John Logue is the Founding Executive Director of the Ohio Employee Ownership Center based at Kent State University in Kent, Ohio. The Center began in 1987 with grants from the Cleveland and Gund Foundations and the Ohio Department of Development to provide information and preliminary technical assistance for Ohioans exploring employee ownership. The group also publishes research on employee ownership, including a regular journal, and annually hosts a conference for its network of employee-owned company members. Over its first 20 years, the group, on an annual budget which in 2007 totaled just over $600,000, worked with 566 employee groups and retiring owners to determine whether employee ownership made sense in their cases. Eighty-one of them became partly or wholly employee owned, creating 14,685 new employee owners. Follow-up research on data through 2003 for 49 of these 81 companies found that these firms had created $349 million in equity for their employee owners.

Nationwide, according to the latest estimate of the National Center of Employee Ownership, 11.2 million Americans are employee-owners in 9,774 employee-owned companies. The current value of these employee-owners’ share accounts is estimated to be at least $928 billion.

**Briefly, what were the origins of the Ohio Employee Ownership Center?**

The Center developed out of our experience with the efforts to use employee and community ownership to avert the steel shutdowns in Youngstown in the late 1970s and early 1980s. We did three years worth of research on the utility of employee ownership as an economic development strategy in Ohio before starting the Center in 1987.

**Could you explain employee ownership and the advantages it poses for business development?**

It has some obvious advantages. It anchors capital and jobs in the local community. Employee owners reinvest in the businesses they own out of their own self-interest for jobs and benefits in the future. Additionally there is a lot of evidence that participatory employee-owned companies outperform those that are authoritarian and certainly outperform their conventionally owned business competitors. So from an economic development standpoint, employee ownership looks like an excellent bet.

**Are there any particular disadvantages?**

I don’t think there are any disadvantages from the point of view of the employees or the communities from which the business are located. If the employees buy a business that is bound for shutdown, they may be making a bad investment of their time, energy, and money unless they can turn it around. But conventional business wisdom is to shut the business anyway. So the fundamental questions for employees trying to avert shutdown is “Do you think the business can be saved?” If you were buying a profitable business, the issue is much simpler.
There is a school of theory in economics that says that employee-owners will eat their seed corn – they will not re-invest. I know of no empirical evidence that supports this economic theory, but economists who ought to know better continue to maintain it.

**You first got involved in Youngstown in 1977, in a heroic—albeit ultimately unsuccessful—attempt to save a steel mill by converting the plant to employee-ownership. Could you talk about what happened?**

“Heroic” is right. The effort to save the Youngstown steel plants—there were ultimately four major mills that shut down—brought together the community, the churches, civic leaders, and the union locals. It failed. It failed because we didn’t know enough about how to do large employee ownership deals—and also because the Steelworkers didn’t know how to do them. Subsequently the Steelworkers reworked their entire approach to employee ownership and that’s one of the major changes that Youngstown caused and the Steelworkers saved hundreds of thousands—probably millions—of man-hours of work in the steel industry through employee ownership.

The Youngstown effort was ultimately unsuccessful, although part of one of the mills was bought by managers and local investors and subsequently sold partly to employees. That’s MacDonald Steel and it is still running today -- thirty years later. They just made a major investment in replacing their heat-treat furnaces with energy efficient ones.

Though it failed, the Youngstown effort was an education to the whole country on employee ownership. The genesis of the Ohio Employee Ownership Center was in Youngstown.

In retrospect, it’s worth thinking about whether that effort could have succeeded. There is no question that there was the core of a viable steel business in Youngstown, especially had the employees succeeded in buying the Campbell Works, the first of the mills to shut down. You could certainly create an easy scenario for the continued existence of a significant steel company in Youngstown.

Four Youngstown steel mills were shut between 1977 and 1982. Knowing what we know today, we could have consolidated and modernized them under employee ownership. At the time of shutdown there were probably 12-14,000 working in those four mills. If the employees had bought them, you would probably have 4,000 working today, and a fair portion of the remainder would have drawn their pensions with ten or fifteen additional years of work. Employment would have been downsized as the mills modernized. Youngstown would be a much more vibrant community.

