

## CHAPTER SIX

### MARKETS, OWNERSHIP AND ECONOMIC DEMOCRACY

What implications does the concept of association have for economic democracy? What are the forms of organisation of the economy most appropriate to the idea of associational democracy? In this chapter I will discuss the role of associational democracy in the economy and mechanisms through which it may be possible to extend its reach.

#### Market Forces and Democratisation

##### *Political Equality and Economic Democracy*

One of the arguments often made for associational or corporatist arrangements is that they can politically equalise the influence of interests in society on government by enfranchising in the decision-making process weak or minority interests previously overshadowed by more powerful groups, such as the unions or employers. There is no doubt that more inclusive corporatist forms of government, by giving a political voice to otherwise marginalised groups, can go some way along the road in this direction.

But what this overlooks is that politics happens not only within the circles of government, involving only the interests empowered there, be they broad and inclusive or narrow and exclusive in range. Some of the most important influences on politics come from outside the polity, from powerful economic forces who wield huge, disproportionate, unaccountable and informal powers over the economy and the state which derive not from their place in the political process but from their economic wealth and power. No amount of power lent to smaller or weaker interests by their incorporation into the political process can come close to the power that the largest corporate actors in the economy can wield even without any formal channel of direct influence on government.

This does not mean that we live under a purely capitalist state. The influence of economically powerful actors over the political process does not make governments merely, as Marx and Engels famously argued in the (1848) *Manifesto of the Communist Party*, just the political wing of the bourgeoisie. Governments have some independent influence and are buffeted by too wide a range of pressures for this to be the case. A lot of intellectual angst has been expended in attempts to work out a theory of exactly how autonomous or relatively autonomous the state is from capital or how determined it is by capitalist imperatives. I do not wish to engage in this debate. If I had to adopt a position somewhere along the continuum it would probably be around the relative autonomy position. However such a category is lacking in theoretical weight. It merely gives an indicator of the fact that we cannot make precise and generalisable theoretical statements about the degree of influence of capital over the state. All it establishes is

that the state is not absolutely autonomous from the economy nor completely determined by it, a principle which few would wish to deny.

What it is possible to say is that a central determinant of governments' political success, and thus a perennial and primary preoccupation for them, is economic prosperity. Governments get the glory or the stick for economic success and win and lose elections on this factor more than any other. Yet economic actors often have more control over the success of the economy than do governments and the necessary obsession of governments with the well-being of the economy means that they always lean more to the demands of powerful economic actors than to those of other interests in society. Governments are concerned above all else with securing the conditions for successful capital accumulation, keeping the City happy and underpinning industrial competitiveness. The needs and actions of large powerful economic actors who play a central part in ensuring these objectives therefore exert a particularly powerful influence over governments. They have the ear of governments more than other actors do. All of this is to say what an influence big business holds over government. It is not to say that politics is determined by the economy, that government is the tool of capital, or that the executive is only the political wing of the bourgeoisie. What it does mean is that, as a mere statement of fact rather than as an elaborate theoretical formulation, economically powerful actors exercise a disproportionate influence over government policy, whether deliberately or not.

Furthermore powerful economic institutions wield a disproportionate power in themselves over economic circumstances which are under their direct control. They create and take away jobs, build and destroy communities and determine peoples' destinies. Their decisions can be the making or breaking of a successful economy. Economically powerful actors such as big corporations and City financiers play a disproportionately significant direct part in the prosperity of an economy, independently of their already substantial influence over government policy, yet they are not democratically accountable to the people whose lives they shape.

My point is that you cannot equalise the influence of interests in society merely through the inclusive corporatist incorporation of them all, including the weakest, in political decision-making. This is because many interests derive their power from sources beyond the polity even in a fully-blown corporatist state. A purely political strategy to equalise interest influence is bound for failure. You cannot de-economise politics, by the political enfranchisement of economic interests of all sorts because this does not deprive them of, or equalise, the political role and significance that they derive from their economic position.

Therefore a politically corporatist or associationalist strategy alone is not enough. What are also needed are egalitarian and democratic strategies for the economy, The extension of political citizenship from an individualistic and representative basis into corporate and participatory forms needs to be supplemented by the expansion of equal and universal

citizenship from the political sphere into the economic. Political reform will not alone make a democratic society. A strategy is needed that also equalises the extent to which actors hold economic power and makes economic interests more democratically accountable.

This suggests two things. First, a substantively economic egalitarian strategy for the redistribution of wealth and power in the economy, of the sort traditionally treasured by socialists. Second, a more formal strategy of economic democratisation, through which powerful economic actors can be brought under democratic social control.

These two go together. There are many ways of ensuring a more equal distribution of economic power in the economy - through various systems of taxation or through legal limits on economic monopoly, to mention just two examples. But one other way is through democratisation. Economic power can be redistributed not just through the diffusion of wealth but also through the diffusion of control over wealth. Democratisation, in short, can be a strategy for a greater egalitarianism.

It is plain to see that public ownership has not had a satisfactory record in its typical form of transferring ownership of the uppermost reaches of private economic power into the hands of the state. Under public ownership economic power has not been used democratically on behalf of the people, and more often than not private companies have behaved little differently when put under public ownership. Furthermore socialists have often failed to make real inroads into the heights and breadth of economic power in nationalisation strategies. In the West public ownership has usually become little more than a mechanism for bailing out lame ducks in the economy.

What is needed to tackle disproportionate economic power is not only economic redistribution but also genuine democratisation going beyond state ownership. There are philosophical and economic arguments for a pluralism of forms of ownership and control as opposed to one system of democratic control applied uniformly throughout the whole economy, and I will discuss these shortly. But economic democratisation does need to be extended much more widely in order to bring economic power under democratic control, And where private ownership and control continues to hold sway it must be subject to legal limits on its economic size and scale and, thus, on its power. Measures are needed which can go some way towards restricting the unaccountable influence of large corporate actors over democratic priorities for the economy, partially through redistributional and legal controls on the accumulation of wealth of the sort traditionally sought by socialists, but also by subjecting those actors themselves to democratic control.

In the new global context this would have to involve transnational agreements on the democratisation of capital and on restrictions on the scale and power of private capital. This may sound utopian but in the new supra-national and transnational climate there is no reason to believe that commonly agreed changes along this road could not be sought

at transnational levels. Indeed progressive thinking in the EC is in many ways following these lines and could be pushed along further by strong leadership within the Community.

### *The Market Economy: Reality, Merits and Deficiencies*

But it is all very well to talk about economic democratisation. Socialists have always claimed that they have had the truly democratic alternatives for the economy in public ownership and central planning. It was believed that through these mechanisms overall control of the economy according to democratically determined priorities could be achieved. For socialists there could be nothing further from democracy than the uncontrolled anarchy of the market. But for economic liberals the free market offers true democracy because it returns power into the hands of the individual consumer and the autonomous enterprise, freed from the dictates of the state. What exactly constitutes a democratic economy is, in short, a matter of some contention.

The idea of 'The Market' is a simplistic and essentialist one. In fact there are many different sorts of market with different implications in different contexts. Let me look at two important ways of disaggregating the idea of 'the market' - first in terms of three different contexts in which markets can operate and secondly in terms of two different types of market.

