher rates typical of corporate bonds with the advantage of tax exemption included. This will be an important incentive for local investors to support local WSDEs. The maximum interest payment per WSDE that is tax-free will motivate wealthy investors to invest in a large number of WSDEs. This policy will also help to insulate local resident assets and savings from national and international speculative tumult and reduce the amount of money that participates in creating the bubbles and crashes, thereby reducing their severity.

Annual bondholder meetings will be required and will also be open to the community members other than bondholders, if space is available, for community input on business practices. Among the bond purchasers and other members of the public would be individuals with expertise relevant to the WSDE's operations, so these meetings could serve an important advisory function that may lead to significant productivity improvements, in addition to helping to minimize negative impacts of businesses' practices on the community.

This government bank and community credit union or bank sharing of the capitalization of loans for businesses arrangement is similar to the state-owned Bank of North Dakota's arrangement with community banks in that state (although not generally for WSDEs), and their success rate has been excellent. In 2012, the Bank of North Dakota produced record earnings for the ninth consecutive year. It contributed these earnings to the state treasury. Meanwhile, the big banks had $4.05 trillion in losses and required trillions of dollars in federal funds to bail them out, and largely devastated the world economy in the process.[40]

As in Italy, unemployed workers accepting advances in unemployment compensation will be required to forgo rights to additional unemployment compensation if the business fails. Workers in control of their business typically are highly motivated to make the business succeed, and this financial risk adds to their motivation, making failure unlikely.

Extending Community Credit Union or Bank Partnerships for More Widespread WSDE Establishment

The same partnership agreement with community credit unions or banks to capitalize worker-owned enterprises will extend beyond lending to the unemployed, to any WSDE comprised of ten or more people that presents a worker-owner business plan acceptable to a community credit union or bank for a loan of at least 20% of the total capital requirements of the WSDE. (Also, in all loan partnership systems, the loan partner could be the local government.)

Under the federal granting system for investment in WSDEs, 83% of Americans will be eligible for some grant up to $14,700. This maximum would be available to anyone with no or negative wealth, solely for investing in his or her WSDE, and would be the most anyone could receive in their lifetime (except under extraordinary circumstances such as when facilities are destroyed by a natural disaster).

For the partnership agreement, all WSDE workers will be required to contribute $14,700 or their equal share of the funding needs of their WSDE, whichever is less. All workers will be able to make this contribution based on the federal grants and/or their wealth. This worker contribution requirement will also apply to the prior and subsequent WSDE establishment programs.

Enterprise ownership would be equal. However, the necessary economic disparities based on the level of skill and amount and difficulty of work will be accomplished both by the level of pay and company contributions to individual capital accounts (described later in *Summary of Recommended WSDE Structure*). This allows any compensation disparity that the company's members feel is necessary to attract competent people and serve the ideal of fairness. Equal ownership implies the equal voting rights essential to democratic governance and is analogous to equal citizenship.

For businesses requiring staffing in addition to the applicants under this, the prior, and subsequent New Enlightenment WSDE establishment programs, the following would apply:

- The directors of the WSDE in its first four years will either be all the applicants, or some, chosen by the applicants by vote.
- The directors select, for approval by all the applicants, additional workers who would be employees for the standard trial period of nine months before membership (worker-ownership status).
- Funding requirements over $14,700 per worker that workers could not supply the WSDE will source through the bank partnership and bondholders and lend to applicants with insufficient funds to purchase their equal share of the WSDE.
- The equal share will be determined using the planned worker total after a 6-month establishment phase (this 6-month period could be extended for large businesses).

Funds lent to the workers they would make payments for through deductions from the portion of business income they receive as compensation for their work. The WSDE will use these payments to make its loan payments.

The applicants will determine initial wages by vote. Based on their foreknowledge of the character of WSDEs, and that all workers will determine maximum company-wide wage disparities after their trial period before ownership by vote, they would be unlikely to create huge disparities between the applicants and any additional workers who they hire.

After four years, the WSDE will institute directorship elections in a General Assembly of all workers, as they would every four years subsequently under standard WSDE governance practices.

Licensed consultants will be available for the WSDEs created through this, the prior and subsequent establishment programs to assist them during their establishment phase. The consultants will have completed federal government certified training programs that we will offer in colleges and community colleges. They will have detailed knowledge of WSDE governance practices, including variations for different sizes and types of enterprises, and would also evaluate and advise on educational institutions for improving relevant skills.

WSDEs will select consultants from official registries, and 80% of their salaries we will federally subsidize for any that agree to maximum pay rates or schedules. Also, widespread knowledge of WSDE structure and function will exist resulting from the New Enlightenment free college education policies detailed in Policy 7, and the media content of a New Enlightenment reformed media (Policy 29). The Small Business Administration will provide additional support that could include on-site technical consultant assistance. The SBA’s funding will be substantially increased for this and other WSDE support services, as detailed later.

Supporting the Conversion of Pre-existing Privately Owned Businesses to WSDEs

We will also offer the federal loan partnership agreement to WSDEs formed by workers purchasing a business from a private owner (or owners). Under current law when owners transfer a business to its workers within Employee Stock Ownership Plans corporations (ESOPs), they receive important tax advantages. We would maintain and add to these advantages for owners selling to WSDEs.

Under current ESOP law, any capital gains the seller has on the sale to an ESOP is tax deferred if these gains are reinvested in qualified investments. We will maintain this provision for WSDEs, and in addition, $20,000 per year in seller note interest will be tax-free and free of any conditions on how the funds are used. It is common in sales to ESOPs for the seller to lend some funds needed for the sale and it will be more common in sales to WSDEs based on the additional tax advantages. But most importantly, $20,000 per year tax-free income would be a motive for sellers to prefer WSDE over ESOP transfer or would allow the purchase of the business at a lower price by a WSDE for an equivalent financial benefit to the seller. (For sellers in the New Enlightenment 55% tax bracket $20,000 per year tax-free income would increase their take-home income by $11,000 per year.)

Also, as a motive for owners to sell to a WSDE it may be advantageous for WSDE buyers to offer the possibility of including a sales provision that would allow the seller to speak for a short time at company general assemblies. This provision will also motivate WSDE sales since owners often like to maintain some involvement with the business they devoted many years to build. Sellers will have no control, just the opportunity to be heard, which many owners may find desirable. It would not be a significant intrusion on the WSDE owners for the prior owner to speak for possibly up to 10 minutes at a General Assembly, most commonly held once per year, and the WSDE may benefit from the prior owner’s input.

To determine company value an appraiser could be used, as is done on ESOP transfers now. However, to lower the expense of, and to standardize and facilitate, the transfer process, a standardized evaluation system will be developed that could be used nationally, with exceptions made for unusual circumstances. Smaller companies could benefit significantly from such a process. The system would use asset values, and some function of annual profits and earnings growth rate estimates for public companies in the same industry, and possibly some dependence on price per sales ratio of public companies in the same industry would be included.

The claim that only an appraiser can determine a private company's value is dubious. Businesses are notoriously difficult to evaluate, as has been demonstrated with many studies on public company valuations by stock analysts. Based on future stock prices, the analysts' determinations of company long-term value relative to the value of other companies on the market, on average, are no better than random guesses.

A standardized evaluation formula will be worthwhile at a minimum as a starting point for negotiations. If it is sufficiently flexible, it will be useful to apply in most cases.

The movement to establish the ESOP corporate form we intend to be just a preliminary stage of a more just and democratic worker-ownership movement. Most ESOP corporations are only partially worker-owned (through company funding with tax-deductible cash contributions to the company's ESOP trust, which the trust then uses to purchase the worker-owners' shares). And as I mentioned earlier, ESOP corporation's management and direction are not under democratic worker control. They are structured so that the trust votes the shares owned by the workers.

Although ESOPs distribute the advantages of business ownership more equitably than conventional capitalist businesses, that they are not worker self-directed results in unreasonably large disparities in income and asset allocation among workers, and little or no worker control over other business policies—major deficiencies the WSDE form will correct.

If the ownership transfer process facilitated it, ESOP companies could have been formed as both 100% worker-owned and worker self-directed enterprises. New Enlightenment federal policies are designed so that in the future WSDEs will be formed as a superior alternative to ESOPs. Instead of a trust voting the shares on corporate policy, the workers would do the voting, on a one-worker, one-vote basis. Essentially, workers would be equal citizens in their enterprise, and this equality also would be expressed through an equal share in its ownership (but not equal amounts contributed to, and therefore value in, their capital accounts, or equal incomes).

Most ESOPs are created when owners retire and do not have an heir who wants to run the business because of the substantial tax advantage owners receive that sell to employees in an ESOP. The owners of over 70% of American middle-market business owners anticipate selling their businesses because there is no family successor. The estimated wealth transfer per year over the next 11 years is $240 billion, totaling $2.6 trillion.[41]

In addition to the tax advantages, retiring owners are often motivated by other than personal financial gain when they transfer their businesses. How they will be remembered as a contributor to the well-being of their community and colleagues, and ensuring the integrity of the business that they created, can exceed maximizing financial gain as a priority. If they sell to an outside owner company, workers may lose income or their jobs. The new owner may sell off assets and end operations or use some of the assets for other purposes that would better serve the needs of the buying corporation. In any case, it is likely that workers will have the stress of dealing with major changes.

Giving workers ownership in a worker self-directed enterprise is the most beneficial way of expressing gratitude for the contribution their work made to the owner's success by ensuring their dignity and respect in a work environment that will also make them more prosperous. Also, it stabilizes the economy of the community in which the owner and workers live. Most owners would sacrifice some financial gain for these outcomes.

To further facilitate directing this vast wealth transfer to the formation of WSDEs, the federal government loan requirement for a bank partnership we will waive where owner retirement motivates the pre-existing company sale. These businesses are generally successfully operating by the workforce seeking ownership, and the motivation for the sale is less likely related to any business or business prospect deficiency than sales from non-retiring owners, and worker-ownership status will generally improve performance. A minimum age of 60 years for the seller owning the company for at least ten years will be the determinant of whether the bank partnership will be required.

Historical evidence indicates that loan risk is low for loans to workers buying out a retiring owner, so business evaluation from a local financial professional is not likely to be advantageous. The default rate on bank loans to ESOP companies during 2009-2013, most of which originated during the transfer process from retiring owners, was only 0.2% annually, compared to mid-market companies in the U.S. that typically default on comparable loans at an annual rate of 2.0% to 3.75%.[42] Due to the low risk, local community credit unions and banks would also offer loans for this purpose, if the low risk was known. The loan risk is likely to be even lower for WSDE loans, due to the improved performance from the democratic structure and the commitment of funds by each worker.

Workers rarely would not participate in the WSDE by not contributing $14,700 (if this much is needed) toward its funding under the modified federal loan partnership system for a retiring owner's sale to WSDEs. A relatively small financial commitment (with a one-time lifetime grant available for those who cannot afford it) will generally be well worth sharing in the profits and ownership of their firm.

Since most ESOPs now are formed on owner retirement, we would expect this to also be the case for transfers from existing owners to WSDEs, at least until the competitive advantage of businesses with WSDE structure was commonly demonstrated and widely known. We expect that eventually, many operating owners will choose the WSDE structure due to competitive pressures. The superior performance of WSDEs and the preference of many consumers to purchase goods and services from WSDEs will likely result in taking market share from conventionally owned and managed businesses. Also, some owners will want to benefit their workers and community in this way just for the personal satisfaction it will bring them, after witnessing other thriving WSDE businesses.

We will also encourage participation from local citizens in the funding of local WSDE businesses formed as a result of sales from retiring owners as we do in the bank lender partnership systems. We will exempt the first $1,000 of bond interest from income taxes for each of the WSDEs an individual supports with bond purchases. This will minimize the need for federal loans and increase community involvement with local businesses. As in the lender partnership systems, annual bondholder meetings will be required and will be open to the community members other than bondholders, if space is available, for community input on business practices.

