CNN Capitalist Nefarious Narrators in Newspeak Doublethink with Thought Police play dumb as to why humans are marching on Satanic Wall Street that will fall like Berlin

http://en.wikipedia.org/wiki/Economic_democracy

Economic democracy

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Economic democracy is a socioeconomic philosophy that suggests a shift in decision-making power from a small minority of corporate shareholders to a larger majority of public stakeholders. There is no single definition or approach for economic democracy, but most theories and real-world examples challenge the demonstrated tendencies of modern property relations to externalize costs, subordinate the general well-being to private profit, and **deny the populace majority a democratic voice** in economic policy decisions.[1]

Classical liberals argue that the power to dispose of the means of production **belongs to entrepreneurs and capitalists,** and can only be acquired by means of the consumers' ballot, held daily in the marketplace.[2]

"The capitalistic social order", they claim, therefore, "is an economic democracy in the strictest sense of the word."[3] Critics of this claim point out that consumers only vote on the value of the product when they make a purchase; they are not voting on who should own the means of production, who can keep its profits or the resulting income redistribution. Proponents of economic democracy generally agree, therefore, that modern capitalism tends to hinder or prevent society from earning enough income to purchase its output production. Centralized corporate monopoly of common resources typically forces conditions of artificial scarcity upon the greater majority, resulting in socio-economic imbalances that restrict workers from access to economic opportunity and diminish consumer purchasing power.[4][5]
As either a component of larger socioeconomic ideologies or as a stand-alone theory, some theories of economic democracy promote universal access to "common resources" that are typically privatized by corporate capitalism or centralized by state socialism.

Assuming full political rights cannot be won without full economic rights,[1] economic democracy suggests alternative models and reform agendas for solving problems of economic instability and deficiency of effective demand. As an alternative model, both market and non-market theories of economic democracy have been proposed. As a reform agenda, supporting theories and real-world examples range from decentralization and economic liberalization to democratic cooperatives, fair trade, and the regionalization of food production and currency. [edit] Deficiency of effective demand

"Workers spending their wages is one source of effective demand", claims geographer, David Harvey. "But the total wage bill is always less than the total capital in circulation (otherwise there would be no profit), so the purchase of wage goods that sustain daily life (even with a suburban lifestyle) is never sufficient for the profitable sale of the total output." [6] According to many proponents of economic democracy, the most **fundamental economic problem** is that modern society does not earn enough income to purchase its output production.

While balanced mixed economies have existed briefly throughout history, some analysts agree that command economies tend to dominate, listing contemporary expressions of state capitalism as an extreme example, not an exception to the rule.
As common resources are monopolized by imperial centers of wealth and power, **conditions of scarcity are imposed artificially** upon the greater majority, resulting in large-scale socio-economic imbalance.[5]

In any economic system, "wealth" includes all material things produced by labor for the satisfaction of human desires and having exchange value. Land and labor are generally considered the two most essential factors in producing wealth. Land includes all natural opportunities and forces. Labor includes all human exertion.

Capital includes the portion of wealth devoted to producing more wealth.

While the income of any individual might include proceeds from any combination of these three sources—land, labor, and capital are generally considered mutually exclusive factors in economic models of the production and distribution of wealth.

According to Henry George, "People seek to satisfy their desires with the least exertion". [4] Human beings interact with nature to produce goods and services (products) that other human beings need or desire. The laws and customs that govern the relationships among these entities constitute the economic structure of a given society.
In his book, After Capitalism, David Schweickart suggests, "The structure of a capitalist society consists of three basic components:
The bulk of the means of production are privately owned, either directly or by corporations that are themselves owned by private individuals.

Products are exchanged in a "market"; that is to say, goods and services are bought and sold at prices determined for the most part by competition and not by some governmental pricing authority. Individual enterprises compete with one another in providing goods and services to consumers, each enterprise trying to make a profit. This competition is the primary determinant of prices.

Most of the people who work for pay in this society work for other people, who own the means of production. Most working people are "wage labourers."[7]
While supply and demand are generally accepted as market functions for establishing price, the present financial price system is not self-liquidating.[8] Corporate firms typically endeavor to 1) minimize the cost of production and 2) increase sales, in order to 3) maximize shareholder value.

But when consumers cannot buy all the goods being produced, "investor confidence" tends to decline, triggering declines in both production and employment. According to many analysts, such economic instability stems from a central contradiction: Wages are both a cost of production and an essential source of effective demand (needs or desires backed with purchasing power).

Moreover, "those who produce the goods and services of society **are paid less than their productive contribution"**.[7]

[edit] Savings, investment, and unemployment

In his 1879 book Progress and Poverty, Henry George argued that a majority of wealth created in a "free market" economy is appropriated by land owners and monopolists through economic rents, and that concentration of such unearned wealth is the root cause of poverty.[4] "Behind the abstraction known as 'the market' lurks a set of institutions designed to maximize the wealth and power of the most privileged group of people in the world -- the creditor-rentier class of the first world and their junior partners in the third".[9]

According to some modern analysts, private savings are not only unnecessary for economic growth, but they are often harmful to the overall economy.[7] In an advanced industrial society, business credit is necessary for a healthy economy. A business that wants to expand production needs to command the labor of others, and money is an effective mechanism for exercising this authority.[7] It is often cheaper for a business to borrow capital from a bank than to stockpile cash itself. This was the purpose of the state banking system in the U.S. prior to the Civil War. For an industrial firm in an age of continued technological innovation, a considerable amount of earnings must be retained in order to invest in future improvements.[10] If private savings are loaned out to entrepreneurs who use them to buy raw materials and hire workers, then aggregate demand is not reduced.[7]

However, when private savings are not reinvested, the whole economy suffers recession, unemployment, and the eventual disappearance of excess savings.[7] By assuming that producers immediately spend the money they receive as the price for goods and services, Say's Law overlooks the key fact of retained earnings. Even if the retained earnings are deposited in a bank they will not necessarily result in new spending. For a variety of reasons, most notably the necessity of retained earnings and the inclusion in prices of the costs of borrowing, sufficient income is never returned to the producing economy in order for people to purchase what can be manufactured.[10]

In this view, unemployment is not an aberration of capitalism, indicating any sort of systemic malfunction. Rather, unemployment is a necessary structural feature of capitalism, intended to discipline the workforce. If unemployment is too low, workers make wage demands that either cuts into profits to an extent that jeopardize future investment, or are passed on to consumers, thus generating inflationary instability. David

Schweickart suggests, "Capitalism cannot be a full-employment economy, except in the very short term.