In different contexts markets may have different implications and be more or less relevant. Being for or against 'the market' glosses over such specific considerations. Economists like Wlodzimierz Brus (1972) rightly distinguish between the role of market relations in the spheres of - 1) capital investment; 2) consumer goods and labour allocation; and 3) inter-enterprise relations. Most people, even the most diehard planners, accept the need for consumer goods and labour markets - in other words for exchange relations and market forces, ie business considerations, playing a significant role in decision-making in these sectors. On the other hand most people, the Thatcher government not included, accept the need for greater public planning in capital investment. At present the sway of market forces in this sector leads to the damaging frittering away of capital on short-term speculation at the expense of long-term industrial investment.

Most so-called market socialists, Alec Nove (1983) for instance, give a big role to the central state in this sphere. The Labour Party, accused by its critics of marketising away socialism, is in favour of a much greater role for intervention and planning in the field of capital investment in order to ensure the sort of long-term investment in manufacturing industry desperately needed to build domestic economic prosperity but which market forces are simply incapable of delivering. Some of the more controversial debates over the role of markets have been battled out over the question of inter-enterprise relations. Should enterprises be co-ordinated from the centre, should they be left to their own devices to do as they see best on the market and according to market demands, or should there be some sort of third sector beyond both markets and the state in which voluntary co-operation between enterprises is the key factor? For many communist

economic reformers in places like Yugoslavia and the Soviet Union the first step is to give enterprises greater autonomy, and for market socialists the vision is of a marketised sector in which enterprises are worker- controlled but linked through market relations.

People, in short, see different roles for planning and markets respectively in different contexts. Whether markets are of positive benefit or not depends largely on the context in which they are advocated. The most sophisticated analysts of markets propose different scopes of influence for them in different sectors. Blanket assessments of 'the market', either for or against, fail to disaggregate and specify the different circumstances under which markets have quite different implications. So-called market socialists like Brus and Nove actually make quite restrictive distinctions over where and when markets are appropriate and come out with regimes that most orthodox central planners would in practice be delighted to achieve.

The second significant distinction that can be made in disaggregating the false unity of 'the market' is not only between different contexts in which the significance of the market varies but between different sorts of market. Two economists, Pat Devine (1988) and Diane Elson (1988), have recently distinguished between two different manifestations of the market - 1) market exchange and 2) market forces.

Market exchange refers to a site (the market-place or market), a transaction (exchange or buying and selling) and the mechanisms of such a transaction (money and prices). Market exchange is a medium in the distribution and choice of goods and services rather than a force for decision-making. Where the concept of market forces differs from that of market exchange is in that it refers not to the mechanisms of exchange but to the determination of economic decision-making by market criteria. Market forces occur where market considerations become a force in decision-making. The difference is between exchange value as a medium for the transaction of economic relationships on one hand (market exchange) and the realisation of exchange value as the principal regulatory mechanism of an economy on the other (market forces).

Contrary to the strictures of direct allocation devotees like Ernest Mandel (1986 and 1988), market exchange is not the problem. In fact exchange, money and prices serve important positive functions. They allow for the valuing and measurement of resources, something which is necessary in any process of distribution, and they decentralise choice to consumers in the form of purchasing power. Market forces are the real problem but even they serve important functions. They enable a speedy and efficient responsiveness to consumer demand, they promote market viability, business efficiency and profitability and, through competition, provide incentives for cost and design improvements in goods and services. These are not 'bourgeois' concerns. They make the quality of life better for all people, something which any Soviet or Eastern bloc citizen will only be too happy to confirm.

Having distinguished between the three different contexts in which markets can operate and the two different types of market the picture looks something like this:

Figure 2 'The Market' Deconstructed

Context	Type of Market	
	1. Market Exchange	2. Market Forces
1. Allocation of Capital	A	B
2. Allocation of Labour and Consumer Goods	C	D
3. Inter-enterprise Relations	E	F

Note: Free marketeers, central planners and supporters of the mixed economy would favour different combinations of direct allocation, exchange, public planning and *laissez faire* in cells A-F, Such combinations are too complicated to be summarised in a table, but what they would be can be inferred from the discussions in this and other chapters,

Whatever the proper role for different sorts of markets in different sectors, the point is that a blanket adherence or opposition to the market will not do. The significance of markets varies from case to case according to the type of market and the context under consideration. A more disaggregative and pragmatic approach is needed in considering the merits, or lack of them, of markets. A polarised opposition between planning and markets in which one or the other is adhered to exclusively with a dogmatic determination will not do. The plan-market dichotomy will help no-one to come to a considered answer on the question of the regimes of economic regulation most appropriate in different circumstances. It is a dichotomy that has to go in favour of a more mixed and pragmatic approach and a greater methodological eclecticism and pluralism.

Exchange, money and prices are necessary for the efficient and democratic working of any economy. While market forces should play a much more limited role than they do in present day western market economies they too have important functions and should play some part. Socialists have to accept the necessity and inevitability of the mixed economy. The argument should be not for or against the mixed economy, but over what the balance and composition of the mix should be. But economic liberals also have to accept the case for a more pluralist economy. While markets of different sorts have respective roles in some specific contexts, the free market economy is just as impossible and undesirable a scenario as the couplet of state ownership and command planning.

The economic liberal case for the free market is based on the idea that individuals, consumers and producers, who are actually directly involved in economic processes are in the best place to make sound economic decisions. The remote state cannot make informed decisions about the economy and infringes on the liberty of individuals to do so. Free markets, on the other hand, provide efficient indicators, in the form of price fluctuations caused by changes in demand, and incentives, in the form of potential profits, for producers to respond to the needs of consumers, Producer competition and consumer purchasing power, meanwhile, give consumers choice and make producers respond efficiently and dynamically to their demands.

I have already discussed, in chapter four, the problems of market forces - they are undemocratic because they reduce the direction of the economy to the sum total of a myriad of decisions taken atomistically by individuals and enterprises, disproportionately influenced by the most wealthy and powerful and impervious to overall conscious democratically determined control; they reproduce and accumulate inequalities in wealth and power, regionally, between enterprises and in the distribution of purchasing power; they inhibit co-ordination and planning and lead to cyclical crises of overproduction, scrapping and slump; they foster the pursuit of competitive market self-interests at the expense of the consideration of wider social interests and consequences, they subordinate sensitivity to 'externalities' to the priorities of the balance sheet; and, on the issue where they are supposed to be strongest, they are unable to meet consumer needs because they respond to consumer demand, which is quite another thing and which distorts the expression of needs through the unequal distribution of purchasing power.

Economic liberals may even accept some of this but many will probably dismiss it as of secondary importance compared to the democratic and technical virtues of the free market. Indeed neoliberals do show a frightening ignorance of, or indifference to, equality, need and social considerations. But they are also vulnerable when judged on their own terms. The fact is that on purely economic or technical grounds as well as on democratic and social grounds *laissez faire* does not have a lot going for it.

