

Economic Democracy Now: Why Liberal Democracy's Best Chance for Survival is the Establishment of Universal, Effective Economic Democracy

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By

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My central thesis is that for most of recorded history – roughly 5000 years - a small group of people have dominated and exploited the vast majority. That pattern was broken in the 20th century (or more precisely the century between 1880-1980). To my generation it appeared that the course of history had been changed fundamentally and that we had entered into a democratic, egalitarian era respectful of each individual's worth, dignity and needs. I have, more recently, begun to doubt that conclusion. Instead of a fundamental break with the past, the 20th century may have been no more than a blip, a temporary deviation. Instead of the beginning of a democratic millennium, we may well be looking at democracy in the rear view mirror as we go wobbling willy-nilly back to the long term norm.

Consider the status of Mr. and Mrs. Smith, members of the working class. In the year 1200 in Great Britain (and most of the rest of the world) they were subjects not citizens. They were illiterate. They had no vote, no political party, and no representation in government. They had no unions and no collective bargaining and were living in poverty. They had no right to strike. Government "labour policy" was to suppress unrest and ensure a constant supply of cheap compliant human energy. Their food and shelter security was based on custom and practice which their "lords" might or might not respect in any given situation. Many of their newborn would not survive their first year. Should Mr. or Mrs. Smith suffer an injury or other reversal of fortune their only recourse was charity handed out, quite commonly, condescendingly.

Now come forth from 1200 to 1800. As at any other two time points in recorded history, Mr. and Mrs. Smith have not made much progress. They are still subjects. They have few rights. They still can't read or write. Globally the literacy rate is only 12%. They are still poor and insecure. Ninety four percent of the people in the world are living in poverty. The infant mortality rate in Sweden (for which there is data) is nearly 20%. In London about this time a bill is introduced to parliament that would forbid the use of children under eight years of age from working as chimney sweeps. But the demand for "climbing boys," (some as young as four) is so great, that the legislation is deliberately made unenforceable.

Now see what happens in the 20th century. By 1880 labour has begun to get organized. Radicals are calling for the end of capitalism. Unions and embryo left-moderate political parties are

pushing for the extension of the right to vote and the right to bargain collectively. By 1920, in large part as the result of pressure from labour organizations, there is adult male (and in some places female) suffrage and unions and collective bargaining are becoming solidly established. An International Labour Organization has been established with the goal of promoting decent labour standards the world over.

By 1980 in Western Europe and North America, suffrage for all adults, male and female, is universal. Human rights are core political issues. Labour-based political parties are competitive and frequently govern. The welfare state, more generous in some countries than others, is well established and cradle to grave health, welfare and income security is accomplished or high on the political agenda. A majority of people globally are literate. Infant mortality in Sweden is down to 7/1000. And Sweden is representative of most developed, democratic countries. Economic democracy via collective bargaining (and supplementary institutions such as worker councils for a range of critical workplace issues such as health and safety and training and technological change as well as worker representatives on corporate boards and on labour market agencies) is also well established and income and wealth distribution is much more equal than ever before.

Since 1980, however, indicators of labour's wellbeing have been in decline. Wealth and income have become increasingly more unequal, labour's share of national income is down, hard fought gains such as reliable retirement plans have been whittled away, public spaces that used to be free now charge fees, the cost of education has soared, good long term jobs have been disappearing, union membership and collective bargaining coverage is down as is the union ability to issue a credible strike-threat. Labour's influence on public policy is much reduced.

These losses are not, I suggest, the unfortunate result of natural forces as many commentators would have us believe. They stem directly from government policy.

Let me now focus in on Canada. The greatest culprit undermining the wellbeing of average Canadians in the past several decades is a conscious government policy called "inflation-targeting." The object of this policy (which has just been renewed for five years) is to keep the inflation rate between one and three percent in order to smooth out the business cycle and thus provide stability for investors. It may well do that. And many of us are investors so we like that. But that stability is purchased only by allowing unemployment to remain at high levels. In the 1960s and 1970s four percent was generally considered full employment and at that level it was hard to control inflation because unions were able to command high wage increases and employers would respond by raising prices. Unless addressed effectively that wage-price spiral might well get out of hand causing a major economic shock. Inflation targeting brought it to an end. But afterwards fear of inflation caused the abandonment of full employment as a priority goal. Since inflation targeting was officially introduced as the priority goal in 1991 unemployment has averaged eight percent a year.

