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Economic Democracy: The Left's Big Idea for the Twenty-First Century?

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Abstract

While the notion that parts of the economy should be subject to democratic oversight is not particularly new, it is only recently that the term “economic democracy” has begun to emerge as a political label and a political project in its own right. Interest in economic democracy is at a historical high as more and more people search for a comprehensive alternative to neoliberal capitalism that is neither state socialism nor social democracy. In addition, the fact that mainstream concern with economic inequality is at a historical peak means that economic arrangements are on the political agenda in a way that they have not been for many years. The central argument of this article is that economic democracy has the potential to be the “big idea” of the left this century for two main reasons. First, although economic democracy is usually thought to be concerned solely with workplaces, in fact it has implications far beyond this. Indeed, economic democracy is best understood as a comprehensive critique of the economy and a corresponding encompassing vision of an alternative. This article thus aims to

offer a sympathetic overview of the main facets of economic democracy—the attempt to democratize workplaces, finance, investment, and the market system—as a holistic and integrative project. Second, economic democracy offers an important method for challenging inequality. The expansion of democratic accountability through representation, and particularly the expansion of opportunity for direct participation in economic decision-making is a fundamentally important method of redressing the structural inequality that continues to be a defining dilemma of our societies.

Notes

[1] For example, see Gar Alperovitz, “Worker-Owners of Amerca, Unite!,” New York Times, December 15, 2011; see also Peter Tatchell, “Economic Democracy—The Left's Big New Idea,” Red Pepper, December 2011, < http://www.redpepper.org.uk/economic-democracy-the-lefts-big-new-jdea>.

[2] George D.H. Cole, Guild Socialism Re-Stated (London, UK: Leonard Parsons, 1920), p. 12.

[3] In fact, ideas of economic democracy have crisscrossed these traditions. For instance, see, respectively, Cole, Guild Socialism Re-Stated; and Bertrand Russell, Proposed Roads to Freedom (Cornwall, NY: Cornwall Press, 1918); see also Eduard Bernstein, in Henry Tudor (ed.), The Preconditions of Socialism, trans. Henry Tudor (Cambridge, UK: Cambridge University Press, [1899] 1993); Anton Pannekoek, Workers' Councils (Cambridge, MA: Root & Branch, 1970); Pierre-Joseph Proudhon, in K. Steven Vincent, Pierre-Joseph Proudhon and the Rise of French Republican Socialism (Oxford, UK: Oxford University Press, 1984); Mikhail Bakunin, in Sam Dolgoff (ed.), Bakunin on Anarchism (Montreal, Canada: Black Rose Books, 1980); and John Stuart Mill, Principles of Political Economy (Toronto, Canada: University of Toronto Press, [1848] 1965). In recent years there has also been a growth of republican interest in these issues: Alex Gourevitch, “Labor and Republican Liberty,” Constellations 18:3 (2011), pp. 431–454; Richard Dagger, “Neo-Republicanism and the Civic Economy,” Politics, Philosophy & Economics 5:2 (2006), pp. 151–173.

[4] Simon Rogers, “Occupy Protests around the World: Full List Visualized,” The Guardian, < http://www.guardian.co.uk/news/datablog/2011/oct/17/occupy-protests-

world-list-map>.

[5] Richard Wilkinson and Kate Pickett, The Spirit Level: Why Equality is Better for Everyone (London, UK: Penguin Books, 2010).

[6] Robert Dahl, A Preface to Economic Democracy (Berkeley, CA: University of California Press, 1985); see also Robin Archer, Economic Democracy: The Politics of Feasible Socialism (Oxford, UK: Clarendon Press, 1995); David Ellerman, The Democratic Worker-Owned Firm: A New Model for the East and West (London, UK: Unwin Hyman, 1990); and Donald George, Economic Democracy: The Political Economy of Self-Management and Participation (London, UK: Macmillan Press, 1993).

[7] Power itself is, of course, a complex term. See Steven Lukes, Power: A Radical View, 2nd ed. (Basingstoke, UK: Palgrave Macmillan, 2005), for an insightful discussion of these complexities.

[8] A related issue that I sidestep here is the study of the influence that unequal wealth has in affecting the political process, campaign finance reform, and so forth. While this is clearly an important topic, it is more of an issue of political democracy than economic democracy per se.