**Today, Youngstown has been widely touted for its “Youngstown 2010” planning process that seeks to acknowledge its smaller size, but build a sustainable model. However, employee ownership does not play a significant role in that model. What potential does employee ownership have to play a positive role in places like Youngstown, Dayton, Erie, Scranton, or other similar mid-sized “Rust Belt” cities today?**
Fundamentally the best potential is to use employee ownership in family-business transition when there is no heir. It’s a small-scale strategy but a highly successful one.

Sixty percent of ESOP deals that are done in Ohio are family-owned businesses to create liquidity for departing business owners. The average employment per company is 100-125. So in Youngstown, we’ve done about six out of the 85 we’ve done statewide. Brainard Rivet is one: It’s the only one done in a shutdown situation. The other five are all retiring owner situations: Falcon Foundry, a steel industry supplier; Fireline, another steel industry supplier; McDonald Steel, discussed above, and two service companies. If you look at the group, it is clearly focused on steel industry suppliers. They have all had the hard time, because of the decline of the steel industry. With the exception of Brainard, every single one of them was a family business. Brainard belonged to Textron. It was the only unionized facility they had left in the United States. It was also ironically their most profitable facility. Management thought they could run Brainard’s work more profitably at a nonunion facility in Virginia. Turned out they couldn’t.

This sounds important, but the scale is small. Is it possible for a weak market city to employ an economic strategy that places employee ownership front and center in its work?

Yes, it is, but it would require that a city say, “This is what we want to do.” There aren’t a whole lot of cities that are saying, “We want our businesses to be locally owned. And we prefer the ownership be broadly shared with employees.” If they said that, we know how to do it. We’re currently trying very hard in Cleveland to learn how to start employee-owned businesses building on existing institutional business. That’s a very viable strategy in Youngstown. It requires the kind of forward thinking that very few American cities have committed themselves to. It requires that progressives stop seeing the state as the only way to handle issues of income inequality and start thinking about how to generate more economic equality in the market. Progressives today look like the proverbial squirrel on the treadmill: they keep having to run faster and faster to stay in the same place. This won’t change unless they get to the source, which is within the market economy.

What you’re asking for is a city to say: “We want to build an economy that is inclusive of working people in our community.” You’re asking a Chamber of Commerce to say, “We are more interested in developing businesses at home than in chasing smokestacks from major publicly traded corporations.” You’re asking for the press to say “We celebrate the success of locally owned businesses not just when they sell themselves but in their rootedness to the community and their contributions to the local United Way.” Absentee-owned corporations contribute to charity only about a fourth of what local companies do, if you adjust for size. Employee ownership is one component of a local economic strategy. It is not a be-all and end-all. You can’t wave a wand, chant “employee ownership,” and conjure up a different vision of the future. It takes hard work, company by company.

From the beginning of your Center’s operations, one of the key features of your work has been to do studies on whether employee ownership would be feasible. Could you explain in more detail how this process works?
We start with a big outreach program. We have 18,000 subscribers to our magazine, *Owners at Work*, an annual conference that more than 400 attend; and we will speak whenever two or more people come together who are interested in employee ownership. We get a lot of media. So the requests for feasibility studies don’t end up on our doorstep by chance. The first thing we do is to provide generic information about employee ownership. The second thing we do is talk with them about their specific situation. Does employee ownership make any sense in their specific circumstances and, if it does, how would you do the transaction? In the case of a family-owned business where the owner is 58 and wants to be out of business by 65, the answer is a multi-step transaction that avoids over-leveraging the business. Those transactions are very easy to do if you have 5-10 years to do it and our success rate is close to 100 percent.

On the other hand there are those cases where someone comes up to us and tells us that their plant is up for sale and that if they are not sold they are in danger of being shut or – worse – they’ve got a WARN shutdown notice and ask us “What do we do?” Those are much tougher to do. Usually the business is troubled in some manner. Otherwise, there wouldn’t be a shut down threat. In those cases, we administer the Rapid Response Unit of the Ohio Department of Job and Family Services Grant fund to hire professional consultants. We can’t save all of these, but we do succeed in perhaps twenty percent of these cases.

