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DISCUSSION PAPER SERIES

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Towards Economic Democracy and Social Justice: Profit Sharing, Co-Determination, and Employee Ownership

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ABSTRACT

Towards Economic Democracy and Social Justice: Profit Sharing, Co-Determination, and Employee Ownership*

Modern economies deprive workers of natural democratic rights and any share of the surplus they produce, with most of the benefits of growth appropriated by capital owners. Worker wellbeing and job satisfaction are ignored unless they contribute directly to profitability, while precarious employment and underemployment, with stagnant or declining real wages, have persisted over four decades, despite recent low official unemployment. For economic democracy and social justice, we propose redistributive tax and welfare reform, extended codetermination, subsidised profit sharing and employee buyouts.

JEL Classification: H, P

Keywords: economic democracy, participation, co-determination, profit sharing, employee ownership

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1. *Introduction*

Extending democracy to the workplace has been the goal of a long line of reformers since well before classical proponents such as J. S. Mill (Chomsky, 2014; Ellerman, 2016; Hyman, 2015; Cumbers, 2020), yet declining labour power and income shares, stagnating or declining real wages for most, and growing inequality, employer market power and profit shares under neoliberal policies in advanced economies suggest that this goal has become increasingly distant. Economic democracy is usually identified with 'labour management' or worker-control and ownership of firms, and appropriation of the profit or surplus which has traditionally been exclusively claimed by capital owners. While various forms of employer-initiated participation, share-ownership and profit sharing are widespread and successful in many dimensions, though far from universal, co-operatives that are majority-owned by their workers are relatively rare, and wealth constraints have limited their formation and growth.

The property and control rights of capital owners seem to arise naturally because they can hire and pay workers a fixed wage before any sales revenue is produced, and continue to do so in spite of temporary fluctuations, while workers need start-up capital or credit in order to 'hire' capital, and debt with fixed interest obligations is risky for both creditors and workers. Capital owners' exclusive claim to future surplus thus arises directly from their initial control of wealth, historically largely based on theft through the forced enclosure of common land (Standing, 2020), control which is thus maintained, and further justified as compensation for the risk of losing invested capital.

Capital control and management rights then seem necessary to protect these claims, though all this ignores the risks of long-term unemployment or lower wages faced by displaced workers, who receive no compensating share in firm surplus and success on the upside, risks which are simply denied by traditional theories of competitive labour markets, which treat labour as just

another fungible factor of production. Declining support for the unemployed and workless under neoliberal policies have raised the risk of poverty, and this has been augmented by the poverty of the growing, precarious workforce in irregular employment.

However, the firm's output and revenue, and hence the residual rent (or surplus or profit) after wage- and other-costs, are produced by employees who are responsible, intentional agents, using available capital and other 'passive' inputs. Without their accumulated, and often firm-specific skills, there could be no production, so there is a strong equity argument for general residual sharing as part of any employment contract, and since worker motivation, co-operation, productivity and well-being all benefit from surplus sharing, this would thus also improve the survival chances and performance of new start-ups, as well as of mature firms.

Capital suppliers as exclusive residual claimants have always secured ultimate managerial authority to enforce their claims, but this also contradicts basic democratic rights, and provides the foundation for additional exploitation and conflict between capital and labour. Worker well-being is just an externality for unscrupulous employers, unless it contributes to profitability, though of course there are many employers who do display various degrees of benevolence or altruism towards their workers. However, owner-employers and their agents or managers often (ab)use their authority and local monopsony power by demanding greater productive effort from workers without raising wages, or undermining minimum wages by requiring unpaid overtime, though of course such egregious 'wage-theft' is only possible when protective legislation, unions and employee bargaining power are all weak, and since worker mobility in practice is far from costless. More home working after the corona crisis could reduce these costs and enhance mobility.

Productivity can also be raised at the cost of workers' well-being in many other (including non-contractible) dimensions of work organisation such as worker autonomy and control of work,

which are difficult to monitor and control under traditional union bargaining without participation or co-determination, and suggests that protection from exploitation requires substantive participation in work-place democracy, in addition to equitable residual sharing.

