



## **Economic Update: Capitalism vs. Democracy**

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**Richard Wolf (RW):** Welcome, friends, to another edition of Economic Update, a weekly program devoted to the economic dimensions of our lives, jobs, debts, incomes - our own and our children's. I'm your host, Richard Wolf.

In the wake of the attack on the capital, January 6th, there have been many statements from Republicans, Democrats and others referring to, quote unquote, an attack upon our democracy. Well, when you put that together with the questions many of you have sent to me about what exactly the relationship is between our capitalist economic system on the one hand, and the notion of democracy on the other - and by democracy, I mean a situation in which decisions that affect people's lives must be made by those people. In other words, we are entitled by right in a democracy to participate in the decisions that shape and affect our lives.

Given that I want to devote today to why I believe that capitalism is not a democratic system here in the United States. Never has been, and that the claim to the contrary is not sustainable once you look both at the micro level of our economic system, the level of the individual enterprise and workplace, or if you look at the macro, the overall picture. And so I want to make that case today in the hopes that it answers the questions and puts an end, maybe, to constantly referring to what we would hope to be the case, but what is not, in fact, the case about democracy and capitalism.

So let's begin with the micro level. The level of the enterprise. And here I will say something and give you evidence that I have said before that is the basic idea. It's the evidence I'm going to marshal that I think will be a contribution for today's program. Here's the basic statement. When you cross the threshold into a workplace, a factory, an office, a store, it doesn't matter. You, in effect, leave one part of the world, let's call it the city, the town, the village where you live, your area of residence and you enter instead the workplace, the area of your labor if you're a working person, as most adults are. Now, when that happens, you leave whatever democracy might exist in your residence and you enter a workplace from which democracy is excluded and always has been. What do I mean? Very simple. In your workplace, a very small minority of the people involved, the owner of the business, the family that runs or owns the business, or if you work in a corporation, which is the major form of business in the United States, it's a board of directors. And that's usually 10 to 20 individuals. The vast majority of the people in every enterprise, except a few of the very smallest are the employees.

So now the question presents itself. Is the majority, the employees in a position to participate in the decisions that affect their lives? Is it a democratic system? And the answer is an unambiguous no. The owner, the family that owns the board of directors, whoever runs the enterprise in a capitalist system, makes all the key decisions. What the enterprise produces, what technology the enterprise uses, where the production will take place, and what gets done with whatever profits or revenues or income the enterprise generates. Those are the four big decisions. The owner, the family, the board of directors, they make that decision. The employees are excluded from that decision. They do not participate, but they are required to live with the consequences which affect them deeply.

Let me give you some examples: if the people who run the business decide to close it, you're out of the job. If they decide to fire you, you're out of a job. If they decide to use a technology that hurts your lungs, you've got a simple choice. Take it, suffer it or quit and go work in another business that's run in the same way, which is why a lot of people stay when they get abused, because where are they going to go where they're not at risk of being abused. And abused in what way abused by the lack of democracy in the workplace. So when capitalist societies like the United States, for example, right now, refer to themselves as a democratic society, what must they mean? Well, they must mean something other than the workplace, because that isn't organized in a democratic way. Never was. The people who make the decisions are not accountable. The employees who live with those decisions are not in a position to vote them in or out of office. They are not in a position to have some power over the people who have such extraordinary power over them. So whatever the word democracy means, it doesn't apply to the workplace in capitalism. And that's a very big statement because that's where most adults spend most of their lives in our society. Five out of seven days, the best hours of those days, you're in the workplace. You've got to add a couple more hours in terms of preparing for and getting to and from the workplace. It's the center of your life, as you all know, for much of that life. So if you're going to call yourself a democracy, you would have had to have a democratic workplace from the beginning. We never did. Yes, here and there, and we'll talk about that, there are workplaces that tried to organize in a different, more democratic way. One of them we talk about on this program often: worker co-ops. But the vast majority under capitalism are enterprises organized in a fundamentally undemocratic way.

