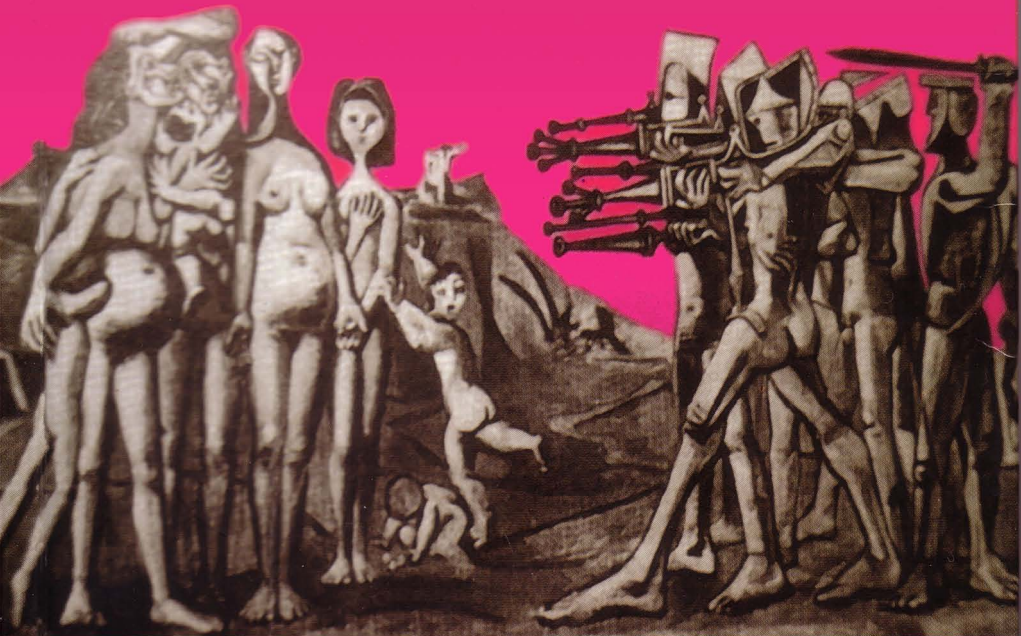


Takis Fotopoulos

**The multidimensional crisis
and
Inclusive Democracy**



THE MULTIDIMENSIONAL CRISIS AND INCLUSIVE DEMOCRACY

TAKIS FOTOPoulos

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PROLOGUE

Today, after the collapse of socialist statism, either in the form of “actually existing socialism” in the East or in the form of social democracy in the West, there is a historic opportunity for the regeneration of this tradition. Particularly so, when it is now obvious that the “social Europe”, which is supposedly created by the take over of power by centre-Left governments –with the help of the Green parties which abandoned any liberatory pretence– is singularly inappropriate to reverse the present huge concentration of power, which is the cause of the present crisis. This concentration, in turn, is the inevitable outcome of the separation of society from polity and the economy that was institutioned all over the world in the last few centuries, through the installation of representative “democracy” and the market economy respectively. In fact, within the present internationalised market economy, no controls to protect society and nature effectively from the workings of the market, not even the type of controls introduced by socialdemocratic governments in the past, are feasible anymore. At the same time, neoliberal globalisation itself is irreversible, since it represents the inevitable outcome of the market economy’s grow-or-die dynamics.

However, a regeneration of the democratic tradition today is incompatible with the postmodern abandonment of any universalist political project for the sake of a pseudo-pluralistic celebration of “difference” and “identity”, which however takes for granted representative “democracy” and the market economy, i.e. the present *universal* institutions for the concentration of political and economic power. At the beginning of a new millennium, the need to formulate a new liberatory project for today’s reality and

consequently the need for a new “antisystemic” movement aiming at establishing the institutional preconditions for an inclusive democracy, is imperative. Therefore, the project for an Inclusive Democracy is proposed not just as another libertarian utopia but, in effect, as perhaps the only realistic way out of the multidimensional crisis, in an effort to integrate society with polity, the economy, and Nature.

This book has one aim and one ambition. The aim is to show that the way out of the present multi-dimensional crisis can only be found from without rather than from within the present institutional framework. The ambition is to initiate a discussion concerning the need for a new liberatory project and the strategies for implementing it.

Takis Fotopoulos

INTRODUCTION

The present universalisation of what we may call 'heteronomous modernity' induced Fukuyama¹ to triumphantly declare the 'end of History'. But, today's multidimensional crisis is in fact a crisis of the main political and economic institutions of this form of modernity. The aim of this book is to show that the ultimate cause of the present multidimensional crisis is the present huge and growing concentration of power at all levels, which is seen as the inevitable outcome of the dynamic of the institutions of heteronomous modernity (i.e. of the market economy and representative 'democracy') and to propose a new liberatory project, not just as a new utopia but as perhaps the only way out of the crisis.

In this book's problematique both the analysis of the causes of the present crisis as well as the ways out of it have to be seen in terms of the historical conflict between the autonomy/democratic tradition and the heteronomy tradition. The fundamental aim of those inspired by the former was the equal distribution of all forms of power, particularly the political and economic power, whereas the aim of supporters of the latter had always been to produce and reproduce forms of social organisation based on the concentration of power.

The autonomy project, which emerged in classical Athens, was eclipsed for almost 15 centuries, a period during which the heteronomy tradition was dominant, but reappeared again in the twelfth century AD, in the medieval free cities of Europe, soon coming into conflict with the new statist

[1] Francis Fukuyama, *The End of History and the Last Man* (London: Penguin 1993).

forms of heteronomy which, at the end, destroyed the attempts for local self-government and federalism.² The shift to modernity was marked by a fierce political, social and ideological conflict between the two traditions, with the heteronomy tradition expressed, mainly, by the spreading of the market economy and representative 'democracy'. During the same period, the autonomy project, under the influence of the Enlightenment's ideas, was radicalised at the intellectual, social and political levels (e.g., Parisian sections of the early 1790s, Spanish collectives in the civil war etc.)

It is therefore obvious that the present predominance and universalisation of the heteronomous form of modernity does not imply the existence of some sort of evolutionary process towards this form of modernity, as Fukuyama and other ideologues of heteronomous modernity assume. Similarly, no evolutionary process towards an autonomous society could also be established.³ Therefore, an autonomous society, like the inclusive democracy proposed here, represents simply the conscious choice among two social possibilities, which schematically may be described as the possibility for autonomy versus the possibility for heteronomy, rather than the actualisation of any unfolding potentialities. In other words, a democratic society will simply be a social creation, which can only be grounded on our own conscious selection of those forms of social organisation that are conducive to individual and social autonomy.

However, the fact that a democratic society represents a conscious choice does not mean that this is just an arbitrary choice. This is clearly implied by the very fact that the autonomy project turns up in history again and again,

[2] Petr Kropotkin, *Mutual Aid* (London, 1902), chs 5-6.

[3] TID, ch. 8.

particularly in periods of crisis of the heteronomous society. Furthermore, the fact that the heteronomous society has been the dominant form of social organisation in the past is not indicative of its intrinsic superiority over the autonomous society. Heteronomous societies have always been created and maintained by privileged elites, which aimed at the institutionalisation of inequality in the distribution of power, through violence (military, economic) and/or indirect forms of control (religion, ideology, mass media).

In this book's problematique therefore, the collapse of 'actually existing socialism' does not reflect the 'triumph of capitalism', as celebrated by its ideologues. Nor, of course, does it 'legitimise' a social system which, in its present universality, condemns to misery and insecurity the vast majority of the world population and threatens the planet with an ecological catastrophe. Furthermore, it does not herald the historical victory of Western 'socialist' statism over Eastern 'socialist' statism, as social democrats have hastened to declare. Social democracy, in the form that dominated the quarter of a century after the World War II (full employment through active state intervention, state commitment to welfare state and the redistribution of income and wealth in favour of the weaker social groups) is dead and buried. As I will attempt to show in this book, It has been replaced everywhere by the present neoliberal consensus (flexible labour markets, "safety nets" and the redistribution of income and wealth in favour of the privileged social groups). It is therefore obvious that at the beginning of a new millennium, the development of a new liberatory project is imperative. Such a project should represent both the synthesis, as well as the transcendence, of the two major historical traditions, namely, the democratic and the socialist ones, as well as the anti-systemic currents within contemporary movements for emancipation (the anti-globalisation 'movement', the

Green and feminist movements, the indigenous and the radical Third World movements).

The new liberatory project cannot be but a project for an inclusive democracy that would extend the public realm, beyond the traditional political domain, to the economic and broader social domains. An inclusive democracy implies the abolition of the unequal distribution of political and economic power and the institutional structures which reproduce them, as well as the hierarchical structures in the household, the workplace, the education place and the broader social realm. In other words, it implies the elimination of domination relations at the societal level, as well as the implied notion of dominating the natural world.

However, although it is a positive development that nowadays the liberation discourse has moved from socialism to democracy, still, the usual discussion on democracy today involves various versions of what has been called 'radical democracy' – a term used by both postmodernists and supporters of the 'civil society' approach. The common characteristic of all these approaches to democracy is that they all take for granted the present institutional framework, as defined by the market economy and representative democracy, and suggest various combinations of the market with forms of social/private ownership of the means of production, as well as the 'democratisation' of the state in the sense of the enhancement of autonomous-from-the-state social institutions and civil movements.

In this book's problematique, the 'radical democracy' conception is both a-historical and utopian in the negative sense of the word. It is a-historical because it ignores the structural changes, which have led to the internationalised market economy and the consequent impotence of the civil societarian institutions (unions, local economies, civil associations etc). It is utopian because, within the present institutional framework of the market economy

and representative democracy, which postmodernists and civil societarians take for granted, the enhancement of autonomous institutions is only possible to the extent that it does not contravene the logic and dynamic of the internationalised market economy and state power.

But, if a 'radical' democracy, under today's conditions of concentrated political and economic power, is utopian in the negative sense of the word, the type of inclusive democracy defined in this book is definitely more than just a utopia, in the sense of an ideal society. A liberatory project is not a utopia if it is based on today's reality and at the same time expresses the discontent of significant social sectors and their explicit or implicit contesting of existing society. In fact, as the book attempts to show, the roots of the present multi-dimensional crisis (ecological, economic, political, social, cultural) lie in the non-democratic organisation of society at all levels, in the sense that it is the concentration of power in the hands of various elites that marks the foundation of every aspect of the crisis. This concentration, in turn, can be traced back to the establishment of the SYSTEM of the market economy and the consequent growth economy and the parallel introduction of representative 'democracy'.

In this sense, the concept of inclusive democracy developed in this book does represent a synthesis of the democratic and socialist traditions –which inspire its political and economic content, i.e. 'direct democracy' and 'economic democracy' – with the contemporary movements for emancipation –which inspire its ecological and social content, namely, 'ecological democracy' and democracy in the broader 'social realm' (workplace, household, etc.). It is therefore clear that an inclusive democracy has nothing to do with what passes as 'democracy' today. An inclusive democracy would involve a decentralised society based on a confederation of *demoi*, that is, communities run on the

basis of direct political democracy, as well as economic democracy (beyond the confines of the market economy and statist planning), democracy in the social realm and ecological democracy. Politics in this sense is not anymore a technique for holding and exercising power but becomes again the self-management (in a broad sense that includes the political, as well as the economic and broader social domains) of society by its members.

In the first part of the book, the emergence of the system of the market economy and representative 'democracy' is discussed and the process that led from liberal modernity to the present globalised neoliberal modernity is examined. It is shown that the present neoliberal globalisation is not a conjunctural phenomenon but the completion of a process which started almost two centuries ago and has transformed the socially controlled economies of the past into the internationalised market economy of the present. In this context, *statism*, i.e. the period of active state control of the economy and extensive interference with the self-regulating mechanism of the market aimed at directly determining the level of economic activity, was a historically brief interlude in the process of marketisation which ended in the 1970s when statism became incompatible with the growing internationalisation of the market economy (chapter 1).

Next, the collapse of socialist statism in both its 'actually existing socialism' form in the East (namely the regimes of Eastern Europe, China and so on) and social democracy in the West is discussed. It is shown that the root cause of this collapse was the incompatibility of the socialist requirements for 'social justice', which imply a radical dispersion of economic power and equality, with the requirements of the growth economy (the by-product of the dynamics of the market economy in the West and of identification of Progress with the development of productive forces in the East) which inevitably lead to concentration of economic power.

Next, the demise of the growth and development ideologies, as a result of the realisation of the ecological bankruptcy of the growth economy and the parallel failure of the dynamics of the market economy to create a growth economy in the post-colonial South, similar to the one which has emerged in the North is discussed.

The first part concludes with an attempt to show that the main dimensions of the present multi-dimensional crisis (economic, ecological, political, social and ideological) not only are interconnected but that they may, also, be attributed in the last instance to the concentration of economic, political and social power that the institutional framework of the market economy and liberal 'democracy' implies.

The second part of the book develops a new liberatory project in terms of the conception of an inclusive democracy. It begins with a discussion of the historical conceptions of democracy (classical, liberal, Marxist) and the various versions of 'radical' democracy currently in fashion, as well as of the philosophical foundations of the democratic project. The next chapter outlines the new liberatory project in terms of a model for a confederal inclusive democracy and demonstrates the feasibility and desirability of a new type of social organisation that transcends the inefficiency of both the market economy and central planning in covering human needs. Finally, the book concludes with a brief discussion of the transitional political and economic strategy toward an inclusive democracy.

CHAPTER 1

THE EMERGENCE OF THE PRESENT SYSTEM

Capitalism or market economy?

Today, after the collapse of “actually existing socialism”, a very high degree of homogeneity characterises the economic and political institutions of society. Thus, the market economy and representative “democracy”, the institutions of “heteronomous modernity”, are universal. But, as we shall see next, both these institutions are historically recent phenomena. Thus, although markets have existed for a very long time, the **system** of the market economy was established only two centuries ago. Similarly, it was the “Founding Fathers” of the US constitution who introduced representative “democracy” in the last quarter of the 18th century. So, the crucial question which arises today is: what is the relationship between these institutions and the present unprecedented crisis of modern society? But, first, why do we talk about a “market economy” rather than a capitalist one and what do we mean by this term? We shall define the **market economy** in this book as the self-regulating system in which the fundamental economic problems (*what, how, and for whom* to produce) are solved “automatically”, through the price mechanism, rather than through conscious social decisions. The choice of this term does not emanate, of course, from a need to comply with today’s “political correctness” which has exorcised the words “capitalism” and –more conveniently– “socialism”. It is a choice which is implied by my belief that although Marx’s concept of the “capitalist mode of production” and

Wallerstein's concept of the "capitalist world economy" have provided important insights in the analysis of social classes and the world division of labour respectively, they are too narrow and outdated.

They are too narrow because they imply that power relations in general can be analysed in terms of (or be reduced to) economic power relations whereas it is a central premise of this book that economic power is only one form of power. This implies that if it is used as the central category in the analysis of social phenomena related to hierarchical relations (in the household, work etc.), or in the discussion of issues of racial and cultural "identity", it is bound to lead to inadequate or oversimplified interpretations.

They are outdated because, as we shall see below, their use in the interpretation of today's "globalisation" leads to the nonsensical conclusion that the biggest phenomenon of our times is not a new phenomenon –if it is not seen as a "myth", or an "ideology" to justify some sort of capitalist plot!

It is therefore obvious that the present multi-dimensional crisis cannot be fruitfully discussed within the theoretical framework implied by the above concepts. Of course, this does not mean that the central category used in this book, "the market economy", is, per se, broad enough to adequately interpret all kinds of social phenomena. Still, the very fact that this category is used to explain only one part of reality, the economic realm, without claiming that this realm determines (not even "in the last instance") the other realms does allow enough flexibility for the development of adequate interdisciplinary interpretations of social reality.

It is therefore obvious that the term "market economy" is used here to define the concrete system that emerged in a specific place (Europe) and at a particular time (two centuries ago) and not as a general historical category of

an approach aiming to show the evolution of the economic system throughout History, as the Marxist concept of the mode of production supposedly does. The methodological approach adopted in this book is based on the premise that it is impossible to derive “general” theories about social or economic evolution which are based on “scientific” or “objective” views of social reality (see ch. 5).

Capitalism is not therefore identical with a market economy. The market economy, as defined above, is a broader term than capitalism. The former refers to the way resources are allocated whereas the latter refers to property relations. Thus, although, historically, the market economy has been associated with capitalism, namely, private ownership and control of the means of production, a market allocation of resources is not inconceivable within a system of social ownership and control of economic resources. The distinction drawn between capitalism and the market economy is particularly useful today when many in the self-styled “Left”, after the failure of the centrally planned economy, rediscovering the merits of a “socialist” market economy.¹ At the same time, several “communist” parties in the South (China, Vietnam etc.) have embarked on a strategy to build a “socialist” market economy and are in the process of achieving a synthesis of the worst elements of the market economy (unemployment, inequality, poverty) and “socialist” statism (authoritarianism, lack of any political freedom etc.). As this book will, hopefully, make clear the objective of a new liberatory project should not merely be the abolition of capitalist property relations but of the market economy itself.

A final qualification is needed before we embark on an

[1] See e.g. Robert Pollin, “Financial Structures and Egalitarian Economic Policy”, *New Left Review*, No. 214 (Nov.-Dec. 1995).

interpretation of the historical process which has led to the present internationalised market economy. Although a market economy is an essentially self-regulating system this does not mean of course that in a market economy there are no social controls at all. Here, we should introduce an important distinction between the various types of social controls that will help us to interpret today's marketisation and internationalisation of the economy.

There are three main types of possible social controls on the market economy. There are first what we may call **regulatory controls**, which have usually been introduced by the economic elites in control of the market economy in order to "regulate" the market. The aim of regulatory controls is to create a stable framework for the smooth functioning of the market economy without affecting its essential self-regulating nature. Such controls have always been necessary for the production and reproduction of the system of the market economy. Examples of such controls are the various controls introduced at present by the World Trade Organisation, or by the Maastricht/Amsterdam treaties, which aim at regulating the world and the European markets respectively, in the interest mainly of those controlling the respective markets (multinationals, big Europe-based national and multinational firms etc.) Such controls have always been very much in use throughout the history of the market economy.

Second, there are what we may call **social controls in the broad sense** which, although they have as their primary aim the protection of the economic elites controlling the market economy against foreign competition, still, they may have some indirect effects that could be beneficial to the rest of society as well. A primary example of such controls was the various protectionist measures aiming at protecting domestic commodities and capital markets (tariffs, import controls, exchange controls etc.). The

elites which control the major market economies (what we call the “North” i.e. the club of advanced market economies) were particularly fond of introducing such controls at the time of their industrialisation. However, once they achieved this objective they gradually began phasing such controls out, requiring at the same time the peripheral countries, which did not manage to “develop” on time, to do the same and therefore condemning them, in effect, to be permanently outside their “club”.

Finally, there are what we may call ***social controls in the narrow sense*** which aim at the protection of humans and nature against the effects of marketisation. Such controls are usually introduced as a result of social struggles undertaken by those who are adversely affected by the market economy’s effects on them or on their environment. Typical examples of such controls are social security legislation, welfare benefits, macro-economic controls to secure full employment etc. Such controls proliferated during the “statist” period of modernity but in today’s internationalised market economy they either drastically restricted or undermined in every way possible.

The shift to modernity

As mentioned above, the two main institutions which distinguish modern society from the premodern one are, first, the system of the market economy and, second, representative “democracy”. As it is well known, modern society emerged, very unevenly, out of a system of rural societies that had endured 5,000 years. In fact, one may argue that the technology and social organization of the Neolithic revolution remained the basis of all civilization until the

coming of industrialism. Industrial production then spread, always very unevenly, from Europe to the rest of the world.

However, the identification of modernity with industrialism (in the past propagated only by “orthodox” social “scientists” but today adopted widely even by “radicals” in the “new social movements”) is unfounded. The uneven process of industrialization, for instance, cannot be seriously interpreted in terms of the lack of industrialist entrepreneurs, industrial values etc, whereas it is perfectly explainable in terms of a market-based economic development, as we shall see in chapter 3. Therefore, to blame industrialism for the evils of modern society, as many “radical” ecofeminists, Greens, indigenous movements activists, postmodernists, irrationalists (New Agers and the like), even some eco-anarchists, do, is at best misguided and at worse misleading. This is because such a view encourages many activists to fight against the wrong targets (industrial society) rather than against the system of the market economy and representative “democracy” which are, in fact, the ultimate causes for the present concentration of economic and political power and, consequently, for the present multidimensional crisis (chapter 4).

In this book’s problematique,² industrial production constituted only the necessary condition for the shift to modern society. The sufficient condition was the parallel introduction –through decisive state help– of the system of the market economy that replaced the (socially controlled) local markets that existed for thousands of years before. Thus, as Karl Polanyi notes in his classic book *The Great Transformation*:³

[2] See for further expansion, *TID*, ch. 1.

[3] Polanyi, *The Great Transformation, the Political and Economic Origins of Our Time* (Boston: Beacon Press, 1944/1957), pp. 43-44 & 55-56.

Previously to our time no economy has ever existed that even in principle was controlled by markets. (...) [A]lthough the institution of the market was fairly common since the later Stone Age, its role was no more than incidental to economic life. (...) [W]hile history and ethnography know of various kinds of economies, most of them comprising the institution of markets, they know of no economy prior to our own, even approximately controlled and regulated by markets. (...) All economic systems known to us up to the end of feudalism in Western Europe were organised either on the principles of reciprocity or redistribution or householding (i.e., production for one's own use) or some combination of the three.

As a rule, both ancient and feudal economic systems were rooted in social relations, and non-economic motives regulated the distribution of material goods. The goods of everyday life, even in the early Middle Ages, were not regularly bought and sold in the market. This, combined with the fact that prior to the Industrial Revolution neither labour nor land was *commodified*, makes it clear that the marketisation process had not begun before the rise of industrialism. Thus, it was only at the beginning of the 19th century that a self-regulating market system was created which, for the first time in human history, established the institutional separation of society into an economic and a political sphere. Under neither tribal, feudal nor mercantile conditions was there a separate economic system in society.⁴

Still, economic liberalism projected backwards the principles underlying a self-regulating market onto the entire history of human civilisation, distorting, in the process, the true nature and origins of trade, markets and money, as well as of town life. However, almost all anthropological

[4] Ibid., p. 71.

or sociological assumptions contained in the philosophy of economic liberalism have been refuted by social anthropology, primitive economics, the history of early civilisation and general economic history.

Therefore, the crucial element that differentiates the market economy from all past economies (where markets were also self-regulating, since all markets tend to produce prices that equalise supply and demand) was the fact that, for the first time in human history, a self-regulating market *system* emerged –a system in which markets developed even for the means of production, that is, labour, land and money. The control of the economic system by the market, according to Polanyi, “means no less than the running of society as an adjunct to the market: instead of economy being embedded in social relations (as in the past), social relations are embedded in the economic system”.⁵ Competition, which was the motor force of the new system, ensured that the *grow-or-die* principle characterised its dynamics. These same dynamics imply that the market economy, once installed, will inevitably end up as an internationalised market economy.

It was the institutionalisation of this new system of economic organisation that set in motion the *marketisation process*. This is a concept that plays a crucial role in the analysis that will follow. It is defined as the historical process that has transformed the socially controlled markets of the past into the “market economy” of the present. It is therefore a process predominantly characterised by the attempt of the elites controlling the market economy to minimise effective social controls over markets for the protection of labour and the environment.

But, let us see briefly how the two main institutions of

[5] Ibid., p. 57.

modernity, the market economy and representative “democracy”, were established. In both cases, it was the emergence of the nation-state, at the end of the Middle Ages, which played a crucial role in creating the conditions for the “nationalisation” of markets (i.e. their de-localisation), as well as in freeing them from effective social control – the two essential preconditions of marketisation. Furthermore, it was the nation-state again which led to the creation of the necessary political complement of the market economy: representative “democracy”. Therefore, neither the system of the market economy nor its political complement were the outcome of some sort of an evolutionary process, as Marxists usually assume. The institutionalisation of both the market system and representative “democracy” was the result of deliberate action by the state, which was controlled by the merchant class – the new economic and political elite that emerged during the Industrial Revolution in Europe and the USA – and there was nothing “evolutionary” about the emergence of the merchant class either.⁶

The rise of the market economy

The emergence of the nation-state had the effect not only of destroying the political independence of the town or village community but, also, undermining their economic self-reliance. It was only by virtue of deliberate state action in the fifteenth and sixteenth centuries that the “nationalisation” of the market and the creation of internal trade

[6] As Polanyi, quoting Pirenne, points out: “It would be natural to suppose, at first glance, that a merchant class grew up little by little in the midst of the agricultural population. Nothing, however, gives credence to this theory”. Karl Polanyi, *The Great Transformation*, p. 275.

was achieved.⁷ In fact, the 16th century can be summed up by the struggle of the nascent state against the free towns and their federations, which was followed in the seventeenth and eighteenth centuries by further state action involving the confiscation, or “enclosure” of communal lands – a process that was completed in Western Europe by the 1850s.⁸

But, the “freeing” of trade performed by the state merely liberated trade from localism; markets were still an accessory feature of an institutional set-up regulated more than ever by society. Up until the Industrial Revolution, there was no attempt to establish a market economy in the form of a big, self-regulating market. In fact, it was at the end of the eighteenth century that the transition from regulated markets to a system of self-regulated ones was completed – a development that marked the “great transformation” of society, that is, the move to a market economy. Up until that time, industrial production in Western Europe, and particularly in England where the market economy was born, was a mere accessory to commerce.

