



Start With Worker Self-Directed Enterprises

By Richard D. Wolff

Contemporary capitalism no longer “delivers the goods”—understood as a rising standard of real wages—to the majority of people. That classic defense of its instability (recurrent bouts of unemployment, lost output, and wasted resources), its deepening economic, political, and cultural inequalities (as Thomas Piketty documents), and the attendant injustices are no longer plausible. In the US since the 1970s, and especially since 2007, those who control the dominant capitalist enterprises and the resulting economic “development” made decisions that undermined the delivery of rising standards of living to the mass of people.



“ *For the economic system to serve the people, the people need to be in charge.* ”

Post 1945, key decision makers also made sure to disconnect government from what meager accountability to the mass of the citizenry it had before 1945. That was their response to the Great Depression, when, pressure from below forced the New Deal’s combination of high taxes on wealth and business to fund mass relief from capitalist depression (via Social Security, unemployment compensation, and a massive federal jobs program). That disconnect enabled the computerization of the US workplace, alongside the massive export of jobs to low-wage regions of the world, both without opposition, or even compensation, for the resulting dislocations and declines (e.g., Detroit).

Thus, one logical conclusion we draw from the economic reality and history summarized above is that attention must be paid to the who and why: who made the key decisions and why? The who is straightforward: large corporations’ major shareholders (shareholding is highly concentrated in the US) and the boards of directors they elect made the decisions. Profit rate and growth plus market share were why they made the key decisions. When, after the 1970s, computerization and job exports altered the long-term supply and demand balance of labor power, long-term real wage stagnation set in and lasts through the present. Meanwhile, those same factors contributed to steadily rising productivity, likewise through the present. The result was, and remains, fast deepening income and wealth inequality punctuated by debt bubbles, bursts, and resulting cyclical downturns.

Virtually all the laws, rules, and regulations imposed in the New Deal have been weakened, neutered, or eliminated. Capitalism’s second worst depression has seen nothing remotely like the response from below that produced the New Deal. The turn to the government made from below by the New Deal coalition of the labor movements, socialist and communist parties—the victory then of reform over



revolution as the strategy for the left to pursue—has now proved at best partial and temporary. To achieve a fuller and more durable outcome thus requires doing what the New Deal coalition did not do.

That is to change the who and why of key economic decision making at the basic enterprise level. For the economic system to serve the people, the people need to be in charge. Historical efforts to do that at the macro level through government either failed when confronted by determined private capitalist opposition, as in the US, or failed by giving too much power to too few in the government, as in the USSR.

We therefore propose reorganizing enterprises such that workers become their own bosses. Specifically, that means placing the workers in the position of their own collective board of directors, rather than having directors be nonworkers selected by major shareholders. This is *not* primarily a matter of workers as owners of these enterprises (fine, but not required), nor primarily as managers (likewise fine, but not required). It is the tasks of direction—the decision making now assigned usually and primarily to corporate boards of directors and only secondarily to the major shareholders who choose them—that must be transferred to the workers collectively. We call such enterprises *worker self-directed enterprises* (WSDEs). They embody and concretize what we mean by economic democracy by locating it first and foremost inside the enterprises producing the goods and services upon which society depends. WSDEs represent the goal and their growth and proliferation represent the mechanism to transition from the present capitalist system to a far better next system.

The strategic focus, then, is not upon the government, as in traditional liberal and socialist thinking; it is rather more microeconomic than macroeconomic. Of course, winning government support of WSDEs and their proliferation would be helpful and sought after—perhaps by political parties rooted in and funded by an emerging WSDE sector within otherwise private or state capitalist economies. But the main emphasis would be on working people who either convert existing enterprises into WSDEs or start new enterprises as WSDEs.



Core Goals

Briefly, what are the principal, core goals your model or system seeks to realize?

Our core goal is the development of a major—and, if possible, prevailing—sector of the economy that is comprised of enterprises (offices, factories, farms, and stores) in which the employees democratically perform the following key enterprise activities: (a) divide all the labors to be performed, (b) determine what is to be produced, how it is to be produced, and where it is to be produced, and (c) decide on the use and distribution of the output or revenues (if output is monetized) therefrom.

Major Changes

What are the principal changes you envision in the current system—the major differences between what you envision and what we have today?

