

Re-envisioning development for the 21st century

- the pursuit of economic democracy

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Introduction

In the introduction of New Economy, New Systems: Radical Responses to Our Sustainability Crises, the editor John Blewitt writes we must ‘fashion a better world on which all living creatures can flourish peacefully and equitably. For this to occur, radical systemic change is essential.’ This paper fundamentally agrees with that assessment. We must re-envision our economy and conceptual understanding of development and sustainability. The primary means of achieving this is through economic democratisation. This is not an end point but an ongoing process.

The purpose of economic democratisation is to enable meaningful control by people over their places of work. Democracy would mean those in a workplace owning and managing their workplace and making collective decisions about production, investment and distribution. This would collapse the distinction between employees and employers, as each person would become a member of the company they worked at. It would be akin to joining your local library, in which you take out a card and join it for the duration of your time there. Once you left, you would hand back your card. This would also mean profits were democratically allocated and could be reinvested back in the company or distributed as further bonuses. By giving each individual a ‘stake’ in their company, there is greater incentive for deeper and more sincere involvement in work, which would not only economically empower people, but also help to mitigate the apathy and dread which most people currently associate with their jobs. Furthermore, once democratic ownership is in place, the occurrence of environmental pollution and externalities is reduced as those who manage the company will be at risk of hurting their own local areas, places of natural beauty and sources of clean water. The priority would have shifted from profits for a minority to sustainable development driven by collective decision making.

In Chapter 6 of *New Economy, New Systems*, Blewitt rightly notes that ‘Democracy, like sustainability, should be understood as being a complex learning experience that never ends.’ Democratising the economy would not be a singular process and there would also be no endpoint. Rather, it would be akin to how we treat our social, personal and political lives where we are continuously seeking improvement. The error we have made is conceiving of democracy only in political terms and even then, in limited form. To allow people to vote for pre-selected candidates who often don’t represent their interests and cannot be recalled for years. Therefore, any system which embeds democratic governance and allows for true participation would align with the values needed to promote sustainable development and meaningful control.

Understanding the status quo

It is worth noting why the process of economic democracy has stalled or been negligent across the world. The first reason is a misreading of economic history, whereby humanity is depicted as living in misery and poverty before the advent of capitalism and industrialisation. This is an error which relies on modern flawed metrics such as Gross Domestic Product (GDP). For instance, GDP measures any industrial production and consumption without specifying what is being produced and consumed. In *Degrowth: A New Logic for the World Economy* by Omer Tayyab, Meghna Goyal, Morena Hanbury Lemos and Jason Hickel, they write ‘£1 million spent on arms manufacturing is counted the same as £1 million spent on new housing’. Therefore, while in both cases the state is contributing to GDP growth it is not making a distinction in the quality, value or purpose of such growth. This is clearly an incomplete way of measuring economic growth and development. In fact, measuring poverty accurately relies on data on household consumption which has only become available in recent decades, as Dylan Sullivan and Jason Hickel document in *Capitalism, Global Poverty and the Case for Democratic Socialism*. Therefore, capitalism has been framed as the system which liberated humanity from its dire straits while any alternatives have been considered dangerous disruptions to progress.

Furthermore, many of our conceptions of capitalism and its relation to human development are based on flawed assumptions. As Nikhil Venkatesh argues in *Capitalism and the Very Long Term*: ‘... the relationship between capitalism, growth and long-term value is very unclear.

Capitalism has coincided with an unprecedentedly fast period of growth. But it is disputable whether capitalism was the chief cause of that, whether it could continue to be in the future, and whether fast growth is good or bad for future people'. Concurrent with the rise of capitalism was the industrial revolution, the scientific revolution and the Enlightenment, all of which produced major political, economic, and social changes. Parsing out which changes and innovations capitalism can be credited for is not as obvious as many would assume. Moreover, as Venkatesh rightly notes, even if capitalism was responsible for the developments of the last two hundred years, it does not logically follow that it will be the system humanity will adhere to in the 21st century and beyond.