The amount of federal funds needed for loans in this system will depend on how large a fraction of the capital requirements on average that retiring owners will take back in loans and how much will come from other sources, including community bond purchases. Assuming $240 billion per year in value is to be transferred, the following are rough estimates of the impact on federal government resources of the policy to direct ESOP formation to WSDEs. If half of the value of sold businesses is taken back in loans by the retiring owner seller to support the owner's retirement income, that leaves $120 billion per year that must be supplied from other sources. If half of this amount was supplied by banks, community member bond purchases, personal funds of workers including from grants and miscellaneous sources, that leaves $60 billion in loans from the federal government. The federal government's bond tax exemption cost will total approximately $208 million per year.[43]

ESOPs also offer tax advantages to the corporation and workers. In addition to the previously described supports, we will create somewhat greater but similar tax advantages for WSDEs and their workers. Under current law, ESOPs are structured as either IRS C corporations or S corporations, with S corporations having tax advantages for companies with fewer than 100 employees. We will establish a separate category for tax purposes for WSDEs of any size.

As described in *Summary of Recommended WSDE Structure*, a large portion of business profits is distributed in worker capital accounts, in proportion to their wages, and to the enterprise's Collective Reserve Fund. Workers will pay no tax on funds allocated to their capital accounts until they receive distributions and their portion of the business value upon terminating employment; then they are taxed on the distributions and capital gains. The WSDE will pay no tax on the standard contribution to the Collective Reserve Fund.

WSDE contributions to the capital accounts will be tax-deductible up to a limit of 50% of wages or $200,000 per year, whichever is smaller. Interest and principal on the loans that the WSDE is paying and that workers are paying to the WSDE will be paid with pretax income.

Also, The New Enlightenment's inheritance tax (Policy 9) that replaces the estate tax allows an exemption of $300,000 per inheritor. If an owner bequeaths his firm, or any portion of it, to his employees, for any who receives less than $300,000 in value no tax would be owed.

ESOPs are required to establish a trust with periodic reporting requirements. The trust is a separate entity with fiduciary responsibilities to the workers. A separate trust would not be involved with WSDEs because the workers would direct the company, so they would have fiduciary responsibility to themselves. This would reduce administrative cost relative to ESOPs.

After we institute this policy to promote business succession with superior tax advantages to ESOPs to worker-owned and self-directed businesses, worker-ownership transfer by owners on retirement will be both more common and more valuable to society. But it will only happen if business owners know of the availability of this alternative. We will, therefore, widely publicize this option to maximize the projected transfer of ownership of businesses valued at trillions of dollars to WSDEs over the next couple of decades. Such companies, many of which would have been absorbed by big corporations, will instead be taken over as part of a new direction in democratized worker-ownership.

Supporting the Conversion of Companies Declaring Bankruptcy to WSDEs

The Community Credit Union or Bank Partnership policy will also apply when companies declare bankruptcy. Management problems often cause business failures, and employee owners are more likely to rescue the business than the management previously selected by the investor's board of directors. If the workers and owners do not agree on a price prior to Chapter 7 bankruptcy proceedings, the workers will be given first choice of ownership at a price equal to the liquidation value of the business assets determined in the proceedings, plus the obligation to pay whatever debts the court does not discharge. If they have a willing community credit union or bank lender providing sufficient funds for the federal loan partnership system, the system will apply. The assets would not have to be used to provide the same goods or services that the bankrupt company provided. Workers may find more productive uses for the assets.

Chapter 11 bankruptcy law stipulates that the business can continue operations. We will change current law to require worker-ownership and self-direction for the reorganized company if the workers choose ownership and if they have a willing bank partner within the federal partnership system. In the cases of large national or multinational company bankruptcies, we will allow the large national banks to be federal partners within the system, and offer them the same financial incentives as we do to local banks when they provide WSDE establishment loans. When a traditional capitalist enterprise fails, the best use will be made of the opportunity to advance the movement toward widespread worker-ownership and self-direction of business enterprises by not limiting financing options when financing needs are large, however maintaining a bank partnership requirement is worthwhile.

If prior owners are relieved of most or all responsibility for debts to the workers, as bankruptcy often allows, the workers can decide how these debts to fellow workers could be paid out of future business proceeds. This will allow retirement pension responsibility that is often either drastically reduced or eliminated in bankruptcy proceedings, with devastating impact on people's retirement income, to be assumed by the workers to the degree they chose.

According to data from bankruptcydata.com, the failure incidence of public companies from 2000 to 2011 averaged 143 companies per year, with an average total value of all bankrupt companies' assets per year of $257 billion. Since public companies total about 7,000, this represents a failure rate of about 2.0%. Also based on data provided by bankruptcydata.com, on average, about 84% of public company bankruptcies result in a reorganized company rather than liquidated assets.[44]

Applying these averages yields an average of 120 reorganized public companies with a total asset value of $216 billion per year. All these companies had sufficiently good prospects for long-term viability to be reorganized, so it is likely a bank partner could have been found in all these cases for the federal loan partnership for WSDE formation. These good prospects, and the depressed price of a company in bankruptcy offering the potential for large gains, will motivate workers to choose ownership.

About 1.7% of public companies were reorganized per year over the 2000 to 2011 period. Assuming this same rate over the next 20 years, about one-third of public companies will be reorganized, so in 20 years about one-third will be converted to WSDEs, just based on this policy alone. (Somewhat less, because presumably in the latter years some bankruptcies will be of WSDEs.)

Although bankruptcy data for privately held companies were not available, it is likely to be similar. Assuming it is, in 20 years about one-third of privately held companies also will be converted to WSDEs, just based on this policy alone.

Initially, some banks may be reluctant to lend to reorganized bankrupt businesses with an unfamiliar structure, but after learning of the evidence and witnessing participatory work practices and ownership improving business performance compared to conventional businesses, prejudices will dissipate. Companies would not be restructured unless prospects for profitability were good, and participatory work practices and ownership will increase the likelihood of long-term viability. Also, the WSDE loan origination fee of 2% of the amount lent will largely insure against the risk for a well-considered loan by the bank. A per worker commitment of $14,700 will further reduce the risk, so further motivate bank involvement.

General Motors, one of the largest corporations in American history declared bankruptcy and was reorganized in 2009, and the failure of other large corporations is not uncommon. *Would GM have failed if decisions of corporate management largely responsible for its failure were instead made democratically within a WSDE system with a worker elected board of directors? This is unlikely, mainly for the following reasons:*

Public company managers often have short-term profits as a top priority. High profits in the next quarter raise stock prices, and so the value of their bonuses, option awards, stock awards and other non-equity incentives. The total value of these incentives for S & P 500 CEOs on average was about $9.2 *million in 2012—what the median wage worker would earn in 334 years.*[45] *Workers have as a higher priority long-term concerns, such as whether they will have a job with gradually increasing wages in a company that is prosperous ten years or more into the future.*

A conventional corporation's transformation to a WSDE will require an adjustment period. It should not be excessively disruptive though, because the workers will remain in place and most will gain a substantial advantage in the new structure, so they would be motivated to have it succeed, and consultants to assist in the transition process will be supported with federal funding.

Obviously, workers could choose not to participate in the WSDE and leave the company, but this is not likely to be common, and any that do would be easily replaced by outsiders that would be excited by the opportunity. Many would see that the depressed price of a corporation in bankruptcy could increase by multiples if profitability returns, which is likely, due to the bank evaluations and the superior performance on average of WSDEs. Some in the highest level of management may more often leave, but sufficient numbers of qualified managers would likely remain, tempering any disruption. Members of the top management are often responsible for the failure, so their departure may be advantageous in some cases.

Bankrupt public companies will sometimes be of a size that is not an ideal WSDE size, but a beneficial transformation to shared ownership and direction can occur at large sizes. It is more difficult to establish a desirable degree of democratic participation in large corporations than in corporations with fewer than 500 workers, so we recommend this limit when practical unless larger sizes would result in significant economies of scale that could not be otherwise achieved.

Contrary to their claims of efficiency, most large conventional capitalist corporations wastefully direct large amounts of society's resources to exorbitant executive perks and salaries, transportation and communications to far-flung corporate empires. Most depend for their profits and survival on public subsidies, tax exemptions, and externalized costs. Often they receive indirect subsidies when they pay less than a living wage, maintain substandard working conditions, market hazardous products, dump untreated wastes into the environment, and extract natural resources from public lands at below-market prices. Dr. Ralph Estes, co-founder and vice president of the Center for Advancement of Public Policy, emeritus trustee at the Institute for Policy Studies, and emeritus professor of business at American University, estimated that corporations extracted over $2.6 trillion in 1994 in such subsidies in the United States alone— roughly five times their reported profits.[46]

It is one of the basic principles of efficient market function that the full costs of a product or service be borne by the seller and passed on to the buyer. We don't have free and efficient markets because many conventional corporations in it would not be if they had to bear the true full costs of their operations. WSDEs will not extract the social costs that many conventional corporations do.

Bankrupt companies are often purchased by larger companies, increasing their size and power with all its attendant problems. As I noted earlier, Supreme Court Justice William O. Douglas (Time magazine called Douglas *"the most committed civil libertarian ever to sit on the court"*) correctly pointed out that local autonomy is diminished by large national and international corporate structures resulting from corporate mergers. And as FDR said, it results in *"people (being) gradually regimented into the service of the privileged few."* We ignored their observations. The consolidation trend continued so that now several industries are dominated by monopolies or semi-monopolies.

Economies of scale are used to justify large size. In some cases, such efficiencies exist, but we must weigh the social costs against these advantages, instead, we are ignoring them. Large size entails bureaucratic inefficiencies, greater likelihood of negative externalities, large economic inequalities, political corruption, and "people regimented into the service of the privileged few." Sometimes the social costs of mergers and acquisitions include those of semi-monopolies and monopolies. In industries dominated by semi-monopolies and monopolies, prices can be artificially high and innovation is stifled. For more information on monopolies see pages 395-7.

When economies of scale from large size would be advantageous, we should accomplish it, when possible, by combining WSDEs with 500 or fewer workers into groups along geographic or functional lines.

How to approximate this ideal by giving some autonomy to groups within a WSDE reorganized large bankrupt conventional corporation will vary based on circumstances. I will use Kmart's bankruptcy as an example. Kmart filed for Chapter 11 bankruptcy in 2002, by far the largest retail corporation in history to do so.

The Kmart Bankruptcy and Hypothetical WSDE Transformation

Each store could have been organized using much of the governance structure of an independent WSDE, but within the restrictions set by a companywide, worker elected board of directors. A worker elected "governing council" for each Kmart store, elected from among the store's workers by the workers, would have similar responsibilities as a board of directors would have in an independent WSDE. In addition, for most corporate level policy decisions, they would act as representatives of their store. On the most important decisions, or the ones democratically determined to require a direct vote by all the workers, the governing council would not have more than a standard worker vote. A petition signature standard for requiring a direct vote on a corporate level decision, possibly one-half of the workforce of any one store, within a virtual "General Assembly" (described later) will be established.

The impact of Kmart's reorganization as a WSDE on its competitive position relative to Walmart and other retailers would have been substantially positive. The workers would all own an equal piece of one of the largest corporations in America and would share in its profits to varying degrees determined by democratic processes within the corporation. This would likely result in a level of feelings of excitement, solidarity, and devotion to their jobs that would be unprecedented in a corporation of its size, which would likely result in substantially improved customer service. Since the workers would all share in the profits, their compensation would be substantially higher than that of workers at Walmart. It is well established that workers in this kind of work environment are more productive. Federal funds will be provided for the hiring of consultants to assist in WSDE structure transition processes to ensure that this potential is realized.

New Enlightenment policies will also improve the competitive position of WSDEs by strictly enforcing labor laws, some of which Walmart has violated to gain competitive advantage, including firing workers trying to unionize. Store managers also have often been abused by requiring over 70 work-hours per week for their salary. New Enlightenment overtime pay requirements for salaried workers will eliminate this problem.

Throughout the country, dozens of lawsuits allege that store managers, apparently expecting a similar sacrifice by hourly workers, routinely forced hourly employees to punch out at the time clock and then return to work, putting in hours of unpaid labor. Also, Walmart settled a federal investigation of its use of hundreds of undocumented migrants to clean its stores, making a record-setting payment to the federal government.

