

The 2012 Election Cycle: an Embarrassing Circus, perhaps, but a Great Opportunity for Employee Ownership, for sure

(Did you hear the one about the terrorist who dumped a load of hallucinogenic drugs in the water supply...turns out it was an election year and nobody noticed.)

By Anthony Mathews



I started this article to discuss what we, who believe in employee ownership, should be doing in the public arena this election year. But every time I got a start at it, I was quickly drawn into a rant on the problems with politics overall (which are myriad, of course). So far, I have derailed myself at least 50 times in that way, but I will not surrender to it altogether. I'll just confess that, as an American, I am embarrassed by almost every aspect of the process we allow to determine who will hold the highest offices in our country. I think the way we approach this would be much more appropriate for a bunch of drunk college sophomores (some of whom have unlimited resources and most of whom do not) running for fraternity event planner than it would be for the civil, intelligent discourse upon which we could rely to arrive at solutions to ills and select wise leadership to guide what is still the most significant, impactful country in the modern world. At the same time, I also believe that people in general are good and well meaning. I know there are exceptions, but the vast majority of people are not evil and do not have evil intent. So, I'm going to start with a deep breath and the strong conviction that there are no bad people, just different ideas about how to do good.

(Thanks for letting me get that off my chest.)

That doesn't mean, though, that there are not very real problems in our country. We all know that there are. Everywhere we look things are broken and seemingly getting worse all the time. Perhaps, though, we can agree that among the worst of them is the fact that poverty and dependence on government intervention for a large and growing part of our population is a major problem and one that needs to be addressed. We can probably also agree that the economic strength of our country is, to a very great extent, dependent on the economic strength of the

companies that support it. After all, whether we are talking about corporate income or individual income or even inherited wealth, it all traces back to some application of productive capital. And the employee ownership community knows a lot about creating and deploying productive capital.

Here are some things related to this we can verify as facts:

We know that employee ownership is a real solution to long-term security for millions of employee owners. We know it and research proves it. We also know that employee ownership companies are great places to work and are significantly more successful than more traditionally owned companies on many measures that are key to a stronger country - like growth and profitability. We know that people who work for employee-owned companies are more loyal to their companies. They work for somewhat better salaries and benefits and they can expect to have significantly more savings for retirement than employees in otherwise similar companies that are not employee owned. In fact, the only measures on which employee-owned companies seem to perform less well than other types of companies are the measures of how excessively they compensate their CEOs and how well they concentrate wealth for a few investors.

These are verifiable facts. (Admittedly, selected under influence of my opinions, but still facts.)

So, what do we do with that? Well, it is a time for us to regularly and loudly make the case that employee ownership is a solution to a lot of what is wrong with our country. And we need to make this case to whatever sliver of the political spectrum we can reach – all of them eventually. It is not enough to be complacent in our own superiority. It is our responsibility to spread the word and to make the case that broadly distributed ownership is a much better way to cure dangerous imbalances than government-funded interventions. It is our responsibility and in our practical best interest to make the case that as we rebuild from the most recent recession, we should not simply rebuild the same faulty systems that got us into trouble as they have done so many times before. And with that wrong outcome proceeding apace, we are running out of time.

We are running out of time and there are some really scary outcomes careening toward us that we no longer can ignore (oh, of course we can – the human capacity for in the sand, head-burying is impressive if not monumental – but we should not).

Regardless of what happens with Social Security and Medicare (the problems with both are almost incomprehensible), retirement is not a realistic option for a huge percentage of the population. The typical worker covered by a 401(k) plan has less than a year's salary in savings in his or her late 40s. Most have nothing at all. For many, as they age, there won't even be a short transition time; most will go straight from living paycheck to paycheck to living dumpster to dumpster. The 21st Century retirement package will be a blue vest and a forced smile.

But even scarier on a macro level, is the nature of ownership as it is today. The vast majority of the productive capital in the country is not publicly traded. Rather it is owned by private individuals. Overall that is a good thing. Private ownership is much more inclined to long-term growth and stability (which goals are sadly lacking in the public market mentality), but the problem is that all that productive capital is privately owned by a very small percentage of the

population. However you feel about that as an issue, the scariest part of that observation to me is that that small percentage of the population is getting increasingly elderly, and all that capital ownership is going to need to find a new home all at once and pretty soon.

It can only go one of three ways: many of the companies that represent that wealth will simply be closed and liquidated (a huge waste of productivity that can only harm our country overall); it might pass through one of the traditional transition mechanisms like transfer to family members, sale to a financial buyer, be absorbed by some larger competitor or other firm attempting to diversify, or go public (all of which continue to inbreed the same problems we have had to wrestle to the ground so many times in the past); or, if we do our job well, a good deal of this productive capital can be acquired by the employees who work to produce with it (with all the benefits that brings).

We need to make employee ownership a constant public policy theme, and we need to continue to promote the concept until we have 30,000 or 40,000 employee-owned companies rather than the static 10,000 we have had for the last decade or more. If we can do that, we will have put a large part of the country on a much stronger footing, and moved toward solving some real fundamental economic and social problems that have been dogging us for most of our lives.

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