[9] Paul De Grauwe and Filip Camerman, “How Big are the Big Multinational Companies?,” Tijdschrift voor economie en management 47:3 (2002), pp. 311–326.

[10] Charles Lindblom, Politics and Markets: The World's Political Economic Systems (New York: Basic Books, 1977), p. 356.

[11] Dahl, A Preface to Economic Democracy; see also Michael Walzer, Spheres of Justice (New York: Basic Books, 1983). This so-called “parallel argument” has provoked a fertile discussion about democratic legitimacy in an attempt to clarify where exactly democracy is warranted and where it is not. Jan Narveson, “Democracy and Economic Rights,” Social Philosophy and Policy 9:1 (1992), pp. 29–61; Richard Arneson, “Democratic Rights at National and Workplace Levels,” in David Copp, Jean Hampton, and John E. Roemer (eds), The Idea of Democracy (Cambridge, UK: Cambridge University Press, 1993), pp. 118–148; and Robert Mayer, “Robert Dahl and the Right to Workplace Democracy,” The Review of Politics 63:2 (2001), pp. 221–247.

[12] Dahl, A Preface to Economic Democracy, p. 111.

[13] It is important to point out that workplace democracy would not be suitable across the entire economy. It is not appropriate for firms of strategic national importance (such as oil), or for firms that are very capital intensive, or for the public sector. It is possible that for these kinds of workplaces some form of co-determination between representatives of internal workers and representatives of the broader society would be more appropriate.

[14] For example, the Mondragon Corporation, with about thirty thousand members, has a Cooperative Congress which acts like a mini-parliament, composed of elected representatives from every co-op (in proportion to their size).

[15] Likewise, regulations are blunt but often useful tools for the defense of workers' freedoms. But just like unions, their strength lies in their ability to defend and protect; they are largely inadequate in terms of fostering self-determination.

[16] Cole, Guild Socialism Re-Stated, p. 20.

[17] SBA, The Small Business Economy: A Report to the President (Washington, DC: US Small Business Administration, Office of Adocacy, 2008), p. 278.

[18] The Economist, “The Rich, the Poor and the Growing Gap between Them—Inequality in America,” The Economist, June 15, 2006, < http://www.economist.com/node/7055911>.

[19] John Bogle, “Reflections on CEO Compensation,” The Academy of Management Perspectives (formerly The Academy of Management Executive)(AMP) 22:2 (2008), pp. 21–25. In such a context as this, a CEO will make in a mere month's work the same amount as a worker will earn in 30 years—an entire career.

[20] Gregory Dow, Governing the Firm: Workers' Control in Theory and Practice (Cambridge, UK: Cambridge University Press, 2003).

[21] Keith Bradley and Alan Gelb, “Motivation and Control in the Mondragon Experiment,” British Journal of Industrial Relations 19:2 (1981), pp. 211–231.

[22] Hans Bosma, Michael G. Marmot, Harry Hemingway, Amanda C. Nicholson, Eric Brunner and Stephen A. Stansfeld, “Low Job Control and Risk of Coronary Heart Disease in Whitehall II (Prospective Cohort) Study,” British Medical Journal 314:7080 (1997), pp. 558–565; see also Douglas E. Booth, “Economic Democracy as an Environmental Measure,” Ecological Economics 12 (1995), pp. 225–236. Early theorists also

hypothesized a “spill-over” effect; that is, that democratizing workplaces would energize democratic participation in society at large: John Stuart Mill, “Considerations on Representative Government,” in John Gray (ed.), On Liberty and Other Essays (Oxford, UK: Oxford University Press, [1861] 1998), pp. 1–128; and Carole Pateman, Participation and Democratic Theory (Cambridge, UK: Cambridge University Press, 1970). However, the evidence for this is inconclusive, Edward Greenberg, “Industrial Democracy and the Democratic Citizen,” The Journal of Politics 43:4 (1981), pp. 964–981.

[23] Dow, Governing the Firm.

[24] Ellerman, The Democratic Worker-Owned Firm.

[25] Beyond these issues, the literature also posits a couple of other potential obstacles to co-op success, such as collective choice problems, Henry Hansmann, The Ownership of Enterprise (Cambridge, MA: The Belknap Press of Harvard University Press, 1996), and entrepreneurial problems, Chris Cornforth, Alan Thomas, Jenny Lewis and Roger Spear, Developing Successful Worker Co-Operatives (London, UK: SAGE Publications, 1988).

