

POLITICAL DEMOCRACY AS A CHECK ON ECONOMIC CAPITALISM

Ronald J. Glossop, Professor Emeritus, Southern Illinois University-Edwardsville

I. THE PROBLEM: HOW TO HUMANIZE CAPITALISM

A critical problem for contemporary social philosophy is how to hold in check the deleterious effects of capitalism both within countries and at the global level. How can we counter the increasing disparity between the rich and the poor. The challenge is to indicate what needs to be done, both nationally and internationally, to reign in the harmful effects of an unrestrained capitalist economic system.

In response to this phenomenon, some economists such as J. W. Smith are calling for "economic democracy." Smith argues that "cooperative capitalism" with fair trade would do more to advance social welfare than the existing subtle-monopoly capitalism built on the notion of free trade.[1] But what is "economic democracy"? Doesn't "democracy" refer to a particular kind of political system? What is "cooperative capitalism"? Doesn't "capitalism" refer to a particular kind of economic system which emphasizes competition? We also need to consider how these concepts are related to both our national and our global institutions.

II. UNDERSTANDING LEFTISTS AND RIGHTISTS

In order to deal with this issue of the meaning of concepts such as "capitalism" and "democracy," we need to get clear about some very basic distinctions. The most basic is the distinction between a leftist or egalitarian view and a rightist or hierarchical view about how a community should be organized. The second is the distinction between an economic ideology and a political ideology. Having clarified these distinctions, we can discuss how an economic system and a political system interact with each other.

What is the difference between leftists and rightists on the issue of what constitutes a just or fair society?[2] Leftists are those who emphasize the principle of equality. Justice requires that everyone in the society should have about the same amount of goods. Rightists, on the other hand, emphasize the principle of merit. For them justice reflects the fact that some people deserve to have more than others and that those who already have more should be allowed to keep it. Most people would say, I think, that both of these principles have some intuitive appeal and should be balanced in some way. Still some put more emphasis on equality while others put more emphasis on merit.

There are some derivative values implicit in the two basic viewpoints. The leftists with their focus on equality also emphasize cooperation and sharing among all the members of the society in order to advance the collective welfare of the whole community. Those who happen to have more of something (whether it is ability or knowledge or physical goods) should unselfishly share with those who have less. On the other hand, the rightists with their focus on merit emphasize

competition and making good use of whatever one has to advance one's own situation. The goal is the good of the individual rather than the whole community (though in the long run such an "individualistic" system may turn out to be better for the group as a whole).

Leftists with their emphasis on equality actually have two kinds of issues to address. First, there is the ethical issue of whether someone who has more than average is obliged to share some of that excess with others who have less, and if so, how much should be given, to whom, and in what way? Second, there is the political question of whether individuals who have more should be forced by the society to share, and if so, how much?

To get a better appreciation of all the difference between the leftist and rightist viewpoints, think about the matter of giving grades to students. A leftist system based on equality and the collective good would be a pass-fail system for individuals combined with some kind of collective grade for the group as a whole. There might be some kind of minimum requirement for individuals to pass the course, but the focus would be on what the whole group accomplishes.

What would be the likely outcome of this leftist system? Undoubtedly there would be many students who would do as little as necessary to pass the course, but there probably would be some conscientious students who try to organize the class project and encourage others to do their share. An esprit de corps might develop as the project progresses. At the same time feelings of resentment might develop in those who were doing most of the work; it just isn't fair that those who are doing nothing will get the same credit as those who have done all the work.

Now for contrast, consider an extreme rightist grading system that rewards individual achievement in a very competitive setting. Instead of the A-B-C-D-F grading system used in U.S. schools, students would be rank-ordered not just when they graduate but on every assignment and test. Furthermore, in order to increase the competition, grades would be posted in the classroom for all to see.

What would be the likely outcome of this rightist system? Intense competition would develop among the top few students. The top one would study hard to maintain that position while those who ranked second and third would be studying hard to try to take over that top position. Those who were not doing so well would probably soon drop out of the class. Some might complain that the system isn't fair. They would argue that they were trying harder than those who were getting higher scores but lacked the capability or the previous experiences which the winners had. Personal animosities might arise. Even those near the top might resort to cheating since all that matters is the final score.