In fact, one could argue that had a social revolution accompanied the Industrial Revolution – so that the use of machines, in conditions of large-scale production, could have been made compatible with the social control of production – the present marketisation of society would have been avoided, as well as the huge concentration of income, wealth and economic power that was related to this market-based industrialisation. But, given the class structure of the commercial society that characterised several European societies during the Industrial Revolution, it was

[7] Ibid., pp. 63–65.

[8] Pëtr Kropotkin, *Selected Writings on Anarchism and Revolution* (Cambridge and London: Massachusetts Institute of Technology, 1970), pp. 245–53.

not surprising that the organisation of the supply of the services of “labour” and “land” was based on the transformation of human activity and natural resources into commodities, whose supply did not depend on the needs of human beings and the ecosystem respectively, but on market prices.

So, as such a revolution did not materialise at the time, what followed was inevitable. Factories could not secure continued production unless the supply of means of production (especially, labour and land) was organised. But in a commercial society, the only way to organise their supply was to transform human activity and natural resources into commodities, whose supply was market-controlled, through prices. Therefore, the introduction of new systems of production to a commercial society, where the means of production were under private ownership and control, inevitably led (with the crucial support of the nation-state) to the transformation of the socially controlled economies of the past, in which the market played a marginal role in the economic process, into the present market economies.

In other words, private control of production required that those controlling the means of production would have to be economically “efficient” in order to survive competition, i.e. they had to ensure:

- the free flow of labour and land at a minimal cost. However, under conditions of private control of production, there is an inverse relationship between this flow and social controls (in the narrow sense) on the market. Thus, the more effective the social controls on the market, and in particular on the markets for the means of production (labour, capital, land), the more difficult it is to ensure their free flow at a minimal cost. For instance, legislation to protect labour made the labour market less flexible and, consequently, the flow of labour less

smooth or more expensive. The outcome of this process is **marketisation**, i.e. historically, those having private control of the means of production have always directed their efforts towards minimising the social controls on the market.

- the continual flow of investments into new techniques, methods of production and products, in an effort to improve competitiveness and the sales figures (–a logic aptly expressed by the motto “grow or die”). The outcome of this process is **economic growth**. Therefore, it is not a coincidence that “the modern idea of growth was formulated about four centuries ago in Europe when the economy and the society began to separate”,⁹ although the **growth economy** itself (which is defined as the system of economic organisation that is geared, either “objectively” or deliberately, toward maximising economic growth, see ch. 2) emerged much later, after the market economy was initiated at the beginning of the nineteenth century, and only flourished in the post World-War II period.

The emergence of representative “democracy”

As regards the rise of representative “democracy”, we should go back to the last quarter of the 18th century when the “Founding Fathers” of the US constitution, literally invented representative “democracy”, an idea without any historical precedent in the ancient world. Up until that time, democracy had the classical Athenian meaning of the sovereignty of *demos*, in the sense of the direct exercise of power by all citizens –although, of course, the Athenian

[9] Henry Teune, *Growth* (London: Sage Publications, 1988), p. 13.

democracy was partial (see ch. 5). The Founding Fathers considered as completely unacceptable this direct exercise of power, ostensibly, because it was supposed to institutionalise the power of the “mob” and the tyranny of the majority. In fact, however, their real aim was the dilution of popular power, so that the claims of representative “democracy” about equal distribution of political power could be made compatible with the dynamic of the market economy, which was already leading to a concentration of economic power in the hands of an economic elite.¹⁰ This was of course a constant demand of liberal philosophers since the time of Adam Smith, who took pains to stress that the main task of government was the defence of the rich against the poor – a task that, as John Dunn points out, is “necessarily less dependably performed where it is the poor who choose who is to govern, let alone where the poor themselves, as in Athens, in large measure simply *are* the government”.¹¹

It should also be noted here that the introduction of representative “democracy” had nothing to do with the size of the population. The Founding Fathers’ argument, as Wood¹² points out, “was not that representation is necessary in a large republic, but, on the contrary, that a large republic is desirable so that representation is unavoidable”. Therefore, the Federalist conception of representation, and particularly that of Hamilton, was intended to act as a filter, i.e. as the very antithesis of *isegoria*, which means *equality of speech* – a necessary requirement of classical democracy – as against the representative “democracy’s” *freedom of speech*. This way, democracy ceased to be the

[10] E.M. Wood, *Democracy Against Capitalism* (Cambridge: Cambridge University Press, 1995), pp. 214–15.

[11] John Dunn, (ed) *Democracy, the Unfinished Journey, 508 BC to AD 1993* (Oxford: Oxford University Press, 1992), p. 251.

[12] Wood, *Democracy Against Capitalism*, p. 216.

exercise of political power and was identified instead with the resignation from it and the associated transfer of this power, through the elections, to a political elite. In other words, the Founding Fathers not only saw representation as a means of distancing the people from politics but, in fact, proposed it for the very same reason for which the Athenians were against the institution of election (apart from exceptional circumstances when specialist knowledge was required): because it favored the economically powerful. Thus, whereas for the Athenians the regime which was dominated by the rich (by definition a minority) was considered to be oligarchic, for the Founding Fathers like Hamilton not only was there no incompatibility between democracy and the domination of the economically powerful but in fact this was considered to be the rule.

Therefore, the more or less simultaneous institutionalisation of the system of the market economy and representative “democracy”, during the Industrial Revolution in the West, introduced the fundamental element of modernity: the formal separation of society from the economy and the state that has been ever since the basis of modernity. Not only people, as direct producers, were not able to control the product of their work but also, as citizens, were incapable of directly exercising political power. In other words, the market economy and representative democracy had in fact institutionalised the unequal distribution of political and economic power among citizens. Furthermore, it could be shown that the gradual extension of the right to citizenship to the vast majority of the population – a process that was completed only in the twentieth century – did not offset the effective loss of the meaning of citizenship, in terms of the exercise of power. Thus, the type of citizenship introduced by representative democracy was a passive citizenship which had nothing to do with the active citizenship of classical democracy. It was therefore not

surprising that the extension of civil rights did not have any marked effect in reducing the concentration of political and economic power which has always characterised modern society, apart from a temporary effect on economic inequality during the statist phase of modernity, as we shall see below.

In this problematique, it was the institutionalisation of the market economy and representative “democracy”, its political complement, which were the ultimate causes for the characteristics usually assigned to modern society: the replacement of the group or the community (as the traditional basic unit of society) by the individual; the assignment of specific, specialised tasks to modern institutions (within a highly developed division of labour) in contrast to the traditional social or political institutions (family, community, king etc); the government of the institutions of modern society by “rules” rather than, as in traditional society, by custom and tradition, and so on.

CHAPTER 2

FORMS OF MODERNITY

The marketisation process that was initiated by the emergence of the market economy made apparent the contradiction between the requirements of the market economy and those of society. This contradiction was due to the fact that, in a market economy, labour and land had to be treated as genuine commodities, with their free and fully developed markets, whereas in fact they were only fictitious commodities. It was the same contradiction that led to a long social struggle, which raged for over a hundred and fifty years, from the Industrial Revolution up to the last quarter of the twentieth century, between those controlling the market economy, (i.e. the capitalist elite controlling production and distribution) and the rest of society. Those controlling the market economy (with the support of other social groups which were benefiting by the institutional framework) aimed at marketising labour and land as much as possible, that is, at minimising all social controls aiming at protecting labour and land, so that their free flow, at a minimum cost, could be secured. On the other hand, those at the other end, and particularly the working class that was growing all this time, aimed at maximising social controls on labour (not so much on land before the emergence of the Green movement), that is, at maximising society's self-protection against the perils of the market economy, especially unemployment and poverty.

It was the outcome of this social struggle that determined in each historical period the nature and main characteristics of modernity. The controversial issue however

is what was the conditioning influence of “objective” versus “subjective” factors, as regards the final outcome of this struggle. For Marxists, objective factors like changes in technology play a crucial role in this outcome, if they do not determine History itself (“in the last instance”). On the other hand, for supporters of the autonomy/democratic tradition like Castoriadis subjective factors, like the “social imaginary”, play an equally crucial role leading to an indeterminate outcome. There is no doubt of course that “objective” factors were at work during the entire history of the market economy system, although not in the rigid sense assumed by the Marxist “science” of the economy (“laws/tendencies” of the falling profit rate, “phases of accumulation” and the like), but rather in the general sense of the “grow-or die” dynamic of the market economy. But, although such objective factors could explain the motives and actions, particularly of the economic elites, the eventual economic and social outcome of the ensuing social struggle has always been both indeterminate and unpredictable, as Castoriadis rightly points out. Still, as it would be wrong to overemphasise the role of “objective” factors in the history of the market economy at the expense of the “subjective” factors, it would be equally wrong to do the opposite and overemphasise the role of the “subjective” factors at the expense of the objective ones. Instead, this book is based on the hypothesis that it is the interaction between equally important “objective” and “subjective” factors which condition historical development –an interaction which (unlike the Marxist “dialectical” relationship) always leads to indeterminate outcomes.

In this problematique, we may distinguish three forms that modernity took since the establishment of the system of the market economy: liberal modernity, statist modernity and neoliberal modernity.

Liberal modernity

Once the transition from socially controlled markets to a system of self-regulated ones was effected at the end of the eighteenth century (the institutioning of the physical mobility of labour in England in 1795 was a crucial step in this transition) the conflict between those controlling the market economy and the rest of society started in earnest. Thus, almost immediately, a political and industrial working class movement emerged and, as a result of its pressure, factory laws and social legislation were introduced. However, all these institutional arrangements were incompatible with the self-regulation of the markets and the market economy itself. This incompatibility led to a counter-movement by those controlling the market economy in England, which ended up with the taking of legal steps to establish a competitive labour market (1834), the extension of freedom of contract to the land (between 1830 and 1860) and the abolition of export duties and the reduction of import duties in the 1840s. In fact, the 1830s and the 1840s (not unlike the 1980s and the 1990s) were characterised by an explosion of legislation repealing restrictive regulations.

During the period of liberal modernity, which barely lasted half a century between the 1830s and the 1880s, the grow-or-die dynamic of the market economy led to an increasing internationalisation of the market economy, which was accompanied by the first systematic attempt of the economic elites to establish a purely liberal internationalised market economy in the sense of free trade, a “flexible” labour market and a fixed exchange rates system (Gold Standard). The movement towards free trade reached its peak in the 1870s, marking the end of the system of privileged trading blocks and restricted commerce that characterised the growth of the colonial empires in the

pre-1800 period. Although universal free trade was not attained during this time since, at the end, only Britain and Holland adopted free trade policies, for a brief period in the 1860s and the 1870s the world came close to a self-regulating system, as envisaged by classical economic theory.¹

However, this first attempt failed and liberal modernity collapsed, as it did not meet the necessary condition for a self-regulating market economy, namely, the universalisation of open and flexible markets for commodities and capital. Clearly, such markets were not feasible in a period in which big colonial powers like England and France were still exercising almost monopolistic control over significant parts of the globe at the expense of rising non-colonial powers (like the USA) or smaller colonial powers (like Germany).² Therefore, the failure of this first attempt for internationalisation was inevitable, as it was indicated by the fact that the economic elites at that time were purely national, unlike the present situation in which a transnational economic elite has emerged – a necessary condition for the development of a truly internationalised market economy.

At the theoretical and political level, this conflict was expressed by the struggle between **economic liberalism** and **socialism**, which constituted the central element of Western history, from the Industrial Revolution up to the mid 1970s. Economic liberalism was the ideology which had as its main aim the justification of the project for a self-regulating market, as effected by laissez-faire policies, free trade and regulatory controls. Socialism, on the other hand, was the ideology which had as its main aim the justification of the project for social control over economic

[1] A. G. Kenwood and A. L. Lougheed, *The Growth of the International Economy, 1820-1980* (London: George Allen & Unwin, 1983), p. 74.

[2] *TID*, pp. 17-21.

resources in order to cover the needs of all humans (rather than simply the needs of those who can survive competition, as in economic liberalism) and to conserve productive organisation and labour. As such, economic liberalism expressed the interests of those controlling the market economy whereas socialism reflected the aspirations of those at the other end and particularly the working class.

It was the conflict between economic liberalism and socialism, which reflected the two main sides of the social struggle in this period that led –after a transitional period of protectionism– to a new form of modernity: statism.³ The considerable strengthening of the socialist movement, as a result of the significant expansion of the working class in the early 20th century, and the parallel weakening of the capitalist elites, as a result of the Great War and the Great Depression, played a decisive role in this development. The statist form of modernity was characterised by a systematic attempt to eliminate the market-based allocation of resources in the East, and a parallel attempt to introduce significant controls over markets to protect labour in the West.

Statist modernity

Statist modernity took different forms in the East and the West. Thus, in the East,⁴ for the first time in modern times, a “systemic” attempt was made to reverse the marketisation process and create a completely different form

[3] Statism may be defined as the period of active state control of the economy and extensive interference with the self-regulating mechanism of the market aiming at directly determining the level of economic activity.

[4] *TID*, pp. 75-79.

of modernity than the liberal or the socialdemocratic one (which, in a sense, was a version of liberal modernity). This form of statism, backed by Marxist ideology, attempted to minimise the role of the market mechanism in the allocation of resources and replace it with a central planning mechanism. On the other hand in the West,⁵ statism took a social-democratic form and was backed by Keynesian policies which involved active state control of the economy and extensive interference with the self-regulating mechanism of the market to secure full employment, a better distribution of income and economic growth. A precursor of this form of statism emerged in the inter-war period but it reached its peak in the period following the Second World War, when Keynesian policies were adopted by governing parties of all persuasions in the era of the socialdemocratic consensus, up to the mid 1970s.

However, statist modernity, in both its socialdemocratic and Soviet versions, shared the fundamental element of liberal modernity, namely, the formal separation of society from the economy and the state. The basic difference between the liberal and statist forms of modernity concerned the means through which this separation was achieved. Thus, in liberal modernity this was achieved through representative “democracy” and the market economy, whereas in statist modernity this separation was achieved either through representative “democracy” and a modified version of the market economy (Western social democracy), or, alternatively, through soviet “democracy” and central planning (Soviet statism). Furthermore, both the liberal and the statist forms of modernity shared a common growth ideology based on the Enlightenment idea of progress –an idea that played a crucial role in the development of the

[5] *TID*, pp. 21-33.

two types of “growth economy”: the “capitalist” and the “socialist” growth economy (see ch. 2). It is therefore obvious that although the growth economy is the offspring of the dynamic of the market economy, the two concepts should not be confused since it is possible to have a growth economy which is not also a market economy – notably the case of “actually existing socialism”.

Still, as we shall see in more detail below, both forms of statist modernity collapsed: the Western form of statist modernity in the 1970s, when the growing internationalisation of the market economy, the inevitable result of its grow-or-die dynamic, became incompatible with statism, and the Eastern form of statist modernity a decade or so later, when the institutional arrangements (particularly centralised planning and party democracy), which had been introduced in the countries of “actually existing socialism” in accordance with Marxist-Leninist ideology, became a fetter to further growth.

Neoliberal modernity

The emergence of the neoliberal form of modernity can be explained in terms of important structural changes and their effects on the parameters of the social struggle that brought about the collapse of the statist form of modernity in the West. These structural changes were mainly economic, as a result of the growing openness of the commodity and capital markets which followed the expansion of the newly emerged Transnational Corporations (TNCs). At the same time, the internationalisation of the neoliberal market economy coincided with significant technological changes (information revolution) which marked the shift of the market economy into a post-industrial phase and

resulted in a drastic change in the employment (and consequently the class) structure of advanced market economies, (because of the decimation of the working class), with significant political and social implications.⁶ The combined effect of the drastic change in business requirements and the weakening of the labour/socialist movement was the flourishing of neoliberalism.

As regards the growing market openness, although it is true that, throughout the post-war period, the internationalisation of the market economy was actively encouraged by the advanced capitalist countries, in view –in particular– of the expansion of “actually existing socialism” and of the national liberation movements in the Third World, still, this internationalisation was the outcome mainly of “objective” factors related to the dynamics of the market economy. It was the market economy’s grow-or-die dynamic and, in particular, the emergence and continuous expansion of the TNCs⁷ and the parallel development of the Euro-dollar market,⁸ which led to its internationalised form today.

Thus, the restrictions imposed by the state on the

[6] See Takis Fotopoulos, [“Class Divisions Today: The Inclusive Democracy Approach”](#), *Democracy & Nature*, vol. 6 no. 2 (July 2000), pp. 211-252.

[7] An indication of the fast expansion of TNCs is the fact that whereas sales by foreign affiliates of transnationals accounted for 30 per cent of total sales in the early 1970s, this figure has gone up to more than 40 per cent in the 1980s, *Basic Facts About the United Nations* (UN Dept. of Public Information, 1989), p. 10.

[8] The Euro-dollar market provided a regulation-free environment where US dollars (and later other strong currencies like the yen, mark etc.) could be borrowed and lent free of any US regulatory and tax requirements. The growth of this new market, which simply reflected the growing needs of transactional corporations, was instrumental in the later lifting of exchange and capital controls, which were put under severe strain, throughout the 1970s, particularly in Britain where the Euro-dollar market originated. [For a description of the gradual

markets during the statist period meant that the labour market was not free to determine the levels of wages and employment according to demand and supply conditions, as a market economy requires. The result was the crisis of the early 1970s which, contrary to the usually advanced view, was not mainly due to the oil crisis but to the fact that the degree of internationalisation of the market economy achieved by then was not compatible anymore with statism. This was because:

- The nation-state's effective control of the economy had become almost impossible in the framework of an increasingly free movement of capital (and commodities) across borders. Although international trade openness increased significantly in the post-war period, the lack of financial openness allowed governments to follow independent economic policies. However, as soon as the development of euro-currency markets significantly reduced the effectiveness of controls on financial markets, multinational corporations saw their power to undermine those national economic policies, which were incompatible with their own objectives, effectively enhanced;
- The expansion of statism itself had certain built-in elements leading to inflation and/or a profitability squeeze, which, both, were particularly troublesome within the competitive framework that the internationalised market economy has created. Such an element was the rapid rise of state spending –to finance the expansion of the state's social and economic role– which often was faster than the rise of state revenue leading to an inflationary financing of the resulting budget

lifting of capital controls in UK under market pressure see Will Hutton, *The State We're In* (London: Jonathan Cape, 1995), ch. 3].

deficits. An even more significant element was the fact that employers, in order to minimise the impact on profits due to “excessive” wage rises (i.e., wage rises exceeding the rises in productivity), successfully passed a significant part of the increased labour cost on to the consumers under the pretext of the oil crisis. However, the growing internationalisation of the economy and the intensified competition which followed it made the passing of “excessive” wage rises on prices increasingly difficult.

Therefore, the “stagflation” crisis of the 1970s became inevitable once governments, to reduce the inflationary pressures created by the above trends and the oil crisis, embarked on traditional deflationary policies. These policies not only did not reduce inflation but also further enhanced short-term unemployment, on top of the long-term unemployment which has already accelerated as a result of the expanding information revolution.

In this context, the neoliberal movement which flourished in the 1970s was not simply expressing the Right’s inevitable backlash to the collapse of the New Left, after the aborted uprising of May 1968 –as Left analysts often argue. In fact, the rise of the neoliberal movement mainly expressed the need of the economic and political elites to fight statism, in view of the economic problems (inflation and then stagflation) that the incompatibility between statism and growing internationalisation was creating – something that offered them also the opportunity to reverse the balance of power against them that statism had established.

Thus, the political program of the neoliberal movement, which rose first in the academia (Chicago school, resurrection of Hayek and so on) and then among the Anglo-American political elites, mainly expressed the

new requirements of the economic elites, in view of the aforementioned changes in the objective conditions. In contrast to the Liberal Old Right that was founded on tradition, hierarchy and political philosophy, the neoliberal New Right's credo was based on the belief of economic "democracy" through the market, as well as individualism,⁹ in the sense of the citizen's liberation from "dependence" on the welfare state. Ironically, the main demand of the New Left for self-determination and autonomy was embraced by the neoliberals and was reformulated by them, in a distorted form, as a demand for self-determination through the market!

So, when the neoliberal movement came to power, first in Britain and the USA and later on all over the advanced market economies and beyond, (in the form mainly of the present "social-liberal" i.e. centre-left governments) it introduced a series of structural changes that simply reflected the change in the "objective" conditions, i.e. the parameters of the market economy and the corresponding changes in the requirements of the elites controlling it. In other words, the arrangements adopted by the economic elites to open and liberalise the markets, mostly, institutionalised (rather than created) the present form of the internationalised market economy. In fact, the opening and liberalising of markets was simply part of the historical trend of marketisation which I mentioned above to minimise social controls over markets, particularly those aiming to protect labour and the environment, that interfered with economic "efficiency" and profitability.

Thus, first, as regards the institutionalisation of the opening of markets, commodity markets were in a process of continuous opening throughout the period following

[9] Bosanquet, *After the New Right* (London: Heinemann, 1983), p. 126.

the second world war both at the planetary level (GATT rounds of tariff reductions so that TNCs could easily move commodities among their subsidiaries) and the regional level (European Economic Community [EEC], European Free Trade Area [EFTA], North American Free Trade Agreement [NAFTA], Southern Cone Common Market [MERCOSUR], the Association of Southeast Asian Nations [ASEAN] Asia-Pacific Economic Co-operation [APEC]. Also, capital markets, which were in a process of informal opening throughout the 1970s, were formally opened in Britain and the USA at the end of the decade when capital and exchange controls were abolished, followed by the rest of the world in the 1980s and the 1990s .

Second, once the opening of markets was institutionalised, the uninhibited flow of capital and commodities across frontiers required the parallel liberalisation of all markets, i.e. the minimisation of social controls that have been imposed in the past (particularly in the statist period), as a result of the struggle to protect human labour and society itself from the market. Therefore, although the labour markets were not opened (so that the exploitation of cheap local labour, particularly in the South, could continue) their liberalisation was also necessary for the advantages of opening the commodity and capital markets to be fully utilised. The main changes introduced to liberalise the markets and minimise social controls on them were the following ones:

- The liberalisation of the labour market with the explicit aim to make it “flexible”, so that the cost of production would be minimised. Thus, many important controls have been eliminated (for instance, the state commitment to full employment has been abandoned and job security in the ex nationalised sector was abolished), while other controls have been drastically

amended in favour of employers (e.g., controls on unfair dismissal, controls on trade unions etc) with the explicit aim to make labour more amenable to market conditions ("hire-and-fire culture"). In fact, however, the real aim has been "to turn labour into a commodity – not only in the way wages and conditions are set, but also the way labour is managed in the workplace".¹⁰ The indirect effect of these changes was that the structural unemployment created by technological changes was not offset by effective state action and it was left to the market forces instead to sort out the unemployment problem. At the same time, neoliberal policies have also contributed directly to the rise of unemployment, through their effect in restricting the state sector. As a result, unemployment has become massive, whereas poverty and inequality have also grown in proportion with the deregulation of the labour market. Thus, unemployment in the "Group of 7" more advanced market economies (USA, Japan, Canada, Germany, France, Britain, Italy) more than doubled between 1973 and 1999.¹¹

- The liberalisation of capital markets through the lifting of exchange and other controls. This has increased the opportunities for tax evasion, eroded the tax base required for the financing of the welfare state, made capital flight much easier and –more important– made impossible any kind of indicative planning and effective control of domestic aggregate demand, as it allowed huge amounts of money to move around in search of speculative gains, effectively undermining the

[10] Hutton, *The State We're In*, p. 103.

[11] From an average 3.4 per cent of the labour force in 1973 to 7.6 in 1999. Philip Armstrong et al., *Capitalism Since World War II*, Table 14.1 and UN, *Human Development report 2001*, Table 17.

ability of governments to follow macro-economic policies that would significantly diverge from those of their competitors.

- The setting up of international rules by the WTO (which succeeded the GATT) that would make trade as free as possible, through the minimisation of the ability of national governments to impose effective controls to protect labour and the environment.
- The privatisation of state enterprises, which not only “liberated” more sectors of economic activity from any effective form of social control but also gave the opportunity to TNCs to expand their activities in new areas. A side effect of massive privatisations was to enhance the “individualistic” character of this form of modernity compared with the mildly “collectivist” character of statist modernity.
- The drastic shrinking of the welfare state so that the expansion of the private sector in social services can be facilitated –at the time of writing, a Treaty to extend the freedom of trade to public sector services (Gats) is being discussed by the WTO and,
- The redistribution of taxes in favour of high income groups, which was made possible because of the drastic reduction of the tax burden on the economic elites as a result of the shrinking of the welfare state and other economic policies supposedly aiming to create incentives, but in fact enhancing further the concentration of income and wealth.

CHAPTER 3

THE INTERNATIONALISATION OF THE MARKET ECONOMY

Neoliberal globalisation

The combined effect of the above “objective” (economic and technological) changes was that the internationalisation of the market economy has accelerated sharply since the 1970s. Thus, the growth rate of world exports increased by almost 73 percent in the period of neoliberal modernity up to now.¹ As a result, the ratio of world exports to GDP increased from 14 percent in 1970 to 22 percent in 1999 while the corresponding ratio of government spending has declined from 16 percent to 15 percent in the same period.² The obvious implication is that government spending, which played a crucial role with respect to growth in the statist period has, been replaced in the present neoliberal period by export demand.