Here, we first summarise the case for reforming work organisation after four decades of neoliberal policies, declining labour power and increasingly powerful, capital managed firms (KMFs) in section 2, and then show that more redistributive taxation could subsidise profit sharing, and with complementary co-determination yield major benefits to workers and entrepreneurs in section 3. We develop the case for labour managed firms (LMFs) and subsidised employee buyouts in section 4. Conclusions are reviewed in a final section 5.

2. Reforming Work Organisation

While wages and hours have been traditionally viewed as the main determinants of job quality and well-being from work, intrinsic job satisfaction is a 'joint product' of all work activity that has been strangely neglected by economists since prominent early contributions by Blauner (1960), Blumberg (1968), Borjas (1979), Freeman et al. (1979), Hamermesh (1977), Layard (1980), Reich and Devine (1981), and others. Green (2006), Sloane et al. (2013), and Spencer (2015, 2014) contributed to re-launching interest in the topic, and most recently, 'The declining quality of jobs has emerged as a key challenge for researchers and policymakers in the twenty-first Century' (Howell and Kalleberg, 2019)[1]. 'Quality of work' is now the second most important factor explaining the large variation in happiness in the UK, after mental illness and ahead of physical health and income (Layard, 2020). As Clark (2015) summarised, 'workers value more than wages; they also value job security and interest in their work.' In contrast to such a blueprint, the extremes of abuse of employer power and appalling working conditions

[1] The wide-ranging, recent literature on this topic includes Kalleberg (2018), Datta (2019), Graeber (2018), Herzog (2019), Redmond and McGuinness (2019), Wilcocks (2019), Prassl (2019), De Neve and Ward, 2017, Hu and Hirsh (2017).

in e.g. the low-pay, privatised care sector or Amazon warehouses have been well documented (Bloodworth, 2018).

Beyond the well-known benefits of autonomy or control over the work process for job satisfaction (Wheatley, 2017), further employee involvement or participation in decision making (PDM) also has a strong positive effect on job satisfaction according to Pacheco and Webber (2016), using data from the European Value Survey. This follows earlier results by Freeman et al. (2000) for the US, results which are supported by experience with Joint Consultative Committees in the UK (Barry et al., 2018) and with works councils in Germany (Bellman et al., 2018).

Extensive research shows that raising intrinsic job satisfaction (JS) can often also increases firm productivity or profitability, like traditional efficiency wages, e.g. by reducing absenteeism and quits and fostering loyalty and motivation, thus reducing the need for hierarchical monitoring (Bryson, 2017; Bryson et al., 2017; Krekel, 2019), yet (poor quality) management frequently fails to implement these gains. However subjective (self-evaluated) JS is a 'joint product' of all work activity, and an important factor in overall employee utility or subjective well-being (SWB), especially since work occupies much of most individuals' waking lives. Treating JS purely instrumentally as a productivity factor in KMFs cannot realise the socially optimal *trade-off* between non-contractible components of JS and productivity, which only workers themselves can decide on when they co-determine organisation and conditions of work and share the residual under labour management (FitzRoy and Nolan, 2020). As shown by the evidence reviewed above, 'sticky' labour markets with costly mobility have signally failed to halt the 'declining quality of jobs' and rising inequality.

Bua (2018) constructs a related index of economic democracy, which is arguably a necessary complement to political democracy[2], but is strongly negatively correlated with inequality. The UK ranks much lower on this index than most EU countries, and the US is the lowest ranked, with an index value less than half that of the highest ranked countries, Sweden and Denmark, which are also among the leaders in international rankings of life satisfaction.

EurWork (2016) notes that 'Employee participation is widely believed to be a major factor affecting employees' welfare, as well as enhancing their opportunities for self-development, work satisfaction and well-being', and how the Nordic countries have instituted the most widespread PDM. This is not surprising since autonomy at work, as a form of PDM, implies that workers make decisions relating to their tasks which would otherwise be imposed by the management hierarchy to favour profit rather than well-being.

