



Economic Democracy

An Ethically Desirable Socialism That Is Economically Viable

By David Schweickart

“ The big challenges that capitalism now faces in the contemporary world include issues of inequality (especially that of grinding poverty in a world of unprecedented prosperity) and of “public goods” (that is, goods people share together, like the environment). The solution to these *problems will almost certainly call for institutions that take us beyond the capitalist market economy.* (Italics added.)¹ ”

So wrote Nobel Laureate economist Amartya Sen, sixteen years ago. Needless to say the intervening years have only strengthened his thesis—inequality and environmental degradation have gotten much worse and grinding poverty persists. But does there exist a viable alternative that might take us beyond the capitalist market economy, a new system that would



preserve the strengths of competitive capitalism while at the same time eliminating, or at least mitigating, its worst features?

It is important to be clear and unequivocal: the answer is “Yes.” And it is simple enough to state. What we need to do is extend democracy to the economy itself. To formulate the project in terms of slogans, we need to **Democratize labor! Democratize capital! Democratize democracy!**

Economic Democracy: The Basic Model

Consider the structure of free market capitalism. It consists, essentially, of three kinds of institutions:

- ⚙️ Markets for goods and services: enterprises compete with one another to provide consumers what they need or want.
- ⚙️ Wage labor: in order to work, one must have access to “means of production.” One’s “capacity to work,” i.e., one’s “labor-power”—to use Marx’s term—is a commodity like any other, to be bought and sold. People must compete for jobs, and, once hired, do what they are told.
- ⚙️ Private allocation of investment funds: private financial institutions raise money from those who have excess, and allocate it to businesses promising the highest profitability.

Let us imagine an economic system, which we will call *Economic Democracy*, that keeps the first set of institutions in place, i.e., competitive markets for goods and services, but a) replaces (most) wage labor with cooperative labor and b) replaces those out-of-control financial markets with a more democratic mechanism for handling investment.

This will be the “basic model.” To be clear: this will be a simplified model of an alternative, noncapitalist economy. Real-world economies will always be more complicated than the models that describe them. And yet, if we are going to comprehend the essential dynamic of an economic system, modeling is necessary.



Marx gave us a “model” of capitalism that remains, to this day, at least in my view, indispensable for grasping the workings of our current system. Here we are considering a model for a different system, perhaps the “next system.”

A brief elaboration of each of these key institutions:

1 *Historical experience makes it clear that **markets** are a necessary component of a viable socialism.* Central planning does not work for a sophisticated economy. The knowledge and incentive problems are too great. But these markets should be largely confined to goods and services. They should *not* dominate labor or capital. And, of course, they should be regulated so as to protect the health and safety of both consumers and producers.

2 *Enterprises in Economic Democracy are regarded, not as entities to be bought or sold, but as communities.* When you join a firm, you have the right to vote for members of a worker council, just as you have the right to vote for the city or town council governing your place of residence. This council appoints upper management and oversees major enterprise decisions. Although managers are granted a degree of autonomy, they are ultimately answerable to the workforce.

Regarding income: All workers share in the profits of the enterprise. These shares need not be equal, but everyone’s income is tied directly to the performance of the firm; hence, there is incentive to work diligently and efficiently—and to see to it that your co-workers do the same.

3 *Some sort of **democratic control of investment** is essential if an economy is to develop rationally.* This has always been the case, but, given the ecological terrors we now face, never before has rational development been more urgently needed. Investment decisions in the present shape fundamentally our collective future. Democratic control is essential.



But democratic control of investment is impossible if we must rely on private investors for the generation and allocation of these funds. The solution to this problem is simple. Don't rely on private investors for either of these functions. Let us generate our investment funds publicly via a *capital-assets tax*: a flat-rate property tax on all businesses. (In effect, this tax replaces the interest and dividend payments to shareholders and creditors in a capitalist economy.) These revenues constitute the *national investment fund*. All of these revenues are reinvested in the economy. They are not used for other governmental services. (A separate income or consumption tax will fund ongoing governmental expenses.)

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These publicly-generated funds are allocated in a manner that combines planning at the national, regional, and local levels with market criteria. The allocation proceeds essentially as follows: A certain portion of the national investment fund is set aside for public projects that are national in scope. The remaining funds are allocated to all regions of the country. Regions do not compete for capital. Each region of the country gets, as a matter of right, its *fair share*—prima facie its per capita share. (The national legislature can make exceptions, but these will likely be rare, since giving more to one region than its per capita share entails that other regions will get less. Investment allocation is a zero-sum game.)

Some of these regional funds are set aside for public investments that are regional in scope. The remainder go to communities, also prima facie on a per capita basis. These funds go to *public investment banks*, which lend them to existing enterprises or to individuals wanting to start new businesses, utilizing both economic and social criteria—including, importantly, employment



creation and environmental concerns. Coherent long-term investment planning at the national, regional, and community levels thus becomes possible. The allocative mechanism is straightforward and transparent, hence readily subject to democratic oversight and control.

Economic Democracy: The Extended Model

The three basic institutions, markets for goods and services, workplace democracy, and social control of investment constitute the defining features of Economic Democracy, but there are other structures that should be part of our “next system.” Let me comment briefly on four of them.

The government as employer of last resort

It has long been a tenet of socialism that everyone who wants to work should have access to a job. Everyone should have a genuine *right-to-work*. The government will ensure this right. If a person cannot find work elsewhere, the government will provide that person with a job, low-wage, but decent, doing something useful.

Socialist savings and loan associations

Economic Democracy separates two functions the capitalist financial institutions conflate: investment funding and saving/borrowing for personal consumption. The former is central to long-term societal development and hence is subject to democratic control. Economic Democracy can get along without the latter, since it eliminates the need for private savings to generate investment capital. Nevertheless, savings and loan associations, structured as credit unions or worker cooperatives, can provide benefits to people without causing significant harm. S&Ls would offer individuals consumer credit so that, for example, they could take out loans and pay them off over time with interest. (Housing would doubtless comprise a major portion of these loans. Individuals would not have to wait until they had saved up enough to buy a house before doing so.) Money for these loans would come from private savers who get rewarded by having their savings protected, while also receiving interest on their savings.



An Entrepreneurial-Capitalist Sector

In my view, Marx's critique of capitalism remains unsurpassed, but there is an important economic issue that Marx neglected: namely, the function of the *entrepreneur* in society. Marx's analysis of capitalism focuses on the capitalist *qua* capitalist, i.e. as the provider of capital. This is a *passive* function, one which can readily be taken over by the state—as is the case in our basic model.