[26] Robin Hahnel, “Venezuela: Not What You Think,” Znet, < http://www.zmag.org/content/showarticle.cfm?ItemID = 14438>. These numbers should probably be taken with a grain of salt. For instance, there are reports of enterprises claiming to be co-ops in order to avoid paying taxes without actually transferring power to the workers: Camila P. Harnecker, “The New Cooperative Movement in Venezuela's Bolivarian Process,” Venezuela Analysis, < http://www.venezuelanalysis.com/analysis/1531>. Regardless, it is undeniable that the growth of co-ops due to tax breaks has been astronomical. Tax breaks have also been used with great success in fostering worker-ownership in the American context, where Employee Shared Ownership Plans have grown from 1600 in 1975 to 11,000 in 2003, covering 8.8 million people. Gar Alperovitz, America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy (Hoboken, NJ: John Wiley & Sons, 2005), p. 98.

[27] Stephen Smith, Blooming Together or Wilting Alone?: Network Externalities and Mondragon and La Lega Co-operative Networks (Helsinki, Finland: World Institute for Development Economics Research, 2001).

[28] For analytical clarity it is useful to separate “finance” (the lending of money to firms) from “investment” (the actual spending of money by firms), which we look at below. Although one often hears the word “investment” being used to describe both of these spheres of action it is useful to maintain a distinction because nowadays the two economic activities of mobilizing people's savings, and actually engaging in real production, are largely separate activities that tend to happen by different people in different places. Zhiyuan Cui, “An Appendix on Savings and Investment,” in Robert Unger (ed.), Democracy Realized (London, UK: Verso, 2000), pp. 279–288. If one prefers, “finance” and “investment” could be renamed “financial investment” and “real investment”, though I refrain from this usage.

[29] In Canada, this happened in 1990. Jim Stanford, Paper Boom (Ottawa, Canada: The Canadian Centre for Policy Alternatives, 1999), p. 26.

[30] David McNally, Global Slump: The Economics and Politics of Crisis and Resistance (Oakland, CA: PM Press, 2011).

[31] James Crotty and Gerald Epstein, “In Defense of Capital Controls,” Socialist Register (1996), pp. 118–149. The basic reason for this is that progressive policy aimed at reducing unemployment tends to be expansionary and so is often accompanied by inflation. It is this inflation that is of particular concern to financiers because it directly devalues their wealth. So financiers who anticipate that progressive policy will lead to inflation often sell off their domestic bonds or dump their domestic currency making it much harder for the government to proceed in its policy objectives.

[32] Joseph P. Morray, Grand Disillusion: Francois Mitterrand and the French Left (Westport, CT: Greenwood, 1997); see also Jeffrey Sachs, Charles Wyplosz, Willem Buiter, Gerhard Fels and Georges de Menil, “The Economic Consequences of President Mitterrand,” Economic Policy 1:2 (1986), pp. 261–322.

[33] Ethan Kaplan and Dani Rodrik, “Did the Malaysian Capital Controls Work?,” in Sebastian Edwards and Jeffrey Frankel (eds), Preventing Currency Crises in Emerging Markets (Chicago, IL: University of Chicago Press, 2002), pp. 393–440.

[34] Peter F. Drucker, The Unseen Revolution: How Pension Fund Socialism Came to America (New York: Harper & Row, 1976). For instance, US pension funds held seven trillion dollars in assets in 2000, and owned about 24% of total equity—meaning that workers (understood broadly) essentially own a quarter of the entire economy through

their funds. Robin Blackburn, Banking on Death, or, Investing in Life: The History and Future of Pensions (London, UK: Verso, 2002), p. 102.

[35] See for example, Paola Sapienza, “The Effects of Government Ownership on Bank Lending,” Journal of Financial Economics 72:2 (2004), pp. 357–384.

[36] Charles Ferguson and Donal McKillop, The Strategic Development of Credit Unions (Chichester, UK: John Wiley & Sons, 1997).

[37] Alan Lipietz, “The Limits of Bank Nationalization in France,” in Lawrence Harris, Jerry Coakley, Martin Croasdale and Trevor Evans (eds), New Perspectives on the Financial System (London, UK: Croom Helm, 1988), p. 389.

