

## Table des matières

Introduction and abstract.....	1
Presentation of proposals (Sweden, UK, USA).....	1
Analysis of the arguments and fate of these proposals.....	3
Back to the purpose of paid-up 'capital'.....	4
End of exclusive ownership of the means of production.....	5
Annex: Summary of the article on Wage-Earner Funds.....	7

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It's the translated version (translated with [www.DeepL.com/Translator](http://www.DeepL.com/Translator) (free version)) of the article [\*\(C-1-m\) analyse de projets de propriété collective du capital par les salariés.\*](#)

It belongs to the sub-heading [\*Caractérisation de l'économie capitaliste et évolutions possibles\*](#) of the research notebook [\*actualisation puis mobilisation de spinoza dans les sciences sociales\*](#) and under the heading [\*Analyse du capitalisme actuel au prisme des moyens de production\*](#) of the research notebook [\*l'économie au prisme des moyens de production.\*](#)

## Introduction and abstract

Our article is based in particular on Article *Work, Justice, and Collective Capital Institutions: Revisiting Rudolf Meidner and the Case for Wage-Earner Funds*<sup>1</sup>, a summary of which is attached.

Our article provides a critical analysis of the Swedish experience in the 1970s and 1980s of granting collective ownership of a fraction of a company's capital to its employees<sup>2</sup>.

It first presents the original trade union proposal, inspired by the economist Rudolf Meidner, its evolution and its implementation by the social democratic government. It also presents the variants proposed in the UK and the US in years 2019 and 2020.

It then analyses and criticises the arguments and foundations of these proposals (arguments mobilising moral statements), whose weakness, regarding the fundamental right of property, largely explains their rejection and abandonment as soon as the political majority changed.

Finally, by using the same legal solutions (the collective of employees is subject of law and collective owner of shares), our article proposes an argumentation and a much more solid basis to legitimise this collective ownership of employees: their effective contribution to the investment and to the means of production give them the right to be collective owners, in the same way as the shareholders because of their contribution named "social capital".

## Presentation of proposals (Sweden, UK, USA)

The original proposal by R. Meidner and the Swedish trade unions was as follows:

*« a proportion of corporate profits should be redirected into collective funds, held by the workers*

<sup>1</sup> De Markus Furendal et Martin O'neill, published in the *Journal of Applied Philosophy* doi: 10.1111/japp.12631

<sup>2</sup> [https://en.wikipedia.org/wiki/Employee\\_funds](https://en.wikipedia.org/wiki/Employee_funds) : « The idea was launched in the 1970s, with Rudolf Meidner playing a leading role in developing the idea, and they were in place from 1982 to 1991. Throughout their existence, they caused much political controversy. Proponents described them as an attempt to increase the power of labour over Swedish companies, and opponents described them as large step towards socialism. »

*Article (C-1-m) analysis of employee collective ownership projects*

*within each firm, and thereby kept as working capital rather than paid out as either dividends or wages. »*

This proposal already seems to deprive the shareholders of additional dividends that they could have claimed as owners.

The governance seems internal to the company, between shareholders and the collective of employees of the same company, although the shares are transferred, gathered, in a wider "collective institution":

*« The stock subject to this levy would then be transferred into a collective institution under the collective ownership of the employees within a particular firm. These institutions would have a democratic internal structure, with workers electing their representatives to the boards of the companies in which the funds own a stake. »*

Then the evolution of the proposal towards a regrouping of its funds and their governance is confirmed, following the debates between the trade unions, at the origin of the proposal, and the social-democratic government, until a « *watered-down* » law is passed :

*« In this era, a number of proposals for versions of 'löntagarfonder', or Wage-Earner Funds, were developed, starting with an audacious report authored by Meidner and two colleagues in 1975 and ending with a watered-down version passed in parliament in 1983. »*

taking into account several adjustments:

*« The authors of the 1975 report note, however, that local interests should be balanced by additional layers of governance to allow a role for national trade unions and wider social interests in internal fund governance. »*

including political contestations regarding property rights:

*« The Social Democratic party, on the other hand, were led by the pragmatic aim of satisfying the demands of the trade unions, while not provoking even more political backlash in light of the political Right's successfully established narrative about the policy being a major threat to freedom of enterprise and property rights. »*

with more democratic or solidarity concerns, particularly towards the non-employed :

*« The fact that the Swedish WEF proposal was designed by the unions arguably explains why it mostly focused on the rights of 'wage-earners', i.e. employees in each company. The Social Democratic party, on the other hand, stressed that the WEFs should be democratically controlled by all citizens. »*

to come up with the solution implemented by the social democratic government:

*« Employee funds (Swedish: Löntagarfonder), sometimes referred to as Wage Earner funds, is a socialist version of sovereign wealth funds whereby the Swedish government taxed a proportion of company profits and put into special funds charged to buy shares in listed Swedish companies, with the goal of gradually transferring companies from private to collective employee ownership. The funds were controlled by representatives by Swedish trade unions. »<sup>3</sup>*

taking care, however, not to compromise too much the property rights of the shareholders, and this from the first proposals of the trade unions:

*« As the annual levy would be at a relatively low level, at perhaps 20% of profit each year, the effect would be incremental and would not undermine the functioning of the stock market in the*

<sup>3</sup> [https://en.wikipedia.org/wiki/Employee\\_funds](https://en.wikipedia.org/wiki/Employee_funds)

*short-to-medium run, given that the proposal involved merely a partial dilution of capital returns to existing shareholders, via the mechanism of this levy. »*

In other countries, UK and USA, trade unions or politicians have recently proposed similar solutions:

*« It could require these companies to pay a form of corporate tax on profits above a certain threshold, but instead of paying this tax in cash, the companies would issue new shares. This would dilute the value of the existing shares but would not strictly speaking require a transfer of resources or wealth, as it would instead involve the creation of a new, collectively owned stake in the company. Another variation of this proposal, called the 'Inclusive Ownership Funds', was in fact proposed by the UK Labour party in the 2019 election. This version of the scheme would have required companies with more than 250 employees to transfer 1% of their equity (in this case regardless of levels of profit) annually into a company fund. These assets would be controlled democratically by the firms' workers, thereby giving workers a route for influence over decisions in the company. ».*

and in USA :

*« Yet another version of the WEF proposal was advanced by Bernie Sanders during his run for the 2020 Democratic party presidential nomination, with the Sanders version looking to run at twice the speed of the UK Labour proposal (with a levy of 2% rather than 1% per annum on large companies) and the avowed goal to make workers 'not simply cogs in a machine owned by someone else' but with the power to 'play a central role in determining what the company does and how it is run'. ».*

## **Analysis of the arguments and fate of these proposals**

The initial proposal of the trade unions was characterised by an implementation only within the company: shareholders and the company's employees collective share profits and power in proportion to their number of shares.

However, the share of the employees collective was limited from the very beginning<sup>4</sup> : the shareholder remains in control.

Another characteristic of the first proposal is that it does not take any money out of the company: in the balance sheet, part of the profit is counted as "share capital" for the shares issued to the employee collective, instead of being counted, for example, as "retained earnings" or "dividends". In contrast, the proposal passed by the Social Democratic majority in parliament involves the state in the management of companies: (1) levies in the form of taxes, which are not paid into a fund managed by the company's employees, but into a fund that combines shares of several companies, and (2) a fund managed by central trade union representatives. This looks very much like a partial nationalisation, hence the protests of the right-wing with regard to the inalienable right of ownership (*« a major threat to freedom of enterprise and property rights. »*) and the immediate revocation of these laws by the returning right-wing<sup>5</sup>.

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<sup>4</sup> *« As an illustration, if a company makes a 5% profit each year and 20% of the profit is deposited into the funds, the fund will own 52% of the company after 75 years. Alternatively, if the profit level is 10% and 30% of the profit goes into the funds, this process only takes about 25 years. (Meidner et al. 1975, p. 79). Meidner has later noted that although the 1975 proposal contains no suggested ceiling, he expected that the subsequent bargaining process would converge around the funds owning no more than 20% of each company's shares. Meidner, Rudolf. 2005. Spelet Om Löntagarfonder. Stockholm: Atlas, p. 141 f.*

<sup>5</sup> Wikipedia (ibid) : *« On October 4, 1983, an anti-employee funds demonstration in Stockholm gathered between 80,000 and 100,000 participants. [2] It was the largest political protest - in terms of numbers mobilised - to take place in Sweden, from the liberal and right wing political block. Subsequent Social Democrat victories, such as the one in 1994, did not lead to their*

The "UK" and "US" proposals have in common the inclusion of a small fraction of the equity capital (1-2%) in the "share capital". This proposal seems legitimate, even regarding the respect of property rights, as the equity is only fed by the contributions of the employees' collective and not by the shareholders. However, this contribution of the company to the equity capital is not as meaningful as the one concerning the means of production. The contribution to the means of production is the one put forward by the shareholders (*they invest with limited risks*<sup>6</sup>) to legitimise their ownership and the rights that go with it. The employees' collective can hold exactly the same discourse (*unlimited investment and risk-taking*<sup>7</sup>) to legitimise for the same reasons its part of the property and the rights that come with it.

