

# The Spirits of Democratic Enterprise

## Insights from the Case of Denmark

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# **The Spirits of Democratic Enterprise: Insights from the Case of Denmark**

## **Introduction**

This paper discusses how to conceptualize the historical emergence of and organizational variation in the subsector of the social economy constituted by democratic enterprises. Research and debate on the democratization of economic life at the firm level has seen a resurgence in the post-2008 conjuncture, which has been marked by increasing questioning of neoliberal dogma. In parallel with increasing political scrutiny of the ‘shareholder value paradigm’ and proliferating attempts to develop a ‘political theory of the firm’ (Anderson 2017; Ciepley 2013; Ferreras 2017), new generations of scholars and activists are pursuing discussions of workplace democracy (Moriarty 2005; Landemore & Ferreras 2016; Andersson 1999; Breen 2015; Gourevitch 2013, 2014; Gourevitch & Robin 2020). In Britain, a number of think tanks, such as New Economics Foundation, Common Wealth, Mutuo, We Own It, The Democracy Collaborative, Institute for Public Policy Research (IPPR), Co-Op UK are attempting to bring democratic ownership back on the agenda, just as similar organizations have done in the USA. Both in Britain and the US, these movements have been closely connected to political movements, especially by Bernie Sanders and Jeremy Corbyn, who have often referenced Denmark, or Nordic Social Democracy, as a political ideal.

This paper uses the history of cooperativism in Denmark – a country with a rich history of democratic enterprises – to establish a typology of socio-economic motivations in order to better understand and characterize the organizational ecology of democratic enterprises – something which this paper often finds lacking in contemporary accounts of democratic ownership and enterprises as well as on workplace democracy. In a recent article surveying the contemporary debate on workplace democracy, Frega, Herzog & Neuhäuser (2019, 8-9) argue that more historical-empirical work on the actual motivations and consequences of workplace

democracy is needed. This article contributes to the literature on workplace democracy and democratic enterprises by exploring and cataloguing a wider array of motivations that participants in democratic enterprises can have as well as the benefits they can expect to get. We argue that when shifting the focus from the realm of normative theories of workplace democracy to the practices of historically situated actors, it becomes clear that democratic enterprises are rarely informed by a sole commitment to the intrinsic value of democracy. In addition, we argue that democratic enterprise and shared ownership of the means of production, ought not to be inherently understood as a way to transcend capitalism. In fact, in the Danish case, both historically and in the contemporary conjuncture, this is rarely the case. As such, apart from the ambition of living a free life or the objective of de-alienation and de-commodification as a strategy of emancipation from the bondage of capitalist social relations and leaving wage slavery behind (both related to a part of what we call the Proudhonian Spirit of democratic enterprise), we also identify the more moderate aim of establishing democratic enterprises as a defense mechanism against the ravages of market society (what we call the Polanyian spirit), the commercial goal of improving market access and thus allowing property-owning producers to prosper (the Smithian spirit) and the practice of voluntary associations owning enterprises to bankroll the realization of their cultural or socio-political visions (the Hirstian spirit).

As an answer to the call of Frega, Herzog & Neuhäuser, we take our starting point in a concrete empirical context. Based on a case study of Denmark – a country with a long and distinguished history of cooperativism – we argue that it is pertinent to retain a pluralistic and affirmative view of the multiple historical paths to creating a vibrant sector of democratically governed economic enterprise. Ideals of democratic ownership and governance in economic life have and continue to be immensely influential in shaping Danish national economic culture. Specifically, we ask based on the Danish case how to account for the different models

of democratic enterprises that co-exist. In the paper we draw on a recent analysis and data set (n=5,864) of the newly established Danish think tank Demokratisk Erhverv [Democratic Enterprise] to map and take stock of the economic performance of what they term the sector of ‘democratic enterprise’ in Denmark in 2018 (Skovrind et al. 2019). Demokratisk Erhverv is a policy advocate organization, founded in 2018, and funded by a wide array of democratic enterprises, some of which among the biggest firms of their respective sectors and are thus a central part of the Danish economy. However, since the think tank’s objective is to further the cause of democratic enterprise, they treat as one whole what is in fact made up of essentially different constituent parts. The report lacks the historical, theoretical and empirical sensibility to analyze the different forms of democracy and organizational aims that are at stake in the organizational ecology of the Danish democratic enterprise sector, both historically and actually. This paper therefore asks: How can we use the Danish case to understand organizational variation in democratic enterprises?

The paper draws on this data set as well as the Danish historical experience to extract four different and distinct ‘spirits’ of democratic social enterprise in order to conceptualize the organizational variation parsimoniously. The typology draws on Max Weber’s methodology to make the ideal typical *motivation* or socio-economic purpose that groups of actors pursue the point of departure. The crucial aim is to identify and conceptualize the different goals involved in choosing a democratic constitution for an economic enterprise. As with Weber’s ideal types, the typology presented here is an abstraction created to approximate reality and does thereby not provide a complete description of any given enterprise. There is also a difference between the mode of discovery in the research process and the mode of presentation in this paper. The ideal types are presented first, and subsequently used to analyze the historical development as well as the actual composition of the democratic enterprise sector in Denmark. However, they are at the same time drawn and synthesized from

this very material. This means that the paper is primarily a case-study based on and applicable to the Danish case. However, as we argue at the end of the paper - and this is also why we have chosen ‘general’ names for the ideal-types – the typology is potentially relevant for other case studies as well. However, further empirical analysis, as well as resulting corrections to the typology, will have to be conducted in order to test whether this is the case.

The paper seeks to contribute to the debate on democratic enterprises and workplace democracy with a Weberian *differentia specifica* in taking the ‘spirits’ as its point of departure. By ‘spirit’ Weber understood the governing ideational-motivational principle of a given form of social interaction, organizational structure or political system. The paper does not seek to account for and integrate all relevant distinctions (for instance legal forms, relations to markets, funding sources etc.), but rather push the ideational-motivational factor as a stab at cutting through complexity from a novel analytical angle.