[38] See for instance, David Schweickart, After Capitalism (Lanham, MD: Rowman & Littlefield, 2002); see also Robin Blackburn, “For a Public Utility Finance System,” New Left Project, < http://www.newleftproject.org/index.php/site/article_comments/for_a_public_utility_finance_system>.

[39] Jonathan D. Ostry, Atish R. Ghosh, Karl Habermeier, Marcos Chamon, Mahvash S. Qureshi and Dennis B.S. Reinhardt, “Capital Inflows: The Role of Controls,” IMF Staff Position Note (SPN/10/04. Washington, DC: International Monetary Fund, 2010).

[40] Kevin Gallagher, “Capital Controls Are Prudent but Not Easy,” Financial Times, < http://blogs.ft.com/beyond-brics/2010/10/20/capitals-controls-are-prudent-but-not-easy/>.

[41] Barry Eichengreen, James Tobin, and Charles Wyplosz, “Two Cases for Sand in the Wheels of International Finance,” The Economic Journal 105:428 (1995), pp. 162–172.

[42] Thomas Palley, “Rethinking the Economics of Capital Mobility and Capital Controls,” Brazilian Journal of Political Economy 29:3 (2009), pp. 15–34; see also Gerald Epstein, Ilene Grabel, and K.S. Jomo, “Capital Management Techniques in Developing Countries: An Assessment of Experiences from the 1990s and Lessons for the Future,” Political Economy Research Institute 56 (2003), pp. 1–36.

[43] Stanford, Paper Boom.

[44] Worldwide there are over fifty-two thousand credit unions involving 188 million people, in one hundred countries: WOCCU, “International Credit Union System,” World

Council of Credit Unions, < http://www.woccu.org/memberserv/intlcusystem>.

[45] Michal Kalecki, “Political Aspects of Full Employment,” in Jerzy Osiatynski (ed.), Collected Works of Michel Kalecki (Oxford, UK: Oxford University Press, 1990 [1943]), pp. 347–356; see also Adam Przeworski, Capitalism and Social Democracy (Cambridge, UK: Cambridge University Press, 1985); and Fred Block, “The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State,” Socialist Revolution 33:6 (1977), pp. 6–28.

[46] Lindblom, Politics and Markets.

[47] Edward Boorstein, Allende's Chile (New York: International Publishers, 1977); see also Mark Weisbrot and L. Sandoval, “The Venezuelan Economy in the Chavez Years,” Center for Economic and Policy Research (2007), pp. 1–23.

[48] Stanford, Paper Boom, p. 254.

[49] Joshua Cohen and Joel Rogers, On Democracy (Harmondsworth, UK: Penguin Books, 1983).

[50] This is not to say that the state should cease from engaging in higher-level investments. Clearly certain kinds of investments—such as cross-country train networks—require implementation at the highest levels. The difference is that economic democrats argue that as much as possible public investment should be decentralized to local levels where it can be most adequately deliberated on by regular people affected by such investment.

[51] Michael Fox, “Venezuela's Secret Grassroots Democracy,” Venezuela Analysis, < http:// www.venezuelanalysis.com/analysis/2090>.

[52] Boaventura de Sousa Santos, “Participatory Budgeting in Porto Alegre: Toward a Redistributive Democracy,” Politics and Society 26 (1998), pp. 461–510; see also Celina Souza, “Participatory Budgeting in Brazilian Cities: Limits and Possibilities in Building Democratic Institutions,” Environment and Urbanization 13:1 (2001), pp. 159–184.

[53] Deepti Bhatnagar, Animesh Rathore, Magui Moreno Torres and Parameeta Kanungo, “Participatory Budgeting in Brazil,” World Bank Report (World Bank, 2003), < http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/11/03/000333037_20091103015746/Rendered/PDF/514180WP0BR0Bu10Box342027B01PUBLIC1.pdf>.

[54] Clara Irazábal and John Foley, “Reflections on the Venezuelan Transition from a Capitalist Representative to a Socialist Participatory Democracy: What are Planners to Do?,” Latin American Perspectives 37:1 (2010), pp. 97–122.

[55] David Schweickart, “Nonsense on Stilts,” Znet, < http://www.zcommunications.org/nonsense-on-stilts-by-david-schweickart>.

[56] Quoted in Bruno Jossa and Gaetano Cuomo, The Economic Theory of Socialism and the Labour-Managed Firm (Cheltenham, UK: Edward Elgar, 1997), p. 120.

