I would like to investigate the extension of democracy into the economy. To put it another way, what would make an economy democratic? Below, I briefly comment on the relevance of the project, before describing my questions under four key problems. I proceed by applying democratic norms to the market in a steadily more demanding way, beginning with an aggregative idea of democracy, and then asking if deliberative and epistemic models require more. Even if the economy is undemocratic on these accounts, could that be acceptable if it were chosen by a democratic state? Finally, do democratic norms require democracy in the workplace?

Relevance of this Project

A democratic approach to the economy breaks with the focus on distribution which has dominated since Rawls. It refocuses the central question of economic justice from how rewards should be distributed to how decisions should be made. I think this is a more fundamental question, which asks directly what an economy should be for, rather than what side-constraints should be placed on it.

This project will contribute to two traditional critiques of capitalism, and aims to find common ground between them. Firstly, it contributes to the growing literature of republican political economy (surveyed by White, ‘The Republican Critique of Capitalism’). It explores the connections between the key republican themes of popular sovereignty, non-domination, and deliberation, and investigates their implications for the economy. Secondly, it aims to clarify the meaning and value of the often under-theorized tradition of viewing socialism as an extension of democracy into the economy (currently best represented by J. Cohen, ‘The Economic Basis of Deliberative Democracy’). I will also draw on alternative economic models with their own philosophical foundations, and assess their appeal through the powerful lens of democracy. In the last two decades, the market socialist proposals of Roemer, Schweikart, Alperovitz, Wright and Unger have related in different ways to the idea of economic democracy. Contemporary Rawlsian thinking is also heading in this direction by clarifying the implications of property-owning democracy (ed. O’Neill and Williamson, Property-Own Democracy).

I: Does the market meet the requirements of aggregative democracy?

I define aggregative democracy as a system that maximises the freedom (as fulfillment of preferences) of those affected by a proposal. This is the kind of model most familiar to social choice theory. Many of the shortcomings of the market in this sense are best analysed under the traditional economic categories of market failure. When these are set aside, what democratic defects of the
market remain?

1. Does the market maximise freedom if resources are unequally distributed? Peter’s ‘Choice, Consent, and the Legitimacy of Market Transactions,’ argues a Rawlsian case that markets are not automatically consensual, since the background sets of options must themselves be justified. I suspect this line of argument ultimately indicates that freedom is fully maximised only with real equality of resources.

2. What does this static result mean for a dynamic economy, where peoples’ asset holdings will fluctuate? How might we integrate the additional preference-satisfaction that could result from increased production in response to an effective system of incentives?

3. If money is here analogous to votes, should some level of resources be guaranteed, in the way that civil rights are inalienable? This suggestion raises a host of other questions and subjects. Does it justify basic income (as opposed to basic capital) in a way largely similar to Van Parijs’ Real Freedom for All? How does this relate to things we often think should be market-inalienable (such as organs), or to deep philosophical questions about the inalienability of rights (G. A. Cohen, Self-Ownership, Freedom, and Equality) and the nature of freedom (Pettit, Republicanism)?

II: What additional concerns might deliberative democracy bring to the market?

There is a rich literature on deliberative democracy, but apart from J. Cohen’s ‘The Economic Basis of Deliberative Democracy’ and some brief comments by Wright in ‘Political Power, Democracy, and Coupon Socialism,’ it has not been related directly to the economy. I aim to explore this gap.

1. Are decisions made by market systems insufficiently reasoned and aimed at the common good? The market is the epitome of the self-interested bargaining which is repudiated by the ‘forum’. If it is unacceptable in politics, why is it acceptable in the economy? If the difference is that politics considers matters of justice, then what justice-related decisions might this exclude markets from making?

2. Do markets encourage the formation of unreasonable (or even irrational) preferences, and is this problematic?

3. What kind of institutional reforms would bring greater deliberation to the economy? With centralised economic planning by government largely discredited, this is a difficult issue. One suggestion (workplace democracy) is explored in detail below (IV). Another promising area for reform is to utilise the already wide dispersal of share-ownership via pension funds, by making them more accountable and democratic (as proposed by Blackburn).
III: Is it sufficient for the economy to have been endorsed by a democratic state?