For unemployment is the "invisible hand" -- carrying a stick -- that keeps the workforce in line."[7] In this view, Adam Smith's "invisible hand" does not seem reliable to guide economic forces on a large scale.[1]

Assuming business credit could come from public sources rather than from the accumulations of private savers, some analysts consider interest payments to private savers both undeserved and unnecessary for economic growth. Moreover, the personal decision to save rather than consume decreases aggregate demand, increases the likelihood of unemployment, and exacerbates the tendency toward economic stagnation. Since wealthy people tend to save more than poor people, the propensity of an economy to slump because of excess saving becomes ever more acute as a society becomes more affluent.[7] The research of Richard Wilkinson and Kate Pickett suggests that health and social problems are significantly worse in more unequal wealthy nations.[11] They argue that there are **"pernicious effects** that inequality has on societies: eroding trust, increasing anxiety and illness, (and) encouraging excessive consumption" [12]
[edit] Monopoly power versus purchasing power

The discipline of economics is largely a study of scarcity management. "Absent scarcity and alternative uses of available resources, there is no economic problem".[13] In this regard, many theories of Economic Democracy hold that conditions of scarcity are artificially maintained by corporate structures that confine abundance to an exclusively entitled minority. In this view, socio-economic imbalance stems not from a failure to manage limited resources in a world of scarcity, but from mismanagement of virtually unlimited abundance and prosperity.[5] In his book Labor and Other Capital (1849), American businessman, Edward Kellogg (1790–1858), said that:

"Money power is not only the most governing and influential, but it is also **the most unjust and deceitful of all earthly powers.** It entails upon millions excessive toil, poverty and want, while it keeps them ignorant of the cause of their sufferings; for, with their tacit consent, it silently transfers a large share of their earnings into the hands of others, who have **never lifted a finger to perform any productive labor.**"[14]

While he considers these functions a public wrong, Kellogg also asserts it is the responsibility of the public to find and implement a remedy. Generally considered monopoly power, this "public wrong" is viewed by many as the most influential factor in artificial scarcity. In this regard, Henry George further suggests:

"There is in reality no conflict between labor and capital; the true conflict is between labor and monopoly... Abolish the monopoly that forbids men to employ themselves and capital could not possibly oppress labor... [R]emove the cause of that injustice which deprives the laborer of the capital his toil creates and the sharp distinction between capitalist and laborer would, in fact, cease to exist".[15]

While some consider land to be the primary source of wealth, others propose the labor theory of value (first introduced by John Locke, developed by Adam Smith and later Karl Marx), arguing that labor is the fundamental source of value. In these terms, "money is first, and foremost, a contract against another person's labor. Except for wealth produced by nature, value is properly a measure of the time and quality of all productive labor spent producing a product or service. If the difference between the payment received for productive labor and the price paid by the consumer for a product or service is greater than fair value for expediting that trade, either the producer was underpaid, the final consumer was overcharged, or both.

When intermediaries underpay producers or overcharge consumers, they are **siphoning away the production of the labors** of one or the other, or both."[1][16]

For example, many analysts consider invention a "more or less costless store of knowledge, captured by monopoly capital and protected in order to make it secret and a 'rare and scarce commodity', for sale at monopoly prices. So far as invention is concerned, a price is put on them not because they are scarce but in order to make them scarce to those who want to use them."[17][18][19] Patent monopolies capitalize stock values far above tangible labor value. The difference between labor-value and monopoly-value is transferred to consumers in **the form of higher prices,** and collected as "profit" by **intermediaries who have contributed nothing to earn it.**[19]
Under such conditions, analysts generally agree that society does not currently earn enough to buy what the economy produces.

The difference between **earnings and prices is typically appropriated by industrial and banking centers of capital** through monopoly control of finance and other market resources. Such exclusive entitlement tends to artificially impose conditions of economic scarcity upon the majority of the population.[5] While the accelerating advance of technology, developed and maintained by labor, tends to generate a virtually unlimited abundance, this process also drives wages down as workers are replaced by machines, ironically minimizing the purchasing power of workers in the market.[20] In June 2006, investment bank, Goldman Sachs, reported:

"The most important contribution to the higher profit margins over the past five years has been **a decline in Labor's share of national income."**

[edit] Enclosure of the commons

The term "land" typically denotes the "universe of natural opportunities" or "public utilities", generally known as the commons. Artificially restricted access of labor to common resources is generally considered monopoly or enclosure of the commons. Due to the economic imbalance inherently imposed, such monopoly structures tend to be centrally dictated by imperial law, and must be maintained by military force, unequal trade agreements, or both.[4]

In 1911, American journalist Ambrose Bierce defined "land" as:
"A part of the earth's surface, considered as property. The theory that land is property subject to private ownership and control is the foundation of modern society.... Carried to its logical conclusion, it means that some have the right to prevent others from living; for the right to own implies the right exclusively to occupy; and in fact laws of trespass are enacted wherever property in land is recognized. It follows that if the whole area of terra firma is owned by A, B and C, there will be no place for D, E, F and G to be born, or, born as trespassers, to exist".[21]

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

When Adam Smith wrote The Wealth of Nations in 1776, the dominant form of business was partnership, in which regional groups of co-workers ran co-owned businesses.

From this perspective, many considered the corporate model – stock sold to strangers— inherently **prone to fraud.**

While numerous scandals historically support this dim view of corporate policy, **small partnerships** could **not possibly compete** with the aggregate capital generated by corporate economies of scale. According to Peter Barnes, author of Capitalism 3.0, the greatest advantage of corporations over any other business model is their ability to raise capital from strangers. In this regard, corporations are aided by laws that limit stockholders' liability to the amounts they have invested.[22]
In A Preface To Economic Democracy, Robert A. Dahl suggests that agrarian economy and society in the early United States "underwent a revolutionary transformation into a new system of commercial and industrial capitalism that automatically generated vast inequalities of wealth, income, status, and power." Dahl claims that such inequalities result from the "liberty to accumulate unlimited economic resources and to organize economic activity into hierarchically governed enterprises." [23]
[edit] The rise of corporations

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

"A corporation is considered by the law to exist as a legal person. In the Middle Ages it was called a “persona ficta”. This is a very useful way of looking at a business corporation, because it suggests correctly that the corporate person has a certain personality. It has duties and responsibilities vested unto it by the legitimate government or society that fostered it.

The corporate person receives great benefits from society – and, in return, it must exercise great responsibilities. One of the most basic responsibilities is job creation, a fundamental need in any society." [24]

By the mid-nineteenth century, however, corporations could live forever, engage in any legal activity, and merge with or acquire other corporations.

In 1886, the U.S. Supreme Court legally recognized corporations as “persons”, entitled under the Fourteenth Amendment to the same protections as living citizens. Unlike average citizens, corporations also have large flows of money at their disposal. With this money they hire lobbyists, donate copiously to politicians, and sway public opinion.

But, **despite** Supreme Court ruling, **the modern corporation is not a real person.** Rather, the publicly traded stock corporation is what Barnes terms an "automaton", **explicitly designed to maximize return** to an elite minority of stock owners. A corporation never sleeps or slows down.

It externalizes as many costs as possible, and never reaches an upper limit of profitability, because no such limit has yet been established. As a result, corporations keep getting larger and more powerful.

In 1955, sales of the Fortune 500 accounted for one-third of U.S. gross domestic product. By 2004 they commanded two-thirds. In other words, these few hundred corporations enveloped not only the commons but also millions of smaller firms organized as partnerships or proprietorships.

Overall, corporations have established a homogeneous global playing field around which they can freely move raw materials, labor, capital, finished products, **tax-paying obligations,** and profits. Thus, corporate franchise has become **a perpetual grant of** sovereignty, including immortality, self-government, and limited liability. By the end of the twentieth century, corporate power—both economic and political – stretched worldwide.