Growing internationalisation therefore implied that the growth of the market economy has been increasingly relying on the expansion of the world market rather than on that of the domestic market, as before. This had very significant consequences with regard to the state’s economic role. During the period of social-democratic consensus,

[1] World exports which were rising by an average of 4 percent in the 1970s, 5.2 percent in the 1980s and 6.9 percent in the 1990s, *World Development Report 1994* (Table 13) and *2000/2001* (Table 11).

[2] World Bank, *World Development Report 1994* (Table 9) and *2000/2001* (Table 13).

economic growth rested mainly on the growth of domestic demand which accounted for almost 90 percent of total demand in advanced capitalist countries. In this framework, the state sector played an important part in controlling the size of the market through the manipulation of aggregate demand. The means used for this purpose were government spending and public investment, as well as the economic activity of nationalised enterprises. The necessary condition, however, for the economic system's efficient functioning was the relatively low degree of internationalisation, that is, a degree which was compatible with an institutional framework relatively protective of the domestic market for commodities, capital and labour. It was precisely the negation of this condition, as internationalisation of the market economy grew, that made the continuation of the social-democratic consensus impossible.

Thus, under conditions of growing internationalisation, the size of the growth economy increasingly depends on supply conditions, which in turn determine trade performance, rather than on direct expansion of domestic demand. Supply conditions play an important role with respect to accumulation and economic growth, since it is international trade that determines the size of each national growth economy, either positively (through an export-led growth) or negatively (through an import-led de-industrialisation). Therefore, competitiveness, under conditions of free trade, becomes even more crucial, not only with respect to an increasingly export-led growth, but also with respect to import penetration that ultimately leads to domestic business closures and unemployment.

To put it schematically, the market economy, as internationalisation intensifies, moves from a "domestic market"-led growth economy to an "external market"-led one, i.e. a trade-led growth, in the framework of which the prevailing conditions on the production side of the economy

(particularly those relating to the cost of production) become crucial. Squeezing the cost of production, both in terms of labour cost and in terms of employers' taxes and insurance contributions, becomes very important. But squeezing the cost of production necessitated a drastic reduction in statism, since statism was responsible for a significant rise in the cost of production during the period of the social-democratic consensus, both directly and indirectly: directly, because the expansion of the welfare state meant a growing burden on employers' contributions and taxes; indirectly, because, under the conditions of near-full employment which prevailed during the statist phase of the marketisation process, organised labour could press successfully for wage rises that exceeded significantly the increase in productivity.

The system that has been established in the last quarter of a century or so already functions as a self-regulating market. The latest GATT round in the 1990s and the establishment of the World Trade Organisation have in effect created a huge "free trade zone" which, together with the opening of capital markets, have led to a self-regulating system in which the interests of the elites that control it are satisfied to the full, almost "automatically," through the mere functioning of the market forces. Thus, free trade among unequal partners is bound to lead to the domination of the more powerful partner (in terms of productivity, competitiveness etc) which in the present case is the transnational corporations—a fact well known to the present advanced market economies which went to great lengths to protect their own industries before they began preaching free trade. Free trade is the best means to destroy the self-reliance of local economies and effect their integration into the internationalised market economy. In fact, the first attempt for an internationalisation of the market economy early in the 19th century failed exactly because

the advanced market economies had not at the time as yet reached a similar level of “maturity” in their economic development –an event that ultimately was the cause for two world wars and the great depression of the interwar period.

At the same time, the peripheral countries in the South were forced by the newly formed transnational elite of the North, through a “stick and carrot” policy, to abandon any idea of planning development and, instead, open their markets to foreign capital and commodities. The carrot was a series of “structural adjustment” economic programs that those countries had to accept in order to be eligible for much needed loans and aid from the North. The stick was the US threat of sanctions against the exports of any country that continued to protect its local production (e.g. the 1988 US Trade Act). This way, not only the markets have been opened but also any effective subsidisation of local production has been abolished creating a huge comparative advantage for the products of TNCs and squeezing the prices of primary products on which the livelihood of millions of people in the South depended. The inevitable result has been the huge concentration of income and wealth that characterises the present internationalisation.

Thus, the evidence of the past twenty-five years or so shows that the more open and flexible the markets become the greater the degree of concentration of income and wealth in a few hands. According to official UN data, the income gap between the fifth of the world’s people living in the richest countries and the fifth in the poorest, which was 30 to 1 in 1960, before the present globalisation began, doubled to 60 to 1 by 1990, and by 1997 it was 74 to 1.³ As a result of these trends, by the late 1990s, the richest 20

[3] UN, *Human Development Report 1999* (NY: Oxford University Press, 1999).

percent of the world's population had 86 percent of world GDP versus 1 percent of the poorest 20 percent! Of course, such concentration means a corresponding concentration of economic power, something that is confirmed by the fact that the same fifth of rich people control today 82 percent of world export markets and 68 percent of foreign direct investment.⁴ No wonder that the world's richest people more than doubled their net worth within just five years, from 1994 to 1999 and, as a result, the combined wealth of 200 billionaires amounted in 1999 to \$1 trillion 135 billion while the total income of the 582m people in all the "developing" countries together was only \$146bn, i.e. about 10 percent of this.⁵

It is therefore clear, and it can also be shown theoretically using radical economic theory or even parts of orthodox theory, that the concentration of income, wealth and economic power was the inevitable outcome of the opening and liberalisation of markets, which constitute the essence of neoliberal globalisation. Furthermore, it does not require a significant amount of imagination to assume the existence of a strong correlation between the acceleration of globalisation in the last decade and the increase in the concentration of economic and, consequently, of political power.

As a result of these changes, by the early 1990s, an almost fully liberal order has been created across the OECD region, giving market actors a degree of freedom that they had not held since the 1920s.⁶ Furthermore, although the

[4] Ibid.

[5] UN, *Human Development Report 2000*.

[6] Eric Helleiner, "From Bretton Woods to Global finance: a world turned upside down" in Richard Stubbs and Geoffrey R.D. Underhill, *Political Economy and the Changing Global Order* (London: Macmillan, 1994).

effect of the technological changes was that the nature of the production process has changed and is characterised today by “de-massification” and diversification, in place of the mass production that was particularly dominant in the era of statist modernity, neither “de-massification”, nor the growing diversification of production has affected the degree of concentration of economic power at the company level,⁷ which has continued growing over the entire period since the emergence of neoliberal modernity.

This new form of modernity is in a much better position to succeed in creating a lasting self-regulating economy than the previous forms of modernity since the basic factor that led to the collapse of the latter has been eliminated, that is, the controls on the markets for commodities, labour and capital that have introduced various degrees of “inflexibility” into them. Such controls represented society’s self-protection mechanisms against its marketisation but, as such, were incompatible with the “efficient” functioning of the market economy. Since the present neoliberal consensus (adopted by both conservative and social-liberal parties in government) has undermined most of these controls, a historic opportunity has been created for the marketisation process to be completed. Therefore, the crucial issue today is not whether the present neoliberal internationalised economy is more open and integrated than the old liberal one but whether it has better chances of success in creating a self-regulating internationalised market economy than the first unsuccessful attempt at the end of the 19th century-beginning of 20th. In my opinion, the chances are much better today for the new attempt to create a self-regulating internationalised market economy to be successful. This is for several reasons having to

[7] *TID*, pp. 67-73.

do with the basic fact that the four major institutions on which, according to Polanyi,⁸ a self-regulating market relies, have, for the first time in History, been established. These institutions are:

- a self-regulating market (“market economy”), an institution which –subject to the above qualifications about the role of the state today– is more advanced than ever before in History, as a result of the present degree of freedom that capital and commodity markets enjoy, the retreat of statism everywhere and the universal enhancement of flexible markets for commodities, labour and capital;
- the liberal (representative) “democracy”, an institution that is intrinsically connected to a self-regulated market and in a sense constitutes its complement, which today is universal;
- the balance-of-power system that today, after the collapse of “existing socialism” and the internationalisation of the market economy, has taken the form of a New World Order⁹ controlled by the transnational elite, and,
- the new international monetary system, which has been established with the launching of Euro at the beginning of the new millennium, and parallel movements in North and South America to create a pan-American dollar. One could reasonably expect that such movements are bound to get momentum and lead to fixed parities between the three major currencies (US dollar, Euro, yen) and eventually to a new world currency

[8] Polanyi, *The Great Transformation*, Ch. 1.

[9] See T. Fotopoulos, “The New World Order, the Transnational Elite and the dismantling of Yugoslavia” in *New Political Science* (under publication).

and a new planetary international monetary system that would secure a stable financial environment for the interlinked economic space, which is being created by globalisation

In this sense and with hindsight, it is now obvious that Polanyi was wrong in thinking that the statist form of modernity was evidence of the utopian character of the self-regulating market and of the existence of an “underlying social process”¹⁰ which leads societies to take control of their market economies. In fact, the statist form of modernity proved to be a relatively brief interlude in the marketisation process and merely a transitional phenomenon, mainly due to the failure of the liberal form of modernity to create a system based on an internationalised self-regulating market economy, and, of course, to the parallel rise of the socialist movement.

It is therefore clear that although the creation of a self-regulating market system in the 19th century was impossible without crucial state support in creating national markets, still, once this system was set up, it created its own irreversible dynamic, which led to today’s internationalised market economy. However, the present neoliberal form of modernity should not simply be seen as completing the cycle that started with the emergence of liberal modernity. In fact, it represents a new synthesis, which avoids the extremes of pure liberalism, by combining the essentially self-regulating markets of liberal modernity with various elements of a “mild” statism: safety nets and various controls in place of the welfare state, “new protectionist” non-tariff barriers (NTBs), such as export restraints and orderly marketing arrangements, direct or indirect subsidies to export industries, and so on. So, the present

[10] Polanyi, *The Great Transformation*, p. 29.

internationalisation of the market economy does not imply the elimination of the role of the state in supporting business through direct or indirect state subsidisation, for instance, through research & development funding, bail-out aid, debt financing, loan guarantees, export subsidies, tax credits, infrastructure works etc –i.e. all those policies usually mistaken by the Left for a kind of statism “by the back door” in favour of big business. Nor does it imply the phasing out of the state in its political/military role. What it does imply is the loss of the state’s economic sovereignty not just in terms of the disappearance of major state controls over markets –let alone over production, i.e. the control it used to exercise through nationalised enterprises– but also in terms of important social controls, which are ruled out by today’s institutional framework of free commodity and capital markets. Furthermore, the internationalisation of the market economy does not mean that its intra-state regulation is redundant. Companies which are active in the internationalised market economy need a degree of stability in financial markets, a secure framework of free trade and the protection of commercial rights.

The State in neoliberal modernity

The role of the state with respect to the market today is therefore very different from both that of the liberal phase, when it restricted itself mainly to the role of the night-watchman, as well as that of the statist phase, when it played the role of the guardian angel of society over the markets. In the new synthesis, the state has to secure the stability of the market environment, the enhancement of the “supply side” of the economy (so that competitiveness and “efficiency” –i.e. profits– improve) and the survival

and control of the marginalized part of the population. All this involves an obvious loss of economic sovereignty that is also reflected in the creation of huge economic blocks, within the context of which the economic role of the individual nation-state is being progressively downgraded in favour of supra-national institutions.

This applies, in particular, with respect to the EU, where the relevant process has already begun. Thus, the liberalisation of the commodities, labour and money markets within the EU block creates a vast economic area where a fixed exchange rates system, similar to the Gold Standard system of the earlier internationalisation, has just began functioning. If we substitute the Euro for gold, Europe operates today under a contemporary Gold Standard system which will have a much better chance than the earlier system, given that the basic factor that led to the collapse of the Gold Standard system has been eliminated, that is, the various restrictions on the markets for goods, labour and capital that represented not only the interest of the national economic elites but also society's self-protection mechanisms against its marketisation.

Therefore, the neoliberal elimination of many of these restrictions has created the economic conditions for the marketisation process to be completed and for the present neoliberal form of internationalisation to be more successful than the earlier liberal attempt. At the same time, the breakdown of "actually existing socialism" in the East¹¹ and the collapse of social democracy in the West¹² have created the political conditions for the completion of the marketisation process. So, the fact that neoliberal policies are

[11] Takis Fotopoulos, "[The catastrophe of Marketisation](#)", *Democracy & Nature*, Vol. 5, No. 3 (November 1999).

[12] T. Fotopoulos, "[Welfare state or economic democracy?](#)", *Democracy & Nature*, Vol. 5, No. 3 (November 1999), pp. 433-468.

supported today, with minor variations, by both centre-right and centre-left parties, in government or in opposition, and that the basic elements of neoliberalism have been incorporated into the strategies of the international institutions, through which the transnational elite controls the world economy (IMF, World Bank, WTO, EU, NAFTA etc), makes it plainly evident that the new consensus accurately reflects the radical structural changes brought about by the emergence of the internationalised market economy.

To conclude, neoliberalism reflects the structural changes of the market economy and the corresponding business requirements of late modernity, i.e. the growing internationalisation of the market economy that has made statism increasingly incompatible with it. In this sense, neoliberal policies are “systemic” policies necessitated by the dynamics of the market economy. It is therefore clear that the changes in the policies of the major international institutions and the corresponding changes in national policies, which aimed at opening and liberalising markets, were “endogenous”, reflecting and institutionalising existing trends of the market economy. In fact, the neoliberal policies initiated by the economic elites of late modernity to liberalise the newly opened international markets simply repeated a similar process that was initiated by the economic elites of early modernity, at the beginning of the 19th century, to liberalise the “national” markets, which had emerged at the end of the 18th century. So, the rise of neoliberalism shows that the marketisation process was merely interrupted by the rise of statism in the 1930s, which did not manage to last for more than forty years or so. Still, for the reformist Left, neoliberalism as well as globalisation, are simply “utopias” that the economic elites attempt to impose, in the context of a “project” that “aims to create

the conditions under which the neoliberal «theory» can be realised!”¹³

But, it is clear that the form the market economy has taken today, what we may call “neoliberal internationalisation”, is basically the outcome of a dynamic process and not the result of conspiracies, or of the policies of evil neoliberal parties and/or degraded socialdemocratic parties, as most in the Left assert. The emergence of neoliberal internationalisation was a monumental event which implied the end of the social democratic consensus that marked the early post war period –i.e. the consensus involving both conservative and socialdemocratic parties which were committed to active state intervention with the aim of determining the overall level of economic activity, so that a number of socialdemocratic objectives could be achieved (full employment, welfare state, better distribution of income etc).

Therefore, the neoliberal liberalisation of the market economy and the associated internationalisation of it do not simply represent a change of policy brought about by some cultural decadence but in fact express a significant structural change (although not a break with the past) which marks the entry into a new form of modernity. This is also illustrated by the fact that the basic elements of neoliberalism have already been incorporated into the strategies of the international institutions which control the world economy (IMF, World Bank), as well as in the treaties that have recently reformed the EU (Single Market Act, Maastricht Treaty, Amsterdam Treaty). It is for this reason that once the internationalised neoliberal market economy was institutionalised, the political parties in government,

[13] See e.g. Pierre Bourdieu, “The essence of neoliberalism: utopia of endless exploitation”, *Le Monde Diplomatique* (December 1998).

either conservative or “socialist”, *had* to follow the same policies in order to protect the competitive position of the economic elites, on which further growth (and their own political survival) depends.

Still, the current recession created a new mythology among social democrats about a possible return to Keynesianism. But, it is obvious that the fundamentals of the neoliberal modernity (open and flexible markets, safety nets, minimisation of state sector etc) are not going to be affected by the current “rethinking” with respect to government spending, despite the pious hopes of Keynesian social democrats. The state simply attempts at present to bail out firms under threat of bankruptcy, sticking, as it has always done since the emergence of neoliberal modernity, to a very narrow economic role aiming to influence the supply side of the economy (through tax cuts etc) rather than the demand side (through a significant expansion of government spending and, particularly, badly needed social spending).

It is clear that the Left, and particularly the Marxist version of it, never grasped the significance of the rise of neo-liberalism in the mid 1970s, which, to my mind, marked the start of a shift towards a new form of modernity and not just a change in policy, as Marxists of various persuasions maintain: from Alex Callinicos,¹⁴ the theoretical guru of British Trotskyites, to Eric Hobsbawm, the doyen of Marxist historians, who, together with other equally perceptive former *Marxism Today* writers, as late as 1998, were still proclaiming the end of neo-liberalism!¹⁵ In fact, recent developments in the internationalised market economy

[14] Alex Callinicos, *Against Postmodernism* (Oxford: Polity Press, 1990).

[15] Perry Anderson, *New Left Review*, No. 1 [new period] (Jan./Feb. 2000), p. 10.

fulfilled the prediction made in *TID* that, in the competition between the Anglo-American model of capitalism and the European “social market” model, the latter had no chance to survive because, as I put it at the time of writing (1995-1996), “it is not a model for future capitalism but a remnant of the statist phase of marketisation which obviously cannot survive the present internationalisation of the market economy”.¹⁶ However, the Marxist Left still seems very surprised by the final predominance of the Anglo-American version of neoliberalism over the European “social democratic model”, and the fact that the latter not only did not attempt to undermine the former but also effectively has copied it, to the dismay of the ex “New Left”.¹⁷ In fact, one may argue that it was this profound failure of the Left to grasp the fact that neoliberalism represents not just a policy change but a structural change marking the shift to a new form of modernity, and the parallel confusion of modernity with industrialism, that have led to the myth about a new era of postmodernity.

Finally, the creation of an internationalised market economy obviously necessitates some sort of international economic and political “regulation”. Therefore, if in the first phase of marketisation, when the market economy was basically national, the role of enforcing the market rules was assigned to the nation-state (through its monopoly of violence), who plays the same role today? It is clear that an internationalised market economy, i.e. a transnational economy, needs its own transnational elite. Does such an elite exist today?

[16] Fotopoulos, *TID*, pp. 97-98.

[17] Anderson, *New Left Review*, pp. 10-11.

The new Transnational Elite

As I will try to show in this section, the existence of such an elite not only has already been theorised both from the Marxist¹⁸ and the Inclusive Democracy (ID)¹⁹ viewpoints but also has been increasingly substantiated by the emerging evidence on the matter. We may define the “transnational elite” as the elite which draws its power (economic, political or generally social power) by operating at the transnational level – a fact which implies that it does not express, solely or even primarily, the interests of a particular nation-state. The transnational elite consists of:

- the transnational economic elites (TNC executives and their local affiliates), which play the dominant role within the ruling elite of the internationalised market economy given the predominance of the economic element in it
- the transnational political elites, i.e. the globalising bureaucrats and politicians, who may be based either in major international organisations or in the state machines of the main market economies, and
- the transnational professional elites, whose members play a dominant role in the various international foundations, think tanks, research departments of major international universities, the mass media etc.

The ID approach refers to a transnational “elite” rather than a transnational “class” because the Marxist class concept is both narrower than the elite concept and outdated

[18] Leslie Sklair, *The Transnational Capitalist Class* (Oxford: Blackwell, 2001).

[19] Takis Fotopoulos, “[Globalisation, the reformist Left and the Anti-Globalisation Movement](#)”, *Democracy & Nature*, Vol. 7, No. 2 (July 2001).

as it only partially expresses the reality of “class” divisions in neoliberal modernity.²⁰ It is an *elite*, because its members possess a dominant position within society as a result of their economic, political or broader social power. It is a *transnational* elite, because its members, unlike the national elites, see that the best way to secure their privileged position in society is not by ensuring the reproduction of any real or imagined nation-state but, instead, by securing the worldwide reproduction of the system of market economy and representative “democracy” (rather than simply to promote the interests of global capital as the TCC approach maintains). This is because this new transnational elite sees its interests in terms of the international markets rather than the national markets.

It is therefore clear that the transnational elite does not establish any territorial centre of power, as it is a decentred apparatus of rule. This means that this elite is not based on one particular nation-state, not even the USA, although of course it does not hesitate to utilise the power of particular states to achieve its aims –even more so when this state happens to be today’s leading military power.

The existence of such a transnational elite is not simply theorised. In fact, the evidence is growing about the existence of an elite which expedites the globalisation process by facilitating the institutional arrangements required for its smooth functioning. Few, for instance, are aware of the European Round Table of industrialists (ERT), an alliance of the chief executives of Europe’s largest companies, whose purpose is to formulate policies for adoption by the European Commission. Thus, the Single European Act, which opened and liberalised markets in the European

[20] See Fotopoulos, “[Class Divisions Today: The Inclusive Democracy approach](#)”, *Democracy & Nature*, Vol. 6, No. 2 (July 2000).

Union, was framed not by the EU but by Wisse Dekker (the president of Philips and subsequently chairman of the ERT) whose proposal became the basis of the EU's 1985 white paper.²¹ Also, the EU enlargement plan (approved by the European heads of government in Helsinki at the end of 1999), which required new entrants to deregulate and privatise their economies and invest massively in infrastructure designed for long-distance freight, was mapped out by Percy Barnevik, head of the Swedish company "Investor AB" and chairman of an ERT working group.

Furthermore, it seems that the moves of ERT and other trade bodies on both sides of the Atlantic are parts of a master plan to create a legally harmonised neoliberal world order. As it is well known, the FTAA process aims to extend the North American Free Trade Agreement (NAFTA) to the entire hemisphere. This process has already led to the Declaration of Quebec (April 2001) that envisages the creation of the world's largest free trade zone by 2005. Thus, as George Monbiot informs us:²²

Since 1995, the EC, pressed by the ERT and other trade bodies, has quietly been preparing for a single market with the US. The Transatlantic Economic Partnership is a slower and subtler creature than the World Trade Organisation or the MAI. One by one it aims to pull down the "regulatory barriers" impeding the free exchange of goods and services between Europe and America. (...) The master plan is now falling into place. A greatly expanded Europe will form part of a single trading bloc with the US, Canada and Mexico, whose markets have already been integrated by means of the North American Free Trade Agreement, or Nafta. Nafta will grow to engulf all

[21] George Monbiot, "Still bent on world conquest", *The Guardian* (16/12/1999).

[22] Ibid.

the Americas and the Caribbean. The senate has already passed a bill (the Africa Growth and Opportunity Act) forcing African countries to accept Nafta terms of trade. Russia and most of Asia are being dragged into line by the International Monetary Fund. (...) By the time the world trade agreement is ready to be re-negotiated, it will be irrelevant, for the WTO's job will already have been done. The world will consist of a single deregulated market, controlled by multinational companies, in which no robust law intended to protect the environment or human rights will be allowed to survive.

Finally, the GATS process (which aims to extend the General Agreement on Trade in Services), provides another opportunity for the transnational elite to institutionalise its role and it has had already repercussions within the EU. Thus, the "Bolkestein directive" aimed at radically reducing the powers of national government over multinationals is presently under discussion, provoking mass protests and debate in France, Belgium, Sweden and Denmark. The directive's main aims are, first, to erase any national laws and standards that make it difficult for European companies to enter the markets of other member states, and, second, to allow European companies to run businesses anywhere in the EU according to the rules of their "country of origin". The directive applies the same rules to healthcare and social services as it does to estate agents, fairground providers, advertising companies and private security firms. This means that the commission no longer sees the services provided by doctors to patients as a special public good to be enjoyed by all citizens, but as an "economic activity", a commodity to be traded across the EU much like any other, placing the interests of business, as David Rowland,²³ a

[23] David Rowland, "In the health trade", *The Guardian* (20/1/2005).

research fellow at University College London points out, above the protection of workers and consumers

Clearly, whereas in the (national) market economy the role of enforcing the rules of the market was assigned to the nation-state, in today's internationalised market economy the corresponding role of enforcing the rules of the internationalised market is assigned not to the state, but to international organisations like NATO and/or a capitalist-controlled UN. It is not therefore surprising that it has become part of the State Department's job and, indirectly, of the US-controlled NATO, to push deregulation and the dismantling of all barriers to trade and finance both with individual governments and in international negotiations on economic matters (WTO).²⁴

It is therefore obvious that the transnational elite is already in the process of taking the necessary steps to institutionalise its transnational role. The immediate aim is to pull down the "regulatory barriers" impeding the free exchange of goods and services, initially between Europe and America, and then between this huge trading block and the rest of the world, which will be forced to accept the terms of trade of the former. The ultimate aim is the formation of a vast single deregulated market, controlled by multinational companies, in which social controls over markets to protect labour or the environment will be minimised.

So, although it is true that no formal arrangements have yet been set in place to institutionalise political globalisation, it could be argued that an informal form of political globalisation has already been initiated by the "transnational elite", a globalisation which is implemented at present through international economic institutions (e.g.

[24] See e.g. the series of articles by a team of reporters led by Nicholas Kristof in the *New York Times* (*International Herald Tribune*) (February 16-19, 1999).

WTO) and political/military ones (e.g. NATO). The cases I mentioned above, as regards the former, and the two wars which were induced by the new transnational elite in the 1990s (i.e. the Gulf war²⁵ and the war in Kosovo²⁶) as regards the latter, are obvious examples. In this problematic, it is not accidental that despite the clear divisions between the elites of the advanced market economies as regards these two wars, they eventually stood by the American elite, which presently plays the role of the political/military arm of the transnational elite, for the common good of the “international community” –as they euphemistically call the transnational elite. In other words, the US military machine in effect plays the role of the agent of globalisation and, contrary to what some analysts recently argued, the Bush administration’s policies (National Missile Defence system-NMD, challenging the anti-ballistic and Kyoto treaties etc) do not indicate “the return in force of the national security state”.²⁷ What such policies do indicate is that certain parts of the transnational elite, like the military-industrial complex and the oil industry which are predominantly based in the US, are presently in a stronger position to impose their will on the rest of this elite because of their recent capture –through their protégé George Bush– of the highest echelon of the transnational elites’ political/military power.