**Another facet of your organization’s work is the Ohio Employee Owned Network, which aims to provide continuing support for existing Ohio employee-owned businesses. Could you discuss how that network was formed, how large it has grown to now, and what impact it has had on its members?**

The origins of the network lie in a conversation I had with Tom Moyer who was the local Steelworker union president at Bliss in Salem, Ohio. The employees had bought the plant under Tom’s leadership. “John, I know how to bargain a contract,” Tom said. “I can file and resolve grievances, I can lead a walk-out, and I can lead a wild-cat if I have to, but I haven’t the foggiest notion of how to read the financial statements that I am getting now that I’m on the board of directors. *You* need a course on that.” So we brought in an accounting professor. He taught a course that our staff benefited from immensely, but the target audience was baffled: so we thought the Center had a role to convert technical business information into something employee owners could understand and use. About the same time, we had a panel of several managers from employee-owned companies talking about what they thought we needed to do to be more useful to their companies. There was a confluence of pressure from below and pressure from CEOs to do something for training and organizational development.

We had a naïve belief when we started the OEOC that employee ownership was the goal and, once we achieved that, our role was over. What we found was that employee ownership wasn’t the end of the road. Rather, it was simply the start of a new road. What do you do the day after you’re employee owned? You still had the same boss, the same customers, and the same line of business. To the average employee, it didn’t look any different. But it needed to be different: there needed to be more employee-involvement, more communication about the business, open books, training to underpin the employee participation and involvement, and information about the business. That was a pretty tall order. This required a serious company makeover. That is what the Network is really about. It is a joint company network. There are now 80 companies in
it with 16-17,000 employee owners. The Network runs a program or two every month. This month we’re running a program in Cincinnati on ESOP administration and another for ESOP-company CEOs and CFOs in Columbus. Most programs are for non-managerial employees. We’ll have 400-500 employees owners go through our training every year.

A newer OEOC effort is your Succession Planning Program. What are the origins of that effort and what are your goals with that program?

It has always been clear that the best time for employees to buy companies is when family owners put them up for sale, when they are viable companies. There is even a tax break to encourage family-owners to sell their businesses to the employees, but it is not known about as widely as it should be. So we got into business ownership succession to encourage employee ownership when you didn’t have a family member who could take over the business. The further we got into this, the more we realized that succession planning, business ownership and management succession planning, ought to be part of every economic development professional’s tool kit.

One hundred years ago, business ownership succession was a slam-dunk. When you had families with seven or eight kids, there had to be at least one of them who would be competent to take over the business. Fifty years ago, the average family size was three or four kids, the percent of the kids going on to college was still pretty low and, when business owners’ kids went to college, they typically got a degree in something like industrial engineering and went back into the family business. Today your family size is down to 1.8 kids, the odds that they are going to college is close to 100 percent, and once you’ve seen the attraction of college and the professions you most often don’t want to go back and run a 30-person foundry working 60 hours a week like your dad did. Go and be a merger & acquisition specialist instead: You make a lot more money, the hours are better, and you get to travel. In the 1980s, studies suggested that maybe 1 in 3 family businesses still made it from the first to the second generation and maybe 1 in 6 made it to a third generation. In 2004, there was a study by the Small Business Administration that showed that only 1 in 6 was passing from the first to second generation and 1 in 20 to the third generation. So this means that in 20-25 years, you have halved—or more than halved—family business succession. The failure to plan for business succession is the number one cause of preventable job loss in this country. So there ought to be a major role here for economic development professionals, for the Chambers of Commerce, for cities, for counties.

So we’ve developed an outreach program on business ownership succession. We’ve been running a Cleveland program for the last 10 years. About two years ago we expanded the program to Akron. In the next three years we will be expanding statewide. We want to be running similar programs in smaller industrial towns. We’re doing webinars. We’re building a website that will have a tremendous amount of material. There’s a DVD – the production is almost finished – which will be available in streaming video on the website as well as in DVD format.