A large portion of existing capitalistically organized enterprises would have to transition out of structures in which owners, top managers, or boards of directors perform the key enterprise activities mentioned above.

Principal Means

What are the principal means (policies, institutions, behaviors, whatever) through which each of your core goals is pursued?

The means to achieve the transition would need to be several. Laws would need to be enacted or changed to facilitate the conversion of capitalistically organized enterprises into WSDEs, the formation of new WSDEs, and the functioning of WSDEs. School curriculums would need to be changed and teachers be trained to explain, explore, and study WSDEs systematically as alternative-enterprise organizations alongside their traditional capitalist counterparts (corporations, partnerships, and family enterprises). Political parties and platforms need to emerge to represent the interests of WSDEs—the WSDE sector—in terms of state policies, much as now the Democrats and Republicans represent the interests of the capitalist sector.



Geographic Scope

What is the geographic area covered by the model? If the nation-state, specify which ones or what category you address.

The geographic scope is, generally speaking, the nation-state, although with two qualifications: (a) hopefully many nations will enable such a WSDE sector to emerge and flourish, and (b) a sizeable region within a nation could also serve as the place and space for a WSDE sector to exist.

Temporal Scope

Recognizing the large uncertainties, if there is a transition to the revised system about which you write, what would you suggest as a timeframe for the new system to take shape? Where on the spectrum from imminently practicable to purely speculative would you place your proposals?

WSDEs already exist in many places, but WSDE sectors much more rarely. Transitions to economies in which WSDE sectors exist can begin as soon as social conditions make that possible.

Theory of Change

What factors or forces might drive deep change towards the system you envision? What is the explicit or implicit theory of change in your work? What is the importance of crises? Of social movements? Of available examples of change? What's the biggest problem or impediment for adoption of your model?

Long-term capitalist development is the major force behind the change towards a significant or prevalent WSDE sector. The development has four key features: (a) its tendency towards deepening gaps between the rich and the poor, (b) its instability (business cycles), (c) its environmental unsustainability, and (d) the stark contradiction between capitalism and workplace democracy. Secondary forces include capitalist crises and social movements, both of which inspire agendas to transition from capitalist to WSDE sectors or enterprise organizations. The biggest obstacles to transition to economies with significant or prevailing WSDE sectors are political and ideological oppositions, and people's resulting



fears to undertake transition to WSDE sectors (often experienced or expressed as disbelief in their feasibility).

Some Specifics: Economy

Insofar as your work addresses the nature of the economy, how (if at all) do the following fit into the future you envision?

How are productive assets and businesses owned? Does ownership differ at different scales (community, nation, etc.)? Do forms of ownership vary by economic sector (banking, manufacturing, health care, etc.)?

Ownership could, and likely would, be diversified among both workers and nonworkers in each WSDE. Central, regional, and local governmental bodies could be owners. Communities and neighborhoods could be collective owners. The workers in a WSDE could collectively own the means of production. They could likewise be owned by individuals and social institutions, such as schools and churches, functioning as active or passive investors and creditors. A WSDE's means of production could be owned by combinations of the above.

How are public and private investment decisions made?

WSDEs' investment decisions occur via conjoint deliberation of both WSDEs and the democratic organizations of the residential communities interdependent and interactive with the WSDEs. Such conjoint decisions would cover both the raising of funds for the WSDE (from diverse sources such as WSDE members, or outside private and public investors) and the investment of those funds among alternative WSDE projects. By contrast, individuals' and private capitalists' decisions occur via the usual varieties of their profit motives. Because each WSDE within a city, state, or region, makes its decisions in coordination with equally democratic residential government, the coordination would require and entail a kind of parallel disciplining of WSDEs. In short, economic planning and decision making, now left to individual corporate boards of directors interacting in markets, would be democratically coordinated.

What is the role of private profit and the profit motive? Who owns and controls economic surplus?



The surplus in WSDEs is strictly controlled by the worker-members. In WSDEs, the profit motive is reduced to one among other motives governing decisions, and is ranked below job security and social cohesion.

What is the role of the market for goods and services? For employment? Other?

WSDEs can coexist with markets as a means of distributing resources (including labor power) and products. They can likewise coexist with other distribution mechanisms.