Free markets alone simply cannot provide the sort of broad and forward-looking thinking that is needed to run an economy efficiently. Markets supply information about immediate circumstances, and market criteria of decision-making put a premium on fast safe profits. On this basis finance capitalists always go for a quick return on the financial and commercial markets rather than for long-term investment in industry. The information needed to guide decision-making on long-term industrial investment is not all available on the balance sheet and investment on a long-term basis is always going to be risky. Yet long-term neglect in this area, demanded by the narrow-minded short-termism of the free market, leads to ongoing economic decline. Only structures geared towards more than the self-interested fast buck, to the longer-term, co-operation, to a broader range of needs and using information other than that supplied by existing markets, will be able to go for big and bold investments in new technology, new industry and new markets. Yet it is precisely the structures that can facilitate such an orientation - interventionist agencies and cooperative forums linking banks, the state and industry, for instance, that free marketeers wish to throw out for getting in the way of economic dynamism.

Furthermore it is nothing short of suicidal to open up domestic industry to international competition from more interventionist countries where competitors have the advantage of being aided by their location in a supportive governmental, banking, industrial and cooperative context of exactly the sort shunned by free marketeers. In Britain, for instance, industry is weak and needs external financing, yet it is neglected by financial institutions and exposed to this sort of competition it has crumbled. Increasing global liberalisation is unavoidable but the way to face up to it is not through an ideologically

legitimated strategy of domestic neglect but through the setting up of the sort of collaborative industrial infrastructure that can enable domestic firms to compete on equal terms with their international competitors.

Meanwhile, these problems assume that the free market can be achieved which itself is a doubtful proposition. Markets simply cannot exist without planning and without the social and political institutions in which they are deeply embedded and upon which they depend for their survival. Big business plays too much of a role in the modern advanced economy to allow for genuinely free markets. Large corporations can monopolise markets, resources and information and lay down the law to smaller companies. Large-scale regulatory apparatuses of the sort shunned by free marketeers are, therefore, needed precisely in order to protect the free market from big corporations. Meanwhile corporations themselves build up the sort of large internal planning and administrative bureaucracies at which any self-respecting neo-liberal would throw up their hands in horror. These are simple facts of economic life and they show how impossible the over-simplified idea of the 'free market', proposed by economic liberals, is.

### *Market Forces and Enterprise Democracy*

So there is a place for markets of one sort or another, for exchange relations, money and prices and for business criteria playing a part in company-level decision-making alongside social, democratic and environmental considerations. Such a conception has nothing to do with the idea of making market forces the governing principle in economic decision-making. The waning rejection of any role whatsoever for markets on the spurious grounds that this is what it implies is based on an unhelpful and unthought out misunderstanding.

But, equally, there is no place for the free market economy. Neoliberalism is inadequate in its own terms as an economic panacea and right-wing think-tankers who continue to do the rounds with the 'free market' are replacing one doctrinaire cloud-cuckoo-land with another. Furthermore, going back to the assessment of economic liberalism in the terms of political philosophy, it is obvious that the free market suffers also from a deficit on democratic and social criteria. Market forces do need to be retained. You cannot run a business without attention to business considerations. But, if democratic and social objectives are to play more of a part in economic government, the rule of the market has to be rolled back to a more diminished role.

The traditional mode of restricting the role of market forces and imposing democratic control and public priorities on the economy is through the state ownership of enterprises and the central planning of production. But this is an authoritarian and unworkable option. Only the spurious ideology of the state representation of public interests could construe state ownership as genuinely democratic or social. More modest mechanisms such as regulation, subsidies and incentives have been ineffective and feeble in their attempts to encroach on the prerogative of market forces and impose democratic and social obligations on companies. Furthermore these methods have been just as statist and



paternalistic as state ownership and central planning. Another alternative, workers' control, cannot usurp the sway of market forces and sectional interests because it retains control in the hands of a single interest group whose sectional market interests are likely to prevail. Workerism is as problematic as statism.

There is an alternative to economic liberalism and traditional statist or workerist ideas of economic democracy - pluralist cooperation. The all-round inclusive democratisation of enterprise government can be an alternative force for the contraction of the role of market forces. Enterprise democratisation can proceed through pluralist co-operation, whereby all interests affected by enterprise decision-making are empowered in the enterprise's democratic structures where they can co-operate and agree democratically and socially responsive priorities, free from the dictates of either the market or the central plan alone,

The role of market forces needs to be greatly reduced in order to make way for a greater range of social considerations in decision-making. The associational idea of democracy entails the non-state social government of enterprises through an inclusive extension of the franchise to all affected interests at enterprise level. What is needed is the inclusion of a broad range of interests in production decision-making capable of adapting enterprises to decision-making responsive to the breadth of social interests and needs in society and not just to market imperatives or sectional interests. Through the inclusion of a broad range of interests in economic government, a diverse range of needs and demands can be incorporated into production decisions. Devine (1988) proposes something similar which he calls 'democratic planning' and the Greater London Council also experimented with a like-minded idea, called by them 'popular planning'.

Such systems may not abolish market criteria of decision-making, and, indeed, should not do so. They can retain market criteria but as one input among many. Management representatives and other groups on enterprise governing bodies still have room to take into account business considerations in production decisions. But the all-round inclusion of a variety of social interests and demands in decision-making can supplement market imperatives as the determinant force in decision-making and squeeze them into a much less dominant position. A plurally and socially inclusive form of enterprise government can constitute a force for democratically and socially responsive concerns in decision-making adding to and diluting the role of market criteria.

Enterprises can be governed by all affected interest boards composed of consumers, workers, local communities and womens' and environmental groups, to take just a few examples. These can exert a direct influence in economic government. They can add to and curb the role of market criteria in decision-making by incorporating broader social needs and demands into production decisions. Production can be made responsive to a wider field of demands than just the need to meet market demand and maximise profits. Production decisions may be influenced by consumer demands that are distorted or not evident in market demand. They may be influenced by worker concerns with the effect of certain production decisions on factors such as work organisation and wages and by the

concerns of environmental groups with the ecological consequences of production decisions. The social incorporation of plural interests into enterprise government increases the diversity and breadth of inputs in enterprise decision-making, shrinking the role of market criteria to one among many and leaving market imperatives to battle for position alongside many other criteria, interests and demands in economic decision-making.

### *A Pluralist and Planned Economy*

I have emphasised so far the role of all affected interest enterprise government. However there are a couple of riders that need to be added to modify the vision that this conjures up. One is that while pluralist and inclusive democratic enterprise is important there should also be other forms of ownership and control in a pluralist economy. The other is that attention needs to be paid not only to the internal democratic governance of enterprises but also to the external relations between them. Let me take these two points in turn.

While I advocate an expansion of democratically and socially governed enterprises this does not mean that I am proposing an economy with only one type of production unit. It is not to say that there is no role for other forms of ownership. I do not have a dogmatic opposition to private ownership in all or every case, nor do I wish to propose that all affected interest government should have a monopoly on forms of ownership and control in the economy. In any pluralist society there must, as Alec Nove (1983) suggests, be a place for the free development of diverse forms of ownership and control in the economy. This is the case for two main reasons.