The paper is structured as follows. Next, we present the typology and the Weberian methodological approach that it builds on, as well as the contribution of this paper to the literature on workplace democracy and democratic enterprises. In the third section, we illustrate the usefulness of the typology in terms of deepening our historical understanding of the Danish experience of democratic enterprise. This is done through narratives of the interwoven historical development of each of the four spirits. The fourth section assesses what remains in Denmark’s extensive historical experience with democratic enterprises today, drawing on a recent quantitative mapping of the firms (n=5,864) that constitute the so-called ‘democratic enterprise’ sector, and challenges its assumption of a unified sector. In the final section, we conclude and discuss the potential implications of this study for research on democratic enterprises both in Denmark and beyond.

## **The Socio-Economic Motivations for Constituting Democratic Businesses: An Ideal**

### **Typology**

This section proposes an *ideal typology* as defined by Max Weber (1949). The interpretivist aim of the typology is to achieve *verstehen* by capturing variation in the *motivations* that groups of actors may have in deciding to set up a democratically governed firm. From a Weberian perspective, it is crucial to understand the rationalities, aims and goals that drive human beings because they are central to legitimizing and justifying actions (Weber 1968). Like Weber, we acknowledge that the ideational-motivational factor is not a complete, but nonetheless a necessary part of a research program that seeks to account for socio-economic history and actions. The typology is constructed by asking how we can parsimoniously conceptualize variation in the socio-economic purposes that different groups of actors seek to realize through democratically organized economic activity.

The paper takes as its starting point the definition of a democratic enterprise given by the data material from the think tank Demokratisk Erhverv. We thus define a democratic enterprise as “an independent commercial organization which according to its by-laws is controlled by a democratic assembly approximating the principle ‘one member, one vote’, or where as a minimum half of the control and/or ownership can be directed to this democratic assembly. Members can be organizations, producers, consumers and other private persons, and membership must be relatively open.” (Skovrind et al. 2019, 3). This means that a democratic enterprise is a firm with a corporate constitution that formally decrees equal ownership and influence on the actions of the enterprise. The definition involves a contrast from the public traded stock-corporation where votes (and thereby influence) are distributed in relation to the

share of ownership (more shares equal more voting rights, division of a- and b-shares).<sup>1</sup> However, the point of this paper is to challenge this definition insofar as it assumes a unitary sector of democratic enterprise, whereas our argument is that the democratic enterprise sector is characterized by a huge variation in socio-economic purposes and motivation, and that we need a better theoretical and historical understanding of the phenomenon in order to grasp this.

Following Weber's method, we arrive at the typology through empirically informed theoretical abstraction. Based on a combination of reflections on the Danish historical case, existing research literatures, and the works of four classical social theorists (Pierre-Joseph Proudhon, Karl Polanyi, Adam Smith and Paul Hirst), we propose to synthesize and condense historical complexity into four theoretical categories. The criterion of success for an ideal typology is not to provide a perfect description of the research object. Rather, Weber argues that it must be judged on its historical salience in terms of allowing for the interpretation of distinct socio-economic phenomena: Can it help us to grasp the essence (or essences) of the phenomenon under study? Is it useful in opening our eyes to otherwise hidden or neglected variation, or indeed lines of conflict that have divided the field? Does it allow us to widen our understanding of the past, and, hence, our imagination of what a future democratic social economy could (also) look like? Ultimately, the hope is that the typology would transcend its national origins to speak to international debates.

Table 1 offers an overview of the key differences that the typology seeks to capture. As can be seen, the distinction between socio-economic purposes as its point of departure. We then proceed to derive the organizational forms (owner type, degree of

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<sup>1</sup> The degree to which these firms are democratic *in practice* is a different matter. Here we only focus on identifying contending motivations for institutionalizing a formal democratic constitution. It is also important to note that this does not mean that these enterprises cannot be publicly traded stock-corporations, however, the majority of stocks would in this case be owned by an enterprise or a foundation with a democratic assembly. This also means that what we characterize as a democratic enterprise differs from worker-representation or co-determination (as in the German system) in that the participants have more than governance- and influence- rights, but rights of ownership and equal participation.

democracy) and class constituencies that *typically* (although not with logical necessity) constitute the material basis of realization for each ideal type. In this section, we proceed at an abstract-theoretical level, followed by an historical concretization of the Danish case in the next (although, as has been mentioned, in actual fact the abstract-theoretical level is constructed upon the historical material).

### **Table 1 here**

#### *The Proudhonian Spirit: Workers' Association as the Engine of Liberation*

The Proudhonian spirit hinges on a longing for liberty. More specifically, it expresses the desire to use democratic self-management of economic enterprises as the lever for achieving liberation from both economic and political domination. We name it after the French thinker Pierre-Joseph Proudhon (1809-1865), whose mutualist variant of anarchist thought was among the most powerful and influential emancipatory theories of the 1800s (see Wilbur 2018). Confronted with the proliferation of a new mode of unfree existence for the popular classes – that of the wage laborer - accompanying the consolidation of capitalist social relations, Proudhon (1857) optimistically prophesied that the future would see this state of ‘industrial feudalism’ replaced by an “industrial democracy”. The fulcrum of this new order would be the worker associations, which he saw as “the locus of a new principle and model of production that must replace present-day corporations” (Proudhon 1857). Only through owning and operating enterprises in common on a mutualist basis, Proudhon argued - against the statist socialist vision of Louis Blanc in particular - would it be possible for workers to escape not only the domination by capitalists, but also the inherent authoritarianism of the state.

Proudhon was not unique in making liberation the goal nor in pinpointing the economically ‘feudal’ character of capitalism as a system that did not allow for the vast



majority of individuals to live independently of the domination of their masters. And nor was he alone in identifying cooperation as the principle that would ultimately supersede capitalism. Indeed, this was a shared vision of a broad spectrum of nineteenth-century socialists and ‘labor republicans’ (Gourevitch 2014), all of whom shared the pre-liberal notion of freedom as material independence and consequently viewed ‘wage slavery’ with great skepticism (Domènech, 2019; Leipold, Nabulsi & White 2020). When we nonetheless name this revolutionary spirit of democratic enterprise after Proudhon, we do so because he mounted a particularly spirited defense of the transformative potential of democratic enterprise. Indeed, he envisaged democratic workers’ associations, growing organically from the bottom up/micro-level into ever-larger federations, as a *sufficient* strategy for societal transformation. Whereas socialists of the Marxian stripe at best viewed cooperativism as an element of a wider project, a useful aspect that would help the democratization of the state along, and at worst viewed it as an illusory distraction, Proudhon and his anarchist descendants conceived of democratic enterprise at the micro-level as the centerpiece. It was not a form of action that would be merely helpful to the class struggle, but rather the direct route to liberation - rendering the statist phase unnecessary.