International agreements, promoted by the United States, not only lowered tariffs but extended corporate property rights and reduced the ability of sovereign nations to regulate corporations differently.[22] David Schweickart submits that such "hypermobility of capital" generates economic and political insecurity around the globe. [7]

"If the search for lower wages comes to dominate the movement of capital, the result will be not only a lowering of worldwide wage disparities, but also a lowering of total global income." [7]

At the domestic level, inequities maintained by corporate imperialism tend to result in the large-scale debt, unemployment, and poverty characteristics of economic recession and depression. According to Jack Rasmus, author of The War At Home and The Trillion Dollar Income Shift, income inequality in contemporary America is an increasing relative share of income for corporations and the wealthiest 1-percent of households while shares of that income stagnate and **decline for 80-percent of the United States workforce.** After rising steadily for three decades after World War II, the standard of living for most American workers has sharply declined between the mid-1970s to the present. Rasmus likens the widening income gap in contemporary American society to the decade leading up to the Great Depression, estimating "well over $1-trillion in income is transferred annually from the roughly 90-million working class families in America to corporations and the wealthiest non-working class households.

While a hundred new billionaires were created since 2001, real weekly earnings for 100 million workers are less in 2007 than in 1980 when Ronald Reagan took office".

According to Rasmus and other analysts, this "quarter century pay freeze", imposed by rapidly **increasing control of wealth by the very rich,** has resulted in innumerable negative externalities:[25]
"For the first time since the U.S. government began to collect the data in 1947, wages and salaries no longer constitute more than half of total national income. In contrast, corporate profits are at their highest levels since World War II, having risen double digits every quarter in the last three and a half years alone and 21.3% in the most recent year, 2005, according to Dow-Jones 'Market Watch'. Corporate profit margins are higher than they have been in more than half a century, according to Merrill Lynch economist, David Rosenberg. After tax profits are now equal to 8.5% of the U.S. Gross Domestic Product --

that's more than a trillion dollars -- and the highest since the end of World War II in 1945."[25]

[edit] Imperialism

Generally considered the forceful extension of a nation's authority by territorial gain or by the establishment of economic and/or political dominance over other nations, some view imperialism as an advanced stage of capitalism. The merging of banks and industrial cartels give rise to finance capital, which is then exported (rather than goods) in pursuit of greater profits than the home market can offer. Political and financial power is divided amongst international monopolist firms and European states, colonizing large parts of the world in support of their businesses.[26] According to analyst, Michael Parenti, imperialism is **"the process whereby the dominant politico-economic interests of one nation expropriate for their own enrichment the land, labor, raw materials, and markets of another people."** [27] Parenti says imperialism is older than capitalism. But, given its expansionist nature, capitalism has little inclination to stay home. While he concedes imperialism is not typically recognized as a legitimate concept with regard to the United States, Parenti goes on to argue:

"Emperors and conquistadors were interested mostly in **plunder and tribute, gold and glory.** Capitalist imperialism differs from these earlier forms in the way it **systematically accumulates capital through the organized exploitation of labor** and the penetration of overseas markets. Capitalist imperialism invests in other countries, transforming and dominating their economies, cultures, and political life, integrating their financial and productive structures into an international system of capital accumulation." [27]

On a global scale, wealthy developed nations tend to **impede or prohibit the economic and technological advancement of weaker developing countries through the military force, martial law, and inequitable practices of trade** that typically characterize colonialism. Rhetorically termed by some as a "tragedy of the commons", "survival of the fittest", or "might makes right", proponents of Economic Democracy generally attribute such economic crises to the imbalances imposed by corporate imperialism.[1] In his book, Economic Democracy: The Political Struggle for the 21st Century, J.W. Smith examines the economic basis for the history of imperial civilization. Just as cities in the Middle Ages monopolized the means of production by conquering and controlling the sources of raw materials and countryside markets, Smith claims that contemporary centers of capital now control our present world through private monopoly of public resources sometimes known as "the commons". Through inequalities of trade, developing countries are overcharged for import of manufactured goods and underpaid for raw material exports, as wealth is siphoned from the periphery of empire and hoarded at the imperial-centers-of-capital:

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

Like other financial empires in history, Smith claims the contemporary model forms alliances necessary to develop and control wealth, as peripheral nations remain impoverished providers of cheap resources for the imperial-centers-of-capital.[1] Belloc estimated that, during the British Enclosures, "perhaps half of the whole population was proletarian", while roughly the other "half" owned and controlled the means of production. Now, under modern Capitalism, J.W. Smith claims **fewer than 500 people possess more wealth than half of the earth's population,** as the wealth of 1/2 of 1-percent of the United States population roughly equal that of the **lower 90-percent**.

According to many analysts, the United States has maintained some measure of stability by economically dominating of the rest of the world as a means of filling the gap between production and consumption. Beginning with massive loans to European combatants during World War I, and continuing through the lend-lease program of World War II, U.S. domination of trade reached its peak through economic recovery measures following those wars. Though forming the basis for U.S. prosperity during the 1950s and 1960s, U.S trade domination was exhausted by the mid-1970s, when the United States implemented a policy known as dollar hegemony, intended to stabilize the economy.[20] With a consistently negative trade balance over the decades since, some suggest the United States has compensated for the gap between purchasing power and prices with a wide variety of debt in all sectors of the economy.

In this process, many analysts claim that dollar hegemony has flooded the world with U.S. currency, loans, or debt instruments to support U.S. fiscal and trade deficits, pay for extraordinary levels of U.S. resource utilization, **induce foreign governments to purchase U.S. armaments, ensure the allegiance of foreign governing elites,** and maintain foreign economies in subservience through World Trade Organization and International Monetary Fund trade and lending policies.[5]

[edit] Alternative models

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

"The problem indicates that our emphasis must be two-fold. We must create full employment or we must create incomes. People must be made consumers by one method or the other. Once they are placed in this position, we need to be concerned that the potential of the individual is not wasted. New forms of work that enhance the social good will have to be devised for those for whom traditional jobs are not available."[28]
But many analysts argue that both full employment and guaranteed basic income are impossible under the restrictions of the current economic system for two primary reasons: First, unemployment is an essential feature of capitalism, not an indication of systemic failure.[7] Second, while capitalism thrives under polyarchy, it is not compatible with genuine democracy.[7] Suggesting that these "democratic deficits" significantly impact the management of both workplace and new investment,[7] some proponents of Economic Democracy favor **the creation and implementation of a new economic model over reform of the existing one**.
According to most analysts, a serious critique of any problem cannot be content to merely note the negative features of the existing model. We must specify precisely not only the defining characteristics of the existing model, but also the structural features of an alternative. Such a specification is necessarily complicated, since a modern economy is a complicated affair. "But if we want to do more than simply denounce the evils of capitalism, we must confront the claim that 'there is no alternative' -- by proposing one."[7]

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

He says natural resources are "God-given", money is a bookkeeping entry validated by law, and labor is a human prerogative, not a personal obligation to market economies.