But there is another role played by *some* capitalists—a creative, *entrepreneurial* role. This role is assumed by a large number of individuals in a capitalist society, mostly by “petty capitalists,” who set up their own small businesses, but also by some “grand capitalists,” individuals who turn innovative ideas into major industries. Although workplace democracy should be the norm throughout society, it needn't be the case that *all* businesses conform to this norm. The petty capitalist, after all, works hard, and so is anything but a parasite. It takes energy, initiative, and intelligence to run a small business. These small businesses provide jobs for large numbers of people, and goods and services to even more. They would continue to play a vital role in the “next system.”

Petty capitalists may provide important services to society, but they do not provide much in the way of technological or organizational innovation. There is also an honorable role to play in a socialist society for *entrepreneurial capitalists* who operate on a grander scale. Such an entrepreneurial capitalist class need not pose a serious threat to a society in which democratic workplaces are predominant. Democratic firms, when they have equal access to investment capital, need not fear competition from capitalist firms. On the contrary, since capitalist firms must compete with democratic firms for workers, they will be under pressure to at least partially democratize their own operations by, for example, instituting profit sharing and more participatory work relations.

Moreover, there is a rather simple legal mechanism that can be put in place to keep this capitalist class in check. The basic problem with capitalists under capitalism is not their active, entrepreneurial role (which relatively few actually play), but their passive role as (richly-rewarded) suppliers of investment capital. Economic



Democracy offers a transparent, rational substitute for this latter role—the capital-assets tax. So the trick is to develop a mechanism that would prevent the active, entrepreneurial capitalist from becoming a passive, parasitic one.

Such a mechanism is easy enough to envisage: a simple, two-part law stipulating that a) an enterprise developed by an entrepreneurial capitalist can be sold at any time, but, if it exceeds a certain size, it may be sold *only to the state*, at a price determined by the value of its capital-assets, and b) the enterprise *must* be sold when the owner retires, dies, or decides to move on to another venture. When the state purchases an enterprise, it turns it over to the enterprise’s workers, to be run democratically.

Thus the entrepreneurial capitalists serve two socially useful functions. They are a source of innovation *and* an incubator for new democratic enterprises. Entrepreneurial capitalists have an honorable role to play in our socialist “next system.”

Socialist protectionism

The institutions of Economic Democracy discussed so far apply to a national economy. What about economic relations with other countries? Since firms that are worker-controlled won’t relocate abroad, and since funds for investment are publicly generated and required by law to be reinvested in domestic firms, neither jobs nor capital will be “exported.” And because there are no stocks or businesses to buy, foreign capital won’t flow into the country either.

Foreign trade in and of itself is not objectionable—so long as the trade is “fair.” An economically democratic country can trade freely with countries whose worker incomes and environmental regulations are comparable to those of its own. But for countries with lower worker incomes or laxer social or environmental regulations, an Economic Democracy will follow a policy of fair trade, not free trade. The point is to allow for healthy competition while blocking race-to-the-bottom destructive competition and at the same time acknowledging our human obligation to strive to eliminate poverty, environmental degradation, and other forms of social injustice everywhere.



Our main economic mechanism for doing so is “socialist protectionism,” which consists of two parts: (1) a “social tariff” is imposed on imported goods, in order to compensate for low wages and a lack of commitment to socially beneficial practices on the part of the exporting country (e.g., protecting the environment, worker health and safety, etc.) and (2) rebating all these tariff proceeds back to the countries to which the tariffs were applied—either to the governments themselves or to organizations struggling to improve conditions within the countries.

There are additional things rich countries operating as Economic Democracies might do to address the problems of global poverty. They might make their “intellectual property” freely available to poor countries, devote a portion of their publicly-funded research to problems faced by poor countries and help to create “intermediate technologies” that make work easier and more satisfying without rendering rural workforces redundant or generating urban unemployment.

The intended long-run effect of these social protectionist policies is to allow poor countries to devote fewer of their resources to producing for wealthy-country consumption, thereby ensuring that they have more resources available to satisfy the needs of their own people. The point of socialist protectionism is not to protect one’s own workforce at the expense of workers elsewhere, but to protect one’s own workers so as to enhance the life prospects of people everywhere—and of the planet itself.

Brief Conclusion

It is my contention that such a system, as outlined above, would be economically viable. Moreover, it need not suffer the massive evils of contemporary capitalism, among them staggering inequality, intractable unemployment, overwork on the part of those who have jobs, “irrational” economic instability having nothing to do with natural causes, and massive environmental degradation. (See my *After Capitalism* for the evidence and arguments.)²

I should add that overcoming these defects requires more than the institutional changes advocated here. It is important to realize that we do not, at present, live in a democratic society. The massive economic inequality that capitalism has generated



has severely compromised our political system as well, making a mockery of the concept of “rule by the people.” Hence the need to “democratize democracy!”

Of course, it must also be recognized that democratizing institutions will produce a just and sustainable society only if the majority of our citizens want to live in such a society. Democratic institutions must always face the problem of: “garbage in, garbage out.” If the majority of a population are racist or sexist or homophobic or addicted to mindless consumption, then democratic institutions will give us racist, sexist, homophobic, ecologically-destructive outcomes. What is being proposed here is only part of the global movement now underway to create a just and sustainable world.

It is crucial to realize, however, that the massive evils enumerated above cannot be resolved within a capitalist framework. We need a different set of institutions. We need a systems change if we are going to survive as a species. We need a new economic system if we, our children, and our grandchildren are going to live in a just, humane, peaceful, and sustainable world. To quote from the closing lines of a Carolyn Forché poem written decades ago, but now more telling than ever:

It is either the beginning or the end of the world.
The choice is ourselves or nothing.³

What follows are some answers to specific questions posed by the Next System Project.

1. Core Goals

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

The model I elaborate here focuses on economic institutions. The principal goal is to sketch a set of alternative institutions that are compatible with a just and sustainable economy that promotes human flourishing.

The basic value underlying what I will be calling “Economic Democracy” is “participatory autonomy,” the right of individuals in a society to participate in forming the rules to which they must submit and the consequences of which they must bear.



A defense of Economic Democracy also appeals to the values of meaningful work, adequate leisure, economic security regarding basic needs, and—of immense and perhaps overriding importance—ecological sustainability.

It is my contention that these values are realizable under a feasible economic system, but not under capitalism.