#### *The Polanyian Spirit: Cooperative Organization for Resilience against the Market*

The Polanyian spirit expresses the inclination to start a democratic firm as a mechanism of self-defense against the detrimental effects that an excessively market-based economy has on social life. The Austrian economist Karl Polanyi (1944) presents the ‘great transformation’ of the nineteenth century, which resulted in ‘market society’, i.e. an historically novel type of economic system, fueled not by reciprocity, but by pure material self-interest. He further analyzes how new forms of social organization quickly emerged in response to the new, transgressive market relations, as society attempted to protect itself against its detrimental

consequences. In particular, from his historical vantage point of the early 1940s, Polanyi predicts that this process of self-defense will ultimately lead to the de-commodification of three crucial resources – land, labor, and money – which the market order had turned into ‘fictitious commodities’.

Polanyi’s condemnation of a societal order in which the profit motive trumps human needs and prophecy of a ‘re-embedded’ political economy, makes it useful to use his name to describe the entrepreneurial spirit of individuals banding together to democratically influence the production, distribution, and consumption of one or more resources that they need to reproduce the existence of the community. The prototypical organizational form that the Polanyian spirit leads to is the *consumer cooperative* on the model developed by the Rochdale Pioneers in 1844. The basic idea of any Polanyian cooperative is that by pooling and democratically managing means of reproduction (from foodstuffs over energy to housing and credit mutuals and beyond), it becomes possible for people to erect firewalls against the potential exploitation allowed for by the market system and thus improve their living standards.

The Polanyian spirit is comparable to the Proudhonian insofar as both are mobilized against perceived negative consequences of capitalist markets. However, there are two important differences in terms of the level of ambition. First, the Polanyian spirit is not revolutionary. Its aim is pragmatic; to better the conditions for working people, but not to transform their life-form. Second, it is all things being equal less oriented towards democratic self-government as an intrinsic good than the Proudhonian spirit. The goal of cooperation is not to govern in common, but rather to use the strength of the many to procure cheaper, better products. This does not preclude the possibility of Polanyian-inspired organizations developing a strong participatory-democratic political culture.

*The Smithian Spirit: Producers’ Cooperation as a Commercial Stratagem*

Whereas the Polanyian spirit involves limiting the damage inflicted by markets, the Smithian spirit is pro-commercial: Democratic enterprise deployed as a tool for producers to be able to perform better on competitive product markets.

This spirit is named after Adam Smith to underscore not just that it endorses market competition, but *also* – with reference to the other, moral economic side to Smith’s works – that it involves political identification with a certain sociological prototype, the enterprising individual. More specifically, the Smithian spirit leads individual ‘free’ producers – i.e. people who are already free in a republican sense due to ownership of means of subsistence – to form cooperative organizations in order to improve market access and product quality, so that they may more efficiently make enough money to retain their freedom. We are dealing with a social form of organization that leads a group of culturally homogenous individuals (who might however be very different in terms of property ownership) to prefer internal solidarity to cutthroat competition, in recognition of the expected mutual gain of cooperation on a democratic basis. Historically, the class base has tended to be farmers, who have practiced the Smithian spirit through agrarian producer cooperatives such as e.g. the Grange in the US and, as we shall see, the farmers’ cooperative movement in Denmark.

In contrast to the Proudhonian spirit, the ideal of democratic governance plays a more instrumental role for the Smithian spirit. Democratic cooperation – equal political control rights for producers regardless of how much produce they bring to the community – is not chosen for idealistic reasons, but due to its perceived economic rationality: When a group of small producers band together, they increase their competitive chances of participation in the market. This is an economic calculus, not a philosophical favoring of a democratic lifeform. Indeed, there may be sharp limits to the democratic community so construed. In the Danish example, the farmers’ cooperatives expressed an internal class solidarity, but excluded those

who were *not* already free producers, such as waged-workers and farm-hands, from joining the democratic community.

*The Hirstian Spirit: Associative Democratic Ownership in Pursuit of Cultural-Ideological Visions*

Finally, the Hirstian spirit of democratic enterprise is based on ideologically open-ended *idealism*: To set-up a firm as a vehicle for generating capital for a set of ideal purposes as defined by a voluntary democratic association.

This type is named after Paul Hirst (1946-2003), a British sociologist and theorist of associationalism. Centering on the case of the UK, Hirst proposed major social reform to allow for a bigger role for voluntary democratic associations *both* in welfare reform *and* in productive life. Resurfacing the neglected tradition of British pluralism, Hirst's (2013) call for 'associative democracy' was an original attempt to identify an alternative to both top-down statism and the market mechanism in the post-Cold War conjuncture. Beyond the normative commitment to and open and democratic associations based on voluntary membership, Hirst did not prescribe any substantive set of ideals. "The Good Society" would emerge by allowing people to pursue *any* set of cultural, ideological or political beliefs they might hold (and only for as long as they would hold them). This is why 'Hirstian' is a good placeholder term for the economic aspirations of democratic associations – whatever their substantive agenda.<sup>2</sup>

As a distinct and discernible motivation for undertaking economic association that cannot be reduced to either of the former three, the Hirstian spirit is required. However, the Hirstian category does operate at a different level than the former three, because the enterprises owned by democratic associations are not themselves autonomous democratic entities.

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<sup>2</sup> Arguably, the Hirstian spirit of associational-democratic ownership is a democratic cousin of foundation-owned businesses, another 'real type' with a rich tradition in the Danish case (Lund & Berg 2016). Here, too, one will need to read the charter to see what substantive spirit is at play.

