Interview with David Schweickart, March 4, 2005

By Thad Williamson, for *Dollars and Sense*

TW: Why has the term "capitalism" almost disappeared from our everyday lexicon, even among many progressives? Why is it important to put term on the table? What's your vision of the alternative to capitalism?

DS: The disappearance of the term "capitalism" is one of the great ideological victories of capitalism. It is striking that even major progressive critics of the existing state of the world economy, people like Amartya Sen and Joseph Stiglitz, almost never use the word. Neither the word, nor the concept, which is why their positive proposals often turn out to be disappointing. You simply have got to look at deep structures, but to talk about those, you've got to use the term capitalism.

(In fairness to Sen, there's a nice passage tucked away in his 1999 book, *Development as Freedom*, which I like to quote:

> The big challenges that capitalism now faces in the contemporary world include issues of inequality (especially that of grinding poverty in a world of unprecedented prosperity) and of "public goods" (that is, goods people share together, like the environment). The solution to these problems will almost certainly call for institutions that take us beyond the capitalist market economy (*Development as Freedom*, 1999, p. 167).

But this is the exception that proves the rule. That last sentence is never developed--in *Development as Freedom* or, as far as I know, in any of his other writings.)

The ideological trick is to substitute "market economy" for "capitalism." This is deceptive, for there are alternatives to capitalism that are also market economies, alternatives which have structural differences that mitigate the worst features of capitalism. The one I have been elaborating and defending over the years, which I call "Economic Democracy," is precisely such an alternative. It is a *socialist* market economy.

When we talk about market economies, there's a tendency to conflate three different markets. There's a competitive market for goods and services, but there's also a labor market, and a market for capital. In my view, the deep problems with capitalism are not located in the competitive market for goods and services. There are problems with that market, but they can be handled by social democratic regulatory mechanisms. The deep structural problems with capitalism are to be found in those other markets: the labor market and capital market.

This insight really comes from Marx. If you go back and read *Capital*, you will notice that for Marx the fundamental distinguishing characteristic of capitalism is *wage labor*, not "the market." As Marx notes, the market long antedated capitalism. For Marx *wage labor* is the key defining characteristic of capitalism: individuals having to sell their capacity to work to someone who owns the means of production. (It is interesting that almost no one, scholar or layperson, when asked to define capitalism, seizes on wage labor as the key characteristic. Few mention it at all.)

If wage labor is key, then those who want to construct a viable alternative to capitalism have to look at the wage-labor relationship and ask, "How might that be changed?" But once you ask that question, an obvious answer suggests itself: instead of enterprises being comprised of two sets of people, employers and employees, they ought to be organized as *democratic communities*. But replacing authoritarian production with democratic production strikes at the heart of capitalism. It moves us beyond capitalism.

This is the first component of what I call "Economic Democracy." The labor market is replaced by worker-self-management.

You then have to look at that other problematic market--the capital market. This, of course, is the market that's least intelligible to ordinary people. What the stock and bond markets do, what the currency and derivative markets are all about--these are things that people sense are important to their lives, but don't have a clue as to how they work. Replacing these mystifying entities with more transparent and rational institutions is the other dimension of Economic Democracy.

To see how this might be done, it is again helpful to go back to Marx and to ask, with him, the basic question, "What is capital?" What is this "thing" that plays such an important role in our lives? Marx gives two answers. A) Capital is the embodied labor of past workers. B) Capital is a social relation.

To make sense of this dual definition, you come to see that the key to understanding "capital" is the concept of "surplus value"--the source of profit and interest and dividends and all those other elements of property income. This "surplus value" is created by workers working longer hours than they would have to work merely to replenish the goods they consume. They give to society more than they receive. This surplus labor is embodied in *things*, but these "things" belong to the capitalists, in virtue of their ownership of the means of production. The key insight is this: *This surplus is created by workers, yet workers have no control over its disposition*. Yet the allocation of this surplus in society is absolutely crucial to the growth trajectory of the society, in both its qualitative and quantitative dimensions. So we have to ask, what institutional alternative would allow workers the control they lack under capitalism?

In essence we are talking here about controlling society's "investment fund," the key component of surplus value. It is useful to ask at this point, how is the investment fund generated and distributed under capitalism? Mainstream economists will tell you that the investment fund comes from the savings of private individuals. Individuals are enticed, by offering them interest on their savings, to consume less than they are entitled to consume, in order that there be funds available for investment. People are, in effect, bribed not to consume.

When you start thinking about this seriously, you realize that this is a rather odd set-up. You understand that once upon a time the need to generate large amounts of capital may have required something like this arrangement, but now there is a much simpler way to generate the investment fund. To get those with excess cash to consume less, there's no need to bribe them. Simply tax them. We are talking about consuming less for the common good, after all. Why should people be bribed to do their duty?