The second reason explaining the current hegemonic status of capitalism is the violence used by the world's most powerful states to crush alternatives movements or modes of thoughts. Sullivan and Hickel write, 'Capitalism survived in part by crushing these movements—quite often violently, but also by making concessions to working-class demands, including wage improvements and some public services, although never conceding to the core demands for decommodification and economic democracy'. The enclosures in Britain and in the process of industrialisation, whereby the urban poor, including children, were marshalled into factories and coal mines, represent one major coercive process of upheaval. In the United States, its violent labour history, especially in the late 19th and early 20th century, shows how liberal democracies have contended with pressure from below, especially from organised labour. Meanwhile, in the developing world, the historical records show a systematic use of violence by Western powers in Chile, Bolivia, Iran and Indonesia, amongst several other countries, to suppress governments, parties, organisations and systems of thought they considered threatening to their own.

Taking Chile as an example, Nick Srnicek and Alex Williams, in their book *Inventing the Future: Postcapitalism and a World Without Work* touch on the development of the Cybersyn system, developed to enable decentralised democratic economic planning which would connect firms throughout the country with the government. The purpose was to provide workers with a role in the planning process and enable factories to self-manage. Cybersyn was to include a proto-internet connecting factories, an economic simulator to test out policies and a statistical forecaster to predict problems. This forecaster used Bayesian statistical techniques, showing

its sophistication and the flexibility it would have provided the Chilean government in its planning processes. Project Cybsyn is further explored in Eden Medina's 2011 book *Cybernetic Revolutionaries: Technology and Politics in Allende's Chile*, including the contributions of British cyberneticist Stafford Beer. However, this attempt at cybernetic socialist industrial management was destroyed in the 1973 US sponsored coup, which explicitly feared the democratic socialist path Chile was charting. Nixon and Kissinger explicitly cited Allende's socialist agenda and its threat to US interests, as motivations for the coup.

Finally, the third key reason explaining the status quo, at least the one which has existed since the 1970s, is the ascent of neoliberalism, and the implementation not only of its economic principles but also of its political and ideological ones, which has served to make neoliberal doctrines 'common sense'. The first practical applications of neoliberalism were not in Britain and America, but in South America, in Chile and Argentina, where neoliberalism was forced upon them in the aftermath of coups and the establishment of military dictatorships. With the ascent of Thatcher and Reagan these ideas were then brought from the periphery back to the core, with well-known and well documented effects.

Whenever an idea gains such a status it has achieved hegemonic control, which is extremely difficult, though not impossible, to dislodge. Neoliberalism has many definitions, all of which capture some dimensions of it. Yet, the most succinct and accurate is the one offered by historian and thinker Quinn Slobodian who argues that neoliberalism is 'the ongoing project to protect capitalism from different forms of democracy'. Several of the founders and proponents of neoliberal, and adjacent thinking, such as anarcho-capitalism, including Friedrich von Hayek, Murray Rothbard and Ludwig von Mises, feared democracy and what its implications were for capitalism. Rothbard, for instance, celebrated the use of violence and believed it was necessary to use against left wing activists and the poor, not simply for functional control but also for its own sake. Mises argued in his book *Liberals*, 'it cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the movement, saved European civilisation. The merit that Fascism has thereby won for itself will live on eternally in history'. Although Mises did not think fascism was a long term solution to the crises afflicting Europe, he did argue that fascism

was a measure which could be used by the capitalist states to protect themselves from the threat of socialism and communism, in other words economic democracy.

Furthermore, Mises believed in racial and economic hierarchies, arguing ‘it may be assumed that races do differ in intelligence and will power, and that, this being so, they are very unequal in their ability to form society’. The ability to form your own society and economy is of course a democratic impulse and the segregation of people into ‘races’ which are or are not capable of such a thing is a marker of a contempt for democracy. Moreover, this strain of thinking is the same reasoning which was applied by generations of Europeans, especially British and French colonialists, to justify their imperial dominance across Asia and Africa, which underdeveloped these regions, undermined sovereignty and abolished any attempts at democracy. Hayek meanwhile argued for a laissez faire capitalism in which large corporations could act unimpeded by social democracy or other socialist attempts to temper them. His most famous book of course is itself a condemnation of socialism as an inevitable ‘road to serfdom’.