So now let me give you some evidence of what's at stake. I begin with a professor of business in England, Leeds University, to be precise, in the business school. Her name is Virginie Pérotin, French name. She's famous around the world because as her research as a professor in a business school, she systematically finds companies where there are examples of the company doing a certain kind of business, producing a certain kind of product organized as a capitalist, hierarchical, undemocratic enterprise. And she compares that to another enterprise organized as a worker co-op, a democratic enterprise where everybody makes the decisions together about what to produce, how to produce, where to produce and what to do with the profits. So we have a comparison and a professor who's done it systematically in a number of countries over a period of time. How do they compare? And he is an interesting piece of information that's based on her published research, the worker co-op enterprise. The democratic enterprise is more efficient, more profitable, and lasts longer than its hierarchical parallel. So for those who might think in response to me that somehow a democratically organized enterprise is not workable, isn't doable, is a fantasy, and none of that's true. And we

have in Professor Pérotin's research very clear, documented empirical evidence. Number two, there are some exceptions. The most famous one, which I have mentioned on this program is the Mondragón Cooperative Corporation of Spain. It is now the seventh or eighth largest corporation in Spain. It started in 1956 when a Catholic priest in the north of Spain decided that it was too hard for his parishioners to wait for some capitalist employer to come in and make jobs for people. Let's do it for ourselves, he told his parish. And they did. Six workers with the priest's help started a co-op where everybody together made the democratic decisions running the business. Fast forward to today, 2020. It's an enormous corporation. More than a hundred thousand people work there and the bulk of it, not all of it, but the bulk of it is run democratically. It's actually a family of a couple of hundred co-ops come together under one corporate entity, but each of them is operated democratically. All the workers together decide their level of income top and bottom, much narrower than in most companies in the world, much less inequality. And I could go on. But they've succeeded for 70 years. They've grown. They've outcompeted their capitalist competitors. They show, too, that the notion of a democratic workplace is not a fantasy and not a utopia and not a distant possibility. It's a reality and it has been for a long time.

Next, I want to quote to you Winston Churchill, the great wartime leader in England. He's famous for the following remark: democracy, said Churchill, is the worst form of government except for all the others. How cute. How nice. Unfortunately, Churchill couldn't imagine what I'm trying to explain now that what applies to politics, his remark applies equally in economics. Democracy may be a clumsy, maybe a messy way of running an enterprise, but it's better than all the others, just as in politics. Next, some people seem to think, well, you couldn't run a business like that. Don't some people have to do something and other people have to do something else? Isn't the division of labor how we get to be efficient and productive? My answer to that is simple. Yes, we need to divide the labor, but that's not the same as dividing the laborer. You can concentrate on a particular task if that's more efficient than doing lots of different things during the day. But it stops being efficient if that's all you do in your life. You need variety, you need to have different muscles, different parts of your brain engaged or else it isn't good for you. So we can divide the labor, but we can solve the problem by rotating people around to different kinds of work so that they have a variety of skills and a variety of activities. It's more healthy and in the long run, more productive. And again, the Mondragón Corporation has wonderful records showing exactly that.

And here's the last point. A democratic workplace gives people the appetite for democracy. It gives people the experience of democracy. They run the enterprise. And, you know, if you're in charge of the enterprise and not just a worker there, you have a demand and a sense of yourself as having power. And you're not going to let somebody else dictate to you in politics either. If you have developed the taste and the competence for democracy in the workplace. We don't have democracy in the workplace. And that's a contradiction between democracy and capitalism.

We've come to the end of the first part of today's show. Before we get to the second half, I want to remind you about our new book, *The Sickness Is The System - When Capitalism Fails To Save Us From Pandemics Or Itself*. That book is available at [democracyatwork.info/books](http://democracyatwork.info/books). I also want to thank our Patreon community for their ongoing, invaluable support. And if you haven't already, please go to [patreon.com/economicupdate](https://patreon.com/economicupdate) to learn more about how you can get involved. Please stay with us. We will be right back.