Firstly, a variety of forms of ownership and control are necessary to allow for experiments with different types in different circumstances. Different types of ownership and control will be differently appropriate in varying contexts. There may, for instance, be a case for a more liberal and marketised version of the model being advocated here in contemporary Eastern Europe in order to break the inertia and the economic log-jam there (although I don't advocate fully-blown free markets there which will just lead to inequality and insecurity of a sort people in post-communist societies have not experienced). And within a given economy distinct forms will be differently relevant in varying circumstances. To some extent trial and error has to play a part in demonstrating what types of enterprise are most appropriate and where, and for this sort of experimentation to thrive a pluralist economy is necessary.

Secondly, in a democratic, free and pluralist society the forms of ownership and control of enterprises and the balance between them should be a matter for the personal choice and democratic determination of citizens. It is not a matter which can be settled in advance or decided from above. Workers should be free to set up self-governing co-operatives or private initiatives, individuals to privately own and a multitude of forms of ownership and control should be allowed to thrive to meet the variety of needs and demands of a pluralist society.

However all these forms must be regulated and a mechanism is needed for balancing plural and diverse impulses with social obligations and considerations and for safeguarding against the monopolisation of the economy by any one form. This is where the roles of all affected interest government and other forms of ownership and control need to be carefully demarcated in legally inscribed limits agreed by democratically accountable bodies. I would favour a great expansion in the role of all affected interest government but only if legislated for through democratically accountable mechanisms and legally limited to allow for the free growth of a variety of other forms of ownership and control.

This means that rather than the institutionalisation of a single new form of ownership there should be a legal structure which allows for a variety of forms of producing unit. I am arguing for a new significant role for all affected interest government. But the role of this new form needs to be both protected and delimited by legally enshrined structures of ownership and control in the economy. A pluralism of forms of ownership and control needs to be guaranteed and the monopolisation of the economy by any one form constrained.

The growth of socialised enterprise needs to be limited so that it does not close up opportunities for the development of private and co-operative initiatives which can fulfill important production, entrepreneurial and consumer needs. But, equally, the growth of the private and co-operative sectors needs to be restrained to prevent the marginalisation of the socialised sector and to preserve a role for socially responsive rather than just market-oriented enterprise. There are a number of criteria by which limitations could be imposed on the growth of private initiatives - number of employees, amount of capital or market share, for instance. At the limit point private or cooperative enterprise would either have to contain its growth or convert to social (all affected interests) government and accept the articles of association of a socially governed enterprise. The point is that, just as socialised enterprise should not be allowed to squeeze out the opportunities for alternatives, so private and co-operative enterprise should not be allowed to marginalise democratically inclusive and socially responsive initiatives in the form of all affected interest socially governed enterprises.

Not only must democratic enterprise be supplemented by other forms but it is also necessary to go beyond enterprises themselves and look at the relations between them. This brings me to the second supplementary clause that I wish to add to my advocacy of enterprise democracy in the last section. All affected interests enterprise democracy provides the internal conditions for curbing the role of market forces and bringing wider social considerations into firm-level decision-making, However it does not provide the external conditions for putting the role of market forces into proportion. It fails to deal with the external relations between firms and between different branches of industry.

It would be fair to say that a socially inclusive form of enterprise democracy would probably bring a broader range of social considerations into enterprise decision-making. It would be simple-minded to claim against this that the priorities of capitalism and markets

would simply override all other considerations in an economy of democratically controlled enterprises. That Mrs Thatcher in Britain was so intent on removing all traces of worker influence on the running of firms - attacking the unions, insisting on the right of management to manage, and resolutely resisting the EC's 'Marxist' social charter - implies that she at least, a devotee of economic liberalism, saw that industrial democracy poses some sort of threat to the unfettered operation of market forces.

Yet it would also be naive to claim that socially inclusive democratic control at enterprise level will alone restore market forces to a more sane and modest role within the constellation of pressures playing a role in enterprise decision-making. Such a claim would reduce the determinants of economic-decision-making to just the balance of forces on the board. It would be blind to the external pressures and relations within which enterprises are located and which are powerful forces in determining the options and priorities available to them. Enterprises in a market economy have to compete in the marketplace for trade and investment with other enterprises, be they democratically controlled or not. This makes market criteria business efficiency, profitability and responsiveness to consumer demand -top priorities. In a market economy the alternative to paying attention to these priorities is to go under.

Their more inclusive democratic internal governance may well modify the exclusively market orientation of enterprises. But within a conventional market economy socialist principles and priorities - equality and co-operation, for instance - go out of the window, leaving us with nothing socialist sounding except democratic ownership of the means of production. It is this to which the market socialists are either in the dark or indifferent. Democratic control alone buffeted and bullied by market forces is itself unlikely alone to make much fundamental difference to economic decision-making other than in the sense that it will be all affected interests who will be forced to make often similar decisions to those otherwise made by capitalists, except in their interests rather than in the interests of the capitalists.

In order, therefore, to support structures internal to enterprises which expand the role of democratic and social objectives in decision-making and diminish the role of market criteria, other changes are needed which can reduce the imperative to subordinate all else to market success imposed on enterprises by external competitive pressures. To supplement the inclusion of democratic and social considerations in internal decision-making a system of external relations is needed that will keep the external role of market forces in proportion.

What are needed are participatory and decentralised forums through which competitive pressures are eased and in which enterprises can co-operate, plan and co-ordinate their behaviour in the pursuit of democratic and social objectives as well as market efficiency. Association, again, is the most appropriate tool here. The point is not to have external and exclusive bodies which send down commands and directives to enterprises. The centralised definition and implementation of public priorities is politically undemocratic and economically unviable. Instead enterprises can themselves co-operate in more

functionally decentralised democratic bodies. Industry wide co-ordinating bodies can be made up of the enterprises within that industry. They can be associations of enterprises, This is not a new idea. It is something similar to what Emile Durkheim (1893) and G.D.H. Cole (1920a) proposed a long time ago and has recently been revived by Pat Devine (1988).

Industry-wide associations can determine industry-wide priorities and plan and co-ordinate the activity of enterprises through pluralist social negotiations between the enterprises involved. But, in accordance with the principle of all affected interests, and in the light of the need to make industry and economic decision-making responsive and sensitive to the needs and interests of all those affected by such decisions, these bodies would have to be made up of more than just the directly involved enterprises. They would have to be inclusive also of wider affected interest groups - workers, women, consumers, environmental cause groups, other industrial bodies, central associational bodies, and so on. Without the participation of these there is no guarantee that the diversity of concerns they all represent will be taken into account in industry-wide decision-making.

### **Towards Economic Democracy**

While I am in favour, then, of the co-existence of a plurality of -forms of ownership and control in the economy I favour in particular an expanded role for all affected interest government, This involves a vision of a different kind of economy. But it is a feasible, practical and realistic vision. There are a number of existing avenues along which immediate steps could be taken to expand the role of all affected interest government in the economy. Having argued in favour of a pluralist and inclusive economic democracy let me outline now some means through which it might be achieved.

Some mechanisms for introducing associational democracy into the economy involve tampering with existing patterns of ownership and some do not. Ownership is a means towards achieving democratic and social objectives in the running of the economy but not an end in itself. Many socialists have mistakenly fetishised ownership, and public or state ownership in particular, into an end. Yet there are a variety of easier and more effective ways of introducing democratic and socially responsive structures into the economy which do not involve immediately altering existing ownership relations.

#### *Company Law and Planning Agreements*

Two such methods are company law and planning agreements.