In your Owners at Work you have run a series on sustainability in the ESOP movement, including a recent article on YSI in Yellow Springs, Ohio. How are ESOPs incorporating green principles into their businesses?
YSI is really impressive. They are in the business where they have to be ecologically minded – they make environmental monitoring devices. YSI takes their green principles very seriously. They have minding the planet as one of their three bottom lines. But they are a great sustainable business in many other ways as well.

In employee-owned companies, we think of environmental sustainability as part and parcel of social and economic “double bottom” line thinking. It’s not just green principles: it’s health and safety, employee education, money to go back to school and college, training, and workplace issues. It’s what being put back into the community. It’s general community sustainability – not just putting solar panels on the roof. It is sustainability much more broadly defined.

Sustainability makes a lot of sense in employee-owned businesses. A lot of businesses say employees are their most important resource, but you wouldn’t believe it from their financial statements. Employee-owned business does better with that. Investment in health & safety makes intuitive sense. Training makes intuitive sense. Green principles make intuitive sense for employee owners too. They particularly do when there are ways to reduce costs and reduce your carbon footprint or waste of energy simultaneously. The biggest opportunities come when you are making new investments.

There is a lot of economic low-hanging fruit—especially given high energy prices. There are a lot of opportunities to develop new products, which will make implementing green principles more economically feasible. For example, we have an employee-owned Network company that is developing hybrid drives for small trucks and buses that can be used to retrofit an existing fleet. That kind of thing is potentially dynamite.

You’ve mentioned in many cases that you viewed the Mondragón model of worker cooperative businesses in Spain, which employs tens of thousands as a model that could be spread to a weak market city like Cleveland, Ohio. OEOC is now currently doing some work to develop what you’re calling an “Evergreen” network of worker cooperatives in Cleveland, including an employee-owned business that would provide clean linen laundry service to area hospitals. Could you discuss the Cleveland effort and, more broadly, what you see as the potential for developing over time an Evergreen network of businesses?

The effort in Cleveland rests upon using the purchasing power of the anchor institutions to buy goods and services from local and employee-owned companies. The advantage of buying from employee-owned companies as opposed to merely buying locally is that you have a broader ownership of wealth that is created, somewhat higher wages, notably higher benefits, greater investment in the employees in training and otherwise. There is a range of services that anchor institutions in Cleveland need that can be provided by employee-owned businesses, so the hope of starting a network of employee-owned companies to provide goods and services to anchor institutions seems reasonable. Certainly the feasibility study done on the first of these businesses – Evergreen Cooperative Laundry -- is very promising. This work has been supported by the Cleveland Foundation, which has dual commitment to economic inclusion and to sustainability.
In the Cleveland model that we are attempting to implement, a central role is to be played by the Evergreen Cooperative Development Fund, which would be the equity investor in starting new employee-owned businesses.

**How the fund would work?**

All of this is hypothetical at this point, but our model currently calls for the fund to invest in preferred shares in the new co-ops. Those shares would be redeemed over time as the co-ops capitalize themselves financially through retained earnings, which will be credited to member accounts. After they pay down the bank debt, they’ll redeem the Co-op Development fund’s preferred shares, freeing those funds for the next start up.

**At your conference this past April you mentioned that if Ohio’s manufacturing sector as a whole had matched the employment record of manufacturing sector ESOPs within the Ohio Employee Owned Network, there would be 306,000 more manufacturing jobs in the state of Ohio than there are now. A few years before, in 2003, Steve Clem testified to Congress: “Every year, in our technical assistance at the OEOC, we have lost at least one otherwise viable employee buyout because of the lack of timely, friendly capital. To put it bluntly, almost every year for the last fifteen, we have seen at least one viable employee buyout effort fail with the loss of 100-200 jobs because no one could round up financing in a timely fashion.” Discuss briefly a few of these missed opportunities.**