But as you push this logic a little bit, you realize that you don't need to tax *individuals*. It makes better sense, both politically and economically, to tax *the capital assets of enterprises*. This tax may be regarded as a leasing fee. The productive assets of society belong to society as a whole. Enterprises that use them pay a leasing fee, a flat-rate capital assets tax. Of course this tax is passed on to consumers, so that we all pay it in the end, but in proportion to our consumption, which seems fair enough.

The capital assets tax is a surrogate interest rate. The tax on capital plays the same role in a democratic economy that the interest rate plays under capitalism. Rather than pay interest to private banks, or dividends to private investors, enterprises pay a tax to the government. These revenues are dedicated to investment. They are all plowed back into the economy.

If you generate your investment funds by taxing capital assets rather than by bribing people to save, then your investment funds are *public* funds, and hence come under democratic control. Firms wanting funds for investment get them from public banks, not from private financial markets.

TW: In this system, would the firms be dependent upon the public investment banks only for new capital?

DS: In the basic model, only new capital.

TW: So in theory they would not be allowed to accumulate capital from within, out of their own profits? How would that work?

DS: The model that I've sketched so far is the stripped-down, pure model. In this model enterprises are run democratically, but they don't own their own capital. They lease it from society at large. The capital assets tax is the leasing fee.

Society "owns" an enterprise's assets, but it does not control them. Workers in an enterprise are free to organize production in any way they see fit: what they produce, how they produce it, what they charge for their products. These worker-run enterprises exist in a market economy, so they must compete with other enterprises. The incomes of all workers are *profit shares*, not wages (not necessarily equal shares), so all are motivated to organize production efficiently and design products that meet consumer demand.

But since the capital assets under their control are public property, they must not be squandered nor allowed to run down. The enterprise is obligated to maintain a depreciation fund so that the value of those assets under their control is maintained. Now *these funds* can be reinvested anyway the enterprise wants. But if an enterprise wants to *expand* its asset base, then it must go to a public bank to get additional funds. Workers are not permitted to cut their own incomes so as to have more to invest in the company. (We want healthy competition, not "race-to-the-bottom" competition.)

TW: That might be how it would work in the fully developed model–but how does that compare to the Mondragon model, where, as I understand it, a lot of the growth has been financed from within with a collective savings strategy? Is there a contradiction between these two approaches?

DS: You are referring to the Mondragon Corporation Cooperativa, that immensely successful network of cooperatives in the Basque region of Spain--which has been one of the inspirations of my work. It's true, Mondragon does rely, in part, on private savings. The Caja Laboral, the bank at the center of corporation, takes savings from the surrounding community. This was particularly important in the early stages of the cooperatives' development. But of course theirs is not a pure model. They are a cooperative island in a capitalist sea. They can't tax to generate their investment fund.

I don't think there is a "contradiction" between the models. No real-world instantiation of Economic Democracy will be pure. What we want is an economy not dependent on the whims of private investors for its health and well-being, and one in which workplace exploitation is minimized. We also want to avoid excessive bureaucracy. Requiring that a depreciation fund be maintained but allowing enterprises to use it in any way they see fit, so long as it is invested back in the firm, is intended to strike a balance between the autonomy you want enterprises to have and overall democratic control of societal investment.

TW: One wrinkle in your proposal is that you have an explicit role for entrepreneurs, which might be seen as an unexpected part of a proposed socialist economy.

DS: My thinking on that question has evolved over the years. To me, it is an open empirical question as to whether a mature market-socialist economy would generate an optimal amount of entrepreneurial activity. Mondragon has been quite successful in generating such activity without the need for capitalists. It has, in effect, socialized the entrepreneurial function by setting up an institution that seeks out business opportunities, and provides finance and training to workers wanting to form cooperatives. Their new firms are collective from the beginning. (At least that's the way it used to work. MCC is not as pure now as it once was—but that's another story.)

It may be that this is good enough. I used to be more confident about this solution than I am now. I'm now inclined to think that the incentive structure capitalism provides for entrepreneurs–the possibility for a person or small group of people to have an idea, hire workers, secure investment funds and create a product that pays off big, with the attendant sense that this is "our" project and "we" did it--may be necessary. And may not be harmful at all. So my more recent models allows for an entrepreneurial capitalist sector.

My thinking on this topic has been partly influenced by recent developments in China, in particular, the decision of the Chinese leadership to allow a certain amount of capitalist development. This is not an irrational decision, not even from a socialist perspective. Successful entrepreneurial activity requires talent. Moreover, it is much more difficult to set up a collective than your own business. It's difficult enough to set up your own business and make it work. (Witness the failure rate.) A "socialist entrepreneur" needs those business skills, plus another set of skills, the interpersonal skills required to set up a successful *democratic* workplace. So you might want to allow, even encourage, a capitalist sector in a socialist economy, insofar as it promotes a certain kind of entrepreneurial development.