Adversarial collective bargaining in the US and UK has traditionally focused on easily observable and 'contractible' variables such as pay, seniority and working time. Even in the post-war heyday when union wage differentials in traditional manufacturing were large and persistent, unions made no attempt to extend the bargaining agenda to less easily measured issues such as overall job satisfaction and PDM, and there was virtually no legislation to match continental European co-determination and related employee representation. Lack of trust is often a major obstacle, and: "The estimated life satisfaction effects of workplace trust are so large as to suggest that there are large unexploited gains available for trust-building activities by managers." (Helliwell and Huang, 2005).

In contrast, under more co-operative industrial relations in the Nordic economies, strong unions helped to establish high levels of related PDM and autonomy at work, yielding the highest job

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[2] Blasi et al., 2010, 2017; Ellerman, 2016; Hyman, 2015; Ferreras, 2017; Herzog, 2019; Cumbers, 2020.

satisfaction and overall life satisfaction rankings in these countries (Dorling and Koljonen, 2020; Boxall and Winterton, 2015; Gustavsen, 2011). Denmark has notably utilised hourly productivity growth resulting from technological progress to attain the lowest average working hours for full time workers in the EU, in order to optimise work-life balance (Eurostat). However, only the Netherlands have instituted employees' rights to request part time work whenever feasible, resulting in much more part time work by skilled workers than elsewhere, with the highest overall share, 37.3 %, of all jobs being part time.

An ultimate goal of co-determination and LMFs must be to allow employees to generally choose their work time, place and schedule as flexibly as is compatible with coherent organisation of the firm, a goal which the Covid-19 crisis and resulting upsurge of home working has surely facilitated. Flexible working time and home working would reduce commuting costs and emissions, and provide major benefits for families and working couples with caring responsibilities in the home, who often suffer from serious time-constraints, yet are rarely offered by employers in the absence of strong legislative measures (Boushey, 2016), while the Covid-19 crisis has shown that home working is feasible for most office workers.

There is much evidence that productivity and well-being can also be raised by reduced work time such as a four-day week, and such reduction can be part of work sharing to reduce both under – and over – employment (Spencer, 2020). The UK, by contrast, under ten years of Conservative government austerity, has maintained low wages for most, long hours for many, declining welfare for the poorest, growing wealth for the top 1%, and the among lowest productivity growth rates in western Europe (Standing, 2020). Little use has been made of work sharing or reduced hours instead of redundancy and job loss in the UK and US in response to the corona crisis, in contrast to Germany, where shorter work weeks instead of redundancy and unemployment during the Great Recession had major welfare benefits.

On the other hand, just increasing per capita GDP with no decline in work time is widely correlated with declining social capital and rising inequality, with most of the gains from growth going to a small minority of the rich and super-rich, and so SWB has failed to increase, or has even declined, for most people over time (Rojas, 2019; FitzRoy and Nolan, 2018; Easterlin, 2012)[3].

3. *Progressive Taxation, Profit Sharing and Co-determination*

Different policies could certainly have provided much better outcomes for the majority in the UK, US, and elsewhere, under what Stiglitz (2019) describes as 'progressive capitalism', or social democracy in European terms. Such an approach would include a 'green new deal' to approach full employment in transition to a zero carbon economy (FitzRoy, 2019; Rifkin, 2019), strong unions, collective bargaining and competition policy to combat market power, radical tax reform, and a modest basic income. A public sector job-guarantee could be an important complement to basic income to avoid any residual poverty. The Covd-19 crisis and ensuing dramatic rise in unemployment have generated widespread demands for an emergency universal basic income and support for threatened businesses through tax rebates and suspension of rent and interest payments, particularly in response to seriously inadequate policies throughout the pandemic in the UK and US (FitzRoy and Jin, 2018, 2020).