Dr. Martin Luther King Jr. claims "Communism forgets that life is individual. Capitalism forgets that life is social, and the Kingdom of Brotherhood is found neither in the thesis of Communism nor the antithesis of Capitalism but in a higher synthesis. It is found in a higher synthesis that combines the truths of both".[29] Trade unionist and social activist, Allan Engler, argues further that economic democracy is the working-class alternative to capitalism. In his book, "Economic Democracy", Engler states:

"When economic democracy -- a world of human equality, democracy and cooperation -- is the alternative, capitalism will no longer be seen as a lesser evil. When the working class, not a revolutionary party, is the agency of social transformation, change will be based on workplace organization, community mobilizations and democratic political action. The goal will be to transform capitalism into economic democracy through gains and reforms that improve living conditions while methodically replacing wealth-holders' entitlement with human entitlement, capitalist ownership with community ownership and master-servant relations with workplace democracy." [30]

Assuming that "democracy is not just a political value, but one with profound economic implications", David Schweickart suggests "the problem is not to choose between plan and market, but to integrate these institutions into a democratic framework".[31]
According to Schweickart, economic democracy, like capitalism, can be defined in terms of three basic features:
Worker Self-Management: Each productive enterprise is controlled democratically by its workers.
Social Control of Investment: Funds for new investment are generated by a capital assets tax and are returned to the economy through a network of public investment banks."[7]
The Market: These enterprises interact with one another and with consumers in an environment largely free of governmental price controls. Raw materials, instruments of production and consumer goods are all bought and sold at prices largely determined by the forces of supply and demand.
In real-world practice, Schweickart concedes economic democracy will be more complicated and less "pure" than his abstract model. However, to grasp the nature of the system and to understand its essential dynamic, it is important to have a clear picture of the basic structure. Capitalism is characterized by private ownership of productive resources, the market, and wage labor. The Soviet economic model abolished private ownership of productive resources (by collectivizing all farms and factories) and the market (by instituting central planning), but retained wage labor.
Proposed models for economic democracy generally begin with abolishing wage labor. Schweickart's model goes further to abolish private ownership of productive resources.

[7] Other proposals recommend **abolishing the market,** as well.
[edit] Worker self-management
In his book, "The Democratic Firm", veteran Economic Advisor for the World Bank, David P. Ellerman, states:
"In the world today, the main form of enterprise is based on renting human beings (privately or publicly). Our task is to construct the alternative. In the alternative type of firm, employment by the firm is replaced with membership in the firm. Economic democracy requires the abolition of the employment relation, not the abolition of private property. Democracy can be married with private property in the workplace; the result of the union is the democratic worker-owned firm." [32]
Ellerman maintains that the contract to buy and sell labor services is inherently invalid because labor, in the sense of responsible human action, is de facto non-transferable. The rights to the positive and negative fruits of one's labor are thus inalienable rights. In questions of governance (as opposed to production), the emphasis is on decision-making (as opposed to responsibility). But the basic facts are the same. Decision-making capacity is de facto inalienable. A person cannot in fact alienate his or her decision-making capacity just as he or she cannot alienate de facto responsibility. 'Deciding to do as one is told' is only another way of deciding what to do.

Thus, Ellerman concludes, it is not private property that needs to be abolished, but the employment contract. In other words, "a firm can be socialized and yet remain 'private' in the sense of not being government-owned." [32]

In the proposals of both Ellerman and Schweickart, each productive enterprise is controlled by those who work there. Workers are responsible for the operation of the facility, including organization, discipline, production techniques, and the nature, price, and distribution of products. Decisions concerning proceeds distribution are made democratically. Problems of authority delegation are solved by democratic representation. Management is not appointed by the State nor elected by the community at large, nor selected by a board of directors elected by stockholders. Whatever internal structures are put in place, ultimate authority rests with the enterprise's workers, one-person, one-vote.

In David Schweickart's model, however, workers control the workplace, but they do not "own" the means of production. Productive resources are regarded as the collective property of the society. Workers have the right to run the enterprise, to use its capital assets as they see fit, and to distribute among themselves the whole of the net profit from production. In Schweickart's model, societal "ownership" of the enterprise manifests itself in two ways:

All firms must pay a tax on their capital assets, which goes into society's investment fund. In effect, workers rent their capital assets from society.

Firms are required to preserve the value of the capital stock entrusted to them. This means that a depreciation fund must be maintained. Money must be set aside to repair or replace existing capital stock. This money may be spent on whatever capital replacements or improvements the firm deems fit, but it may not be used to supplement workers' incomes.

If a firm is unable to generate even the nationally-specified minimum per-capita income, then it must declare bankruptcy. Movable capital will be sold off to pay creditors. The workers must seek employment elsewhere. In such economic difficulty, workers are free to reorganize the facility, or to leave and seek work elsewhere. They are not free to sell off their capital stocks and use the proceeds as income. A firm can sell off capital stocks and use the proceeds to buy additional capital goods. Or, if the firm wishes to contract its capital base so as to reduce its tax and depreciation obligations, it can sell off some of its assets, but in this case proceeds from the sale go into the national investment fund, not to the workers, since these assets belong to society as a whole.[7]

[edit] Social control of investment

Under Schweickart's model of Economic Democracy, a flat-rate tax on the capital assets of all productive enterprises replaces all other business taxes. This "capital assets tax" is collected by the central government, then invested back into the economy, assisting those firms needing funds for purposes of productive investment. These funds are dispersed throughout society, first to regions and communities on a per capita basis, then to public banks in accordance with past performance, then to those firms with profitable project proposals. Profitable projects that promise increased employment are favored over those that do not. At each level, national, regional and local, legislatures decide what portion of the investment fund coming to them is to be set aside for public capital expenditures, then send down the remainder to the next lower level. Associated with most banks are entrepreneurial divisions, which promote firm expansion and new firm creation. For large (regional or national) enterprises that need access to additional capital, it would be appropriate for the network of local investment banks to be supplemented by regional and national investment banks. These too would be public institutions that receive their funds from the national investment fund.

Economic Democracy does not depend on private savings or private investment for its economic development. In Schweickart's model, banks are public, not private, institutions that make grants, not loans, to business enterprises. According to Schweickart, these grants do not represent "free money", since an investment grant counts as an addition to the capital assets of the enterprise, upon which the capital-asset tax must be paid. Thus the capital assets tax functions as an interest rate. A bank grant is essentially a loan requiring interest payments but no repayment of principal.[7]

While an economy of worker-self-managed enterprises might tend toward lower unemployment than under capitalism, Schweickart says it does not guarantee full employment. Social control of investment, under this model of Economic Democracy, serves to mitigate this defect. If the market sector of the economy does not provide sufficient employment, the public sector will provide all but the most severely disabled with the opportunity to engage in productive labor. The original formulation of the U.S. Humphrey-Hawkins Act of 1978 suggests that full employment can be assured in a market economy only if the government functions as the employer-of-last-resort. In Economic Democracy, the government assumes this role, something a capitalist government cannot do. Thus, social control of investment also serves to block patterns of cyclical, recessionary unemployment typical of capitalism.[7]

[edit] The market

According to David Schweickart, Economic Democracy is a market economy, at least insofar as the allocation of consumer and capital goods is concerned. Firms buy raw materials and machinery from other firms and sell their products to other enterprises or consumers. "Prices are largely unregulated except by supply and demand, although in some cases price controls or price supports might be in order -- as they are deemed in order in most real-world forms of capitalism."[7]