Note how these two systems of grading bring out the arguments typically used for or against a leftist system or a rightist system, including complaints about the unfairness of the system. In the leftist system, it is the more talented and hard working, the "haves," who are likely to complain about the unfairness of bestowing unearned rewards on those who are not so talented and hardworking. But in the rightist system, it is the less talented and disadvantaged, the "have-

nots," who complain about the unfairness of a competitive system where background conditions are ignored and only the final score matters.

Consider how the rightist's emphasis on competition and merit resembles the 'struggle for survival' in nature. Some individuals happen to be lucky in their inheritance and environment. They survive and produce offspring while the less fortunate perish. This "survival of the fittest" is nature's way of operating. In the long run it produces individuals who "have what it takes" to succeed while the less fit perish. The rightist says, 'Let society follow the hard way of nature.' Relying on stiff competition to weed out the less favored may seem inhumane in the short run but it produces the best results for everyone in the long run.

On the other hand, the leftist focus on equality and cooperation is "humanistic" or "moralistic." Humans should be compassionate and help the less fortunate. A key point is that people do not choose what qualities they have, what ethnic group they belong to, what gender they are, whether they will have special talents or crippling disabilities, where or when they will be born, and what circumstances they will face. Once the crucial importance of these things which are outside of our control is acknowledged, one can hardly maintain that those who are fortunate should just ignore the fate of those who are not so lucky.

There are degrees of commitment to these two opposing outlooks.[3] In both cases we can have extremists and moderates. Extremists, whether rightists or leftists, are certain about the correctness of their own viewpoint. Their dogmatism leads them to be intolerant of the opposing view. Moderates, on the other hand, are open to the presentation of alternative views. They tend to be supporters of open parliamentary democracies where policies are determined by votes after alternative views have been heard. Extremists of the left are called "radicals" while extremists of the right are called "reactionaries." Moderate leftists are often called "liberals," but I prefer the term "progressives" because the word "liberal" has other meanings. Moderate rightists are rightly called "conservatives." People who are doing well, the "haves," generally believe that the present policies and rules should be continued as they are. Why change?

III. ECONOMIC IDEOLOGIES AND POLITICAL IDEOLOGIES

Let's turn now to another distinction which is particularly relevant to the issue of how to deal with the disturbing effects of unbridled capitalism, that between economic ideologies and political ideologies and how the rightist-leftist distinction applies to them. An economic ideology addresses the issue of how the goods (and bads) should be distributed in a society while a political ideology addresses the issue of how the decision-making power in a society should be distributed.

The farthest left economic ideology would be Marxist Communism ("From each according to his ability; to each according to his need") while the farthest right would be monopolism (let the wealth of the community be concentrated in the hands of one person or a small group of

persons). The more moderate leftist view would be socialism (wealth should be based only on the quantity and quality of labor done) while the moderate rightist view would be capitalism (wealth should belong to those who know how to invest wisely and who invent new and useful things as well as those who do useful high-quality work).

Turning to political ideology, the farthest left view would be pure or direct democracy (each person in the society gets one vote in determining what policies should be adopted) while the farthest right view would be absolute monarchy or dictatorship (one person decides what the policies of the society will be). The moderate leftist view would be representative democracy (periodically elected representatives determine what the policies will be) while the moderate rightist view would be that a small elite group (such as an aristocracy or members of a special Party) should make the laws.

IV. DEMOCRATIC CAPITALISM WITHIN THE NATION-STATE

One way to have a society that is balanced between the leftist and rightist viewpoints is to have a rightist economic ideology checked by a leftist political ideology. This is in fact the combination we find in the United States of America. Undoubtedly the United States has benefitted from some very good luck, such as being separated from other big powers by two oceans and having an abundance of natural resources. But a big asset has been its combination of a rightist capitalist economic system which has encouraged new inventions and entrepreneurship and economic growth with a leftist political system of representative democracy which has exercised some restraint on the power of the "haves," partly by gradually extending voting rights to more and more of the "have-nots."