It seems therefore that the transnational elite, for various reasons, relies at present on this informal system of political globalisation. Such reasons could include: the persistent importance of national identities, despite (or

[25] See T. Fotopoulos, *The Gulf War* (Athens: Exantas, 1991) – in Greek.

[26] See T. Fotopoulos, “[The First War of the Internationalised Market Economy](#)” *Democracy & Nature*, Vol. 5, No. 2 (July 1999), pp. 357-382.

[27] Philip S. Golub, “Cold war government with no war to fight: America’s imperial longings”, *Le Monde Diplomatique* (July 2001).

because) of the cultural homogenisation forced by globalisation; the need to keep the façade of a well functioning representative “democracy” in which local elites are still supposed to take the important decisions; the need to provide local safety nets for the provision of minimal social services to the destitute; and last, but not least, the need to delegate to the nation-states a significant amount of the monopoly of violence so that they are capable of controlling the movement of labour and generally controlling the population, in a way that would facilitate the free flow of capital and commodities.

The main aim of the transnational elite, which today controls the internationalised market economy, is the maximisation of the role of the market and the minimisation of any effective social controls over it for the protection of labour or the environment, so that maximum “efficiency” (defined in narrow techno-economic terms) and profitability may be secured. Of course, this has always been the aim of the national elites controlling the market economy of each nation-state but in today’s era of open markets this aim refers to the internationalised market economy rather than to the market economy of each nation-state, in the framework of the new synthesis I mentioned in the last section.

However, although the policies promoted by the transnational elite express its “general interest”, this does not mean that there are no significant divisions within it as regards the way to tackle the effects of globalisation with respect to the worsening economic and ecological crises. This division is reflected by the clash of views between, on the one hand, its “conservative” elements (expressed mainly by the US economic elite and its representatives in the administration) and, on the other, its “enlightened” elements expressed by the European economic and political elites.

The former wish to vigorously pursue an agenda based on the philosophy that all state activity diminishes the liberty of the individual, on the assumption that all wealth is the result of individual effort. In this view, taxation is pernicious as it confiscates wealth that properly belongs to individuals and it intrudes into our financial privacy to calculate what is due, only to finance state action that diminishes liberty and, if spent on welfare, education or health, to undermine the incentive to take responsibility for ourselves.²⁸ This economic philosophy finds its counterpart in the US withdrawal from the minimal restrictions imposed by the Kyoto treaty and, as we have seen above, in an aggressive political and military strategy. Thus, despite the moderate and, in fact, utterly insufficient targets of the Kyoto treaty, the balance in it favoured those members of the transnational elite which express the interests of the insurance, tourist and agricultural industries (which, for obvious reasons, are particularly concerned about the effects of the greenhouse effect), at the expense of the oil industry members. It was this imbalance that prompted the Bush administration (induced by the oil industries which sponsored his election to Presidency)²⁹ to attempt to restore the balance, despite the obvious adverse effects on world environment.

On the other hand, the European economic elites, having to face stronger reactions against this sort of philosophy than their American counterparts (due to the stronger socialist/social-democratic tradition in Europe) although they adopt all the basic elements of the internationalised market economy, also suggest various measures to reduce

[28] Will Hutton, "Death is now the only certainty", *The Observer* (May 6, 2001).

[29] See, e.g. Ed Vulliamy, "The President who bought power and sold the world", *The Observer* (April 1, 2001).

extreme poverty, (but not inequality!), accept the minimal restrictions of the Kyoto treaty, and pursue a policy of fully integrating China, Russia and the “rogue” states into the internationalised market economy rather than alienating them through aggressive political and military strategies. In other words, the aim of the latter is to create a “globalisation with a human face” which does not affect it at all in its essentials.³⁰ As regards the ecological crisis in particular, the European elements of the transnational elite, recognising the enormous significance of this crisis but at the same time not wishing to antagonise those parts of it which thrive in eco-destructive activities (e.g. the oil industry) attempt to find a compromise in terms of a strategy for a “sustainable development” (see ch. 3).

Still, given the present unrivalled political, economic and military power at the disposal of the American elements within the transnational elite, one may expect that the consensus to be reached out of the clash between these two trends will mainly express the interests of the former. Particularly so today when the American elements within the economic elite have established a long-term superiority over the rest, not only at the military level, where the events of September 2001 gave them the opportunity to function formally as the policeman of the New World Order, but also at the economic level, given their unchallenged position in the information revolution that puts them well ahead of their rivals in the Far East and Europe, as well as the long-term decline of the Japanese elite. A clear indication of the American predominance within the transnational elite is the fact that whereas at the end of the 1980s

[30] See for example an expression of this trend in a recent Observer leader under the eloquent title “The US is not fit to run the world-We must help Europe take on the job”, *The Observer* (April 1, 2001).

eight of the 10 biggest multinationals in the world were Japanese, now they are all American.³¹

[31] Madeleine Bunting, "Smash and grab inc.: The US ruled the last century and it will rule the next. What will it do with its power?," *The Guardian* (August 24, 1999).

CHAPTER 4

“GLOBALISATION” AND THE LEFT

The Reformist Left and “globalisation”

As I hinted in the last section most analysts in the Left today adopt a different stand to the one expressed above both with respect to neoliberalism and globalisation. But, first, we should better define our terms and particularly globalisation over which a lot of confusion exists at the moment even among analysts.

A basic point that should be stressed is that although usually it is *economic globalisation* that many people have in mind when they talk about globalisation, economic globalisation is only one aspect, (or one component) though the main one, of globalisation. In other words, one may also talk about technological, political, cultural and social globalisation. To my mind, however, globalisation is not a valid term to discuss the present form of the market economy. Thus:

Globalisation refers to the case of a borderless global economy in which economic nationalism has been eradicated and *production* itself has been internationalised in the sense that the big corporations have become stateless bodies involved in an integrated internal division of labour which spans many countries. On the other hand, **Internationalisation** refers to the case where *markets* have been internationalised, in the sense of open borders for the free movement of capital and commodities (and, within economic blocks like the European Union, of labour as well) but nation-states still exist and share power

with the transnational corporations (TNCs), in a system in which the role of the state is being progressively reduced to that of securing a stable framework for the economically efficient functioning of the market. It is obvious that the present form of market economy cannot be described as a “global” economy, since globalisation, in the above sense, is still limited.¹

Next, I will call “reformist Left” all those intellectuals, movements and political parties in the Left which adopt a “non-systemic” approach to globalisation according to which globalisation is due to exogenous changes in economic policy and, as such, is reversible even within the system of the market economy. Therefore, the reformist Left includes all those who either suggest various reforms to improve the functioning of the internationalised market economy (e.g. eliminating its “corporate” character, abolishing the neoliberal deregulation of markets and so on), or simply raise a variety of criticisms against it without proposing any alternative form of social organisation, adopting instead a postmodern rejection of universalism,² taking implicitly for granted the present system of the market economy and representative “democracy”. In this sense, the reformist Left on globalisation includes post-Marxists, social democrats and others in the broad Left (Pierre Bourdieu, Immanuel Wallerstein, Noam Chomsky, Samir Amin, John Gray, Leo Panitch among them) who take a negative, but a reformist, stand towards globalisation.

There are several approaches which may be classified under the “reformist Left” heading. They all share a common element: unlike the much more realistic social-liberals,

[1] See for evidence Hirst and Thompson, *Globalisation in Question* (Cambridge: Polity Press, 1996).

[2] See T. Fotopoulos, ‘[The Myth of Postmodernity](#)’, *Democracy & Nature*, Vol. 7, No. 1 (March 2001), pp. 27-76.

they all adopt the thesis that globalisation is not a new phenomenon but something already existing at the beginning of last century and then go on to explore ways of resisting it (without raising any anti-systemic challenge) usually on the grounds that globalisation, apart from its adverse effects on labour and the environment, is also incompatible with the present "democracy". The explicit (or sometimes implicit) assumption shared by supporters of the reformist Left is that a return to some kind of statism is still possible –an assumption based on their view of globalisation as simply the product of neoliberal policies, (if not merely an ideology to justify neoliberalism), and not as the outcome of a fundamental structural change.

Thus, Bourdieu, starting with the assumption that neoliberalism is a utopia, which was imposed mainly by the American elite, concludes that we have to turn to "the nation-state, or better yet the supranational state –a European state on the way toward a world state– capable of effectively controlling and taxing the profits earned in the financial markets and, above all, of counteracting the destructive impact that the latter have on the labour market".³ In this problematique, "globalisation is more of a political imperative than an economic fact",⁴ a policy aiming to extend to the world as a whole the American economic model.⁵

Economic globalisation is not a mechanistic result of the laws of technology or of the economy, it is the outcome of a policy which is implemented by an ensemble of agents and institutions (...) the global market is the product of a

[3] Pierre Bourdieu, "The essence of neoliberalism: utopia of endless exploitation", *Le Monde Diplomatique* (December 1998).

[4] See P. Bourdieu's interview in *Socialist Review*, Issue 242 (June 2000).

[5] Pierre Bourdieu, *Contre-Feux, tome 2* (Paris: Raison d'Agir, 2000).

more or less deliberately coordinated policy (...) what is proposed and imposed in a universal way, as the normative model of every rational economic practice, is in fact the universalisation of the specific characteristics of one economy which emerged in the framework of a very concrete history and social structure, the history and social structure of the United States of America.

Similarly, Immanuel Wallerstein,⁶ who adopts a line similar to those of Hirst & Thompson below, explicitly adopts the exogenous (if not ideological) nature of present globalisation when he stresses that:

This (globalisation) discourse is in fact a gigantic misreading of current reality –a deception imposed upon us by powerful groups, and even worse one that we have imposed upon ourselves, often despairingly. (...) The processes that are usually meant when we speak of globalisation are not in fact new at all. They have existed for some 500 years.

Analogous is the position adopted by other writers in the reformist Left, like Leo Panitch,⁷ Noam Chomsky,⁸ and others, who also maintain that globalisation is nothing new, representing a kind of neoliberal conspiracy of US origin, whose aim is to promote the interests of US corporate capitalism. Their advice to the anti-globalisation movement is to exert maximum pressure on the elites, so

[6] cf. Wallerstein, Immanuel, "Globalization or the age of transition? A long-term view of the trajectory of the world-system", in the Internet site of the [Fernand Braudel Center](#).

[7] L. Panich, "The New Imperial State", *New Left Review* (March-April 2000).

[8] N. Chomsky, "Power in the Global Arena", *New Left Review* (July-August 1998); See also his interview published in the Athens daily *Eleftherotypia* (25/02/2001).

that the nation-state is forced to resist the neoliberal globalisation. Finally, yet another version, supported by social democrats like the LSE professor John Gray,⁹ declares, following the example of Eric Hobsbawm, "the end of neoliberalism"!¹⁰ This time, the argument supporting the case for the supposed end of globalisation is based on the slowdown in the US economy after the election of George Bush as US president.

The conclusion shared by everybody in the reformist Left (and also by the main body of the anti-globalisation "movement"), is that pressure "from below" could reverse "neoliberal globalisation", or at least force the social-liberal governments to "renegotiate" its rules, and, in particular, the rules governing the operation of international organisations like the World Trade Organisation –as, for instance, Pierre Bourdieu,¹¹ Samir Amin¹² and others suggest.

The myth of globalisation as an ideology

But, let us see in a bit more detail the arguments of the reformist Left that globalisation is a "myth", or an ideology, with specific reference to probably the most systematic exposition of these arguments to date, the study by Paul Hirst and Grahame Thompson,¹³ who competently put the case for the continuing significance of the nation-state in

[9] John Gray, "Goodbye to globalisation", *The Guardian* (27/2/2001).

[10] Perry Anderson, *New Left Review* (Jan/Feb 2000), p. 10.

[11] See e.g. P. Bourdieu's interview published in *Hangyoreh Shinmun* (4 February 2000).

[12] Samir Amin in the Milan "World Forum of alternative solutions", *Il Manifesto/Epohi* (16/4/2000).

[13] See Hirst and Thompson, *Globalisation in Question*.

the framework of the neoliberal internationalised market economy. Their argument can be summarised as follows:

1. The present highly internationalised economy is not unprecedented and the degree of openness in 1913 was in fact higher than in the post world war II period.¹⁴

This argument is simply not supported by the evidence. Although a significant degree of internationalisation of the market economy was already evident at the beginning of the twentieth century, still, the present internationalisation is both quantitatively and qualitatively different from that earlier internationalisation.

It is quantitatively different because, despite the unsubstantiated claims to the contrary, there has never been a similar degree of market openness in the past – something not surprising as TNCS is a new phenomenon indeed! The main indicators used by Hirst and Thompson to support their case of less openness today is the degree of trade and financial openness to the rest of the world. However, as regards financial openness first, the studies they quote to show greater openness in the period before the first world war compared to today use a statistical indicator which is not universally valid, as it yields nonsensical results in the case of the country with the major reserve currency, the USA.¹⁵ On the other hand, the use of alternative indicators points to a dramatic increase in financial openness. Thus, although foreign direct investment, as a proportion of the advanced capitalist countries' GDP, has nearly doubled within the first 20 years of the present internationalisation,¹⁶ still, the main component

[14] Ibid., p. 27.

[15] *TID*, p. 50.

[16] UN-TCMD, *World Investment Report*, 1993.

of the present huge rise in the movement of capital refers to speculative movements. The speculative flows/currency transactions have increased 14 times within 15 years of globalisation (from approx \$25,000 bn annual total in 1983 to more than \$350,000 bn in 1998) whereas the capital movements on account of world trade and foreign direct investment have just doubled in the same period (from less than \$3, 000 bn in 1983 to about \$7,000 bn in 1998).¹⁷ As a result, at present, something like one trillion dollars change hands every day.

Coming next to trade openness, contrary to the evidence produced by Hirst and Thompson, this openness, far from being lower today than in the pre-world war I period, has increased significantly in the last quarter of the twentieth century (i.e. the period of neoliberal globalisation). Thus, trade openness has increased in all major trading countries listed in the following table (apart from Japan) throughout the post-war period. As a result, the average index of openness increased from 43.6 percent in 1913 to 48.3 percent in 1996. Furthermore, according to more recent data, the average index of trade openness has increased very significantly in the last few years reaching 53.4 in 1998.¹⁸ It is therefore obvious that the claim by Hirst and Thompson that there was a greater international openness in 1913 than today (a claim which, curiously, is based on data up to 1973, i.e. before the beginning of present globalisation!) is hardly supported by the facts.

[17] Charlotte Denny, *The Guardian* (August 31, 2001).

[18] In 1998 the index of trade openness was 51.1 for France, 58.2 for Germany, 19.6 for Japan, 110.8 for the Netherlands, 56.7 for the UK and 24.3 for the USA, giving an average index of trade openness for the major trading countries of 53.4. (World Bank *World Development Report 2000/2001*, Tables 1 & 15).

Trade openness* in major market economies					
	1913	1950	1973	1980	1996
France	35.4	21.2	29.0	44.0	45.0
Germany	35.1	20.1	35.2		46.0
Japan	31.4	16.9	18.3	28.0	17.0
Holland	103.6	70.2	80.1	103.0	100.0
UK	44.7	36.0	39.3	52.0	58.0
USA	11.2	7.0	10.5	21.0	24.0

*Trade openness is measured by the ratio of merchandise trade, (i.e. exports and imports combined) to GDP at current prices.

Source: Paul Hirst and Grahame Thompson, *Globalisation in Question*.

Table 2.5 (for the years 1913, 1950 and 1973) and estimates based on the World Bank's *World Development Report 1998/99, Table 20*.

Finally, the present internationalisation is qualitatively different from the earlier internationalisation. This is because the earlier internationalisation was based on nation-states rather than on transnational corporations as today. The degree of (formal or informal) openness of commodity and financial markets, which was much smaller in the past than today, has played a crucial role in determining the “agent” of internationalisation in each period. It has also played a critical role in determining the degree of the state’s economic sovereignty. When the degree of market openness was relatively small (up to the mid 1970s) states could exercise a significant degree of control over the level of economic activity through monetary, exchange rate and fiscal policies. On the other hand, as soon as (and as a result of the expansion of TNCs) the degree of market openness began increasing, nation-states have lost a significant part of their economic sovereignty. Thus, aggressive fiscal policies to control economic activity are no longer possible in a framework of open commodity and capital markets, whereas the present degree of integration of market economies makes equally impossible any really divergent monetary policies.

*2. Genuinely trans-national corporations appear to be relatively rare since most companies are nationally based.*¹⁹

As regards this argument, the real issue is not the proportion of TNCs to the total number of companies but the power they exercise. And the statistical data on this are conclusive. In the 1990s, the top 500 trans-national corporations controlled 70 percent of world trade), 80 percent of foreign investment and 30 percent of world GDP [Gross Domestic Product].²⁰ Furthermore, what is at issue is not whether TNCs possess a national base or whether, instead, they are stateless bodies, but whether their activities and particularly trade, investment and production are extended well beyond their national boundaries. In this problematique, a national base is still very useful to the trans-national corporations in gaining advantages against competitors and this fact is perfectly compatible with today's accelerating marketisation of the economy

*3. The world economy today is not genuinely global since trade, foreign direct investment and financial flows are concentrated in the "Triad Countries", i.e. the countries in the three main economic regions (North America, European Union and Japan).*²¹

It is true that the bulk of the advanced market economies' manufacturing trade takes place between them and only a small fraction (about 1,5% excluding China) is between them and the South.²² However, this is not an argument

[19] Hirst & Thompson, *Globalisation in Question*, p. 3.

[20] See Tim Lang and Colin Hines, *The New Protectionism* (London: Earthscan, 1993), Chap. 3. See also *The Ecologist*, Vol. 22, No. 4 (July-Aug. 1992), p. 159.

[21] Hirst and Thompson, *Globalisation in Question*, p. 3.

[22] Larry Elliott, *The Guardian* (11 December 2000).

against the fact of globalisation but an argument against the type of globalisation going on. The expansion of the market economy, as well as its internationalisation, has always been uneven, exactly because of its essentially self-regulating nature. Therefore, it does not make sense to expect today's internationalisation, which is founded on the highest degree of marketisation in History, to be anything different. Any kind of internationalisation of the market economy is bound to be concentrated in the North, which has already created, within the marketisation process, built-in comparative advantages in productivity, efficiency, technology and competitiveness.²³

*4. The major economic powers "have the capacity to exert powerful governance pressures over financial markets and other economic tendencies. Global markets are by no means beyond regulation and control."*²⁴

The issue here is what sort of regulations and controls are feasible in an economy with open markets. Particularly so, when the authors themselves implicitly admit the non-feasibility of effective controls to secure full employment when they christen as "radical" even the objective of full employment²⁵ –i.e. the main objective of social democracy throughout the period of the social-democratic consensus! It is also noteworthy that even when the authors refer to the possibility of a "new polycentric version of the mixed economy" aiming to achieve "ambitious" goals, the only condition they mention for this is "a highly co-ordinated policy on the part of the members of the Triad".²⁶ However, what the authors do not explain is why the elites controlling

[23] *TID*, Ch. 3.

[24] Hirst and Thompson, *Globalisation in Question*, p. 4.

[25] *Ibid.*, p. 6.

[26] *Ibid.*, p. 152.

the Triad will embark on policies to create a new global mixed economy. In fact, the only argument they produce to support this case is the old underconsumptionist thesis, namely, that the reproduction of the growth economy is not viable in the framework of high inequality, which inevitably leads to low demand.²⁷ But, this argument ignores the fact that the growth economy has shown no difficulty in reproducing itself in the past –as long as the “two-thirds society” keeps expanding its consumption

The reason why the reformist Left ends up with this sort of nonsensical conclusions is that their starting point is either a crude Marxist analysis, which assumes that the present internationalisation is no different from the early internationalisation at the end of 19th century/beginning of 20th (if not before, as Wallerstein suggests) or, alternatively –as in the case of Hirst and Thompson– an a-historical analysis of the present world economy, which assumes that the present internationalisation is simply a conjunctural phenomenon rather than a structural change.²⁸ The conclusion drawn by both types of analysis is that the present “globalised” economy is still “governable” and that therefore all that is needed for the initiation of a system of effective governance over it is an effective pressure from the anti-globalisation movement.

But why effective social controls on the internationalised market economy are non-feasible? Let us take the state first. If we take into account the significant increase in foreign penetration of stock exchange and bond markets that has taken place in the last quarter of a century or so, it becomes obvious that no national government today may follow economic policies that are disapproved of

[27] *Ibid.*, p. 163.

[28] *Ibid.*, p. 15.

by the capital markets, which have the power to create an intolerable economic pressure on the respective country's borrowing ability, currency value and investment flows. If we assume, for instance, that a social-democratic party adopts, against the trend, policies to reverse the flexibility of labour markets or, alternatively, more aggressive policies to slow down the greenhouse effect, it may easily be shown that under conditions of free capital mobility, this would lead to a capital flight and a pressure on the respective currency and stock exchange prices, i.e. to developments which could easily lead to a recessionary situation, if not to a full blown economic crisis. It is for these reasons that Mitteran and Jospin had to abandon any idea of resorting to the old social democratic policies, while Lafontaine had to be ousted from the German government when he attempted to raise the tax burden on German firms.²⁹

The situation is not much different with respect to economic blocks. If a block, like the EU, attempts to introduce the kind of policies that were dominant during the social democratic consensus, (e.g. policies to expand the welfare state irrespective of the impact of such policies on inflation) or, alternatively, if it attempts to introduce strict environmental controls irrespective of their impact on profitability, then, this block faces the immediate risk of a serious capital flight towards the other blocks with severe repercussions on its currency, the Euro, versus the other block currencies – particularly so when the chronic weakness of Euro versus the dollar seems to reflect the fact that the remnants of the welfare state in Europe are, still, more significant than in the USA. The process of internationalisation and the present degree of openness implies that

[29] Noreena Hertz, "Why we must stay silent no longer", *The Observer* (April 8, 2001); see also N. Hertz's book, *The Silent Takeover: Global Capitalism and the Death of Democracy* (London: Heinemann, 2001).

social controls in the major market economies have to be homogenised. Since this homogenisation, in a competitive framework, is based on the principle of the "least common denominator" and given the present disparity of social controls in the Triad countries, any idea that the introduction of effective social controls (initiated by the state or the "civil society") is still feasible becomes nonsensical. Therefore, the ideas currently adopted by some in the reformist Left that globalisation could be seen as a US attempt to impose its own version of free-market capitalism, which could be resisted by a EU based on a social market,³⁰ or, even worse by a new kind of "good" nationalism,³¹ simply reflect the present demoralisation of the Left and its inclination to believe utopian myths.

One may ask at this point, what about the possibility of an international agreement by the Triad countries (the G7+1 for instance) to impose such effective controls? However, as anyone with a rudimentary knowledge of the historical dynamic of the market economy and the political and economic power structures which resulted from this dynamic can assure, this is just a theoretical possibility. This is because such controls would violently contravene the logic and dynamic of the internationalised market economy and as such would come under the direct and indirect attack of the huge transnational corporations, which control not only the market economies but also the mass media, (on which the promotion of professional politicians crucially depends), and, of course, the sources of financing of their hugely expensive electoral campaigns. Therefore, to demand today the imposition of social controls on the

[30] John Gray, *False Dawn: the Delusions of Global Capitalism* (London: Granta books, 1998).

[31] See Fredric Jameson, "Globalisation and strategy", *New Left Review* (July-August 2000).

economic elites in order to protect effectively labour and the environment (beyond regulatory or relatively painless controls on their activities) amounts to demanding to restrict the very dynamic of the system of the market economy itself –a dynamic which crucially depends on the economic health of the economic elites and particularly that of the transnational corporations. On this, liberal, neoliberal and social-liberal economists have always been right: any effective social controls on markets to protect labour and the environment would necessarily encroach upon economic efficiency (as presently defined) and therefore on the profitability and the incomes and wealth of the economic elites.

In this problematique, the reformist Left's explanation of the rise of neoliberal globalisation in terms of the "conversion" of the old socialdemocratic parties and their betrayal of the socialist ideals, or in terms of the "historic defeat of the Left" after the collapse of "actually existing socialism", gives a distorted picture of reality. In fact, the conversion of the old socialdemocratic parties could be adequately explained in terms of the change in the structure of the electorate we have seen above, and/or the increased market openness which made statism incompatible with internationalisation.

It is therefore obvious that the general shift to the Right, which has marked the neoliberal form of modernity, had induced many in the Left to move towards the position once occupied by the old social democrats –who have moved in turn to social-liberalism and realistically accepted the non-reversibility of present globalisation. This is not surprising if one takes into account the fact that an adoption of the systemic nature of present globalisation would have serious political implications. In other words, recognition by the Left of the systemic character of globalisation would put it in a serious dilemma: either to adopt the present

globalisation with some qualifications (as social-liberals do) or reject it altogether and challenge the fundamental institution that led to it in the first place: the system of the market economy itself. It is obvious that today's demoralised and generally conformist (frequently by way of post-modernism) Left has chosen an intermediate way between these two "extremes" that involves significant reforms of the globalised economy –which, however, are improbable within the system of the market economy.