These policies could redistribute income and wealth in the long run, limit the exploitative power of KMFs, and shift neoliberal economies towards Nordic-style social democracy. They could not achieve all the benefits of economic democracy and LMFs discussed above, but are urgently needed to alleviate poverty, un – and under – employment, and would provide the

[3] At a point in time, cross sectional studies show a weak, positive correlation between income and happiness, after controlling for the health, work and social relationships that are more important, and this association, known as the Easterlin Paradox, is explained by the importance of relative income or ranking, which only changes slowly over time, for SWB.

basis for further reaching co-determination, subsidised profit-sharing (PS) and employee buyouts of KMFs.

A wealth tax would substantially reduce currently inflated property and other asset prices, which are the direct result of a long history of ideologically driven policy mistakes in support of a toxic banking and financial sector (Ryan-Collins, 2019; Blakely, 2019). This would, of course, facilitate employee buyouts of KMFs, and go some way to remedy the history of unjustified, exclusive surplus appropriation by capital owners, but allow the introduction of subsidised profit sharing and employee buyouts without endangering vulnerable firms.

A wealth tax is also essential to reduce current extreme inequality, greater than at any time since the 1920s, with the top 1% now owning 40% of all wealth in the US, and 20% in the UK. In both countries, the total tax system is regressive, so the rich pay a lower share of income as tax than the poor, partly due to lower taxes on capital income than on earnings. In the UK the bottom decile of households pays 70% of their earnings as regressive, indirect taxes on consumption, much of could be replaced by a wealth tax, while the top decile pays only 10% (FitzRoy and Jin, 2020; Saez and Zucman, 2019). Another aspect of inequality is reflected in regional differences in life expectancy – in the most deprived areas, healthy life expectancy is 19 years less than in the most affluent (ONS).

The crucial role of entrepreneurship in generating new start-up firms, innovation and employment has been neglected in the literature on LMFs, though Groot and van der Linde (2017) offer persuasive arguments for the public sector to subsidise new LMF start-ups which otherwise face significant obstacles (Dow, 2018). However, it is important to preserve existing entrepreneurial incentives to start new firms, including KMFs, since such start-ups are risky, and usually short-lived, while only a few grow sufficiently to become significant employers, but are then often important innovators as well as job-creators. Thus, a self-employed entrepreneur who invests their own capital and labour to generate 'profit', initially just total

revenue in the start-up phase of (solo) self-employment, arguably needs the freedom to hire workers while maintaining control in order to survive and prosper in a generally highly risky activity.

However, as developed above, there is no reason for the entrepreneur and perhaps a few selected employees to appropriate the entire surplus in a growing enterprise. Corporate taxes do of course capture part of this surplus, and contribute to government revenue, but have been severely eroded by tax dodging, lobbying and international co-ordination failure, and need to be restored to at least 30% as part of tax reform, with no loopholes for multinationals.

Some of the goals of LMFs could be achieved first by mandatory extended co-determination or employee participation as well as financial participation or PS, in existing KMFs, which would pave the way for large scale employee buyouts. This builds on the abundant evidence that PS or employee ownership and PDM are both measures that enhance motivation and co-operation and provide both equity and efficiency gains over traditional or 'pure' KMFs.

These are related to the benefits of profit sharing found by FitzRoy and Kraft (1987) and Cable and FitzRoy (1980), in traditional, capital-managed firms (KMFs)[4], Workers who benefit from each other's effort in a KMF, from profit sharing or ownership shares, also have incentives for co-operation supported by mutual or horizontal monitoring, and such incentives should increase with the workers' residual share and be maximised in LMFs. This again implies less need for hierarchical monitoring, improves information sharing and reduces conflict, resulting in efficiency gains.

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[4] Extensive further evidence for the benefits of PS, participation and employee ownership is presented by Blasi et al. (2019; 2018; 2017; 2013), Fakhfakh et al. (2019), Brown et al. (2018), Jones (2018), Kruse et al. (2017, 2010), Michie et al. (2017), Pérotin (2016), Freeman et al. (2000) and many others.

Thus, all employers should be required to pay workers a percentage of annual profit as a bonus in addition to the wage, and this could be reimbursed by appropriate reduction of corporation tax. A PS arrangement which raised the average earnings of unskilled workers by, say, 50%, would then vary according to labour's share in value added, and the flexibility of this scheme would have advantages over simply raising minimum wages.