One factor that is claimed to be partly responsible for Walmart's success is instilling an entrepreneurial spirit and decentralized management style in each store. An entrepreneurial spirit and decentralized management style would be inherent in the recommended hypothetical structure for Kmart and would exceed any that could exist at Walmart.

Mismanagement by the so-called "frat boys," the CEO Conaway and his team, were mainly responsible for the bankruptcy. One important factor in the failure was a slow investment in computerized inventory management systems (unlike Walmart and Target). Also, Kmart failed to keep its stores looking clean and attractive, driving away customers.

With workers in control and sharing in the profits, the stores would all be better maintained and attractive because workers would be highly motivated to attract customers. The knowledge of, and pressures from, tech savvy workers, presumably some with computer science degrees, would result in sophisticated computerized inventory management systems as effective as Walmart's because they all would be benefiting from the resulting increases in profits. Software to serve this purpose is not extraordinarily difficult to produce, but if they did not have sufficient in-house expertise (or if it would be less expensive), they would have sufficient expertise and motivation to choose a qualified outside software vendor.

Senior management of Kmart lived a life like that of rock stars and divas. They had gated estates, yachts, company jets, and they saw their perks, bonuses, and loans increase while their company reported losses of about $3.9 billion in just the five quarters before bankruptcy. Over 70,000 workers lost their jobs, and millions of stockholders lost their retirement plans because of the actions of Kmart senior management.

A manager at a Texas store told the Free Press organization (a lobbying group that advocates for press freedom and increased government oversight of telecommunication service providers) that the company bankruptcy announcement "*was devastating, just devastating. It's just that you're never ready*." Employees, he said, were hurt, angry and afraid, "*all those emotions that come with uncertainty*."

After restructuring, the new board operated under the "good-old-boys" framework and awarded their former colleagues "golden parachutes," despite the mismanagement and rampant allegations of fraud, deceit, and corruption. CEO Conaway got $9 million in severance and loan forgiveness, and four others in top management received several million each.

Imagine if the option to take ownership control was open to the workers.

Workers would not have wasted corporate money on "golden parachutes." Instead of being "hurt, angry, afraid and devastated," they would be excited by the possibility of being an equal owner with their fellow workers in one of the largest corporations in America.

Financial advisors for the reorganization plan estimated that the value of the reorganized Kmart in a Chapter 11 reorganization was between $2.25 billion and $3 billion.[47] With 240,000 employees, using the average value estimate, $2.625 billion, this is about $11,000 per employee, which is less than the maximum lifetime grant of $14,700 allowed for workers with no or negative wealth.

To estimate the pay benefits Kmart workers would gain in a WSDE Kmart, consider how much Walmart workers' pay would increase if it were a WSDE: Walmart had an income after expenses except taxes of $25.7 billion in 2013 and taxes of $8 billion. If it were a WSDE, most of its profits would be distributed among the workers. *If 70% of its profits were, on average each would receive per year about $9,000, or about $750 per month above their current pay.*

Kmart is not Walmart, which is well known for exceptional business performance. But no competitive advantage of Walmart could not eventually be exceeded by a Kmart with an organizational form known to produce superior performance. The workers' equal share of one of the largest corporations in America would increase in value by multiples if the corporation performed well. To estimate this increase, consider that Walmart has a market value of about $250 billion, with about two million employees. This is about $125,000 per employee. If Kmart workers could match the performance of Walmart per worker, it would likely be valued per worker about the same, resulting in about $114,000 above their initial investment, which represents a gain of over 1000%.

The levels of motivation and excitement that would exist in the workers would make taking market share from Walmart a near certainty. On average, a few hundred thousands of dollars in additional total income and capital gains per Kmart employee after 20 years of work would be likely, compared to the average Walmart worker.

The amount of federal funds needed for public company reorganization as WSDEs for loans will depend on how large a fraction of the capital requirements on average will come from banks and other sources, including community bond purchases. Assuming $216 billion per year will be required, the following are rough estimates of the impact on federal government resources of the policy to direct public company reorganization to WSDE formation. If half of the value of $216 billion were supplied by banks, community member bond purchases, personal funds of workers including from grants, and miscellaneous sources, that leaves $108 billion in loans from the federal government, well within practical limits. If community member bond purchases supported 25% of the remaining $108 billion, 20% that would qualify for the tax-free interest income, and the bond interest averaged 4.5%, the tax exemption cost would be $292 million per year.[48]

The bankruptcy data for nonpublic companies were not available. For budgeting purposes, we will use the rough estimate of approximately the same budgetary impact as public companies, so we will budget $292 million in tax exemption costs for WSDEs formed on private company bankruptcies.

"Sociable Takeovers" Not "Hostile Takeovers" of Some Public Corporations

"Hostile" corporate takeovers are takeovers of corporate control against the wishes of current management. The interests of the workforce are ignored.

Usually, with a shift of control/ownership to another corporation comes lots of organizational change, often new bosses, loss of jobs and an overall attitude of "out with the old, in with the new," with workers as pawns in a game only the wealthy can play for their profit. When the takeover results in a privately held firm, using mainly borrowed funds, the process is called a leveraged buyout. Research indicates that worker wages on average are reduced after leveraged buyouts, even though productivity often rises. Financial gains from higher productivity are converted into returns for owners rather than salary increases for employees. Private equity companies are the practitioners of leveraged buyouts, and the companies they buy are twice as likely to file for bankruptcy as comparable public companies.[49] These companies' owners more commonly abuse lax regulation by paying themselves more than the firms are worth and then defaulting on debt obligations sometimes causing massive job losses and associated social harm.

Sometimes hostile takeovers result in replacing all employees; other times, the new corporation maintains some employees temporarily, mainly to train their people. Whatever the decision, the takeover can have a negative impact on employee morale because they have no control or say in a process that can have major impacts on their lives. The employees are likely to have some repercussions or big changes to deal with, job loss or not.

The following New Enlightenment policy facilitates *"sociable takeovers"* as an alternative to *"hostile takeovers"* or conventional leveraged buyouts. A sociable takeover is a worker takeover. In a hostile takeover or conventional leveraged buyout, the few decide the fate of the many, with disregard of the many if it leads to the financial gain of the few. In a sociable takeover, the many decide their own fate, based on democratic processes and federal policy support under this condition: The market capitalization of the company is sufficiently low that, after a minimum $14,700 investment from each worker, the loan payments on the remaining balance to buy out the shareholders could be supported by projected profits.

As in all WSDE establishment systems, all workers will be able to make the $14,700 investment based on the granting system and/or their personal wealth. The bank partnership (or in some cases a city partnership agreement as detailed later) we will use to ensure a robust federal government loan risk evaluation. In the cases of large national or multinational company sociable takeovers, we will allow the large national banks to be federal partners within the system, and offer them the same financial incentives as we do to local banks when they provide WSDE establishment loans.

A vote of 80% of the workforce approving the sociable buyout will initiate the process. Workers can base their votes on the public information included in company financial statements, and any other information available to them as employees. Most workers will likely vote based on recommendations from fellow employees.

A voting system is needed that assures that votes are confidential because some workers may fear that if their vote for a sociable takeover were known it might negatively affect their relationship with current management if the 80% threshold is not reached. Also, if the votes were publicly known it may impact the stock price. We recommend that a division within the central office of the Commonwealth Bank receive the confidential votes to tally for each public company.

No specific date for voting will be set; instead, we will accumulate votes for each company, and any vote that is more than one-year-old we will drop from the tally. We will require every public company to provide the Commonwealth Bank a complete list of all its employees, and this list will be available on a Commonwealth Bank website for employees to check. Also, we will require voter identifying information with any vote to confirm its validity. If and when a company's worker vote tally reaches the 80% threshold, the Commonwealth Bank will do a loan approval analysis based on company financial statements and any other relevant public documents. If the loan is approved, we will halt stock trading and seek a bank partner.

Rarely will the Commonwealth Bank's approval not result in finding a bank partner. A bidding process will be used where banks would compete for the loan based on interest rate. Trading is halted after the Commonwealth Bank approval rather than the private bank because once the Commonwealth

Bank approval bfecame publicly known it would most likely impact the stock price. If no bank will offer an acceptable rate, trading would resume in the public shares, but this would be rare, especially as the benefits of the WSDE structure became more widely known.

Shareholders could convert their shares' value to bond value at the interest rate of the private bank winner of the bidding process. However, if the original loan is refinanced at a lower rate in the future, the bond rate would again be made equal to the private bank loan rate. As in all WSDE establishment systems, the first $1,000 of bond interest will be tax-free. (This would apply to their interest on their total portfolio value, not on each company's bonds in which they owned stock.) Any shareholder that chooses not to convert will be paid the value of their shares.

When a bank partner is found, an election process for a new board of directors will begin. This process will vary based on company size. For large companies, part of the process would involve workers meeting regionally two or three times over two months in assemblies before a company-wide vote for company directors. Also, a website will be available as a forum for those seeking a directorship position to provide qualifying information to WSDE members. Other practices of WSDEs, which I describe later, will also be instituted regionally, with more representative democratic practices at the corporate level.

Current management would remain in place during the transfer period to transfer any necessary and useful information they have. Likely a few weeks would be sufficient, and some managers may choose to remain in the WSDE beyond the transfer period. However, it will generally be at a much lower pay based on the far more equitable distribution of corporate income inherent in WSDEs.

Managers have a fiduciary responsibility to the company that we will ensure is met. Federal law 18 U.S.C. § 1346 has been used to prosecute public company executives for breaching their fiduciary duties. Either this law or other relevant existing laws would be enforced (or we will propose other laws if these prove insufficient) to ensure that the major transition to WSDE status is done without harm to business operations during the transfer period.

During the transition period, before board elections, the fifteen most senior members of the company's staff directly involved in providing the product or service the company markets will be the most directly involved with the licensed WSDE establishment consultants assisting in the transition period, and the Commonwealth Bank and private bank. For example, if the company designs, manufactures and sells machinery, the longest term engineers, shop floor workers, and sales people would be the company liaisons with the outside entities assisting the WSDE formation (possibly five from each division). These people would, as would all workers, be among those eligible for election to the board of directors for the standard four-year term.

Normally, when public companies are taken private in a leveraged buyout, the shareholders are offered a price above the share price at the time of the buyout. This will not be done in sociable buyouts. The prospects for the success of the newly formed WSDE is higher the lower the price, and it is in the country's best interest to facilitate the establishment of WSDEs to the degree practical and reasonable. The market price is a fair price, and if a premium above a market price is offered, possible rumors of a sociable buyout will artificially raise the stock price because investors will buy company stock just to get the sociable takeover bump-up in price.

The sociable takeover loan interest rates may be higher than most WSDE bank partnership rates. The loans most often being made in amounts above the company net asset values, since market values for the great majority of companies exceed net asset values, and the novelty of the situation may result in the loans being viewed as more risky. As success rates become established with time, the rates will go down based on success rate data being available to banks in the competitive bidding process. After three years, WSDEs' performance after a sociable takeover will be known allowing refinancing at lower rates, based again on bank bidding. As in all WSDE loans, federal policy will support refinancing based on WSDE performance by paying a reasonable refinancing fee to the original lender.

Federal Reserve data reveals that commercial and industrial loans over a 1-year term made by domestic banks averaged 3.52% in 2015.[50] For the purpose of the following case studies of the feasibility of public companies' conversion to WSDEs, I assume that banks will require a premium over average rates. Rates will likely be lower than that of the case studies.

The loan interest in the partnership agreement I assume to be 6% on 20% of the loan, from private banks. Although 6% is significantly higher than average, it is not an uncommon business loan rate.[51] Since the Commonwealth Bank could charge up to 1% less than the bank partner, 5% on the 80% of the loan from the Commonwealth Bank is assumed in the case studies, so the loan interest in total is 5.2% for the first seven years. Thereafter just the 5% Commonwealth Bank loan will remain on the loan balance.

The case studies also assume another worst case situation: no refinancing at lower rates as success rates are established. Average WSDE loan rates almost certainly will be at or lower than average business loan rates as success rates are established with time within the system, based on historical WSDE performance evidence outside the system. Three years will likely be sufficient. As a result, the high probability of success and large advantages to workers shown in the following sociable takeover case studies will likely be larger.