[57] Paul A. Samuelson and William D. Nordhaus, Economics, 14th ed. (New York: McGraw-Hill, 1992).

[58] Edward N. Wolff, Recent Trends in Household Wealth in the United States (Annandale-on-Hudson, New York: The Levy Economics Institute of Bard College, 2007). A democratic market system would require not only the existence of (roughly) equal votes, but also that price signals be accurate reflections of the social cost of production so that people have clear information on which to base their “votes.” This requires minimizing the main factors that distort price signals, such as major externalities and monopolies. The point is not that this would be easy to do; in particular, reducing the inequality of “votes” that people have would clearly face enormous resistance. The point is rather that that the market system has deep democratic potential that we should strive over time to realize.

[59] Jonas Pontusson, Inequality and Prosperity: Social Europe vs. Liberal America (Ithaca, NY: Cornell University Press, 2005).

[60] Jonas Pontusson, Inequality and Prosperity: Social Europe Vs. Liberal America (Ithaca, NY: Cornell University Press, 2005); see also David Austen-Smith, Jeffry A. Frieden, Miriam A. Golden, Karl Ove Moene and Adam Przeworski (eds), Selected Works of Michael Wallerstein: The Political Economy of Inequality, Unions, and Social Democracy (Cambridge, UK: Cambridge University Press, 2008); and Gøsta Esping-Andersen, The Three Worlds of Welfare Capitalism (Cambridge, UK: Polity Press, 1990).

[61] For instance, in the US, monetary policy is set by the Federal Open Market Committee (FOMC), which is composed of twelve participants, five of whom are presidents of privately owned district banks and thus totally unaccountable to the public. The remaining seven are members of the Board of Governors, and are appointed

by the president and confirmed by the senate for fourteen-year terms. Such a long tenure is a way of ensuring their independence from the democratic process.

[62] Alberto Alesina and Lawrence H. Summers, “Central Bank Independence and Macroeconomic Performance: Some Comparative Evidence,” Journal of Money, Credit, and Banking 25:2 (1993), pp. 151–162.

[63] Alex Cukierman, “Central Bank Independence and Monetary Control,” The Economic Journal 104:427 (1994), pp. 1437–1448. The worry is that politicians may have strong incentives prior to election time to engage in “politicking”; that is, manipulating interest rates to try to lower employment. This is a problem because it may be the case that short-term improvements in unemployment result in long-term problems of inflation. So such politicking may help to get the politician re-elected, but only by introducing long-term costs to the economy (often called an “inflationary bias”).

[64] Joseph Stiglitz, “Central Banking in a Democratic Society,” De Economist 146:2 (1998), pp. 199–226; see also Robert Pollin, “Financial Structures and Egalitarian Policy,” Political Economy Research Institute, no. 182 (1995), pp. 26–37; and Samuel Bowles, David M. Gordon, and Thomas E. Weisskopf, Beyond the Waste Land: A Democratic Alternative to Economic Decline (Garden City, NY: Anchor Press/Doubleday, 1983).

[65] Stanley Fischer, “Central-Bank Independence Revisited,” The American Economic Review 85:2 (1995), pp. 201–206.

[66] Sylvester C.W. Eijffinger and Marco Hoeberichts, “Central Bank Accountability and Transparency: Theory and Some Evidence,” International Finance 5:1 (2002), pp. 73–96.

[67] An important objection that we do not address here is that workplace democracy is clearly only relevant to workers—it ignores the plight of the unemployed, homemakers, and others. Bruce Ackerman and Anne Alstott, “Why Stakeholding?,” in Erik Olin Wright (ed.), Redesigning Distribution: Basic Income and Stakeholder Grants as Alternative Cornerstones for a More Egalitarian Capitalism, (London, UK: Verso, 2006), pp. 40–60.

[68] Max Weber, in Guenther Roth and Claus Wittich (eds), Economy and Society, (London, UK: Bedminster Press, [1922] 1968); see also Robert Michels, Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy, trans. Paul Eden and Paul Cedar (New York: Free Press, [1911] 1962).

[69] Mark Holmstrom, Industrial Democracy in Italy (Aldershot, UK: Avebury, 1989).

[70] Jane Mansbridge, Beyond Adversary Democracy (New York: Basic Books, 1980).