*1. Company Law.* Associationalists like John Mathews (1989) and Paul Hirs (1989) have been amongst those recently advocating changes in company law. Company law can be used to require companies to be subject to stiffer standards of democratic and social accountability. At present it enshrines certain limited rights, mostly those of shareholders. It requires a set of obligations from companies concerning shareholder

meetings, the appointment of directors, the allocation of shares and such like. But nowadays answerability to shareholders is no check on a company's behaviour. Most companies are run, as Hirst notes, by self-perpetuating oligarchies and large shareholders. Furthermore, shareholders and managers are not the only groups affected by the actions of companies. Such actions affect and are of interest to employees, consumers, host communities and many other special interest groups in society. Company law needs to be correspondingly amended to extend the obligations and accountability of companies to the broad range of interests who are affected by, and have a legitimate claim to influence in, company decision-making. It should require companies to make themselves democratically accountable and socially responsible to a much broader and inclusive range of groups than is presently the case.

Company law can be amended to include a number of new democratic and social requirements - 1) The representation of workers, consumers and community interests on boards. Fully blown all affected interest government can be built up gradually by evolutionary and prefigurative developments using existing democratic and legislative means and building on already established arrangements for wider participation in economic government. 2) The publication by companies of their social objectives. 3) The public availability of information concerning company decisions, policy and behaviour. 4) A requirement for the company to be subject to audits on social, environmental and other such aspects of their behaviour. 5) The accountability of companies to independent complaints and appeals procedures responsible for hearing grievances from individuals and groups about company behaviour in a fashion undemeaning to complainants and with the teeth to act quickly with strong legal powers of sanction. 6) Controls on mergers'.

A start could be made by passing such legislation, as Hirst suggests, for the largest companies with the greatest capital, market shares or number of employees. Alternatively, or in addition, as Mathews suggests, such legislation could be passed for new companies. As new companies increased in number to make up a larger and larger sector of the economy the legislation would have a greater impact and could eventually be applied less controversially to existing companies who might be perceived as being increasingly out of step with emerging democratic and social norms.

Obligations on companies to extend representation on their boards imposed through democratic and legislative measures has precedents, including initiatives made in the 1970s in West Germany where co-determination was introduced in all major companies, in Norway where parliamentary nomination of the majority of members of the boards of commercial banks was introduced, and in Sweden where all firms with more than 25 employees were obliged to have two worker representatives on the board. Other forms of worker, consumer and community consultation and participation are widespread especially in progressive local government and the consensus in the European Community at present, broken only by Britain, provides a supportive background upon which greater democratic participation and social rights at work can be built.

Legal requirements can impose quite modest and reasonable democratic and social obligations on companies where external sticks and carrots in the forms of regulation, incentives and subsidies have been ineffective. Changes in ownership have traditionally been another means of achieving democratic and social objectives. But, quite apart from the fact that such strategies have achieved nothing of the sort, ownership changes are unnecessary if their objectives can be won more effectively through existing democratic and legislative means. Privately owned companies, for instance, can be subjected to democratic and social requirements through legislative means. Legislation can require private owners to extend a controlling influence to other interests who contribute to, or are affected by, the consequences of company behaviour. But there is no need in doing so for private owners to relinquish their rights of ownership although these would subsequently carry more diluted powers with them.

*2) Planning Agreements.* Planning agreements are another strategy which do not involve shifting patterns of ownership. These involve negotiated agreements between the government and companies in which the latter agree to meet specified requirements in return for public resources. These sort of agreements often revolve around requirements made of companies to site their operations in particular areas, to carry out certain kinds of production (perhaps non-militaristic, socially useful or environmentally sensitive), to ensure minimal social conditions of employment or to support government economic plans or priorities. However they could go further to encompass requirements for the democratic control of companies.

Such ideas are not new, In Britain the 1974 Labour government set up a National Enterprise Board to arrange planning agreements with companies and passed the 1975 Industry Bill. The aim was that companies would have to reveal their investment plans under the agreements while the NEB could pursue public ownership strategies in successful areas of the economy and take equity in publicly resourced companies. However the bill was scuppered and the NEB did not end up pursuing these distinctive objectives.

More recently local initiatives modelled on the NEB idea have been pursued in Britain, including the Greater London Enterprise Board (GLEB), which was set up by and survived the Greater London Council (GLC), and the West Midlands Enterprise Board set up by West Midlands County Council. These boards have used the funds at their disposal to encourage the creation of long-term employment in socially useful production initiatives and to set up planning agreements requiring democratic internal structures as well as efficient business from recipient enterprises.

A similar practice has been implemented by the US government and by some local authorities in Britain in contract compliance strategies where companies have to meet particular social requirements, most notably equal opportunities criteria, in order to receive state contracts for their products or services. This involves an extension of business and efficiency requirements made by the state in their deals with other agencies to social and democratic requirements also.

## *New Forms of Social Ownership*

The advocacy of non-ownership strategies like company law and planning agreements rests on the assumption that the key objective is control rather than ownership. Ownership has been fetishised by many from a means to achieving democratic and social objectives into an end while I would argue that control can be achieved through existing democratic and legislative means without a change in ownership.

But it is naive to think that ownership is not important. If a company or enterprise is run by a democratically elected body of all affected interests, the owners, if they are different, and be they private or public, will still exert a vastly disproportionate and undemocratic influence on decision-making. The power of ownership is a very significant constraint on the decisions that democratic governing bodies can make because such bodies are under heavy pressure to retain the trust and long-term loyalty of shareholders by pursuing policies seen to be amenable to their interests.

Furthermore private shareholders can withdraw their holdings from companies that are brought under democratic social control because of their loss of controlling influence or because they lose confidence in the business efficiency of the new arrangements. The indirect influence of capital over democratic boards would be not dissimilar to that it brings to bear on elected governments and the state.

Economic democracy is useless if it can be subverted by external agencies not subject to democratic control who can break with democratic controlling decisions and impose their own priorities and policies on governing bodies or can simply move their holdings elsewhere and effectively sabotage industrial democracy. For this reason democratic arrangements in the economy need to be secured by supportive institutions of ownership. This means a major extension of social ownership in the economy.

However it is necessary to find new forms of social ownership in preference to public ownership, by which is usually meant nationalisation or state ownership. One reason for this is that while there is a place for public ownership there are a variety of possible forms of social ownership differently relevant in different contexts. It would be foolish to embrace exclusively any one form. A better idea is to introduce a number of different forms in the most appropriate seeming contexts in order to test their respective strengths, weaknesses and relevance.

The record of public or state ownership and, for that matter, of state collective provision has been mixed. In line with the doctrine of the state representation or expression of the public interest it has been assumed that state owned industries would move from the pursuit of private profit to production more responsive to public priorities. However there has been no notable change in direction amongst nationalised companies. The whole ideology of public ownership has been based on a paternalistic and authoritarian idea of the state definition of the public interest in which social interests themselves



have no democratic part to play. Consequently the state sector has been unresponsive to the public and social needs it was intended to serve and on top of all this it has often been inefficient, uncompetitive and badly managed and has ridden roughshod over the rights and needs of consumers and citizens.

