An Agenda for Economic Democracy

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American democracy is deep in the throes of an existential crisis that has cast into relief the ways in which "democracy" has been an aspirational illusion for so many Americans. From escalating inequality, a botched pandemic response, and rampant corruption at the highest levels to endemic violence, against Black and brown communities in particular, we have seen recurring failures of governmental accountability. If democracy is meant to be a system of governance of, by, and for the people, our current reality falls far short of that ideal. There are many foundational roots of this crisis that must be addressed to create a more inclusive and effective democracy in the years ahead. One that needs urgent attention is the fact that our current economic structure is inimical to the ideal of an inclusive democracy.

Simply put, there can be no political democracy without economic democracy.

A Vicious Cycle

Consider a few examples of our current crisis of economic and racial inequity. Black and brown people are vastly more likely to be infected and die from Covid-19 than white people—a reflection of chronic, structural disparities in access to health care and clean air and water. In the economic collapse sparked by the pandemic, 40 percent of those losing jobs had incomes of $40,000 or less—a working-class constituency disproportionately composed of Black and brown workers. And the reason these jobs were so easily shed stems from a modern system of labor that is premised on highly precarious working conditions in which workers are outsourced, stripped of benefits, and vulnerable to the vagaries of an unreliable market. All this is taking place in the context of an economy in which dominant corporations and vested interests, from Amazon to private equity firms, are gaining more and more dominance.

These economic conditions are closely related to political inequities. Recent waves of social science research have confirmed that public policy is highly responsive to the opinions of the wealthy—and indifferent at best to the views of middle-class and working-class Americans. Policies benefiting and supporting middle- and working-class communities are most likely to pass when they are supported by the wealthy or when the wealthy are indifferent to them.[1] These disparities in policy outcomes not only reflect the gravitational pull of wealthier (and whiter) donors, but are also a product of the disproportionate way in which big business interests have organized to exert influence on legislative and regulatory policy.[2] And this disparity is magnified by the fact that elected officials are increasingly drawn from wealthier occupational backgrounds, making them more likely to give greater credence to the voices of affluent constituencies than to those of the working class.[3]

These findings raise two critical implications for understanding and responding to our current crisis of democracy.

First, economic inequality is a product of political inequality, and vice versa. Economic and political inequality reinforce each other in a vicious cycle: disparities of political power favoring wealthier and whiter constituencies make it more likely that public policy will exacerbate rather than mitigate economic and racial inequities, which, in turn, further concentrates economic wealth and power in ways that deepen these political disparities.[4] Crucially, these disparities are not simply confined to electoral politics, campaign financing, and voting rights. They exercise influence as well in day-to-day administrative governance and policymaking by regulatory agencies, state and local governments, and business firms. Indeed, how different would our public policies be if tenants had a greater say in housing policies governing the spread of gentrification and housing insecurity or if workers had a greater say in setting safety standards and wages or if moneyed investors had less influence over the profit models and market strategies of dominant firms?

Second, the vicious cycle linking economic and political inequity is driven by another process as well: attacks on democracy itself are a central strategy by which wealthy interests maintain their level of policy dominance. Indeed, major blame for the brittle state of American democracy today can be laid at the feet of powerful interests that have systematically deployed racialized politics, voter suppression, and attacks on effective government regulation and administration to sustain economic advantage.[5] For the same reason, wealthy businesses have invested heavily in lobbying, litigation, and advocacy specifically directed toward dismantling the modern safety net and economic regulatory agencies such as the Consumer Financial Protection Bureau and the National Labor Relations Board. It is a strategy that provides a high return on investment: for a few million dollars, firms can secure deregulatory policies that increase their bottom lines at the expense of workers and consumers.[6] Similarly, race-baiting political tactics have made up a key strategy for some elected officials to undermine democratic practices and to fracture support for the modern welfare state for the purpose of securing electoral advantage by stoking racial conflict.[7]

The upshot of this interrelationship between political and economic inequity is that there can be no political democracy without meaningful transformation of our economic system. Specifically, a stable, sustained, inclusive democracy requires an approach to economic policymaking that dismantles concentrations of economic power and wealth and embeds greater participation in and accountability to the most affected communities—and, in particular, to Black and brown communities. Without attending to the economic and racial inequities of our current economy, democracy is fundamentally unstable. Furthermore, for many communities, especially working-class and Black and brown communities, the persistent inability of democracy to directly remedy the deep economic and racial disparities we face is one of the key drivers of the deep distrust that communities have of government and democracy.