2. Major Changes

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

The major changes involve changing radically the structure of two of the three defining institutions of capitalism: the labor market and the capital market. (The market for goods and services remains.) Both would be democratized. Enterprises would be, for the most part, worker self-managed. Investment capital would be generated publically, via taxation (a capital-assets tax) and allocated via a network of democratically accountable public banks.

3. Principal Means

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

The necessary end goal is to move beyond capitalism to a better system, so reforms alone are not sufficient, although they will likely comprise key elements of the transition process. Also important are on-the-ground experiments with alternative structures.

The transition can be envisaged as a democratic, nonviolent restructuring of basic economic institutions. This will require a conscious mass movement embracing values and behaviors consonant with the aim of creating a just and sustainable world that promotes human flourishing.

4. Geographic Scope



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

The model is specifically tailored for an advanced capitalist nation-state, the United States in particular, although it might well serve as a framework, some details modified, for other countries as well.

5. Temporal Scope

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

The clock is ticking. As Naomi Klein emphasizes, given the imminence and urgency of climate change, this may be humanity's last chance to create a just and sustainable world.⁴ Fundamental change must be well underway within a decade or two.

In my view the structural changes I propose are wholly feasible technically, although powerful interests will oppose them fiercely. Will these interests succeed in blocking change, thus cutting off humanity from a just and sustainable future? The rhythms of history are impossible to predict. Dramatic change sometimes happens abruptly. The bad guys don't always win. We won't know unless we try.

6. Theory of Change

What factors or forces might drive deep change towards the system you envision? What is the explicit or implicit theory of change in your work? What is the importance of crises? Of social movements? Of available examples of change?

Deep change requires three conditions: first, the old system must suffer what the philosopher Jürgen Habermas calls a "legitimation crisis." In the words of the *Communist Manifesto*, "the ruling class shows itself unfit to rule."⁵ Deep change also requires an agent: a movement, often long in the making, dedicated to fundamental change, which suddenly gains mass appeal. Third, this movement must be animated, at least in part, by a vision of concrete institutional change.



Deep change always requires a legitimation crisis—large masses of people convinced that the existing order is no longer justifiable. A deep change in economic structures usually requires an economic crisis.

Deep change also requires a mass movement, the leadership of which has developed over time. Spontaneous protest alone is not enough—as the results of Arab Spring or the Occupy movement attest.

Also essential is the vision of a plausible alternative. (Whether that vision is in fact viable and desirable is another matter. The future is not always accurately foretold.)

“ *We need a new economic system if we, our children, and our grandchildren are going to live in a just, humane, peaceful, and sustainable world.* ”

The civil rights movement in the United States and the global feminist movement are examples of large-scale, significantly (though by no means entirely) successful movements. A plausible alternative was not so hard to envisage in these cases: the removal of specific, discriminatory obstacles to full equality.

The Communist revolutionary movements of the twentieth century—which came into being in almost every country on the planet—were inspired in no small part by the success of the Soviet Union in transforming itself from one of the poorest and least developed countries in Europe into a global superpower in the space of a generation. A viable alternative seemed within grasp.

The counterrevolutions in Russia and Eastern Europe were driven by the widespread sense that the existing economic structures were not delivering the consumer goods and relative freedoms available to citizens of the capitalist West, which was the basis for the legitimation crises that engulfed the region. But key



to the success of the project of capitalist restoration was the existence of legions of western “advisors” well schooled in the resurgent neoliberal ideology, which came to prevail in the West during the 1980s, and which contained clear prescriptions—privatization, marketization, and deregulation—for institutional change. Since the protestors themselves did not have a clear, progressive alternative in mind, the neoconservatives won. The real possibility of a democratic, worker self-managed market socialism was cut off. (Western advisors and their local allies were quite concerned about this possibility, since there was no capitalist class in any of those countries to step in and buy up denationalized enterprises. They worked hard, and successfully, to keep this possibility off the political agenda.)

What's the biggest problem or impediment for adoption of your model?

The biggest problem, of course, is the dominance of our economic and political systems by the wealthy—by the capitalist class. I define a “capitalist” as someone who owns enough income-generating property so as to be able to live comfortably on his “unearned” income—as the IRS revealingly terms it on US tax forms. A 5 percent return on assets of two million dollars yields \$100,000 per year—comfortable enough. As it happens, the two million dollar net worth is essentially the cutoff point for the upper 1 percent. Of course, that’s a far cry from the \$5 billion cutoff for the *Forbes 400* (wealthiest Americans), the richest .01 percent.

This class controls (almost, though not completely) the political process, as well as virtually all of the major media, which saturate their “consumers” with procapitalist ideology (news shows) and propagandizes relentlessly (they call it “marketing”) for ever-more consumption.

(A fairly recent development, which may be weakening the power of this class has been the disappearance of a “rational” capitalist class, i.e., a dominant segment concerned with the long-term prospects for the society as a whole, and, of course, their place in it. The threat of communism was crucial to their earlier success, justifying the policy changes that ushered in the relative egalitarianism and shared prosperity of capitalism’s “Golden Age,” the quarter century or so following the end of World War II. The collapse of communism, the attendant rise of capitalist globalization and its justificatory ideology, neoliberalism, have shattered the



power of the “rational” segment, putting an end to increasing unionization, rising wages, low-cost higher education, etc. that once gave plausibility to “What’s good for General Motors is good for the country.” The neoliberal tax cuts for the wealthy, along with free trade, “corporations are persons,” and increased deregulation, have made collective, long-range planning by the ruling class impossible. Any billionaire can now jump into the political fray, directly or via surrogate candidates, propose a crackpot scheme, and attract a following. The political process gridlocks, creating a legitimization crisis.)

7. Some Specifics: Economy

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

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

Most ownership of means of production in Economic Democracy is collective, not private—although there is a sector of private ownership.

In the cooperative sector, the state (at the national level) owns the company and leases it to the workers, who have full democratic rights regarding the management of the company. (I don’t think it would be problematic for the workers themselves to own the enterprise, each required to purchase a share of the company upon entering and to sell it back to the company when the worker leaves. In neither case are there “outside investors” who also own shares of the company, entitling them to voice in the selection of management and a share of the profits.)

In those state sectors that do not engage in market activities, management is appointed by the appropriate officials. The wages of the workers in this sector come from general tax revenues. The workers do not have ultimate control over the agency or department in which they are employed, although it is likely that they will have more participatory input than is typical in state bureaucracies under capitalism.