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

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

Since enterprises in Economic Democracy buy and sell on the market, they strive to make a profit. However, the "profit" in a worker-run firm is not the same as capitalist profit. It is calculated differently. In a market economy firms, whether capitalist or worker-self-managed, strive to maximize the difference between total sales and total costs. But for a capitalist firm, labor is counted as a cost. For a worker-run enterprise it is not. In Economic Democracy labor is not another "factor of production" technically on par with land and capital. Labor is the residual claimant. Workers get all that remains, once non-labor costs, including depreciation set asides and the capital assets tax, have been paid[7]

Because of the way workplaces and the investment mechanism are structured, Schweickart's model aims to facilitate fair trade, not free trade, between nations. Under Economic Democracy, there would be virtually no cross-border capital flows. Enterprises themselves will not relocate abroad, since they are democratically controlled by their own workers. Finance capital will also stay mostly at home, since funds for investment are publicly generated and are mandated by law to be reinvested domestically. "Capital doesn't flow into the country, either, since there are no stocks nor corporate bonds nor businesses to buy. The capital assets of the country are collectively owned -- and hence not for sale."[7]

According to Michael Howard, "in preserving commodity exchange, a market socialism has greater continuity with the society it displaces than does nonmarket socialism, and thus it is more likely to emerge from capitalism as a result of tendencies generated within it." But Howard also suggests, "one argument against the market in socialist society has been that it blocks progress toward full communism or even leads back to capitalism".[33] Thus, nonmarket versions of economic democracy have also been proposed.

[edit] Inclusive democracy

Main article: Inclusive democracy

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

The proposed system aims to meet the basic needs of all citizens (macro-economic decisions), and secure freedom of choice (micro-economic decisions). Therefore, the system consists of two basic elements: (1) democratic planning, which involves a feedback process between workplace assemblies, demotic assemblies and the confederal assembly, and (2) an artificial market using personal vouchers, which ensures freedom of choice but avoids the adverse effects of real markets. Although some have called this system “a form of money based on the labour theory of value”,[34] it is not a money model since vouchers cannot be used as a general medium of exchange and store of wealth.

Another distinguishing feature of inclusive democracy is its distinction between basic and non-basic needs. Remuneration is according to need for basic needs, and according to effort for non-basic needs. Inclusive democracy is based on the principle that meeting basic needs is a fundamental human right which is guaranteed to all who are in a physical condition to offer a minimal amount of work. By contrast, participatory economics guarantees that basic needs are satisfied only to the extent they are characterized public goods or are covered by compassion and by a guaranteed basic income for the unemployed and those who cannot work.[35] Although many advocates of participatory economics and Participism have contested this.

Within the inclusive democracy project, economic democracy is the authority of demos (community) in the economic sphere — which requires equal distribution of economic power. Therefore, all 'macro' economic decisions, namely, decisions concerning the running of the economy as a whole (overall level of production, consumption and investment, amounts of work and leisure implied, technologies to be used, etc.) are made by the citizen body collectively and without representation. However, "micro" economic decisions at the workplace or the household levels are made by the individual production or consumption unit through a proposed system of vouchers.

As with the case of direct democracy, economic democracy today is only feasible at the level of the confederated demoi. It involves the ownership and control of the means of production by the demos. This is radically different from the two main forms of concentration of economic power : capitalist and 'socialist' growth economy. It is also different from the various types of collectivist capitalism, such as workers' control and milder versions suggested by post-Keynesian social democrats. The demos, therefore, becomes the authentic unit of economic life.

For economic democracy to be feasible, proponents of inclusive democracy suggest three preconditions must be satisfied: Demotic self-reliance, demotic ownership of the means of production, and confederal allocation of resources.

Demotic self-reliance is meant in terms of radical decentralization and self-reliance, rather than of self-sufficiency.

Demotic ownership of productive resources is a kind of ownership which leads to the politicization of the economy, the real synthesis of economy and polity. This is so because economic decision making is carried out by the entire community, through the demotic assemblies, where people make the fundamental macro-economic decisions which affect the whole community, as citizens, rather than as vocationally oriented groups (e.g. workers, as e.g. in participatory economics [36]). At the same time, workers, apart from participating in the demotic decisions about the overall planning targets, would also participate (in the above broad sense of vocationally oriented groups) in their respective workplace assemblies, in a process of modifying/implementing the Democratic Plan and in running their own workplace.

Confederal allocation of resources is required because, although self-reliance allows many decisions to be made at the community level, much remains to be decided at the regional/national/supra-national level. However, it is delegates (rather than representatives) with specific mandates from the demotic assemblies who are involved in a confederal demotic planning process which, in combination with the proposed system of vouchers, effects the allocation of resources in a confederal inclusive democracy.

[edit] Reform agendas

Assuming the most basic requirement for societal prosperity is a healthy, educated, and enterprising population,[37] Economic Democracy seeks to close the growing gap between purchasing power and productive output. While reform agendas tend to critique the existing system and recommend corrective measures, they do not necessarily suggest alternative models to replace the fundamental structures of capitalism; private ownership of productive resources, the market, and wage labor.

[edit] Social Credit

Main article: Social Credit

Rather than an economic shortfall, many analysts consider the gap between production and purchasing power a social dividend. In this view, credit is a public utility rather than debt to financial centers. Once reinvested in human productive potential, the surplus of societal output could actually increase Gross Domestic Product rather than throttling it, resulting in a more efficient economy, overall.[5] Social Credit is an economic reform movement that originates from theories developed by Scottish engineer Major C. H. Douglas. His aim to make societal improvement the goal of monetary systems is reflected in the term "Social Credit", and published in his book, entitled Economic Democracy. In this view, the term "economic democracy" does not mean worker control of industry.[38] While technological advancement tends to increase unemployment along with productivity, Douglas suggests that our perspective will determine whether this problem is a "catastrophe" or a "magnificent achievement":

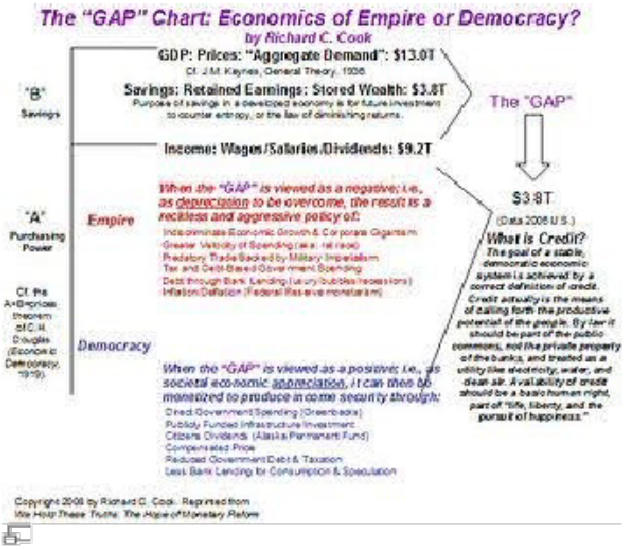
"The so-called unemployment problem is really a problem of leisure. The problem really is a problem, first of the distribution of purchasing power to those who are not required, and will decreasingly be required, in the industrial system, and secondly, of ensuring that the total purchasing distributed shall always be enough to pay for the goods and services for sale."[39]

A national dividend and a compensated price mechanism are the two most essential components of the Social Credit program proposed by C.H. Douglas to stabilize purchasing power for a democracy of consumers on a national and global scale. While these measure have never been implemented in their purest form, they have provided a foundation for Social Credit policital parties in many countries and for reform agendas that retain the title, "economic democracy".