Globalisation as an "empire"

Very recently, apart from the transnational capitalist class approach I mentioned above, another Marxist approach on globalisation emerged, which sees it as an "empire".³² This approach adopts a more sophisticated version of the capitalist plot theory according to which capital, faced with a crisis of its ability "to master its conflictual relationship with labour through a social and political dialectic", resorted to a double attack against labour: "first, a direct campaign against corporatism and collective bargaining and second a reorganisation of the workplace through automation and computerisation, thereby actually excluding labour itself from the side of production".³³ The hypothesis that Hardt and Negri make is that "the neoliberalism of the 1980s constituted «a revolution from above»". This "revolution", as they stress in their latest book,³⁴ was motivated by the accumulation of the proletarian struggles that

[32] Michael Hardt and Antonio Negri, *Empire* (Cambridge, Mass.: Harvard University Press, 2001).

[33] Ibid.

[34] Ibid., p. 239.

functioned as the “motor for the crisis” of the 1970s, which in turn was part of the objective and inevitable cycles of capitalist accumulation. The conclusion that Hardt and Negri draw, which is also the main point of the *Empire*, is that contemporary globalisation establishes no territorial centre of power and does not rely on fixed boundaries and barriers. It is a *decentred* and *detrterritorializing* apparatus of rule that progressively incorporates the entire global realm within its open, expanding frontiers. As such, it should be welcomed because it is capital’s latest concession to the force of insurgent subjectivity and it contains the seeds of an alternative (communist) globalisation. Our political task, they argue, is not simply to resist these processes but to reorganize them and redirect them toward new ends. The interesting aspect of this analysis –that is mainly based on unfounded assertions about the nature of the welfare state (which they assume still exists in neoliberal modernity ignoring the fact that it is being replaced everywhere by a “safety net”) and a confused as well as contradictory analysis of neoliberal globalisation– is that, as I mentioned above, it also ends up (like the reformist Left approaches) with reformist demands and no clear vision for a future society.

This observation notwithstanding, the fact that neoliberal globalisation is neither a plot nor irreversible within the market economy system does not of course mean that it should be welcome, as Hardt and Negri do, because it supposedly provides an “objective” basis on which an alternative globalisation could be built –reminding one of the usual “objectivist” type of analysis about the “necessary evils” supposedly created by Progress. As I pointed out elsewhere,³⁵ the adoption of the idea of Progress (shared

[35] *TID*, Ch. 8.

by very few nowadays) implies also the endorsement of such "progressive" conclusions as the Marxist one about the "progressive" role of colonialism,³⁶ or the corresponding anarchist one that the state is a "socially necessary evil".³⁷ On the other hand, if we adopt the view that there is no unilinear or dialectical process of Progress and a corresponding evolutionary process towards forms of social organisation grounded on autonomy and we assume, instead, that the historical attempts for autonomy/democracy represent a break with the past, then, forms of social change like colonialism and the institution of the state can be seen as just "social evils", with nothing "necessary" about them, either as regards their emergence in the past, or the form that social change has taken since, or will take in the future.

The same applies to neoliberal globalisation which has nothing "necessary" about it, as it is simply the inevitable outcome of an initial choice imposed on society by economic and political elites: the choice for a market economy and representative "democracy".³⁸ Furthermore, neoliberal globalisation on no account can be the "objective basis" for a new democratic society. Such a society should, instead, unravel what passes for political and economic democracy today and create genuine democratic institutions that will hardly have any relationship to the present supposedly democratic institutions. In other words, if by a democratic society we mean a new society based on the

[36] See, e.g., Shlomo Avineri, ed., *Karl Marx on Colonialism & Modernization* (New York: Anchor Books, 1969), p. 13; and Anthony Brewer, *Marxist Theories of Imperialism* (London: Routledge and Kegan Paul, 1980), p. 18.

[37] See G.P. Maximoff, ed., *The Political Philosophy of Bakunin* p. 145.; See, also, M. Bookchin, *The Philosophy of Social Ecology*, (Montreal: Black Rose Press, 1995), p. xvi.

[38] Fotopoulos, "The Myth of Postmodernity".

equal distribution of power (and it can have no other meaning!), like the type of society envisaged by the ID project, then, the move towards such a society could only represent a break with the past and not an evolutionary process. In this sense, the present neoliberal globalisation is far from the objective basis for such a society!

CHAPTER 5

GROWTH ECONOMY AND GROWTH IDEOLOGY

The rise of the growth economy

Fukuyama triumphantly declared the “end of history” when the collapse of the socialist project was obvious in both its Eastern and Western versions (“actually existing socialism” and social democracy respectively). He (rightly) identified modernity with the market economy and representative “democracy”, but (wrongly) concluded that the present universalisation of this type of modernity in the form of neoliberal globalisation signified that there was nothing else towards which we could expect to evolve, hence the end of history.

However, the socialist project, particularly in its statist form that was the only form historically tested (its libertarian version was never tested in practice), was only one battle in the war between the autonomy/democratic tradition and the heteronomy tradition. It is therefore clear that the collapse of the socialist project does not mean the end of history but simply the failure of this particular attempt to create an autonomous society.

In other words, the collapse of the socialist project simply implied the dismantling of what we may call socialist *statism*, that is, the historical tradition that aimed at the conquest of state power, by legal or revolutionary means, as the necessary condition to bring about radical social transformation. It should also be stressed that, even before the actual dismantling of socialist statism it has already become evident to many in the Left that there was

a fundamental incompatibility between the state-socialist project and the demand for creating conditions of equal sharing of political, economic and social power among all citizens. State ownership and control of economic resources, even when it led to security of employment and to significant improvements in the distribution of income and wealth, proved utterly inadequate for creating conditions of economic democracy, namely the equal sharing of economic power, not to mention conditions for the equal sharing of political power. Furthermore, socialist statism did not make any significant progress in creating conditions of democracy in the social realm generally, namely the household, the workplace, the educational institutions and so on.

Starting point in the analysis of the causes of the collapse of the socialist project should be the fact that there is an intrinsic link between, on the one hand, the socialist ideology and the form of “socialist” societies established in the 20th century and, on the other, the growth ideology and the growth economy. This is because both the capitalist and the “socialist” economies were types of *growth economy* i.e. a system of economic organisation geared, either “objectively” or deliberately, toward maximising economic growth. But, how did the growth economy emerge?

A perhaps useful way to account for the rise of the growth economy would be to refer to the interaction between the “objective” and “subjective” factors which led to its emergence. The objective factors refer to the grow-or-die dynamic of the market economy whereas the subjective factors refer to the role of the growth ideology. In this book’s problematique, contrary to the claims made by most currents in the green movement, it is not the *growth ideology* –which may simply be defined as the ideology founded on the social imaginary signification that “the unlimited growth of production and of the productive forces is *in*

fact the central objective of human existence”¹– that is the exclusive, or even the main, cause of the emergence of the growth economy. The growth ideology has simply been used to justify “objectively” the market economy and its dynamics, which inevitably led to the capitalist growth economy. The implication is that the main issue today cannot be reduced to just a matter of changing our values, as some radical greens naively argue, or even condemning economic growth per se. The crucial issue today is how we may create a new society where institutionalised domination of human being over human being and the consequent idea of dominating nature is ruled out. The search for such a system will lead us to the conclusion that it is not just growth ideology, which has to be abandoned, but the market economy itself.

Objective and subjective factors did not contribute equally to the emergence of the two types of the growth economy. Objective factors were particularly important with respect to the rise and reproduction of the capitalist growth economy, whereas they did not play any significant role in the emergence of the “socialist” growth economy – although they were important with respect to its reproduction. Vice versa, subjective factors, the growth “values”, merely played an ideological role, as far as the capitalist growth economy is concerned, in the sense of justifying the emerging market economy, but played a crucial role with respect to the rise and reproduction of the “socialist” growth economy, given the Enlightenment’s identification of Progress with the development of productive forces and the influence that the Enlightenment ideas had on the rising socialist movement.

[1] Cornelius Castoriadis, *Philosophy, Politics, Autonomy* (Oxford: Oxford University Press, 1991), p. 184.

Capitalist and socialist growth economy

The advent of “Actually Existing Socialism” (AES) had created another type of growth economy in which economic growth was not the byproduct of the dynamics of the market economy, as in the capitalist growth economy, but, instead, was a deliberate political objective. In both these two types of growth economy, including the hybrid form of social democracy, the means are different but the end-result is the same: the maximisation of growth. In fact, it is the much lower degree of compatibility between ends and means in the socialist case than in the capitalist one which led to the eclipse of the socialist growth economy.

As we saw in chapter 1, marketisation and growth, fuelled by competition, constituted, historically, the two fundamental components of the system of the market economy. Thus, mechanised production under conditions of private ownership and control of the means of production implies, first, *marketisation*, as the outcome of the effort of those controlling the market economy to minimise social controls on the markets and, second, *economic growth*, as the outcome of a process which, at the micro-economic level, involves the pursuit of profit through the continuous improvement of efficiency. Both orthodox and Marxist economic theory could be used to show that the maximisation of economic growth and efficiency crucially depend on the further division of labour, specialisation and the expansion of the size of the market. This is why modern technology has always been designed to maximise economic efficiency, something that implies further expansion of the division of labour and the degree of specialisation, irrespective of the broader economic and social implications. Thus, economic growth, extension of division of labour and exploitation of comparative advantages imply a departure from the principle of self-reliance. But, this departure has considerable

repercussions at the economic level (unemployment, poverty, economic crises in market economy and economic irrationalism in socialism), the cultural level (disintegration of social ties and values), the general social level (drastic restriction of individual and social autonomy) and, as we shall see, the ecological level.

The inevitable consequence of the pursuit of profit, through maximisation of efficiency and the size of the market, has been the concentration of economic power in the hands of the elites that control the economic process. However, concentration of economic power has not been the prerogative of the capitalist growth economy. A similar concentration took place in the socialist growth economy. Therefore, the difference between the two types of growth economy with respect to concentration is simply reduced to who owns the means of production and how they are allocated among different uses.

Thus, first, as far as the form of ownership of economic resources is concerned, both the private-capitalist and the state-socialist forms of ownership lead to the pursuit of *partial* interests as they both assign the right to control the production process to a minority. In the former case *directly*, through private ownership that gives a capitalist minority the right to control the means of production and in the latter case *indirectly*, through state ownership that assigned a similar right to the bureaucratic elite of the AES countries.

Second, as far as the mechanism for resource allocation is concerned, both the market mechanism and the planning mechanism result in establishing a few in privileged positions, at the expense of the many. But, whereas in the capitalist growth economy the concentration of economic power at the hands of the capitalist elite is realised “automatically”, through the unequal distribution of income that results from the market economy’s functioning, in

the socialist growth economy, the corresponding concentration at the hands of the bureaucratic elite was realised through the concentration of political power at the hands of this minority that secured its control over the planned allocation of resources.

Therefore, to the extent that the “socialist” concentration of power is “accidental”, when socialism takes the form of soviet “democracy” at the political level and central planning at the economic level, to a corresponding extent, the capitalist concentration of power is accidental when liberalism takes the form of representative “democracy” and the market economy respectively. In both cases, concentration is justified by the respective ideology, directly in Marxism and indirectly in liberalism. Thus, in the former, concentration of power is considered necessary in the “transitional” period to communism whereas in the latter, as long as it is “legal”, it is not considered to be incompatible with the fundamental liberal principle of the “primacy of the individual”, even though concentration negates the principle’s universality. It is therefore clear that neither “actually existing socialism” leads to the liberation of human beings, nor “actually existing capitalism” affirms the “primacy of the individual”.

As it is obvious, the distinction introduced in this book between the capitalist growth economy and the socialist growth economy is made on the basis of the way in which economic resources are allocated, and not on the basis of the nature of the respective regimes. This is of particular importance with respect to the AES regimes, which can surely not be characterised as socialist, even by the standards of classical Marxism.² Therefore, in the capitalist

[2] See Takis Fotopoulos, *Dependent Development: The Case of Greece* (Athens: Exantas Press, 1985 & 1987), Ch. A.

growth economy, economic growth and the basic economic problems (what, how, for whom to produce) are left to the price mechanism, whereas in the socialist growth economy most of the corresponding decisions are taken through some form of central planning mechanism. Using this distinction, under the “capitalist growth economy” label, we will classify the growth economies in the West, which mainly flourished in the post World War II period and took either a social-democratic form (during statist modernity) or the present neoliberal form, whereas under the “socialist growth economy” label, we will classify the pre-1989 economic structures in the East, namely the AES countries.

The above distinction is necessary because, although ownership –and particularly control of the means of production– was only formally social in the “socialist” growth economy, the fact that the allocation of resources was achieved mainly through the central planning rather than the price mechanism constitutes an important qualitative difference. Thus, whereas in the capitalist growth economy (and the “socialist market economy”) the growth objective as well as the intermediate objectives (efficiency, competitiveness) are derived “from within” the logic and dynamics of the system itself, in the “socialist” growth economy, the same objectives are imposed “from without”, by the political decisions of the party bureaucrats who control the planning mechanism. In other words, it is conceivable that a planned economy may pursue different objectives from those that a market economy does. But, although a certain amount of development of productive forces will always be needed so that, at least, the basic needs of all citizens are satisfied, still, this does not imply a struggle to maximise growth in competition with the capitalist growth economy (“to catch up and overtake America” was the Soviet slogan) and everything this struggle involves in terms of the need to improve efficiency. So, whereas in the capitalist case,

the growth economy is the *inevitable outcome* of the workings of the market economy at the micro-economic level, in the socialist case, it is simply the *selected objective* at the macro-economic level.

However, apart from this basic difference, the two types of the growth economy share many common features and, in particular, two very important characteristics: concentration of economic power and ecological damage. These characteristics, in turn, follow from the fact that both versions share the intermediate objective of efficiency. *Efficiency* is defined in both systems on the basis of narrow techno-economic criteria of input minimisation/output maximisation and not on the basis of the degree of satisfaction of human needs, which is supposed to be the aim of an economic system.³ Therefore, although concentration of economic power in the socialist growth economy was mainly the outcome of the concentration of political power in the hands of the party elites, and not the outcome of the “automatic” functioning of the economic system, still, the adopted objective to maximise growth and efficiency imposed the need to use the same methods of production in both the East and the West. Furthermore, given that the concept of economic efficiency, which both systems share, does not take into account the “externalities” of the economic process and particularly the negative consequences of growth on the environment, the outcome is today’s widespread environmental damage all over the planet.

[3] The usual definition of *economic efficiency* in terms of *technical efficiency*, *production efficiency* and *exchange efficiency*, although supposedly “neutral”, in fact, assumes away distributional aspects, so that it is perfectly possible for a particular allocation of resources to be “efficient” and at the same time not capable to meeting adequately (or not at all) even the basic needs of many citizens.

Growth economy and growth ideology

The first component of the market economy system, the marketisation process, as we saw in chapter 1, had divided the intelligentsia of the industrial era and led to the two large theoretical and political movements, liberalism and socialism. However, no similar divide had arisen with respect to the second component, that is, economic growth. Economic growth became a central element of the *dominant social paradigm* (i.e. the system of beliefs, ideas and the corresponding values, which is associated with the political, economic and social institutions) in both the capitalist and the “socialist” versions of the growth economy. Thus, economic growth became a liberal and a socialist objective, although it is intrinsically linked to the market economy and despite the commitment of the ruling elites in the AES countries to substitute central planning for the market economy.

Therefore, despite the fact that the dominant ideology in the West has been that of liberalism and in the East socialism, still, both the market economy in the former case and the planned economy in the latter shared the same growth ideology that has been established for over 200 years, in the wake of the industrial revolution and the “grow-or-die” dynamic, which was set in motion by the market economy. In effect, the shift to modernity marked to move to new forms of social organisation embodying what Castoriadis called a new “social imaginary signification”⁴: the boundless spreading of “**rational domination**”, which identifies progress with the development of productive forces and the idea of dominating Nature. This

[4] Cornelius Castoriadis, *The Imaginary Institution of Society* (Cambridge: Polity Press, 1997).

is why for both liberals and socialists, from Adam Smith⁵ to Karl Marx⁶, the fundamental problem was how humankind could, with the help of science and its technological applications, maximise growth. In fact, Marx was even more emphatic about the importance of rapid growth. So, the growth ideology has complemented the *liberal* ideology of the capitalist growth economy and the *socialist* ideology of the socialist growth economy. In this sense, the growth ideology has been the ultimate ideological foundation for both the capitalist and the socialist growth economy, despite the different ways in which the hierarchical patterns of power concentration are structured in the two types of growth economy. Furthermore, the growth ideology has, in a sense, functioned as the “ideology in the last instance”, since it has determined which ideology would be dominant at the end. This is why the economic failure of the socialist growth economy (namely, the failure to create a Western-type consumer society) was the main reason that led to the collapse of this type of growth economy and to the present predominance of the capitalist growth economy and its own ideology (liberalism).

The common growth ideology can also account for the fact that both types of growth economy share a similar environmental degradation –in fact, a bigger degradation in the AES countries due to the less efficient technologies used in these economies and the fact that the pollution effects were intensified by their price structures, which

[5] Adam Smith, *The Wealth of Nations* (London: Harmondsworth, 1970), p. 104.

[6] As Sean Sayers observes, drawing from Marx’s *Capital*, Vol. 3, and *Grundrisse*, “Marx regards the immense expansion of production to which capitalism has led as its progressive and «civilising» aspect”; Sean Sayers, “Moral Values and Progress,” *New Left Review*, No. 204 (Mar.-Apr. 1994), pp. 67-85.

underpriced energy and raw material resources leading to their overuse. Thus, to the extent that the present concentration of power cannot be simply reduced to capitalist production relations, as Marxists contend, to a similar extent, the ecological crisis itself cannot be merely reduced to capitalist relations and conditions of production, as eco-Marxists maintain.⁷ It is, anyway, evident that an analysis of the ecological crisis on the basis of capitalist production relations fails to explain the presence of an even more serious ecological crisis in the AES countries, despite the absence of capitalist production relations in the sense of privately owned means of production. Thus, just as it would be wrong to attribute the ecological crisis merely to the growth ideology, as the environmentalists and various “*realos*” within the Green movement do, disregarding the institutional framework of the market economy and the consequent power relations, it would be equally wrong to impute this crisis mainly to capitalist production conditions, as eco-Marxists are trying to do, disregarding the significance of the growth ideology on the theory and practice of socialist statism.

In fact, in order to provide an adequate interpretation of the ecological crisis, we should refer not just to the interplay of capitalist *production relations* with *conditions of production* (as eco-Marxists do), but to the interplay of ideology with the *power relations* that result from the concentration of power in the institutional framework of a hierarchical society. At this point however it should be pointed out that although the idea of dominating nature is as old as social domination within hierarchical society, the first historical attempt to dominate nature *en masse* emerged

[7] See James O'Connor, "Capitalism, Nature, Socialism," *Society & Nature*, Vol. 1, No. 2, (1992), pp. 174-202.

with the rise of the market economy and the consequent development of the growth economy. Therefore, to explain the present ecological crisis we have to begin with the historical factors which led to the emergence of the hierarchical society in general and continue with an examination of the contemporary form of hierarchical society, in which the elite draws its power mainly from the concentration of *economic* power.

Still, despite the fact that the growth ideology underpinned both the liberal and socialist ideology one should not ignore the intrinsic relationship between means and ends. Therefore, in spite the fact that both types of growth economies aimed at the same goal (maximisation of economic growth) the difference in the means used is very important. Planning is a means which is primarily consistent with a system of social ownership of the means of production whereas the market is primarily consistent with private ownership. Although therefore various combinations of planning/market and social/private ownership of productive resources have been proposed and implemented in the past, the fact remains that it is the combination of planning (combined perhaps with forms of artificial “markets” like the ones proposed in ch. 6) with forms of social ownership which can only secure the satisfaction of all citizens’ needs. Therefore, any combination of real markets with private ownership of productive resources (as in market economies) is bound to distribute the economic benefits from growth in a very uneven way that does not meet the needs of all citizens. In fact, even a combination of social ownership of the means of production with real markets is bound to lead again (because of the dynamics of the market mechanism itself) to significant unevenness and inequality, as is the case in the today’s “socialist-market” economies (China, Vietnam etc).

Concentration: the inevitable outcome of market economy's dynamics

Concentration of economic power does not, of course, constitute a new phenomenon. In all hierarchical societies, some concentration of wealth has always accompanied the concentration of political and military power in the hands of the various elites – a fact usually “justified” through a system of social rules based upon religion. The new element in the growth economy is the fact that the reproduction of the social system itself, as well as of the power of the elite controlling it, crucially depends on the realisation of the growth objective which, in turn, is “justified” through the identification of Progress with growth. So, economic growth functions not just as a fundamental social and economic goal, but also as a basic means to reproduce the structures of unequal distribution of economic and political power which characterise the modern hierarchical society, as well as a central element of the ideology that supports it. Therefore, the hierarchical society took a new form with the rise of the market economy in the West and the planned economy in the East. In this new form, the elite draws its power not only (as in the past) from the concentration of political, military or, in general, social power, but, primarily, from the concentration of economic power, whether this concentration is brought about by the market mechanism, or through the control of the central planning.

However, the fact that the modern hierarchical society relies for its reproduction on the maximisation of economic growth constitutes, also, its fundamental contradiction. This is not because, as it is usually argued, the continuation of the growth economy has serious environmental implications but because the necessary condition for the reproduction of the growth economy is the concentration of its benefits to a small section of the world population,

i.e. the huge inequality in the distribution of world income. This is on two counts:

- First, it is simply not *physically* possible for the wasteful consumption standards, which are today enjoyed by the “two-thirds societies” in the North and the elites in the South, to be universalised and enjoyed by the world population. Thus, as Carley and Christie point out “it seems clear that the material consumption of industrial people cannot be universalised to encompass all humans on earth. The required increase in material production is enormous. To simply universalise the North’s standard of living now, global industrial production would need to rise 130 times”,⁸ even if we do not take into account present growth and population growth projections!⁹ In this sense, one may argue that the present rapid growth rate in countries like China is physically sustainable only if the parallel huge increase in inequality continues.
- Second, a universalised growth economy is not *environmentally* sustainable, at the present state of technological knowledge and cost of “environmentally-friendly” technologies. In other words, the universalisation of such technologies would not be possible, given their cost and the concentration of world income. Furthermore, it is at least doubtful whether after the universalisation of such technologies their beneficial impact on the environment will remain the same.

Therefore, concentration and ecological disintegration do not simply constitute *consequences* of the establishment

[8] Michael Carley and Ian Christie, *Managing Sustainable Development* (Minneapolis: University of Minnesota Press, 1993), p. 50.

[9] Andrew McLaughlin, “What Is Deep Ecology?”, *Capitalism, Nature, Socialism*, Vol. 6/3, No. 23 (Sept. 1995).

of the growth economy, but also *fundamental pre-conditions* for its reproduction. Contrary to the under-consumptionist “civil societarians” who hope that the elites of the Triad, facing the threat of an inadequate demand because of growing inequality, will be induced to introduce a world mixed economy,¹⁰ in fact, the opposite is the case. The growth economy in the North not only is not threatened by the growing inequality of the present internationalised market economy, but, instead, depends on it. Thus, just as the production of the growth economy is not possible without the plundering of nature, its physical reproduction is equally impossible without the further concentration of economic power.

In conclusion, it is obvious that the present concentration of economic, political and social power in the hands of the elites which control the growth economy is not simply a cultural phenomenon related to the values established by the industrial revolution, as significant currents within the ecological movement naively believe. Therefore, the realisation of ecological balance is not just a matter of changes in value-systems (abandonment of the growth logic, consumerism etc.) which would then supposedly lead us to an eco-friendly way of living. In fact, the concentration of power constitutes the inevitable outcome of a historical process that started with the establishment of hierarchical social structures and the implied ideology of domination of human over human and nature¹¹ and culminated in

[10] Hirst & Thompson, *Globalisation in Question*, p. 163.

[11] For a comprehensive analysis of this process, see the work of Murray Bookchin and, in particular, his works *Remaking Society* (Montreal: Black Rose, 1990), *The Ecology of Freedom* (Montreal: Black Rose, 1991), and *From Urbanisation to Cities* (London: Cassell, 1992 & 1995).

the last two centuries with the development of the market economy and its by-product the growth economy.

The market/growth economy and the concentration of economic power are opposite sides of the same coin. This means that neither the concentration of economic power nor the ecological implications of the growth economy are avoidable within the present institutional framework of the internationalised market economy. However, the increase in the concentration of economic power¹² leads many people to the realisation that Progress, in the sense of improvements in welfare through growth, has a necessarily *non-universal* character. Therefore, the moment of truth for the present social system will come when it will be universally acknowledged that the very existence of the present wasteful consumption standards depends on the fact that only a small proportion of the world population, now or in the future, are able to enjoy them.

[12] For evidence on the historical concentration of economic power at the micro- and macro-economic level see *TID*, Ch. 2.

CHAPTER 6

THE CAUSES OF THE COLLAPSE OF THE SOCIALIST PROJECT

The decline of socialist statism

A crucial part of the present multi-dimensional crisis, at least as far as its political dimension is concerned, refers to the decline of socialist statism which, after its victory in the 19th century over libertarian socialism (a product of the autonomy/democratic tradition), was seen as the material manifestation of the socialist movement itself. The view about the socialist movement which had become dominant in the wake of the Enlightenment was that it constituted the precondition for employing our knowledge about nature and society in order to shape the natural environment and the course of social evolution. This view involved a course of linear (or dialectic) progress into the future. Politics could be grounded on science, on an effective knowledge, regardless of any collective, creative, or self-instituting activity on the part of social individuals. The socialist statist view flourished in particular during the quarter of a century following the end of World War II, as a result of the vast geographic expansion of the socialist growth economy in East Europe and the take-over of power by social-democratic parties in West Europe.

