

# Defining Employee Ownership: Four Meanings and Two Models

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## **Abstract**

The field of broad based employee ownership within corporations is situated at the intersection of a broad range of scholarly disciplines. The disciplines of history, economics, law, corporate finance, sociology, political science and management each contribute vocabulary and distinctions that describe the field. This spectrum of inquiry lends a certain ‘ships passing in the night’ quality to discussions of the topic. Rather than attempt to resolve this vocabulary in favor of one discipline, this paper attempts to map the diversity of approaches. Two abstract models are proposed to group specific approaches that are found in the literature. Model 1, Corporation as Property, describes the prevailing conception embraced by scholars across the ideological spectrum. Model 2, Corporation as Social Institution, describes an alternative approach consistent with private property.

## Introduction

The ownership of companies by a broad base of employees, best known by the familiar though still awkward label of employee ownership, earns a generally sympathetic hearing from the public and the press but remains an outlier concept in contemporary economic and policy discussions. This paper pinpoints one of the core challenges to furthering research and discussion of employee ownership -- competing definitions of the meaning of ownership.

The lack of consensus about the meaning of ownership becomes apparent when we consider the wide range of different settings and structures where we find the term being used in today's economy. Ownership takes place in a variety of structural forms, including but not limited to sole proprietorships, partnerships, closely-held firms, publicly-traded corporations, corporations owned partially or fully through Employee Stock Ownership Plans or ESOP's and through firms structured as cooperatives. Further evidence regarding the existence of a plurality of meanings is the range of terminology used across these different settings. Those terms include owner, partner, shareholder, investor, option-holder, beneficiary and member.

The existence of a plurality of structures and meanings suggests that the overall topic of ownership is unresolved. If it is indeed unresolved, that point of view runs counter to the perspective of scholars such as Hansmann and Kraakman whose 2001 article "The End of History for Corporate Law" appeared to discourage further consideration of alternative structures and meanings.<sup>i</sup> We will argue that the field of employee ownership has complicated the Hansmann and Kraakman thesis. After reviewing a range of structures and terminology, we further assert here that the differences revealed point to an even more abstract challenge. At that more abstract level the differences we find suggest the existence of two underlying models or theories of property that awkwardly cohabit and compete in contemporary economic life.

Competing theories of property suggest that the fields of economics and law are hosts to a large and unresolved question. That question concerns the domain of appropriation. Appropriation is one of the central explanatory "verbs" of law and economics. Harkening back to Adam Smith, John Locke and other early thinkers, it describes the origins and the journey property ownership takes, how property becomes "one's own."<sup>ii</sup>

This paper aims to surface the range of competing and concrete meanings of ownership as well as the underlying models that inform them. We focus on four contemporary meanings of ownership as they apply to an understanding of the particular field of broad-based employee ownership. The breadth of these meanings has introduced a certain ships-passing-in-the-night quality to contemporary discussions of this topic in research and in

journalism. Operating within “silo-like” knowledge domains familiar to university departments, proponents of particular meanings believe they are making persuasive points about ownership without necessarily being aware that their audience may be operating from entirely different assumptions. Achieving widespread consensus around a single definition of ownership is unlikely. Nor is it the ambition of this paper. A substantial advance would be achieved by persuading researchers and journalists alike that multiple meanings do exist.<sup>iii</sup>

We do not claim our list of four meanings to be definitive. The inclusion of additional meanings would lend support to our claim that discussions of employee ownership require a pluralistic, “big tent” perspective. We will also argue here that a deeper appreciation of ownership should also lead us to recognize the existence of simultaneous meanings. When ownership means more than one thing, it should be the responsibility of the writer/researcher to clarify which meaning is primary and which is secondary.

The four meanings of ownership proposed for discussion here are as follows:

- I. Ownership as Compensation
- II. Ownership as Investment
- III. Ownership as Retirement Benefit
- IV. Ownership as Membership

Our treatment of these four meanings is pluralistic though not entirely agnostic. Each of these meanings enjoys an empirical reality in today’s economy. They each describe, in a partial way, how ownership is practiced. There are also problems associated with each meaning. Three problems are most prominent. First is the parochial error referenced above by those bunkered down in a single silo of meaning missing the contributions made by adjacent neighbors. Second is an array of practical failures, unfortunate and avoidable policy dead-ends, that needlessly confront users who choose not to allow adjacent meanings to help resolve the limitations they eventually encounter. Third is a problem that perpetuates the silo-like nature of the ownership conversation, the existence of a premature consensus within core disciplines of law and economics that treat the topic of property, production and ownership and the mechanism of appropriation that underlies them as “settled” when evidence from both history and the present suggests otherwise.

### **Meanings and Models: Foreground and Background**

This paper offers two levels of analysis to help make sense of ownership. Our list of four meanings immediately above comprises the foreground of this analysis, describing how ownership is actually talked about in the real economy.

Before describing the particulars of each meaning and instances where these four meanings may overlap, we introduce below a background framework that distinguishes two more abstract models of the corporation. These models should help to situate our understanding of the four discrete meanings of ownership. They should also help to introduce a deeper appreciation of alternative viewpoints regarding the mechanisms of appropriation.

### **Model 1: Corporation as Property**

Our first model, Model 1 ‘Corporation as Property’, is the model that has achieved a near consensus in contemporary advanced economies. As we will see, it has achieved that consensus by including some strange ideological bedfellows. According to this model the firm is understood as a commodity, a form of property “owned” by owner/shareholders technically referred to as residual claimants. Those owner/shareholders may be either private parties or public entities.<sup>iv</sup>

The designation of Model 1 Corporation as Property describes a presumed legal status. Within that status we find a variety of different types of ‘holdings.’ The Corporation as Property may be *concentrated* and *private*, in the hands of small groups of individual shareholders or *concentrated* and *public* as in shareholding by a single national government or state. Ownership in the Model 1 Corporation as Property framework may also be *dispersed* and *private*, as in ownership by full groups of employees or through broad stock markets or *dispersed* and *public* as in ownership by smaller local communities, or by citizens.<sup>v</sup>

However large the differences between private and public ownership are imagined to be, including attachment to highly charged labels of capitalism and socialism, both models share a common assumption that permits their cohabitation within Model 1. That assumption is that governance rights follow from property rights. Under Model 1, ownership of property may be private or public, concentrated or dispersed. In either case the firm is understood to be property, a commodity governed in accordance to the proportional property holdings, the “property will” of its owner/shareholders.

A popular though ambiguous intermediate concept, the concept of “social” ownership, also fits here under Model 1 ‘Corporation as Property’. Most usages of this concept are aspirational, describing some future middle ground that improves upon the troubled record of various public/state ownership experiments that have taken place under the banner of socialism. However the standard coupling of the concept of “social” with the concept of “ownership” remains and is telling enough. It reveals that writers, regardless of their ideological persuasion, are making use of the same, core property rights, “property will” assumptions. In the case of “social” ownership, governance rights follow in the very same

manner from property rights as they do in more straightforward accounts of private and public ownership. The identity of the “social” unit may be vague but the rights it retains thoroughly resemble the rights asserted by “private” parties.