To find the case study corporations I used the results of “stock screens” (computerized searches of stocks meeting detailed financial and other criteria) and found many good prospects for sociable takeovers. I describe the screening processes in the following text box. (You can choose not to read the text box’s somewhat technical content with no loss in continuity.)

Screening Process Information

Since the net corporate profit rate on sales averaged over 8.3 percent over the last 30 years and over 1,800 public companies have a market capitalization less than annual sales revenue, significant potential exists for “sociable buyouts” even at the high loan rates. All companies with a price per sales ratio of one or less and an average profit rate are possible sociable buyout prospects since the 8.3 percent profit is significantly greater than the 5.2 percent loan cost. However, price per sales ratio varies greatly by industry and within industries and averaged 1.56 in January 2014. Industries with price per sales ratio of 1 or less tend to have lower prices relative to sales due to lower than average profit rates.

Stock screening tools exist where both price per sales ratio and profit rate resulting from continuing operations can be used as criteria. Presumably, all stocks that result from a search of price per sales ratio less than one and profit from continuing operations greater than, let’s say, 9 percent, to have a substantial amount of profit remaining after 5.2 percent is used to pay loans, are good prospects for sociable takeovers. 114 companies met these criteria.

Stock screening tools can also discover companies with low price earnings ratios. Any companies with a price earnings ratio less than about 11 earned 9 percent of the value of the stock in a year. 655 companies met these criteria. The earnings used to determine these ratios can include nonrecurring income, so sometimes these companies will not be good prospects for sociable takeovers because earnings from continuing operations are the best determinant of that, but an additional criterion, projected price earnings ratio of less than 11 the following year, resulted in 304 companies meeting both these criteria.

The following are more detailed evaluations on some of the companies resulting from these stock screens.

The following are case studies of public companies of widely varying industries and sizes, selected from those resulting from the stock screens. The studies indicate that the companies could easily service their loans even at the high end of the likely range of winning interest bids by their bank partners. All of these are preliminary studies, but they indicate that the potential for sociable takeovers is large.

To be conservative in my analysis, in addition to using high loan rates, I do not take into account that significant potential exists that the more beneficial WSDE corporate structure would improve business performance, making the servicing of the loans needed for the buyout easier than what the following evaluations project based on the past performance of the conventional corporation.

The following companies are just a sampling of many other possible "sociable takeovers." In these cases, the preliminary evaluations reveal that business profits far exceed loan servicing costs. Seventy percent of what remains after the loan payments would support a substantial and, in some cases, very large average raise per worker. Workers would decide whether more or less than using 70% was appropriate for raises, based on their judgment of how much revenue the corporation needs to maintain to insure against down times, unforeseen expenses, and for future expansion. Individual workers would receive more or less than the average raise based on WSDE governance practices. The raises could be in current wages or as distributions into member capital accounts. In several cases, a "sociable takeover" would result in workers receiving a raise of several thousands of dollars per month.

The source of company financial data used in the evaluations is Yahoo Finance, on October 6, 2014, or within a day or two of it.

Appliance Recycling Centers of America Inc.

Appliance Recycling Centers of America Inc., stock symbol ARCI, is the nation's largest recycler of major household appliances. It provides appliance recycling and replacement services for electric utilities and other sponsors of energy efficiency programs and the general public. The company was founded in 1976, is based in Minneapolis, Minnesota and has 329 employees. It also sells new household appliances through a chain of 18 retail stores under the ApplianceSmart name in Minnesota, Ohio, Georgia, and Texas.

In the four quarters ending June 2014, it had income or profits from continuing operations before taxes of $5,139,000, which amounts to $1,302 per month per employee. If the employees owned the company, they could do what they choose with these profits.

The company has a market value or "capitalization" of $16.9 million. In a sociable buyout, after deducting the $14,700 investment from each employee, $12.1 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $301 per employee initially and $194 after seven years when the remaining portion of the 20-year loan remains due. These amounts are easily payable from the $1,302 per month profits per employee from continuing operations. The company would be able to support a raise in varying amounts for the workers, decided by standard WSDE practices, and they would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value or "book" value per employee of $52,956 per employee and a market value of $51,368 per employee. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $701 per month, and after seven years $776 per month, or $8,408 and $9,308 per year, respectively.

MFRI Inc.

MFRI (stock symbol MFRI) manufactures and sells filter bags for industrial air pollution control systems known as baghouses. The company also engineers, designs and manufactures specialty piping systems and leak detection and location systems. The piping systems include those for transporting chemicals, hazardous fluids, and petroleum. It sells its products primarily in the United States, the Middle East, Europe, Canada, and India. MFRI, Inc. employs 1,013 people, was founded in 1989, and is headquartered in Niles, Illinois.

In four quarters ending July 2014, it had income or profits from continuing operations before taxes of $13.5 million, which amounts to $1,110 per month per employee. The company has a market value of $67.1 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $52.2 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $423 per employee, and $272 after seven years, easily payable from the $1,110 per month profits per employee from continuing operations. The company could also support a worker pay raise, in amounts decided by standard WSDE practices. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $480 per month, and after seven years $586 per month, or $5,770 and $7,031 per year, respectively. The workers would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value or "book" value per employee of $80,815 and a market value of $66,269 per employee.

Travelcenters of America LLC

Travelcenters of America LLC. (stock symbol TA) is a full-service national travel center chain in the U.S., with nationwide locations serving hundreds of thousands of professional drivers and other highway travelers each month, including virtually all major trucking fleets. Its travel centers operate under the TravelCenters of America, TA and Petro brand names. It offers diesel and gasoline fueling services, restaurants, heavy truck repair facilities, stores and other services with 20,670 employees. You have probably seen some of its travel centers on highway exits in your neighborhood or travels.

In four quarters ending June 2014, it had income or profits from continuing operations before taxes of $21,930,000, which amounts to $88 per month per employee. The company has a market value of $348.8 million.

In a sociable buyout, after deducting the $14,700 investment from each employee $44.95 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $18 per employee and $11 after seven years, easily payable from the $88 per month profits per employee from continuing operations. The company could also support a worker pay raise, in amounts decided by standard WSDE practices. If 70% of the remaining profits after the loan payments were distributed to the workers it would support an average raise of $49 per month and after seven years $54 per month, or $593 and $646 per year, respectively. The workers would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value or “book” value per employee of $22,204 per employee and a market value of $16,875 per employee.

Omega Protein Corporation

Omega Protein Corporation (stock symbol OME), headquartered in Houston, is one of the nation's leading producers of edible fish oil, which is high in nutritionally desirable Omega-3 fatty acids and is used in many food products. Omega Protein also produces specialty fish meals for livestock feeds, and fish solubles which are used as an organic fertilizer and in other applications. The Human Nutrition segment offers various products, including Omega-3 fish oils, and other ingredients to the nutraceutical industry. The company sells its products in the United States, Mexico, Europe, Canada, Asia, and South and Central America. Omega Protein Corporation was founded in 1913 and has 450 employees.

In four quarters ending June 2014 it had income or profits from continuing operations before taxes of $58,170,000, which amounts to $10,771 per month per employee. The company has a market value of $265.3 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $258.7 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $4,715 per employee, and $3,035 after seven years, easily payable from the $10,771 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $4,240 per month, and after seven years $5,415 per month, or $50,875 and $64,984 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value or "book" value per employee of $601,610 per employee and a market value of $589,578 per employee.

Alaska Communications Systems Group Inc.

Alaska Communications Systems Group Inc. (stock symbol ALSK) provides communication services comprising voice and broadband services; and managed services, including data network hosting, IT management, cloud-based services, billing and collection, and long distance services to business customers, government customers, including municipal, local, state, and federal government, school districts, libraries, rural health care hospitals, and wholesale customers, such as other telecommunications carriers. It also provides voice and broadband services to residential customers, voice and broadband termination services to inter- and intrastate carriers, support services, wireless voice and broadband services, and wireless devices. The company offers its products and services through its retail stores, a direct sales team, and a network of agents. Alaska Communications Systems Group was founded in 1998, is headquartered in Anchorage, Alaska, and has 850 employees.

In four quarters ending June 2014, it had income or profits from continuing operations before taxes of $196.2 million, which amounts to $19,236 per month per employee. The company has a market value of $72.8 million.

In a sociable buyout, after deducting the $14,700 investment from each employee $60.3 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a monthly payment for the loan of $581 per employee, $374 after seven years, very easily payable from the $19,236 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $13,058 per month, and after seven years $13,203 per month, or $156,700 and $158,440 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value per employee of $161,509 per employee and a market value of $85,600 per employee.

The company had extraordinarily high income from continuing operations in the quarter ending September 2013 for reasons I did not investigate. However, to determine if this unusual quarterly performance were not repeated how good a prospect it would be for a sociable buyout, I took the average of their before tax income from continuing operations in the prior two years as their projected income. This average was $17.7 million, which amounts to $1,731 per month per employee, also far greater than the loan payments.

Renewable Energy Group, Inc.

Renewable Energy Group Inc. (stock symbol REGI) operates through two segments, Biodiesel and Services. The Biodiesel segment acquires feedstock, manages construction and operates biodiesel production facilities and marketing, selling, and distributing biodiesel, glycerin, free fatty acids, and other co-products of the biodiesel production process. This segment produces biodiesel from various feed stocks, including inedible corn oil, used cooking oil, inedible animal fat, and from virgin vegetable oils, such as soybean oil or canola oil. It also purchases and resells biodiesel and raw material feedstocks,

The Services segment provides biodiesel facility management and operational services to biodiesel production facilities and other clean-tech companies, and acts as a construction management and general contractor for the construction of biodiesel production facilities. Renewable Energy Group, was founded in 1996, is headquartered in Ames, Iowa, and has 188 employees.

In the four quarters ending June 2014, it had income or profits from continuing operations before taxes of $72.9 million, which amounts to $32,310 per month per employee. The company has a market value of $427.3 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $424.5 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $18,520 per employee, $11,922 after seven years, easily payable from the $32,310 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $9,650 per month, and after seven years, $14,270 per month, or $115,823 and

$171,242 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value or “book” value per employee of $3,607,649 per employee and a market value of $2,272,819 per employee.

FAB Universal Corporation

FAB Universal (stock symbol FABU) distributes digital entertainment products and services worldwide through intelligent kiosks, retail stores and franchises, and online through Apple iTunes and Google Android, using subscription sales for mobile devices, smartphone apps and Netflix-like subscription models. The company has three business units: Digital Media Services, Retail Media Sales, and Wholesale Media Distribution. FAB Universal, formerly known as Wizzard Software Corporation, is based in Pittsburgh, PA, and has 188 employees.

In the four quarters ending June 2014, it had income or profits from continuing operations before taxes of $21.42 million, which amounts to $9,493 per month per employee. The company has a market value of $12.48 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $9.72 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $424 per employee, $273 after seven years, very easily payable from the $6,938 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $6,349 per month, and after seven years $6,454 per month, or $76,184 and $77,452 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value of $737,590 per employee and a market value of $66,383 per employee.

FONAR Corporation

FONAR Corporation (stock symbol FONR) is a developer, manufacturer, servicer and seller of MRI scanners. The company introduced the world's first commercial MRI in 1980, and went public in 1981. FONAR's most extraordinary product is the Upright MRI, also known as the Stand-Up MRI, the whole-body MRI that scans patients in numerous weight-bearing positions like standing, sitting, in flexion and extension, as well as the conventional lie-down position. The company also offers management services to diagnostic imaging facilities and leases office space, facilities, and medical equipment.

It also provides related supplies, staffing, training, and supervision of non-medical personnel, legal services, accounting, billing, and collection. In addition, it assists medical offices in the development and implementation of practice growth and marketing strategies. As of June 30, 2014, it managed 11 diagnostic imaging facilities in New York state and Florida. Fonar was founded in 1978, is based in Melville, New York, and has 430 employees.