There's an important distinction to be made between *entrepreneur* and *capitalist*, which shows up, interestingly enough, in the standard model of neoclassical economics. The *capitalist* is the supplier of capital; the *entrepreneur* gets capital from the capitalist, labor from the workers, land from the landowners, and puts them all together in order to produce a marketable commodity. This *active* function is something you're going to want in any healthy society. It's the *passive* function of supplying capital that is the problematic dimension of capitalism. That latter function, clearly, we can dispose of; we can generate capital through a capital assets tax. The active function is another matter.

So it might well be desirable to allow for a class of capitalist entrepreneurs in a socialist society, individuals who can also get their capital from our public banks, but are free to set up their own enterprises and hire wage labor. This class need not pose a serious threat to the socialist character of the society, since it is easy enough to put in place a simple structural mechanism that blocks the transition of the entrepreneurial capitalist to the passive capitalist. Simply require that, when the entrepreneurial capitalist decides to get out of the business, he must sell his business to another entrepreneurial capitalist or to the state. No passing it on to heirs. No keeping any “shares” of the company, which entitle one to income or control. If sold to the state, the enterprise can then be converted into a democratic enterprise. The transition from a capitalist enterprise to a democratic one should not be difficult, especially if the government provides some technical assistance.

The fact of the matter is, it's easier to democratize an existing firm than to set up a democratic firm from scratch. So if a capitalist is performing an entrepreneurial function, he’s doing something useful. He can be amply rewarded. The firm's profits belong to him. Moreover, that person can cash out, have the firm "go public"--in the literal sense of the word. When he wants to sell it, the state stands ready to buy it--then turn it over to the workers. Under such an arrangement society would enjoy the fruits of these entrepreneurial skills without subjecting the democratic structure of the economy to serious threat.

TW: You talk about democratizing labor, and you talk about democratizing capital. Obviously the third big leg is democratizing the political structure. How would this system enhance political democracy? And how could you make sure that this entire system is in fact under meaningful democratic control, as opposed to control by a bunch of apparatchiks, or a class of bureaucrats that play an insider-type game?

DS: From the first the model I’ve proposed was presumed to operate within a democratic political structure like our own. I then proceeded to argue that our own political system is not truly democratic, not because our political institutions are inherently defective, but because they are dominated by a minority class. This class, the capitalist class, finances the political campaigns, owns the mass media, sets up institutes and think-tanks to create and garner support for model legislation that advance their interests, employs an army of lobbyists, and, if all else fails, can engage in an investment strike that will bring down an uncooperative government. I argue that Economic Democracy will thus be vastly more democratic than our current system. Not only will be democracy extended into areas currently off limits (the workplace and investment), but it will allow our political system to more closely approximate true "rule of and by and for the people."

There remains, of course, the concern that you express, that enlarging the role of the state with regard to the investment fund opens the door to both corruption and bureaucratic inefficiency. Let's think that through, one step at a time.

First, there's the capital assets tax. There's not much room for corruption or bureaucratic inefficiency here. The capital assets tax is voted on by the national legislature. This is a clear and transparent issue. Were there enough investment funds last year? We can leave the tax rate as is. Was there a shortage? We can raise the tax. Was there too much? Lower the tax. This is a public decision, not a bureaucratic one, perfectly suited to the democratic process.

Secondly, there's the allocation of these tax revenues. In my model this is not done by a bureaucracy, but by formula. In Economic Democracy each region has a *prima facie* entitlement to its *per capita* share of the investment fund. Your state has X% of the nation's population; you get X% of the investment fund.

Now, a congressperson might say, "We need to make an exception here; my region is underdeveloped and really needs more than its *per capita* share." Such exceptions can be made. These sorts of issues lend themselves to public discussion, public debate. What's at stake is clear--if you give more to this region, you will give less to other regions. Perhaps this is right, given the circumstances. In any event, the exceptions would have to be revisited each year. (Note—this is not like contemporary budgetary battles, so rife with pork-barrel projects. One cannot just add on funds, or take from one governmental agency to give to another. This is strictly about allocating the money raised by the capital assets tax. It's a zero-sum game with a prima-facie commitment to *per capita* equality.)

Once funds are allocated to regions, a similar process takes place regarding allocation to cities, counties, townships, etc. The presumption again is *per capita* allocation. Deviations must be justified, and passed by the regional legislatures.