Ironically, while we find wide differences in thinking between left and right, liberal and conservative regarding how the prevailing Model 1 ‘Corporation as Property’ paradigm should be applied, we find consensus between these ideological polar opposite camps regarding the core construct underlying their positions. For both sides, the firm is a form of property ruled by ownership or property rights.<sup>vi</sup>

Figure 1 below summarizes the broad variety of the Model 1 ‘Corporation as Property’ schemes.

<b><u>MODEL 1</u></b> <b>‘CORPORATION AS PROPERTY’</b>		
	Concentrated	Dispersed
Private (Capitalist)	A. * Sole proprietorships * Closely held firms	B. * Stock Market Firms – Public * ESOP Firms - Private
Public (Socialist)	C. * National/State ownership	D. * Community/citizen/”Social” ownership

### **Model 2: Corporation as Social Institution**

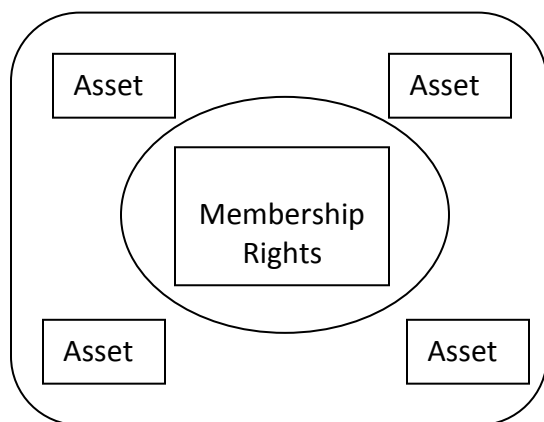
A second model, what we call Model 2: Corporation as Social Institution, describes a different approach. As we will describe, this model is not a new invention. In terms of the historical record, it arguably precedes or is at least contemporary with the late 18<sup>th</sup> early 19<sup>th</sup> century emergence of the now dominant Model 1 ‘Corporation as Property’ construct. While it participates in markets and can own property that furthers its mission, the Model 2 corporation itself is conceived as something other than property. Instead of being governed by a regime of property rights, it is governed by a regime of personal rights. Instead of the property rights of owners, we find in this model the personal rights of members. Those members constitute the corporation and delegate responsibilities and authority to management leaders as needed.<sup>vii</sup>

This model appears today primarily in the context of for-profit cooperative firms. Before a late 20<sup>th</sup> century shift to more conventional shareholder ownership models, partnerships of professionals in law, accounting and finance were governed according to membership norms and rules. A wide variety of non-profit organizations such as private clubs, political, religious and union organizations also reside under this social institution model. As indicated, social institutions may own property, buy and sell assets and enter into multi-party relationships and contracts. Individual member/employees within these organizations may also assert defensible individual claims to property and savings held by these institutions. However unlike the dominant “pure property” Model 1, the firm as social institution in Model 2 is governed not through claims that follow from differential property holdings (“property rights”). It is governed, instead, through a regime of non-alienable, democratically distributed personal rights of its members, analogous to the rights that govern the life of citizens in a political community.

Instead of operating according to the “property will” of shareholders, these firms operate according to the “personal will” of their members. The firm as social institution is not property. It is not a commodity. It can dissolve by common agreement of those members. It cannot, however, be sold.

Figure 2 below summarizes the idea of “Corporation as Social Institution.’

**MODEL 2**  
**‘CORPORATION AS SOCIAL INSTITUTION’**



**Two Models in Historical Context**

There are historical footprints that help explain the emergence of these two distinct models. Over two centuries ago, the concept of “rights” that underlies much of our political discourse migrated from the political realm and entered commercial discourse.<sup>viii</sup> Over time a common belief took hold that certain rights in the workplace, rights of ownership,

could be “bought” for a price like any other commodity. That point of view is, of course, an empirically defensible position which accurately describes the commercial world we live in today. It is supported by a robust consensus in law and public opinion that has taken shape over those same two centuries that we summarize as Model 1 Corporation as Property.

Starting in late 18<sup>th</sup> and early 19<sup>th</sup> century the alternative, Model 2 framework of the Corporation as a Social Institution began to challenge those assumptions. Interestingly, the roots of this challenge in the United States returns us to a newly independent, post-colonial era where debates had commenced about how to contend with the incoming commercial colossus of industrialization. Largely independent farmers and tradespeople, having recently fought for political independence were being introduced to new ideas and vocabulary of economic organization including the legal status of “employees” working for a “wage” in factories owned by investors, wealthy industrialists recently arrived from Europe. Many Americans spurned those invitations, finding them demeaning and beneath the standards of citizens of a newly free republic. If factories and industrialization represented the future, they reasoned, then new forms of economic organization should be designed that corresponded to the values of the recently established political republic. A political republic should be reinforced by an industrial republic. Practically speaking, this republican industrial aspiration pointed in the general direction of cooperatively-owned as opposed to investor-owned firms.

When these debates first commenced, the highly charged ideological categories of today, pitting the terms capitalism against socialism had not yet taken hold in the United States. Alex Gourevitch, a political theorist and historian at Brown University, describes the ideology of resistance evident in this era as “labor republicanism.” Ira Steward, a 19<sup>th</sup> century labor campaigner summarized this point of view when he called for “a republicanization of labor as well as a republicanization of government.” Another prolific and important thinker of this era was Thomas Skidmore, of Newtown, Connecticut and later New York City. Skidmore was an inventor, mechanic, political organizer and newspaper publisher. His magnum opus that called for a broad based reassignment of property rights to American citizens and American workers in cooperative firms was entitled The Rights of Man to Property!.<sup>ix</sup> It was published on August 13, 1829, three months after Karl Marx had turned eleven years old.

The filling out of the alternative assumptions of what we are calling a Model 2 Corporation as a Social Institution construct has taken place over more than two hundred years. Important figures who have shaped those ideas include Robert Owen, the mid 19<sup>th</sup> century British industrialist (1771-1858) whose cotton spinning factory at New Lanark and whose Rochdale Pioneer cooperative food stores helped launch the cooperative movement, Fr.



Jose Arizmendi, a 20<sup>th</sup> century (1915-1976) diocesan priest in the Basque country of Spain widely considered to be the founder of the Mondragon group of industrial cooperatives and David Ellerman (1943-) a philosopher and author who works in the fields of economics and political economy.<sup>x</sup>

Until Model 2 examples are able to mount achieve a more significant footprint, most of the research and discussion about the merits and shortcomings of employee ownership will take place largely within the established Model 1 domain. The alternative path available under Model 2 does hold considerable promise. Within that alternative framework we can view possible responses to some of the longstanding challenges facing Model 1. The recent emergence of “B Corporations” presents a promising bridge between what we refer to as Model 1 and the Model 2 spheres.<sup>xi</sup> We will return to a fuller discussion of Model 2 at the conclusion of our tour of the 21<sup>st</sup> century landscape of ownership models and the four meanings of ownership that dominate contemporary conversation.