The private sector is comprised mostly of small businesses, but includes a number of entrepreneurial capitalists who operate on a larger scale. This private sector is subject to the same regulatory oversight regarding health, safety, and environmental concerns as those enterprises in the state or cooperative sectors. The property rights of the entrepreneurial capitalists do have one additional, highly significant, restriction: entrepreneurs wishing to leave an enterprise must sell it to the state, which will then turn it over to the firm's workers to be run democratically.

How are public and private investment decisions made?

The decision to seek funds to expand an enterprise, engage in a new project, develop a new line of production, or introduce a new technology is made by the enterprise's democratically-elected workers' council. All funding comes from the investment fund, allocated by the public banks. These banks are required to take projected profitability into account when making loans, so as not to squander public funds, as well as the investment project's conformity with, or enhancement of, democratically-decided developmental priorities, among them job creation and environmental sustainability.

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

The profit motive plays a fundamental role in the day-to-day allocation of resources and consumer goods. Firms compete to meet the needs and desires of consumers. They are incentivized to do so while using their resources efficiently, since income, both in the private and cooperative sector, is determined by a firm's profitability.

The "economic surplus," which constitutes society's "investment fund," is controlled by society at large. It is collected via a flat-rate, national, capital-assets tax, and allocated to regions and community via democratically-determined principles of fairness. Typically, each region and community gets its per capita share of that portion of the national investment fund set aside for regional and community investment. National, regional, and local priorities are democratically determined and help to establish how investment loans are granted to enterprises.



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

The market for goods and services is essentially the same as it is under (ideal) capitalism. Enterprises set the prices of the goods or services they sell and compete with firms selling comparable goods or services. They are required to comply with health, safety, and environmental regulations that take into account the well-known “externalities” of market exchange.

The “labor market,” however, is quite different than what exists under capitalism. The government serves as an employer of last resort, so workers always have a backup option. Cooperative enterprises, which constitute the bulk of employment, do not offer wages or salaries. Instead, they offer shares of the enterprise’s profit, so that workers are not incentivized to pay their potential coworkers (who will have democratic rights equal to those of existing members) as little as possible. Those on the enterprise’s employment committee can try to entice applicants they deem worthy of hiring to join the firm by highlighting the attractiveness of the company. These applicants might be able to negotiate a somewhat larger share of the profits than was originally offered, but there is little or no systemic power imbalance between those seeking work and those needing additional workers.

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

The planning of investment is a vital feature of Economic Democracy. Unlike the problematic “central planning” of the former Soviet Union and its Eastern European counterparts, which attempted to set prices for *all* commodities as well as quotas for their production and the appropriate allocation of resources so as to fulfill the planning goals, Economic Democracy focuses on the strategic part of the economy—the allocation of the economic surplus, the new investments that will shape the future of the society. Long-term goals are set by elected legislatures at various levels. Investment funds are allocated so as to promote these strategic goals.

Projects that are national in scope are determined by the national legislature and the necessary funds are set aside for them. The remainder of funds are allocated to regions (usually on a per capita basis). Projects that are regional in scope are



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determined by the regional legislatures and funds are set aside for them, with the remainder of funds allocated to communities. All of these funds are allocated to productive enterprises via a network of public banks. All investment loans are of public funds, and hence all loans and the identities of the bank officers who made them are a matter of public record.

The point here is to strike the appropriate balance between the undeniable need for coordinated, long-term planning in accordance with democratically-determined general priorities (e.g., dealing with climate change) and the need for regional and local autonomy in determining how such priorities might be carried out—all the while avoiding excessive bureaucratization and keeping incentives in place for efficient production.

How are the international economy and economic integration handled?

Economic Democracy adopts a policy of “fair trade,” not “free trade,” as outlined in the model description. The point is to have international trade that encourages “healthy” competition—competition with respect to product or process innovation—but not “race-to-the-bottom” competition: competition over who will work for the lowest wages or what country will have the weakest environmental protections.

It should be noted that there will be minimal cross-border flows of capital or labor, apart from immigration. Workers in a democratic firm are hardly likely to vote to move their facility to another country. Capital won’t flow out of the country, for all the investment capital is raised via taxation and allocated to regions



and communities within the country. Little capital will flow into the country, since outsiders can only invest in or buy small businesses.

Of course there are major issues that require international collaboration, above all poverty reduction and climate change. An Economic Democracy will participate fully in international conferences and agreements pertaining to these issues. Far fewer domestic resistances to “altruistic” concessions are likely than are usually seen under capitalism, since Economic Democracy guarantees full employment and would plan investments so as to protect the quality of life of domestic workers who might be adversely affected by international agreements (e.g., the banning of the production of certain substances hitherto acceptable). People who are economically secure are likely to be more generous than those with high economic anxiety—the latter a very large number in contemporary capitalist societies.

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

Although the degree of economic localization and decentralization will be determined by the citizenry, the institutions of Economic Democracy would seem to encourage “glocalization.” Communities and regions do not compete for capital. Since investment capital flows to where the people are rather than people having to relocate to where the capital is flowing—as is the case under capitalism—communities will be more stable and will generate a greater sense of collective identity. Moreover, with funds coming in each year to be invested, there is heightened incentive for citizens to get involved in the political process, to discuss and debate priorities. Communities may well become, for most people, the primary locus of economic life.

Of course people will want to know what other communities and regions are doing, to see what others are trying; what works, what doesn’t. Residents of a given community will not be insular.

How do economic competition and cooperation play out?

Economic Democracy is centrally focused on striking the appropriate balance between the two. Most enterprises will have internal structures that foster



cooperation. Planning too requires that the common good be given priority. Among enterprises producing comparable products, there is competition, but it is competition of a healthy sort, not destructive competition.

It is important here to highlight an often neglected, but very important, fact: competition among democratic firms is fundamentally different from competition among capitalist firms. Essentially, democratic firms tend to maximize profit per worker, and not total profit as is the case with a capitalist firm. Firms are motivated to expand so long as there are technical economies of scale in doing so, but not when technical economies of scale are constant, even if demand for their product remains strong. Capitalist firms, by way of contrast, keep expanding when economies of scale are constant, so long as demand for their product remains robust, stopping only when economies of scale turn negative—which rarely happens. (Doubling the scale of a firm when constant returns to scale means doubling the size of the workforce—which doubles *total* profit, but keeps *per capita* income the same. For a worker in a democratic firm, the result is no increase in income, but a diminution of the value of one's vote.)