The only place bureaucracy really enters in is with the banks themselves, which have to make decisions about how to give out investment money to the enterprises in their regions. These banks are public institutions, charged with allocating public money. Is there here a danger of favoritism, or possible corruption? I suppose. But firms aren't likely to be clamoring for funds. The grants they are given add to their capital base, and hence to their tax obligation. Unless they can be put to productive use, funds won't be sought.

Moreover, since the banks are public institutions (unlike banks under capitalism), their books are public. There's plenty of opportunity for citizen monitoring. In fact there is a good case to made for building this monitoring function into the model, for having some sort of community oversight. Bank officials are, after all, public employees, and will be evaluated as to how well they succeed in meeting the goals the community has set itself concerning regional employment and general prosperity. Doubtless mistakes will be made. Grants will be given for projects that don't pan out. There may be some corruption. We're dealing with human beings, after all. But it seems to me that we have had enough experience with checks and balances and public oversight to avoid catastrophic problems. (No Enrons under Economic Democracy.)

TW: How did you come to start thinking about this set of problems? And how have your views evolved over time?

DS: The impetus was reading *Capital* as a graduate student in the early 70s and being blown away by it. I was a mathematician at the time, making my transition to philosophy. I had just resigned my assistant professorship at the University of Kentucky, and was getting ready to begin graduate school anew. That summer in transition was devoted to a careful reading of *Capital* (paying special attention to the equations.).

Marx persuaded me that something was fundamentally wrong with the deep structure of our economy. I hadn't realized that before. I knew we had problems—poverty, racism, militarism, sexism—but I hadn't seen capitalism itself to be a problem.

But then I had to ask, what's the alternative? What would a viable, desirable non-capitalist economy look like? I was reading *Capital* at a time when the Soviet Union had long lost its luster, so there was no temptation in that direction. Clearly that wasn't what we (or Marx) wanted. Regarding the model itself, the concept of a non-market, centrally-planned economy, there was still some question as to whether *democratic* central planning would work. But as I read the critiques of central planning, especially the Friedmanite and Hayekian critiques, I realized they were onto something. I had to admit that under central planning, however democratic, there would be real information problems and real motivation problems. The necessity of using markets became clearer and clearer to me.

Not just to me. This was a time when the question of market socialism was being revisited by economists. It had been broached in the late nineteenth and early twentieth centuries, but had fallen out of fashion as the Soviet model became hegemonic. It was now being taken up again, as various Eastern European countries began to experiment with market mechanisms as a supplement to central planning.

And there was new theorizing about workplace democracy. Yugoslavia had put this issue on the agenda. Models were being constructed by people like Jaroslav Vanek; various economists were trying to theorize the possibility of workplace democracy in the context of a socialist market economy.

I joined this discussion, but more as a philosopher than as an economist. I wasn't interested in proving theorems. I was interested in specifying realistic institutions, then evaluating them using both economic and ethical criteria.

My initial project was this: take workplace democracy as the cornerstone, then figure out what you then have to do to make the system work coherently, while at the same time avoiding the irrationality and instability that Marx has shown to be inherent in capitalism. My initial idea was, you can't plan the whole economy—that's where the Soviet Union went wrong.—but you can plan investments. Investment is a relatively small part of the economy but it is strategically central. (I was reading the Left Keynesians at the time also, which reinforced this notion.) So my initial idea was, "workplace democracy, planned investment."

But if we are going to plan investment, i.e., subject the allocation of investment funds to democratic control, it make sense to *generate* these funds publicly. After all, it's hard to tell private individuals what they may or may not do with their savings. Hence the idea of generating capital through a capital assets tax. Then came the idea of allocating it to regions on a per capita basis—so as to minimize the dangers of mismanagement and corruption.

These ideas were reinforced by my re-reading *Capital* several times, and also reading (and teaching) Marx's early writings. I came to realize, this is where the Marxian critique naturally takes you. In Marx's early critique of capitalism, it's the notion of *alienated labor* that is stressed. Work is central to human self-realization, but under capitalism workers don't have control over their working conditions, nor over the products of their work. Workplace democracy is the obvious structural answer to this problem. Not that workplace democracy will eliminate alienation altogether, but such a structural change addresses this Marxian critique directly.

In *Capital* the central concept is *surplus value*, not alienation (although the two are not unrelated). Marx's critique is not that workers are compelled to produce a surplus, that they have to work longer than would be necessary to pay their wages. Any society that's at all dynamic needs to produce a surplus. Marx's critique is that *under capitalism workers have no control over that surplus*. This surplus is crucial to your society. It should be under democratic control.