## **Four Meanings of Ownership**

### **Meaning # 1 – Ownership as Compensation**

Beginning in the late 19<sup>th</sup> century in Chicago and New York, a market began to develop for stock options in American corporations. Just as they function today, options were then designed not as actual stock but as derivative financial instruments whose value is derived from an underlying asset, in this case the appraised or traded value of a share of stock. The original options market was a market designed primarily for outside speculators with money to invest. Options were not designed or used by employees of those corporations. In those early days, options were traded over the counter by broker dealers without any regulation. In addition to the core risk associated with the market activity of the company associated with those options, early holders faced a further risk of liquidity. Cashing in depended upon economic results at a given expiration date and the integrity of the seller to pay up.<sup>xii</sup>

After the stock market crash of 1929, the Federal government began to assert partial control over the options market, though the market remained external to the firms. According to business historians, options and related practices of incentive pay originated in the 1950's. They took on a more prominent role in the 1960's and 70's as entrepreneurs and outside investors of predominantly new, start-up firms began to make use of them to recruit talent from old economy companies and as elements of executive compensation. Options provided the attraction of economic incentives while minimizing economic dilution and preserving the corporate governance power of actual shareholders. Over time, the need for scarce technical talent prompted the extension of options to entire workforces as a whole.

Ask a random 30 year old working today in Silicon Valley who received stock options as part of his or her hiring package whether they are a part owner of their firm and you are likely to get a slightly confused response. Most employees of firms that use stock options and related forms of incentive pay understand that ownership of their place of work really belongs to executives at the top of their firm and/or external investment groups, usually venture capital firms. Employees, including executive level employees who receive options, further understand that options which they hold are purely economic instruments that do not confer any governance rights. Our 30 year old respondent therefore may find the question about whether her options make her an owner of her employer to be curious. She is likely know that she holds options. She is also likely to feel positively about holding options and as a result of holding them are inclined to in certain ways “act like an owner.” They are likely to be more inclined to follow the stock price in hopes that their options can be cashed in once a target price has been reached.

Taking all the necessary qualifications into account there remains something material and valuable about stock options. Use of options has become a norm that high technology companies ignore at their peril. They have become an expected element of compensation. In a 1999 interview on the PBS television interview program Charlie Rose, Jeff Bezos, the founder of on-line retailer Amazon summarized the extent to which options had infiltrated the world of compensation stating that Amazon had essentially “outsourced its compensation strategy to Wall Street.”<sup>xiii</sup> Two important developments; the decision in 2003 by Microsoft to end the use of stock options in favor of direct stock and the 2006 decision by the Financial Accounting Standards Board (FASB) to no longer permit stock options as a deductible business expense have slowed down the use of stock options from their 1995-2000 peak but they remain prominent.

Options and their financial cousins, incentive pay and stock buybacks, remain an essential element of compensation, particularly for executives and technically trained employees. At their most distorted we find the use of these mechanisms as a tax favored means of circumventing public policy initiatives that have attempted to reign in runaway levels of executive pay. If the deductibility of executive salaries is capped at \$1M per year, executives have found a safe harbor, tax favored, by securing option and incentive pay agreements that can and do easily eclipse the value of those salaries.<sup>xiv</sup> Technically, stock buybacks are not supposed to be linked to compensation. Recipients of these buybacks would deny such a linkage and would claim that benefits received by executives are incidental to a prudent management strategy undertaken to benefit shareholders at large.<sup>xv</sup>

In a related vein, similarly focused upon executive level behavior, the practice of stock buy-backs in publicly traded corporations has been exposed by researchers such as

Lazonick (2011) as a structurally self-interested technique for managing stock price fluctuations.<sup>xvi</sup> While the textbook narrative that portrays corporate earnings as the seed corn of reinvestment and innovation paving the way for future profitability abides in our business and economic culture at large, a secondary method of directing those earnings to stock buybacks has, since the 1980's, begun to take its place. The use of buybacks to maintain or boost stock price enriches all shareholders but is initiated by a narrow slice of executive leaders who stand to richly benefit from what is accepted by the press as a benign if not a shrewd technique of corporate finance. Meanwhile, operating under a convenient ideological cover of maintaining shareholder value, this strategy for maintaining stock price has gradually replaced an older, grander narrative that depicted corporate leaders as innovators focused upon the task of private sector job creation.<sup>xvii</sup>

The use of options as a method to outsource compensation to the stock market remains a significant, broad based, Model 1 'Corporation as Property' meaning and technique. Variations on the use of options, including the use of stock buy backs, direct these instruments to serve the compensation interests of executive pay. In neither case do we find these instruments serving a dominant ownership function of governing the enterprise. They are instead functioning as incentives, tools that shape employee loyalty and executive behavior. The question of whether these techniques fulfill a robust definition of ownership is at the very least debatable.

## **Meaning # 2 – Ownership as Investment**

One need not reach far to encounter pervasive cultural imagery that identifies ownership with the concept of investment. From media pictures of the Wall Street "bull," to the ubiquitous stock ticker that scrolls across television and computer screens, we are constantly reminded that investment, hopefully shrewd investment, is a core value of contemporary life. While the dominant media imagery concerns investments in stocks and bonds traded on public exchanges, investment also functions as a core economic concept governing the purchase of land, buildings, equipment and a wide range of other valuable assets. In either case, whether applied to instantly tradable securities or to longer term assets, the pursuit remains the same. Investment is made to increase or at the very least hold constant the value of money. Investment implies an economic "return" that is expected to reward the investor for the exercise of risk.

Given this dominant cultural background, it should be of little surprise that when the topic of employee ownership is introduced to academic or journalistic circles, attention turns decisively toward the language and attendant norms of 'investment' as the presumed driving force behind the employee ownership choice. According to this school of thought,

employee owners who may actually conceive of their ownership relationship on quite different terms are, to the academy and to the press primarily employee investors.

Those who view ownership as investment emphasize two standards in particular; first the magnitude of the financial “return” employees can be expected to enjoy by virtue of their status as employee owners - what we might call the “payoff” of ownership and second, the “prudence” of the ownership investment employees are making or having made for them. Prudence is typically judged through use of a central standard promoted by the investment community – diversification by appeal to portfolio theory.<sup>xviii</sup> Before addressing those twin standards, a few words concerning context, how employee ownership as investment arrives in our economy and in our businesses in the first place may be in order.