Given that social ownership is necessary on a big scale but that public ownership can only have a limited role to play in such a future what alternative ideas of social ownership are possible? Let me examine two - state trust ownership and non-state social ownership.

1) State Trust Ownership. One possibility is the ownership of companies by the state in trust. The state could use public funds to buy or set up democratically and socially controlled companies. Companies could rest a little more assured that they would be able to pursue democratic and social priorities which may sometimes conflict with business efficiency criteria without losing the long-term loyalty of shareholders, if the shareholders were the government rather than private owners. What makes this different from traditional state ownership is that the state would not be in direct control of the company. The company would be democratically and socially controlled by a governing body of all affected interests. Furthermore it would not have to return dividends to shareholders but could retain profits for more egalitarian distributions of the surplus and for reinvestment.

The problem that this shares with public ownership is changes of government. There is nothing to guarantee that reactionary governments would show the same tolerance of democratic and socially useful production that social democratic governments might. The threat of shareholder withdrawals may not be as great as in the case of private ownership. But it would still be there hovering over democratic governing bodies in the form of an external constraint on their democratic autonomy. Mrs Thatcher showed that you cannot assume that any nationalised company is safe under the next government. Who would have thought in the 1970s that the British would see gas, electricity and water at the auctioneers with the prisons and the pits serious contenders for the same fate?

Why, then, advocate this form of social ownership? The reason is that in the immediate term it may constitute a more viable option than more radical ideas. It can be a relatively straightforward way of introducing and making people accustomed to democratic industry and it does offer distinct advances over existing arrangements.

2) Non-State Social Ownership. However a social sphere wholly independent from the state would be preferable. This brings me to the second possibility of non-state social ownership. If democratic companies can be owned by the governing bodies themselves this removes any possibility of external shareholder influence although there would still be strong external constraints in the form of market pressures, the need to remain viable and competitive, and so on.

What alternative forms might be appropriate for such a non-state social sphere? If the state is to create companies owned by public trusts and then leave them to it why not go the whole hog and hand over ownership rights to the companies themselves? What this implies is an independent non-state social sphere of socially governed enterprises very like the popular idea of co-operatives and worker self-managed enterprises operating in a market economy except that, in line with the principle of all affected interests, it envisages pluralist and inclusive rather than exclusively worker-dominated democratic structures.

It is my view, already outlined, that democratisation should not be restricted to the enfranchisement of people directly involved in the enterprise. People should have an influence over decisions concerning activities which affect them which means that democratisation of a specific area should be extended beyond just those directly involved in it. This is what I mean by the pluralist or social extension or socialisation of democracy. Only a fully inclusive form of democracy is capable of delivering genuine social-mindedness and democratic accountability in economic decision-making.

Independent all affected interest owned companies can be encouraged or even set up by the state using existing democratic and legislative means, But ultimately non-state socially owned companies can sever all ties with the state and with any remaining dependency or external influence. Independent structures would be difficult to subject to reverses in ownership or democratic control by future reactionary governments. The proliferation of non-state socially owned companies can contribute to a pluralist civil society independent of state power, to the range of countervailing centres of power in society and can give ownership rights which correspond to structures of control.

### *New Forms of Capital Formation*

I have proposed some means - company law and planning agreements - through which the democratisation and socialisation of companies and enterprises can be democratically legislated for without encountering all the problems involved in immediately overturning ownership relations. I have proposed some forms of social ownership - state trust ownership and all affected interest ownership - which might be created to provide ownership structures corresponding to, and supportive of, structures of democratic social control.

What I wish to discuss now is the possibility of finding the funds for creating these forms of social ownership without the wholesale seizure of private capital and assets and without the use of scarce public funds. Let me look at five potential sources of capital - existing public funds, voluntary private investment, the coercive seizure of private funds, pension funds and profit-taxing.

1) Public Funds. The public purse can be one source of funds for the pursuit of public priorities in economic development. However it is a limited source, especially in the light of the huge burden carried by the welfare state, and public funds are not a popular

source of capital for government economic experiments. There are other enormous and relatively untapped potential sources of funds which could be sought out in the pursuit of an extension of the role of social and democratic forms in the economy.

2) Private Investment. Private capital investment is unlikely to be voluntarily forthcoming on reasonable terms, if at all, for the creation of democratic enterprises. One reason for this is that the very democratic nature of such enterprises precludes the possibility of lenders gaining any degree of control in the enterprise of the sort usually required as a loan condition. As non-capitalist ventures democratic enterprises are also unlikely to have the sort of security to put up that is usually required by financiers. If democratic enterprises *are* successful in attracting private investment they are nearly always going to have to borrow more than competitor capitalist enterprises because, as non-capitalist ventures, they may often start off with less capital. Furthermore they are likely to have to borrow at higher rates because of their inability to meet the usual conditions for loans and because they will probably be perceived as a bigger risk than private enterprise on account of their orientation towards the sort of democratic and social objectives which are likely to compromise their profitability and business efficiency. These factors mean that, in the long run, democratic ventures will have greater repayments to make than competitor capitalist enterprises, leaving less funds available for re-investment and growth and thus putting them at a competitive disadvantage.

3) Nationalisation. If private funds will not be voluntarily forthcoming so easily or on such favourable terms could they be coercively directed into democratic initiatives? The wholesale seizure of private capital and assets is a road fraught with obstacles. It has a place but is associated with the unpopular legacy of nationalisation and it involves taking on enormous opposition from private capital and big business. I do not shy away from this road because I have some hallowed respect for the ownership rights of private capital. Quite the opposite. While in a pluralist economy there should be a place for private ownership rights, these are all too often just a legal means for legitimating the sectional ownership of what by all rights should be the democratically held property of society. However it is unnecessary to go down the road of transferring private property wholesale to the public sector when there are enormous funds lying untapped which can be released for democratic economic development by other less tortuous and more effective means.

4) & 5) *Pension Funds and Profit Taxes*. These other means can involve either the use of existing employer or employee funds under democratic social control to create democratic enterprise, or they can involve taxing the profits of the most profitable private companies to provide funds for the same purpose.

Both of these strategies provide ways of gradually expanding the role of democratically and socially owned and controlled enterprise and squeezing out private ownership from its dominant role but without actually seizing and transferring property from private to public hands. They are gradualist evolutionary strategies which avoid all the problems of the confrontational wholesale seizure of private assets or the use of limited public funds,

in favour of more effective and potentially successful ways of pursuing long term transformatory objectives.

A much coveted potential source of democratically and socially owned and controlled capital has been pension funds. These are built up by contributions, from employers and employees, into funds intended to provide incomes for employees when they retire. The significance of pensions in this context is that they provide huge funds which can be put to socially useful purposes under democratic control. One such purpose could be the creation of new socially owned companies and enterprises under democratic and social control and pursuing democratically determined and socially considerate policies.

A mandatory pension scheme was set up in Sweden in the 1950s working on the basis of employee and employer contributions held in funds under the tripartite control of unions, employers and the state. The size and potential role of pension funds is illustrated by the fact that by 1970 these funds financed 55% of the net new financing of housing and 65% of net new capital for business in Sweden. In the 1970s one of the funds generated by the pension scheme was designated for use as equity in the form of union ownership of companies. This fund generated enough for it to own 2.5% of national stock. In cases where it has become a major shareholder it shares its voting rights with local unions in the relevant companies.