Moreover, the lack of a substantive set of ideals makes it difficult to clarify the class basis and importance of democratic ideals for ‘Hirstian’ firms in general. Both clearly depend on what particular association is the owner. As we shall see below, the Danish case has historically seen very different actors in a political-ideological sense – from Christian groups to the boy scouts and the social democratic workers’ movement – establish firms. Indeed, the Hirstian spirit is arguably always articulated with other spirits, since associations will always, by definition, harbor more substantive cultural-ideological intentions than simply that of running an enterprise.

### **A Brief History of Democratic Social Economy in Denmark**

Denmark is perhaps most famous for its state-funded universal welfare model. However, before its establishment in the mid-1900s, we find a rich history of democratic socio-economic organization outside of the state. In this section, we use the typology as an analytical scaffold on which to base a study of this legacy (although, again, the scaffold has been erected through the historical case).

Modern capitalist economic development takes off relatively late in Denmark. Land reforms in the late 1700s leads to the formation of a new class of free farmers, who gradually come to self-awareness as such during the 1800s. Meanwhile, industry does not take off until after the absolutist monarchy finally gives way to a constitutional monarchy based on a liberal constitution (1849). After a subsequent law on free enterprise in 1857, artisans are free to expand their shops beyond the socio-economic confines previously regulated by the guilds (Lund & Sørensen 2018, 23). As a new mode of production begins to alter the social fabric in the second half of the 1800s, one finds a rapid emergence of new ideals and practices of social economy, which largely mirrors developments elsewhere in Europe. The immediate spur for this emergence is the growing tenacity of ‘the social question’: How to ensure decent

conditions of living for those without sufficient means to sustain themselves in the modern economic order?

The Polanyian spirit marks the first wave of modern social economic practices from the 1860s onwards. The predominant aim is to establish mechanisms of “self-help” by which to provide common people with means to combat destitution and pauperization. With inspiration from both the UK (the Rochdale Pioneers) and Germany (Raiffeisen and Schulze-Delitsch), the idea of a consumer cooperative is imported. Following some unsuccessful attempts in Copenhagen in the 1850s, the first economically sustainable consumer cooperative association is established in the North Jutland town of Thisted in 1866. Its founder, reverend H.C. Sonne, is appalled by the low material and moral standard of his parishioners, and hopes that the cooperative will ensure them “a carefree livelihood and worldly well-being” (Lund & Sørensen 2018). This idea finds resonance. By the late 1870s, Denmark has 160 such consumer coops, and by 1919, the country is covered by nearly 2000 of them (for a population of roughly three million).

Although founded on a democratic basis on the Rochdale cooperative model, the first wave of democratic social economy is only partially driven by self-organizing drives “from below”. Reverend Sonne is a good example of a Christian establishment figure seeking, at least in part, to ensure that a social safety net of self-help may serve to preempt the development of socialist socio-economic organizations controlled by workers. In turn, of course, such class-based organizations appear anyway with the growth of the labor movement. This development follows a broader international pattern. But in the Danish case, a highly pertinent intervening phase occurs as the most highly organized fraction of the Danish people – the farmer class – turn to democratic social economy on a mass scale decades before the working class and, arguably, with a degree of success never matched by the labor movement.

The Smithian spirit marks the second wave from the 1880s onwards. Democratic social economy shifts from being deployed to counter ‘the Social Question’ produced by capitalism, to becoming a commercially fortunate means for improved market access. It begins with a crisis, however. Faced by an urgent threat to grain exports after the opening of European markets to grains from the US and Ukraine, the Danish farmer class scrambles to protect – and, in turn, improve - its livelihood through two innovations. First, they pivot from grain to animal produce (butter and bacon for the UK market in particular). Second, they develop a new model of governance: the cooperative enterprise. In the Southern Jutland village of Hjedding, the first cooperative dairy is established in 1882. Local farmers band together to invest in new technology (smørkerne) that allows them to enhance the quality of their produce and thus to compete against the dairies of the land estates. From Hjedding this organizational innovation spreads like a wildfire, with 1032 cooperative dairies having been established by the turn of the century (Jakobsen 2006, 84). Several types of parallel producer cooperatives follow (slaughteries, grains and fertilizer, poultry and egg production, etc. Jakobsen 2006, 86).

In terms of governance, the cooperative enterprise is remarkable for its democratic, and – indeed – anti-capitalistic – character. Voting rights in the general assembly are not decided by the volume of inputs to the common pool. The farmer with one cow has an equal say as the one with a hundred. Why did Danish farmers embrace this form of organization? Arguably, this radically inclusionary setup was made possible by the intense accumulation of social capital and culturally embedded class solidarity made possible by the Grundtvigian self-enlightenment movement of folk high schools and a rich associational life of the preceding decades. However, it would still be wrongheaded to see the well-being of the democratic community as the essential aim of the farmers’ cooperative movement. Democratic cooperation was a means, not an end: After all, the economic benefits from participating outweighed the drawbacks for individual farmers (even the richer ones). Moreover, it should

not be forgotten that there were still limits to the social inclusiveness of the cooperative movement. Only freeholding farmers were allowed membership, and neither their servants nor land tenants were empowered.<sup>3</sup> The Smithian spirit dominating this period of Danish cooperative history, as well as Polanyian spirit dominating in the initial period, forcefully shows how democratic ownership cannot be reduced to a means of transcending capitalism, as Marxian approaches to workplace democracy would argue. In contrast, the Smithian spirit of democratic enterprise is not only potentially compatible with capitalism; it can be commercially advantageous.