[edit] Credit as a public utility

Utilizing the ideas of Major C.H. Douglas and a monetary reform program based on direct government spending set forth by groups like the American Monetary Institute, veteran Project Manager for the U.S. Treasury Department, Richard C. Cook proposes two general measures, which together he terms, "economic democracy":[40]

Credit as a public utility: "We should spend sufficient credit into existence to supply the basic operating expenses of government at all levels without recourse to either taxes or borrowing. At least ninety percent of all taxes could be eliminated. The only taxes that should be retained would be those in the form of user fees for infrastructure operations and maintenance and those levied only for dire emergencies. Capital expenses for infrastructure construction at the federal, state, and local levels should be financed through a self-capitalized national infrastructure bank lending at zero-interest. Operating on a national scale, such a bank could begin to rebuild our job base starting at the state and local levels. A public program of direct government expenditures as described herein would be as effective, as timely, far less inflationary, and much cheaper than creating new public debt by borrowing credit **created 'out of thin air' by the banking system."** [41]



GAP Chart from We Hold These Truths.

A national dividend: "The endemic gap between prices and purchasing power in an advanced economic system in reality is the "leisure dividend" that we never received from our amazing producing economy. That gap should now be filled by a non-taxable national dividend of two types. One would be a cash stipend paid to all citizens which would also serve the purpose **of eliminating poverty** by providing everyone with a basic income guarantee. The remainder of the national dividend would consist of an overall pricing subsidy, whereby a designated proportion of all purchases, including home building expenses, would be rebated to consumers. The average national dividend per person would probably exceed $12,000 per year under today's economic conditions. It would be a calculated value charged against a government ledger but would be off-budget, with no need to finance it with taxation or borrowing."[41]

While some analysts suggest an economic crisis might be necessary to drive a movement toward large-scale economic democracy.,[1][22] Richard C. Cook argues that "most economic reform programs address symptoms, not causes":[5]

"Monetary reform embraces the enormous productivity of modern industrial methods with approval and hope. But it identifies factors in the nature of industrial production at the level of the corporation as creating a chronic state of instability".[5] "The top priority of the reform program would be to use public credit to rebuild the producing economy which has been wrecked by the **phony ideology of 'market' economics** and the inept and **self-serving manipulation of the money supply** by the Federal Reserve and **the banks."**[42]

Cook's critique of finance capitalism avoids any proposal of collectivist solutions as a diagnosis of underlying financial issues. Rather, he affirms the value of "democratic capitalism," combined with a shift to more public control of credit, and suggests a new approach to achieving worldwide prosperity, starting with economic recovery in the United States. Cook's argument stems from prior success in the United States with credit as a public utility, including colonial paper currencies which allowed an emerging American society to monetize the value of its own goods and services, the Greenbacks issued by President Lincoln during the American civil war, and the Reconstruction Finance Corporation (RFC) which moved to recapitalize failing non-Federal Reserve state banks in rural areas and small towns during the Great Depression. While Herbert Hoover's efforts are not remembered as the most popular in U.S. history, Cook credits RFC programs with providing low interest loans to the railroad industry, farmers, exporters, state and local governments, and wartime industries over a period of at least 20-years.[43]

[edit] National dividend

Richard C. Cook's proposed national dividend, sometimes known as a Basic Income Guarantee or "BIG", has previously been advocated in the United States by economists, politicians and reformers, including Thomas Paine, Milton Friedman, Dr. Martin Luther King Jr., and John Kenneth Galbraith. Friedman originally proposed a negative income tax to support this system, but then opposed the bill because its revised implementation would have merely supplemented existing tax-structures rather than replacing them. Cook further suggests that racism might have been at the root of BIG's demise in the late 1960s, as "many beneficiaries of the program would have been African-American"[44] But in 2006, the basic income guarantee was again proposed on the national level by State Representative Bob Filner (D-CA) as H.R. 5257, supported by author Matthew Rothschild.[45] According to the U.S. Basic Income Guarantee Network:

"The basic income guarantee (BIG) is a government insured guarantee that no citizen's income will fall below some minimal level for any reason. All citizens would receive a BIG without means test or work requirement. BIG is an efficient and effective solution to poverty that preserves individual autonomy and work incentives while simplifying government social policy. Some researchers estimate that a small BIG, sufficient to cut the poverty rate in half could be financed without an increase in taxes by redirecting funds from spending programs and tax deductions aimed at maintaining incomes."[46]

Moreover, Richard C. Cook suggests existing surplus in United States Gross Domestic Product (GDP) could support such a system, as GDP of $12.98-trillion minus $9.21-trillion in purchasing power ("wages") equals a difference of $3.77-trillion. Distributed equally amongst United States citizens, Cook estimates a "National Dividend" of approximately $12,600 could be provided annually to every U.S. citizen. A primary function of monetary reform is to "provide sufficient individual income" -- not merely "create jobs" -- for American workers displaced by technological advancement, outsourcing, and other economic influences beyond their control. Funding of the National Dividend would be drawn from a national credit account, which would include all factors that generate production costs and create new capital assets. The national credit account could also be used for price subsidies to discourage manufacturers from cutting costs by shipping jobs overseas.

Rather than Federal Reserve Notes, circulated only through debt payable to a bank with interest, the National Dividend would be "real money", based on the productive capacity of the economy expressed as GDP. Cook says, "it's important to realize that Social Credit is not a socialist system. Rather it is 'democratic capitalism,' in contrast to the 'finance capitalism' that has become so damaging".[47] Rooted in the ideals of Social Credit, proposed by C.H. Douglas in the 1920s, Cook explains:

"The difference between a National Dividend and a basic income guarantee is that the dividend is tied to production and consumption data and may vary from year to year.

During years that the dividend falls below a designated threshold, the balance of a basic income guarantee could be provided from tax revenues. But in a highly-automated economy such as that of the U.S., the National Dividend would normally be sufficient".[20]

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

One real-world example of such reform is in the U.S. State of Alaska, where each citizen receives an annual share of the state's oil revenues called, "Alaska Permanent Fund Dividend". Barnes suggests this model could extend to other states and nations because "we jointly own many valuable assets". As corporate pollution of common assets increase, the permits for such pollution would become more scarce, driving prices for those permits up. "Less pollution would equal more revenue", and over time, "trillions of dollars could flow into an American Permanent Fund".[22]

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

Two conditions are indispensable if we are to ensure that the guaranteed income operates as a consistently progressive measure. First, it must be pegged to the median income of society, not the lowest levels of income. To guarantee an income at the floor would simply perpetuate welfare standards and freeze into the society poverty conditions. Second, the guaranteed income must be dynamic; it must automatically increase as the total social income grows. Were it permitted to remain static under growth conditions, the recipients would suffer a relative decline. If periodic reviews disclose that the whole national income has risen, then the guaranteed income would have to be adjusted upward by the same percentage. Without these safeguards a creeping retrogression would occur, nullifying the gains of security and stability.[28]

Moreover, proponents of Economic Democracy generally deem any such reform unlikely under the dominance of contemporary command economies. While Thomas Paine originally recommended a National Dividend to **compensate for the brutality of British Enclosures,** no such large-scale disbursement has materialized in over 200-years since.[22]

[edit] Monopoly power versus public utility

Main article: J. W. Smith

Rather than superficially compensating for legalized inequities, many analysts recommend the "enclosures" themselves—property rights laws—should be either abolished or redefined with particular respect for "the commons".[1] According to J.W.