Competition among democratic firms tends to be defensive—the desire not to lose market share. There is no incentive to drive one's competitor out of business or to take it over. Democratic firms tend to reach a certain size then stabilize. Capitalist firms, when successful, grow and grow. Firms that stabilize at a certain size are less likely to engage in the massive sales efforts and propaganda campaigns to induce consumers to buy more and more of what they have to sell that are so essential to successful capitalist firms. Needless to say, size-stable firms are far more compatible with environmental sustainability than grow-or-die capitalist firms. (Healthy cells, not cancer cells.)

(It might be noted that competition among nonprofit organizations—nonprofit universities, for example—also exhibit this nonexpansionary trait. Universities compete for students, and worry greatly when their enrollments fall off. They are eager to find out what their more successful competitors are doing that they are not, and follow suit. But they have no interest whatsoever in driving their academic rivals out of business so that they might double or triple in size. Why



would a university want to double or triple in size when most incomes would be unaffected and an individual's democratic input into the “shared governance”—to which most universities at least nominally aspire—would be diluted?)

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

Again, achieving a balance is the aspiration. Most goods and services are commodified and commercialized, at least those that are commodified and commercialized in the most humane and decent forms of capitalism, i.e., the social-democratic variants. Childcare, health care, education, and basic retirement needs need not be, perhaps should not be, subject to market forces. (The “perhaps” leaves open the possibility that cooperative enterprises that engage in healthy, as opposed to destructive, competition might have some role to play in these areas also.)

How is private property handled in your analysis?

The personal property of individuals should be *more* secure under Economic Democracy than under capitalism, for crime would likely be quite low (given full employment) and predatory lending institutions are nonexistent. (The savings and loan associations that make the consumer loans are cooperatives, either credit unions or worker self-managed). Private ownership of the means of production is more restricted. Individuals may own small businesses or even large ones, so long as they remain actively engaged in the enterprise. Small businesses may be sold to other individuals. Large entrepreneurial capitalist firms, as has been noted, must be sold to the state when the founding entrepreneurs decide to step aside, which then turns them over to their workers to self-manage. (There are no massively lucrative IPOs under Economic Democracy. There is, however, a strong incentive for an entrepreneur to set up participatory structures while still in charge, so that the entrepreneur's departure will not cause the firm to fall apart.)

What mix of business enterprise sizes do you envision?

There will likely be plenty of small businesses under Economic Democracy, probably more than under capitalism, since small enterprises are less likely to be driven out of business by large firms. And since democratic firms lack



the open-ended, expansionary dynamic of capitalist firms, even the larger firms will stabilize with fewer workers than the megacorporations so typical of capitalism.

It should be noted that the fact that democratic firms are less intensely competitive than capitalist firms means monopolies are less likely to emerge. It is a feature of market competition that the more intense it is, the more quickly monopolies develop. The big fish swallow the little ones, becoming ever bigger.

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

If a large corporation is nationalized and turned over to its workers to be run democratically (a necessary step in making the transition from capitalism to Economic Democracy), it will likely devolve into a network of enterprises with contractual relations with each other. Corporations learned long ago the importance of avoiding overcentralization, and of having separately accountable units operating within a larger framework; so, such a network should not, in general, be too hard to set up.

It is noteworthy that the largest and most successful cooperative corporation in the world, the Mondragon Cooperative Corporation (MCC) is in fact such a network. It has a representative government council that sets policy for all the member enterprises, and these enterprises share many common services—access to finance and to highly sophisticated research facilities, etc—but any enterprise that wishes to leave the corporation may do so. (Very few have ever availed themselves of this option.) Large corporations that have been democratized would likely develop a structure similar to that of MCC.

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

I see these forms as harbingers of a new economic order, a genuinely democratic economy. Such “experiments” are essential. Theory, such as I have presented here, while aiming at a degree of concreteness, is necessarily oversimplified—as are all economic models of complex economies. There are, in fact, many academic



studies of cooperatives and of public banking, the key institutions of my model, that have drawn highly positive conclusions. But the more experiments there are with other economic structures that contribute to democratizing the economy, the more we will learn as to the strengths and weaknesses of alternative structures. It is unlikely that one size will fit all.

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

A key feature of a democratic firm is that workers have a clear choice. If productivity increases after the introduction of new technologies or a reorganization of production, they have a choice over whether to take gains in the form of more income or more leisure. (Not everyone in a firm need make the same choice.) No capitalist firm will offer its workforce such a choice. Either production will be expanded, if the demand is there, or part of the workforce laid off, both actions aimed at increasing profit.

Case in point: there have been major productivity gains in the United States over the past forty years (doubling since the mid-1970s), but virtually all of these gains have gone to increasing profits. Unemployment has gotten worse, hours worked have increased, labor intensity has increased, job security has declined, wages have remained stagnant, and inequality has skyrocketed.

Keynes projected, in his famous essay, “Economic Possibilities for Our Grandchildren,” that by the year 2030, “what work remains to be done will be as widely shared as possible—three-hour shifts or a fifteen hour week.”⁶ This could come true, perhaps even now—but not under capitalism. It could be reached under Economic Democracy if an environmental movement persuaded enough workers to cut back on needless consumption and opt for more leisure instead. As Henry David Thoreau long ago proclaimed, “Simplicity, simplicity, simplicity!”⁷ A happier, more fulfilling life awaits.

What is the envisioned future of organized labor?

Although organized labor is essential to moving beyond capitalism, and will certainly have a key role to play in democratizing the workplace and democratizing capital, the labor movement *per se* should see itself as a movement that aspires



“ *The more experiments there are with other economic structures that contribute to democratizing the economy, the more we will learn as to the strengths and weaknesses of alternative structures.* ”

to make itself unnecessary. That is to say, it should see itself as analogous to the civil rights movement, the feminist movement, the gay rights movement, etc. Without a class in power whose income and wealth depend on paying workers less than the value they create (i.e., on worker exploitation), without a class whose interests are for the most part quite the opposite of those workers (lower pay, more work, and technologies that deskill versus higher incomes, more leisure, more meaningful work), there would cease to be a need for organizations to represent the interests of workers *per se*—at least in theory. In any event, the role of organized labor would be qualitatively different from what it is today.

(It's worth noting that “The Meidner Plan,” a serious proposal for gradually and peacefully shifting from capitalism to an economy controlled by the working class, which was under serious consideration in Sweden in the mid-1970s, was proposed by Rudolf Meidner, the chief economist for the Swedish national federation of labor. In *After Capitalism*, I suggest this plan as a possible model for making the transition to economic democracy.)