### **Arriving at Ownership**

However successful the results of employee ownership may be, it should be admitted that employee owners are, for the most part, accidental investors, arriving at their ownership status through “top-down” initiatives conceived by public policy and/or their employers. It is overwhelmingly the case that employees approach the employment relationship with a focus on near term income challenges, satisfying the material demands of families and if possible, leisure. The introduction of the horizons of investment may describe how employees think about the discretionary purchase of substantial personal assets such as homes and automobiles, purchases that they undertake typically through savings but they do not generally view their employment as an “investment.”

For most employees, employment is a relationship focused on income, on near term payments to manage the necessities of life. Work is considered a job not an investment. The resulting divide between those who view employment as income and those - who if still working at all - view employment as investment also helps to describe the character of modern economies. An economy divided between those who earn and those who own, between those whose horizon is limited to paychecks and those whose horizon is focused upon the prudent deployment of assets turns out to be a highly unequal economy.<sup>xix</sup>

Initiatives that attempt to challenge and cross that divide, that introduce the possibilities (and risks) of ownership as investment reach back to the early 19<sup>th</sup> century and forward to the assortment of ownership alternatives in practice today from stock options, to Employee Stock Ownership Plans and cooperatives. The motives that drive these different approaches are not identical though they have common features. Both challenge an exclusive focus upon a wage-centric model of employment. To the core concern for sufficient wages to pay for the expenses of everyday life, these models add the prospect of accumulating wealth.

What distinguishes between the two dominant models under discussion in this paper is the “agency” of the investment act. Early 19<sup>th</sup> century cooperators and their 21<sup>st</sup> century contemporary emulators formed “bottom-up,” democratically structured businesses with economic as well as social ambitions. Though the motive of forming these enterprises to produce a living for their founder/members is prominent, the language used is typically not a language of investment. It is more a language stressing economic independence. Those who choose this route see themselves as architects of a direct approach to participating in the economy preferred over other employment choices. In the same spirit of their bottom-up origins, cooperative firms of the past and the present are not however immune to economic facts. They do rely on the supply of at risk capital supplied by their members to help launch and sustain their enterprises, a feature asserted as central by the ‘ownership as investment’ model.

The dominant employee ownership initiatives of contemporary times have been decidedly more “top-down” affairs guided by the vision of thinkers turned policy makers. To cite the most prominent of these, in the early 1970’s Louis Kelso, an attorney and economic philosopher, first persuaded Senator Russell Long of Louisiana, the son of legendary populist Huey Long, of the merits of providing tax incentives that would induce business owners to “sell” significant ownership stakes to employees (managers and workers). The problem with capitalism, Long and Kelso were fond of saying, was that there were too few capitalists. They set out to address this problem. Recognizing that employees as a group would lack the resources to initiate the sale of businesses they designed a specific form of legal trust (Employee Stock Ownership Trust) that could borrow necessary funds to initiate these sales. In practice, the overwhelming majority of 9,000 firms that have followed this path have come about through the initiative of sellers, business owners who have responded to the incentives engineered by Senator Long and his successors.<sup>xx</sup>

Management and employee groups do, on occasion, initiate ESOP transactions. However the choice to sell remains with resident historical ownership groups. At-risk capital plays a modest role in ESOP transactions though generally that capital does not come from employees. Following the well worn path that describes most standard corporate transactions, capital for ESOP transactions is supplied through debt, through leverage. It is the earning power and the free cash flows of the acquired company and not the herculean risk taking behavior of entrepreneurial legend that enables ESOP shareholders to pay down this debt and in so doing accumulate economic value.

The end result for purposes of this discussion of ‘ownership as investment’ is the same for both bottom up cooperators and top down employee owners. A significant cohort of cooperative members and ESOP employee owners have, directly or indirectly, in addition

to their continued status of wage earners, assumed the mantle of investor-owners. In so doing they have attracted the attention of the intellectual and policy guardians of the investment class. The reception from those guardians has been mixed.

### **Responding to Investment Norms**

Returning to the twin demands which the investment community makes on the employee ownership as investment - the financial return or “payoff” and the “portfolio theory” demand regarding diversification of assets - we find a smattering of evidence that at least partly responds to those demands. More research on these questions is needed.

On the first of these demands, the matter of successfully accumulating wealth an early (1997) study makes use of comparison data to support its claims.<sup>xxi</sup> Reporting results limited to Washington State in the mid 1990’s when the research was conducted, Kardas, Keogh and Scharf claim that wages were 5-12% higher and total retirement assets were 2.6 times greater in firms with Employee Stock Ownership Plans or ESOPs than comparable firms.

No judgment is offered here regarding whether levels of wealth, accumulation reported here are sufficient. Those judgments can be approached however by contrasting these results with the likely alternatives. A second, 2010 study conducted by the National Center for Employee Ownership states that “ESOP participants have approximately 2.2 times as much in their (ESOP) accounts as participants in comparable non-ESOP companies with defined contribution plans and 20% more assets overall. The average ESOP Company contributed \$4,443 per active participant to its ESOP in the most recently available year. In comparison, the average non-ESOP company with a defined contribution plan contributed \$2,533 per active participant to their primary plan that year.”<sup>xxii</sup>

On the second investment community demand, the matter of whether ownership as investment adequately respects the “portfolio theory” standards of investment, objections from critics begin with the very definition of employee ownership. Because the earning power of employees, defined as wages and benefits, is made possible by an employer, then any funds available from savings for investment are encouraged to be diversified outside that employer, thereby protecting the employee in the event the employer were to fail or close. This interpretation ushers in the familiar and folksy metaphor favored by prudent advocates of portfolio theory; avoiding the undue placement of too many “eggs in one basket.”

This perspective enjoys a certain abstract persuasive power. Where it falls short however is that it strictly equates employment with investment. Employment differs from investment.

Employment is a complex social institution where in addition to collecting paychecks, individuals realize - or are frustrated in their desire to further develop - their human and technical capabilities. The employment relationship is also a site whose economic character need not be restricted to paychecks. Workplaces are sites where wealth can be built in addition to income earned – if, that is, employees are included in the ownership relationship.

The popular rejoinder to the familiar portfolio theory ‘diversification first’ metaphor is attributed to Mark Twain who, through the character of Puddn’head Wilson proclaimed that one should “Put all your eggs in the one basket and --- WATCH THAT BASKET.”<sup>xxiii</sup> Andrew Carnegie, a contemporary of Twains, is alleged to have added luster to the metaphor by turning Puddn’head’s wisdom back on Twain himself when he warned Twain against reinvesting the profits from his writings in an overly broad basket of investments.<sup>xxiv</sup>

If Twain and Carnegie’s rebuttal to modern portfolio theory suffers both from an excess of charm and a lack of precision, a more sober fact might help. Portfolio theory assumes the existence of wealth, the existence of assets to diversify. In an economy where working people are reported to increasingly live from paycheck to paycheck, there is some merit to considering how public policy might help them build a nest egg that can, eventually, be diversified.