The third wave of democratic social enterprises, from the 1890s onwards, is driven by the growing engagement of the social democratic labor movement. However, for interesting reasons now to be discussed, its key spirit turned out to be Hirstian and Polanyian, rather than Proudhonian. During the 1870s, the incipient workers' movement of Copenhagen attempted to set-up productive associations in several crafts, to get rid of the masters and to own and operate in common. However, the economic downturn of the late 1870s laid these pioneering efforts to waste in what was also a retrograde period for the political and union branches of the movement. When what would later be known as Arbejderkooperationen [The Workers' Cooperation] returned, its objectives had changed. The first success story was cooperative bakeries, which spread from Aarhus (1884) and Copenhagen (1886) to twenty towns by 1899, to provide workers with a trustworthy source of decently priced daily bread. In their wake, a plethora of other Polanyian-spirited, working-class controlled cooperatives were established across the country to cover a plethora of other everyday needs for working class families: milk, margarine, clothing, beer, then life insurance, housing, fuels, banks, hair salons,

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<sup>3</sup> It is worth adding that the Smithian and Polanyian spirits coincided in the farmers' cooperative movement. Not only did farmers join their local consumer cooperatives for cheaper means of subsistence. The economic basis for the capital invested in cooperatives came from local mutuals (Sparekasser) (Jakobsen 2006, 84). This illustrates that the different 'spirits' are not mutually exclusive. Rather, they appear in different mixes in various organizational and social movement constellations.



and not least, retail (worker-controlled co-ops as the pendant to the rural co-ops on reverend Sonne's model). By the 1920s, the labor movement has built up an entire world of economic enterprises that offered a cradle-to-tomb alternative to capitalist enterprises (for an excellent overview of this historical development, see Grelle 2012, 63-128).

All of the enterprises mentioned above were constructed on a democratic model of government and as alternatives to capitalist enterprises. However, the owners were only in very few cases the employees of the enterprises. The workers' retail coops were consumer-owned like their rural counterparts. Meanwhile, the productive enterprises were founded and owned by *associations* – namely the local and in some cases national branches of the unions. Thus, these enterprises became 'Hirstian' vehicles for advancing the ideal aspirations of their owning associations (in this case the improvement of the working class).<sup>4</sup> To put it differently, the Proudhonian ideal of self-government by the working class was in Denmark soundly interpreted as self-government *by the organizations representing* the working class. Indeed, the Danish social democratic labor movement was from the onset characterized by its nationally coordinated character with a democratic leadership of both unions and the party staking out the political line from Copenhagen, with only limited possibility for (or faith in) local groups of workers establishing autonomous 'workplace republics'.

Intriguingly, while political top-down coordination remained robust, the hegemonic project of leading social democratic intellectuals like Frederik Borgbjerg (1866-1936) was nonetheless firmly cooperativist and social economic in its appeal. The historical mission of Danish social democracy, Borgbjerg (1890) argued, was precisely to copy the farmers' cooperative movement, but at the national level and on a socially inclusive basis, to create a 'Cooperation State'. In hindsight, Borgbjerg's imaginary was deployed to persuade

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<sup>4</sup> In the same epoch, we also witness the establishment of Hirstian enterprises owned by associations with very distinct ideological ambitions, such as Christian revivalists and the boy scouts' movement.

that the country as a whole was to be constituted as one, big cooperative association (i.e. with parliamentary democracy and equal voting rights ensured through universal suffrage plus citizens' economic co-ownership gradually achieved through nationalization). It was not, however, a grassroots vision of thousands of cooperatives serving as autonomous power centers. In the end, as the original Borgbjergian project of socializing the economy through the state faltered, the historical legacy has been a solid tradition of consumer cooperation and economic ownership by democratic membership cooperation – but with very little experience of 'Proudhonian' employee ownership and self-governance.

The period from the 1920s to the 1970s marks the birth and consolidation of the Danish universal welfare state. What in hindsight is most remarkable about this period from the point of view of social economy is the simultaneous withering away of the socio-cultural class foundation of both the farmers' and workers' cooperative movements. In the countryside, the agricultural cooperatives survived and even thrived economically. Meanwhile, the cultural vibrancy of the self-organized farmer class that initially informed them gradually broke down. In parallel, the worker cooperation enjoyed its heyday in terms of market share as late as the 1950s. But the class nature of this organizational complex faltered, as the interest in using social economic activity as a vehicle for class upheaval was minimal among both union and political leaders. In 1946, later Social Democratic prime minister J. O. Krag famously prophesized a future for the workers' cooperation as the defender of 'consumer interest' – but nothing beyond this. The culmination of the decoupling of class projects from "pure" Polanyian consumer cooperation came in 1973, when the urban and rural co-ops agreed on a merger.

From the 1970s until the 2010s, Denmark's democratic social economy has been in general decline. The 1970s saw a brief upsurge in earnest discussion about the prospects for 'economic democracy' propelled by the eventually unsuccessful Social Democratic proposal to setup union-controlled wage-earner funds (Toubøl & Gielfeldt 2013). In this debate, the

activist and academic left responded with demands for employee-ownership, reflecting the revival of the Proudhonian spirit in this decade. Meanwhile, the existing worker-controlled sphere of economic enterprise – the Workers’ Cooperation – went into ever-deeper crisis, with a series of bankruptcies in the 1980s and 1990s. During the same period the farmers’ cooperative movement completed its metamorphosis, in part through international mergers and acquisitions, into a set of - still formally democratic - mega-conglomerates, such as Arla and Danish Crown, attuned to the conditions of globalized competition (Lund & Sørensen 2018, 25-26).

It is too early to provide a final verdict on the trend of democratic social economy since the 2008 financial crisis. However, there are evident signs that ideals and practices of economic cooperation are heading towards a revival. The establishment of the think tank *Demokratisk Erhverv* is one such sign (see below). Another is the trend among companies like COOP and Nykredit to highlight their democratic constitution. A third sign is the stream of policy proposals from political parties of the center-left since 2018 – following decades of silence on the topic – to enhance cooperativism. The sense that Denmark has a long-standing tradition of democratic ownership worth defending is growing. This implores us to take stock: What is left of the rich historical legacies today. What material (and ideational basis) can such a revival start from and build on. In the next section, we critically analyze a recent ambitious attempt to produce such a stocktaking by diving into empirical questions of the economic performance of a variety of democratic enterprises in contemporary Denmark.

### **Anatomy of Denmark’s ‘Democratic Business Sector’: A Critical Analysis**

In what follows, we draw on the recent analysis conducted by the Danish think tank *Demokratisk Erhverv* [Democratic Enterprise] to map and take stock of the economic performance of what they term the sector of ‘democratic enterprise’ in Denmark in 2018

(Skovrind et al. 2019). However, we do so critically as it is necessary to make explicit some caveats concerning the knowledge interests underpinning this work.