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

Growth as measured by GDP is irrelevant as a measure of the satisfaction of real human needs and wants, and so it should play no role in decisions regarding investment. Of course, under capitalism, GDP growth is crucially important, since investors get skittish when GDP growth slackens. They then cut back on



their investments, unemployment increases, demand drops: workers and capitalists alike suffer (although workers, of course, more than capitalists). Capitalism is structured so that investors (i.e., the capitalist class) must be kept happy or else everyone suffers—regardless of the long-term consequences of attempting ever increasing GDP. As the economist Kenneth Boulding has remarked, “Only a madman or an economist could believe that exponential growth could go on forever in a finite world.”⁸

Of course we do want investment decisions that lead to productive innovations that enable people to lead fuller, richer, more secure, less anxious lives, lives that are in harmony with the rest of nature. But that’s growth of a very different sort than is fostered by capitalism. More vacation time, shorter workdays, increases in job satisfaction, and more job security do not count in GDP calculations.

How is money created and allocated?

In a capitalist economy, monetary policy is tricky. As all but the most hardcore Ayn Randian libertarians know, a capitalist economy is inherently unstable. When the economy is growing, the money supply must keep increasing. Otherwise there won’t be enough purchasing power in the economy to buy all the goods produced. Of course, the invisible hand is supposed to bring prices down, but, as Keynes pointed out long ago, business owners are reluctant to lower prices. A more promising option is to lay off a part of the workforce, cutting back on production so as to bring costs down. But guess what: those unemployed workers can’t buy what they could before, so demand slackens further and more lay-offs follow—the familiar downward spiral. All this occurs with no invisible hand automatically called into play to get the economy growing again.

So even conservatives (see Milton Friedman’s *Capitalism and Freedom*) want the government (via the Federal Reserve) to control the money supply—increasing it when demand is slack, decreasing it when demand is excessive. Sometimes this control is effective, sometimes not. Creating money (by what amounts to printing the cash and adding it to the reserves of member banks) can sometimes end a recession, sometimes not. Whether it does depends on whether companies are willing to borrow and invest. Interest rates decline when the money supply is



increased, but sometimes monetary policy amounts to “pushing on a string,” as Left Keynesians often point out. The money is there, but “investor confidence” remains low.

Under Economic Democracy the situation is much simpler. If the economy is growing in terms of the value of items for sale in the market, the money supply can be increased by printing more and adding it to the investment fund or giving it directly to households. If the economy stabilizes at a fixed rate of consumption, nothing needs to be done. The money in circulation is sufficient. If economic growth should turn negative because overall consumption is contracting, no problem. Since workers are rarely laid off in Economic Democracy, the decrease in consumption translates into shorter work weeks in some industries: more leisure, less consumption—not a bad trade-off from an ecological point of view. (If particular industries are hit particularly hard, public investment in alternative employment can cushion the slide.)

Finance need not be the mystery it is under capitalism, where financial markets have become the new gods that must forever be appeased. And rightly so, under capitalism. For if the markets are unhappy, there can be hell to pay for everybody.

Under Economic Democracy finance is straightforward and transparent. A capital-assets tax funds new investment, with the rate set by the state in accordance with expected demand. If demand for these funds slackens, including funds for public investment, the capital-assets tax rate can be lowered. If demand for investment funds is in excess of supply, it can be increased. Gone are the days when those mysterious financial markets, in whose hands the fate of the real economy depend, generated 40 percent of all profits, and enriched, almost beyond belief, the Wall Street financial elite.

8. Some Specifics: Society

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



If Economic Democracy were in place, inequality would be far, far less than it is today. Take, for instance, a back of the envelop calculation invoking two dimensions, inequality within an enterprise and inequalities among enterprises:

If cooperative enterprises compete most with other cooperatives, the inequalities of incomes within an enterprise are likely to be about three to one (the Mondragon limit for many years, prior to their becoming much larger and having to compete for managerial talent with capitalist firms). You may well admit that certain coworkers contribute more than you do—offering additional skills, working harder and taking on more responsibilities—but more than *three times* what you contribute? In the same eight-hour day?

Since firms tend to be smaller and more localized than their capitalist counterparts, and since investment banks are always looking to fund promising start-ups in an industry that seems to be doing particularly well, we might estimate the per capita incomes between the most successful and least successful cooperatives to also be three to one.

It follows that the vast majority of employed citizens would fall within the nine to one range. Let's say ten to one to make the calculations simpler. If we assume low-paid, government-provided jobs of last resort paid fifteen dollars per hour, which is 30,000 dollars per year, the range within society (apart from a few outliers) would be 30,000-300,000 dollars—far from strict equality, but nothing remotely like what exists under contemporary capitalism. (The math here is interesting: A minimum wage job in the US pays less than 15,000 dollars per year. There are approximately 500 billionaires in the United States today. A 5 percent return on a billion is fifty million dollars per year. So the poorest billionaire makes, from his property alone, not *ten times* more than the lowest income, but *3000 times* more. The highest *incomes* in the US these days—the multibillionaires and hedge fund operators—are in excess of one billion dollars per year; in other words, *60,000 times* more than a minimum-wage worker.)

Poverty would be virtually eliminated in an Economic Democracy, especially since health care and education are free and the government serves as the employer of last resort.



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

Eliminating basic economic insecurity by providing full employment, free child-care for those that want it, free health care, free education, and decent retirement income for all addresses the first two concerns. The model of Economic Democracy sketched here does not address the promotion of caregiving and mutual responsibility. These too are important, and they would certainly have to part of the mass movement for a new system.

The articulation of a viable, desirable economic model is only one part of what I elsewhere call “the counterproject”—a mass movement challenging the unjust, unstable, unsustainable globalized world-system we now inhabit. The counterproject embraces *all* of the emancipatory movements that are struggling to bring about a just, caring, and sustainable world in which all may flourish. The alternative economic model set out here must be compatible with aims of these other movements, but it is only one part of the overall project. All of these struggles are important. All are part of the emerging emancipatory counterproject.

How do racial, ethnic, and religious justice figure in your work?