Given the absence of wealth or assets that the median worker has in her possession to diversify, it may be useful to consider how to accurately portray the nature of their status. Median earning (and below) workers do not resemble investors. They instead resemble small subsistence farmers whose livelihood is restricted to a limited number of crops on small plots of land. In another context where he critiques the fetish of economic liquidity, John Maynard Keynes helps to elucidate the contrast of our median workers status with the proverbial investor of portfolio theory legend.

(It) is as though a farmer, having tapped his barometer after breakfast, could decide to remove his capital from the farming business between 10 and 11 in the morning and reconsider whether he should return to it later in the week. [Keynes 1936, 151]

And in a related vein Keynes remarked.

If farming were to be organised like the stock market, a farmer would sell his farm in the morning when it was raining, only to buy it back in the afternoon when the sun came out.<sup>xxv</sup>

Median income workers do not enjoy the luxury of an investment outlook. Properly outfitted with something more than a subsistence farm to protect, that is, with more than a

notional ownership stake in their enterprise, the rational discipline of diversification should be welcomed back into focus. As reported above, the good news is that research shows that where broad based employee ownership has made serious inroads, with the universe of broad based employee ownership companies, primarily organized as ESOPs, the wisdom of diversification has, within reason, been respected.<sup>xxvi xxvii</sup>

Nonetheless, a certain necessary tension remains between the omnipresent investment ethos of contemporary finance that views employee ownership as simply another investment relationship and the upstart field of employee ownership that believes other values in addition to investment should be included to achieve a more complete understanding of what broad based employee ownership is all about.

### **Meaning # 3 – Ownership as Retirement Benefit**

Our third meaning of ownership, Ownership as Retirement Benefit, bears a close resemblance to the second meaning described in detail above, Ownership as Investment. It warrants its own treatment however for a variety of reasons, the most prominent being that the statistically most significant cohort of employee ownership in the United States, ownership through Employee Stock Ownership Plans or ESOPs, is legally classified and regulated as a retirement plan regulated by a law, the Employee Retirement Income Security Act of 1974 (ERISA), a law introduced to strengthen protections for participants in retirement plans. The placement of ESOPs within the ERISA framework was a deliberate choice we will discuss further below. Given this status as a subset of a much larger retirement protection Act, it should be no surprise that the preeminent concerns that the relevant laws and regulations stress revolve around standards of safety and prudence in the conduct of what is primarily a form of internal investment, the means by which retirement income will accrue to participants.

It is instructive that even within the smaller national cohort of approximately 300 worker cooperative firms that operate outside of the jurisdiction of ERISA, the same norms apply. It is a generally accepted practice for “shares” – more appropriately internal capital accounts – of cooperatives to be paid out upon exit from a firm. The generally accepted international leader, the Mondragon Cooperative Group of in the Basque region of Spain, comprised of 140 enterprises collectively employing over 100,000 workers, also structures ownership as a retirement benefit, paid out to exiting workers and managers.

Ownership as Retirement Benefit can therefore be distinguished from Ownership as Investment by virtue of the differences in time horizons they function within. Ownership as Investment can be and often is opportunistic and short term, particularly with publicly traded corporations. Ownership as Retirement Benefit is necessarily a long term proposition and in the case of



employee ownership primarily focused, for better and for worse, on the fortunes of the individual firm.

In the case of ESOP firms, their formal status as retirement plans has led to the promulgation of specific Federal regulations that mandate that participants be presented with investment diversification options outside of employer stock when they arrive at certain age thresholds. Subject to the age of the ESOP and the tenure of employees, they may diversify up to 25% of their accounts at age 55 and 50% of their accounts by age 61.<sup>xxviii</sup> As described above, awareness of the dangers of reliance upon a single ownership technique – and ESOP – has driven that field to encourage the inclusion of supplemental retirement income plans, primarily 401(k) plans, that further diversify retirement income risk.

The location of the largest cohort of enterprises in the field of employee ownership – ESOPs – within the regulatory framework of ERISA, the complex law the United States Congress passed in 1974 to combat abuses in the management of pension assets by American corporations of that era, is not conceptually essential nor ideal. It is instead an artifact of the legislative context that faced the chief legislative architect of ESOPs, Senator Russell Long (D-Louisiana), when he was motivated to formally introduce his ideas.

Senator Long's choice to place ESOPs, with their deliberate and contrarian focus on permissible single employer investing, within the legislative reform framework of ERISA, overseen by a Federal agency, the United States Department of Labor (DOL), appropriately dedicated to protecting beneficiaries from abusive investment practices, has led to occasionally problematic, though seemingly manageable, dynamics for all parties concerned. An agency whose primary focus has been the enforcement of wage and benefit promises made by employers to the American workforce has, perhaps not surprisingly not always been the most sympathetic or coherent host for an idea that originally sought to ambitiously re-imagine or at least expand our understanding of corporate ownership as a whole. In retrospect, such a pursuit might have been more appropriately assigned to a different regulatory home, a United States Department of Commerce focused on how to broaden participation in economic life. New legislation proposed from conservatives such as Representative Dana Rohrabacher (R-CA) that would provide government procurement privileges to broad based employee owned firms and by liberals such as Senator Bernard Sanders (I-VT) to create a United States Employee Ownership Bank modeled on the US Import-Export Bank providing loan guarantees for broad based employee owned firms could help broaden policy ownership of these ideas to include additional branches of government.

Today 'Ownership as a Retirement Benefit' largely regulated by Federal standards surrounding retirement benefits joins 'Ownership as Compensation' as well as 'Ownership as Investment' as a functional if occasionally awkward home for the idea of employee ownership. A singular

strength that ‘Ownership as a Retirement Benefit’ and its existing regulatory framework within the Employment Retirement Security Act (ERISA) contributes to the practice of employee ownership is tenure, an emphasis on ownership as a long term relationship. This longer time horizon offers the opportunity to expand or extend the overall cultural and economic frame of the concept of employee ownership from that of a simple employee/investor, looking to “cash in” at a moment’s notice to that of the final, fourth meaning destination offered by this paper of ‘Ownership as Membership’ invited to participate in the long term economic success of the enterprise on terms different from or at least more expansive than those typically proposed by the dominant Model 1 ‘Corporation as Property’ legal framework.

#### **Meaning # 4 – Ownership as Membership**

Though its visibility in a real economy dominated by the language and assumptions of investment and property rights makes it decidedly obscure, a fourth and final meaning of ownership candidate ‘Ownership as Membership’ has been with us since before the Pilgrims.<sup>xxix</sup> This alternative is visible today primarily in what has come to be known as the cooperative sector that in the United States consists of a patchwork quilt of agricultural producer cooperatives marketing commodities such as oranges, grapes, almonds and cranberries, food cooperatives supplying groceries, credit unions, housing cooperatives and worker cooperatives engaged in a range of commercial endeavors from manufacturing to engineering to the writing of software. A second diminishing but still present segment that fits under this categorization is the world of professional partnerships in law, accounting, architecture and other professions.