*Demokratisk Erhverv* is a policy advocacy organization, founded in 2018, and funded by a wide array of democratic enterprises, some of which among the biggest firms of the sector (including *COOP*, the union-owned insurance company *GF Forsikring* and *Lån og Spar Bank*, the agricultural producers' lobby organization *Landbrug & Fødevarer*, and several energy companies). Entering into the marketplace or battlefield of ideas in Danish public debate, *Demokratisk Erhverv* needs a robust external reference point to justify its existence as a think tank. A social reality corresponding to its activities needs to be in place, or – failing that – a pervasive discourse of the existence of a democratic sector as a *sui generis* entity must be established. In other words: If there is no such thing as a separate sector of democratic enterprise, one needs to be articulated. Indeed, the logic of the pioneering report which we draw upon in the following (Skovrind et al. 2019) is clearly to establish the coherence of *the* democratic sector, as a prerequisite for advocating the societal benefits of democratic ownership – and, in turn, policy change at the state level in favor of its constituent companies.

However, as we will argue below, what the think tank is politically obligated to treat as one whole is in fact made up of essentially different constituent parts. The refined empirical approach of the report in fact undermines its own claim to coherence by presenting the conclusion that the different *parts* of the sector are actually in quite different health and face distinct challenges. What the report reveals upon a critical reading is that it is impossible to escape certain contradictions and evasions when seeking to hold together the concept of one unified sphere of democratic enterprise. What really persists in Denmark – and what the report maps - are the institutional remnants of three different ideals of a democratic social economy: the Polanyian, the Smithian, and the Hirstian. We now move on to show this through a curated run-through of some of the main findings of the report.

The report meticulously defines the criteria by which it is decided whether or not any given firm is included into the democratic enterprise sector:

Any independent, commercially active organization that according to its statutes is governed by a democratic assembly whose mode of operation approximate the principle of ‘one member, one vote’ or any organization for which at least half of the control and/or ownership can be traced back to such a democratic assembly. Members may include organizations, producers, consumers and other individuals and membership must be relatively open. (authors’ translation, from Skovrind et al. 2019, 3).

This choice of definition can be debated on several accounts. First, it retains a formal definition of democracy, which looks at whether a firm is democratic *in principle* and does not take the degree of member or owner-involvement into consideration. Second, Skovrind et al. (2019) explicitly articulate the sector of democratic enterprise as a subsector of the *private* economy, thus excluding the possibility of conceptualizing publically owned companies as part of the democratic sector. They clearly delimit their approach (and advocacy) from anything resembling a Yugoslavian-style political economy. Table 2 indicates the absolute size of the democratic enterprise sector, so defined.

### **Table 2 here**

Table 2 shows, based on data from *Danmark’s Statistik*, that 5,864 individual businesses are identifiable as democratic.<sup>5</sup> Since there are 307,115 regular, non-democratic companies, we see that 1.9 % of all Danish companies, for which economic statistics are available, are democratic. However, when it comes to turnover, we find that the democratic enterprises

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<sup>5</sup> The CVR Register, the official database of Danish enterprises, in fact includes 18,605 enterprises that can be deemed democratic judging from their statutes. However, we statistical data on the performance is not available for all of them, but only for the 5.864. Fortunately, the overwhelming majority of larger firms are indeed covered in the data set. Most of the companies we cannot account for are of a limited size. This is the case, for example, for the thousands of small co-op housing associations (andelsforeninger).

account for approx. 8.3 % of all turnover (amounting to roughly €44.4 out of a total of €533.8 billion euros). This indicates that democratic businesses are on average larger than ordinary businesses.<sup>6</sup> Furthermore, some 154,229 individuals were employed in a democratic enterprise by 2017, delivering 111,520 full-time equivalents, amounting to 5 % of the work hours contributed by the entire wage-labor force. 1 in 20 hours contributed by a Danish employee in 2017 were delivered within a democratic enterprise.

The strategic goal of the report is not simply to document the existence of the sector, but also to make a plausible claim that it is doing as well – or even better – than conventional capitalist enterprises. Hence, performance measures must be presented, and it is at this step that the authors reveal their understanding of the need for performance measures that are specific to owner types, so as to not offer generalized conclusions that eviscerate the fact that the form of ownership may matter greatly to performance.<sup>7</sup>

### **Table 3 here**

Tables 3 and 4 chart the relative size of the subsectors of the democratic enterprise sector, as measured by owner type. For convenience, we have added the ideal types to which each owner type *tends* to correspond according to the analysis in section 2 and 3. Table 3 offers the first surprise. While a total of 54 employee-owned enterprises are registered in the Danish CVR-register, there is an even lower number for which statistical data are available, leading Skovrind

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<sup>6</sup> Here we should bear in mind that 'other enterprises' also cover single-individual enterprises.

<sup>7</sup> It is of course not possible to prove that the varying performance of different types of democratic enterprise is caused by organizational form alone. It is fully possible that sectoral and conjunctural characteristics also help explain the outcome. For example, if times are generally good in the agricultural sector at the time of study (favorable conditions for Danish companies on export markets), then that will tend to inflate the average return to assets for producer-owned cooperatives, since most of these are owned by farmers. Hence, we in no way assume that the data provided by Demokratisk Erhverv provides access to the 'pure effect' of choosing one organizational form over another.

et al (2019) to subsume this category under ‘association-owned enterprises’. There are simply too few companies of this type to make a meaningful assessment of their average performance. In extension, we can conclude that the Proudhonian ideal of workers or employees owning and operating their workplace has virtually no basis within Denmark’s political economy.

#### **Table 4 here**

Table 4 further documents the relative weight of different types of democratic enterprises. We observe that the producer-owned firms tend to be larger, as they account for more than half of the annual turnover of the sector (roughly 175 billion kroner), despite only 8.9 % of all firms belonging to this category. Consumer-owned firms employ almost half of the total number of workers in the democratic enterprise sector, whereas the remaining half is split relatively equally between association-owned (28.9% of full time equivalents) and producer-owned firms (24.1 % of full time equivalents).