See the last paragraph of (b) above. The struggle against racial, ethnic, and religious oppression must be part of the counterproject. Capitalism *per se* is not the sole cause of these forms of oppression, although capitalism tends to exacerbate racial, ethnic, and religious tensions. The causal connection between the insecurity and anxiety felt by large segments of the population and an economic system dominated by ever-more-opaque “invisible hands” is far from clear to most people. So they tend to look for simpler explanations. Moreover, significant elements of the capitalist class often stir things up deliberately so as to deflect attention and energy away from attempts at fundamental economic change. (The industrialists who backed Hitler are but one example.)

What role do gender and gender issues play in your work?

Again, the last paragraph of (b) applies. I do think that the “feminist revolution” of the twentieth century—unfinished to be sure, but of immense significance—will



prove to be the most influential and enduring revolution of that century. Certainly the normative values fostered by this struggle—nonviolence, an ethic of care, a conception of equality that respects and pays tribute to difference—are of the utmost relevance to the struggle now underway to preserve and enhance life on this fragile ecosystem that we humans call home.

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

Community is vital to Economic Democracy. The structure of the workplace, in allowing all to participate in its governance, enhances one's sense of community. The fact that each and every year, as a matter of right, citizens are called upon to decide what to do with that portion of the national investment fund allocated to their locality enhances one's sense of community. The fact that no one is compelled to relocate to another part of the nation because capital is abandoning one's own locality and flowing elsewhere enhances local stability and hence one's sense of community.

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

Absolutely. Cultural values change when individuals engage in actions that manifest new values. To be sure, these new values are discussed and debated and often become topics of academic theory, but the actions of humans modeling new values that serve as inspiration to more and more people are what is decisive.

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

There will of course still be consumers in Economic Democracy. Also advertising. Enterprises need to let potential customers know what they have to offer, and, since they are competing with other, similar enterprises, provide inducements for selecting their version of a product. But one would expect advertising to decline markedly from the monumental, monstrous size to which "the sales effort" has grown. Enterprises will be smaller, more localized, and less intensely competitive, so they will have neither the need nor the resources to launch the massive



branding campaigns that inundate us today. And consumerism itself will almost surely diminish if Economic Democracy should come to prevail, since all sane people committed to a bringing about a just and humane world know that our planet cannot sustain ever more mindless consumption, and that this consumption does not make people happier anyway. Moreover, Economic Democracy offers better means of affirming one's identity: more meaningful work, more opportunities for community involvement, and more free time to cultivate one's human capabilities.

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

The potential to shift from ever-increasing consumption to increased “free time” without much economic disruption is a central feature of Economic Democracy. Of course, the members of democratic firms and democratic communities must embrace this option. Not all need to do so, but it is not unreasonable to assume that given the option, particularly when one's employment is secure, of working less rather than consuming more—an option scarcely available under capitalism—more and more would choose this option, particularly as ecological consciousness becomes more pervasive, mass advertising withers away, and the opportunity to observe the lives of those who do make this choice increases.

9. Some Specifics: Environment

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

When I use the term “environment,” I simply mean “non-human nature,” although, of course, other humans are a central part of one's “environment” as well. I do “envision the economy as nested in and dependent on the world of nature and its systems of life.”

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



I don't address rights-based environmentalism. I personally support an ecological view that accords intrinsic value to other forms of life and sees humans as stewards of the life on this planet, but that view is not required by the model. It is certainly compatible with the model, but not required by it.

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

In my responses to 7 (p) and 8 (g) above, I argue that the GDP figure will be largely irrelevant to economic decisions in Economic Democracy, and that one would expect, for structural reasons, a decline in consumerism.

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

In Economic Democracy, the government is authorized to put in place environmental regulations that protect and enhance our ecosystem. Moreover, since long-range investment is under the control of democratically-accountable public bodies, these bodies are in position to allocate funds in such a way as to minimize the negative effects on those citizens whose interests suffer most acutely as a result of programs and policies undertaken to enhance local and global sustainability. (They are in position to create employment for all those coal miners and oil-field workers, who, if our species is to avoid ecological catastrophe, have been rendered redundant.)

How do you address transnational and global-scale environmental challenges?

These aren't addressed explicitly in the institutional outline I have provided, apart from the discussion of "socialist protectionism," but a society with an economy structured as an Economic Democracy could certainly be expected to participate in developing international agreements regarding the climate-change challenge. It would also serve as an example to be emulated of an economy that does not need to grow relentlessly to maintain economic and political stability.

Does your work explore the links between large-scale environmental challenges (like climate change) and other economic and political issues?



Economic Democracy is designed so as to be able to be resilient in the face of the climate change already underway, and, via democratic control of investment, to make changes in energy use, infrastructure, etc. necessary to doing its part in keeping that change from spinning out of control.

10. Some Specifics: Polity

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

Implementing Economic Democracy would not require constitutional change, although a reversal of Citizens United and some of the other atrocious Supreme Court rulings of recent years would be an important step in weakening the current roadblocks to a just and sustainable future.

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

Liberty is enhanced in Economic Democracy by extending “participatory liberty,” what I call “participatory autonomy,” to areas of economic life where it doesn’t exist under capitalism, namely at the workplace and in planning for our future. The job security obtained under Economic Democracy should also enhance the real freedom that people have to live their lives as they see fit, so long as they don’t harm others, in accordance with the “harm principle” that John Stuart Mill advocated for in *On Liberty*.

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

The model does not address questions of political or institutional power explicitly, although extending democracy to both workplaces and investment allocation would vastly alter existing power relations in these arenas. The capitalist class, although not eliminated, would have its size and power greatly reduced. In addition, the decentralized allocation of investment funds would tend to enhance the power and autonomy of regional and local governments.



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

Large corporations would likely be radically decentralized, dividing into relatively autonomous, voluntary subsidiaries. Regional and local governments, as noted above, would find their authority increased, since they would have a share of investment funds arriving each year to be allocated according to the priorities and principles in part devised by them. (Although members of lower levels also participate in electing representatives at the higher levels, it might be necessary to develop procedures and policies to guard against higher levels allocating investment funds for projects at their levels that do not leave sufficient funds for lower-level allocation.)

Does your work address issues of foreign policy, international relations, regional integration, military policy and spending, war and peace, i.e. the international context of the new system? If so, how?

My work doesn't address these issues. I'm sympathetic to the Left-Keynesian/Marxian view that the Cold War—and the massive military expenditures it entailed—was in significant measure based on the fear of another Great Depression if our military demobilized, as it had after WWI, and the tacit awareness that a huge military budget was necessary to keep our labor and capital resources reasonably fully employed and our economy growing. It was also necessary to have ready access to the world's natural resources, which might be jeopardized if those anti-colonial, Communist guerilla movement operatives almost everywhere in what was then called "The Third World" were successful.