In the four quarters ending June 2014, it had income or profits from continuing operations before taxes of $11.05 million, which amounts to $2,141 per month per employee. The company has a market value of $66.4 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $60.1 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $1,146 per employee, $738 after seven years, easily payable from the $2,141 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $697 per month, and after seven years $982 per month, or $8,358 and $11,788 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value of $58,947 per employee and a market value of $154,442 per employee.

REX American Resources Corporation

REX American Resources Corporation (stock symbol REX) operates in two segments, Alternative Energy and Real Estate. The Alternative Energy segment is engaged in the production of ethanol, dried and modified distiller's grains, and non-food grade corn oil. Its dry distiller grains with solubles are used as proteins in animal feed. The Real Estate segment leases real estate properties. The company was formerly known as REX Stores Corporation and changed its name to REX American Resources Corporation in 2010. The company was founded in 1980, is based in Dayton, Ohio, and has 105 employees.

In the four quarters ending June 2014, it had income or profits from continuing operations before taxes of $122.4 million, which amounts to $97,169 per month per employee. The company has a market value of $559.3 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $557.8 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $43,567 per employee and $28,046 after seven years, very easily payable from the $97,169 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support a very large average raise of $37,522 per month, and after seven years $48,386 per month, or $450,258 and $580,631 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value per employee of $3,097,010 per employee and a market value of $5,326,857 per employee.

Meritage Homes Corporation

Meritage Homes Corporation (stock symbol MTH) is engaged in the designing and building of single-family detached homes in the United States. The company operates through two segments, Homebuilding and Financial Services. It offers a range of homes for various home buyers, including first-time, move-up, active adult, and luxury. Meritage Homes Corp. is one of the nation's largest single-family home builders. The company provides its homes under the Meritage Homes, Monterey Homes, and Phillips Builders names. It also offers title insurance and closing/settlement services for its home buyers. The company primarily builds and sells its homes in Arizona, Texas, California, Colorado, Florida, North Carolina, South Carolina, and Tennessee. As of December 31, 2013, Meritage offered its homes in 188 communities. The company was founded in 1985 and is based in Scottsdale, Arizona. It has 1,050 employees.

In the four quarters ending June 2014, it had income or profits from continuing operations before taxes of $162.4 million, which amounts to $12,890 per month per employee. The company has a market value of $1.4 billion.

In a sociable buyout, after deducting the $14,700 investment from each employee, $1.38 billion remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $10,815 per employee, $6,962 after seven years, although a higher percentage of the profits than the prior cases, these amounts are also easily payable from the $12,890 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $1,453 per month, and after seven years $4,150 per month, or $17,440 and $49,802 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value per employee of $959,230 per employee and a market value of $1,333,330 per employee.

Take-Two Interactive Software Inc.

Take-Two Interactive Software Inc. (stock symbol TTWO) is a leading worldwide developer, publisher and distributor of interactive software games. The company's software operates on multimedia personal computers and video game console platforms. It is one of the largest distributors of interactive software games in the United States and one of the top publishers of interactive software games in Europe. The company delivers its products through physical retail, digital download, online platforms, and cloud streaming services. Take-Two, founded in 1993 and headquartered in New York City has 2,530 employees.

In four quarters ending June 2014, it had income or profits from continuing operations before taxes of $396 million, which amounts to $13,040 per month per employee. The company has a market value of $1.74 billion.

In a sociable buyout, after deducting the $14,700 investment from each employee, $1.70 billion remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $5,520 per employee, $3,553 after seven years, easily payable from the $13,040 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $5,267 per month, after seven years $6,643 per month, or $63,203 and $79,721 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value per employee of $307,030 per employee and a market value of $687,747 per employee.

Mechanical Technology Inc.

Mechanical Technology, Inc. (stock symbol MKTY) products include electronic gauging instruments for position, displacement, and vibration applications in the manufacturing, research, design, and process development markets. It also provides precision measurement tools for semiconductor wafers including solar wafers, and engine balancing and vibration analysis systems for military and commercial aircraft. The company serves the electronics, aircraft, aerospace, automotive, semiconductor, and research industries. Mechanical Technology markets its products through direct sales and representatives in the Americas, and through distributors and agents in

Europe and Asia. Mechanical Technology, founded in 1961, is headquartered in Albany, New York, and has 31 employees.

In four quarters ending June 2014, it had income or profits from continuing operations, before taxes, of $3.05 million, which amounts to $8,210 per month per employee. The company has a market value of $5.6 million.

In a sociable buyout, after deducting the $14,700 investment from each employee, $5.16 million remains that requires financing. Eighty percent at five percent interest and 20 percent at six percent interest yields a total monthly payment for the loans of $1,366 per employee, $880 after seven years, easily payable from the $8,210 per month profits per employee from continuing operations. If 70% of the remaining profits after the loan payments were distributed to the workers, it would support an average raise of $4,789 per month, $5,129 per month after seven years, or $57,462 and $61,551 per year, respectively. They would wholly own the company at the end of 20 years when the loan payments would end. The company has a net asset value per employee of $106,018 per employee and a market value of $181,290 per employee.

The bond tax exemption costs would be about $16 million per year for the sociable buyout program.[52]

Supporting WSDE Establishment When Companies Relocate or Factories Are Abandoned

The Community Credit Union or Bank Partnership policy will also apply when a factory plans to close and relocate operations out of state or overseas. Current employees could present a business plan to a community credit union or bank (or to the local government under the system I describe subsequently) to provide funding under the partnership agreement to transfer the enterprise to worker-ownership under these conditions:

If the factory and/or other building facilities aren’t sold three months before ending operations, the city will hire an independent appraiser to determine a value (or possibly a standardized evaluation formula will be used). A bidding process that includes the workers will not be required to determine fair value because an agent of the owner could bid the price up to get a higher than fair market price from the workers. Preferably, the workforce and owner will agree on the price before or after the appraisal, but if not, we recommend that the city applies eminent domain laws for the sale of the facilities that are in process to be abandoned. These laws are designed for governments to force sales of private property when a compelling public interest exists, as it will in these cases if the workers and the local financing partner will accept the resulting price.

The city could discount the appraisal by as much as 20%, to account for some of the social costs of abandonment. This appraisal and discounting process will generally make the investment sufficiently attractive to motivate the partnership with a community credit union or bank, or the city government itself. If the workers are not interested in a buyout, the facility could remain on the market beyond the 3-month period before relocating.

Abandoned factories or other business facilities sometimes sit idle and decay for years, becoming a blight, and sometimes a hazard to a community. After a six-month warning, if the owner of any abandoned facility does not sell it we will promote taking the property under eminent domain laws by cities. Fair compensation to the owner will be made in consideration of the social costs of abandonment. Cities will grant, or provide at a discounted price, the property to groups seeking its use for a worker-owned business. Federal financing will be available for the sale price.

The assets purchased would not have to be used to provide the same goods or services that the original company provided. Workers may find more productive uses for the assets.

We will also offer community members the opportunity to purchase bonds under the business abandonment and relocation programs. Total values of company assets abandoned were not available. Although it will likely be less, we will use the estimate of half the tax exemption costs as in bankrupt public company conversions to WSDEs to be conservative in our budget analysis, so we will budget $146 million per year.

Credit Unions—an Important Part of a Democratized Economy

The credit unions that will support WSDE formation, although not WSDEs themselves, are cooperatively owned businesses—by far the largest number of cooperatively owned businesses that exist. Credit unions are democratized, one-person, one-vote banks that their customers own. More than 106 million Americans belong to credit unions; their total assets are over $1.25 trillion.[53] The Community Development Financial Institutions (CDFI) Fund at the Treasury Department has helped create a national network of over 1,000 community development banks, credit unions, and loan funds.

New Enlightenment policies will expand this program in its “Banking Reform and Public Banks” proposal (to be detailed in a future document), but even at current asset levels when leveraged 4/1 with federal and community members’ funds, credit unions and community banks can be important partners in our efforts in establishing worker-owned businesses. As previously noted, we will offer preferential federal funds access with discounted rates to credit unions (and WSDE banks) for lending to WSDEs to further support the growth and importance of credit unions, and WSDEs.

Widespread support exists for increasing the number and relative financial power of credit unions and local community banks. Popular support for local banking has increased since the major bank caused financial crisis, and activists have encouraged this process with “move your money” efforts, shifting billions of dollars away from Wall Street and large banks and into credit unions and smaller banks. New Enlightenment policies will support this trend.

Federal and local government WSDE establishment partnerships

As we have described, we use the judgment and financial commitment of local credit unions or community banks to select worker-owned businesses with sufficiently good prospects to be worthy of federal government loans and/or grants. To further support widespread establishment of worker-owned and self-directed enterprises, we will use the judgment and financial commitment of city governments, for the following reasons and under the following conditions:

Cities are forced to endure great financial and social costs when traditional capitalist enterprises abandon a city because operations relocated elsewhere would allow higher profits either through lower labor, tax, or environmental or other regulatory compliance costs, or through government subsidies. One estimate is that taxpayers spent roughly $65 billion (2001 dollars) to pay for the infrastructure and other capital costs needed to serve individuals who moved out of declining cities to other locations just over the 1980 to 1999 period. Research by University of Maryland researcher Tom Ricker found that adding private costs (e.g., redundant houses, stores, factories, etc.) brings the figure to over $350 billion—not including lost tax revenues and increased social spending by communities when jobs decline and citizens leave town.[54]

Almost every city or state also spends large amounts to bribe big corporations to locate operations in their city or state. Big companies often extract public subsidies of between $100,000 and $200,000 per promised job brought to a city, and these kinds of bribes sometimes cause additional harm. Companies locate in the city until another locality offers a bigger bribe. The company then moves in response to the new city's bribe, causing economic harm and waste of resources to the abandoned city, and to the country.

It is also common for cities to make equity investments in local businesses. In 1989, 20.4 percent of cities surveyed were making direct investments in local businesses. By 1996 a majority, 56.3 percent, were doing so as part of their routine development strategy.[55] Focusing these investments on worker-owned businesses will be especially beneficial for cities. In addition to creating greater egalitarianism, prosperity, and democracy, it will allow long-term planning and minimize the enormous waste and costs created when company management decides to abandon factories, workers, and communities. Worker owned businesses are rooted in the community.

To encourage cities to direct funds to local worker-ownership of businesses, this New Enlightenment policy offers a loan origination partnership with cities. This partnership will also include grants to participating WSDEs in the city. If the city purchases bonds or provides loans to supply 10% of the total WSDE funding requirements for the establishment of a WSDE, the WSDE will be eligible for the grants and loans. The WSDE grants will be 50% of the bond or loan amount (5% of the capital). Funds under this system can be provided to WSDEs formed as new businesses or formed from pre-existing businesses sold to a WSDE.

We will limit the loan amount to 10% from the city to maximize the number of WSDEs worthy of support that the city can select while requiring a sufficiently large minimum commitment of city funds to assure careful selection. This will minimize the risk of loss of federal funds. Loan appraisals will also be performed in the Commonwealth Bank; it could reject a city approved loan.

The maximum total amount of city loans to all WSDEs under the federal partnership program will be $130 per city resident. We will use mailing address city for population counts, not just population within official city limits. (For example, if one million people have a city's residential mailing address, the city could provide $130 million total per year for establishing WSDEs, and total available funds for WSDEs in the city would be $1.3 billion.) Limiting city loans also has the advantage of encouraging the supplying of funds from local citizens. This policy will motivate the redirection of city funds previously directed to conventional businesses to WSDEs, and substantially increase the amounts provided.

Just as in partnership bank loans, to assure equal opportunity to the poor, New Enlightenment policy will require for the city partnership that cities evaluate worker-owner loan applications solely on the merits of the proposed business and whether the experience and knowledge or education of the applicants will meet operational requirements. These are the important criteria for predicting business success. Wealth or assets and prior income data will not be allowed as loan approval criteria.

Prior financial status as a loan criterion will be allowed when cities want to target funds to the poor. Some cities may prefer to provide loans with the associated federal support to help the poor establish businesses. This will minimize social service costs and the costs associated with crime more often committed by people economically disenfranchised. The most benefit from the program will likely be realized by cities that support businesses with loans that will best serve city development needs or have important social value for the city, independent of the prior wealth of the prospective owners

As in the partnership with community credit unions and banks, only applications by groups of ten or larger will be accepted, and the same policy would apply to businesses that would require staffing in addition to the applicants.