You can take Marx's analysis a step further. Marx's demystification of capital shows that it is labor, not capital, that produces surplus value. Indeed, it is *living* labor, not dead labor, *present* labor, not past labor, that produces it. The market obscures this fact, since it sets the prices of commodities so as to equalize rates of profit, thus causing the prices the products of capital-intensive industries to be higher than their labor values, and the prices of products of labor-intensive industries to be lower than their values. (I'm glossing here a complicated argument, the famous "transformation problem" that Marx addresses in Volume 3 of *Capital*.)

What this means for Economic Democracy is this. Whereas capital intensive regions may seem to produce a larger share of the investment fund than labor intensive ones (since their capital-assets-tax contribution is greater), in fact the surplus produced is really proportional to the living labor in each region. Thus a "fair" distribution of this fund, from a Marxian point of view, is not to return to each region the dollar share it contributed, but to return to each its *per capita* share (assuming the size of the workforce is proportional to the population, a safe enough assumption.)

The same conclusion can be reached by coming at the matter from a very different angle. If you think of the investment fund as a "public good," like health care or education, then it ought to be distributed the way public goods are (or at least ought to be) distributed, i.e., on a per capita basis. It's not fair to finance schools via local property taxes (as we do in the U.S.), for that gives wealthier districts more money to spend, per student, than poor districts. Likewise with investment. People in capital-intensive regions do not work harder than people in less developed regions. Why should they get more than their *per capita* share of the investment fund?

Such has been the development of my thinking: market socialism → workplace democracy → social control of investment → capital assets tax → per capita allocation of investment funds.

The final element does not derive from Marx. It's a great lacuna in Marx that has had major historical repercussions. Marx pays no attention whatsoever to the entrepreneurial function of the capitalist. He focuses on the passive function, the capitalist as the supplier of "capital"—but not on the active function. More precisely, he pays tribute to it in *The Manifesto*. He and Engels marvel at the technical accomplishments of capitalism. But he evinces no awareness that a post-capitalist economy would have to find a substitute for this capitalist function.

It was thinking about this problem that led me first to the notion of "socializing" this function a lá Mondragon, then to the idea of permitting, even encouraging, a capitalist sector within Economic Democracy.

TW: Sometimes you hear it said, "Market socialism can't work. Yugoslavia proved it's a disaster." What's your response to that?

DS: That it's not true. Yugoslavia was a tragedy, and not just for the Yugoslavs, who splintered into Slovenians, Croatians, Serbs, Bosnians, Montenegrins, Kosovars, etc. An historical experiment of world-historical importance did indeed end in disaster.

But if we look carefully at the economic roots of this disaster, we find (I submit), not a refutation of the arguments for Economic Democracy, but confirmation. No serious inquiry into the economic roots of the Yugoslav tragedy finds worker-self-management to be the problem, nor the market. The problem lay in the third component—the investment mechanism.

Yugoslavia did not structure its investment mechanism properly. I won't say that this was the sole cause of the Yugoslav meltdown, but it was a key factor. In Yugoslavia you had wealthy regions, and you had poor regions, and there were tensions among them over the allocation of investment funds. In the late 70s, when interest rates were low (remember those petro-dollars?), you could alleviate the tension by borrowing massively, so you didn't have to address this issue; money was readily available. Then came skyrocketing interest rates, when the Reagan administration slammed on the brakes and threw the world economy into recession, and all of a sudden all these regions are in financial crisis, which exacerbated all of those ethnic tensions. You had rich regions resenting the fact that they had to help poor regions. You had the poorer regions resenting richer ones.

The fundamental flaw was a decision made after Tito's death to have each region generate its own investment funds autonomously. The problem with generating investment funds locally is that the wealthier regions generate more than the poorer regions, hence invest more, hence the inequality among regions grows. Generating the investment publicly and distributing it on a per capita basis, as the model of Economic Democracy prescribes, works in the opposite direction. That mechanism lessens regional disparities over time.

TW: A skeptic might ask, if Economic Democracy is such a great idea, how come only a handful of people are talking about it? Why hasn't it caught on yet?

DS: (Laughs). I would argue that, while the overall model has not yet been put in place anywhere, there are all kinds of reform proposals now being discussed that point in that direction. An important current of organizational theory argues that enterprises must align the interests of employees more closely with the interests of the company if they want "high performance." You need to allow workers to participate in decision making, you need profit-sharing. Well, workplace democracy is the logical endpoint of such reforms. If you push participation to its logical conclusion, you don't just participate, you govern democratically. You don't just share the profits with investors, you get all of the profits. You really don't need the capitalists anymore.

Of course there are alternative managerial strategies, "low road" strategies aimed at keeping labor weak and divided and wages down. But there are major tendencies in the opposite direction as well, particularly since the low-road strategies run into the Keynesian problem. If wages are low, how do we keep effective demand high? Who's going to buy all those goods being produced? A real dilemma for the capitalist class.