What is the role of planning in your model? How is it structured? How, if at all, made democratic?

Planning for the WSDE is performed by the worker members. Planning for residential communities is done by their democratic procedures. Planning appropriate to their interdependence and interactions is done conjointly as well as democratically.

How are the international economy and economic integration handled?

WSDEs would buy and sell in a market international economy. They could establish foreign subsidiaries (although Mondragon's experience with them is mostly unattractive). International integration in relation to WSDEs has not yet been theorized.

How do you address economic localization, globalization, decentralization, 'glocalization,' and similar issues? Where is the primary locus of economic life?

The primary loci of "economic life" (where social goods and services are produced or distributed) are enterprise, household, and residential communities at local, regional, and national levels. Various institutions can also function as such loci (churches, states, and agencies of the state).

How do economic competition and cooperation play out?

Cooperation is the dominant theme of WSDEs. Competitions of various kinds are encouraged and incentivized; however, the rewards of competition are more social than individual, and, likewise, competition's costs are not borne by



individuals. While this may somewhat reduce incentives to compete, it likewise reduces incentives for people to oppose or thwart competition.

Do commodification, commercialization, and the commons surface in your analysis?

Given our focus on workers collectively directing the enterprises in which they work (functioning as their own board of directors), the question arises as to how such enterprises will distribute their products to one another and to the consuming public. Commodity or market exchange is one option. It would need to be organized and regulated so that the processes and results of exchange reinforce rather than undermine the WSDE structure of enterprises. Alternative distribution systems are also possible and would be installed with the same qualifications. Lastly, nothing in our analysis requires that all products be distributed via such mechanisms; some could be produced and become available as part of a commons. The same logic applies to unprocessed, generative resources, such as land.

How is private property handled in your analysis?

The focus of our analysis is the organization of enterprises, not the ownership of them, their resource inputs, or their products. Thus, WSDEs are compatible—may coexist with—both private and public property in endlessly variable combinations. As noted above, for us, the question is that no matter what property regime is chosen in any society, it must be designed, regulated, and constrained to reinforce, not undermine, the WSDE structure of enterprises.

What mix of business enterprise sizes do you envision?

All sizes are in principle possible. The history of the Mondragon corporation shows the possibility of large size if accompanied by a certain disaggregation of WSDE units within a larger alliance.

How do you envision the future of the large corporation and what specific measures do you envision for corporate governance and control, internal and external?

The future of large capitalist corporations is to transform into either WSDEs or, as needed, into alliances of disaggregated WSDE units. In the latter case, divisions,



subdivisions, and subsidiaries of large corporations would become allied WSDE units. The evolution of democratic governance would determine the division of powers among (a) large WSDEs and (b) the WSDEs allied within each large WSDE. Moreover, the enterprise-focused division of power would need to be extended and integrated with the division of power within, and among, the residential jurisdictions that interact with each WSDE.

What role do you see for innovative corporate forms, coops, public enterprise, social enterprise, and public-private hybrids?

Our goal is for as many as possible enterprise forms to move toward, and eventually embody, the WSDE form. That is, we are advocates for that one particular “innovative corporate form.”

What is the evolution of the workweek (hours worked, say, per year)?

We anticipate a shortening of the workweek. We expect that the WSDE form supports and encourages a certain line of democratic decision-making, and that production conditions will likely change in response to these questions: (1) do the changes make possible a diminution of work effort, and if so, (2) do we respond by sustaining the same effort as before the changes, thereby producing more output, or by reducing effort? In response to a technical improvement in productive efficiency (ratio of inputs to outputs), do we respond socially with more produce or more leisure? Our assumption is that progressively more leisure will be the choice and, thus, the workweek will shrink, although some changes in production conditions may temporarily reverse the decisions.

What is the envisioned future of organized labor?

Where the size of WSDEs permit, all the workers will directly function as their own board of directors. No separate organization of workers into unions will be needed. Where the size of WSDEs yields a governing executive, however temporary or rotated among members of the enterprise, a union of all members not on that executive would be appropriate and necessary. Organized labor would comprise all such unions. Unions would organize and mobilize the views and demands of the members vis-à-vis the executive, chiefly to prevent its evolving



into something separated from the members' needs and wants, as democratically formulated and presented.