Smith, exclusive title to natural resources and technologies should be converted to inclusive conditional titles –- the condition being that society should collect rental values on all natural resources.[48] Smith suggests the basic principles of monopolization under feudalism were never abandoned, and residues of exclusive feudal property rights restrict the potential efficiency of capitalism in Western cultures.[48] Estimating roughly 60-percent of American capital is little more than capitalized values of unearned wealth, Smith suggests elimination of these monopoly values would double economic efficiency, maintain quality of life, and reduce working hours by half.[48] Wasteful monetary flows can be stopped only by eliminating all methods of monopolization typical in Western economies.[48][49]

J.W. Smith divides "primary (feudal) monopoly" into four general categories; banking, land, technology, and communications. He lists three general categories of "secondary (modern) monopoly"; insurance, law, health care.[48] Smith further claims that converting these exclusive entitlements to inclusive human rights would minimize battles for market share, thereby eliminating most offices and staff needed to maintain monopoly structures, and stop the wars generated to protect them. Dissolving roughly half the economic activity of a monopoly system would reduce the costs of common resources by roughly half, and significantly minimize the most influential factors of poverty.[48][49]

In Smith's view, most taxes should be eliminated,[48] and productive enterprise should be privately owned and managed.[48] Inventors should be paid well and all technology placed in the public domain.[48] Crucial services currently monopolized through licensing should be legislated as human rights.[48][49]

Smith envisions a balanced economy under a socially-owned banking commons within an inclusive society with full and equal rights for all.[48] Federated regions collect resource rents on land and technology to a social fund to operate governments and care for social needs.[48] Socially-owned banks provide finance capital by creating debt-free money for social infrastructure and industry.[48] Rental values return to society through expenditure on public infrastructures. Local labor is trained and employed to build and maintain water systems, sewers, roads, communication systems, railroads, ports, airports, post offices, and education systems.[48] Purchasing power circulates regionally, as labor spends wages in consumption and governments spend resource rent and banking profits to maintain essential services.[48][49]

According to Smith, all monetary systems, including money markets, should function within fractional-reserve banking.[48] Financial capital should be the total savings of all citizens, balanced by primary-created money to fill any shortfall, or its destruction through increased reserve requirements to eliminate any surplus.[48] Adjustments of required reserves should facilitate the balance between building with socially-created money or savings. Any shortage of savings within a socially-owned banking system should be alleviated by simply printing it.[48][49]

[edit] Democratic cooperatives

Main article: Cooperative

Sometimes referred to as a "Co-Op business" or "Co-Op", a cooperative is a limited liability entity, organized either for-profit or not-for-profit, that differs from a corporation in that its producing members, rather than non-producing shareholders, comprise decision-making authority. Classified as either consumer cooperatives or worker cooperatives, the cooperative business model is fundamental to the interests of economic democracy.

According to the International Cooperative Alliance's Statement on the Cooperative Identity, "cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner."[50] Cooperatives play an essential role in all models of Economic Democracy, providing for the needs of workers, consumers, and communities. As an alternative to globalized economy, domination by large corporations, and neoliberal economic policies, Economic Democracy emphasizes large-scale economic withdrawal from corporate imperialism to more regionally organized producer and consumer cooperatives, thus restoring socio-economic stability on a broader scale.

[edit] Worker cooperatives

Main article: Worker cooperative

According to the United States Federation of Worker Cooperatives, "a worker cooperative is a business entity that is owned and controlled by the people who work in it". Workers own the business together, usually investing with a buy-in amount of money when they begin working. At the end of each year, worker-owners are paid a portion of the money the business makes after expenses.[51] In cases where the company is also owned by employees, there are no outside or consumer owners. Only employees own shares of the business, which represent fractions of the market value of the cooperative. Only one membership share may be issued to each member, and one membership share provides its owner with one vote in company decision-making. While membership is not a requirement of employment, only employees can become members.[52][53]

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

Some analysts suggest self-governing enterprises should not be confused with other systems they might vaguely or closely resemble. According to Robert A. Dahl:

"Self-governing enterprises only remotely resemble psuedodemocratic [sic?] schemes of employee consultation by management; schemes of limited employee participation that leave all critical decisions with a management elected by stockholders; or Employee Stock Ownership Plans (ESOPs) that are created only or primarily to provide corporations with low-interest loans, lower corporate income taxes, greater cash flow, employee pension plans, or a market for their stock, without, however, any significant changes in control."[23]

Decisions in a worker cooperative are made democratically by the people who do the work, rather than by one person or group of people that holds all the power. This process usually adheres to the principle of "one worker, one vote". Worker-control can take many forms depending on the size and type of the business. Some ways to make decisions democratically include: an elected board of directors, elected managers, management job roles, no management at all, decisions made by consensus, decisions made by majority vote, or any combination of the above. Each worker-owned business creates the structure best suited to its needs.[51] Equal participation in decision-making becomes the responsibility and privilege of each member, providing a democratic alternative to the centralization of power typical in corporate hierarchies.[54]

Many businesses, controlled by workers and/or sharing profits among them, are not formally considered worker cooperatives. In general, these are called democratic workplaces. Across the United States, democratic workplaces occupy many different sectors and industries, with greatest concentrations in the Northeast, the West Coast and the Upper Midwest. While a few worker cooperatives in the United States are notable larger enterprises, most are small businesses. There are an estimated 300 democratic workplaces in the United States, employing over 3,500 people and generating over $400 million in annual revenues. Growing steadily over the past 20 years, the number of worker cooperatives includes both well-established businesses and new ones, with the fields of technology and health care showing most of the recent increase.

In many ways, the operations of worker cooperatives are quite similar to conventional businesses. They develop products or services, and offer them for sale to the public, with the goal of generating enough income to support the business and its owners. They incorporate with the state, get business licenses, pay state and federal taxes, have payroll and benefits, and so on.