Socialist statism, in its two main historical forms, namely “actually existing socialism” in the East and social democracy in the West, has dominated the Left in the past hundred years or so. However, despite the significant

differences between the social-democratic view, which involved the conquest of the bourgeois state in order to reform it, and the Marxist-Leninist view, which involved the abolition of the bourgeois state and its reconstitution into a proletarian state, still, both views involve a mechanism to achieve radical social change that implies the concentration of political and economic power. Even Lenin's¹ proletarian state or "mini-state", which eventually withers away, involves a significant degree of concentration of power in the hands of the proletariat that could easily degenerate, as Bakunin² had predicted, into a huge concentration of power in the hands of an elite of ex-workers (avant-garde).

Today, the socialist statist view seems effectively demolished from the concentrated blows of the New Right and the "civil-societarian" Left, as well as those of the new social movements. The socialist statist tradition itself is also in deep crisis, as indicated by the two major developments of the last fifteen years: the eclipse of actually existing socialism in the East and the parallel collapse of social democracy in the West. The crisis of socialist statism is, of course, understandable, considering that numerous socialist statist parties succeeded in their aim to seize state power. Thus, social-democratic movements in the First World, communist movements in the Second World and various self-styled socialist national-liberation movements in the Third World seized power, and they all failed to change the world, at least in accordance with their proclaimed declarations and expectations. In fact, even the very superstructures that these movements erected in the post-war period, which gave the impression of some change, have either been pulled down ("actually existing

[1] V. Lenin, *The State and Revolution* (Moscow: Foreign Languages Publishing House, 1917), p. 30.

[2] Maximoff, *The Political Philosophy of Bakunin*, p. 287.

socialism" in the East) or are in the process of demolition (social democracy in the West). So, the failure of socialist statism refers to both the form of socialist statism in the East, which is associated in theory with Marxism and in practice with state centralism, as well as Western social democracy, that is, the statism which is associated in theory with Keynesianism and in practice with the welfare state and the mixed economy.

To my mind, as I tried to show in TID,³ the fundamental reason for the historic failure of socialist statism in both its versions lies in its attempt to merge two incompatible elements: the "growth" element, which expressed the logic of the market economy, with the social justice element, which expressed socialist ethics. This is so because whereas the growth element, as part of a growth economy, implies the concentration of economic power (whether as a consequence of the functioning of the market mechanism, or as a built-in element of central planning), the social justice element is inherently linked to the dispersion of economic power and to equality. Thus, socialist statism, in its effort to make the benefits of growth accessible to everyone and lend universal meaning to Progress –which was identified with growth– attempted to create a socialist growth economy, disregarding the fundamental interdependence of growth and the concentration of economic power. Moreover, the attempt to merge the growth element with the social justice element created a fundamental incompatibility between ends and means. Therefore, whereas the capitalist growth economy constituted the inevitable consequence of the market economy and, therefore, the means (market economy) and the end (growth economy) were perfectly compatible, in the case of socialist statism,

[3] *TID*, Ch. 2.

the end (growth economy) was not compatible with the means (social-democratic statism/central planning). In fact, the greater the degree of statism (as in the case of central planning), the greater the incompatibility between means and ends, contributing even more to the failure of the system.

The causes of the collapse of “actually existing socialism”

To give an adequate interpretation of the decline of socialist statism,⁴ as far as the “actually existing socialism” is concerned, it is necessary to outline the causes of its economic failure. It was precisely the system’s economic failure that, on the one hand, led to the spectacular U-turn of Soviet bureaucracy, which was expressed by Gorbachev’s *perestroika*, and, on the other, functioned as the catalyst for the collapse of “actually existing socialism” in the satellite countries. Economic failure manifested itself by a significant slow-down in the development of production forces which led, at the end, to stagnation. Indicatively, the growth rate of industrial output in the USSR fell from an average 7 percent in the 1960s to 4 percent in the 1970s and to 2 percent in the 1980s.⁵ Also, the average GDP growth rate fell from 7 percent in the 1960s to about 5 percent in the 1970s and barely 2 percent in the 1980s.⁶ At

[4] See also *TID*, pp. 73-85 and 100-104 and T. Fotopoulos, “[The catastrophe of Marketization](#)”, *Democracy & Nature*, Vol. 5, No. 2 (July 1999), pp. 275-310.

[5] A. Szymanski, “The Socialist World System,” in *Socialist States in the World System*, C. K. Chase-Dunn, ed. (London: Sage Publications, 1982), Table 2.3.

[6] The average GDP growth rate for the 1980s refers to the Russian federation only (World Development Report 1997).

the same time, serious shortages of consumer goods developed and the phenomena of technological backwardness and low quality of production intensified.

The economic failure of “actually existing socialism” can be attributed to the fundamental incompatibility between the requirements of the growth economy and the functioning of a centrally planned economy. Whereas in a market economy the market forces are comparatively free to secure the degree of concentration which is necessary for growth, in a planned economy the distorting interventions of bureaucrats and technocrats in the growth process, aiming at the contradictory merging of growth with social justice (for example, in the form of “hidden unemployment”), inevitably led to economic inefficiency. Similarly, in a bureaucratically organised economic system, it was practically impossible to introduce new technologies and products, particularly in the consumer goods sector where a decentralised information system is a necessity.

Furthermore, the fact that both the capitalist growth economy and socialist statism shared the same goal, that is, economic growth, meant that the same principles played a decisive part in the organisation of production and in economic and social life in general, irrespective of whether the production motive was private profit or some kind of “collective” profit. This becomes obvious by the fact that the principles of economic efficiency and competitiveness marked not only social democracy in the West but also AES in the East. One may therefore argue that from the moment both versions of socialist statism showed that, in the last instance, they rested on the same fundamental principles as the market economy did and that they were, inevitably, leading to the reproduction of similar hierarchical structures, the countdown leading to the collapse of socialist statism itself and of the ideologies on which it rested

(Marxism/Keynesianism), had begun. This was due to both objective and subjective factors.

The objective factors refer to the fact, as already mentioned, that the pursuit of efficiency and competitiveness, which the growth objective implies, fundamentally contradicts the socialist aims. It is obvious that the criteria of social justice, on which the socialist aims are based, are much broader than the narrow economic criteria that define economic efficiency and competitiveness, and as such are incompatible with them. The economic failure (particularly in terms of low productivity) of the AES countries, in which the system itself relied on the socialist ideology, could be explained on the basis of this fundamental contradiction between efficiency and socialist ethics. For instance, the two main achievements of the AES countries (both reversed with dramatic consequences after the reintegration of these countries into the internationalised market economy),⁷ i.e. the elimination of the fear of unemployment and the realization of a lower degree of inequality in the distribution of income than in Western countries (at the same level of development),⁸ inevitably contributed to "inefficiency". The former, because full employment was achieved through the creation of what Western economists call "disguised unemployment" and the latter because, according to the same economists, greater equality is incompatible with the creation of incentives for saving and work.

The subjective factors refer to a corresponding contradiction between the socialist ideology and the reality of "actually existing socialism", which led to the widespread realisation of the failure of the system to lead to a new model of social life that would transcend the principles

[7] Fotopoulos, "The catastrophe of Marketization", pp. 275-310.

[8] See Michael Ellman, *Socialist Planning* (Cambridge: Cambridge University Press, 1979), pp. 267-68.

characterising the system of the market economy. The economic crisis of AES, combined with the system's bureaucratic organisation of social life have been the essential factors that led to the credibility crisis of the socialist project in its statist form. As growth was the objective of both an AES country and one organised as a market economy, It was obviously a better bet for the average citizen to choose the "real thing", which might better "deliver" (even unevenly) the promised consumer goods, rather than keep supporting a system that not only was failing in its socialist promises but was also a bad imitation of the market economy.

In fact, the lack of political democracy and democracy at the workplace was, according to an important interpretation of the collapse of "actually existing socialism",⁹ the basic cause of the system's inefficiency. This lack of workers' participation in the decision-taking process, unavoidably, led to the alienation of direct producers, given in particular the total absence of work incentives.

Thus, the socialist *ideological* incentives, used mainly by Stalin and Mao in their effort to make up for the absent economic incentives were doomed to fail in a system characterised by the fundamental contradiction between an ideology based upon the principles of equality and social justice, and the reality of a blatantly unequal distribution of economic and political power.

Also, both the main capitalist *economic* incentives, *consumerism* and *unemployment*, were institutionally absent in the AES countries. Consumerism was impossible, not only because of the bureaucratisation of the economic

[9] Such views are expressed, e.g., by Cornelius Castoriadis, *Political and Social Writings* (Minneapolis: University of Minnesota Press, 1988), Vols. 1-2 and R. Bahro, *The Alternative in Eastern Europe* (London: Verso, 1978).

process which had created an inefficient consumer goods sector, but also because of the fact that these countries had to channel the lion's share of their inadequate economic resources to meet the exorbitant defence expenditures imposed on them by the Cold War. Furthermore, the right to employment – usually inscribed in the constitution – not only created widespread disguised unemployment, but also reinforced an attitude of “minimal effort” and passivity. The consequences were inevitably disastrous, especially with respect to the all important (for the adequate functioning of resource allocation) efficiency of the information flow.

So, the failure of “actually existing socialism” to achieve its principal aim of creating an efficient socialist growth economy produced the following strategic dilemma for the ruling elites: either socialist decentralisation, or decentralisation through the market. The former involved the creation of an authentic socialist economy, through the institution of new structures for socialist self-management and a parallel struggle for the establishment of a new international division of labour based upon the principles of co-operation and solidarity – something that implied their self-exclusion from access to Western capital, at the very moment many of these countries were beginning to borrow heavily from the West. Even more crucially, socialist decentralisation entailed the virtual self-negation of the ruling elites and the dissolution of the hierarchical structures they had established. The latter involved the creation of a “socialist” market economy and a full integration into the internationalised market economy, which is founded upon the principles of competition and individualism – an option which was entirely consistent with the reproduction (with some changes in form) of the hierarchical structures and of the elites themselves.

It is not difficult to understand why the bureaucratic

elite had chosen the option of decentralisation through the market. It is therefore clear that the criteria used in selecting this form of decentralisation were not economic (as presented by Western analysts and politicians), but *political*. The discourse used by the protagonists of perestroika, in order to justify it, was indicative. Thus, according to Alexander Yakovlev,¹⁰ perestroika signified the substitution of the theory that universal human values transcend class interests for Marxist class theory. It is characteristic that among these “universal” values the dominant one is considered to be the mixed economy and free competition! It is therefore clear that once the reformist elites embarked on a strategy to introduce a “socialist” market economy, the dynamic that was set in motion was bound to lead to the transcendence not just of the “socialist” growth economy but of “actually existing socialism” itself. This was so, because the Soviet reformist elite, unlike the Chinese one, was obliged to accompany the reforms (perestroika) with more openness (glasnost) in order to outmanoeuvre the strong military-industrial faction in the establishment, which did not wish to see any significant changes in the status quo. Thus, whereas in the Chinese case the type of capitalism “from below” that was allowed to flourish did not need changes at the political level, in the East European case the type of capitalism “from above” that was introduced by the ruling elites did require more openness at the political level. But, more openness gave the chance to the centrifugal forces (that were of course strongly encouraged by the Western elites), which had a vested interest in the restoration of the capitalist growth

[10] Alexander Yakovlev, *The Guardian* (20 Aug. 1991); see, also, his book, *The Fate of Marxism in Russia* (Yale: Yale University Press, 1993).

economy, to push for the fragmentation of the USSR and the overthrow of “actually existing socialism”.

The causes of the decline of social democracy

It is not, however, only “actually existing socialism” that today has collapsed. Despite the absurd claims by many social democrats that the collapse of the extreme form of socialist statism in Eastern Europe vindicated social democracy, in fact, the disintegration of the social-democratic version of the capitalist growth economy is no less conspicuous.

The main characteristic of the neoliberal consensus is the drastic alteration of the content of social democracy, that is, the radical shrinking, not just of statism in general but of “socialist” statism in particular. Thus, the fundamental structures of the neoliberal consensus are, above all, characterised by the minimisation of social-democratic state interventionism, in other words, of the type of interventionism which marked the post-war period of social-democratic consensus, until about the mid-1970s. The central aims of social-democratic state interventionism were, as we saw in ch. 1, first, to establish and maintain full employment, second, to create a comprehensive welfare state and, third, to achieve a fair distribution of income. The latter was supposed to be secured, not only through the introduction of a “social wage” system that was implied by the welfare state, but also through a progressive personal income tax system that could be used, in combination with public sector borrowing, to finance the welfare state.

In the event, the pursuit of these aims did have some success in improving the standard of living of the lower

income strata, creating the image of a “single-nation” society. Thus, at the ideological level, social democrats were able to claim that they had created a society which secured some social justice guarantees, without sacrificing every sense of individual freedom, i.e. an “actually existing capitalism with a human face”.

However, this type of socially credible capitalism –contrary to the claims of ex-Marxist intellectuals that have belatedly defected to social democracy– is either extinct (United Kingdom), or is rapidly disappearing (Germany, Austria, Scandinavian countries etc). The abandonment of the state’s commitment to full employment and the subsequent rise in unemployment and poverty, as well as the crippling of the welfare state, have led to the present “two-thirds society” (or more correctly, as I tried to show in TID, “40 percent society”), which has taken the place of the “single-nation” society. The social-democratic parties, rather than attempting to bring about drastic changes in the neoliberal market economy being established, changed their ideology instead. As a result, these parties at present bear almost no relation at all to the traditional social-democratic parties of the 1950-1975 period. It is for this reason that such parties should more accurately be called “social liberal” rather than social-democratic. In fact, the collapse of social democracy in the last decade or so has taken such dimensions that an old member of the “New” Left in desperation asked:

Once, in the founding years of the Second International, (social democracy) was dedicated to the overthrow of capitalism. Then, it pursued partial reforms as gradual steps towards socialism. Finally, it settled for welfare and full employment within capitalism. If it now accepts a scaling

down of one and giving up of the other, what kind of movement will it change into?¹¹

So, under the structural constraints that the present internationalisation of the market economy imposes, as well as the electoral considerations prescribed by the change in class structure we saw in chapter 1, the policies of social liberals are now hardly discernible from those of pure neoliberals. And the same story repeats itself everywhere: from Australia, where the Labour party had earnestly implemented privatisation policies and taken drastic steps to cut budget deficits, to Sweden, where the social democrats, even before losing power in 1991, had embarked on a policy leading to the effective dismantlement of the employment system and the welfare state and Norway, where “the single most important goal of Labour’s strategy, full employment, has been abandoned”.¹²

The fate of social democracy in its cradle, Europe, is indicative of the failure this form of socialist statism. The substitution of the present neoliberal consensus for the social-democratic consensus is clearly discernible in the course followed by the European Union (EU). The process to create a single European market, which began in the 1950s with the Rome treaty, accelerated in the last decade with the Single Market Act that was put in effect in 1993, and the Maastricht and Amsterdam treaties which replaced the Rome treaty. Accelerating the integration process was made imperative by the growing internationalisation of the market economy and the intensifying competition with the other two parts of the Triad (North America and Japan). The supporters of the acceleration process maintained

[11] “Introduction”, in P. Anderson and P. Camiller, eds, *Mapping the West European Left* (London: Verso, 1994), pp. 15-16.

[12] Jan Fagerberg et. al. “The decline of social-democratic state capitalism in Norway”, *New Left Review*, No. 181 (May/June 1990), p. 88.

that, in the ultra-competitive internationalised market economy of the twenty-first century that is now dawning, only a market of continental dimensions could provide the security and the economies of scale needed for the survival of European capital.

Indeed, during the past decade or so, the economic gap between the EU and the other Triad members has widened considerably, as indicated for instance by the changes in their export shares. Thus, between 1980 and 1996, EU's world export share decreased by about 1.5 percent, whereas the US and Japanese shares increased by 12.5 percent and 15 percent correspondingly.¹³ The main cause of Europe's failure is the fact that its competitiveness has, for long, been lagging behind the competitiveness of the other regions.¹⁴

The form that the integration has taken reflects, in various ways, the dominant neoliberal trend. Had, for instance, the acceleration of this process started in 1979 – when a European Commission's report was still foreseeing a European Union built on “indicative planning” at the continental level¹⁵ – a very different picture of European integration might have emerged. In fact, the European Commission's report was accurately reflecting the essence of the social-democratic consensus, which had just started breaking down at the time. Its proposal amounted to a kind of “European Keynesianism” that should have replaced

[13] World Bank, *World Development Report 1998/99*, Table 15.

[14] Thus, European competitiveness has fallen by 3.7 percent between 1980 and 1992, while US competitiveness has risen by 2.2 percent and Japanese competitiveness (which for many years has been on top of the competitiveness league) increased by 0.5 percent, *World Economic Forum* (1993).

[15] The European Commission, *The Challenges Ahead: A Plan for Europe* (Brussels, 1979).

national Keynesianism, which had already become –under conditions of increasingly free movement of capital– obsolete. However, the collapse of the social-democratic consensus, following the flourishing of neoliberalism in the 1980s, brushed aside the proposals for a European Keynesian strategy. Thus, the tendency that eventually prevailed in the EU was one that identified economic unification with the radical shrinking of national control on economic activity, without the parallel establishment of supranational control–apart from monetary control. Consequently, the EU’s executive power has been confined to creating a homogeneous institutional framework that allows for unimpeded entrepreneurial activity, while, simultaneously, providing for some minimal guarantees (those compatible with the neoliberal consensus requirements) regarding the protection of the environment and the social space.

The agreement for the single market rests on the neoliberal assumption that the EU economies are suffering from a lack of “structural adjustment”, that is, from structural deficiencies due to inflexibilities of the market mechanism and barriers to free competition that obstruct the flow of commodities, capital and labour.¹⁶ As regards the capital market in particular, freeing this market from any controls, that is, creating conditions for the easy and unrestricted flow of capital between countries, was considered to be a basic requirement in this process. However, the most important barriers were not the ones explicitly mentioned in the Gecchini Report, but those implied and, in particular, the emphasis it placed on competition. These implied barriers were the “institutional” barriers to free competition

[16] Paolo Gecchini, 1992: *The European Challenge* (London: Wildwood House, 1988), p. 4.

that had been introduced by the social-democratic consensus and which the agreement for the Single Market undertook to eliminate – a task brought to completion by the Maastricht and Amsterdam treaties. Such institutional barriers were the Keynesian type of state interventionism to secure full employment, the large welfare state that created fiscal problems, the labour unions’ “restrictive practices” and the public corporations, which did not always act on the basis of micro-economic criteria to raise economic efficiency. These barriers, as long as the degree of internationalisation of EU economies was still relatively low, did not have a substantial negative effect on economic growth. However, once the growing internationalisation of the EU economy and, in particular, the enlarged mobility of capital, ceased to be compatible with the implementation of Keynesian macro-economic policies at the national level, their negative effect on growth became evident, as manifested by the stagflation crisis of the 1970s which hit particularly hard the European economies.

Maastricht treaty’s basic aim was to attack the symptoms of these institutional barriers and, in particular, inflation and the huge public sector deficits caused by the expansion of statism. In keeping with this logic, the only economic criteria mentioned by the Treaty were stable prices, sound public finances and a sustainable balance of payments, whereas full employment and improving (or even maintaining) social welfare standards were not even mentioned as objectives! So, it was not surprising that Maastricht’s “social dimension” was, in fact, of very little significance, since it did not provide for any effective mechanisms – of equal, say, significance to the anti-inflation mechanisms it set up – to safeguard the right to work, the narrowing of inequalities, the eradication of poverty, etcetera. The Treaty’s Social Charter itself (for which the social democrats take great pride) aims at economic rather

than social goals. As one researcher observed on the subject, the Social Charter is not interested in people but in efficient and productive labour units.¹⁷ Furthermore, the collapsing national welfare state was not replaced by a common social policy that would have guaranteed the coverage of basic needs (health, education, social security, etc) and a minimal income for all that would have drastically reduced “Euro-poverty”. Thus, in the interest of enhancing competitiveness to face America and Japan, the European ideal has degenerated today into a kind of “Americanised Europe”, where luxury and extreme poverty stand side by side in the “two-thirds society”.

The Maastricht and Amsterdam treaties, therefore, simply confirmed the overtly neoliberal character that the Community had begun to acquire with the Single Market Act. The improvement of competitiveness, through the reduction of inflation, remains the primary goal, as indicated by the mechanisms established by the second and third phases of the Economic and Monetary Union (EMU). Thus, the EMU, as indeed the single market, signifies not the integration of peoples, or even the integration of States, but just the integration of free markets. But, free markets mean not just the unimpeded movement of commodities, capital and labour, but also “flexibility”, that is, elimination of barriers to the free formation of prices and wages, as well as overall curtailing of the state’s control on economic activity. And this is, in fact, the essence of the neoliberal consensus that characterises the EU’s new institutional framework: the further marketisation of its economy. Thus the aim of the new institutions is clearly to maximise the freedom of organised capital, the concentration of which

[17] F. Weber, “Impact of the Social Charter,” *Europe 1992* (Dublin, 1991), pp. 34 and 37.

is facilitated in every way and to minimise the freedom of organised labour, through any means available and, particularly, through the threat of unemployment.

Therefore, the institutional framework that is being established today in Europe consists of a model in which the continuation of growth depends on a process of further internationalising its economy, through the destruction of local economic self-reliance and the continual expansion of exports to cope with a growing volume of imports. In this process, which takes place both between regions (EU against Japan and North America) and inside each region, the victors will be the most competitive ones, i.e. those who possess the production and technological bases that allow for significant and continuous increases in productivity.

So, the social democrats should not be blamed for “betraying” the socialist ideals and consenting to the neoliberal transformation of the Europe now emerging. In fact, there is no betrayal involved nor is any radical change of the institutional framework “from within” possible in the future. In other words, if we take for granted what social democrats and their fellow travellers in the Green movement take for granted, that is, the internationalisation of the market economy and the consequent need to continually improve competitiveness by freeing further the markets for commodities, capital and labour, then globalisation can only be neoliberal and the content of social democracy must necessarily be the one supported today by social liberals. The reason is that, within the framework of neoliberal globalisation, the minimisation of the state’s social role does not constitute a choice but a pre-condition for European capital to effectively compete with Japanese and American capital, which, given the lack of a social-democratic tradition in the United States and the Far East, face much weaker institutional barriers.

Today, therefore, social democracy has meaning neither at the national level-nor at the supra-national level of post-Maastricht Europe, as we have seen in chapter 1. Any attempt by European social democrats to change the present institutional framework, in order to radically enhance the state's social role, would make Europe less competitive than Japan or the United States and would result in a mass exodus of European capital. Furthermore, a new Europe-wide Keynesianism is not feasible either, unless it is combined with a self-reliant growth led by a highly protected internal market economy. But, such a solution is in direct contradiction to the system's logic and dynamics.

The same applies to the socialdemocratic vision of a continental-wide "social-market economy" based on the "Rhineland" model, which was theorised by Michel Albert¹⁸ who assumed the existence of differing national capitalisms, characterised by different financial structures and systems of social protection: from almost complete lack of social protection in the US, and rapidly diminishing social protection in the UK, to a significant level of social protection in Germany. For Albert, "capitalism is no monolithic structure, but an aggregate of tendencies out of which, in each case, two diverging currents, two broad «schools» emerge"¹⁹, what he calls "the neo-American model" and the "Rhineland" model of the social market (which includes primarily Germany, but also the Scandinavian countries and to some extent Japan). The latter is a type of "stakeholder" capitalism which reordered the institutional structure in a way that attempts to capture for the population as a whole the social returns of their contributions to production. A key element of this type of capitalism is

[18] Michel Albert, *Capitalism Against Capitalism* (London: Whurr, 1993).

[19] Ibid., p. 5.

its regulated labour market. Thus, instead of the liberalised and de-regulated labour markets, which thrive in the UK and the US, the labour market in Germany still involves a lot of social controls: high redundancy payments, long notice periods, restrictive trade practices, long holidays etc. Therefore, given the high economic performance of Germany in the post-war period up to the early 1990s, the conclusion drawn is that the Rhine model of capitalism not only is economically superior but should also be adopted because of its obvious social superiority.

However, it is now obvious that, in the competition between the US/UK model of liberalisation and the Rhineland social market model, it is the former that is the clear winner. This is, of course, not surprising in view of the analysis in ch. 1. The Rhine model is not a model for future capitalism but a remnant of the statist phase of marketisation, which obviously could not survive the present internationalisation of the market economy. Thus, as soon as marketisation all over the world intensified in the 1990s, the Rhine model entered a period of crisis, giving the clear signal that no national capitalism is viable which has not “homogenised” its social controls on the markets, in accordance with those of its competitors. This was particularly evident in Germany as indicated by such phenomena as the long-term slowdown in economic growth, the flight of capital and the explosion of unemployment. Thus, the average annual growth rate of German GDP has fallen from 3.3 per cent in 1965-80 to 2.2 per cent in 1980-90 and 1.5 per cent in 1990-99.²⁰ Also, in the 1990s, German investment abroad was five times higher than foreign direct invest-

[20] World Bank, *World Development Report 1995*, Table 2 & 2000/2001, Table 11.

ment in Germany²¹ and it was estimated that, in the first half of the last decade, shifting production to lower cost countries destroyed one million jobs.²² This, together with the closing down of scores of “inefficient” industries in the eastern part of re-united Germany, led to a 50 percent increase in the unemployment rate.²³

This crisis can be attributed directly to the various inflexibilities affecting unit labour cost and competitiveness that the German “social market” has introduced to the labour market that have led to a drastic decline of Germany’s export share by almost twenty percent in the last decade.²⁴ This is why chancellor Kohl’s measures to liberalise the labour market and restrict the welfare state, in effect, signalled the end of the German “social market”. The rise into power of the red-green alliance could not avert the collapse of the Rhine model, particularly so since both the social-democrats and the Greens have adopted the Maastricht/Amsterdam treaties enshrining the neoliberal consensus. No wonder therefore that Chancellor Schröder recently declared that unemployment pay should be tightened in order to get more people into the available jobs and to this end, he was going to introduce legislation to force local job centres to cut or freeze benefits to unemployed people who turn down job offers or fail to seek further qualifications. As regards the Greens in particular, as I pointed out

[21] Norbert Walter, “German Social Market Economy Need New Lease of Life”, *The Guardian* (13/2/1995).