What are the roles of economic growth and GDP as a measure of growth in your system? What is the priority of growth at the national and company levels?

GDP growth is not the major goal or measure of economic success in the post-capitalist economic system we envision. As described above, we envision a gradual reduction in GDP output in favor of more leisure time. Growth of technical efficiency, as well as ecological considerations, will enable sustained output with growing leisure, and may indeed extend to reduced output and thus even more leisure.

How is money created and allocated?

Money is a social medium and its expansions and contractions ought to be done by WSDE banks whose decisions—like those of all other WSDEs—would be coordinated with the democratic residential governance structures of the localities and regions with which they interact.

Some Specifics: Society

How do you envision the future course of income and wealth inequality? What factors affect these results? How do you envision the future course of economic poverty? What factors affect these results?

First and foremost, WSDEs make the decisions of how to distribute the net earnings of enterprises democratically. Major owners and top executives will not be in the position to decide on a distribution that favors them, an attribute at the root of growing inequality within capitalism.

The democratic distribution of enterprise net revenues will thus generate a personal distribution of income far less unequal than has been the capitalist norm. Since democratic worker decisions will also determine the range of wages and salaries for different enterprise tasks, we expect less inequality there as well. Finally, a job and decent income are considered rights for all citizens, while equality is a social goal. Hence, income and wealth distributions should become sharply less unequal.



Are special measures envisioned to protect and enhance children and families? To advance the underprivileged? To promote care-giving and mutual responsibility?

The basic approach of our organization, Democracy@Work, envisages meaningful work and income flows for all citizens, alongside leisure time. The balance between the two would be itself democratically determined, as society evolves and efficiencies of production are realized. Individuals unwilling to work will be offered counseling or psychological support in order to realize their social obligation to help produce the democratically determined goods and services. Individuals unable, for physical or mental reasons, to do any of the myriad tasks developed in the society we envision, will be excused from labor and supported. Children are the joint obligations of their parents and the society as a whole, with people deciding democratically the balance between parental and communal child-rearing.

How do racial, ethnic, and religious justice figure in your work? What role do gender and gender issues play in your work?

Democracy@Work and the individuals staffing it emerged from social movements seeking full social equality for all ethnic, racial, gender, and religious groupings. These commitments remain, but Democracy@Work is focused chiefly on economics. Thus the priority for Democracy@Work is achieving the end to exploitation (capitalist and all other kinds) in the context of transitioning enterprises from capitalist to WSDE statuses. Secondly, WSDEs seek to achieve much less inequality in income and wealth distributions among members of society, as well as strict equality across different ethnic, racial, and gender groups.

What, specifically, is the role of community in your model? What measures and factors affect community health, wealth ('social capital'), and solidarity, and how central are local life, neighborhoods, towns and cities?

Community is conceived as the larger residential context with which enterprises interact in a codependent relationship. The goal is for democratically self-governed communities to share social decision making with democratically self-governed enterprises, to the extent that decisions by either impact the other. Health, wealth, and solidarity are then all considerations and criteria that will govern such conjoint decision making, alongside but not subordinate to enterprise profitability.



Do you envision a change of values, culture and consciousness as important to the evolution of a new system? If so, how do these changes occur?

Transition from capitalistically organized enterprises to WSDEs will change values and consciousness; changes in the latter will react back upon enterprise organizations in an endless mutual transformation. Schools, media, and other social institutions will be major transmitters of cultural changes. However, our immediate goal is to concentrate on WSDEs as the new basic enterprise organization.

What are the roles of the consumer, consumerism, and advertising in the system you envision? Self-provisioning? Sharing, renting, and bartering?

Advertising and consumerism will be obviated; all that will remain are mechanisms of informing the consuming public of what is available for purchase (if the market is the distributive mechanism) or available for consumption via other distributional mechanisms. The division of labor is presumed so that self-provisioning will be minimal except when pleasurable or recreational.

How do “leisure” activities—including volunteering, care-giving, continuing learning—figure in your work?

Leisure, as suggested above, is a goal of systemically and democratically deciding how to use technological advances: produce more or enjoy more leisure. The presumption is a tendential and deliberate increase in leisure versus work activities.

