

Economic Democracy: An Idea Whose Time Has Come, Again?

by Richard Hyman

“There can be no return to business as usual”: this was the unanimous trade union response to the global crisis. For a time in early 2009, the legitimacy of capitalism was itself questioned in unexpected quarters. In May 2009 the German union confederation, the *Deutscher Gewerkschaftsbund*, organised a ‘Capitalism Congress’ – using language which for decades would have been taboo – and its president warned of unrest on the streets unless jobs were more effectively safeguarded. One of its leaders, Claus Matecki, insisted that it was important to talk of capitalism rather than using the conventional but bland term *soziale Marktwirtschaft* (social market economy), since only thus could trade unionists make clear that the existing economic order was historically contingent and founded on a fundamental inequality between workers and employers.¹ Yet there was no follow-up.

Two familiar and intersecting contradictions of union action were evident across Europe. One was the dilemma of short-term imperatives versus long-term objectives. Was the aim to negotiate with those wielding political and economic power for damage limitation, and perhaps a tighter regulatory architecture for financialised capitalism; or to lead an oppositional movement for an alternative socio-economic order?

According to one Belgian socialist union leader, “The situation really is not simple for trade union organisations. The analysis of the crisis is not complicated: neoliberalism cannot deliver. The difficulty is that today, discourse is not enough. It is easy to say: we need to change the balance of forces. But that does not tell us how to proceed.... Our members expect us to look after their immediate interests.”

The second contradiction was between a global economic crisis and trade union action which is essentially national or indeed sub-national in character. The international trade union organisations produced powerful analyses and progressive demands, but their impact on day-to-day trade union practice on the ground was non-existent. Indeed the dominant response has been to defend and enhance competitiveness, meaning a struggle of country against country, workplace against workplace, intensifying the downwards pressure on wages and conditions.

To these two contradictions must be added the loss of a vision of an alternative socio-economic order. Actually, ‘existing socialism’ had discredited the idea of communism long before the fall of the Berlin Wall. Social democracy likewise abandoned the struggle for a new social order in the face of economic adversity, engaging in concession bargain-

ing with multinational capital and the international financial institutions. Centre-left trade unionists came to object to the ‘new, overmighty capitalism’ of hedge funds, asset-stripping, financial speculation and astronomical bonuses. The solution, it appeared, was to seek to restore the old capitalism: the trade union movement should ‘become a champion of good business practices, of decent relations with decent employers while ruthlessly fighting the speculators’.²

So has the crisis indeed been wasted? Perhaps one means of connecting short-term (and probably ineffectual) defence to a struggle for another world of work could be renewed attention to the idea of economic democracy. In the past two years, there has been much discussion of the deficiencies in existing systems of corporate governance, particularly as the liberalisation of global financial transactions has made ‘shareholder value’ the overriding corporate goal even in ‘coordinated’ market economies.³ The solution, however, cannot simply be a technocratic regulatory fix; what is required is democratic control of capital. With the shock of crisis, some union policymakers have come to recognise that the overriding challenge is to build a movement for greater democratisation of the economy and to create new links between different levels of regulation and different issues on the regulatory agenda.

Systems of ‘codetermination’ are institutionalised in much of Europe, involving rights of collective representation through works councils, and in some countries employee board-level representation. Such provisions reflect an insistence that companies are not merely the private property of the shareholders, because employees are themselves ‘stakeholders’ with a legitimate interest in shaping corporate goals and policies. Even the strongest systems of works councils, however, have primary jurisdiction over employment issues which arise only after key decisions on investment and product strategy have already been taken: as a German trade union expert noted two decades ago, the more strategic the issue for management, the weaker the powers of the councils.⁴ This becomes particularly problematic in times of economic adversity, as primarily enterprise- or establishment-based mechanisms of codetermination are forced to accommodate to the externally imposed imperatives of intensified global competition, and may be unable to do more than underwrite managerial priori-

ties. Though formally intact, the machinery of codetermination no longer provides an effective mechanism for asserting and defending workers' interests.⁵ To address this erosion of effectiveness, 'industrial democracy' must be extended to encompass corporate strategy as a whole: in other words, it must be enlarged into economic democracy.