[71] Anne Latendresse, “The Case of Porto Alegre: The Participatory Budget,” in Dimitrios Roussopoulos and C. George Benello (eds), Participatory Democracy: Prospects for Democratizing Democracy (Montreal, Canada: Black Rose Books, 2005), pp. 287–291.

[72] Benjamin Ward, “The Firm in Illyria: Market Syndicalism,” American Economic Review 48:4 (1958), pp. 566–589; see also Evsey Domar, “The Soviet Farm as a Producer Cooperative,” American Economic Review 56:4 (1966), pp. 734–757.

[73] Eirik G. Furubotn and Svetozar Pejovich, “Property Rights and the Behavior of the Firm in a Socialist State: The Example of Yugoslavia,” Journal of Economics 30:3 (1970), pp. 431–454.

[74] John Roemer, A Future for Socialism (Cambridge, MA: Harvard University Press, 1994).

[75] Armen A. Alchian and Harold Demsetz, “Production, Information Costs, and Economic Organization,” The American Economic Review 62:5 (1972), pp. 777–795; Michael C. Jensen and William H. Meckling, “Rights and Production Functions: An Application to Labor-Managed Firms and Codetermination,” Journal of Business 52:4 (1979), pp. 1–54.

[76] Hansmann, The Ownership of Enterprise.

[77] Karl Marx, Capital, trans. Paul Eden and Paul Cedar (London, UK: Dent, [1867] 1933); Hansmann, The Ownership of Enterprise; see also Sidney Webb and Beatrice Webb, The History of Trade Unionism (London, UK: Longmans, Green and Co., 1907); Ernest Mandel, “Self-Management: Dangers and Possibilities,” International 2:3 (1975), pp. 3–9; and Rosa Luxemburg, Reform or Revolution (London, UK: Militant Publications, [1900] 1986).

[78] Ellerman, The Democratic Worker-Owned Firm.

[79] Ellerman, The Democratic Worker-Owned Firm; see also Jaroslav Vanek, The General Theory of Labour-Managed Market Economies (Ithaca, NY: Cornell University Press, 1970).

[80] Samuel Bowles and Herbert Gintis, “A Political and Economic Case for the Democratic Enterprise,” in David Copp, Jean Hampton, and John E. Roemer (eds), The Idea of Democracy (New York: Cambridge University Press, 1993), pp. 375–399; see also Bradley and Gelb, “Motivation and Control in the Mondragon Experiment,” pp. 211–231; Greenberg, “Industrial Democracy and the Democratic Citizen,” pp. 964–981; Branko Horvat, “The Theory of the Worker-Managed Firm Revisited,” Journal of Comparative Economics 10 (1986), pp. 9–25; and Joseph Stiglitz, “Market Socialism and Neoclassical Economics,” in Pranab Bardhan and John Roemer (eds), Market Socialism (New York: Oxford University Press, 1993), pp. 21–41.

[81] Carl Bellas, Industrial Democracy and the Worker-Owned Firm: A Study of Twenty-One Plywood Companies in the Pacific Northwest (New York: Praeger Publishers, 1972); see also Katrina Berman, Worker-Owned Plywood Companies: An Economic Analysis (Pullman, WA: Washington State University Press, 1967); Paul Bernstein, Workplace Democratization: Its Internal Dynamics (Kent, OH: Kent State University Press, 1976).

[82] Derek Jones, “British Producer Cooperatives, 1948–1968: Productivity and Organizational Structure,” in Derek Jones and Jan Svenjar (eds), Participatory and Self-Managed Firms (Lexington, MA: LexingtonBooks, 1982), pp. 175–198.

[83] Niels Mygind, “Are Self-Managed Firms Efficient? The Experience of Danish Fully and Partly Self-Managed Firms,” in Derek Jones and Jan Svenjar (eds), Advances in the Economics of Participatory and Self-Managed Firms (Greenwich, CT: JAI Press, 1987), pp. 243–256.

[84] Henk Thomas and Chris Logan, Mondragon: An Economic Analysis (London, UK: G. Allen & Unwin, 1982).

[85] Bodil Thordarson, “A Comparison of Worker-Owned Firms and Conventionally Owned Firms in Sweden,” in Derek Jones and Jan Svenjar (eds), Advances in the Economics of Participatory and Self-Managed Firms (Greenwich, CT: JAI Press, 1987), pp. 225–242.