There is an ebb and flow in the relative influence of the two parts of the total system. Sometimes the "haves" seem to be totally in control, but then an election occurs where the restraining political power of the "have-nots" is reasserted.[4] An example of this is the election of Franklin Roosevelt in 1932, when the policies of the "haves" had resulted in the Great Depression. At present the influence of money in the U.S. political system is undermining the capacity of that system to restrain the rightist economic system. Nevertheless generally this combination of a capitalistic economic system checked by a democratic political system has proved its success, not only in the United States but in most of the countries of the developed world.

V. DEMOCRATIC CAPITALISM AT THE GLOBAL LEVEL?

When we look at the global level, we see a different situation. A rightist capitalist economic system exists on the international level (even though not all countries are capitalistic within their national boundaries), but there is no leftist global democratic political system to put restraints on it. All the economic forces of an unregulated capitalist economic system are leading to the greater disparity in wealth between rich countries and poor ones, but there is no worldwide

democratic political structure to adopt the global laws that would correct the situation. We need a democratic world government which could use political means, that is, laws enforceable against individual violators, to check the disastrous consequences of the activities of global businesses. Various proposals about what should be done at the global level are not likely to lead to action unless there is a democratic world parliament to discuss them and make laws to implement them.

When considering representative democracy at the global level, a big question would be what system of voting to use. Would the representatives represent countries or continents or metropolitan/geographical areas having roughly equal populations? If voting were done on a national basis, wouldn't the quantity of votes for a country need to be weighted to take account of population, economic power, geographical area, degree of protection of human rights, and so on? If the more powerful countries were not given more votes (at least at first), why would they agree to subordinating their power to that of a global government?

VI. IS SOCIALISM THE SOLUTION TO GLOBAL WEALTH DISPARITY?

With regard to evaluating economic systems, my view is that socialism does not work very well. Being a leftist system, socialism could be expected do better than capitalism at distributing more equally what is available within the society. Cuba is a good example of this. But the difficulty with socialism is the long-term tendency toward stagnation and the lack of progress from new inventions. People resist change, so there must be some incentive to bring it about. Stagnation would be likely if there were no capitalist systems anywhere stimulating progress.

The tendency toward stagnation in socialism has many sources. One factor is the focus on rewarding people for time spent working but not rewarding people for inventions or discovering procedures and devices that save time and money. Consider two similar hypothetical cases, one in a socialist system and one in a capitalist system. Suppose that a worker notes that an operation in a factory could be done in a different way that would require only four people to do it rather than six. He tells his supervisor about this possibility. If this occurs in a socialist system, the supervisor is not likely to be very interested. She is likely to respond, "Even if your proposed new method would work just as well, what would I do then with the two workers who would no longer be needed?" Contrast this reaction to what happens in a capitalist system. The supervisor is likely to say, "Your proposal to do the operation with only four workers instead of six is wonderful. You will be given a bonus because we want to encourage others to help us make similar savings in the future." What about the two workers who will lose their jobs? In the capitalist system, that is their problem, not the employer's.

This kind of incident is likely to occur again and again. The result would be virtual stagnation in the socialist system while the capitalist system would become more and more efficient. There is little doubt that the socialist system is more humane while the capitalist system is indifferent to the plight of individuals. But the remedy for this situation is not the abandonment of capitalism in favor of socialism. Rather we need to have a democratic political system which creates laws to

assist those individuals who lose their jobs as more efficient procedures and machines are used. We need unemployment compensation and job training programs and special public welfare programs to take care of health needs, food needs, education needs, and so on. The businesses which are making more money should be required to help pay for these programs. But what is not a good idea is to eliminate the incentives for progress in a capitalist system

Another problem for a socialist system is that policy-making tends to be focused on short-term good while ignoring the long-term situation. Consider the situation with regard to providing medicines to fight AIDS or other diseases. The humane approach is to insist that medicines already available be provided at low cost to poorer people. But the pharmaceutical industry insists that it needs to make money from the medications already available so that it can afford to do the research to develop new medicines and new approaches to dealing with the problem. There is room for dispute on how much the corporations should be making, but there is little doubt that in a socialist system the main effort would be on using what is already available rather than on developing new medicines to deal with problems in the long run.