Although neoliberalism is distinct from fascism, they both share the common desire to ‘save’ capitalism from socialism. And although modern neoliberalism is relatively recent in its ascendancy, this strain of thinking predates the Cold War. For example, the historian Richard Evans in his book *The Coming of the Third Reich*, outlines how, ‘The conservatives who levered Hitler into power shared a good deal of his vision...In their vision of the future, everyone was to know their place and the working classes especially were to be kept where they belonged, out of the political decision making process altogether’. Socialism was widely understood, and feared, as a means of wresting control from capitalists and into the hands of workers. In this sense, returning to and adapting Slobodian’s definition, we can summarise fascism (or one key dimension of it) as the attempt in the first half of the 20th century to ‘to protect capitalism from different forms of democracy’ while neoliberalism played this role in the latter half of the century. Socialism as a philosophy is deeply intertwined with democracy and understanding this and making the case for it in the context of the 21st century is the supreme task of our time.

For economic democracy to succeed, a counter hegemony, establishing the necessity and benefits of pursuing a new form of economics and development, needs to gain ascendancy. Such a process is necessarily slow, fragmentary and will suffer setbacks. The next section explores how the initial barriers to success and the prospective setbacks can be managed and why reducing these barriers should be a short to medium term priority.

Reducing and eliminating barriers to economic democracy

Three key strategic objectives need to be achieved to reduce and ultimately eliminate the barriers to economic democracy; there needs to be a radical shifting of the economic Overton window of society, a revival of the political imagination of the wider public is needed and finally a fundamental rethinking of economics as a discipline is required.

Michael Lowy in Why Ecosocialism: For a Red-Green Future rightly argues that a ‘new development paradigm is needed’ in which what is produced and consumed is re-envisioned. A couple of useful examples help to illustrate the point. The first is the seemingly benign, but insidious practice of planned obsolescence which permeates large swathes of our modern economies. Roma Dhanani correctly notes that ‘There’s no sector that implements planned obsolescence as much as the technological sector’. Apple is infamous for this, producing new iPhones each year with the slightest iterations sold for exorbitant prices. The purpose of this is not to produce the best phone with the highest quality camera, best battery life or utility for everyday use, but to produce a new product which can be sold for its own sake. Any features which are helpful to consumers are by products. Once again, one is struck by the immensity of the waste. And it is not trivial. The mobile phone industry is a £500 billion industry, and projected to only increase over the next few decades. Much of the raw materials needed for the production of electronics, such as lithium, cobalt and coltan comes from countries such as Congo, where devastating wars have been fought to secure control over the resources, given the power and wealth they bestow. If we eliminate planned obsolescence, especially in the technology and electronics sectors, from our economic production then we can help to reduce the likelihood of such conflicts as the local actors fighting over such resources will not have the same markets to sell their resources to (this of course assumes a larger swathe of the West, and other countries, likewise undergo economic democratisation). In any case, democratising the production process can have positive material effects.

The second example is the wastefulness of the finance sector. Simon Youel, a visiting fellow at the University of Manchester, wrote in *The Financial Times* that ‘rather than “reinvesting” in the economy, banks have been wasting capital on payouts to shareholders, with the big four spending over £33bn on dividend payments and share buybacks in 2024 — of course all while cutting branches and jobs.’ This process, replicated by several corporations across the US and Western European, while technically legal, is a clear form of financial manipulation. Instead of capital being invested in long term growth, greater employee compensation or innovation, profits are used to buy back a company’s own shares and thereby increase their short term price. This myopic undertaking makes logical sense in a system in which short term profits and immediate return for investors is highly incentivised and rewarded. However, in a system governed by democratic economic principles, it would make little sense and would therefore be phased out. Youel is also Head of Policy & Advocacy at Positive Money, a nonprofit organisation whose mission is to ‘redesign our economic system for social justice and a liveable planet.’ They advocate for participatory democracy consisting of citizen assemblies, which would provide citizens with greater influence in determining meaningful decisions in their societies. Moreover, Positive Money have led campaigns such as TaxTheBanks to help bring to public attention the ‘oversized influence and power financial firms have to direct government policy to the detriment of ordinary people’. Finally, their research on the lobbying power of big capital has been widely cited and ‘the Financial Regulations Complaints Commissioner published a register of interests on its website after we raised concerns over conflicts of interest.’ This is the necessary work required to highlight why finance, as it’s currently structured, is not intended to benefit the wider society or even funnel money into real world projects. It is instead a realm of speculation, financial instruments and housing bubbles which benefits private equity firms, lenders and housing developers.