As this illustrates pension funds have considerable potential as a source of finance for the creation of new forms of enterprise, democratically and socially owned and pursuing democratic and social objectives. But there are other potential sources for funds which can be brought under collective ownership and control and used for a range of democratically determined social purposes, including the promotion of democratic enterprise. One is the formation of collectively controlled capital out of private company profits via, for instance, collective worker share ownership in such companies or profit taxes.

The idea of employee share ownership has been marketed in Britain as 'popular capitalism' by Mrs Thatcher's government. Because the idea has been peddled by her, and in a form which does nothing for popular democracy or social considerations, it has produced a corresponding counter-reaction on the left.

But the problem with Mrs Thatcher's idea of employee ownership is that she advocates individual share ownership which offers employees the illusion of any democratic influence in their companies. Individual shareholders can exercise no control over companies at all when faced at shareholder meetings with big shareholders wielding huge blocks of shares and with seats on the board. If anything such schemes serve to enhance the grip of big capital and management on the firm because they encourage the loyalty of employees. Employee share ownership exercised collectively under democratic social control, on the other hand, has the potential to revolutionise economic democracy. If ESOPS (Employee Share Ownership Schemes), so widespread in the USA, are to have a progressive future elsewhere this is the form they must take.

Probably the most famous recent proposal along these lines has been the Meidner plan in Sweden, designed by the trade union economist Rudolf Meidner (1978) in the 1970s and proposed by the LO, the Swedish trade union federation. Meidner's idea was that some of the huge profits that had been reaped by Swedish industry from the solidaristic wages policy negotiated centrally by the employers and unions should be put into industrial investment rather than financial speculation. His proposal was that companies should have to issue shares in proportion to their profits which could be held in collectively controlled wage earners' funds by unions. Funds and local unions would be able to nominate members to the board as they increased their proportion of share ownership. This was a way of bringing under collective control some of the excessive profits of Swedish industry for collectively determined, rather than private and speculative, purposes. And it was to give workers a democratic influence in their company through their representation on company boards resulting from collective share ownership.

Meidner's plan predicted that through such a process Swedish workers could own their own companies within between twenty and seventy five years depending on the proportion of profits to be fed into collective funds. Unfortunately the SAP, the Swedish social democratic party, uncharacteristically weakened by electoral defeats, had to water down Meidner's plan and it has since been supplanted by alternative regional fund proposals. These involve regional investment funds built up from employers' and workers' contributions and controlled by tripartite government-nominated boards on which employee representatives have a majority, although in the event employers have not participated. A more recent development has been 'Renewal Funds' financed out of a profit tax and used for training and research programmes agreed by the employers and unions.

The Meidner Plan raises a complex series of issues which it is not possible to deal with here and it is not entirely unproblematic. I agree, for instance, with Walter Korpi (1979) that funds should be held collectively by citizens rather than by just workers as such. All affected interests, rather than just those most directly involved in the activity concerned, should be enfranchised.

But what is important about the Meidner plan and other such profit-tax ideas is that they suggest the possibility of using democratic and legislative means to gradually accumulate capital under collective control, without attacking head on existing property relations while still, in the long term, altering their balance in the economy. They do this, as I have explained, by taxing or sharing large profits through the issuing of shares to collective employee bodies. The method of taxation - share issues - is not an unpopular one. At present the idea of share- ownership, despite the many forms it can take, carries in many countries some credibility with politicians and the public, more so at least than does nationalisation. Profit-sharing is not seen as some impossibly crazy left-wing scheme to be fought at all costs but as an idea accepted by managers and employers as a legitimate mechanism for encouraging the loyalty and productivity of employees. Profit-taxing does not involve having to find 'new' money for investment. It uses money which would

otherwise probably be frittered away through financial speculation for private gain. And it frees funds for a wide variety of democratically determined social uses – for training and education, research, socially useful production, re-employment and such like. In the context of this thesis it is significant because collectively controlled funds can be used to set up democratic enterprises. Finally it is appealing to socialists because it involves a more egalitarian distribution of the surplus or profits in favour of workers.

Socialised fund bodies holding capital accumulated under democratic social ownership can found democratic companies and enterprises, so expanding the role of democratically determined and socially-minded activity in the economy. They can set up non-state social enterprise under the social control of workers, communities, consumers and general interests. The pluralist and inclusive democratic government of these enterprises, meanwhile, can ensure pluralistically and socially sensitive decision-making.

Where social capital makes investments or sets up enterprises it can use planning agreements to oblige companies to adhere to specified standards of democratic and socially conscientious decision-making, written into companies' articles of association, and to submit to regular social audits to monitor their success in fulfilling such obligations. Or the democratic and social government of enterprises can be implemented independently by changes in company law.

One advantage of socialised fund bodies is that they outlive governments and are difficult to abolish or reverse. The GLC's GLEB is an example. If the sources of funds for such bodies, the GLC for instance, are cut then the bodies can sustain and expand themselves through their own economic activity. This was recognised in the Swedish SAP proposal that regional funds should only draw on their sources of capital, a combination of employee contributions and profit sharing, for a set period of time after which they would have to go it alone. Fund bodies with multiple holdings, meanwhile, would be difficult to wind up. Furthermore it could be politically damaging to do so if the democratic and socially useful credentials of such bodies had become established.

These strategies - the use of pension funds and collectively held profit-share funds to create a sector of democratic and social enterprise in the economy - provide an evolutionary means aimed at a revolutionary transformation of the structure of ownership and control in the economy. The expansion of such a sector in the economy which dilutes the role of private ownership can be achieved without the direct public expropriation or purchase of existing private assets and without huge expenditure from public funds.

This approach is distinct from external regulative approaches in that it creates capital under direct democratic social ownership and control rather than attempting to guide and coax companies towards greater standards of democratic and social accountability from the outside. It also provides an answer to the perennial question faced by left parties - 'where will the money come from?'. It is distinct from the traditional expropriation or nationalisation approach in that it involves the creation of new socialised capital rather than the wholesale transfer of existing assets. There are sources of capital that can be

tapped without full-scale expropriation and socialised capital can expand its role in the economy through its own economic activity without having to directly take on existing private ownership and property rights. This provides a route for socialisation which is less likely to provoke the opposition of established interests but which can avoid such difficulties without making any compromises over its ultimately transformatory objectives.

In fact the sort of strategies proposed here could conceivably be carried out with the active co-operation of private capital, particularly if the development of democratic public funds is linked to programmes for economic revival. This is because in the short term the use of pension funds and profit taxing does not directly threaten the existing assets or ownership rights of private capital. Such mechanisms also do not involve the publicly unpopular option of outright nationalisation or massive public expenditure. The road would be a very difficult one but that it is smoother in these ways means that it might be more effective and more assured of success.