Some Specifics: Environment

If your system addresses environmental concerns, how do you conceptualize “the environment”? Do you envision the economy as nested in and dependent on the world of nature and its systems of life?

Our work is not specifically directed to environmental concerns. Indirectly, it is. For example, workers democratically decide whether to install a new technology that enhances profitability at the cost of pollution. They will take seriously the social costs of the pollution for themselves, family, and neighbors in ways that capitalists—driven by profits and capable of evading pollution’s effects—would not. On balance then, enterprise decisions would show more respect for



environmental concerns than comparable capitalist enterprises. The two different organizational structures weigh the costs and benefits of production differently and so reach different decisions on what and how to produce.

Do you address a rights-based environmentalism (e.g. right to clean water) and the idea that nature has legal rights? Do we have duties to other species and living systems? Are any of your goals non-anthropocentric?

Not relevant to our chief concerns.

Do you envision addressing environmental issues outside the current framework of environmental approaches and policies (e.g. by challenging consumerism, GDP growth, etc.)?

We challenge profit qua bottom line and substitute a long list of goals, criteria, and standards, which include environmental concerns and sustainability.

How do you handle environment-economy interactions, trade-offs, and interdependencies?

The trade-offs are to be decided by the conjoint deliberations of democratically organized residential communities and the WSDEs that interact with them.

Some Specifics: Polity

To what degree would your proposed model require Constitutional change? What specifically might be required or recommended?

Constitutional change would be needed only if and to the extent that the US Constitution blocked or inhibited the social transition and conversion from capitalistic enterprises to WSDEs.

Does your model have anything to say about liberty and how it may or may not relate to the design of your model? And how, specifically, is liberty nurtured and protected?

Liberty figures in our project as something enhanced for individuals by substituting the WSDE structure for the capitalistic structures now prevailing.

How does your model address questions of political and institutional power?



Our project locates production and the causes of income and wealth in WSDEs and their residential communities, which are also democratically self-governed. This social base thus has the people and the means to keep macro structures and the state accountable; it is thus the guarantor of democracy in a way capitalism could not be and has not been. Power is thus institutionalized as locally grounded in interactive and interdependent, productive and residential communities.

How does your model deal with problems of scale? How much decentralization does it include for large systems? How would decentralization be structured?

Production unit size would be constrained by what proves workable—*qua* WSDEs—in each industry. Collectivities of multiple WSDEs (e.g. Mondragon Cooperative Corporation) could exist so long as they respected the constraints and did not allow slippage back into the capitalist prehistory. Because our focus is on the enterprise more than the surrounding residential communities, theorization of specifics of centralization and decentralization has not been undertaken. The chief locus of power within collectivities of WSDEs would be at the level of each WSDE.

Does your work address issues of foreign policy, international relations, regional integration, military policy and spending, war and peace, i.e. the international context of the new system? At different political levels, what polity and what political conditions are implicit or explicit in getting to success?

Not pertinent.

There is an ongoing critique of representative government and exploration of direct, “strong,” and deliberative democracy. Does any of this figure in your framework? If so, how?

Yes, the notion of direct democracy is central to our project: bringing such a democracy into the internal organization of the enterprise (factory, office, or store as a WSDE) and of the functioning producer of goods and services not organized as a capitalist enterprise (public schools or government offices). The presumption is that equivalent direct democracy will characterize the residential communities with which WSDEs interact.



Milton Friedman, among others, believed that only a crisis produced real change. Another old expression is that “good government is just the same old government in a helluva fright.” Do you examine crisis-driven political change and crisis preparedness?

No.

How central is government in the future you envision, both in getting there and staying there?

Not very central. The government is envisioned to be reduced to the function of coordinator, controlled and monitored by, as well as accountable to, the democratically organized enterprise and residential communities that produce and possess the social wealth and represent the voting majorities.

In the system you write about, what are the appropriate levels of government expenditure or government as a share of the economy and how are these levels achieved?

A minimal government share defined by the needs of the coordinating function and whatever activities are deemed appropriate for production at a social aggregate level. But even then, the social aggregate level—the government—would have its distinct units also organized as units like WSDEs.

Do you envision social movements as important in driving political change and action? If so, can you elaborate on how this happens?