We cannot overlook the positive effects of a capitalist system driven by the desire to gain more profit from one's investment. Society needs this continuing drive toward ever greater efficiency to encourage new inventions and then to make use of them quickly. Another benefit of capitalism is the continuing effort to produce goods that are wanted by consumers, which means that businesses must produce a variety of good quality products to appeal to a variety of buyers

VII. THE NEED FOR DEMOCRATIC CONSTRAINT

At the same time we need a democratic political system to deal with the difficulties of an unregulated capitalist system. The government must control the effort of capitalists to externalize their costs, to get others to pay for things such as taking care of damage they do to the environment. Second, the capitalist system depends on competition, but in unregulated market situations those with more money get a better deal than those with less money. Regulations are needed to try to keep the bargaining somewhat fair. Capitalists bargaining with workers are usually in a better financial situation than the workers looking for jobs since the capitalists can wait for their profits, but the workers need money for food and shelter now. Therefore regulations are needed to protect the bargaining rights of the workers. In the absence of regulation there is a natural tendency for the richer, bigger businesses to get better deals than their poorer, smaller competitors. The result is that without regulation monopolies develop and the competition which is crucial to the capitalist system is lost. A third problem, which can become very troublesome in the absence of regulation, is the production of profitable items which are unsafe or harmful (like cigarettes and addictive drugs).

From a moral point of view, however, the biggest problem resulting from an unregulated capitalist system is the widening gap which develops between the rich and the poor. That happens in part because of the way that the rich tend to gain control of the political system and

make rules that increase their advantage, but as already noted the proper response to that difficulty is to design a democratic political system where economic power cannot be converted into political power. But one also needs to recognize that it is a built-in characteristic of the capitalist system that the rich get richer. That is precisely why unrestricted capitalism is inherently immoral. Being rich means that you can afford a good education rather than having to work to take care of current needs, that you have the financial resources to invest so that the money you have makes more money, that you have time to explore new ideas, that as a consumer with money to spend you can influence what gets produced, and so on.

Another way of looking at this rich-get-richer tendency of capitalism is to consider who gets discriminated against in a capitalist system.^[5] Some critics of capitalism have claimed that it is racist and imperialistic. Some capitalists undoubtedly have been racists, but that is not an inherent characteristic of the capitalist system. In fact, racism is foreign to it since the only things which matter in a capitalistic system are competence as a worker or manager or inventor plus the possession of money in order to be able to buy as a consumer or to invest as a saver. The race, religion, gender, or age of the individual employees or consumers is irrelevant. Also some capitalists undoubtedly have been nationalistic imperialists, but nationalistic imperialism is directly contrary to the theoretical basis of capitalism. For capitalists nationality is irrelevant.

On the other hand, there is one type of discrimination which is an inherent part of the capitalist system, and that is discrimination against the poor. The poor are discriminated against because they do not have enough money to serve as potential buyers or to be able to invest and earn profits. Capitalism works on the basis of market forces of supply and demand, and demand is not the same as need. Demand is want plus the money to buy what is wanted. The poor may be in need but their needs will not constitute part of the demand because they lack the money to buy. The other side of this situation (one that little by little is getting more attention both domestically and globally) is that capitalism won't work well if wealth is too concentrated in the hands of too few persons because then there won't be enough demand to keep buying the products being produced.

What is the proper remedy for this systematic discrimination against the poor? It seems that at least part of the answer is the establishment of a democratic political system which will establish a legal system of taxation and redistribution of wealth so that some of the wealth accumulating in the hands of those who are already wealthy is systematically syphoned off and put into programs for the poor and made available to poor individuals.