Above all, the basis of these proposals are only moral statements (social justice, solidarity, democracy), moral statements that carry little weight in the face of "*freedom of enterprise and property rights*" considered as fundamental rights guaranteed by all constitutions (which is not the case for moral statements).

Nevertheless, these Swedish and Anglo-Saxon proposals seem much more emancipatory than those of the French left. The latter mobilises the same moral statements, but is still reciting Marx's dated discourse (see next chapter) on the role of the "capitalist" who finances everything from his own wealth (machines, salaries, raw materials, etc.) or questioning the legal existence or not of the company, its employees' collective<sup>8</sup>.

Our proposal is very close to the initial proposal of the Swedish trade unions and to the "UK" and "USA" proposals on two points: (1-) no money is taken out of the company: only the "share capital" of the balance sheet is increased by allocating to it a small fraction either of the equity (UK and USA proposal) or of the profits (Swedish proposal), which is considered as an issue of shares owned by the employees' collective, (2-) shareholders and employees of the company share profits and power.

On the other hand, our proposal is not based on moral statements, but on property rights: the capital taken into account is the one paid by the shareholders as well as the one paid by the employees' collective.

Indeed, we assume that 'capital' is by definition the money brought in<sup>9</sup>, either by the shareholder or by the company, to contribute to the means of production or, sometimes, to save the company from bankruptcy by providing some cash.

The chapter below demonstrates the validity of this definition.

## **Back to the purpose of paid-up 'capital'**

Marx and all economic literature, including Marxist, write that the shareholder provides 'capital' and that those who do not provide it at least provide their labour power. The shareholders base their legitimising discourse on this point. As Marx wrote, the capitalist devotes his personal fortune and therefore takes risks. It is therefore justified for him to make a profit, a dividend, and more fundamentally to be the de facto owner of the company, with the rights that come with it. Like Marx, current economic discourses, including Marxist ones, link "capital" to the acquisition of the means of production, Marx even including wages and raw materials<sup>10</sup>. They presuppose that the

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*reintroduction, as leading members of the party found the whole debate surrounding the funds a problem for the party »*

6 Their personal risk is limited to their stake.

7 Until the death of the company: judicial liquidation and lay-off of all employees.

8 See all our articles on this subject in our heading [\*Analyse du capitalisme actuel au prisme des moyens de production\*](#)

9 Money coming either from the shareholder's pocket or from the company's treasury, or from a bank or bond loan.

10 *In Wage Labour and Capital*, Marx writes: "*The capitalist provides him (the weaver) with the loom and the thread*" and further

wage-earner only contributes his labour power to produce using these means. This was true in Marx's time. It has not been true since the limited liability laws of the 1860s, both in the UK and in France<sup>11</sup>, in Belgium, then in Germany and finally in all countries of the world. If the employee is supposed to be the only one to contribute his labour power, the shareholder is not at all the only one to contribute capital, or, said differently, to contribute financially to the means of production. The company, its collective of employees, contributes much more than the shareholders, and this by paying THEIR salaries, charges and taxes, of course dividends, and sometimes even "[share buyback](#)".

We therefore assume that 'capital' is by definition the money contributed<sup>12</sup>, either by the shareholder or by the company, its collective of employees, to contribute to the means of production<sup>13</sup> or, sometimes, to save the company from bankruptcy by providing it with a minimum of cash.

## **End of exclusive ownership of the means of production**

The ownership of the means of production (whether private or more or less collective) and indebtedness (whether towards private individuals or towards private or state organisations) have existed for a very long time, and are necessary and decisive for any economy, 'capitalist' or not. In the same way, the exploitation of man (who has only his labour power) by man (who owns and/or controls the means of production) by monopolising a big part of the wealth produced has also existed since time immemorial. Ownership, debt and exploitation are necessary, but not sufficient, to found capitalism, financial or otherwise<sup>14</sup>.

For us, THE characteristic of capitalism is the exclusive appropriation of the means of production by the "shareholders", even though they contribute very little to them, as shown by the figures<sup>15</sup>, and, among many books and articles, the thesis of Th. Dallery analyzed in our article [analyse et complément à la thèse Le divorce rentabilité croissance dans le capitalisme financier Thomas DALLERY](#). This feature is the subject of all our articles in our booklet [l'économie au prisme des moyens de production](#), including [Les trois jalons caractérisant le capitalisme](#). This exclusivity is possible because of the "limited liability" and the legal non-existence of the company.

To change this, nothing could be simpler: it is enough to recognise the property rights that the collective of employees should have. For its right to be recognised, it must be a subject of law, as an association is under the [french law of 1901 according to its article 6](#) (it can "go to court" and "own and administer") and as the employee collectives were in the Swedish trade union proposals and as they should have been in the "UK" and "USA" proposals.