Economic Democracy: A Path Forward

What would it take to break the vicious cycle of economic and political inequity? Some of the answers lie in familiar and necessary fights for structural democracy reform, for example, breaking the influence of big money in politics and immunizing our democracy from gerrymandering, voter suppression, and the proliferation of disinformation campaigns. But these measures alone are not enough; we must remake our economic institutions as well to create more direct channels of democratic responsiveness and accountability and to dismantle the concentrations of economic wealth and power that help perpetuate our economic and racial hierarchy.

An agenda for economic democracy must address at least four issues.

First, we need to dismantle the concentrations of private power that dominate our economy and serve as de facto "governors" of economic life. Over a century ago, Progressive Era reformers organized around the problem of monopoly power, recognizing that in the industrializing economy it was not democratically elected legislatures who had the most sway over the economic fortunes of workers and business owners alike, but rather the private sovereigns of Gilded Age monopolies: J. P. Morgan (investment finance), Cornelius Vanderbilt (railroads), Andrew Carnegie (steel), and Jay Gould (the telegraph). By virtue of their control over these essential services, these "robber barons" could arbitrarily end the economic vitality of whole towns, charging exorbitant prices and manipulating whole markets to ensure their dominance and wealth. This economic power, in turn, manifested itself in a high level of political influence on elected officials and policy makers.

Today we face a similar level of economic concentration, as modern monopolists from Amazon and Facebook to private equities and pharmaceutical producers exercise outsize control over commerce, information, and access to basic goods.[8] There is also a robust, growing movement renewing attention on anti-monopoly issues.[9] These scholars, policy makers, and activists point to the need to reboot policy levers such as antitrust laws, merger reviews, imposition of public utility regulations, and common carrier requirements to ensure fair and nondiscriminatory treatment. The practical consequences for an inclusive economy and a robust democracy are enormous. Dismantling concentrated economic power in finance and over essential retail and shipping infrastructures, for example, would help improve economic innovation and opportunity by unlocking a more competitive and dynamic flow of capital and commerce. Anti-monopoly policy responses are also critical to securing a democratic public sphere by addressing the deeply pervasive problems of disinformation and misinformation, which arise largely from online platforms.[10]

Second, we face a similar problem of de facto "private government" in the workplace.[11] Over the last few decades, more and more workers find themselves in workplaces where the combination of outsourcing, franchising, and platform-based gig work have stripped many of them, particularly women and Black and brown workers, of benefits and protections, suppressed wages, and created conditions of deep vulnerability, precariousness, and exploitation.[12] The rise of modern tools of workplace surveillance has magnified these inequities, creating conditions in which workers are monitored down to the second, forced to keep working without rest, and with little recourse. Furthermore, successful employer attacks on labor unions have been a central driver of stagnant wages and can be traced directly to the decline of voting participation, which, in turn, has led to the rise of public policies that dismantled the modern safety net.[13]

In the face of these challenges, there is a new energy in worker organizing that must be a central part of any agenda for economic democracy moving forward. Labor lawyers and activists have made major strides in defining a reimagined vision for twenty-first-century labor law that addresses these inequities and fills historical gaps in New Deal–era labor rights.[14] Labor groups, such as United for Respect, are increasingly experimenting with modes of "stakeholder democracy," bringing workers onto corporate boards to make decision making more democratic.

Third, an agenda for economic democracy must include a dramatic recommitment to and reinvestment in the direct public provision of essential goods and services. One of the central features of an inclusive and equitable economy and democracy is the provision of a universal safety net, and the remedying of cumulative, historical disinvestments, particularly in communities of color. Indeed, key to the maintenance of economic inequity has been the defunding of public goods and the increase of barriers that prevent access to such critical safety net programs as welfare, food stamps, and health care.[15] At various points in American history, beginning with the New Deal, the call for an expanded economic bill of rights has been a central demand to ensure democratic equity and equal dignity for all Americans.[16] Today this challenge manifests itself in renewed efforts to secure universal health care and ensure clean air and water and in putting forward somewhat more obscure proposals for postal banking[17] and public credit ratings[18] as a means for creating more equitable access to financial services.