But there are also some fundamental differences between worker cooperatives and traditional businesses. In conventional businesses, net income is called profit, which tends to be distributed primarily amongst non-producing shareholders. In worker cooperatives, this income is called surplus, which is distributed amongst worker-owners based on hours worked, seniority, or other criteria. In a worker cooperative, workers own their jobs, and therefore have a direct stake in the local environment and the power to conduct business in ways that benefit the community rather than destroying it. Some worker cooperatives maintain what is known as a “multiple bottom line”, evaluating success not merely in terms of net income, but also by factors like their sustainability as a business, their contribution to the community, and the happiness and longevity of their workers.[51]

According to Tim Calvert, a founding member of the worker-owned Portland, Oregon cooperative, City Bikes, "the marks of a worker co-op are an emphasis on cooperative working for collective success, a democratic structure for decision making with each member having an equal vote, a collective determination of how net income or net losses are allocated, an equal contribution to and benefit from the co-op's cash and an equal sharing of the risks and benefits of working at and owning a business".[55] But since there is no inadequate legislation regarding worker cooperatives in the United States, most worker cooperatives tend to utilize consumer cooperative law for their purposes. [56] While Calvert believes a genuine worker cooperative should be specially incorporated as owned solely and equally by employees, he also observes that CityBikes is one of the few that strictly adheres to the principles of a properly incorporated worker-owned cooperative. Instead, many worker-cooperatives choose to incorporate as Limited Liability Corporations, because 1) there is less paperwork involved, and 2) protection from personal lawsuit is a paramount concern.[57]

[edit] Consumer cooperatives

Main article: Consumer cooperative

A consumers' cooperative is a cooperative business owned by its customers for their mutual benefit. Oriented toward service rather than pecuniary profit, consumers of goods and services are often also the individuals who have provided capital to launch or purchase such free enterprise. Consumers' cooperatives differ from other forms of business in their directive to provide quality goods and services to consumer/owners at the lowest cost rather than to sell goods and services at the highest price above cost that the consumer is willing to pay. In practice consumers' cooperatives price goods and services at competitive market rates. The difference is that where a for-profit enterprise will treat the difference between cost (including labor, etc.) and selling price as financial gain, the consumer owned enterprise returns this sum to the consumer/owner as an over-payment.

Large consumers' co-ops run much like any other business, requiring workers, managers, clerks, products, and customers to keep the business running. In smaller cooperatives, consumer/owners are often workers as well. Consumers' cooperatives can differ greatly in start up and also in how the co-op is run, but to be true to the consumers' cooperative form of business the enterprise should follow the Rochdale Principles. Consumers' cooperatives may, in turn, form Co-operative Federations. These may take the form of co-operative wholesale societies, through which Consumers' Co-operatives collectively purchase goods at wholesale prices and, in some cases, own factories. Alternatively, they may be members of Co-operative unions.

Consumer cooperatives are very different from privately owned "discount clubs," which charge annual fees in exchange for a discount on purchases. The "club" is not owned or governed by the "members" and the profits of the business go to the investors, not to members. In a cooperative, the members own the business and the profits belong to the community of members.[58]

[edit] Food cooperatives

Most food co-ops are consumer cooperatives, which means that all our retail co-ops are owned by the people who shop at the stores. Members exercise their ownership by patronizing the store and voting in elections. The members elect a board of directors to hire, guide and evaluate the general manager who runs day to day operations.[58] Food cooperatives were originally established to provide fresh, organic produce as a viable alternative to packaged imports. But this process can present a struggle, as communities tend to import the same crops that local farmers cultivate. The ideas of local and slow food production can help local farmers prosper, in addition to providing consumers with fresher products. But the growing ubiquity of organic food products in corporate stores testifies to broadening consumer awareness, and to the dynamics of global marketing. Associated with national and international cooperative communities, Portland Oregon cooperatives manage to survive market competition with corporate franchise. As Lee Lancaster, financial manager for Food Front, states, "cooperatives are potentially one democratic economic model that could help guide business decisions toward meeting human needs while honoring the needs of society and nature". He admits, however, it is difficult to maintain collaboration among cooperatives while also avoiding integration that typically results in centralized authority.

Tim Calvert believes that dollars are the most important vote to make, and others tend to agree. Citing members of People's Co-op and Alberta Cooperative Grocery, Romona

DeNies of The Portland Alliance states, "Co-ops are the antidote to the centralization of power. People forget they have power as consumers to make choices. We can't be completely disentangled from the corporate world, but we can try to provide a local model of living further from it. No one is getting rich off your money at a co-op. But that's the economic value of shopping here. In return, you support a viable alternative to the vicious cycle of bottom lines and end profits".[54]
As World Trade Organization representatives negotiate issues of competition, agricultural subsidies, and economic protectionism among developed nations, the pending fate of the American farmer depends upon the ability of third-world farmers to "compete" with subsidized agricultural giants like Monsanto Company. Lee Lancaster says, "Underneath our unique aspects, we have the same structure and principles. Welfare of our respective neighborhoods is of vital concern to us. Food co-ops were started to provide local, organic produce. Now with those things more mainstream, the demand is going up, and our share of that market is declining. We have to reevaluate."
Further, Lancaster claims the traditional independence and decentralization of U.S. cooperatives have restricted their impact on the food industry through economies of scale, lamenting they should have been better organized: "What if we could work with other co-ops to nurture and establish other cooperatives?" he asks, "In essence, this is an extension of neighborhood organizing. We're all driven by competition from national chains, but in looking at national issues and realizing there's a lot to address, what's needed is a bigger movement, not a big corporation."[54]
[edit] Regional trading currencies

According to Thomas H. Greco, Jr., author of New Money for Healthy Communities, "The pinnacle of power in today's world is the power to issue money. If that power can be democratized and focused in a direction which gives social and ecological concerns top priority, then **there may yet be hope for saving the world"**. In this regard, many proponents of Economic Democracy recommend the regionalization of currencies. Some experts suggest that, "under the Bretton Woods system, the Federal Reserve acted as the world's central bank. This gave **America enormous leverage over economic policies** of its principal trading partners".[59] Other analysts add that developing nations are susceptible to exploitation mainly because they have no independent monetary system, using the U.S. dollar instead. This feeds the fractional reserve banking system, operated by the U.S., Canada, Europe, and Japan (imperial-centers-of-capital). Developing nations pay heavily for this service through market interest rates and because banking profits and property ownership emigrate to financial centers elsewhere.[60]
According to J.W. Smith, "Currency is only the representation of wealth produced by combining land (resources), labor, and industrial capital". He claims that no country is free when another country has such leverage over its entire economy. But by combining their resources, Smith says developing nations have all three of these foundations of wealth:
By peripheral nations using the currency of an imperial center as its trading currency, the imperial center can actually print money to own industry within those periphery countries. By forming regional trading blocs and printing their own trading currency, the developing world has all four requirements for production, resources, labor, industrial

capital, and finance capital. The wealth produced provides the value to back the created and circulating money.
Smith further explains that developed countries need resources from the developing world as much as developing countries need finance capital and technology from the developed world.

Aside from superior military power of the imperial centers, the undeveloped world **actually has superior bargaining leverage.** With their own trading currencies, developing countries can barter their resources to the developed world in trade for the latest industrial technologies. Barter avoids "hard money monopolization" and the unequal trades between weak and strong nations that result. Smith suggests that barter was how Germany resolved many financial difficulties "put in place to strangle her", and that "World Wars I and II settled that trade dispute". He claims that their intentions of exclusive entitlement are clearly exposed **when the imperial centers must resort to military force to prevent such barters and maintain monopoly control of others' resources.**[1]