#### **Table 5 here**

Finally, Table 5 takes us to the interesting finding that the three categories of companies present quite different profiles in terms of economic outcome. Table 5 provides some selected economic performance indicators for each of the three types of democratic firm – and for the non-democratic sector as a baseline. When it comes to return on assets (a measure of the rate of profit that the firm’s operations generate for its owners), we find that all three types of democratic firm are doing well. The average non-democratic business has a return on assets of 5.3 %, compared with 6.1 % for producer-owned and 6.2 % for associational democratic firms. These two types, then, manage on average to be slightly *more* profitable than ordinary firms.

This speaks against any theoretical expectation that democratized corporate governance works against efficiency.

Meanwhile, the consumer-owned firms have a significantly lower average rate of return on assets (1.7 %). This, however, is what we would expect of a consumer-owned business, which is not put in the world to generate profits, but rather to keep prices low and quality high. A high return on assets from, say, an electricity company would most likely not be appreciated by its consumer-owners: It would imply that prices were retained at a higher than needed level and/or that too little was being done in terms of investing in upgrades to the infrastructure of electricity; maintaining the grid and making sure to be on the forefront of new technologies of energy-saving electricity production. As it turns out, the consumer-owned firms do in fact seem to prioritize *investments*. Whereas on average non-democratic firms invest 58 ører for each krone of profit, the consumer-owned firms set aside no less than 2.50 kr for each krone of profit. On the other hand, both producer-owned and association-owned enterprises invest at a slightly lower level than non-democratic companies (46 % and 40 % respectively). Finally, while association-owned firms have an average solidity of 44 % which is quite close to the non-democratic average of 46 % (as measured by the share of equity capital relative to all actives), consumer-owned firms are generally more solid (56 %) whilst producer-owned firms are slightly less solid. This, again, is to be expected since it is well known from existing research that Danish farmers – like their counterparts in most countries - tend to be highly dependent on loans.

In summary, Demokratisk Erhverv takes their findings a victory, suggesting that they prove the health and good performance of ‘the democratic sector’. However, one could also conclude that it shows that it is not feasible to collapse organizational forms together because their different underlying rationalities lead to very different performances and makes it unfair to measure them with yardstick developed for standard capitalist enterprises. At a more



general level, we could question the need to motivate democracy instrumentally in terms of its proficiency to turn profits: Even if some of the forms did perform worse (which data suggests not to be the case), they could still be desirable from a moral point of view.

### **Conclusion and Implications**

In the preceding sections, we have taken as our starting point the historical and present case of Denmark to introduce a new typology of ‘spirits’ of democratic enterprises, with a Weberian methodological concern for the motivations that lead groups of actors into action at its heart. The message to international scholarship that comes out of this analysis is that the Proudhonian spirit – of using democratic workplace republics as a vehicle for immediate emancipation from wage slavery and the arbitrary power of bosses – is but one of several historically important spirits in terms of informing attempts to build alternatives to standard capitalist enterprise. In the Danish case, in fact, both the Polanyian spirit of using democratic cooperation to procure cheaper means of subsistence and the Smithian spirit of advancing market access have arguably had a bigger impact. We hereby show the manifold individual and collective motivations for engaging in varied practices of democratic enterprises. Secondly, as already indicated, we show that in addition to the influential neo-republican and socialist models of workplace democracy (in our case constituting the Proudhonian spirit), a host of other motivational spirits for democratic enterprising can be observed. Thirdly, and finally, we advance the studies of workplace democracy by going beyond theoretical questions of legitimation and turning to historical and empirical questions of application, transformation and performance. Workplace democracy in the Danish case, hence, is not predominantly a vehicle for transcending capitalism, and democratic ownership is by and large compatible to capitalism – and in some cases even advantageous to achieve success on the market.

While the typology strives towards a wider applicability – the spirits are purposefully named after social theorists whose works have found international resonance – it is of course an open, empirical question how useful it is when applying in different contextual settings from the Danish one out of which it was created. Further studies are required to clarify whether the spirits have mattered to different degrees – or whether entirely different spirits were at play – in other countries. However, as stated initially, the aim of the typology is not to provide a perfect, objective map, but rather to allow for new conflict lines to become visible and for new questions to be asked about both the past and possible futures of social economic practice. Apart from being an historical sociological sorting mechanism, we view the typology as a ‘practitioner’s tool’ that allows people involved in social economic enterprises to critically reflect on their practice to ask questions such as: What is my personal motivation to be involved in this enterprise; might there be more than one motivation competing for primacy; and how might several motivations be made to complement each other? On this note, the remainder of the article discusses what analytic, normative, and political-strategic implications may be drawn from the typology – and more broadly a from adopting a Weberian focus on socio-economic motivations. What, if anything, does it contribute in terms of forwarding critical thinking?

One implication of the findings of this study is that it is worth considering whether political strategies for enhancing the democratic enterprise sector vis-vis a more traditional capitalist sector can benefit from aiming for a pluralist approach that affirms a wider ecology of organizational forms that can offer alternatives to shareholder value capitalism. Even if one prefers the Proudhonian spirit for normative-philosophical reasons, acknowledging the potentials of less radical ideals and practices of democratic enterprise is useful for identifying alliance partners with whom to walk some of the way towards political economic transformation. It is also useful for thinking ahead towards a post-capitalist scenario in which

it would seem highly beneficial to retain both the Polanyian spirit of consumer interest and the Hirstian spirit of economic enterprise guided by cultural-ideological aims (rather than the self-interests of employees).

At the same time, however, it is important to avoid the pitfall of what could be termed excessive socio-economic ecumenism. We have thus offered a critique of the foundational assumption of the Danish think tank *Demokratisk Erhverv* that any business with a nominally democratic constitution is worth defending. Indeed, as their own empirical mapping reveals, the assumption of the existence of a coherent ‘democratic enterprise sector’, useful as it may be at the political level, breaks down once one gets into the depth of the variegated economic performance across ownership types. While a “broad church” mentality is useful, we should not overestimate the degree to which different types of democratic enterprises can be taken (or made) to share similar political-ideological objectives. This is precisely the point that a typology distinguishing spirits can help to establish. While democracy in ‘one member, one vote’-modality is a useful initial proxy for the democratic character of an enterprise, as it focuses on the ‘popular influence’ on the actions of the enterprise, we have argued that forms of ownership and organic class basis are equally important characteristics.