[22] Mark Frankland, *The Observer* (24/12/1995).

[23] From 5.6 per cent in 1991 to 8.4 per cent of the labour force at the end of the decade, whereas the US rate stands at half this level (3.9 percent) OECD statistics, *Standardised unemployment rates*, *News Release* (8/6/2000).

[24] The German export share fell from 12.6 percent in 1990 to 10.3 in 1998; World Bank, *World Development Report*, 2000/2001, Table 20.

elsewhere²⁵ their rise to power and the stand they adopted with respect to the NATO war at Kosovo (today confirmed by a similar stand in the “war against terrorism”) simply confirmed the fact of the end of the Green movement as a liberation force.

Yet, European social democrats, faced with the fact that the adoption of the “social market” is not feasible anymore at the national level, are now proposing the Europeanisation of the social market. But, this would imply cutting off Europe from the internationalised market economy – a practical impossibility within the institutional framework of the market economy.

[25] See T. Fotopoulos “[The First War of the Internationalised Market Economy](#)”, *Democracy & Nature*, Vol. 5, No. 2 (July 1999), pp. 357-382.

CHAPTER 7

THE ECOLOGICAL FAILURE OF THE GROWTH ECONOMY

The end of the growth ideology

The idea of progress, on which the growth ideology was based, constituted not only the core of the Enlightenment but also (as we saw in the previous chapters) a basic element of the two ideologies that were born out of it and have dominated since then all forms of modernity: liberalism and socialism. The fundamental principle of the Enlightenment was that the rational human being's aims are determined by themselves rather than by some "sacred" scripts and are summed up by the triptych "knowledge-freedom-prosperity". It was the successful application of scientific knowledge in technology – a knowledge derived through rational methods (reason, experiment etc) rather than through "intuition", feeling and other irrational methods – that created the myth of the continuous (linear or dialectic) progress. The fact that the idea of progress was embraced by the privileged social groups of the emerging market economy and soon became the core of the liberal ideology is not, of course, surprising, given that the dynamics of the market economy, namely economic growth, was perfectly compatible with the idea of progress. What is surprising is the fact that the same idea was embraced by the non privileged social groups which were fighting liberal modernity and also by radical theory. Thus, the idea of progress was adopted not only by the

socialist ideology and particularly Marxism which identified it with the development of productive forces,¹ but also by eco-anarchist theory, in an effort to show a dialectical process synthesising natural with social evolution within the context of a “directionality” towards an emancipatory post-scarcity society.²

However, in the last quarter of the twentieth century the growth ideology, particularly the association of progress with growth, were severely criticised by thinkers in the democratic tradition³ and later by postmodernists, as a result of a series of changes, both “subjective” and “objective”. The “subjective” factors refer to the shift in the scientific paradigm from the “certainty” and “objectivity” of the mechanistic Newtonian model to the uncertainty and inter-subjectivity which characterises today’s probabilistic models and the theory of chaos and complexity –the first victim of this shift being the “objective truth” that scientific theories (liberal or Marxist) were supposed to express about social and economic development.⁴ The “objective” factors refer to the fact that the dynamic of the market economy led, not only to a very uneven economic development characterised by a huge economic inequality and concentration of wealth between and within countries (particularly manifested by the demise of “development” in the South), but also to a massive damage to the environment that surpassed the damage to it over the entire human History before modernity.

As a result of these trends, there has been a shift in advanced market economies from the modernity belief in inexhaustible resources to the present realization of scarcity

[1] *TID*, pp. 62-67.

[2] See Murray Bookchin’s work, *TID*, pp. 328-340.

[3] Castoriadis, *Philosophy, Politics, Autonomy*, Ch. 9.

[4] *TID*, Ch. 8.

and the need for an ethic of conservation, “sustainable development” and “environment-friendly” technology. It is therefore obvious that the myth of a science-based growth as the realisation of the idea of progress, which characterised the previous forms of modernity, has been replaced today by the new myth of a science-based “sustainable development” (minus progress). This is not surprising in view of the fact that supporters of sustainable development take for granted not only the present structures of concentration of power and particularly the market economy but even the supposed neutrality of science and technology. But, as I attempted to show elsewhere,⁵ if the neutrality hypothesis is challenged, then, the entire idea of a “green” techno-science, let alone that of a “green” capitalism, becomes another fantasy! Still, the end of the myth of progress does not mean, as postmodernists of all persuasions seem to believe, that we should resort to a kind of “political agnosticism” according to which all historical periods and previous societies are of equal value. What it does mean is that we have to redefine the problem of development, as I will attempt to do in this chapter.

But, let us see first the twin crises of the growth economy, in terms of its ecological implications and its failure to be successfully implanted in the South.

The ecological failure of the growth economy

A major component of the present multidimensional crisis is the ecological crisis, which refers to our interaction, as social individuals, with the environment. The upsetting of

[5] See Takis Fotopoulos, “[Towards a democratic conception of science and technology](#)”, *Democracy & Nature*, Vol. 4, No. 1 (1998), pp. 54–86.

ecological systems, the widespread pollution, the gradual exhaustion of natural resources, the fact that half of the world's tropical forests, home to a third of the world's plants and animals, have disappeared in this century alone and that recently this process has accelerated, and, in general, the rapid downgrading of the environment and the quality of life have made the limits of economic growth manifestly apparent in the last half century or so. This was not of course unexpected given that the ideology binding together the new form of the market economy is consumerism, (a derivative of the growth ideology), and also that the effects of globalisation on the environment were undoubtedly negative.

Thus, despite the efforts of "eco-realists"⁶ to give a rosy picture of the growth economy, it cannot be denied that carbon dioxide concentrations (the main contributor to the greenhouse effect) which have remained almost stable for the entire millennium up to the emergence of the market economy, have since then taken off, increasing by almost 30 percent.⁷ As a result, it is now widely accepted that the greenhouse effect, which is the main symptom of the ecological crisis today, is already leading to catastrophic climatic consequences.⁸ However, contrary to the reformist Left/orthodox Green mythology, it is not simply the resistance of some powerful corporate interests that prevents the implementation of effective measures to deal with the

[6] See, for instance, Greg Easterbrook, *A Moment of the Earth* (New York, 1995).

[7] Carbon dioxide concentrations, measured in parts per million by volume (taken from ice-core samples) were at the level of about 280 for the period 1,000-1,750 but at the end of the millenium have reached the level of 361 (1996); Paul Brown, *The Guardian* (13/07/1996).

[8] See, for instance the UN report on global warming (Shanghai, Jan. 2001 conference), Tim Radford and Paul Brown, *The Guardian* (31/01/2001).

problem. In fact, effective action against the greenhouse effect would require a complete change in today's pattern of living. This pattern has been determined by the dynamic of the market economy and the concentration of income and wealth between and within countries and the consequent urban concentration, as well as by the consumerism culture in general and the car culture in particular. A by product of the same concentration process is industrial farming, which has already led not only to the elimination of small farmers and the need to industrialise farming further through genetic engineering (supposedly to solve the food crisis that is looming because of the growth in population), but also to the spreading of diseases like the "mad cows" disease (with possible catastrophic implications on human life itself), the foot and mouth epidemic and so on. It is therefore clear that the environmental effects of globalisation are due to systemic causes, which refer to the system of concentration of power that is institutionalised by market economy and representative "democracy", rather than to "bad" economic policies and practices.

The realisation of the ecological implications of the growth economy has led, particularly in the last quarter of the century, to the development of various "ecological" approaches. One way of classifying these approaches is by distinguishing between **ecocentric approaches**, i.e. approaches which see humans as "part of the web of life" (e.g. the Deep Ecology approach) and **anthropocentric approaches**, i.e. those which see humans "on top of life" (e.g. eco-socialism). However, this way of classifying ecological approaches is problematic given the interrelationships between the two types of approaches, for instance, in social ecology.

I would therefore prefer to classify the ecological approaches on the basis of whether they explicitly attempt or not a synthesis between, on the one hand, an analysis

of the ecological implications of growth and, on the other, the classical traditions which dealt with the *marketisation* element of the market economy, i.e. liberalism and socialism. On the basis of the latter criterion we may distinguish between the following ecological approaches:

- **liberal environmentalism**,⁹ which is in fact a synthesis of liberal economic theory and environmental analysis,
- **eco-socialism**,¹⁰ which emphasises the significance of production relations and production conditions in the analysis of environmental problems and as such represents a synthesis of Marxist economic theory and environmental analysis and
- **social ecology**,¹¹ which sees the causes of the present ecological crisis in terms of the hierarchical structures of domination and exploitation in capitalist society and as such represents an explicit attempt for a synthesis of libertarian socialism or anarchism with environmental analysis.

As regards the other approaches which do not aim, at least explicitly, to a synthesis with other traditions, what we may call the “pure” ecological approaches, the case par excellence is of course the “**deep ecology**” approach which focuses almost exclusively on the ecological implications of the growth economy, although the “**appropriate devel-**

[9] See e.g. Michael Common, *Environmental and Resource Economics* (London: Longman, 1988).

[10] See e.g. David Pepper, *Eco-Socialism: From Deep Ecology to Social Justice* (London: Routledge, 1993), and *Modern Environmentalism* (London: Routledge, 1996).

[11] See the works of Bookchin, *Remaking Society, The Philosophy of Social Ecology, From Urbanization to Cities*.

opment” and “*sustainable development*” approaches may also be classified in this category.¹²

But, let us see in a bit more detail the “sustainable development” approach which is the approach adopted also by parts of the transnational elite today, as we have seen above. This approach, which was promoted by the Brundtland Report,¹³ and embraced by the Green “realos” all over the world, aims at achieving sustainable development, which is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.¹⁴

The Report is founded on three fundamental principles, according to which:

- economic growth is the key to social justice, since it can eliminate poverty –**something that, as this book attempts to show, is a fantasy;**
- growth is the key to environmental protection –another fantasy based on the hypothesis of a “green capitalism”, which ignores the fundamental contradiction that exists between the logic and dynamic of the growth economy, on the one hand, and the attempt to condition this dynamic with qualitative criteria (“social justice” in the past, or “sustainability” now) and
- growth “could be environmentally sustainable, if industrialised nations can continue the recent shifts in the content of their growth towards less material and energy-intensive activities and the improvement of their efficiency in using materials and energy”¹⁵ yet one

[12] For a discussion of all these ecological approaches see *TID*, Ch. 4.

[13] World Commission on Environment and Development, *Our Common Future* (United Nations, 1987).

[14] *Ibid.* p. 87.

[15] *Ibid.* p. 87.

more fantasy as far as the major ecological problems is concerned which seem to be continually worsening (greenhouse effect, acid rain, salinity, ozone depletion, forest loss, desertification, soil loss and so on).¹⁶

Still, every self-respecting director of a multinational nowadays gives lectures about “sustainability”, the institutions controlled by the transnational elite (World Bank, EU’s bureaucracy etc) produce dozens of corresponding reports, organise conferences and subsidise research on sustainable development and conservation, whereas post-modern scientists theorise about the role of postmodern science, within the context of a nonexploitative relationship to nature and other human beings –a so-called process of “re-enchanting nature”.¹⁷ Furthermore, “sustainable development” is being promoted by Green politicians and organisations (Greenpeace, Friends of the Earth etc), which are directly or indirectly sponsored by TNCs¹⁸ and, given that mainstream green parties already share government positions in several European countries, it is not surprising that the paradigm of sustainable development has already taken the form of a “dominant social paradigm”.

All this, despite the obvious fact that a “sustainable development”, within the existing system of the internationalised market economy, is a contradiction in terms. Thus, as Serge Latouche¹⁹ aptly pointed out:

[16] Ted Trainer, “A Rejection of the Brundtland Report,” *IFDA Dossier* 77 (May-June 1990), p. 74.

[17] I. Prigogine & I. Stengers, *Order out of chaos* (New York: Bantam, 1984), p. 36 (quoted by Steven Best & Douglas Kellner, *The Postmodern Turn*, p. 267).

[18] Sklair, *The Transnational Capitalist Class*, p. 207.

[19] Serge Latouche “The paradox of ecological economics and sustainable development”, *Democracy & Nature*, Vol. 5, No. 3 (November 1999), pp. 501-510.

the concept of sustainable development is but the latest attempt to allay the “bad” sides of economic growth. The integration of environmental elements into economic calculating does not modify the nature of market economy nor the logic of the modernity.

One may therefore conclude that the fact that the sustainable development approach ignores the phenomenon of the concentration of power, as a fundamental consequence and a precondition of growth, is not irrelevant to the solutions proposed by it: more growth, more effort and better policies, laws and institutions, as well as increasing efficiency of energy and resource use. It is therefore obvious that the real aim of this approach is not to propose ways to achieve sustainable development but, instead, ways to create an “eco-friendly” market/growth economy –an obvious contradiction in terms.

The ecological dimension of “development”

In the 1980s, the appearance of the ecological crisis at the forefront added a new dimension to the development debate –a debate which up to then was just focused on the feasibility of reproducing the growth economy of the North in the South. The question of the ecological implications of development and implicitly the desirability of the growth economy itself became crucial.

For orthodox economists, the issue is whether “development” is the cause of environmental damage, or whether it is the lack of development that is causing environmental problems. The World Bank has decided that some problems are associated with the lack of economic development; it specifically mentions inadequate sanitation and clean water, as well as indoor air pollution from biomass burning

and many types of land degradation in the South, as having poverty as their root cause. On the other hand, the same source argues, “many other problems are exacerbated by the growth of economic activity: industrial and energy-related pollution (local and global), deforestation caused by commercial logging and overuse of water.”²⁰

Not surprisingly the solutions suggested by the World Bank for both types of problems are consistent with the aim of maintaining and reproducing the existing institutional framework of the market economy. Thus, the proposed solution to the environmental problems was “more development”, but of a type that will not fail to “take into account the value of the environment”, so that a better trade-off between development and environmental quality is achieved. So, the environment is assumed to be something that can be “valued” (even if it is in the form of an imputed value), in a similar way that everything else is assigned a value within the market economy, so that the effects of growth onto it are “internalised”, either through the creation of new profitable “green” business activities, or through “corrective” state action on the workings of the market mechanism!

However, apart from the fact that there is no way to put an “objective” value on most of the elements that constitute the environment (since they affect a subjective par excellence factor, i.e., the quality of life), the solution suggested, in effect, implies the extension of the marketisation process to the environment itself. Thus, not only is it conveniently ignored that it is the market mechanism itself which is the problem, because from the moment it incorporated an important part of the environment –land– it

[20] World Bank, *Development and the Environment* (Oxford: Oxford University Press, 1992), p. 7.

initiated the eco-damaging process, but it is also recommended that the marketisation process has to be extended to the other parts of the environment (air, water, etc.) as well! The outcome of such a process is easily predictable: the environment will either be put under the control of the economic elites that control the market economy (in case an actual market value can be assigned to it) or the state (in case only “imputing” a value is feasible). In either case, not only the arrest of the ecological damage is –at least– doubtful, but, also, the control over Nature by elites who aim to dominate it –using “green” prescriptions this time– is perpetuated.

The World Bank ignores of course the strong evidence suggesting that it is, mainly, ***poverty as development*** (i.e., poverty caused by development) which is causing the environmental degradation and not ***poverty as underdevelopment***. This is particularly so, if we allow for the fact that it is the consumerist lifestyles of the rich that are causing environmental degradation rather than those of the poor. Thus, the high income countries, where 15 percent of the world population live, was the cause of 49 percent of global carbon dioxide emissions in 1990 and over 50 percent in 1997.²¹ Still, the World Bank finds nothing wrong with the lifestyles of the rich and argues that:

[F]or natural resources that are non-renewable, increases in consumption necessarily imply a reduction in the available stock. The evidence, however, gives no support to the hypothesis that marketed non-renewable resources such as metals, minerals and energy are becoming scarcer in the economic sense. This is because potential or actual shortages are reflected in rising market prices,

[21] Data calculated on the basis of the *World Development Report 2000/2001*, Table 10.

which in turn have induced new discoveries, improvements in efficiency, possibilities for substitution, and technological innovations.²²

It is clear that the World Bank implicitly adopts the hypothesis we made in ch2 that concentration is not only a consequence but also a fundamental precondition for the reproduction of the growth economy. Thus, in the transitional period, “rising market prices” would simply function as crude rationing devices which would benefit the privileged social groups. Furthermore, even if rising market prices are followed by technological innovations etc, it is at least doubtful whether the non-privileged social groups will be in a position to exploit them. It is therefore obvious that the World Bank simply celebrates the “allocation by the wallet” of those global resources that are becoming scarce because of growth. On top of this, there is no evidence that the new technologies, which are “induced by higher prices”, lead to some kind of “sustainable growth”. In fact, the opposite might be the case. For example, the UN Food and Agriculture Organisation states that “low-input production is probably the most environmentally-friendly system and has been practised since time immemorial; still, during the development process, every country has abandoned this practice because of its low productivity and its inability to meet the food requirements of an ever increasing population.”²³ Inevitably, the abandonment of this practice has made farmers dependent on chemical companies, as well as on export crops, so that they can finance the purchase of chemicals, usually produced by transnationals.

[22] World Bank, *Development and the Environment*, p. 37.

[23] UNFAO, *Sustainable Crop Production and Protection: Background Document* (UNFAO: 1991), p. 2.

CHAPTER 8

THE FAILURE OF THE GROWTH ECONOMY IN THE SOUTH

The growth economy and “development”

The fundamental question with respect to development in the South is not why the growth economy in it has not been as successful as in the North¹ but why in the first place should the model of economy and society that was established in the North be considered as a universally feasible and desirable societal model. As regards the feasibility of the model, as we'll see next, the chances of this model being universalised are close to nil. Also, as regards the desirability of the model, the historical experience of the last 200 years has shown unequivocally that the flourishing of the market economy and the consequent rise of the growth economy have led to a huge concentration of economic power and to an ecological crisis that threatens to develop into an eco-catastrophe, let alone the destruction of the countryside, the creation of monstrous mega-cities and the uprooting of local communities and cultures. In other words, it has become now obvious that this system of economic organisation only partially, and for a small minority of the world population, serves the

[1] We may roughly define the North as the set of those countries that are members of the Organisation for Economic Co-operation and Development (OECD) which the World Bank classifies as “high income economies”, i.e. mainly, United States, Canada, Japan, Australia, New Zealand, the European Union, Switzerland and Norway.

objective of satisfying human needs and improving human welfare, whereas, generally, it has created a new type of heteronomous society based on economic power, competition, greed and individualism.

However, both liberals and Marxists (including the related dependency and regulation approaches) explicitly or implicitly adopted the growth ideology and the desirability of the growth economy, differing among themselves only on the question whether capitalism, or, instead, some kind of socialist statism, is a better way to achieve it. Thus, these approaches, taking the feasibility and desirability of the growth economy for granted, ignore the fundamental issue of the power structures and relations implied by it. In other words, the conventional approaches ignore the fact that the concentration of power –an inevitable outcome of the dynamic of both the capitalist and the “socialist” growth economy– implies that the decisions about what the economic and other needs of a society are, as well as about the ways to cover them, are taken not by the peoples themselves but by elites who control the political and economic process. No wonder that the main focus of these conventional approaches is on whether a country has already achieved the standard of a growth economy in the North (in which case it is classified as an “advanced” country), or not, (“underdeveloped” or, euphemistically, “developing”). By analogy, the quantitative expansion of an advanced economy, measured in terms of increases in per capita income, is defined as *growth*, whereas the qualitative social and economic changes needed for its transformation into an advanced growth economy are defined as *development*.

Thus, the common characteristic in all definitions of development is that human welfare is identified with the expansion of individual consumption or, generally, the unlimited development of productive forces. For instance, a typical liberal definition defines development as “a rise in

the present value of average (weighted) consumption per head."² Marxists identify development with the development of productive forces and define underdevelopment as a case of dominance of pre-capitalist modes of production, a case of backwardness.³ Similarly, dependency theorists identify underdevelopment with dependence, which, in turn, is defined as "a conditioning situation, in which the economies of one group of countries are conditioned by the development and expansion of others."⁴ Finally, the regulation school defines the "periphery" as "that part of the world in which the regime of accumulation found in the most developed capitalist countries has not been able to take root."⁵ It is also revealing that even when orthodox and radical economists discuss the need to introduce alternative definitions and measures of development the issue of power structures and relations is, again, set aside. This is the case even with definitions that allow for the compositional or the distributional aspects of development (i.e. the production of *what* and *for whom* is considered development). Needs, the ways to satisfy them, as well as whose needs are to be met in the first place, are all issues that are supposed to be settled "objectively" and not within an authentic democratic process. But, what is meant by "objectively" is that these crucial problems are "solved" either through a "rationing by the wallet" mechanism, as in mar-

[2] Ian M. D. Little, *Economic Development: Theory, Policy and International Relations* (New York: Basic Books, 1982), p. 6.

[3] Anthony Brewer, *Marxist Theories of Imperialism: A Critical Survey* (London: Routledge & Kegan Paul, 1980), p. 18.

[4] T. Dos Santos, "The Crisis of Development Theory and the Problem of Dependence in Latin America" in *Underdevelopment and Development*, Henry Bernstein, ed. (Middlessex, United Kingdom: Penguin, 1973), p. 76.

[5] Alain Lipietz, *Miracles and Mirages* (London: Verso, 1987), pp. 29-30.

ket economy, or through the bureaucratic decisions of the planners, as in socialist statism.⁶

The rise and fall of the growth economy in the South

The grow-or-die dynamic of the market economy was bound to lead to its spreading all over the world, after its emergence in Europe, two centuries ago. But, whereas the indigenous market economy in the North led to the creation of a type of growth economy which thrives in the form of a “two-thirds society”, the imported market economy in the South led to a much more uneven development than in the North, i.e. to a bad copy of the latter’s growth economy. So, the present near-catastrophe at the economic, social and ecological levels in most of the South simply constitutes a distorted reflection of the multi-dimensional crisis that affects the North.

Thus, the post-war process of decolonisation led not only to political “independence” in the South but also to the spreading of the “growth economy” –a process that continued and expanded the South’s marketisation initiated by colonialism. Depending on the class alliances formed in the newly independent countries, the growth economy in the South, following a similar process to that in the North, has taken initially the form of either a *capitalist* or a “*socialist*” growth economy. At the same time, the *growth ideology* and the implied ideology of domination over Nature have become the dominant ideologies in the South. The growth ideology, in a similar way as in the North, complemented

[6] See for a discussion of the narrow perspective taken by supporters of the growth economy in both the orthodox and the radical economics camps *TID*, Ch. 3.

the *liberal* ideology of the capitalist growth economy and the *socialist* ideology of the socialist one. Today, despite the fact that communist parties still monopolise *political* power in some parts of the South (notably Vietnam, Laos, Cuba etc.) the socialist growth economy, as defined in chapter 2, is being, effectively, phased out from the South, following its collapse in the North.

The spreading of the growth economy in the countries of the South has been a dismal failure. This failure has been basically due to the fact that this economy did not develop indigenously, but was, instead, the outcome of two processes: the penetration of the market economy system, which was aggressively encouraged by the colonial elites, and the consequent emergence of the growth economy, which was "imported" by the newly formed local elites in the post-Second World war period.

The failure of the growth economy in the South becomes obvious if we consider the economic gulf between it and the North, which, far from diminishing, has continued widening since the market economy of the North was transplanted to the South, initially by the colonization of their economies and later by their internationalisation. About two hundred years ago, when the marketisation process was just beginning in the North and simultaneously was being transplanted (through colonisation) to the South, the average per capita income in the former countries was only one and a half times higher than that in the latter.⁷ A hundred years later, in 1900, it was six times higher, and by the time of the importation of the growth economy into the South in the early fifties, it was 8.5 times higher. The gulf has increased dramatically since then. Thus, by 1970

[7] P. J. McGowan and B. Kurdan, "Imperialism in World System Perspective," *International Studies Quarterly*, Vol. 25, No. 1 (March 1981), pp. 43-68.

the per capita income in the North was 13 times higher than in the South,⁸ and in 1978 the per capita income in the North was 40 times higher than that of the low-income countries in the South and 6.5 times higher than the per capita income of the middle-income countries in the South. Finally, by 1999, the gap had widened even further and the per capita income of the North (where presently about 15 percent of the world population live) was about 63 times higher than that of low income countries in the South (where 40 percent of the world population live)⁹ and about 13 times higher than the income of the middle-income countries (where about 45% of the world population live)! No wonder that the North produces about 74 percent of the world's output and accounts for 63 percent of the world's exports!¹⁰

The above data imply that the system of the market economy is not *inherently* capable of transforming the South's economy into an economy similar to the North's growth economy, that is, a type that produces a large consumerist middle class which extends fully to about 40 percent of the population and partially to another 30 percent (which is insecure but definitely in a better position than the vast majority of the population in the South). An indication of this fact are the poverty figures. According to World Bank data, today about 51 percent of the population in Latin America and Sub-Saharan Africa and 40 percent in South Asia live

[8] Paul Bairoch, *The Economic Development of the Third World Since 1900* (London: Methuen, 1975), pp. 190-92.