[86] Jacques Defourny, “Comparative Measures of Technical Efficiency for Five Hundred French Workers' Cooperatives,” in Derek Jones and Jan Svenjar (eds), Advances in the Economics of Participatory and Self-Managed Firms (Greenwich, CT: JAI Press, 1987), pp. 27–62.

[87] Piero Ammirato, La Lega: The Making of a Successful Cooperative Network (Aldershot, UK: Dartmouth, 1996); see also Will Bartlett, John Cable, Saul Estrin, Derek

C. Jones and Stephen C. Smith, “Labor-Managed Cooperatives and Private Firms in North Central Italy: An Empirical Comparison,” Industrial and Labor Relations Review 46:1 (1992), pp. 103–118; and Alberto Zevi, “The Performance of Italian Producer Cooperatives,” in Derek Jones and Jan Svenjar (eds), Participatory and Self-Managed Firms (Lexington, MA: LexingtonBooks, 1982), pp. 239–251.

[88] Derek Jones, “The Cooperative Sector and Dualism in Command Economies: Theory and Evidence for the Case of Poland,” in Derek Jones and Jan Svenjar (eds), Advances in the Economics of Participatory and Self-Managed Firms (Greenwich, CT: JAI Press, 1985), pp. 195–218.

[89] Samuel Bowles and Herbert Gintis, “Efficient Redistribution: New Rules for Markets, States and Communities,” in S. Bowles and H. Gintis (eds), Recasting Egalitarianism: New Rules for Communities, States and Markets (London, UK: Verso, 1998), pp. 1–35.

[90] Dow, Governing the Firm, pp. 162–163; see also John P. Bonin, Derek Jones, and Louis Putterman, “Theoretical and Empirical Studies of Producer Cooperatives: Will Ever the Twain Meet?,” Journal of Economic Literature 31:3 (1993), pp. 1290–1320.

[91] Smith, Blooming Together or Wilting Alone?, p. 37; see also Zevi, “The Performance of Italian Producer Cooperatives.”

[92] Dow, Governing the Firm, p. 227.

[93] Dow, Governing the Firm, 198.

[94] Roy Morrison, We Build the Road as We Travel (Warner, NH: Essential Book Publishers, 1997).

[95] Bartlett, et al., report that “cooperatives appear to have stronger links with the local economy: they are less export oriented, have higher shares of sales to local buyers, and are more likely to recruit unemployed labour than private firms.” Bartlett et al., “Labor-Managed Cooperatives and Private Firms in North Central Italy,” p. 116.

[96] Morrison, We Build the Road as We Travel, p. 188.

[97] Geoffrey Garrett and Deborah Mitchell, “Globalization, Government Spending and Taxation in the OECD,” European Journal of Political Research 39:2 (2001), pp. 145–177; see also Geoffrey Garrett, “Global Markets and National Politics: Collision Course or Virtuous Circle?,” International Organizations 52:4 (1998), pp. 787–824; Duane Swank,

Global Capital, Political Institutions, and Policy Change in Developed Welfare States (Cambridge, UK: Cambridge University Press, 2002); Dennis Quinn, “The Correlates of Change in International Financial Regulation,” American Political Science Review 91:3 (1997), pp. 531–551; and Axel Dreher, The Influence of Globalization on Taxes and Social Policy—An Empirical Analysis of OECD Countries (Exeter, UK: University of Exeter, 2003). It is important to note that in many places statutory rates of corporate taxation, that is, the legal rates that corporations must pay, have in fact fallen. Thomas Plumper and Vera E. Troeger, “Why is There no Race to the Bottom in Capital Taxation?,” International Studies Quarterly 53:3 (2009), pp. 761–786. In the average OECD (Organization for Economic Co-Operation and Development) country, the average corporate tax rate fell from about 50% in 1983 to about 30% in 2003. Philipp Genschel, “Globalization and the Transformation of the Tax State,” European Review 13:1 (2005), p. 65. However, the statutory or legal rate is not necessarily a good measure of what corporations really pay. The effective tax rate on capital is a much better measure because it captures the amount that capital is actually paying. In Garrett and Mitchell's words, “the effective capital tax rate is calculated as the sum of households' capital income taxes, corporate income taxes, taxes on immovable property, and taxes on financial and capital transaction, divided by the total operating surplus of the economy (that is, profits),” Garrett and Mitchell, “Globalization, Government Spending and Taxation in the OECD,” pp. 158–159. So there is an open question as to why statutory rates are falling but effective rates are not.