Unions and collective bargaining became collateral damage. At 8% unemployment unions are emasculated. Workers are afraid to strike and so the strike-threat is hollow. At 8% unemployment union bargaining power is no match for the power of employers; nor is it an effective check on governments hellbound to deregulate and in doing so inflate the bargaining power of corporations. A ton of recent research demonstrates that where unions are weak, income and wealth inequality spins out of control. Weak unions can do little to stop the rush of income and wealth (and therefore of power) to the few at the top. And as they gain more power the few are able to effectively pressure governments to further deregulate and further reduce taxes which makes the flow of income and wealth to the top run faster.

The key to stopping this rush from democracy, welfare, security and fair distribution is the revitalization of the labour movement and the key to labour's renewal is four percent full employment. As it did back in the 60s and 70s that policy would result in pressure on prices to rise. But instead of using dysfunctional monetary and fiscal policy to put a lid on it, government instead should negotiate wage and price movements with labour and business. But to do that government would have to take the steps necessary to bring about labour and business organizations with credibility to represent their constituents. In Sweden, for example, unions and employer associations organize essentially the whole economy and so they are legitimate agents for negotiating wages and prices for the entire country. Because of their comprehensive reach they are able to negotiate legitimately with each other and with government the movement of wages and prices and the distribution of income and wealth. So, how do we get them?

As a first step, government must actively promote collective bargaining and therefore the unions that make it possible. A policy intended to bring about universal collective bargaining over not only wages and conditions at the corporate level but also at the movement of wages and prices at the regional and national level would almost certainly compel employers to form their own associations.

The promotion of collective bargaining is not only a pragmatic way to counter the current anti-democratic politico-economic dynamics in place, it is also the moral, legal right thing to do. Recent Supreme Court of Canada decisions have affirmed the responsibility of governments to promote collective bargaining for everyone, but governments have not taken appropriate action. Instead, the Supreme Court's Freedom of Association jurisprudence has been all but ignored by Canadian governments. Although it is plainly obvious that our labour laws do not effectively promote and protect worker bargaining rights, when Ontario set out in recent years to revise its major labour legislation it made no attempt to review the law's compliance with the province's moral and constitutional obligations.

Unfortunately, the prospects for change are not good. Labour, both in Canada and globally, is too weak to bust up the monetary and fiscal fix that is funneling income, wealth and power to the few at the top. Economic institutions of democracy are in steady decline and without strong working class formations to resist it, political democracy is bound to follow suite. Maybe

something unforeseen will happen to counter the malignant forces pushing us back to the poverty and subordination that has been humanity's long term fate. But I am not optimistic.

The rise of the labour movement in the latter part of the 19th century produced what was then known as "the labour problem," Labour demonstrations, strikes, and protest were major issues of public concern. That "problem" was solved by the introduction of economic and political democracy. But labour unrest is not a "problem" today. The combination of inflation targeting and high unemployment has made it go away.

Here, in one sentence, is a summary of the argument: inflation targeting leads to high unemployment leads to a weak labour movement leads to employers and governments doing things good for investors and lousy for labour leads to income and wealth inequality leads to power rushing to the few at the top leads to the end of democracy. It may take a hundred years or more but in the context of recorded history, that's not much.

Here is the formula for preventing that nightmare from happening: real full employment leads to strong unions, leads to better wages, more security, more equality of income and wealth leads to robust democracy in both political and economic spheres. It also puts pressure on prices which, if left unchecked, will likely create chaos. Inflation is best capped by labour-business-government negotiations via structures appropriate for that purpose leading to stable and sustainable economic activity.