The federal partnership agreement will include a requirement to establish a City Development Agency (CDA) division, with a director appointed by the mayor (or city manager) who will evaluate applications for city loans. This director, and the mayor since he will have supervisory responsibilities, will both be responsible for the CDA's actions.

The federal partnership agreement will require that a portion of the city's website be devoted to describing the businesses that were funded, with the reasons the city selected them for support, and the business applications that were rejected, with the reasons they were rejected. The average national new WSDE success rate, and the city success rate of new businesses of other types, could be used as benchmarks to evaluate the CDA director's judgment on the WSDE businesses that he or she used city funds to support. The voters when evaluating the mayor's judgment in the following election will also use these criteria. Presumably, mayors will select directors with a good record of managing public funds.

We will determine federal loan requirements after bonds offered for purchase only by community members to support any additional funding needs are made available on the city's website with a detailed description of the recipient business and specific purpose of the bond funds. We will also offer grants of 50% of the bond amount purchased by community members up to a maximum of 5% of total capital requirements, in addition to the grants associated with city supplied funds. Also, the same tax benefits will apply as in the partnership with local credit unions or banks system. For the advantages described previously, the required annual bondholder meetings will also be open to the community members other than bondholders, if space is available.

Since the federal grants support for the establishment of WSDEs supported by cities is proportional to both the city government and direct citizen's support, it maximizes the benefits of these federal funds to local communities. The total annual WSDEs grant amount associated with both city government and citizen support will be a maximum of $130 per person in the city population. Considering the funds that will be available from citizen bond purchases, bank loans, city loans and personal funds, including the grants to the economically disadvantaged, the total federal loan amount is likely to be much less than $200 billion per year. The following table details limits and estimate ranges of the various sources of funds to support WSDE establishment that cities select for support.

This program is designed to support the formation of city selected WSDEs with funding of $410 billion total maximum amount from all sources per year. Assuming full utilization of the granting program associated with city loans or bond purchases, the annual grant cost will be about $21 billion. Assuming that citizen bond purchases will support at least the same portion of WSDE capital requirements as city governments' loans or bond purchases or 10% of total funding requirements, $41 billion, the grant support associated with these bond purchases will also be about $21 billion. These and the remaining available funding support amount details are in the table.

Any city desiring to fully utilize this federal granting and lending support program for WSDEs with insufficient funds could partner with its county or state governments to provide the additional funds. The total revenues of all municipalities in 2009 was about $400 billion. Using $41 billion total for all cities, or $130 per city resident, as an investment to increase revenues directly through the loan interest and indirectly through the economic stimulus impact of newly established businesses structured as WSDEs will be within practical bounds for many cities.

New York City between 1994 and 2001 paid $2.26 billion in subsidies to corporations that threatened to leave the city without them.[56] These were subsidies, not loans that are paid back with interest as in The New Enlightenment policy. This is an annual average of $282 million per year or $34 per resident.

The federal funds and beneficial economic impact of the policy from other causes will likely motivate county or state governments to participate where cities have insufficient funds. A New York Times investigation found that cities, counties, and states combined provide $80 billion per year in subsidies to corporations or over $250 per person.[57] Loans of $130 per person are clearly within practical bounds for city-state partnerships if local government giveaways are now almost twice as large.

Established WSDEs seeking expansion including through absorption of conventional firms will be allowed to offer bonds to finance the expansion with the same tax advantages as in our WSDE establishment proposals.

Allocated or Estimated Financial Support of City Supported WSDEs from All Sources

Funding Source	National Total Min ($ Billions)	National Total Max ($ Billions)	Per City Resident Min ($)	Per City Resident Max ($)	% Of Funding Min	% Of Funding Max
City Loans	41	41	130	130***	10%	10%
Federal Grants (CL)*	21	21	65	65	5%	5%
Local Citizen Bond Purchases	41	123	130	390	10%	30%
Federal Grants (B)* (Max.)	21	21	65	65	5%	5%
Bank Loans	41	123	130	390	10%	30%
Personal Funds**	41	82	130	260	10%	20%
Federal Loans	0	205	0	651	0%	50%

*(CL) Limit, Based on City Loan Amount (B) Limit, Based On Citizen Bond Amount

** This includes funds granted to the economically disadvantaged through the system I describe in the next section

*** Limit within federal partnership agreement

Grants to the Economically Disadvantaged for Investment in Their WSDE

Grants will be available to economically disadvantaged individuals for investment in WSDEs meeting The New Enlightenment WSDE establishment and structure standards. All individuals between the ages of 18 and 64 with below average wealth will be eligible.

The most detailed wealth data available are in the Survey of Consumer Finances (SCF) by the Federal Reserve, and these data are for households only. The Federal Reserve estimated all 118 million American households' wealth using a large survey and statistical projections from the survey data. The granting system will use these data in this way:

The average wealth per household is $495,000, using the 2010 SCF data. (Updating to 2013 SCF data would not change the character of the policy.) Because the country's wealth is heavily skewed toward the highest quintile, 83% of households had below average wealth. The total population between 18 and 64 years old is 198 million, amounting to an average of 1.68 per household in this age range. For this policy, we assume that all the wealth of households is held equally by those members between 18 and 64 years of age. Dividing $495,000 by 1.68 gives the average wealth per 18 to 64-year-old of $294,000. The grant amount will be 5% of the difference between each person's wealth in the age range of 18 and 64 and $294,000.

We will determine each eligible person's wealth by dividing their household's wealth by the number of people in their household between 18 and 64 years old. (When the New Enlightenment wealth tax system, Policy 5, is instituted, we will use the more specific and comprehensive wealth data than the current Federal Reserve data that will be established for individuals and households, just as comprehensive income data is established now under the income tax system.) To determine the grant amount, negative wealth will be considered zero wealth. This will result in grants up to $14,700 for individuals with zero or negative wealth, for the sole purpose of investing in a qualified WSDE. This amounts to an expenditure of $96.5 billion per year for 20 years, assuming the maximum participation rate.[58] Grantees will need to be careful in their WSDE selection because the grant maximum per person in their lifetime will be $14,700.

This policy will be another strong motive for widespread establishment of WSDEs, since the funds will be available only for this purpose, and 83% of Americans aged 18 to 64 will be eligible. This granting system will be an important part of creating a far more equal opportunity and egalitarian society.

Although the average wealth per adult in the United States is about the average of 20 OECD countries, its median is about 58% of the average of their medians because of our much larger wealth disparities. U.S. average wealth per adult is $248,395 (2011), but our median wealth is only $52,752. The average of the 20 countries per adult wealth averages is $249,308, and the average of their medians is $91,663. Nine of the 20 other countries have a higher average wealth per adult, and we are near the bottom in median wealth. Sixteen countries have a higher median wealth per adult than the U.S.

This is true despite America's vastly greater land and natural resources per person than Europe (just as Norway's high oil and gas earnings account for its higher GDP per person than the U.S.). America has far more oil, gas, and coal per capita than Europe, for example. Despite America's vast resource advantage, we have a lower quality of life in many ways than countries in northern Europe.

Median and mean wealth per adult in 20 advanced countries, 2011*			
Country	**Median**	**Mean**	**Mean/median**
Australia	$221,704	$396,745	1.8
Austria	$88,112	$194,207	2.2
Belgium	$133,572	$275,524	2.1
Canada	$89,014	$245,455	2.8
Denmark	$25,692	$239,057	9.3
Finland	$86,286	$174,895	2.0
France	$90,271	$293,685	3.3
Germany	$57,283	$199,783	3.5
Greece	$43,571	$105,843	2.4
Ireland	$100,351	$181,434	1.8
Italy	$,953	$259,826	1.7
Japan	$128,688	$248,770	1.9
Netherlands	$66,056	$186,449	2.8
New Zealand	$68,726	$167,957	2.4
Norway	$87,377	$355,925	4.1
Spain	$71,797	$130,179	1.8
Sweden	$43,297	$284,146	6.6
Switzerland	$100,901	$540,010	5.4
United Kingdom	$121,852	$257,881	2.1
United States	$52,752	$248,395	4.7
Averages	$91,663	$249,308	3.2
U.S./Average	0.576	0.996	1.5
(Data source: Economic Policy Institute, State of Working America)			

We have much room for improvement both in wealth creation per adult and far more so in its more equitable distribution. This is more obvious when you consider that the other countries in the comparison have far from an ideal distribution. Providing investment funds that will yield higher than average returns to the majority of the population will eventually raise median and mean wealth to higher levels than the 20 country averages, motivating other countries to establish similar policies.

WSDE Support after Establishment

The U.S. Small Business Administration (SBA) will give business management training, provide technical consultants including on-site consultations if requested, and make referrals to approved technical training institutions to newly formed worker-owned companies when needed. We will increase the SBA's budget by $450 million to meet this increased responsibility. This approximately doubles its salaries and expenses budget. The Council of Cooperatives, a new kind of local institution, will also provide these services, using the SBA as a partner when needed. A National Cooperative Congress and Research Institution will also be an important part of the support system.

When possible, federal agencies will choose WSDEs when purchasing goods or services. Based on current needs for infrastructure expenditures alone, this will be a very important additional means of support. In 2013, the American Society of Civil Engineers gave the country a grade of D+ on its physical infrastructure and determined that we need $3.6 trillion worth of infrastructure improvements. For example, one in nine bridges were characterized as structurally deficient. Because of current low-interest rates and high unemployment (real unemployment, not necessarily official unemployment that excludes those who have dropped out of the labor force), there will never be a better time to make progress on making the infrastructure improvements. Many WSDEs will be formed to satisfy these needs, so this will be an important component of our widespread adoption of WSDEs program.

Much of the decision-making on the WSDEs to contract for the infrastructure work can be made in partnership with local governments. States and municipalities can conduct an inventory of their maintenance and construction needs for schools, including preschools, roads, bridges, and dams for federal funding support. WSDEs will supply the necessary labor and materials within an 80/20 federal/local funding partnership system.

We will phase in the requirement that all federal purchases from businesses be from WSDE's, and incentivize state and local governments to do so, possibly by federally covering 5% of the WSDE goods or services price.

Also, WSDE products and services will be labeled or otherwise officially identified so that people would be free to support these more beneficially structured enterprises with their purchasing choices.

Extensive Beneficial Impacts

These policies of promoting worker-owned and self-directed enterprises are important for reasons in addition to the economic ones resulting from the additional motivation that workers feel in workplaces where there is democratic control and shared ownership, facilitating the transition of unemployed workers back into productive employment, empowering people previously unable to invest in business enterprises, and greatly reducing economic disparity. Enterprises of this type will help complete modern society's limited democratization. For most workers, no democracy exists in their workplaces, where they must spend much of their lives. Retaining the hierarchical and undemocratic organization of enterprises is obstructing meaningful democracy in our lives.

Workers required to learn the skills of participating fully in directing their worker-owned enterprises will be much more inclined to demand equal participation in their community and national politics, strengthening the democratic processes that create well-functioning democratic governments.

Another important benefit of worker-owned and self-directed enterprises: Studies have shown that when people's work lives are dominated by the decision-making of others, it negatively affects health. The psychological impact of having little control over what a person does for a large part of the day has physical effects.

Do the following statements indicate that both Abraham Lincoln and Ronald Reagan would support the widespread establishment of WSDEs that New Enlightenment policies will accomplish?

During the period of major debates and conflicts over the morality of slavery, and for a period after the Civil War, the common view was that working for wages was not much superior to slavery if extended over long periods. Abraham Lincoln expressed this view:

"If any continue through life in the condition of the hired laborer, it is not the fault of the system, but because of either a dependent nature which prefers it, or improvidence, folly, or singular misfortune."

Unfortunately, President Lincoln did not foresee that it would eventually be a fault of the system, and as this fault has become more pervasive, it has become more often ignored. We will work toward correcting this fault with this major system reform.