As for democratic control of investment, the other pillar of Economic Democracy, it is becoming more and more apparent that there is something bizarre and dysfunctional about letting the market control capital. The neoliberal experiments, which are premised on precisely that notion, have failed everywhere. The notion that some kind of control has to be put on capital, since investment funds are so critical to stability and development, is widespread.

Again, if we follow the logic of that argument to its conclusion, we arrive at a component of Economic Democracy. One of the reasons it's so difficult to control capital is that we rely on private individuals to generate this capital. It's very difficult to tell people what they can and cannot do with their money. They're going to have every incentive to try to skirt whatever regulation you have because it's their money and they want to get the highest possible return. But then you realize, "Gee, there's another way to get those funds." Don't rely on those people any more. Just use tax law. After all, a lot of capital is already generated by taxes. Most governmental capital spending is financed that way. It's not like we don't know how to do it. We know that you can generate capital by taxation and allocate it through nonmarket procedures. Governments do it all the time.

The pieces of the puzzle are all there, and it's becoming clearer how they fit together. Sooner or later the idea will click: if you put these pieces together in the way they are designed to fit, you're going to have a system that will work much better than the one we have now.

Like any historical movement, there's going to be *major* resistance. For the clear implication of the model is that we don't need capitalists anymore—at least not the passive capitalists who supply us with investment funds. Obviously the class of people whose income derives from their ownership of capital are going to resist this implication, and there certainly will be a struggle. It comes as no surprise to a Marxist that ideas contrary to capitalism are not widely accepted in a capitalist society. But these ideas are present. If, as Marx suggests, the ruling class ultimately shows itself to be unfit to rule, if it suffers a real crisis of legitimacy, well—who know what might happen? One shouldn't be wholly pessimistic.

There's a quote from an unlikely source that pops into my head whenever your question come up:

> That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.

This is Milton Friedman, from the 1982 preface to the twentieth anniversary edition of his conservative manifesto, *Capitalism and* Freedom. He's reflecting on the ideological shift that had occurred, which moved him from the fringes of respectability to the intellectual and political mainstream in less than two decades.

TW: Can you have economic democracy in one country? Does this model require a certain level of political and economic development, or could take this model and adapt it to a country like Venezuela or Brazil?

DS: Your first question is easy–can you have economic democracy in one country? Yes, if that country should be an advanced industrial society. That's the case I've been arguing for years. Such an economy would be both economically viable and ethically preferable to capitalism.

But if it were tried in one country, would other capitalist countries intervene? That's a separate question, of course. And of course one can't speak with certainty about such matters, but frankly, I don't think other capitalist countries could do much about such an experiment, however uneasy it might make their ruling classes. Especially if the transition were a peaceful one--which is quite possible. What are they going to do? Go to war against an advanced industrialized country that has decided to democratize workplaces and generate its investment by taxation? Against a democratic country that still has an entrepreneurial capitalist class? How would a ruling class sell such a war to its population?

Suppose Sweden revived its "Meidner Plan," using a portion of enterprise profits to buy out these enterprises over time. Suppose it turned these enterprises over to their employees, to be run democratically. Suppose it then instituted a capital assets tax to generate investment funds. Why wouldn't this work? I think it would. Would the U.S. go to war against Sweden? (It was hard enough selling the American people on a war with Iraq—a country ruled by a scary dictator sitting on a honey pot of oil.) Would it engage in an economic embargo? What would be the justification?

Make no mistake. Economic Democracy is a dangerous idea. If it should be tried somewhere and it works, the idea will spread. Existing ruling classes may be powerless to stop it. (Remember 1989, how the people of those Eastern European countries toppled their rulers, one by one. These rulers had the guns, controlled the press, had informers everywhere—but could not stand against the tide.)

A more immediate question concerns its implementation in a less developed country. I've been thinking a lot about this recently. Clearly there are many countries in the world right now consciously searching for an alternative to the neoliberal model that is everywhere failing. Is Economic Democracy such an alternative?

I'm not sure. There are empirical questions that have not yet been settled. Certainly these countries need to regain some control over capital flows and over the investment process generally. They all know that. There are elements of Economic Democracy in this impulse.

What about workplace democracy? Is workplace democracy a viable option? How educated does a workforce have to be, and how experienced in democratic processes, to govern itself effectively? I don't know the answer to this important question. It is a focus of my current research, but that research is still quite preliminary.

It's a huge question right now in China. In China there are workers' councils in a great many enterprises. But in most cases they have little real authority. I am convinced that their power should be expanded, but should there perhaps be a phase that is participatory but not fully democratic. What concrete structures should be put in place so as to enable workers to have ultimate authority over the firm, while preserving sufficient managerial autonomy for effective decision-making. We should be clear. "Democracy" is no panacea, neither at the workplace nor in society at large. Democracy has to be realized in concrete structures, with appropriate checks and balances, to insure governance that is both effective and accountable.