For the purposes of our discussion in this paper, it is important to stress that it is only in the relatively small worker cooperative segment of this sector and the surviving examples of professional partnerships where we find a membership based employment relationship that differs from the dominant models previously listed. Other categories of cooperatives are designed to provide a range of services for members who are largely consumers or members of a related occupational group (e.g. farmers) enjoying the convenience of democratic association. The modest footprint of American 300 + worker cooperatives, collectively employing approximately 3,000 members helps to explain a frequent appeal made by proponents in this country to more scaled international models in the Basque country of Spain, in Italy and in Canada. The historical record here in the United States also produces evidence of scale that took place the worker cooperative sector. An analysis of why that sector did not ultimately prevail is beyond our purposes here. Certainly that lack of a financial infrastructure sympathetic to this alternative model played a key role. Derek Jones (1984), Steve Leikin (2005) and others have produced rich evidence of cooperative firms that achieved reasonable scale without that infrastructure in iron foundries and in the manufacture of textiles, shoes, barrels and rope.<sup>xxx</sup>

For our purposes however, a task more central than marshalling evidence that these examples of firms as membership organizations once existed and still exist today must be a clear rendering of what distinguishes ownership and employment under this membership model from the dominant meanings previously described. What claims can it make about difference? Perhaps the most fundamentally distinct claim of the ‘Ownership as Membership’ model of both the past and the present resides in the realm of governance. The delegation of power within these firms to, for example elect Boards of Directors that hire and fire management or decide how to invest annual profits derives explicitly from what are termed membership (not property) rights. Those rights are recognized and enshrined in both state law and internal by-laws and are allocated on a per person basis, independent of capital investment or capital retained.

Similarly, the exercise of these rights typically takes place in democratic assemblies that differ from our standard notion of “shareholder meetings.” In an ‘Ownership as Membership’ firm, rights cannot be bartered, sold or accumulated by sellers or buyers. There are no outside owners, there are only inside members. Even within the limits imposed by internal membership there can be no sellers or buyers of other people’s rights because the rights central to the ‘Ownership as Membership’ model are considered personal rights of membership not property rights of ownership.

From a distance, the day to day functioning of a membership based cooperative, a firm where we see ‘Ownership as Membership’ in action may not appear measurably different from the more familiar models recounted here of ‘Ownership as Compensation’, ‘Ownership as Investment’ and ‘Ownership as Retirement Plan.’ Firms functioning in accordance with ‘Ownership as Membership’ by-laws must contend with the same challenges of achieving efficiency and quality in production and in producing and delivering products and services that their customers will approve.

The description and the measurement of work life within these firms is a task outside our present domain. Anecdotally, as appears to be the case in broad based employee ownership firms that have invested in efforts to build “ownership cultures,” these firms are likely to be characterized by greater efficiency, by lower costs of supervision and by higher morale. Apart from our more central task here of elucidating the existence of different approaches to ownership, a practical question that this paper poses is how central or important the differences among these four models are to explaining their success.

Finally, it should be acknowledged that the substantive difference asserted by this fourth and final Ownership as Membership meaning is derived from a fundamentally different theoretical assumption about a core concept in law and economics. That concept is alternatively referred to as property or production. The central economic act that property or production describes is what economists refer to as appropriation, how property is “made one’s own” or claimed. According

to mainstream economic and legal thought, there is a presumed residual claimant or owner well known to all, the risk taking human or humans who are the providers of capital. Those parties claim their ownership of the firm as a property right following from their provision of capital.

This fourth meaning of Ownership as Membership however asserts that we should not restrict our understanding of property, production and of appropriation to existence of a simple claimant. Appropriation can be removed from the realm of personal property and seen as a contractual relationship. Instead of a simple claimant, we may, if we choose, consider what is being transacted in the workplace as a relational, human act of residual claimancy. That act can be understood to be a reversible contract between two key parties; capital suppliers and labor suppliers.<sup>xxxix</sup> The identity of the claimant should follow the terms of the contract that exists between them. In the Ownership as Membership firm, it is labor suppliers (workers and managers) are presumed to be the residual claimants who rent capital from capital sources.

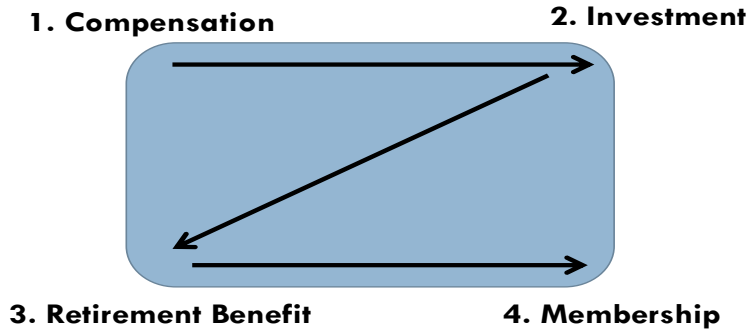
The legal and organizational arrangements that follow from this unusual rendering of the residual claimancy role, the actual implementation of these ideas vary. However a significant body of practice points to a reframing of the firm not as a commodity, not as a piece of property differentially claimed by its owners but as a democratic social institution comprised of members. In place of ownership rights, we find discussions of membership rights. In place of property rights, we find personal rights exercised by democratically inspired organizational citizens through deliberately constructed organizational constitutions.

### **Interaction Among Meanings and Models**

This paper has sketched a what we have called a “foreground” typology of four meanings of ownership common to contemporary discussions of employee ownership. In practice, these four meanings exist in disciplinary silos that tend to conform to the interests of their champions in policy circles and in the research academy. What we have aspired to do here is to break down those silos to at the very least broaden the understanding of all participants about the existence of alternative meanings.

The progression of this “foreground” typology of four meanings portrayed in Figure 3 proceeds on a path from the strongest example of Model 1 ‘Corporation as Property’ to be found in Meaning 1 ‘Ownership as Compensation’ through a second meaning ‘Ownership as Investment’ through a third meaning ‘Ownership as Retirement Benefit’ to a fourth and final destination of ‘Ownership as Membership’.