Ronald Reagan said:

"In the future we will see in the United States and throughout the Western world an increasing trend toward the next logical step, employee ownership. It is a path that befits a free people."

New Enlightenment policies will rapidly advance us along the path that befits a free people toward widespread employee ownership. For an economic system to work for the majority of people, the majority of people must control the economic enterprises that comprise it.

Successful examples of worker-owned and controlled enterprises can offer useful ideas on practical WSDE governance structure. Below I recommend basic WSDE governance structure and support institution ideas, mainly adapted or duplicated from the most studied WSDE examples. These ideas are open to optimization and development during the debates on the details of the major and beneficial transformation to an economic system where worker controlled and owned business enterprises are the predominant business enterprise structure in the country.

Understanding the basic character of well-studied and successful examples is an important foundation for these debates, so I have included a summary description of some examples in Part 4, Note 7. They include the Plywood Cooperatives in the Pacific Northwest, the Mondragon Cooperatives of Spain, and the Lega Cooperatives of Italy. (Cooperative and WSDE are used interchangeably, with a few exceptions that I will specify).

Summary of Recommended WSDE Structure

Governance structure would vary based on size. Small WSDEs need little or no formal governance structure or have little need of managers or directors. Occasionally a nominal “board of directors” is useful in small WSDEs for some decisions, or for administrative matters with which other members do not want to concern themselves. Other decisions can be made by consensus or by workers themselves regarding their own work.

New Enlightenment WSDEs of all sizes share ownership equally, and share authority equally in determining governance policies, and will have the capital accounts system described below for all workers. The necessary economic disparities based on the level of skill and amount and difficulty of work are accomplished both by the level of pay and company contributions to individual capital accounts. This allows any degree of compensation disparity the company's members feel is necessary to attract competent people and serve the ideal of fairness. Equal ownership implies the equal voting rights essential to democratic governance and is analogous to equal citizenship.

The following is the recommended structure of WSDEs of a size greater than about 20 workers. This structure could vary somewhat depending on how large the WSDE is and other democratically determined considerations:

Workers meet in a General Assembly one to three times per year as they see fit. With large corporations, such as some of those formed from public company sociable takeovers, the General Assembly could be virtual where speakers' proposals could all be considered simultaneously by workers, either individually or, preferably, in groups using large screens to display speakers making presentations and proposals and answering questions, if an assembly hall for all workers was not practical.

In general, a maximum size of 500 workers is recommended, to facilitate democratic processes. When possible, larger economies of scale will be accomplished by gathering individual co-ops into groups defined by geography or product line.

The General Assembly elects the board of directors, about ten directors (varying between three and fifteen depending on WSDE size or preferences), approves large capital expenditures, admits new members, and considers other major proposals. Workers would receive a packet of information about the firm's operations and the issues to be decided in advance, possibly a month before General Assembly.

New members are admitted based on the candidate getting a 75% positive vote. This recommended threshold can be adjusted based on circumstances. Applicants for membership are screened carefully not only for skill and education but also for interest in the ethics of cooperation. A nine-month probationary period is required for new members. Every worker-owner has an equal vote on all General Assembly decisions and may see whatever data or documents he or she wishes.

The General Assembly also decides the wage ratio between the highest and lowest paid worker in the WSDE. The position of any individual member on the wage scale depends on a system of points awarded for qualifications, responsibility, the difficulty or danger of work, and social integration. Funds distributed to worker capital accounts will be in proportion to pay. Reportedly, WSDEs of similar structure have up to a nine to one pay ratio from the highest to lowest paid worker. No disparity standard will be established since democratic processes within each WSDE are more likely to determine optimal disparities for the particular WSDE's circumstances.

Directors serve four-year terms and are regular workers, generally from a wide variety of job categories, since all workers are eligible. Their directorship duties are performed on their regular work time for no extra pay. The directors meet at least once per month and appoint managers for four-year terms to manage day-to-day operations. Contract renewal is contingent on a performance review. Managers cannot be dismissed except with the approval of the General Assembly. Mutual monitoring, and the fact that workers all share in the economic benefits of their work, will result in a greatly reduced need to employ supervisors or lower level managers.

Committees dealing with innovation, grievances, and other matters will be formed for anyone choosing to participate. Social committee directors are elected by the membership to deal with safety, wages, workplace conditions, grievances, and related issues.

Serious disciplinary problems are reportedly rare in cooperatives with similar structure. If a disciplinary action is needed, managers would refer the issue to the social committee for the imposition of penalties including suspension, loss of income for up to sixty days, or in extreme cases, expulsion. For the more serious penalties, WSDEs may choose to require the approval of the General Assembly.

A committee of managers, sometimes augmented by outsiders, advises the board of directors. A "watchdog council" that consists of three elected members of the General Assembly monitors everyone else.

Only in exceptional circumstances, such as when people with special skills are needed temporarily, will a WSDE employ non-members, and these workers will be limited to 10% of the workforce, excluding workers in their probationary or trial period of nine months.

Annual bondholder meetings are open to the public.

After deducting wages, interest, and depreciation from net income, 30% is allocated to a Collective Reserve Fund, which is used for reinvestment or to help support the WSDE in down times, and 70% is credited to the individual capital accounts of the members. When losses occur, 30% are covered out of reserves; any remaining losses are debited from individual accounts. Individual capital account funds are dispersed on departure, but up to 30% can be withheld if the capital withdrawal is a threat to the enterprise. Departing members will also receive the value of their ownership share.

To further promote egalitarianism and possibly increase productivity, for any worker who would require little training to do the job of another worker

I recommend limited training time for this purpose. This will be especially beneficial where it would be practical to train workers for management duties. If workers from a wide variety of backgrounds could rotate through management positions, this would eliminate a permanent management class. Initially this training time would result in some productivity losses, but long-term productivity will probably increase because:

- The varying perspectives and knowledge of the different workers rotating through varying positions may inject ideas for improvements in business practices that would not have otherwise occurred.
- Varying work experiences can reduce burdensome monotony, and thereby increase performance motivation.

An Important WSDE Support Institution: The Council of Cooperatives

We will establish one Council of Cooperatives (CC) modified WSDE per city, or region if city size is inappropriately small, that any WSDE in the city or region can join voluntarily. The CC will serve mainly an advisory role. It will seek out possible synergies between member WSDEs that could result in economies of scale advantages, including the sharing of some personnel and research and development costs, and the exchange of services. It will also advise on legal and financial issues, perform management training, assist in conflict resolution, offer recommendations on local technical training institutions, and either create advertising material or advise on its creation for the member WSDEs. At the request of any member WSDE, it will perform a comprehensive financial audit every two years, using the resulting information to advise on improving operational efficiency.

The CCs' operating funds will be supplied by a small tax deductible fee from the member WSDEs and a federal government annual operating grant maximum of $8 per city resident (the amount will depend on the number of citywide WSDEs), or a maximum annual federal expenditure of $2.5 billion. Commonwealth Bank loans will be available for startup funding. The ten-person directorship of the CC in its first year will be chosen from among community members (if ten or more CC workers are appropriate for the city or WSDEs population size) who offer their qualifications to the city. Cities will make these qualifications available to citywide WSDE members for their judgment. Meetings with members at their General Assembly could also be part of the CC staffing decision-making process when practicable. Citywide WSDE members will elect the ten directors on a one member, one vote basis.

The initial directors would hire additional workers, if needed. After the establishment of the initial workforce (within six months), WSDE governance practices, except directorship elections and those related to worker-ownership (Collective Reserve Fund and individual capital accounts), will be instituted. Two years after this establishment period, half the directorship of the CC will be elected by the CC workforce and half by the member WSDEs for four-year terms.

The CC will not be worker-owned but will be a modified worker self-directed enterprise. The average wage of all CC workers will be set at 30% higher than the average effective wage, including distributions into capital accounts, of all the workers in the member WSDEs, because of the CC's important role in promoting the prosperity of all its members and the disadvantages of not being worker-owned. The CC workers and directors will determine the maximum wage ratio.

The CC will also organize an annual Citywide Cooperative Congress where representatives of all city WSDEs will be eligible to attend. The Citywide Cooperative Congress will be especially useful for industrial and technology WSDEs to facilitate alliances for sharing research & development expenses to innovate production practices or products. Allied WSDEs may also decide it is advantageous to form an independent banking WSDE to offer clients credit for the purchase of their products and for depositing their surplus funds. Federal policies to assist WSDE banks will be described in The New Enlightenment Citizens Union or Party's Banking Reform and Public Banks future document.

The CC will also organize and participate in alliances of WSDEs for the shared funding of one or more health clinics staffed with general practitioners and support staff for free medical services to the WSDE members. General practitioners can serve most of the health care needs of most workers. Sufficiently large alliances will be able to support more extensive care and specialist services, for possibly a small fee per service to workers. The resulting lower health care costs will give a substantial competitive advantage to WSDEs, at least until The New Enlightenment Citizen Union's or Party's more comprehensive health care system reform (to be detailed in a future document) is instituted. These clinics, plus catastrophic cost insurance coverage, will bypass most of the large administrative and insurance industry costs. Administration costs consume 31% of U.S. health spending.[59]

Also, a substantial portion of health care dollars is wasted in fee-for-service relationships where doctors are incentivized to sell more tests and procedures to raise their income. Essentially, doctors are paid like salespersons, with lucrative commissions. Some of the resulting unnecessary tests and procedures not only waste health care dollars, they also harm health. (For example, studies have shown that many CT scans, angioplasties, and back surgeries performed were unnecessary, so they caused more harm than benefit, sometimes serious harm. One study found that one-third of adults are unnecessarily exposed to CT scans.[60]Another study found that one in 1200 patients 45 years old or younger who undergo just one full body CT scan will die from radiation induced cancer, and one in 50 will who receive annual scans for 30 years.[61]) Doctors compensated with a salary paid from the earnings of their patients as a group will have interests far better aligned with the interests of their patients, minimizing unnecessary tests and procedures.

The shared medical facility will be a modified WSDE of this character: The facility will be paid for by the member WSDEs in proportion to the number of members in the WSDE. Although the doctors and support staff will not own the facility, they will share in the direction of its operations. The CC directors will hire the initial staff. After two years, 50% of the board of directors of the health facility will be member WSDE elected representatives and 50% elected representatives of the health facility staff. Otherwise, standard WSDE governance practices, except those related to worker-ownership, would apply.

This modified WSDE structure medical facility will likely only be necessary in the early stages of widespread WSDE establishment. As WSDEs become more common, it may be preferable for groups of WSDEs to contract with WSDE health care facilities to provide services for an annual fee.

The National Cooperative Congress and Research Institution

After establishing WSDEs under our policy for two years, New Enlightenment policy is to establish an annual National Cooperative Congress of industrial and technology WSDEs. A major purpose of the National Cooperative Congress will be to decide on the character and funding levels of a National Institute of Cooperative Research and Development. Free access to all product and production process innovations developed by this institute will be given to all participating WSDEs.

The federal government will match any funding provided by the participating WSDEs on the condition that other non-participating WSDEs be free to use all research results for a reasonable return on investment fee. Other than WSDEs, standard patent restrictions (though reduced under New Enlightenment policy)[62] will apply. This free or easy access to innovations to improve products or processes will help stimulate the widespread adoption of the WSDE structure. No one conventional corporation will be able to match economies of scale of an alliance of all WSDEs in R&D expenses. Federal expenditure on R&D is well justified based on the high returns it has brought historically.

This policy will also result in a significant economic stimulus. Currently, corporations patent their innovations and use their patents to exert monopoly power to extract large amounts of money from the economy. With widespread sharing of innovation, the country will be better served through lower costs and more widespread sharing of prosperity.

Our Founders and other visionary leaders considered widespread ownership of productive capital of the highest importance

Massive support for worker-ownership of economic enterprises using federal resources to serve the best economic and other interests of our nation is not unprecedented. Several Homestead Acts gave away large tracts of land for homesteaders, for little or no cost, to farm or produce timber. Between 1862 and 1934, the federal government granted 1.6 million homesteads and distributed 270 million acres (420,000 square miles) of federal land for private ownership, most of which were operated by family owners that marketed some of their farm products. This was 10% of all land in the United States. Anyone, including freed slaves and women, 21 or older, or the head of a family, could apply to claim a federal land grant.