Broadening the scope and power of our political democracy would reduce key barriers to achieving economic democracy. Expanded political democracy would both enable necessary structural changes but also help to temper elite power and its attempts to hinder democracy (in all its forms).

Lowy makes the case that ‘representative democracy must be complemented—and corrected—by Internet-enabled direct democracy, through which people choose—at the local, national, and, later, global level—among major social and ecological options. Should public transportation be free? Should the owners of private cars pay special taxes to subsidize public transportation? Should solar energy be subsidized in order to compete with fossil energy?’ These are all questions worth asking and our current technology already makes such a decision-making process possible (even if safeguards against the participation of bad actors would need to be implemented).

Understanding the wastefulness and shortsightedness of the finance and tech sectors, in an economy which is replete with such examples, helps us to understand why reform is not enough, and that fundamental systems change is needed. This understanding, and our proposed solutions, can help to reduce the barriers to economic democracy.

Universal Basic Income

Achieving economic democracy is also a social and psychological process. Freeing people from the demands of waged employment, especially given the asymmetry in power which exists between employees and employers, is crucial. By eliminating the material need for work, people can be freer to truly choose how to spend their time. And in doing so, they are better able to act politically and economically in self-liberating ways. The primary means of achieving this would be the introduction of a Universal Basic Income (UBI). The term has entered the mainstream in the last decade or so and describes the provision of a fixed amount of money, without conditions, and without means testing in addition to whatever income an individual already has. There have been several experiments in UBI across the US, Germany and Sweden. The evidence suggests that it can help improve people’s mental health, encourage further study and career changes, while not adversely impacting employment. One cited limitation or objection to UBI usually revolves around the risk that it will lead to mass indolence. There is no evidence to support this belief and if anything it seems to rest on a false assumption about human nature.

To turn UBI into a political reality, these benefits can and must be articulated to the wider public, so much so that it becomes the new common sense which political parties running for office feel compelled to adopt. The empirical evidence showing the clear, positive benefits at an individual level, as well as the wider collective impacts, is enough to make the case for the introduction of UBI.

Amending the wage structure and economic incentives of our current system

Our conception of human nature influences much of our economic thinking, even in areas we might not suspect. The current wage structure in most capitalist countries is perversely arranged and designed, it seems, to pay most for useless work while underpaying those engaging in the most valuable work. The anthropologist David Graeber captured this best in his work *Bullshit Jobs* where he outlined the various types of ‘bullshit’ or useless work which the corporate world has managed to create which are in no way meaningful, either economically or to the individuals partaking in them. Meanwhile, doctors, nurses, street cleaners, construction workers and teachers are paid relatively little (even doctors, who given the years of study required to become one, and the stakes involved, are not paid as much as one might assume). If we take just one example of how our current set of incentives and rewards are distorted under capitalism, it will help to illustrate the wider point. If you are responsible for getting rid of rubbish on the streets, as a cleaner or a refuse collector, the average UK wage is £24,000. This is well below the national average wage. Given the physicality of the work, its necessity and the low status accorded the role by society, this low wage is even crueler than it needs to be. Now, under our current system, there is a logic to this. It is a relatively low skilled job, there is a hypothetically large labour force able to carry it out and the process of rubbish collection is administered by local government rather than the private sector. However, if we were to amend incentives and rethink how jobs should be allocated and rewarded, it is conceivable that we pay those engaging in such unpleasant work more. Work pay is after all termed ‘compensation’ for a reason. You are being given something back for the effort and time you put in. A PR representative, afforded comfort, cleanliness and indoor working conditions, is not more valuable to society in their role, yet, as their work is undertaken for large companies who have products and services to sell, they are rewarded more generously. While it is not obvious how pay should be determined for each profession or how it should be staggered to provide the right

incentives it is clear that our current wage structure is driven by capital accumulation and perceived status as designated under our current system.