Concrete experiments need to be undertaken. And they will be. Workers are taking over factories in Argentina and elsewhere. The experiments are underway. We know a lot already about worker ownership and worker participation in advanced capitalist parts of the world. We are going to know more soon enough about what works and what doesn't in poorer parts of the planet.

TW: Here in the U.S., in addition to the experience we have with employee ownership, there are also a range of community development institutions that offer alternative models of ownership including community development corporations, community development financial institutions, land trusts, community-supported agriculture, and so on. Do these more community-based (not worker-based) types of institutions play a role in your thinking? Can they?

DS: They haven't played a big role in my thinking. Perhaps I should be thinking about them more. My basic model is not unlike the basic model for capitalism—rather abstract. Such abstraction is necessary, I believe, to allow one to grasp the essential dynamics of a system. And it provides a lens though which to view and evaluate elements that are not part of the basic model. For example, the whole issue of land and rent: I haven't discussed this at all in my work to date. But clearly the model lends itself to the idea of community control of land. It inclines one to be sympathetic to land trusts and community-supported agriculture.

On the other hand, from the perspective of Economic Democracy, one is inclined to be more skeptical of the idea that individual enterprises themselves ought to be controlled by the community at large, rather than the workers. The ideal should not be community representation on all the boards of all firms. No, workers can run the enterprises without such oversight. But you do need community regulation of the banks themselves, land use, and things like that.

TW: But couldn't you make a distinction between the ideal model, and a practical situation, say, where you're trying to arrange a community-labor buy-out of a private firm and you

might want to have some sort of community representation in that firm.

DS: Absolutely! You have to make that distinction. It's useful to have a conception of the overall ideal, but on how to get from here to there, we need to be flexible. If a community provides capital for a buyout, it's reasonable to expect some community oversight and community control. But the ultimate goal is a network of enterprises run by the workers themselves.

TW: What would the grand coalition on behalf of Economic Democracy look like? Who are the key social actors in your view?

DS: As far as the economic model is concerned, clearly working people are key. The labor movement is absolutely central here. We need a revitalized labor movement with a comprehensive vision of what we want for the future. This means that labor must be more than merely oppositional, more than a movement trying to provide high wages and good benefits for its members. It must be willing to say, we want to run things, and willing to think about what that entails in terms of developing the skills of your membership. In Economic Democracy, workers are not just concerned about income and benefits. They are responsible for the firm itself–being efficient, producing products, satisfying customers, as well as creating a meaningful environment within to work.

Labor is the main constituency for the economic agenda I've set out. But let me be clear. I don't see Economic Democracy as a self-contained project. I see it as only one facet of a much larger project, what I like to call "the counterproject." Just as globalizing capitalism is about more than just economics, so is resistance to this "new world order." There are myriads of progressive struggles going on around the world right now—for economic justice, but also for ecological sanity, for the preservation of indigenous cultures, for peace and freedom, against racism, sexism, homophobia, militarism. I think we need to see all these struggles as part of a global struggle for human emancipation. The point is to create a world wherein every single person on the planet has a real opportunity for a healthy, happy life. Getting the economic structure right is crucial, though it is not the whole story. After all, a worker-self-managed economy could still be rife with racism, sexism, consumerism. Economic Democracy does not solve all problems—although it does make currently intractable problems tractable.

TW: What's been the reception to your work and this set of ideas among philosophers and others within academia?

DS: How nice of you to ask. I won't pretend that philosophy departments across the nation are hotbeds of theorizing about the questions that have preoccupied me since my making the move from mathematics to philosophy. But the reviews of my most recent book have started to come out. They've been uniformly positive, and from a variety of disciplines. *Business Ethics Quarterly* published a long, favorable essay on the book, as did he *Review of Radical Political Economics.* The *Science and Society* reviewer called it "the best book on socialism" to give to "a well-read, non-socialist Leftist." The reviewer for *Ethics* (which is the premier journal in its field) sees the concept of Economic Democracy to be "literally, of world-historic importance."

My work has also attracted significant attention in China of late. My 1993 book, *Against*

Capitalism, was translated into Chinese in 2003, and a Chinese translation of my more recent *After Capitalism* will be coming out soon. A long paper I wrote for a conference in Hangzhou in 2002 devoted to (and attended by leading members of) the Chinese "New Left" was published in China the following year. I will be attending two conferences in China this summer. Needless to say, such attention is gratifying, suggesting as it does that the ideas I've been working on over the years have real-world relevance.