In addition to PS, workers should be entitled to democratically elect a 'works council' (WC) which controls working conditions in all aspects as in a LMF, so traditional KMF management needs WC agreement on all decisions which directly affect worker well-being. In very small firms, the full workforce of – say 5 or fewer employees could function as an informal WC, while in larger units (subsidiaries or plants at one location), all workers would elect the WC.

This goes much further than German Co-determination and works councils, which have a mainly consultative role. In addition to the contractual profit share as outlined above, KMFs' investment and employment decisions would then be effectively constrained by a powerful WC to internalise JS and employee well-being, and could hence attain an approximately socially optimal trade-off between JS and productivity.

A strong WC is related to Ferreras' (2017) proposal for 'bicameral' control of top management, but with important differences. Management will be simplified when labour representatives are only responsible for decisions which directly affect workers' JS, rather than requiring co-management in general. Where there is conflict between capital and labour representatives, we also require agreement between the WC and the top management board, with voting parity between them. With a joint interest in firm success reinforced by PS, it seems reasonable to expect sensible, efficient compromise instead of conflict and stalemate in most cases. In contrast, Ferreras (2017) makes no mention of PS or surplus distribution and does not discuss the strictly economic consequences of imposing bicameral management on corporations.

There are various related approaches for transforming existing firms and corporations, which could have broad appeal, but will again require a sea change in traditional, capital dominated politics before realisation becomes a serious option. The UK Labour Party proposed 'Inclusive Ownership Funds' in their 2019 manifesto, which were positively reviewed by Bruenig (2019), but subject to predictably misleading and alarmist attacks by the right-wing media. Large companies would be required to issue one percent of new shares annually, for ten years, to be held by a worker managed trust and pay dividends, thus gradually diluting the original capital ownership share. To correct for the history of growing inequality under capital control, more radical versions of similar schemes might be appropriate.

Alternatively, dividend payments to shareholders could be matched by profit related bonuses for workers equal to some multiple of the per share dividend. As before, redistribution should be complemented by election of extended works councils in control of all labour-related management decisions, to ensure the optimal trade-off between productivity and working conditions.

4. *The Case for Labour Management*

Most people spend much of their lives working under a command and control system of '*despotic* power'[5], or dictatorship by 'private government' (Anderson, 2017), with little 'voice' or influence over their working conditions in the absence of (increasingly rare) effective union representation. The only alternative is 'exit' into a labour market with often uncertain or inferior prospects, much worse now for many than when Hirschman (1970) described this dichotomy towards the end of the 'golden age' of capitalism in the 1950s and '60s, with low unemployment, declining inequality and steady wage growth in line with productivity growth

[5] Ferreras, 2017, p. 1, original italics.

for most employees. By contrast, real wages for the less educated have declined since 1980, and stagnated for most, while the income of the top 1% doubled in the US, and their share of total wealth has reached 40%, the most extreme inequality since the 1920s. In the UK, the top 1% hold 'only' 20% of all wealth, with probably more hidden in offshore tax havens, many of which are British Crown Protectorates (Stiglitz, 2019, Standing, 2020).

In the contrasting, traditional text-book model of 'competitive' labour markets, all factors earn their marginal products which exhaust total output, so there is no pure profit or surplus, employers have no power over workers who can easily find equivalent, alternative employment, and it does not matter whether capital hires labour or labour hires capital. In practice, of course, most firms have set-up and fixed costs, hence initially increasing returns, as well as at least some local monopoly and monopsony power due to costs of mobility and information, and hence earn rents above factor opportunity costs.

The related idea that mobile workers can quickly find alternative jobs has always been a caricature of the real world for all except those with high and transferable skills. Even such individuals have usually invested in location-specific social capital including family, friends and neighbours, which add substantial, subjective well-being costs to mobility in a realistically 'sticky' economy, even when prospective wages and job opportunities match or exceed current levels (Banerjee and Duflo, 2019). Nonetheless, it may well be that the shock to norms generated by the 2020 Covid-19 crisis continues to affect the future–resulting in a significant lowering of these mobility – as well as daily commuting – costs , specifically through increased home working.