If the perennial wastefulness of the tech and finance sectors are understood, and efforts are made to combat such waste, this alone would be a marker of progress. If we also advanced the cause for implementing UBI and amended the logic behind our wage structure this would represent a rethinking of a key pillar of our current economy as it is currently understood. It would help to shift the Overton Window whereby economics is no longer a battle of resources between competing groups with elite interests taking precedence. Rather, by understanding that society's resources can be collectively harnessed for better ends via democratic means, we are more likely to pursue different, and better, policies.

The Mondragon Corporation

The case of the Mondragon Corporation (MC) in the Basque region of Spain is the largest and one of the most successful cases of workplace democracy in action. The MC is a federation of hundreds of cooperatives, currently employing over 70,000 people in Spain and abroad. It has a global turnover of €1 billion worldwide. The corporation works in four areas: finance, industry, distribution and knowledge. Several features distinguish the MC from other corporations. Firstly, there are wage caps in which the general managers and executives earn no more than 9 times as much as the lowest paid workers, which stands in stark contrast to the average large corporation where the CEO may earn hundreds of times more than the lowest paid worker. Secondly, those who work at the MC influence decision making and have a stake in the profits. Thirdly, the core focus of the model is the maximisation of employment. After the 2008 financial crisis, unemployment rose across Europe. The MC, however, decided collectively, to vote for lower wages for everyone so that it could retain more workers. The funding for the corporation comes from the employees themselves, who therefore bear both the risks and rewards entailed in the work. At the Annual Board Meeting, each person gets a vote, a state of affairs hardly imaginable in most large corporations. The example of the MC demonstrates a possible alternative to our current economic relations.

The limitations of worker ownership

There are limitations to the MC and to worker ownership. Most of this stems from residing within a wider capitalist economic structure. The first difficulty is limitations in access to capital. Stock in the company cannot be sold to external investors as this would dilute or weaken worker control. The second is attracting a skilled workforce who will be drawn away to be employed elsewhere where they will be paid a higher wage. This is the same phenomenon which renders many governments incapable of acting without the help of external consultants, engineers and AI specialists due to the private sector offering higher salaries to those with those skillsets.

Mondragon is a complex federation of dozens of cooperatives which has grown since 1956. Such a process is not easy to replicate nor is the cultural and social capital there for it to be constructed in other countries in the same manner. This holds true in the contemporary case and also for historical examples such as the collectivisation of factories and farms by the anarchists during the Spanish civil war. Such actions sprung from a culture which had been developing for several generations prior to the 1930s. Economic culture exists as much as other forms of culture do. Finally, it is possible perhaps to have democratic excess which may produce decision fatigue, which can lead to centralisation as workers decide to reempower certain individuals to make key decisions for them.

The Mondragon model does provide an interesting case study as an alternative means of arranging economic relations. However, its limitations need to be understood and the specific conditions needed to make it possible are not easy to create.

Conclusion

Moving into the 21st century, the argument for economic democratisation must be renewed. It is an idea grounded both in the wisdom of collective decision making and the freedom of the individual, which is essential for human flourishing. Such an idea can gain broad democratic support if it is understood as a natural extension of existing democratic principles and ideas. The end of the Cold War misled Western populations into thinking that the big arguments about societal transformation were over, and that we need not think of higher planes of existence.

Given this sentiment, it is worth pondering the dedication written by Henry George in *Progress and Poverty*: ‘To those who, seeing the vice and misery that spring from the unequal distribution of wealth and privilege, feel the possibility of a higher social state and would strive for its attainment’. This higher social state is possible but will only be realised if we revive our political and social imaginations and strive for higher planes.