There are too many examples: Massillon Stainless — a decent sized equity fund could have saved that plant and 200 jobs rather than shipping all the equipment to China. Cold Metal Products in Youngstown is a steel finishing facility that could have been saved. CSC Steel in Warren is the big one: 1,300 jobs. The Amanda stove plant in Delaware, Ohio, could have been saved. The most recent plant we lost was Hoover, the vacuum manufacturer, in North Canton. 800 hourly jobs and about 200 salaried jobs were lost when it shut down, but it had been up at 2,500 employees. The Chinese outfit that bought the firm shut down the North Canton facility. They kept the nonunion facility in El Paso and one in Ciudad Juarez and contracted out the rest of the work to China. That is an example of a facility of an iconic employer where jobs were needlessly lost.

I should mention that in every one of those cases, it would have been better to get in sooner. I am not sure about Cold Metal Products, but the other three had been bought and sold several times over the last several years and it would have been easier to intervene earlier.

One other thing: Employee-owned companies tend to re-invest at higher rates than their competitors, so it’s not that they are avoiding shutdown, although they do, but the strategy is that every day you are working for the long-term survival of the company. That’s a different strategy than focusing on what the next quarter’s bottom line is going to look like.

**What would need to be done on the policy side to keep such jobs from continuing to be lost?**
On the policy side, we need a long-term, patient, equity capital fund that can be invested at less than venture capital rates. There aren’t many manufacturing businesses that can sustain a rate of return that venture capital funds want. So you need to create more patient equity. The most likely place to look for it is in the Taft-Hartley funds [pension funds that are managed by a joint union-management board of trustees] and the public employee funds. The public employee funds in particular have a vested interest in retaining a strong tax base in our communities.

When the OEOC testified to Congress in 2003, the legislation proposed was an employee ownership bank. How would that have worked if the legislation had passed?

It was set up to be a new lending institution: a special purpose bank for employee-owned companies. Currently we have a range of special lending institutions that focus on different sectors. For instance, there is a special lending facility for rural electric cooperatives. Of course the whole Farm Credit system, which has existed since the Great Depression, is set up as a specialized lending model.

Another example is from the Carter Administration, which set up the National Cooperative Bank. Reagan privatized it and expected it to fail, but the National Cooperative Bank has done well on its own. It is effectively a credit union for consumer cooperatives. It does a little bit of employee ownership lending as well. The thought behind the proposal of Bernie Sanders (I-VT), who sponsored the employee ownership bank bill, was to have a bank that was a specialist in employee ownership lending. It also would allow the bank to extend loan guarantees. When used judiciously, loan guarantees are a highly effective way to enhance the credit worthiness of employee ownership deals.

One of the problems with employee ownership deals if you are going to do 100-percent leveraged buyout, there is no one who can personally guarantee the loan. You need some sort of a credit enhancement. We are working on one deal on right now where a credit enhancement would be quite useful. It is a retiring owner situation. Usually you do that through a multi-step process. For instance, the first step would be for 30 percent, so that the retiring owner gets the ESOP tax benefit, but the retiring owner still owns 70 percent initially, so the bank is comfortable with the deal. Then you do another 19 percent. When you get to the last piece, the employees have 49 percent, which they have paid for, so the bank feels pretty comfortable. The problem with a 100-percent leveraged deal is that it is hard to get a bank to be willing to finance it, and here is where a guarantee would be quite useful. One of the great benefits of the Sanders bill was the loan guarantee provision.

ESOPs have recently begun to attract a higher level of opposition. The President’s Commission on Tax Reform, for instance, advocated removing current federal tax breaks for employee ownership. Also, the ESOP buy-out of the Tribune received a high degree of criticism. Are the criticisms justified? If not, what should be done to counter the criticism?

I think it is problematic to have public policy on employee ownership rest primarily on tax expenditures. By and large tax expenditures go to the well to do. There are not a whole lot of them which benefit working people. I think you can name them on the fingers of one hand: the mortgage interest deduction on your house, employer provided medical insurance and pension
contributions, the deductibility of union dues, and, for the people who work for ESOPs, the ESOP tax benefit. It is hard to drive good public policy with tax expenditures, without some of those tax expenditures being used them for other purpose than Congress intended.