The Southern Homestead Act of 1866 sought to address land ownership inequalities in the South during Reconstruction.[63] The first Homestead Act was proposed by Northern Republicans before the Civil War but was blocked in Congress by Southern Democrats who wanted Western lands open for settlement by slave-owners.

Land was the main form of productive capital at the time of the Homestead Acts; today, it is corporations or business enterprises. Massive federal support should be adapted appropriately to the worker-ownership of the productive capital of modern times, to create the widely shared prosperity our Founders intended for the United States.

John Adams, Thomas Jefferson, and James Madison wanted the government to ensure that the productive capital of their time was widely shared for a decent, democratic and well-functioning society. They wrote:

"...power always follows property. The only possible Way then of preserving the Ballance of Power on the side of equal Liberty and public

Virtue, is to make the Acquisition of Land easy to every Member of Society: to make a Division of the Land into Small Quantities, So that the Multitude may be possessed of landed Estates. If the Multitude is possessed of the Ballance of real Estate, the Multitude will have the Ballance of Power, and in that Case the Multitude will take Care of the Liberty, Virtue, and Interest of the Multitude in all Acts of Government," wrote Adams.[64]

"But it is not too soon to provide by every possible means that as few as possible shall be without a little portion of land. The small landholders are the most precious part of a state," wrote Jefferson.[65]

In his only book, *Notes on the State of Virginia*, Jefferson argued that as the proportion of citizen landowners went up, political corruption went down. He wrote to Madison in 1775 that those excluded from property ownership needed to have this "*fundamental right*" returned to them. Like other Founders, he believed property owners were more likely to protect liberty.[66]

Jefferson wrote in his Proposed Constitution for Virginia:

"*Every person of full age neither owning nor having owned 50 acres of land, shall be entitled to an appropriation of 50 acres or to so much as shall make up what he owns or has owned 50 acres in full and absolute dominion."*

And Madison wrote in a letter to Jefferson:

"*I have no doubt that the misery of the lower classes will be found to abate wherever the ... laws favor a subdivision of property*"

As previously noted, George Washington predicted that America *"will be the most favorable country of any kind in the world for persons of industry and frugality, possessed of moderate capital, to inhabit. ... it will not be less advantageous to the happiness of the lowest class of people, because of the equal distribution of property."*

And Noah Webster wrote, *"a general and tolerably equal distribution of landed property is the whole basis of national freedom."*[67]

Another indication that our Founders wanted equitable sharing of the advantages of productive capital, within practical and reasonable bounds, but to a substantial degree, is: Washington instituted a cod fishing subsidy to help the then-integral industry (it was the fourth largest) recover from the Revolutionary War, which required any businesses that received the subsidy to have a profit sharing agreement with their workers and pass along five-eighths of their subsidies to their workers.

Economic inequality is now more extreme than before the Enlightenment and American Revolution. Our Founders revolted against a social structure characterized by great inequality and would not want one to be re-established in this country.

Our federal government's first attempt at massive support of widespread ownership of economic enterprises, the first Homestead Act, was blocked by a 19th-century economic elite. A 21st-century economic elite will also be a powerful force blocking vigorous support of worker-ownership of today's economic enterprises. Only massive popular support will be able to overcome their obstruction.

The Founders of our country and their successors with vision throughout U.S. history knew that a thriving middle class with ownership of the productive capital needed for their livelihood is necessary for liberty. We have lost this vision, and now relatively few workers receive significant capital ownership of the enterprise in which they work. Since the early 1990s, American companies on average have given almost 30% of stock options to their top five executives. Nearly all the rest of the options go to the top 2% or so of company employees.[68]

Most of our citizens are hired laborers in corporations dominated by this tiny elite in a system creating massive inequality in income and wealth. Political domination and corruption by this small economic elite are a reality and a developing trend that cannot continue if the country is to survive. "Crony capitalism" is common where corporate elites extract privileges from the government through lobbying, political donations, and the revolving door between high political office and highly paid corporate jobs.

The people and institutions dominating our economic and political systems are entrenched, powerful, and will not welcome widespread productive capital ownership policies. A mass movement supporting New Enlightenment policies is needed to be able to use federal resources to serve the best economic and other interests of the country, as they have in the past to great benefit.

Thomas Jefferson knew the future would bring the need for major changes in the laws. He wrote,

"…laws and institutions must go hand in hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths disclosed, and manners and opinions change with the change of circumstances, institutions must advance also, and keep pace with the times."[69]

In summary, New Enlightenment policies promote the widespread establishment of worker-owned and worker self-directed enterprises with programs in these categories:

- Italy's Marcora Law adaptation for unemployed workers

- New businesses established as WSDEs
- Existing privately held businesses' conversion to WSDEs
- Bankrupt businesses' reorganization
- Public companies' "sociable takeovers"

In addition to the federal government, funding mechanisms involve community members where the WSDE is located and local credit unions or banks, or involve local governments.

These programs will gradually transform the economy to one where worker-owned and worker self-directed enterprises are the predominant business enterprise structure in the country over about two decades.

Worker-ownership and self-direction improve productivity, substantially reduces economic disparities, promotes meaningful democracy, improves workers' job and life satisfaction, and even has a positive impact on the health of workers. The great importance of the widespread establishment of worker-owned and self-directed enterprises justifies and requires The New Enlightenment policies for extensive national support.

In consideration of the low unemployment rate that will result from New Enlightenment policies, grant funding requirements plus the origination fee total to community banks under the modified Marcora Law will be small. This amount, plus the fee amount for other WSDE loan originations, will likely be significantly less than the federal government's profits on all the loans made under the system to facilitate the establishment of worker-owned enterprises. To be conservative in our budget analysis, I assume loan profits will not exceed this amount to cover any of the grants to support WSDEs that cities support with bond purchases or loans, tax exemption, Council of Cooperatives, increased SBA, economically disadvantaged grants, and default costs.

However, loan profits likely will exceed modified Marcora Law related costs and loan origination fees, possibly by over ten billion dollars per year. Whatever this excess is, it will be deposited each year in separate and restricted individual accounts of all citizens under 18 years of age in equal amounts. Only on a citizen's 18th birthday will he or she have access to the account balance. Ideally, it would most commonly be used to help purchase a WSDE or home.

Assuming the midpoint of our estimated range of amounts of funds from community investors in city supported WSDEs, the annual cost of the community investor tax exemption policy is about $2.0 billion. This assumes that the bond investor population will have a 30% average tax rate, higher than the 18% average overall tax rate of the general population. The tax exemption cost for the retiring owner sales to WSDEs will be about $46 million. The funding requirement for the Council of Cooperatives will be about $2.5 billion. The increase in the SBA budget is $450 million. The funding requirement for the grants to the economically disadvantaged is $97 billion. The total federal expenditure per year to support the widespread establishment of worker-owned and self-directed enterprises are these amounts, plus the $41 billion in WSDE grants in our city partnership system, or about $143 billion. Eventually, the cost of The National Cooperative Congress and Research Institution will also be substantial, but the return on investment will be large.

Modified or Partial WSDE Structure Establishment When Full WSDE Establishment Is Not Practicable

Although it is far from the ideal that is more closely approximated elsewhere, and that the prior New Enlightenment policies will create, a partial or modified WSDE structure is widespread in Germany, and to a lesser degree in Sweden, Denmark, Norway, Austria, and Luxembourg. In Germany, modified WSDEs of this character are required by law: For firms over 2000 workers, one-half the board of directors must be workers, and between 500 and 2000 workers, one-third must be workers. Researchers have found that this policy increased productivity through better communication between management and workers. Most Germans favor this policy because it reduces conflict, downsizing and plant closures through mutually agreed on compromises and improvements.

Since 1985, Germany's median wage went up nearly 30%, versus only 6% in the United States. The highest income 1% in Germany takes about 11% of German income.[70] In the United States, the 1% takes about 24%. Germany generated $2 trillion in trade surpluses from 2000 to 2010, while the United States accumulated $6 trillion in trade deficits. Germany has 21% of its workforce in manufacturing; we have 9%. During the 2008 economic collapse, big German companies adopted a “short work” policy to spread the pain of the recession. Instead of laying off masses of workers, German companies shortened everyone's workweek, saving 500,000 jobs, so Germany's unemployment rate went down during the recession while America's rose sharply and stayed high.[71] Labor’s integration with the directorship of industry was the major factor in Germany’s success.

For firms that are not WSDEs, we will institute a similar legal requirement in the U.S.

The New Enlightenment: Ideals of Democracy, Human Rights, Reason, and Progress * Policy 3

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[1] What Ideas Are Worth: The Value of Intellectual Capital And Intangible Assets in the American Economy Kevin A. Hassett and Robert J. Shapiro

[2] Capital In The Twenty First Century, pg. 256 (PDF version) by Thomas Piketty

[3] http://www.epi.org/publication/ib364-corporate-tax-rates-and-economic-growth/

[4] Capital In The Twenty First Century, Thomas Piketty, pg. 435

[5] Can They Do That, Lewis Mathy, pg 58

[6] Can They Do That, Lewis Mathy, pg 25

[7] In 1845, at the beginning of the industrial system when many people left their farms to be employees in factories women factory workers produced a publication, Factory Tracts. Here is how they described in it the employer-employee social order. "When you sell your product, you retain your person. But when you sell your labour, you sell yourself, losing the rights of free men and becoming vassals of mammoth establishments of a monied aristocracy that threatens annihilation to anyone who questions their right to enslave and oppress. Those who work in the mills ought to own them, not have the status of machines ruled by private despots who are entrenching monarchic principles on democratic soil as they drive downwards freedom and rights, civilization, health, morals and intellectuality in the new commercial feudalism." (as quoted in Requiem for the American Dream, Noam Chomsky, pg. 121. I first heard the appropriate phrase "little tyranny" applied to the conventional corporate structure in a speech by Noam Chomsky.)

[8] The Citizen's Share: Putting Ownership Back into Democracy by Joseph R. Blasi, Richard B. Freeman , Douglas L. Kruse, 11/ 4/13 pg.21

[9] In his opinion in Supreme Court case, Standard Oil Co. Of California And Standard Stations, Inc. V. United States. 337 U.S. 293 (69 S.Ct. 1051, 93 L.Ed. 1371) Decided: June 13, 1949.

[10] It is possible for an enterprise to be worker owned, but not worker self-directed, as is currently generally the case in ESOP corporations, described later in the proposal. Worker-ownership without worker self-direction is an unnatural combination though since owners would normally insist on control, especially if they spend a large part of their waking hours involved with the enterprise. Worker self-direction can also exist without worker-ownership, and I recommend this arrangement in a couple of specialized cases. However, as a general rule I will use WSDE to mean enterprises that are both worker self-directed and worker owned, except in cases I will specify. For more information on WSDEs see Democracy at Work, by Richard Wolff.

[11] The Citizen's Share: Putting Ownership Back into Democracy by Joseph R. Blasi, Richard B. Freeman , Douglas L. Kruse, 11/ 4/13 pg.83

[12] National Center for Employee Ownership, Employee Ownership Report, March April 2015

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[19] Luc Labelle, "Development of Cooperatives and Employee Ownership, Quebec-Style," Owners at Work (2001), http://dept.kent.edu/oeoc/PublicationsResearch/Winter2000-2001/CooperativesQuebecStyle.htm (accessed May, 2010).

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[22] http://www.co-oplaw.org/special-topics/worker-cooperatives-performance-and-success-factors/#fn-9170-3

[23]CECOP-CICOPA, Business Transfers to Employees Under the Form of a Cooperative in Eu-rope: Opportunities and Challenges, 12 (June 2013)

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[26] http://online.wsj.com/public/resources/documents/CEOperformance122509.pdf

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[28] Hendrik Thomas, "The Performance of the Mondragon Cooperatives in Spain," in Participatory and Self-Managed Firms: Evaluating Economic Performance, ed. Derek Jones and Jan Svejnar (Lexington: Lexington Books, 1982), 149

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