How the 21st century left thinks about economic democracy

Instead of top-down state socialist models, the new left asks how we can build a pluralist ecosystem of democratic ownership

By Christine Berry | 24.02.2020

Ever since the global financial crisis, progressives have been asking how we can forge a new economic consensus to replace neoliberalism. ‘Economic democracy’ is now emerging as an idea that could form the basis of this consensus.

The movements surrounding Bernie Sanders in the US and the Labour Party in the UK are exchanging ideas. Both have proposed ‘Inclusive Ownership Funds’ (inspired by the Swedish Meidner Plan of the 1970s) that would give workers a collective stake in listed companies that grows over time. City governments are pioneering ways to democratise wealth locally – from keeping public money circulating in the local economy (Preston, England) to challenging extractive models of tourism (Barcelona).

These experiments are described variously as ‘municipal socialism’ or ‘community wealth building’.

But what are the underlying principles of these various political initiatives? Do they add up to a new paradigm that can compete with the failed free-market model and with resurgent far-right nationalism?

The first shared idea at the heart of these new approaches is democratic ownership. In different ways, they seek to reinvent the socialist principle of common ownership of the means of production. This is not about returning to a top-down state socialist model, although state ownership does play a role. Nor is it simply about bottom-up worker ownership models such as co-operatives, though they also have their place.
The new economic democracy asks how we can build a pluralist ecosystem of democratic ownership, with assets owned by different publics at different scales. This includes public, community, co-operative and commons ownership models, at national, municipal and local community level.

The new left and economic democracy

The new left values diversity and decentralisation as a way of enhancing democratic participation and accountability. In the wake of the financial crisis, it is also increasingly recognised that system diversity can make the economy more resilient and less vulnerable to shocks. To see what this means in practice, we can look to the German and Danish energy systems. Here, a rapid transition to renewable energy has been achieved through targeted state support. But the new system is not built solely on large-scale state ownership. Instead, a large chunk of new wind and solar capacity is owned by municipalities and community co-operatives. This has been termed ‘energy democracy’.

Of course, many of these ownership models in themselves are not new. Public and co-operative ownership have played a key role in most major European economies for decades.

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In the Global South, social movements have fought for them in the face of IMF-imposed privatisation of essential goods such as water and social services. They have also pioneered grassroots ownership solutions – such as the SEWA Co-operative Bank in India, established in 1974, which provides an alternative to exploitative microcredit for self-employed women.

The aftermath of the financial crisis brought austerity politics to Europe and saw the advent of similar movements, particularly in the worst-affected countries such as Greece. These often drew inspiration from ‘solidarity economy’ approaches in regions such as Latin America – with community-owned food kitchens and advice centres stepping into the gap left by a battered state.

So what’s really new about today’s emerging concept of economic democracy? First, it is informed by an emerging big-picture analysis of what’s wrong with the global economy and how to put it right. This focuses on ‘rentier capitalism’: the idea that today’s economic elite primarily extract wealth from others by controlling assets (land, water, the money supply) rather than creating wealth by stimulating productive activity. It follows that the path to a more equal economy lies in socialising or democratising control of these assets.

Second, it offers a new systemic approach. Today’s left populist movements – in Greece, Spain, the UK and elsewhere – often represent a coming together of two different traditions: the ‘old left’ from traditional socialist parties, and the ‘new left’ from horizontalist social movements. They recognise that transformative change cannot simply be delivered from the top down by the state, but neither can it be left to a patchwork of community-led solutions. They take seriously the need for both state power and popular empowerment. Of course, this raises tensions and questions that have yet to be fully resolved – something I will explore in part two of this series.

Why markets aren’t democratic
This brings us to another core principle of the new economic democracy: that of democratic participation. This is what really sets it apart from twentieth-century social democracy. For instance, the UK’s post-war settlement was not really founded on ideas about democracy, still less participatory democracy.

Instead, the idea was that Keynesian technocrats could plan the economy more efficiently than private actors. Public ownership would ensure that the fruits of industry served the common good – as determined by the government of the day. The management and structure of nationalised industries were largely left unchanged.

This model was critiqued both from the left, by those arguing for greater empowerment of workers and citizens, and from the right – most famously by Hayek. He argued that technocratic elites could never match the tacit knowledge embodied in millions of individual market choices, and that their oversight was inherently oppressive. The new left echoes some of these critiques – but crucially, it sees the answer in participatory democratic institutions, not in markets.

Indeed, the market logic of ‘one pound, one vote’ is antithetical to the democratic logic of ‘one person, one vote’. In practice, it has led to an overwhelming concentration of wealth and power in a small number of large global corporations. This system has proved to be more than capable of oppressing those without the resources to make their voices heard.

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How real democratic participation in the economy could look like

Democratic ownership, then, is not enough. We also need democratic participation in decision-making, both within public companies and in the economy more broadly. For instance, again in the UK, Jeremy Corbyn argued that ‘we should have passengers, rail workers and government too, co-operatively running the railways... this model should replace... top-down operation by central diktat’. This also requires a remaking of the state and of democratic governance itself.

Podemos in Spain, and the city government of Barcelona, are particularly notable for putting participatory politics at the heart of their agenda. Across the world, many have been inspired by the potential of participatory budgeting – which originated in Porto Alegre, Brazil – to put citizens in control of spending decisions. There is also growing enthusiasm for citizens’ assemblies as a way of deliberating about complex problems like climate change or constitutional reform.

Finally, today’s thinkers are innovating by applying these principles to twenty-first century systems – notably technology and the ‘digital commons’. In a world where data is a key commodity and online platforms are critical infrastructure, ownership of these things shapes economic outcomes. Nick Srnicek has proposed a ‘national data fund’ based on common ownership of data, which could be made open-access and used to help finance social wealth funds. Barcelona’s city government is developing new open-source technology to harness big data for the common good rather than allowing it to be captured by private corporations.

The current wave of interest in ‘economic democracy’, then, does offer something new and important.
But if it is to become the basis of the next system, it must confront a number of challenges. These will be explored in the second part of this series.