[98] Garrett, “Global Markets and National Politics: Collision Course or Virtuous Circle?,” pp. 787–824. There are several possible explanations for this. One important point is that countries with higher taxes also tend to have better public goods (such as government services and infrastructure), which make business more profitable and so entice investment. See Swank, Global Capital, Political Institutions, and Policy Change in Developed Welfare States. Garrett and Mitchell, “Globalization, Government Spending and Taxation in the OECD,” as well as Dani Rodrik, Has Globalization Gone Too Far? (Washington, DC: Institute for International Economics, 1997), have argued that increased globalization produces increased desire for welfare in order for the citizens to compensate themselves from the resultant insecurity. Additionally, it is clear that regardless of globalization, many types of capital are largely immobile, and many types of firms have a number of reasons for wishing to stay in their home base.

[99] Swank, Global Capital, Political Institutions, and Policy Change in Developed Welfare States.

[100] Genschel, “Globalization and the Transformation of the Tax State.”

[101] Garrett, “Global Markets and National Politics,” p. 816.

[102] Simon Loretz, The Condition of Corporate Taxation in the OECD in a Wider Context (Oxford, UK: Oxford University Centre for Business Taxation, 2008).

[103] One caveat is that the bulk of imports into Northern countries actually comes from other Northern countries; Garrett and Mitchell, “Globalization, Government Spending and Taxation in the OECD.” A second, and perhaps more important, caveat is that a large and increasing percentage of business is now in relatively immobile services and other areas that are not as subject to the pressures of global trade. In the US, for example, it has been estimated that locally oriented economic activity represents about 60% of all economic activity. Alperovitz, America Beyond Capitalism, p. 126.

[104] Alperovitz, America Beyond Capitalism.

[105] Greg MacLeod and Darryl Reed, “Mondragon's Response to the Challenges of Globalization: A Multi-Localization Strategy,” in Darryl Reed and J.J. McMurtry (eds), Co-Operatives in a Global Economy: The Challenges of Co-Operation across Borders (Newcastle upon Tyne, UK: Cambridge Scholars Publishing, 2009), pp. 111–140.

[106] Anjel Mari Errasti, Inaki Heras, Baleren Bakaikoa and Pilar Elgoibar, “The Internationalisation of Cooperatives: The Case of the Mondragon Cooperative Corporation,” Annals of Public and Cooperative Economics 74:4 (2003), pp. 553–584.

[107] David Ellerman, Property and Contract in Economics: The Case for Economic Democracy (Cambridge, MA: Blackwell, 1992); see also Erik Olin Wright, Envisioning Real Utopias (London, UK: Verso, 2010).

[108] Robert Dahl and Charles Lindblom, Politics, Economics, and Welfare (Chicago, IL: The University of Chicago Press, [1953] 1976).

[109] On market socialism see, Pranab Bardhan and John Roemer (eds), Market Socialism: The Current Debate (New York: Oxford University Press,1993); see also David Schweickart, Against Capitalism (Boulder, CO: Westview Press, 1996); and Alec Nove, The Economics of Feasible Socialism, 2nd ed. (London, UK: Harper Collins, 1991).

[110] Alastair Campbell, Charles Keen, Geraldine Norman and Robert Oakeshott, Worker-Owners: The Mondragon Achievement (London, UK: Anglo-German Foundation for the

Study of Industrial Society, 1977).

[111] One way that transition might be plausible is through the implementation of a kind of Meidner Plan. Rudolf Meidner, Employee Investment Funds: An Approach to Collective Capital Formation (London, UK: G. Allen & Unwin, 1978). For instance, one could imagine legislation whereby firms are required to set aside a portion of their profits each year as new shares controlled by the internal workers on an egalitarian basis. The original Swedish Meidner Plan calculated that if 20% of profits were set aside each year the workers would be majority owners within roughly thirty-five years, and effective controllers much sooner (because effective control in corporations usually requires much less than 51% of ownership). If we adapted such a plan to involve two streams, one involving private business shares passing to internal workers, and one involving private bank shares passing to newly created democratic banks, then such a plan would result in the slow but incremental and inexorable democratization of the economy.

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