VIII. YUNKER'S PLAN FOR EQUALIZING THE WEALTH GLOBALLY

On the international level, just such a systematic program for channeling wealth from the rich countries to the poor countries has been proposed by James Yunker. He first described it in his 1993 book World Union on the Horizon: The Case for Supernational Federation.^[6] In his later book Common Progress: The Case for a World Economic Equalization Program Yunker simulated the application of his proposed program to 140 individual nations over the period

1970 to 2020 to show how his proposal would produce greater economic equality among the countries of the world without greatly harming any of them.[7] In a more recent article Yunker uses computer simulation for the period 2000 to 2050 to show again how successful the WEEP program could be.[8]

His original "World Economic Equalization Program" (WEEP) assumes that there will be savings from large cuts in military spending as the result of his proposed world government while at the same time recognizing that the huge economic gap between the rich and the poor must be addressed to dampen hostility of the poor against the rich. The program calls for rich countries to transfer money annually to a transfer fund, a fund from which poor countries draw money (but which could be used only for production goods and education/training, never for any commodities intended for final consumption[9]). The amounts of money going into the fund from the rich countries and the amounts going out to be used for investment by the poor countries are based on a formula spelled out in great detail by Yunker. He admits that "The rules embodied in the WEEP model for determining contributions [paid in by the richer countries] and shares [paid out to the poorer countries] are very much of an ad hoc nature." [10] Nevertheless they are "commonsensically appealing." He relies on computer modeling to show how the program he outlines of annual stipulated transfers from the rich countries to the poor countries should result in a situation where "after 35 years of WEEP . . . per consumption in the poorest region [of the world] would be close to 90 percent of that in the richest region." [11] Without WEEP that figure would be 10 percent.[12]

I don't intend to defend the specifics of Yunker's "World Economic Equalization Program." I only want to point to it as one example of how political decision-making at the global level, isolated from the influence of present economic power, can provide a viable program to deal with the widening economic gap in standards of living for the rich and the poor. It is not necessary to eliminate capitalism or institute socialism. What is required is the institution of a democratic political system which is not undermined by economic power.[13] This is true at both the global level and the national level.

NOTES

[1] J. W. Smith, Economic Democracy: The Political Struggle of the Twenty-First Century [The Institute on Economic Democracy, 3rd ed. expanded, 2003], p. 14.

[2] A similar discussion of this point can be found in Ronald Glossop, Confronting War: An Examination of Humanity's Most Pressing Problem [Jefferson NC: McFarland, 4th ed., 2001], pp. 106-12.

[3] A chart showing the names used here to describe leftist-rightist views in general as well as

the various economic and political ideologies described below can be found on page 111 of Glossop, Confronting War, 4th ed.

[4] For an article which succinctly describes this ongoing struggle in the United States between the power of corporations and the effort of government to check it, see Laurent Belsie, "Rise of the Corporate Nation-state," The Christian Science Monitor, April 10, 2000, pp. 1, 4-5. I responded to this article with a letter arguing that democratic government at the global level is needed to restrain corporations at the global level . It was published under the heading "Global companies need global regulation" on page 8 of The Christian Science Monitor for April 18, 2000.

[5] This paragraph and the succeeding one are basically excerpted from Glossop, Confronting War, 4th ed., pp. 114-15.

[6] Lanham MD: University Press of America, 1993.

[7] Common Progress: The Case for a World Economic Equalization Program [Westport CT: Praeger, 2000].

[8] "Could a Global Marshall Plan be Successful? An Investigation Using the WEEP Simulation Model", World Development , Vol. 32 (2004), pp. 1109-1137.

[9] James Yunker, World Union on the Horizon, pp. 182 and 193.

[10] James Yunker, World Union on the Horizon, p. 198.

[11] James Yunker, World Union on the Horizon, p. 183.

[12] James Yunker, World Union on the Horizon, p. 186.

[13] For a statement of this view which focuses on the issue of centralization-vs.-decentralization of the global economy see David Ray Griffin, "Global Government: Objections Considered" in Errol E. Harris and James A. Yunker (eds.), Toward Genuine Global Governance: Critical Reactions to "Our Global Neighborhood," pp. 59-60.