To be sure, a drastic reduction in military spending, which should certainly be a high priority of the "counterproject," essential as it is to a rational, peaceful, and sustainable world order, would have to be accompanied by job creation and a reduction of the working day, so as to spread the work around. This would require considerable planning and would have to be phased to avoid serious economic and social disruption.

At different political levels, what polity and what political conditions are implicit or explicit in getting to success?



To get beyond capitalism to something like Economic Democracy, a committed political movement is necessary, which can contend for, and eventually achieve, the political power necessary to nationalize our banking system and grant democratic control and rights to workers in most enterprises. Intermediate reforms that would move us toward a democratic economy must also be championed, with as many as possible put into place so as to facilitate the transition. For example, policies could provide the technical and financial support for cooperative start-ups or for companies with a sufficient employee stock ownership plan (ESOP) to become worker self-managed; Or, public banks could be instituted at the state level that would compete with private banks.

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

No, it does not. It’s not clear to me that the weaknesses of our form of “democracy” are due to its representative structure. The fundamental problem is the dominance of our political system by the dominant economic class.

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

In *After Capitalism*, I sketch several transition-to-Economic-Democracy scenarios that could play out as a result of massive economic crisis. I agree with Friedman that in such a situation, it is vital to have a clear sense of what “reforms” should be implemented so as to transform the old economy into something new. Spontaneous uprisings, however animated by real grievances and noble values, won’t accomplish that.

I don’t think that a crisis is strictly *necessary* for fundamental change. I point to the Meidner Plan, offered in 1976, as a plan for the gradual takeover of the Swedish economy by the working class. (See 7 (o) above.)

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



Government—a genuinely democratic government—is absolutely essential to get us to a just and sustainable future and to keep us there.

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

Government expenditures as a percent of GDP can be expected to be somewhat larger than the most humane forms of social-democratic capitalism today. The GDP's of Denmark, Sweden and Norway serve as good examples. Economic Democracy will include the welfare services of these countries, while at the same time bringing the institutions that provide investment financing into the public domain. Of course, military expenditures, at least in the United States, would be cut back dramatically.

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

Absolutely! Social movements have played a fundamental role in virtually all of the great progressive changes of modern history: antimonarchical rebellions, antislavery agitation, the struggles for labor rights, racial and gender equality, LGBTQ liberation, and environmental protection. Such movements are usually preceded by periods of quiet organizing and educational efforts by a committed minority, who are often as surprised as everyone else when a large mass movement embodying their values suddenly surfaces.

11. Real-World Examples, Experiments and Models

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

There have been many experiments in worker self-management that have come into being, some successful, others not. These have been studied extensively. The largest and most successful to date is the Mondragon “experiment” in the Basque region of Spain, although the network of worker-cooperatives in the Emilia-Romagna region of Italy is also impressive. The Yugoslavian experiment has also been much studied, although it, of course, did not survive the tumult of the early



1990s. The overwhelming evidence supports the claim that worker self-managed firms are at least as viable as comparable capitalist firms.

As for social control of investment: postwar Japan's astonishing recovery (between 1946 and 1976, its GDP increased fifty-five-fold) relied heavily of government control of investment, as did South Korea's "miraculous" development. Public and cooperative banks have played an important role in the German economy. A decisive component of Mondragon's extraordinary success has been investment allocation by its cooperative bank, the Caja Laboral. In the United States, the Bank of North Dakota, (the nation's only public bank) has been thriving for a century, and was notably resilient during the financial meltdown of 2008.

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

A fundamental inspiration for the model, some variant of which I've been advocating for most of my academic career, was Cornell University economist Jaroslav Vanek's *The Labor-Managed Economy*, which sets out and mathematically models an economy structured much like Economic Democracy.⁹ The model advocated by Tom Malleson in his *After Occupy: Economic Democracy for the 21st Century*,¹⁰ which he too calls "economic democracy," is also very similar to what I've set out here.

There have been many other proposals for democratizing labor and/or democratizing capital, too many to evaluate here. Two recent proposals (one focusing on work, the other on capital) resonate strongly with key elements of the model I advocate: Richard Wolff's *Democracy at Work: A Cure for Capitalism* and Ellen Brown's *The Public Banking Solution*.¹¹

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Notes:

- 1 Amartya Sen, *Development as Freedom* (New York: Knopf, 1999).
- 2 David Schweickart, *After Capitalism* (Lanham, NJ: Rowman and Littlefield, 2011).
- 3 Carolyn Forché, *The Country Between Us* (New York: Harper Perennial, 1982), 55.



- 4 Naomi Klein, *This Changes Everything: Capitalism vs. The Climate* (New York: Simon & Schuster, 2014).
- 5 Karl Marx and Frederick Engels, *The Communist Manifesto* (New York: International Publishers, 1948), 21.
- 6 John Maynard Keynes, *Essays in Persuasion* (New York: Norton, 1963), 359.
- 7 Henry David Thoreau, *Walden* (Boston: Houghton Mifflin, 1960), 63.
- 8 Cited in Mancur Olsen and Hans Lansberg, *The No-Growth Society* (New York: Norton, 1964), 97.
- 9 Jaroslav Vanek, *The Labor-Managed Economy* (Ithaca: Cornell University Press, 1977).
- 10 Tom Malleson, *After Occupy: Economic Democracy for the 21st Century* (Oxford: Oxford University Press, 2014).
- 11 Richard Wolff, *Democracy at Work: A Cure for Capitalism* (Chicago: Haymarket, 2012); Ellen Brown, *The Public Banking Solution* (Baton Rouge, LA: Third Millennium Press, 2013).



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David Schweickart is Professor of Philosophy at Loyola University Chicago. He holds Ph.Ds in mathematics and philosophy. He is the author of three books and coauthor of one, his latest being *After Capitalism* (2002; Chinese translation 2005; Slovak translation, 2010, 2nd Edition, 2011, Chinese translation 2015). He is also the author of numerous articles in social-political philosophy. His primary focus has been on developing and defending, as both economically viable and ethically desirable, a socialist alternative to capitalism, which he calls Economic Democracy. His work has been translated into Chinese, Spanish, French, Norwegian, Slovak, Farsi, and Catalan.



New Systems: Possibilities and Proposals

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

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

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

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

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

James Gustave Speth, Co-Chair, Next System Project

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