Legal expert Katharina Pistor's (2019) *Code of Capital* shows how property rights have been deliberately structured over time to favour the owners of capital as exclusive residual claimants and holders of ultimate economic power who hire labour, while historical losers include

'workers in firms whose expectations to future income are denied the same protection that shareholders' expectations to future profits have readily received' (p. 229). Thus, if firms prosper and grow, all the surplus or quasi-rent in excess of factors' opportunity costs is legally allocated to capital owners or shareholders who may play no active role (and are typically protected by limited liability).

Most workers, who are directly responsible for the success of the firm, receive a market wage that is usually only weakly related to profitability, but can lose their livelihoods with little compensation or redundancy pay, and in the US can even be terminated 'at will'[6]. Displaced workers may suffer long periods of unemployment, and generally earn lower wages in subsequent employment. Familiarity has bred acceptance of this arrangement as the inescapable corollary of the 'natural' rights of private property and 'free' markets – the only alternative to authoritarian state socialism – and suppressed the history of legal and social engineering that originally created this peculiar 'code of capital'.

The commonly accepted economic and legal justifications for this distribution are fundamentally flawed. As Ellerman (2016) points out, hired 'workers' responsible for a criminal enterprise are held jointly responsible for criminal damage. It therefore seems compelling that workers who are directly responsible for production and creating a surplus above normal returns, or the opportunity costs of labour and other factors, whether by good luck or extra effort or (usually), some combination of both, should also share in the surplus rather than just receive the normal wage[7]. Otherwise, they will suffer downside risks with little of the corresponding upside returns.

[6] Workers do of course gain some benefits from firm success in the long run – their chances of promotion and higher pay rise, while the risk of job loss obviously declines.
[7] The Marxist tradition (Wolff, 2012), goes to the opposite extreme, and does not recognise any legitimate reward or share for capital owners and ignores the important role of entrepreneurship which we discuss below.

The flawed economic justification for the capital owners' exclusive property rights is to treat 'labour power' as just another 'passive' productive input with a market price like electric power, while neglecting the inherent responsibility of the worker as an intentional agent whose performance is crucial for attaining any return on invested capital, whether for passive rentiers or active entrepreneurs, and who shares the risks of failure. Traditional wage labour is thus a necessary corollary of the exclusive appropriation of the surplus by capital owners. The further exploitation of wage labour by employers with monopsony power, when relevant regulation or 'countervailing power' is lacking or only weakly enforced, is a natural consequence of maximising shareholder value or 'profit' as the alleged fiduciary duty of managers. Note, however, that the latter lacks legal foundations, and is fundamentally a neoliberal perversion of the more inclusive goals of the traditional 'stakeholder corporation', principally developed by the Chicago School of Economics and popularised by Milton Friedman (Chassagnon and Hollandts, 2014; Anderson, 2017; Ferreras, 2017).

The well-being of workers is thus a kind of externality for the capital –managed firm (KMF), relevant only to the extent that higher wages or improved working conditions can raise productivity. While only a LMF or adequate worker participation can internalise this externality, the modern theory of the LMF has surprisingly neglected working conditions, JS and well-being, though their basic non-contractibility combined with asymmetric power suggests that optimal trade-offs require at least PDM or co-determination, if not LMFs.

Better known are the potential productivity advantages of LMFs, since workers have an incentive for mutual monitoring and co-operation under surplus sharing, and hence require less hierarchical monitoring, while KMF employees have to compete for promotion to higher ranked and paid positions by currying favour with their supervisors. This tends to encourage unproductive extra effort or 'playing the system' competing for a fixed number of promotion

slots, but inhibits communication, and fosters rivalry instead of mutual assistance and optimal co-operation.