Even if markets are undemocratic for the reasons noted above, should a democratic state nonetheless be able to delegate economic decision-making powers to them? There might be good reasons to do this, such as to protect the privacy which is impossible in public deliberation (as in Folbre’s ‘kinky underwear’ objection to Michael Albert’s participatory economic planning). This again raises the problem of the (in)alienability of decision-making – this time on a collective rather than individual level as mentioned above (I.3).

1. Are some economic decision-making powers themselves preconditions for democracy? The private control of investment influences and limits the options of democratic bodies. J. Cohen argues this ‘structural constraint’ is intrinsically illegitimate, since the decisions of democracies should be restricted only by the need to preserve the preconditions for free and equal deliberation (such as the right to free speech). Public control of investment is the only way to remove this arbitrary constraint, and so it is itself a precondition for democracy, putting it in a similar position to basic civil rights. This is challenged by Arneson in ‘Socialism as the Extension of Democracy.’ While I disagree with Arneson, I also think Cohen’s point is far from proven. Pursuing Cohen’s analogy, I would apply the literature on fundamental rights and judicial review in democracies (such as Waldron, ‘The Constitutional Conception of Democracy’) to this problem.

2. Given the power of the economy over politics, how could we know that a state’s endorsement of its economy was really freely given? How could economic power be better separated from politics, short of subordinating it to politics wholesale?

3. Even if a state has the authority to delegate these powers, might this nonetheless be a moral error on its part?

4. Market economies and democracies appear to be correlated in empirical studies. If they are interlinked, is the market indispensable? How can state democracy and democratic control over the market be made more mutually reinforcing?

IV: Does democracy require extension into the workplace?

While there may be other remedies for the above problems, workplace democracy gets to the heart of the relationship between democracy and the economy. It might be justified as an instrument to promote other values, such as political participation. It could be justified more intrinsically in two ways:

1. Are employees subject to force in a way that justifies democracy in the analogous case of the state? This was the core argument of Dahl’s A Preface to Economic Democracy. Archer’s Economic Democracy applies theories of authority and Hirschman’s exit/voice framework to strengthen the case, but Mayer, Hsieh and O’Neill have challenged the idea that the coercion in firms is sufficient to
justify full workers’ control. I suspect it may be correct that workplace democracy might not be justified in this way in an egalitarian market with strong exit opportunities (such as described above in I). But if such an aggregatively democratic market faces strong practical (and perhaps philosophical) problems, then might workplace democracy be preferable and required in the economies we face today?

2. Does any employment relation involve an intrinsically unacceptable alienation of self-government? Pateman argues for this conclusion through a critique of self-ownership in ‘Self-Ownership and Property in the Person.’ I think this was also Marx’s view. Does this perspective require a positive or republican concept of freedom, rather than a negative liberty framework? (see I.3 above). How can this condemnation of formal employment remain meaningful, when informalisation is most common in the most exploitative occupations?

Workplace democracy has also been justified on other grounds, such as its predicted tendency to support state democracy and egalitarian distributions of wealth, or to make work more meaningful. On the other side, voice could be extended beyond the workplace to include consumers, or greater power for small investors. It might also be interesting to consider more fully the different institutional forms of workplace democracy, and the history of different firms and policies in this area. Regarding the democratic deficit of the market, many possible objections coming under the heading of market failure were excluded from my questions above. Several interesting and politically salient topics are encompassed within this category, most notably the collective action problem of conspicuous consumption. Finally, these more practical problems continually touch on deeper philosophical questions about the (in)alienability of rights and the nature of freedom. These topics are all of interest, but are outside the main scope of my inquiry at present, given time limitations and in order to make the project cohere. I mention them here simply to indicate the different directions my work might take, were I to leave some of my main questions aside in order to concentrate more fully on the others.

I think the questions identified here fit together well, would make a novel contribution to the field, and could be tackled in a three year research project.

References
Hirschman, Albert O. Exit, voice, and loyalty: Responses to decline in firms, organizations, and states.