Finally, an agenda for economic democracy must also include a dramatic reimaging of economic policymaking institutions—from the Federal Reserve and the Department of Labor to local zoning boards and, in Flint, Michigan, the water utility—to ensure a more direct form of stakeholder and grassroots participation and accountability. This, too, has been a long-standing aspiration for democracy reformers more attuned to the systemic inequities of race and class. Consider, for example, the demands of the welfare rights movement and the "war on poverty" for more direct community control over urban planning and poverty reduction efforts.[19] Today this vision of direct community control over economic governance suggests the need for restructuring economic policymaking bodies to include more direct and powerful forms of representation that will enable residents of local communities to have a voice in shaping policies as well as monitoring and enforcing standards.[20] Such direct economic democracy is critical to counteracting the kinds of elite influence that skews economic policy.[21]

Implications for Philanthropy and the Social Change Sector

These reforms point toward a radical remaking of our modern economy in ways meant to dismantle the durable power and wealth hoarding that skew our economy and render democratic aspirations meaningless for most working Americans.

These kinds of issues are normally regarded as policy matters that are "downstream" from democracy reform. The presumption for many is that if we "fix" democracy by addressing governance issues such as voting rights, money in politics, gerrymandering, and ethics in government, then "good" economic policies will naturally follow. These traditional means of democracy reform are no doubt essential. But they are not sufficient. Too much of our economy is governed not by the ballot box, but rather by the "private government" of financiers and corporations or by obscure technocratic administrative bodies that are too often favored by business interests and too easily captured by them. The reality is that a narrow focus on "good governance" and political democracy reform will simply not be enough to restore trust in government or to ensure that democratic government does in fact address the urgent needs of most working families. Political democracy requires economic democracy.

How then do we get there? It may be tempting to think that civil society—community organizations, charities, and self-help associations—can mitigate the worst excesses of our unequal economy. But ultimately, systemic inequities require more transformative structural change, and that, in turn, requires a more sustained investment in building up the independent power of working-class and minority communities in particular. Philanthropy can and must play a role here, but it will require a different approach to social change strategies, one that focuses more squarely on (1) building bottom-up power in the most affected communities, (2) advancing structural, transformative policy change, and (3) catalyzing broader shifts in ideas about how we as a country conceive of these issues of economic policy, equity, and inclusion.

First, philanthropy should turn its attention to supporting a more interconnected ecosystem of social change makers—linking together groups that focus on grassroots organizing and power-building with those that focus on policy, advocacy, and ideas. In our work at Demos, we have built solid partnerships with grassroots, base-building organizations that are working in Black and brown communities to drive structural democracy reforms, such as automatic voter registration and the restoration of voting rights for the formerly incarcerated. By working closely with partners such as the Florida Rights Restoration Coalition, the Texas Organizing Project, or OLÉ in New Mexico, we can create more integrated strategies that combine grassroots people power with policy, research, and narrative strategies to push for transformative policy ideas. It is the fusion of these sectors that produces the combination of pressure and policy that yields structural change. These organizations require multiyear, general operating funds at the scale needed to support genuine creativity, innovation, and long-term impact.

Second, philanthropy should explore new ways of investing in the development of bold policy ideas by supporting the training, capacity-building, and socialization of the next generation of policy makers. Too much of our economic policy is hobbled by underfunded (and thus easily co-opted) governing institutions and by policy makers working with outdated ideas and outmoded systems. We need a top-to-bottom wave of change in our governing institution—not just in our elected officials but among staffers, bureaucrats, and cabinet officials as well—oriented toward these critical issues of economic inequality. Just as importantly, we need a new cohort of policy makers who are themselves more diverse and can be reflective of and responsive to marginalized communities.

Third, philanthropy should support coalitions and organizations to create game-changing "proof of concept" wins in cities and states and support mechanisms to enable the learning from those efforts to proliferate across the country as well as around the globe. Many of the best innovations in economic and political democracy, for example, originated in the global South, from participatory budgeting to novel forms of collective and community ownership of resources. Even in our own history, major shifts in our national social contract had their trial runs at the state and local level: cities and states experimented with the first wave of public ownership of infrastructure and of regulation of corporate power in the late nineteenth century. The creation of these important models and the rise of a cadre of experienced change makers made the New Deal possible in the 1930s. Similarly, battles for racial equity in the economy, such as those waged during the 1960s and 1970s war on poverty, have often originated at state and local levels—and have paved the way for today's national debates.

These strategies are not a panacea. Building an economic democracy will require deep and sustained effort by the entire field of social change organizations, and this will require sustained investment and support from philanthropy. But, in a time when democracy is in crisis and so many millions of families are facing deep threats to their lives and livelihoods, it is imperative that the future of democracy reform take seriously these broader issues and novel strategies. This moment demands nothing less.

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Notes

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