Indeed, the typology highlights three critical-taxonomical questions not raised (at least not explicitly so) by the *Demokratisk Erhverv* report. First, what meaning and importance is the practice of *democratic governance* ascribed in different parts of the democratic sector? Is democracy an end in itself, a means to a commercial or material end, or – as is arguably the case with the Smithian agricultural cooperative movement today, a mere relic from a socio-political past, devoid of anything but symbolic importance. Second, what social class constituencies are interested in what *kinds* of democratic enterprise? Beyond a class-neutral embrace of “the democratic principle”, this is a matter of mapping how different socio-economic conditions lead to different material challenges and hence varying perceptions of

what kinds of democratic political-economic transformation are desirable, i.e., what ‘spirit’ of democratic social economy one can identify with (and be inspired to action by).

Third, for reasons of space, this article has abstained from dealing with what is in many fields of social analysis becoming the elephant in the room: The issue of ecological sustainability. However, the “spirits”-approach would allow us to raise this increasingly pressing issue in future work: Which spirit of democratic social economy fits best with the imperative of ensuring ecological (as opposed to merely economic) sustainability? How are organizations informed by each spirit predisposed to engage (or not) with this issue? In the Danish context, it seems obvious that the democratic ownership of the largest, “Smithian” agribusinesses is no shortcut to ecological responsibility – some might even add, quite the opposite. But nor do the other spirits necessarily lead to business practices that are more advanced in this regard than those found with competitors from non-democratic companies. For Polanyian firms, the demand for cheap means of subsistence may involve tradeoffs with environmental degradation. Hirstian voluntary associations may use company ownership to enhance sustainability – or they may do the exact opposite, as the majority of its members will dictate. In both cases, the battle has to be won inside of the individual firm.

Finally, the Proudhonian spirit is not “green” by default either. Breaking down social relationships of domination to achieve emancipation can be done in the context of both ecologically sustainable and unsustainable modes of production. Perhaps then, the big task for those thinkers and practitioners of democratic social economy who favour the Proudhonian spirit, must be to show that it lends itself more easily than competing spirits to being articulated with the kind of motivation likely to be at the forefront of concerns for the next generations of social economic pioneers: How do we own and produce in common – whilst also saving our planet?

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**Table 1. Four Spirits of Democratically Owned Firms. An Ideal Typology.**

	Socio-economic purpose	Predominant Owner type	Organic Class basis	Intrinsic Value of Democratic Governance
Proudhonian	<b>Emancipatory:</b> Liberation from political and economic domination	Employees	Workers	High
Polanyian	<b>Protective:</b> Secure affordable, high-quality means of subsistence	Consumers	Workers, farmers, bourgeois philanthropists	Medium
Smithian	<b>Commercial:</b> Improve market access	Independent Producers	Farmers	Low
Hirstian	<b>Idealistic:</b> Serve cultural-political agenda	Voluntary Associations	Variable	Variable



**Table 2. Economic Scope of democratic vs. non-democratic enterprises in Denmark (2017)**

	<i>Number of enterprises</i>	<i>Turnover</i>	<i>Number of employees</i>	<i>Full-time equivalents</i>
<i>Democratic Enterprises</i>	5,864	€44.386 mio.	154,229	111,520
<i>Non-democratic enterprises</i>	307,115	€533,760 mio. <sup>8</sup>	2,689,295	2,115,150
<i>Overall share of economy by democratic enterprises</i>	1.9 %	8.3 %	5.4 %	5.0 %

*Source: Skovrind et al (2019), based on Danmarks Statistik (FIRM) 2017*

<sup>8</sup> Calculated at exchange rate 1 € = 7.44 DKK (1 December 2017). Original numbers in report: Democratic Enterprises 330,324 million kroner, other enterprises 3,641,970 million kroner.

**Table 3. Democratic Enterprises with available performance data from Denmark's Statistics, by type of owner**

	<b>Number of Firms with full or &gt;50 % democratic ownership</b>	<b>Share of total number of democratic enterprises with available data</b>
<b>Association (Hirstian)</b>	1.317	22,5 %
<b>Producers (Smithian)</b>	524	8,9 %
<b>Consumers (Polanyian)</b>	4.023	68,6 %
<b>Employees (Proudhonian)</b>	n.a.	<i>[Subsumed under 'Association' for reasons of discretion]</i>
<b>Total</b>	<b>5.864</b>	

*Source: Skovrind et al (2019) pba. Danmarks Statistik (FIRM) 2017*

**Table 4: The turnover, number of employees and full time equivalents, by type (percentage share of the entire democratic sector)**

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	Turnover		Number of employees		Full time equivalents	
<b>Consumer (Polanyian)</b>	€18,721 mio.	(42,2 %)	76,106	(49,3 %)	52,408	(47,0 %)
<b>Producer (Smithian)</b>	€23,516 mio.	(53,0 %)	31,300	(20,3 %)	26,862	(24,1 %)
<b>Association (Hirstian)</b>	€2,162 mio.	(4,9 %)	46,823	(30,4 %)	32,251	(28,9 %)

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*Source: Skovrind et al (2019) pba. Danmarks Statistik (FIRM) 2017*

**Table 5. Selected economic performance indicators for democratic vs. non-democratic firms**

	<b>Return on assets (ordinary result/actives)</b>	<b>Degree of investments (net investments/ordinary result)</b>	<b>Solidity (equity capital/actives)</b>
<b>Consumer (Polanyian)</b>	1,7 %	250 %	56 %
<b>Producer (Smithian)</b>	6,1 %	46 %	37 %
<b>Association (Hirstian)</b>	6,2 %	40 %	44 %
<b><i>Non-democratic enterprises</i></b>	5,3 %	58 %	46 %

*Source: Skovrind et al (2019) based on Danmarks Statistik (REGN) 2016*