## Four Meanings of Ownership

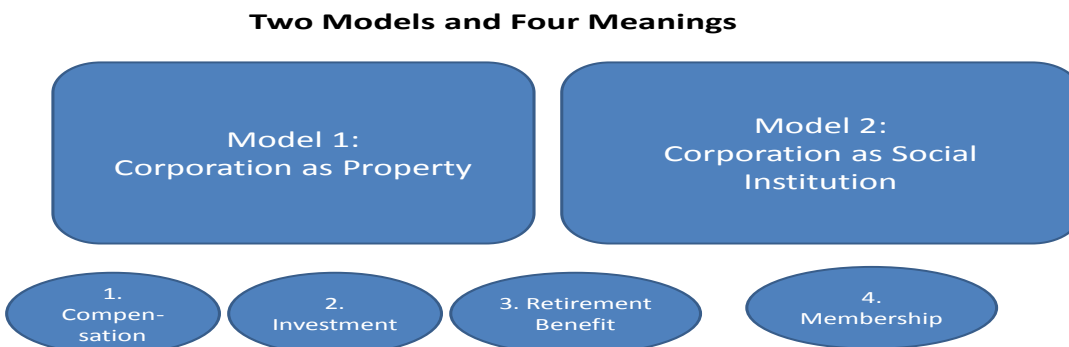


**Figure 3**<sup>3</sup>

The “foreground” four meaning sequence depicted in Figure 3 and the descriptions in our text reveals certain normative assumptions. The claim made is that ownership at the workplace exists on a continuum that extends from the most commodified form of ownership as property, Meaning 1 ‘Ownership as Compensation’ evidenced by the use of stock options to the least commodified – Meaning 4 ‘Ownership as Membership evidenced by employment in membership based cooperative and partnership based firms.

In order to more fully explain the background assumptions of this continuum we introduced a second “background” typology of Models that distinguish at a higher level the differences between the four meanings presented. As portrayed in Figure 4, Model 1 describes an umbrella of two discrete meanings that take place strictly under what we call ‘Corporation as Property’ model. By virtue of its long term investment horizon a third additional Model 1 meaning ‘Ownership as Retirement Benefit’ bridges into the domain of our second, abstract frame Model 2 ‘Corporation as Social Institution’.

**Figure 4**



The arrangement of these meanings and models acknowledges the real world presence of ownership meanings that exist largely outside the Model 2 domain. There are differences among these meanings that deserve attention and recognition by policy makers and researchers alike.<sup>xxxii</sup> Our accounting finds merit in each of the meanings though not necessarily equivalence.

## **Conclusion**

The concept of employee ownership enjoys a relatively broad appeal with the public though a more mixed reception from the variety of academic disciplines that have trained their lights upon it. Much of the academic and policy controversy derives from confusion about the nature and structure of employee ownership. We conclude with two accounts of why those controversies persist.

The first account speaks to the power of semantics. There is considerable confusion about the meaning of ownership. The simple breadth of meanings we have described, ownership as compensation, investment, retirement plan or membership provides ample opportunity for confusion to arise. That confusion exists and as we have stated lends a certain ‘ships passing in the night’ quality to discussions both in research circles and in the business press about just what is taking place under the heading of employee ownership. Efforts such as the one undertaken here to document these differences are intended to surface the existence of these different ownership ships as a prelude to understanding each meaning on its own terms and as a tool to help advocates of each learn and borrow from others as they see fit.

The second account recognizes that the different meanings surfaced are at least partially based in the contentious nature of our politics, politics that are rooted in differing theories of property rights in law and theories of appropriation in economics, of how property becomes “one’s own.” Those theories emerge from history and in particular from the history and debates about the structures of newly formed industrial workplaces that emerged from agrarian times. We may now live in what some would call a “post-industrial” era. If so, those early debates about the nature of the workplace and the fairness of the employment relationship that trace back to the agrarian-industrial transition are still with us. Questions remain about the legitimacy and the efficacy of prevailing property and workplace arrangements.

It would be a sentimental mistake of a high order to claim that the success of the dominant property rights model of corporate ownership serves as the root cause explaining the ills of modern society that have followed in its path. Plenty of good work has taken place under a dominant property rights frame, a frame that is very likely to enjoy a comfortable future. Interestingly, it appears that many workplaces of today may thoroughly inhabit what we have called Model 1 ‘Corporation as Property’ structures and practices, including stock options,

investment model property holdings as well as ownership exercised through retirement plans while operating according to a different, Model 2 ‘Corporation as Social Institution’ ethos, sometimes explicitly rendered through written statements of purpose and more or less democratic organizational constitutions. The fact that the legal structures used may lag behind the ethos espoused has not been a decisive obstacle to progress.

Nonetheless, to pretend that all structures and practices of ownership are functionally equivalent would be committing a second kind of mistake. A minimum ambition would hope that those who conduct research in the field of employee ownership should recognize the different assumptions and platforms at work within a diverse field in order to effectively discern the effect of those different platforms, those different legal and incentive structures, on the achievement of desired results.

A second level of ambition would see that making use of a clear delineation among the various meanings and models presently at work could lead to a sharing of best practices among them. It is not necessary to arrive at a single, ideal structure for organizing the workplace to achieve practical progress. Many workplaces within the general domain of what can be called employee ownership across our two Models share much more with one another than they do with purely finance driven models. The analysis provided here ideally can help interested parties surface the principles and values that have heretofore been implicit in their choice of legal structure. With that understanding in hand, they can choose to either continue or to amend their ownership path.

Finally, the diversity of thought and of practice in the field of broad based employee ownership described in this paper returns to the realm of ideas and to key pillars of theory governing our understanding of the fields of law and economics. Significant intellectual consensus exists across ideological divides regarding two pillars of economic theory, the realms of exchange and consumption, realms that function through relatively transparent markets. Those markets may be functioning well or poorly but the laws of supply and demand that surround them and our expectations about the fundamental fairness that competition within these markets should produce for society at large are accessible and relatively uncontroversial. A third economic realm surfaced by this paper, the realm of property and the mechanism of appropriation, the question of how property becomes “one’s own” appears to us to be unresolved or at the very least contingent. More work is need to increase our understanding of the relative contributions made and the structural roles played by capital suppliers and labor suppliers in the context of the firm. This is a topic infused with history and politics in addition to economics. The field of broad based employee ownership, home to a spirited mixture of legal structures, idealism and commercial intent is uniquely suited to deepen that conversation.

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<sup>i</sup> See Hansmann, Henry and Kraakman, Reinier, 2001. "The End of History for Corporate Law," 89 Georgetown Law Journal 439-68

<sup>ii</sup> An extremely large intellectual debt is owed here to the work of David Ellerman who has served as the leading intellectual excavator of heretofore unchallenged assumptions about the roots of property theory. A particular Ellerman article that contributed to this paper was *On Property Theory*, Journal of Economic Issues, Vol. 48, issue 3, 2014, pps.601-624. A book length treatment of these issues can be found in *Property and Contract in Economics: The Case for Economic Democracy* available on-line at [www.ellerman.org](http://www.ellerman.org)

<sup>iii</sup> Largely as a product of the initiative of Professor Joseph Blasi and the generosity of funders he has solicited, the Rutgers School of Management and Labor Relations presently sponsors over 100 graduate students, junior faculty and senior advisers from a wide range of disciplines to study the field of employee ownership. Intellectual silos are more difficult to maintain when exposed to a wide spectrum of scholarship.