I'm also gratified by the receptions these ideas receive when presented to non-specialist audiences, in the classroom or at public presentations. This gives me a certain confidence that these ideas are not crazy. When articulated, they often strike people as common sense. People often say, why isn't anyone else talking about this? Why haven't I heard this before? A "radical" transformation of society that's not scary to contemplate, one that would leave most things unchanged—and yet you'd have more control over your work, more job security, you wouldn't have to worry about your job moving to Mexico or about a financial crisis destroying the economy. A different world.

You know, it's a funny period we're living through right now. In terms of income and basic standard of living, most people (in the U.S.) are doing okay. But there's deep anxiety about the future, certainly among college students. What kind of work am I going to have? Are there going to be jobs out there when I graduate? Are we going to have some sort of economic crisis? Are we headed for an ecological catastrophe? All this (well-founded) anxiety—and yet it wouldn't take that much in terms of structural changes to mitigate, if not eliminate, almost all of those problems.

When I make the case for Economic Democracy, there aren't many objections, not to the model. The doubts are more practical: Why dream such dreams? The existing order is too deeply entrenched. How can we even imagine changing things?

It's in response to this recurring (and well-placed) concern that I've begun to develop a story about how you might make the transition. Not a theory. Not a prediction. But I think we need to be able to at least *imagine* the transition. It won't be a "revolution" in the traditional sense. No storming of the White House. No guerilla armies coming down out of the hills. Not even a General Strike.

In fact the "revolution" is not so hard to imagine, once we realize that capitalist property has become incredibly abstract. It's not land anymore, or factories. It's pieces of paper--less than that, numbers in your broker's account that could plunge overnight.

So I can tell a story: An economic crisis causes stock and bond values to tank. People clamor for the government to do something. The old government hasn't a clue but the newly elected one does. It buys up those assets, offering a higher price than they are currently worth (which is almost nothing). It prints the money to pay for them, but doles it out over time. It also guarantees the pensions of all those whose retirement savings have been lost. Suddenly the commanding heights of the economy—all those publicly traded companies—belong to the government. They are then turned over to their employees, to be run democratically. Bingo. Economic Democracy.

There has been no "expropriation." The government has bought those near-worthless stocks and bonds at higher than market price. Who's going to complain about that? The banks would have to be nationalized, but so what? Other countries have done that. No big deal. People would still have their jobs and pensions, and workers would get democracy to boot. Doesn't that sound good? In such an economic crisis "there's nothing to fear but fear itself."

As I said, this isn't a prediction. It's just a story. But it highlights just how vulnerable, in some real sense, those passive capitalists really are.

I think people are hungry for new ideas. When is the last time the Republicans or Democrats had any? For awhile there was neoliberalism. Just deregulate, privatize, let the market work its magic. It was tried. It didn't work. Something's not right. The Cold War is over. Capitalism has been unopposed for fifteen years. Have things gotten better?

We know they haven't. There's more inequality, more instability, more economic anxiety. People don't understand. Why is this the case? Our technologies have gotten better. Why aren't we better off? Why don't these miracles make us more secure? Why hasn't the standard of living gone up for the vast majority? There's clearly something wrong here. Isn't there?

TW: Many people have become engaged in this set of questions as you have via Marx or through wrestling with what "socialism" might mean. Do you think this set of ideas is marketable to people for whom Marx is this crazy wild man–how would you go about talking to those folks?

DS: You don't need Marx to grasp these ideas. In most of my presentations I talk very little about Marx. Marx is the way I came to these ideas, but it's hardly the only way. I came to workplace democracy via Marx's concept of alienated labor--but workplace democracy could just as well be seen as an *American* idea. I mean, we vote for our mayors, governors, senators, representatives, presidents. Why can't we vote for our bosses? I mean, come on, what is this? We do believe in democracy, don't we?

Likewise with the idea of capital control. Why should our fate be harnessed to those financial markets that, as often as not, are manipulated by speculators and driven by mindless greed? It's not hard to explain that it doesn't have to be this way. You don't need to appeal to Marx. Just to common sense.

TW: Do you find that students have become more receptive to these ideas over time, and that it's easier to sell the idea that the system is broke, that the system is a joke, that democracy is corrupt, than it used to be?

DS: I think so. For one thing, you don't have to deal anymore with people who just say "We know socialism doesn't work. Look at the Soviet Union." I mean, the Soviet economy wasn't great, but the economy didn't collapse until it tried capitalism. Criticism of capitalism doesn't smack of treason any more. Students no longer have that Cold-War frame of reference. The fact of the matter is, there aren't many people who want to defend the current system, certainly not young people. People don't defend it. They just accept it as the way it is. The idea that there might be some alternative out there that's better–sounds too good to be true. But it isn't.