Welcome back, friends, to the second half of today's economic update devoted to the relationship, a contradictory one between capitalism, on the one hand as an economic system and democracy, understood as an arrangement among a group of people in which the decisions that affect people require their participation in making those decisions if the system, if the community, is to deserve the name democratic. In the first half of the show, we talked about the micro level, the individual enterprise, and why it is organized in capitalism in a way that is clearly and fundamentally undemocratic. I want to shift the focus now to the macro level, to the economy as a whole. And so let me show you why there's a contradiction between capitalism and democracy there as well.

So let's begin. We know from decades, centuries of observing capitalism, culminating in a wonderful book published in 2014 that some of you may remember by Thomas Piketty, a very famous French scientist, economist who works with his counterpart at the University of California at Berkeley. Saez, it's called Piketty and Saez. They're known around the world as the leading authorities on the distribution of wealth and income in capitalist systems. They maintain a website freely available to you, Piketty and Saez, and you can go there and get the documentation and the statistics if you are interested. Here's what the research of the book *Capital in the Twenty First Century* by Mr. Piketty, found. That in every case around the world now, 20 years ago, 50 years ago, one hundred years ago, capitalism as a system produces a widening inequality of income and wealth. Periodically, when it goes somehow too far in quotations, people react and stop it and even reverse it sometimes. But then after 10 years or so, typically, it resumes. The basic underlying tendency for capitalism is to produce inequality and keep doing so.

Nothing illustrates that better than the last 70 years in this country. More precisely, the period since 1970, when inequality which had been reversed by the Great Depression and in the immediate aftermath, once again, the underlying tendency resumed. Inequality continued, and literally since 1980, for sure, the line has been a straight line to greater inequality, reaching a situation now where we really have levels of inequality that remind folks of ancient Egypt and the pharaohs on the one hand, and the mass of the slaves on the other. So we have great inequality, what's the issue here? Here's the problem. We live in a society that has an institution called universal suffrage. That is, after long struggles, everyone is entitled to vote. You know, in the early days of the United States, only people with wealth, considerable wealth were entitled to vote. Women could not vote. Poor people could not vote. Black and African-American people couldn't vote, etc. It took a long struggle to get all of that stopped and finally get to the point where everyone who's an adult, nearly, is allowed to vote, at least in theory. So here's then the simple problem. If you have universal suffrage as, for example, we more or less do in the United States, we do exclude felons in certain parts of the country and so on. And there are debates about that. But in general, we allow nearly everyone to vote. When that's the case, here's the problem for capitalism. The employer class is a small, indeed a tiny minority. The vast majority of us are employees. If the majority rules and we have universal suffrage, then it's always a possibility that we, the majority, the employees will use the fact that we are the majority to vote for politicians and laws and rules and regulations that favor us.