Elements of such a strategy can be found in the ideas developed by Fritz Naphtali for the German trade unions in the 1920s,⁶ which proved influential in the German and Austrian trade union movements in the early post-war years. Socialisation of the economy was an essential goal, but it should be achieved, not necessarily and not exclusively through state ownership but through more diverse forms of popular control. Such ideas helped inspire the demands of Swedish unions in the 1970s for 'wage-earner funds', drafted by Rudolf Meidner (a socialist of German origin).⁷ The essence of the policy was to establish *collective* employee ownership of part of the profits of corporate success, in the form of shares held in a fund under trade union control. This, it was envisaged, could provide increasing control over strategic decisions in the dominant private companies. As Meidner himself later conceded, a more flexible set of proposals would have been politically prudent; certainly in countries with far lower trade union density than in Sweden, tying control of collective funds to trade unions alone is not a viable strategy (particularly given past scandals involving union-owned enterprises in Germany and Austria). Nor could the Meidner plan easily function in an era of global financial markets. Nevertheless, some of its themes are particularly apposite at a time when the banking sector has been rescued by a vast transfer of public funds; democratisation of ownership should be a logical corollary. Moreover, while the trade union movement has embraced the demand for a financial transactions tax, the question of its implementation has been little discussed. Why not use the revenue, not simply to plug the hole in national budgets, but to create investment funds under popular control, linked to a democratisation of pension funds (which are in effect, workers' deferred wages)? These are questions with which trade unionists should surely engage.

This theme leads to a broader question: what are the possibilities for economic democratisation in the space between state and market? The labour movement has a long tradition of cooperative production and distribution, though in many countries such cooperatives mutated long ago into simple commercial ventures. But smaller-scale, cooperative economic activity has often been able to provide some counter-power to the commodification of social life, particularly in the global South. In a notable recognition of this role, the Self-Employed Women's Association (SEWA) in India was accepted as a founding member of the ITUC.⁸ Do such movements offer lessons for trade unions in the developed economies? In the French-speaking world at least, the notion of a 'social economy' has received growing attention on

the left.⁹ An imaginative response to the crisis ought to draw on such ideas.

Can economic democracy and capitalism coexist? If the central dynamic of twenty-first century capitalism involves vast concentrations of unaccountable private economic power – and this may well be the case – the answer is clearly no. You can peel an onion layer by layer, but you can't skin a tiger claw by claw... But a simple anti-capitalist response to the crisis is not on the current political agenda. To capture hearts and minds, the labour movement has to commence a campaign against global casino capitalism which is linked to a credible set of alternatives for socially accountable economic life. In the short term, perhaps, a campaign for 'good capitalism' may be the only politically feasible option.¹⁰ For the present, what is needed, in Gramsci's terms, is a 'war of position'. The idea of economic democracy offers a vision of popular empowerment which could reinvigorate trade unionism as a social movement and help launch a struggle for a genuinely alternative economy – one in which, incidentally, unions themselves would be more likely to thrive.

¹ Claus Matecki, 'Warum wir vom Kapitalismus reden', *der Freitag*, 26 June 2009.

² John Monks, *The Challenge of the New Capitalism*, Bevan Memorial lecture, 14 November 2006.

³ See John Peters, 'The Rise of Finance and the Decline of Organised Labour in the Advanced Capitalist Countries', *New Political Economy* 16 (1), 2011.

⁴ Ulrich Briefs, 'Codetermination in the Federal Republic of Germany: An Appraisal of a Secular Experience', in György Széll, Paul Blyton and Chris Cornforth (eds) *The State, Trade Unions and Self-Management*. Berlin: de Gruyter, 1989.

⁵ See Wolfgang Streeck, *Re-Forming Capitalism*, Oxford, OUP, 2009; Hans-Jürgen Urban, 'Arbeitspolitik unter (Nach-)Krisenbedingungen: Gute Arbeit als Strategie', *Arbeits- und Industriesoziologische Studien* 4(1), 2011.

⁶ Fritz Naphtali, *Wirtschaftsdemokratie: Ihr Wesen, Weg und Ziel*. Berlin: ADGB, 1928.

⁷ Rudolf Meidner, *Employee Investment Funds, an Approach to Collective Capital Formation*. London: Allen & Unwin, 1978.

⁸ SEWA defines itself as both an organisation and a movement for women workers on the margins of the formal economy. It has many of the characteristics of a trade union, an NGO and a cooperative. See http://www.sewa.org/About_Us.asp

⁹ Jean-François Draperi, *Comprendre l'économie sociale: Fondements et enjeux*. Paris: Dunod, 2007; Jean-Louis Laville, ed., *L'économie solidaire: Une perspective internationale*. Paris: Hachette, 2007.

¹⁰ Sebastian Dullien, Hansjörg Herr and Christian Kellermann, *Der gute Kapitalismus... und was sich dafür nach der Krise ändern müsste*. Bielefeld: transcript Verlag, 2009.

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