However in the long run this evolutionary and gradualist strategy involves a revolutionary transformation of ownership relations. It involves a gradual creation and accumulation of democratic socialised capital through taxation, profit-sharing and the use of existing investment funds. These can be used to gradually extend a new socially owned enterprise sector, building it up into a larger sector of the economy over a period of time, expanding the role of democratic and social ownership in the economy and of social objectives in economic decision-making and correspondingly restricting the role of undemocratic private enterprise and the rule of market forces,

### *Democracy, Collaboration and Economic Prosperity*

Selling democratic public fund bodies as part of a package for economic revival would not involving stretching a point as much as it may seem. In fact the democratisation of capital is desirable not only for democratic and social reasons but is also an idea which has sound economic merits. Combined with other strategies for more co-ordinated and collaborative forms of economic regulation a convincing case can be made for a larger role for democratic investment bodies, based in particular on the poor record of private capital in Britain in providing long-term investment for industry.

A role for democratic investment funds could be sold as the first part of a three-pronged strategy for economic recovery focusing on new democratic and collaborative structures in the economy and in a state oriented towards seeking out partnerships with and between economic actors. The first prong would involve a greater role for democratic investment bodies; the second, more institutionalized collaboration between the City and industry; and the third, inter-enterprise co-operation in building shared infrastructure. These would not alone, of course, provide an exhaustive successful strategy for economic prosperity. But they would provide democratic and collaborative structures necessary to such a strategy and they could help to sell democracy and collaboration as economically as well as socially desirable. Let me end this chapter by looking briefly at the case for a

three-pronged democratic and collaborative economic strategy before going on in the chapters that follow to develop the case for more democracy and collaboration in politics.

Centralism is too undemocratic and inefficient to provide the sort of collaboration, co-ordination and planning needed in a strategy for economic prosperity. *Laissez-faire*, on the other hand, explicitly abandons the sort of collaboration between state, capital and industry, and the inter-enterprise co-ordination and planning for long-term economic and technological development needed to win economic prosperity. Devotees of Hayek would no doubt see the buddings of an authoritarian despotism in such ideas but they would have trouble making such a scenario stick with the cases where they have worked - West Germany, Sweden and certain regions in Italy, for example - all places which have enjoyed greater records of economic success than Britain, for example, has had under Mrs Thatcher's *laissez-faire* approach.

In these places there are leading agencies who have attempted to set up, regulate and influence the behaviour of actors in the economy without becoming over-involved in direct ownership and management or sending down detailed blueprints or coercive directives to economic actors. In Germany the banks play a big part, in Sweden it has been the corporatist state, in certain regions of Italy imaginative Communist local authorities. In all three a leading role for particular groups attempting to negotiate an overall, coherent and forward-looking approach is combined with a consensual and collaborative culture in which economic actors participate and co-operate. All these cases have been more successful than the British *laissez-faire* approach in fostering innovation and economic growth.

They have what the British lack - developed links between the state or private finance capital on one hand and industry on the other. In Britain finance capital is excessively oriented towards short-term considerations and stock market speculation and cares little about industrial investment. This is partly a product of the fact that links between the banks and industry in Britain are comparatively underdeveloped. The constant short-fall in long-term risky capital investment projects in industry that this has led to can be tackled by the development of more collaborative links between finance capital and industry - financiers on the boards of companies and industrialists involved in the banks, for instance - and by a bigger role for democratically controlled capital which can steer funds into more constructive forms of industrial investment. This might involve the Labour Party's (1990) National Investment Bank, or, of course, the socialised fund bodies that I have been discussing in this chapter. It must also involve more developed and institutionalised structures of corporatist concertation and collaboration between the state, finance and industry.

The outright nationalisation of financial institutions would not be such a bad thing but is not practical. Recognising this does not reveal a betrayal of principle or a loss of nerve, simply an acceptance of the economic and political facts of life. If a government looks as if it is going to go in for nationalising the banks capital can simply flee the country, long before election day. Even this assumes that such a policy would be sufficiently electorally



viable to allow the party advocating it into power. Much more feasible is the sort of gradualist evolutionary strategy I have advocated in this chapter, tapping the profits of wealthy actors in the economy and setting up new democratic investment agencies without taking on the private sector directly or attempting to strip private actors of their assets. Much as I would love to see the latter I think it is a utopian day-dream. For the moment we have to settle for something slower and more surreptitious.

In addition to, firstly, greater roles for a state investment bank and democratic funding bodies and, secondly, for more collaborative links between private capital and industry a third plank in a democratic and co-operative strategy for economic revival could lie in inter-enterprise co-operation. Greater attention to infrastructural needs, such as education, training and research and development, must, after the investment question, be one of the key problems for British industry. Such an infrastructure cannot be built by and within enterprises on their own. But it can be provided by the state in return for agreements on the part of the enterprises on democratic, social or economic policy. Or, where companies and enterprises alone cannot afford the necessary infrastructure, it can be built at the initiative of the national or local state, by companies together, sharing the cost and expertise.

What these factors point to is the need for a collaborative and democratic approach to economic policy in Britain. They suggest the importance of the political preconditions - new political structures in the economy - for successful economic policy. The new structures have to be democratic and collaborative, involving - 1) an expanded role for democratically controlled finance, built through the sort of mechanisms discussed in this chapter; 2) the setting up, and institutionalisation of, improved links between the state, finance and industry; and 3) the establishment of shared inter-enterprise infrastructure by enterprises in collaboration with one another and in partnership with the state which can help with funding and facilities in return for agreements to economic, social and democratic public policy objectives.

In short a role for democratic capital can be sold as part of a wider three-pronged democratic and collaborative package as economically, as well as democratically and socially, sound. The economic advantages of a collaborative and democratic economy can be used to sell it to more market-oriented economic actors who might not be so easily persuaded by democratic and social concerns. On its economic selling-points support can be won for a political approach which will also secure new democratic and social goals.

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My aim in this chapter and the last has been to formulate a model capable of meeting liberal and pluralist aspirations for the liberty and autonomy of diverse parties alongside more socialist- inclined commitments to social conscientiousness and co-operation. I have tried to formulate a model in which these pluralist and socialist ideals can be combined. This model envisages the all-round and inclusive association of plural interests in government, preserving their independence and diversity and yet integrated into a

system in which they must negotiate decisions with others with due regard for their mutual welfare and interests.

It is a model in which social priorities are not imposed from above but negotiated directly by the diverse interests concerned. Neither are social priorities allowed to suffocate pluralist diversity. The interests of plural agencies are protected by their empowerment in the social negotiation of public priorities.

It is a model in which liberty and diversity are not allowed to degenerate into an asocial self-interested instrumentalism, exploitation or inequality. Social considerations are protected by the empowerment of a socially inclusive range of interests in government. Decisions have to be negotiated by interests in interaction with, and with due respect for, the concerns and needs of other interests in society.

Finally, it is a model which is practically feasible and for which there exist immediate possibilities for its implementation in economic government. Through various existing, tried and tested and economically attractive democratic and legislative mechanisms it is possible to envisage a realistic possibility through which companies and larger economic co-ordinating and investment bodies can be brought under the control, or even ownership, of associational governing boards of all affected interests, sensitive not just to particular sectional market interests in their decision-making but to a wide and diverse range of social needs and considerations.

I have argued in this chapter that more pluralistically inclusive and co-operative structures in the economy are important for democratic, social and economic reasons. In the next three chapters I wish to discuss why and how a similar approach should also be pursued in the polity - local, national, supra-national and international – and in political action.