Most of the relatively rare LMFs began as co-ops in low capital intensity sectors, and only a few have prospered and grown into large firms, such as the famous Mondragon conglomerate in Spain. Nevertheless, there is extensive evidence that existing LMFs are more productive and more stable than otherwise comparable KMFs, though this may be at least in part a favourable selection effect. The case for labour-management, as necessary to realise various aspects of 'justice in production' is also part of a long-standing radical democratic tradition, opposed to both capitalism and non-democratic, state socialism, reviewed in detail by Hsieh (2008), Ferreras (2017), Cumbers (2020) and others, while wide-ranging evidence for the benefits of worker participation and ownership is referenced in footnote 3 above.

Exclusively labour managed firms or worker-owned co-operatives remain comparatively rare for reasons that have been reviewed in detail by Dow (2018). The pure debt finance of firm investment when labour 'hires capital' has generally been viewed as too risky in an uncertain environment, and wealth constraints often limit worker ownership[8]. In principle, workers in KMFs could achieve majority ownership with an employee buyout, but this rarely happens, due to worker liquidity and borrowing constraints, and presumed risk aversion which is part of the reason for the relative scarcity of LMFs.

However, interest rates have declined dramatically in recent years, which could substantially reduce the cost of debt-funded buyouts if credit were more easily available on favourable terms. Dow (2018, 2003) had already suggested a policy of subsidising employee buyout by

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[8] See Vanek (1975), Meade (1972), McCain (1977), Kruse et al. (2010), Michie et al. (2017), Major and Preminger (2019).

public sector banks, while Groot and van der Linde (2017) also favour public support for LMF start-ups. Such banks could offer flexible repayment, deferred during periods of declining revenue, thus essentially converting traditional debt into a more equity-like instrument, stabilizing employee incomes, and reducing the risk of default.

Since banks essentially create new money whenever a new loan is extended, the process is almost costless, and public banks would thus have no need to a charge a positive rate of interest, particularly when market rates are already so close to zero. By accepting an unavoidable, small, residual risk of default even after careful scrutiny, public banks and favourable credit terms can ensure that workers would not have to risk perhaps most of their own savings in a buyout, though a modest equity stake would certainly be an appropriate commitment and incentive. Worker risk would be further reduced by work sharing rather than redundancy in response to downturns, thus providing the secure employment that is a top priority in survey responses (Datta, 2019).

Older, more risk averse workers as well as temporary – and some part time – employees might prefer to retain wage contracts even in a majority buyout, but they would also benefit from improvements in work organisation and the elimination of exploitation. Voting rights with one vote per worker, might be restricted to workers with ownership shares, with some minimum share requirement. Since there are always likely to be some remaining KMFs and wage earners in LMFs, it will remain important that sectoral wages are negotiated fairly under collective bargaining with a functioning union organisation. In a growing LMF, new worker/investors would receive smaller shares of a larger total profit (for a given investment), compared to earlier or founder-members who assumed greater risk, as in Meade's (1972) inegalitarian co-operative.

5. *Conclusions*

Profit maximising firms with little or no participation by workers in either decision-making or profits have enjoyed increasing monopsony power, as union bargaining power and labour rights have been eroded under four decades of neoliberal policy in most advanced economies, and most significantly in the UK and US. Capital owners' exclusive claims to appropriate rising profit shares in national incomes and control the economy to maximise their own wealth are inequitable, undemocratic and inefficient in the light of a long history of productivity and welfare benefits from profit sharing and employee participation. These developments have contributed to rising inequality, discontent and authoritarian populism in reaction against a globalised capitalism that has allocated most of the benefits of growth and trade to a small minority of the rich and super rich, at the cost of lower-paid, precarious workers and looming climate and environmental catastrophe. Most of the casualties of the Covid-19 crisis have been from this group, and predominantly women and minorities, whose 'front-line' work requires face-to-face contact, and cannot be done remotely from home, a privilege reserved for better paid, white collar office workers.

We suggest an extension of co-determination to ensure economic democracy and subsidised surplus sharing as part of the employment relationship, complemented by radical, redistributive tax reform, while preserving entrepreneurial freedom and returns on ethical investment, monitored and co-determined by those most directly affected.

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