<sup>iv</sup> Coase, Ronald. "The Nature of the Firm," Economics, 4, 16 (1937):386-405

<sup>v</sup> Broad stock markets selling and holding private securities are often referred to as "public" markets. The meaning of the term public here is specific. It generally means accessible for a market price to the general public of private citizens and private entities. Public markets and publicly traded securities do not refer to public ownership as in ownership by state/governmental bodies.

<sup>vi</sup> Ironically, the core differences between these models often escapes even theoreticians and practitioners of today's cooperative movement. Many in that community borrow uncritically from the property-centric vocabulary of Model 1, describing their Model 2 cooperative "membership" institutions in Model 1 cooperative "ownership" terms.

<sup>vii</sup> Ellerman, David in *Worker Cooperatives: The Question of Legal Structure*, Chapter 11 of Worker Cooperatives in America, Robert Jackall and Henry Levin, University of California Press, 1984.

<sup>viii</sup> MacPherson, C.B, 1977. *The Life and Times of Liberal Democracy*, Oxford University Press

<sup>ix</sup> Skidmore, Thomas, *The Rights of Man to Property*, New York, Alexander Ming, 1829. Openlibrary.org <https://archive.org/stream/rightsofmantopro00skid#page/n3/mode/2up>

<sup>x</sup> Ellerman, David, *Property and Contract in Economics: The Case for Economic Democracy*

<sup>xi</sup> See the B Corporation [web site](#) for further explanation.

<sup>xii</sup> Blasi, Joseph, Kruse, Douglas and Aaron Bernstein, *In the Company of Owners*, New York: Basic Books, 2003

<sup>xiii</sup> In a Fall, 1999 appearance on the Charlie Rose PBS television show, Steve Bezos, the founder and CEO of Amazon.com summarized the function of options by stating that Amazon had, in effect, "outsourced it compensation strategy to Wall Street."

<sup>xiv</sup> Center for American Progress policy paper, *Inclusive Capitalism for the American Workforce*, Richard Freeman, Joseph Blasi and Douglas Kruse, March 2, 2011.

<sup>xv</sup> Lazonick, William, *Profits Without Prosperity: How Stock Buybacks Manipulate the Market and Leave Most Americans Worse Off*, Paper to be Presented at the Industry Studies Association Conference, Portland, Oregon, May 30, 2014.

<sup>xvi</sup> Lazonick, William, *Sustainable Prosperity in the New Economy?*, W.E. Upjohn Institute, 2009

<sup>xvii</sup> Lazonick (2009) traces the seeming triumph of this ideology to the influential work of Michael Jensen and William Meckling, specifically Jensen, M. & Meckling, W. (1976). *Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure*, *Journal of Financial Economics* October, 1976, V. 3, No. 4, pps. 305-60

<sup>xviii</sup> Markowitz, Harry, *Portfolio Selection*, *The Journal of Finance*, Vol. 7, No.1 (March, 1952), pps. 77-91

<sup>xix</sup> The debate between income based measures and asset based measures to contend with challenges of economic inequality is summarized in a recent essay for the PBS NewsHour titled [The Alternative American Dream: Inclusive Capitalism](#). In it, this author likens the challenge of overcoming economic inequality to the successful consumption of a deep bowl of soup. Restricting the tools used to address inequality to income based measures is likened to an



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effort to consume that soup with forks, when what is needed are spoons, asset spoons. Attention prompted by the publication of Thomas Piketty's *Capital in the Twenty-First Century*, Harvard University Press 2014 has provided substantial data supporting the existence of what he calls a "capital labor split."

<sup>xx</sup> Statistics regarding employee ownership through ESOPs can be found at

<http://www.nceo.org/articles/employee-ownership-esop-united-states>

<sup>xxi</sup> Published by the National Center for Employee Ownership [at this link](#). Also cited in *Economic and Industrial Democracy*, November 2010, Employee ownership and participation effects on outcomes in firms majority employee-owned through employee stock ownership plans in the US. Vol 31: pps. 449-476

<sup>xxii</sup> See <http://www.nceo.org/articles/employee-ownership-retirement-plan>

<sup>xxiii</sup> Notes on the origin of 'Watch That Basket,' Which Came First, the Carnegie or the Twain?, Herbison Consulting Gateway – [at this link](#).

<sup>xxiv</sup> Op cit (note xiii) and Facebook page [Lifehacker](#), citation by Bill Kolasa, May 26, 2011.

<sup>xxv</sup> Attributed by Hutton, Will, "Will the real Keynes stand up, not this sad caricature?", *Guardian*, November 2, 2008.

<sup>xxvi</sup> Op cit <http://www.nceo.org/articles/employee-ownership-retirement-plan>

<sup>xxvii</sup> "Employee stock ownership and diversification," *Annals of Operations Research*, April 2010, Vol. 176, No. 1, pp. 95-107. By Harry Markowitz, Joseph Blasi, and Douglas Kruse.

<sup>xxviii</sup> See [this link](#) from National Center for Employee Ownership (NCEO). An excerpt follows. "After ESOP participants reach age 55 and have participated in the plan for ten years, they have the right during the following five years to diversify up to a total of 25% of company stock that was acquired by the ESOP after December 31, 1986, and has been allocated to their accounts; during the sixth year, they may diversify up to a total of 50%, minus any previously diversified shares. To satisfy the diversification requirement, the ESOP must (1) offer at least three alternative investments under either the ESOP or another plan such as a 401(k) plan or (2) distribute cash or company stock to the participants."

<sup>xxix</sup> 'Ownership as Membership' was arguably the predominant assumption regarding the disposition of property that preceded colonialization in the United States. Stories of bewildered Native Americans stuck in negotiations with European settlers who proposed to slice and dice their imagined rights to the earth, sea and sky form the emergent background for the development of our contemporary understanding of property rights. Historians have documented how differences between indigenous and colonial powers were largely resolved in 17<sup>th</sup> and 18<sup>th</sup> century America. A regime of property rights, that gradually extended from land to emerging industrial structures of employment, took hold and has continued to dominate to the present day.

<sup>xxx</sup> *American Producer Cooperatives and Employee Owned Firms: A Historical Perspective*, Derek C. Jones, Chapter 3 of *Worker Cooperatives in America*, Robert Jackall and Henry Levin, University of California Press, 1984 and *The Practical Utopians: American Workers and the Cooperative Movement in the Gilded Age*, Steve Leikin, Wayne State University Press, 2005

<sup>xxxi</sup> *On Property Theory*, *Journal of Economic Issues*, Vol. 48, issue 3, 2014, pps.601-624

<sup>xxxii</sup> See Carey, Ray, *Democratic Capitalism: The Way to a World of Peace and Plenty*, AuthorHouse, 2004 for comprehensive treatment of policy alternatives.