Why are ESOPs encountering more opposition? I don’t know. The ESOP tax benefit doesn’t cost much, certainly not by comparison with what you get. Think of that number for ESOP assets you cited at the beginning: there is almost $1 trillion in employee equity, triggered by $80 or so billion in tax expenditures over the last 34 years. Generally it is believed that ESOP tax breaks cost about $2 billion a year. That wouldn’t finance a week of the Iraq war, would it?

The Tribune is an interesting case. Clearly if it works, Sam Zell is going to be an even richer man than he is currently. It is also clear that, if it works, the Tribune employees will be better off than if Zell hadn’t used an ESOP. So in general it would seem to be The Tribune is the kind of deal where you had a private capital source seeing it was in his interest as well as the employees. If it works, it will be.

It’s not how we would want to do it. We would like some other equity source than Sam Zell. But in the absence of the kind of equity funds we are advocating, and in the absence of loan guarantees, etc., there is no question that there is a role for people like Sam Zell doing deals like the Tribune deal. Ron Burkle is doing similar deals. For reasons that are not completely clear to me, Sam Zell inspires more confidence in the investment community than Joe Reporter would. Zell has never run a newspaper, but he knows the investment community. The employees have experience running newspapers, but the investment community wouldn’t support their buying the Tribune by themselves.

If one were to look farther down the pike, maybe what there should be is general legislation that businesses that come up for sale would be offered first to employees, so employees would have a right of first refusal.

Certainly if one were concerned with job flight, it might make sense to write legislation that if a company is closing down production in the United States, it would have to give the employees the right of first refusal on the plant, property, and equipment. The only corporations that would scream are those that are intending to move their jobs abroad. Workers and communities would cheer.

What do you see as the most important challenges or opportunities facing ESOPs today? Where should the employee ownership movement be focusing its energies over the next 5-10 years?

First, it is hard to say there is an employee ownership movement. I wish there were. Employee ownership has a lot of support in Congress. It is very broad, but quite shallow. In the American population in general, surveys show repeatedly that Americans think employee ownership is a good thing. They would prefer to buy for employee-owned companies. They would prefer to work for employee-owned companies. Most do not have the opportunity to do either. It would be nice to have a movement.
Employee owned companies have tended to be islands among themselves, rather than seeing themselves as part of a movement. If I were to look forward optimistically, I would look to those islands building bridges among them and becoming archipelagos, with more communication, more collaboration, and more economies of scale. The median employee-owned company has 100-125 employees with $12-15 million in annual sales. Those companies have a lot to gain by collaborating with each other and creating some economies of scale. Imagine the advantages they would get from joint R&D or an export co-op. You could set up an export co-op for employee-owned companies in whatever trade or industry you would like. There are models of that elsewhere – you see some of that in northern Italy, in Spain, and a bit of that in France. We could do it here. The truth of the matter is that cooperation among small companies even in the same industry is not going to trigger anti-trust inquiries—look at the huge mergers that get passed by the Justice Department today. If you look at the American agricultural cooperative sector, which has sustained family farming in big areas of the United States, these co-ops create secondary co-ops to provide what the primary co-ops need to serve their farmer-members. It would make a tremendous amount of sense for this to happen in the employee-ownership sector.

Think for a second about the structure of federal support of agriculture and agricultural cooperatives. The Department of Agriculture has a network of agricultural extension agents that work with the land grant colleges to provide direct assistance to family farmers. It is one of the reasons that the agricultural sector has modernized so thoroughly. The Department of Agriculture has co-op development experts who are in every state, who assist farmers and value-added cooperatives. The Department of Agriculture funds nearly 20 co-op development centers at the state or regional level, which provide grants to help folks set up co-ops in rural areas.

We need some of that in the employee-owned sector. Farmers aren’t the only source of good ideas. Why can we not have some of the same kind support in the employee-ownership sector? If you did you that, you would have much more rapid development of employee-owned firms. I guess the natural home would be the Department of Commerce.