And, for example, if we don't like the level of inequality that our society dumps on us - and by the way, poll after poll in this country indicates that Americans overwhelmingly want less inequality than we in fact, have. Wow. We could use our majority politically to undo the inequality that capitalism produces and imposes on us. How could we do it? Easy. We could pass taxes that tax people at the top much more highly than they do now. Elizabeth Warren introduced, very recently, the senior senator from Massachusetts, a wealth tax on stocks and bonds and people's wealth above 50 million dollars. Which is only two or three percent, very small, but it's a start in that area, isn't it? And of course, as every rich person knows, it may start at two or three percent, but where might it go? So, yes, in all capitalist systems, there's a problem. The minority becomes wealthier and wealthier over time. That's how capitalism works, and it always has. Yet the majority are therefore given an incentive, if you like, over time to do something about the inequality of wealth and income by using their majority position politically. You know who understands this best? The rich. They understand their vulnerability. They understand that's one of the reasons why they weren't so enthusiastic about universal suffrage over the years. It had to be fought for. They know. And they're not passive, they figured out that the only way to be secure in their wealth, given universal suffrage and the risk that the mass of employees will use it to their advantage, the rich understood they have to prevent that. How are they going to do that? They have to use the one thing they have. Money. They have to buy the political system, they have to make the political system depend on their money. At least as much as it depends on the mass of people's votes. And that's what they've done. They've made the political parties dependent on donations. Not on the mass of people mobilized, that's old politics. Money. You need to dominate the airwaves, the TV, the social media, you need an army of people to do all of that work, to monitor all that, to put out the tweets. You know what it takes because you are living it just like I do. An army of people paid for by money from the rich. Like the campaigns are donated to, the parties are donated to. As if that weren't enough, the rich hire lobbyists, people who work full time all year round, working with the candidates that get elected, providing them with support, raising money for them, literally writing the bills that go through Congress for the congressmen and women who are supposed to be doing it. In every way possible, the rich corrupt the political system so it doesn't respond to the mass of people. And you should know that if you don't already. The polls indicate the mass of Americans want less inequality, but in fact, it gets worse. The mass of the people are interested in a proper medical care system. Overwhelming majorities, but we don't get one. The only country without a comprehensive national health care health insurance program.

I could give you many, many more examples in which you watch the majority feeling one way, but the politicians don't do it. And the reason they don't is they don't have to because the money they need for their political careers is more important to their survival than the votes. Or to say the same thing more precisely: they can use the money they get from their donors to manipulate the voters. That's what's called advertising. The exact same companies that show you how and why you want to buy this soap or eat that cereal or drive that car are working to get you to vote for this woman or that man by telling you this story, that story, this image, that image. The rule of our politicians is this: do what you have to do to get the money. With the money, you can buy the advertising to get enough voters on your side. That's the only strategy that works to go against the donors and appeal to the workers, the voters. That's the lone shot. Only an occasional politician will dare to do that. And you have to have an extreme situation in a society that will get people to understand and resist all of the PR heaved at them by the well-heeled politicians to go with the ones who don't have the money and give them a

few bucks so they have the money. Bernie was one of those, and that's why he was so exceptional. He could appeal to the mass of people. It is possible, but it is not the norm in our system.

And so what happens, a tiny group of people, the rich, use their money to have an outsized impact, an outsized impact on our politics. That's not democracy. Democracy has the idea of one person, one vote, that we all have an equal say on the decisions that affect us. We don't. You, who go into a voting booth and move the lever and vote for someone, that's a very different level of influence compared to Rockefeller or Bezos. When they want to influence people, they use their money. Jeffrey Bezos purchased The Washington Post. That gives him an influence that you and I can't even dream about. That's not democracy. That's not equal influence, equal access. One person, one vote. That's all thrown aside. And so democracy is not the way we organize the big picture. Capitalism, by concentrating wealth in the hands of a small number of people, contradicts democracy, makes a joke out of democracy. You know, we have the forms of democracy, but they're paper thin. And the minute you go behind to see how it works, you find Mr. and Mrs. Moneybags in control of this situation. And using more and more money. If I have my numbers right, the 2020 election saw the expenditure of an excess of 13 billion dollars spent on that election. And that's probably an underestimate. Those 13 billion were not equally contributed by everybody. They were overwhelmingly contributed, as all the documents show, by a tiny core of very rich people and corporations. So, no, what was attacked on the capital on January 6th, was a political regime trying to overthrow, overthrow another one. A serious question, important, very bad, very scary, but an assault on our democracy? The biggest assault on our democracy is the economic system we do not question enough and that we don't change. Because it is the underlying sickness, that system. It undercuts democracy not just at the workplace, but everywhere else. Thank you very much for your attention. I appreciate your interest and I look forward to speaking with you again next week.

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