Our proposal is based on the effective contribution of the collective of employees to the means of production, to investments, a contribution that cannot be contested. ALL contributions to the means

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on "*The capitalist buys with a part of his present fortune, his capital, the labour power of the weaver just as he has acquired, with another part of his fortune, the raw material, the thread, and the instrument of labour, the loom*".

In *Capital 1 (Chap. V - Process of labour and process of valorisation)*, Marx describes a capitalist who pays with his fortune and his person: "*Let us now return to our capitalist. We left him having just bought on the market all the factors necessary for the labour process, the objective factors or means of production, the personal factor or labour power. With the trained eye of the expert, he has chosen the means of production and the labour power which are suitable for his particular industry: spinning mill, shoe manufacture, etc.*".

11 In France, laws of 23 May 1863 and 24 July 1867; in England laws of 1856 to 1862 on Joint-Stock Companies limited

12 Money coming either from the shareholder's pocket or from the company's treasury, or from a bank or bond loan.

13 Acquire or rent them, maintain them, renovate them, program them, etc.

14 Read our article [Approche spinoziste de la finance et de l'économie réelle](#)

15 In 2016 investment by share issue: €22m; by borrowing from companies: €297m (source: LaTribune and Insee). The company's contribution is more than 13 times greater than that of the shareholders.

*Article (C-1-m) analysis of employee collective ownership projects*

of production are taken into account: the shareholders' contribution is therefore "diluted" with the contribution of the employees' collective, as it is when new shareholders contribute when shares are issued. Any contribution of the employees' collective to the means of production is to be considered as a share issue.

The consequences of this proposal are the following:

**(0-)** the employee collective becomes owner in the same way and for the same reasons as the shareholder: its financial contribution. You have to pay to be an owner.

*"You have to pay to own"* removes the most emblematic financial tricks:

**(1-)** No more leverage: if a shareholder invests 10 and the company (with perhaps other shareholders) invests 50, that shareholder owns 10, and the company (with perhaps other shareholders) owns 50.

**(2-)** No more share "buy-back": if the company (with perhaps other shareholders) buys back a part of its shares from a shareholder, it becomes a "greater" owner in respect of this bought-back fraction (the bought-back fraction is not cancelled under the pretext that it is the company and not another shareholder who has "bought back" it!)

In both cases, external shareholders and the company have the same acquisition rights, i.e. in proportion to their contribution.

**(3-)** Need for satisfactory results of the company to distribute dividends to the company (its collective of employees) and to the external shareholders, each doing what they want with them, e.g.: the company can reinvest them, which increases its ownership, or distribute them to its employees.

This is the subject of our articles, including [\*Actionnaires et entreprise propriétaires des moyens de production selon leur contribution\*](#) and [\*transition nécessaire pour sortir du capitalisme\*](#), to detail this evolution of the company, of its employees collective.

## **Annex: Summary of the article on Wage-Earner Funds**

*« This article makes the case for a specific variety of what we call Collective Capital Institutions (CCIs), by returning to the idea of Wage-Earner Funds (WEFs) – a 1970s Swedish policy proposal designed gradually to shift ownership and control over parts of the economy to democratically controlled institutions. We identify two attractive rationales in favour of such a scheme and argue that both can fruitfully be transposed to the current worldwide economic situation. The egalitarian rationale is that WEFs could help in the pursuit of equality by giving a wider set of people a stake in collectively owned companies and a right to their profits. The democratic rationale is that WEFs redistribute not only these profits, but also the power over economic decisions made within companies. We then contrast such schemes for collective capital ownership with the similar but much more privatised proposals set out in, for instance, John Rawls's idea of a 'propertyowning democracy'. We argue that CCIs ultimately are more likely to contribute to the development of the 'sense of justice' within society that is needed for a stable just society. We conclude that CCIs deserve a great deal more exploration in academic and political discussions of egalitarian economic systems. »*

In our article, we retain from this proposal the collective ownership of shares by the collective of employees of the company. This collective of employees is therefore a subject of law, a legal status necessary for ownership. This ownership gives the collective the right to share profits and power with the shareholders.

On the other hand, in our proposal, the granting of these shares to the employee collective is not based (as in Sweden or in similar proposals in the UK and the USA) on moral statements (e.g. fair sharing of profits, democratic governance). The granting of shares is based, as for shareholders, on the contribution of the employee collective to investments, to the means of production, including by borrowing and therefore repaying, and this in addition to pay THEIR salaries, charges and taxes and of course the dividends demanded by the shareholders. Profits and power are therefore shared between shareholders and the employee collective in proportion to their respective contribution, as is currently done between shareholders. For the shareholder or the employee collective, ownership is by merit and property rights are the same.