One could imagine more states setting up programs like ours. If you allocated every cent of state money we have spent over the last 20 years to our job retention function, the cost per job is less than $400. Compare that with $225,000 per job to lure Mercedes to Alabama. Or $60,000 plus per job to keep Jeep in Ohio. If you allocated 100% of our costs to asset creation, the ratio between employee equity in 49 of the 85 companies for which we have data as of 2003 is about $60 in equity for every dollar in costs. Contrast that with IDAs, for example.

So there are a lot of things of that sort that could make a lot of difference going forward. They are cheap by comparison to tax expenditures and they have a high degree of leverage. So one could imagine the development of an employee-owned sector where there is a lot of collaboration between employee-owned companies, where they create joint services they need. One thing we notice is that employee-owned companies are very thinly managed, it is always good to minimize your overhead, but you get in trouble when you need assistance. In Spain, with the Mondragón network of worker cooperatives, they have a management intervention team to support cooperatives that get into trouble. That would be a good thing in our system as well. There are a lot of ideas that would pool resources in employee-owned companies and that would make a lot of sense. And if employee-owned companies looked to where they could be in 10-20 years.
years, they would find a lot of models within the United States, particularly in our agriculture sector, which they could build on.

If one were to look abroad, the best place to look is the province of Quebec, which has a major cooperative development effort around start-ups. They are creating 50-100 worker co-ops annually, which combined employ between 1,000 and 1,500 people, particularly in outlying areas of the province. So you don’t have to go all the way to Spain and Italy to find models that are worth emulating. You can just drive north of the border and see some pretty impressive things going on.

Is there anything else you would like to add?

I think it is worth mentioning the role of The Democracy Collaborative is stimulating thinking about employee ownership. There have really been two new sources of thinking on integrating employee ownership into the broader economic context. One is Bill Greider and the other is the work of the folks at The Democracy Collaborative. In both cases what you’re doing is trying to put employee ownership into a broader reform strategy for the United States. It is interesting to me that this is coming from people who are basically outside the employee ownership sector.

Another interesting thing is that employee ownership is very much a market-based solution to some of the ills of economic inequality in American society. It rests on the belief that ownership matters. This is something that most economists seem to want to argue doesn’t matter. That doesn’t mean, of course, that economists want to give away their property to the poor, so ownership does seem to matter for them personally. But they seem to believe that the concentration of ownership isn’t material in the economic system. But it does matter. It matters because employee ownership creates serious financial assets for working people. It does so because of the way the capitalist system multiplies the value of productive assets. And ownership matters because we associate ownership and control. It matters in a market economy, particularly if it is tied to productive assets. If one developed a system in which far more Americans had ownership of productive assets through their work, you would have a very different economy.

Let’s say that every American corporation had to contribute five percent of the wage sum to an employee ownership fund in that company. You would generate over a period of relatively few years substantial value, because the value of those assets multiplies, at least in companies that don’t go bankrupt. So the fund would produce more wealth, more productive assets, as you share in the retained earnings of your company. If we believe in a capitalism-based market economy, there is a powerful argument for far greater employee ownership in order to build equality into ownership and influence for working people. Thereby you build greater equality into the results.

If you think seriously about employee ownership, the appropriate comparison is to the Homestead Act of 1862. The Homestead Act put productive assets—then largely land—in the hands of the men and women who worked that land, and, of course, that made all of the difference in American democracy, creating millions of new family farms over the next fifty years. Agriculture consequently remains the one sector of the American economy where ownership and productive labor go hand in hand.
That’s how ESOPs are set up. You buy with borrowed money and pay off the loan with the results of your labor. You could imagine a large sector of the economy covered by mandatory employee ownership funds. That would be a very different society in terms of distribution of wealth and income and influence over economic decisions.

It would be interesting to see what would happen in publicly traded companies. If employee ownership funds were able to vote a significant number of shares at shareholders’ meetings, it would probably help cap the extraordinary rise in executive compensation and significantly slow the movement of jobs overseas. In any event, in a market-based system, it would obviously have an impact on the economy. So there are some interesting questions. There must be some graduate students somewhere in need of dissertation topics.