Social movements need to include the social transition from capitalist to WSDE organizational units on their agendas for social change. We expect these movements to arise in critical opposition to various components and aspects of contemporary capitalism that have become intolerable for growing sections of existing capitalist societies. One of our tasks is to make the case that past reforms of capitalism have proved either incapable of changing the outcomes or else the recipients of enduring reactionary attacks. Thus, the more fundamental change from capitalist enterprise organization to WSDE is required to achieve and to secure adequate reforms—and thus belongs on the agendas of many social movements.



Real-World Examples, Experiments and Models

Are there specific real-world examples or experiments you can point to that embody your model or system or exemplify important elements of your approach?

There are many past and present examples of worker and producer cooperatives that are close to what we mean by WSDEs. They are found in many countries and range from small to large (Mondragon). We stress the varieties and numbers of these examples to underscore that our project is NOT about a potential, future, utopian possibility, but rather the extension of a model that has attracted workers in many different circumstances, and that has proved successful in many of them.

Are there other models that you see yourself aligned with or close to yours?

The project of transition to worker cooperatives can align with other sorts of cooperatives (consumer cooperatives, sales cooperatives, and property-owning cooperatives) in a kind of generalized cooperative economy. Particularly for political purposes—to support legislation—this model can align with candidates or parties that advance the conditions needed for successful worker cooperatives to form and grow.



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Richard D. Wolff is professor of economics emeritus at the University of Massachusetts, Amherst and a visiting professor at the New School in New York City. He has also taught economics at Yale University, the City University of New York, and the University of Paris I (Sorbonne). He has published many articles and books with his frequent co-author, Stephen A. Resnick, including: *New Departures in Marxian Theory* (Routledge, 2006) and *Contesting Economic Theories: Neoclassical, Keynesian and Marxian* (MIT Press, 2012). Wolff's latest books include, *Occupy the Economy: Challenging Capitalism* (2012) and *Democracy at Work: A Cure for Capitalism* (2012).

Wolff lived in New Haven, Connecticut from 1964-2003 and was politically active there throughout that time. He started a political organization that opposed the Vietnam War, and later worked on a range of political issues. He created and wrote for a radical weekly newspaper, *Modern Times*, and helped launch the New Haven Green Party. He ran for mayor as a Green Party candidate in 1986 and for Board of Alderman in Ward 10 in 1987 (winning 42% of the vote). Wolff has also served as a paid advisor to the Greater New Haven Central Labor Council, AFL-CIO and advised many local and state community groups.

Currently, Wolff hosts the weekly radio program, *Economic Update*, syndicated on over forty-five stations and has been interviewed on national television by Charlie Rose, Bill Moyers, Thom Hartmann, Amy Goodman, and Bill Maher, among others.

See his work at www.rdwolff.com and democracyatwork.info.



New Systems: Possibilities and Proposals

Truly addressing the problems of the twenty-first century requires going beyond business as usual—it requires “changing the system.” But what does this mean? And what would it entail?

The inability of traditional politics and policies to address fundamental U.S. challenges has generated an increasing number of thoughtful proposals that suggest new possibilities. Individual thinkers have begun to set out—sometimes in considerable detail—alternatives that emphasize fundamental change in our system of politics and economics.

We at the Next System Project want to help dispel the wrongheaded idea that “there is no alternative.” To that end, we have been gathering some of the most interesting and important proposals for political-economic alternatives—in effect, descriptions of new systems. Some are more detailed than others, but each seeks to envision something very different from today’s political economy.

We have been working with their authors on the basis of a comparative framework—available on our website—aimed at encouraging them to elaborate their visions to include not only core economic institutions but also—as far as is possible—political structure, cultural dimensions, transition pathways, and so forth. The result is two-dozen papers, to be released in small groups over the coming months.

Individually and collectively, these papers challenge the deadly notion that nothing can be done—disputing that capitalism as we know it is the best and, in any case, the only possible option. They offer a basis upon which we might greatly expand the boundaries of political debate in the United States and beyond. We hope this work will help catalyze a substantive dialogue about the need for a radically different system and how we might go about building it.

James Gustave Speth, Co-Chair, Next System Project

Visit thenextsystem.org to learn more.