[9] Data calculated from The World Bank's *World Development Report 1980*, & *2000/2001*, Table 1.

[10] Data calculated from The World Bank's *World Development Report 1998/99*, Tables 1 & 20.

under conditions of relative poverty.¹¹ This means that the famous “trickle down effect” (i.e., that economic growth, in time, will generate additional national wealth that will then trickle down to all), even if it did (even partially) work in the North, certainly did not work in the South. This is due to the enormous concentration of income and wealth at the hands of privileged social groups, as is indicated by the fact that 10 percent of the population in the poorest countries of the South take more than 35 percent of the total income whereas one-fifth of the population receives, on the average, almost half the total income.¹² In fact, the evidence of the past two decades indicates that very little trickle-down has ever taken place. It has been estimated, for instance, (on the basis of growth rates achieved between 1965-84, which are considered to be the best years of capitalism), that it will take over 300 years for the 28 poorest countries to rise from their present per capita average income to just *half* of the *present* average of the rich Western countries.¹³

Of course, this does not mean that development towards a growth economy has not taken place in the South. It certainly has. In fact, today, a process of economic decentralisation is in full swing within the world market economy system –a process in which financial and technological factors play a crucial role. Trans-National Corporations (TNCs) now have the financial and technological capability of transferring stages within the production process (or sometimes the production process itself) to the South, in order to minimise production costs –particularly labour and environmental costs. This process has already led to

[11] World Bank, *World Development Report 2000/2001: Attacking Poverty*, Table 1.2.

[12] *Ibid.*, Table 5.

[13] Ted Trainer, *Developed to Death* (London: Greenprint, 1989) p. 39.

the creation of a handful of supposedly economic “miracles” in South East Asia which, however, could neither have been universalised nor sustained, as the crisis to which they entered at the end of the 1990s showed.

In fact, the temporary emergence of such “miracles” in the South is not a new phenomenon. In the 1980s, orthodox economists were celebrating the rise of some miracle-cases in Latin America (Brazil, Mexico etc) which, however, by the end of that decade, proved to be mirages that had to be bailed out of bankruptcy by the North, under the condition that they would open and liberalise their markets so that they would be fully integrated into the internationalised market economy. The same story was repeated in the 1990s, this time with the “Asian Tigers”. Thus, the spectacular growth of countries like South Korea, Taiwan, Hong Kong, Singapore, Malaysia and Thailand have given rise to a new mythology, which was also adopted by parts of the self-styled “Left”, that the capitalist growth economy had, finally, proved capable of being universalised. Some,¹⁴ even talked about a radical shift in global wealth and output from the West to East Asia, if not from the North to the South.

This new myth was based mainly on the much publicised fact that the average annual growth rate of the “Asian Tigers” (minus Taiwan) was almost three times higher than that of advanced capitalist countries in the period 1970-93, closing fast the gap between the two groups of countries. However, what was usually not mentioned was that, apart from the exceptional cases of the small “city-states” (Singapore and Hong Kong), there was still a huge gap separating these countries from the North. Thus, in

[14] *The Economist* (1 October 1994); quoted by Paul Hirst and Grahame Thompson, *Globalisation in Question* (London: Polity Press 1996), p. 99.

1993, the per capita income of S. Korea was still one third of that of advanced capitalist countries, that of Malaysia one seventh and that of Thailand less than one tenth! This fact implies that, even if those spectacular growth rates were sustained, it would have taken a very long time indeed for the gap with the advanced capitalist countries to be closed. But, this was not the case. After the crisis of those countries in the late 1990s, S. Korea's and Malaysia's per capita income is still one third of that in the high income countries of the North, whereas that of Thailand is less than one thirteenth!¹⁵ Yet again, the transnational elite, through the IMF etc, bailed out these countries on the condition that they will fully open and liberalise their markets. And this, at the very moment that, as a number of studies has shown,¹⁶ the expansion of the Asian Tigers was based on massive state intervention that boosted their export sectors, through public policies involving not only heavy protectionism¹⁷ but even the deliberate distortion of market prices to stimulate investment and trade.¹⁸ No wonder that, according to some analysts, the crisis itself was the outcome of the transnational elite's attack against

[15] *World Development Report 2000/2001*, Table 1.

[16] See Robert Pollin and Diana Alarcon, "Debt Crisis, Accumulation and Economic Restructuring in Latin America," *International Review of Applied Economics*, Vol. 2, No. 2 (June 1988); and Takis Fotopoulos, "Economic Restructuring and the Debt problem: The Greek Case," *International Review of Applied Economics*, Vol. 6, No. 1 (1992).

[17] Bruce Cumings "The Abortive Abertura: South Korea in the Light of Latin American Experience", *New Left Review*, No. 173 (Jan.-Feb. 1989), p. 13.

[18] See A. H. Amsden, *Asia's Next Giant: South Korea and Late Industrialisation* (Oxford: Oxford University Press, 1989), Ch. 6.

East Asia's statism. Thus, as the executive vice president of the New America Foundation¹⁹ points out:

In the 1990s the US forced the countries of East Asia to begin high-speed financial market deregulation. Through the International Monetary Fund and other Bretton Woods institutions, it forced them to adopt the neoliberal economic framework that US capital demanded as the price of its investment. This strategy, not as often suggested crony capitalism or poor government, was the real cause of the Asian economic crisis of 1997. The subsequent collapse caused an embryonic middle class in many countries to fall back into poverty, while US and European investment houses were bailed out.

The outcome of the crisis in these countries and particularly in South Korea, which was the strongest of the group, was that the value of their currencies, as well as of their Stock Exchange shares has fallen drastically with respect to the US dollar, a fact which, in combination with the opening of their markets, gives the opportunity to foreign capital to buy cheaply their assets and create a useful profit repatriation flow to the North.²⁰

Toward a new "North-South" divide

In the context of today's neoliberal internationalised market economy, it is doubtful whether the old distinction between North and South makes much sense anymore. If, for instance, we use the familiar –and almost meaningless– per capita GNP indicator to classify countries in the

[19] Steven Clemons, "United States: all-powerful but powerless", *Le Monde diplomatique* (October 2001).

[20] See Marc Atkinson, *Washington Post/Guardian Weekly* (11/1/98).

North-South divide, we ignore the fact that the rapidly widening gap between privileged and non-privileged social groups has already reproduced huge "South" enclaves in the heart of the North. In other words, it seems that the "trickle-down effect" has recently become significantly weaker than in the past, even in the North, and not just because of the recession, but mainly because of the intensification of the neoliberal globalisation, which has widened further income inequality, particularly in the Anglo-Saxon countries. This implies that a new "North-South" divide, cutting across the traditional boundaries of the North and the South, has already been set into operation. In Britain, for instance, in the past 20 years income inequalities have widened significantly. Thus, according to the report of a think tank appointed by the Blair government: "Between 1979 and 1998-99, the real incomes of the bottom decile of the income distribution rose by 6% in real terms whereas the real incomes of those in the top 10% rose by 82%. Mean income rose by 55%".²¹ Also, in the US, 60 per cent of income gains over the period from 1980 to 1990 went to the top 1 per cent of the population, while the real income of the poorest 25 percent has remained static for 30 years.²²

Furthermore, if we use alternative indicators concerning the degree that essential needs are covered by segments of the population, irrespective of whether they live in the "North" or the "South", the question arises as to which group a country like the United States belongs when one in five US children live in poverty and 8 million of those children lack health care. Similarly, In Britain, a recent survey based on fieldwork from the Office for National Statistics by Bristol, York, Loughborough and Herriot-Watt

[21] Patrick Wintour, *The Guardian* (April 27, 2001).

[22] Anthony Giddens, *The Third Way: The Renewal of Social Democracy* (Polity Press, 1998), p. 105.

universities found that by the end of 1999, a quarter (26%) of the British population was living in poverty, measured in terms of low income and multiple deprivation of necessities. The survey confirmed also that poverty rates have risen sharply during the era of neoliberal globalisation. Thus, in 1983, 14% of households lacked three or more necessities because they could not afford them; by 1990 this proportion had increased to 21% and by 1999 to over 24%.^[23] No wonder that according to a UNICEF report,^[24] compared to their per capita income, the United States and Belgium from the “North” performed much worse in child survival, nutrition and education than Jordan, Syria, Poland, Romania, Bulgaria and Kenya in the “South” and that, according to the same report, if we rank the countries of the world in terms of the well-being of their people –and particularly children– then, at the top of the list we find such countries as Vietnam, Sri Lanka, Nepal, Cuba and Burma, which have far lower infant mortality rates and records of junior school attendance than what would be expected from their per capita GNP.

The above discussion raises not only the issue of whether the old distinction between “North” and “South” makes sense; it also raises the issue of the indicator itself that can be used for such a classification. In particular, the question arises whether it is feasible or desirable to develop a common indicator to classify countries with very different cultural and economic needs. However, despite the obvious problems of measurement involved, it may still be useful to keep the “North-South” distinction, provided that we redefine our terms. Thus, the “New North” could be defined as all those social groups that benefit from the neoliberal

[23] Anthony Giddens, *The Third Way: The Renewal of Social Democracy* (Polity Press, 1998), p. 105.

[24] UNICEF Report 1994, *The Guardian* (22 June 1994).

globalisation process, whether they live in the old North or South. In general, we may say that this New North consists of the "40 percent society"²⁵ in the old First World and a small minority in the old Second and Third Worlds. The beneficiaries from the marketization process in the old First World do not just include those in control of the means of production, which constitute the bulk of the ruling elite, but also the large middle classes that have flourished in this process (professionals, skilled workers, etc.). Similarly, the beneficiaries in the old Third World include not just the ruling elites (big landowners, importers and so on), but also a rudimentary middle class of professionals, top state employees, etc.). Finally, the beneficiaries in the old Second World include the new ruling elite, which has been emerging in the marketisation process (usually, ex-members of the old party nomenclatura) and a very small middle class of professionals.

Development or Democracy?

Today, increasing numbers of people do not have access to the political process (except as voters), to the economic process (except as consumers) or to the environment (except as conditioned by their roles in the economic and political process, defined by the market economy and representative "democracy" respectively). Thus, at the political level, it is the elites of professional politicians who take all significant political decisions. Similarly, at the economic level, what is produced in a country is not determined by the democratic decisions of its citizens but by property

[25] See for a detailed description of the "40 percent society", *TID*, pp. 37-38.

relations and the income distribution pattern. Finally, the sort of “protection” the environment is entitled to have is effectively determined by the political and economic elites which control the market/growth economy. Moreover, a process leading to the further concentration of power at all levels is in full motion.

In this book’s problematique, it is neither colonial exploitation –which, however, played a significant role in the violent destruction of the economic self-reliance of many countries– nor simply the corruption of elites in the South or the conspiracies of those in the North that have led to the failure of the growth economy in the South. Contrary to the classical Marxist thought, which saw colonialism as a “necessary evil” because it contributed to the development of capitalism in the periphery,²⁶ I would argue that the fundamental cause of this failure is an inherent contradiction in the process of internationalising the growth economy.

Thus, the growth economy can only survive through its continual reproduction and extension to new areas of economic activity. One way to achieve this is through the creation of new areas of economic activity, as a result, mainly, of technological changes, in mature growth economies. A second way is through a process of geographical expansion that, in fact, implies the destruction of the economic self-reliance of every community on earth. But, from the moment economic self-reliance is destroyed, either violently (colonialism), or through the market, and, as a result, two parties with unequal economic power (in terms of productivity, technology and income differentials) come in direct economic contact, then the automatic functioning of the market mechanism secures the reproduction and extension

[26] Avineri, *Karl Marx on Colonialism and Modernization*.

of inequality between the two parties. The essence, therefore, of the South's failure lies in the hugely uneven control over incomes and productive resources, which inevitably follows the establishment of a market/growth economy. It can easily be shown that in a market economy system, dominated by the growth ideology and personal greed, "maldevelopment" is a matter of the automatic functioning of the system itself, since it is the purchasing power of the high-income groups in the North and of the elites in the South that determines *what*, *how* and *for whom* to produce.²⁷ In other words, what is true for a "domestic" market/growth economy, which –barring any effective social control of the market forces– can only be grounded on inequality in the distribution of economic power and unevenness in the development of various economic sectors, is equally (if not more) true for an internationalised market/growth economy.

Therefore, what is needed today is the development of a new approach that aims at the self-determination of individuals and communities, at the economic, social and political levels. Such an approach should be based on the formation of new political, economic and social structures that secure citizen control over their own resources. Human needs do not have to be conditioned and infinitely induced to expand by a growth-oriented system; they could instead be constantly adjusted and limited by the community itself. Furthermore, the needs of the significant part of the population that belongs to the non-privileged social strata in the North do not differ significantly from the needs of most of the population in the South. The problem is how the "New South", that is, the non-privileged social groups in the North and the South which constitute the vast

[27] Trainer, *Developed to Death*.

majority of the world population, would force the “New North”, in other words, a small (but powerful, because of its monopolisation of all effective means of power) minority, to realise the simple fact that the fundamental cause of the present economic, ecological and social crisis is the oligarchic political and economic structures that secure the maintenance and reproduction of its privileges.

The problem of “development” is not therefore one of how the South could install a properly functioning market/growth economy, as the conventional approaches to development and the ruling elites in the South assert. The problem is how a new inclusive democracy could determine collectively the basic needs of the population and find such ways to meet them that minimise the harm on the natural world.

CHAPTER 9

THE DIMENSIONS OF THE CRISIS

It has now become generally acknowledged that contemporary society, which presently takes everywhere the form of a market/growth economy and representative “democracy”, is undergoing a profound and widespread crisis. It is precisely the universal character of this crisis that constitutes the determining factor differentiating it from other crises in the past, while, simultaneously, it calls into question practically every structure and “signification” that supports contemporary heteronomous societies in East and West, North and South. Thus, the present crisis calls into question not just the political, economic, social and ecological structures that came into being with the rise of the market economy, but also the actual values that have sustained these structures and particularly the post-Enlightenment meaning of Progress and its partial identification with growth.

As I attempted to show in the previous chapters, this multidimensional crisis can be attributed to the very institutions of modernity which today have been universalised. It is the dynamics of the market economy and representative “democracy” that have led to the present concentration of power at all levels which, in turn, is the ultimate cause of every dimension of the present crisis. But, let us see in more detail the dimensions of this crisis.

The economic dimension

In this book's problematique, it is the concentration of economic power, as a result of commodity relations and the grow-or-die dynamic of the market economy, which has led to a chronic economic crisis that today is expressed, mainly, by a huge concentration of economic power. This is shown by the enormous income/wealth gap that separates not only the North from the South, but also the economic elites and the privileged social groups from the rest of society all over the world.

The North has yet to recover from the crisis that surfaced in the mid-1970s as a result of the fundamental contradiction that was created, as we saw in ch. 1, by the internationalisation of the market economy and the parallel expansion of statism, in the sense of active state control aiming at determining the level of economic activity. The transnational elite, which began flourishing in the context of the internationalisation of the market economy process, embarked in an effort to shrink the state's economic role and freeing and deregulating markets, which has already had devastating consequences on the majority of the population in the North. This drastic reduction in statism turned the clock back to the period before the mixed economy and Keynesian policies were used to create a "capitalism with a human face". The result was an initial huge upsurge of open unemployment followed by today's period of massive low-paid employment. This development was the outcome both of the liberalisation of labour markets and of a determined effort by the political elites to reduce open unemployment, which carried a high political cost and completely discredited the market/growth economy. Thus, in the USA, the "new economy" par excellence, between 1979 and 1995 more than 43 million jobs had been lost. Although most of

these jobs have been replaced, still, as an analysis of the US labour statistics shows:¹

The sting is in the nature of the replacement work. Whereas 25 years ago the vast majority of the people who were laid off found jobs that paid as well as their old ones, Labour Department numbers show that now only about 35 percent of laid-off full-time workers end up in equally remunerative or better-paid jobs. (...) the result is the most job insecurity since the Depression of the 1930s.

The USA experience has already been reproduced all over the North, particularly after the collapse of the alternative "Rhineland" model of "social market" capitalism that we saw in ch. 2. The fierce competition among the countries in the Triad can safely be predicted to create everywhere conditions, not so much of massive *open* unemployment, but of low paid employment in the context of "flexible" labour markets. Thus, in Britain, as Steve Fleetwood² of Lancaster University points out, "what the UK's flexibility generates are poor jobs, maybe even a new kind of underemployment (...) The UK is not so much solving the problem of unemployment as transforming it into a different one: the problem of poor quality employment".

However, to my mind, the crisis of the market/growth economy in the North does not constitute the decisive element in the economic crisis. As long as the "40 percent society" is somehow reproduced, the system may be stabilised when it moves to a new equilibrium resting on the exploitation of the technological advantages of the North and the low production cost of the new South. I think the

[1] Louis Uchitelle and N.R. Kleinfield, *International Herald Tribune* (6/3/1996).

[2] Steve Fleetwood, "Less unemployment, but more bad employment", *The Guardian* (13/9/1999).

decisive element in the economic crisis consists of the fact that the system of the market economy is not *inherently* capable of transforming the market economy of the South into a self-sustaining growth economy, similar to the one already established in the North, as we saw in the last chapter.

Therefore, the outcome of the universalisation of the market/growth economy is the marginalization of a very significant part of the world population, which forces millions of people to emigrate from their countries of origin, risking their lives in the process, in a desperate attempt to enter illegally into the North. The inherent incapability of the North to create self-sustaining consumer societies in the South is the direct result of the fact that the concentration of economic power and the parallel growing inequality all over the world are not just consequences but also, as it was shown above, preconditions for the reproduction of the market/growth economy. In other words, there is an absolute natural barrier that makes impossible the universalisation of the North's capitalist type of growth economy.

To give an indication of why this is impossible let us make some simple calculations. It is estimated at present that the world population will be over 7 billion people by 2015.³ For the inhabitants of our planet to reach the per capita energy use rates that those living in the rich countries enjoy now, world energy production would have to quadruple (or increase 6 times as great for everybody to enjoy the US consumption standards)!⁴ Similarly, as Ted Trainer⁵ has shown in a similar exercise for the year 2070:

[3] *Human Development Report 2001*, Table 5.

[4] Calculations on the *World Development Report 2000/2001*, World Bank, Tables 1 and 10.

[5] Ted Trainer, "Where are we, where do we want to be, how do we get there?", *Democracy & Nature*, Vol. 6, No. 2 (July 2000), pp. 267-286.

[E]stimated potentially recoverable resources for fossil fuels and minerals indicate that if we were to try to increase production to the point where all people expected on the planet by 2070, perhaps 10 billion, were each to have the present rich world per capita consumption, then all fuels and one-third of the mineral items would be totally exhausted by about 2040. Renewable energy sources are very unlikely to be able to fill the gap. This means that there is no possibility of all people rising to the per capita resource consumption typical of the rich countries today. The greenhouse problem provides a similar argument. If the carbon content of the atmosphere were to be prevented from increasing any further, world energy use for 10 billion people would have to be reduced to a per capita average that is just 6% of the present rich world average. (...) "Footprint" analysis indicates that to provide for one person living in a rich world city requires at least 4.5 ha of productive land. If 10 billion people were to live that way the amount of productive land required would be around 8 times all the productive land on the planet.

The political dimension

Concentration of political power has been the functional complement of the concentration of economic power. If the grow-or-die dynamics of the market economy has led to the present concentration of economic power, it is the dynamics of representative "democracy" that has led to a corresponding concentration of political power. Thus, the concentration of political power in the hands of parliamentarians in liberal modernity has led to an even higher degree of concentration in the hands of governments and the leadership of "mass" parties in statist modernity, at the expense of parliaments. In neoliberal modernity, the

combined effect of the dynamics of the market economy and representative democracy has led to the conversion of politics into statecraft,⁶ with think tanks – “the systems analysts of the present hour” – designing policies and their implementation.⁷ Thus, a small clique around the prime minister (or the President) concentrates all effective political power at its hands, particularly in major market economies that are significant parts of the transnational elite. Furthermore, the continuous decline of the State’s economic sovereignty is being accompanied by the parallel transformation of the public realm into pure administration. A typical example is the European Central Bank which has taken control of Euro and makes crucial decisions about the economic life of millions of citizens, independent from political control.

A “crisis of politics” has developed in the present neo-liberal modernity that undermines the foundations of representative “democracy” and is expressed by several symptoms which, frequently, take the form of an implicit or explicit questioning of fundamental political institutions (parties, electoral contests, etc.). Such symptoms are the significant and usually rising abstention rates in electoral contests, particularly in USA and UK, the explosion of discontent in the form of frequently violent riots, the diminishing numbers of party members, the fact that the respect for professional politicians has never been at such a low level, with the recent financial scandals in countries like Italy, France, Spain, Greece and elsewhere simply reaffirming the belief that politics, for the vast majority of the politicians – liberals and social democrats alike – is just a job, i.e., a way to make money and enhance social status.

[6] Bookchin, *From Urbanisation to Cities*, Ch. 6 and Castoriadis, *Philosophy, Politics, Autonomy*, Ch. 7.

[7] See Charlotte Raven, *The Observer* (30/7/1995).

The historical cause of the present mass apathy can be traced back to what Castoriadis called “the radical inadequacy, to say the least, of the programs in which (the project of autonomy) had been embodied—be it the liberal republic or Marxist-Leninist «socialism»”.⁸ In other words, it was the inadequacy of representative “democracy” to create genuine democratic conditions which may be considered as the ultimate cause of the present apathy. However, the question still remains why this crisis has become particularly acute in the last decade or so. To my mind, the answer has to be found in the cumulative effect of the changes in the “objective” and “subjective” conditions which marked the emergence of the internationalised market economy since the mid-seventies and in particular:

- the growing internationalisation of the market economy that has undermined effectively not only the state’s power to control economic events but, by implication, the belief in the efficacy of traditional politics.
- the acute intensification of the struggle for competitiveness among the countries in the Triad (EC, USA, Japan) which, in turn, has resulted in the collapse of social democracy, the establishment of the “neoliberal consensus” and the consequent effective elimination of ideological differences between political parties.
- the technological changes that have led to the present post-industrial society and the corresponding changes in the structure of employment and the electorate, which, in combination with the massive unemployment and underemployment, have led to the decline of the power of the traditional working class and the consequent decline of traditional politics.

[8] Cornelius Castoriadis, “The Retreat from Autonomy” in *World in Fragments* (Stanford: Stanford University Press, 1997), p. 43.

- The collapse of “actually existing socialism” which has led to the myth of “the end of ideologies” and further enhanced the spreading of the culture of individualism that has been promoted by neoliberalism.

Thus, in the context of the present neoliberal consensus, the old ideological differences between the Left and the Right have disappeared. Elections have become beauty contests between “charismatic” leaders and the party machines backing them, which fight each other to attract the attention of the electorate, in order to implement policies constituting variations of the same theme: maximisation of the freedom of market forces at the expense of both the welfare state (which is steadily undermined) and the state’s commitment to full employment (which is irrevocably abandoned). In fact, today’s electoral contests are decided by the “40 percent” “contended electoral majority”,⁹ whereas the “underclass”, which was created by neoliberalism and automation, mostly does not take part in such contests. Therefore, the growing apathy towards politics does not mainly reflect a general indifference regarding social issues, as a result, say, of consumerism, but a growing lack of confidence, especially of weaker social groups, in traditional political parties and their ability to solve social problems. It is not accidental anyway that the higher abstention rates in electoral contests usually occur among the lower income groups, which fail to see anymore any significant difference between Right and Left, I.e. between neoliberal and social-liberal parties respectively.

The decline of the socialist project, after the collapse of both social democracy and “actually existing socialism”, had contributed significantly to the withdrawal of

[9] J.K. Galbraith, *The Culture of Contentment* (Harmondsworth: Penguin, 1993).

many, particularly young people, from traditional politics. Thus, the collapse of “socialist” statism in the East, instead of functioning as a catalyst for the building of a new non-authoritarian type of politics, developing further the ideas of May 1968, simply led to a general trend, particularly noticeable among students, young academics and others, towards a postmodern conformism and a rejection of any “universalist” antisystemic project. The rest, including most of the underclass who are the main victims of the neoliberal internationalised economy, have fallen into political apathy and an unconscious rejection of established society – a rejection that usually has taken the form of an explosion of crime and drug abuse, and sometimes violent riots.

Still, the growth of the antiglobalisation movement is a clear indication of the fact that today’s youth is not apathetic towards politics (in the classical meaning of the word as self-management) but only with respect to what passes as politics today, i.e. the system which allows a social minority (professional politicians) to determine the quality of life of every citizen. In other words, it is the growing realisation that the concentration of political power in the hands of professional politicians and various “experts”, as a result of the dynamic of representative “democracy”, has transformed politics into statecraft, that has turned many people away from this sort of “politics”. No wonder that the radical anti-systemic currents within the antiglobalisation movement have been implicitly placed under attack in the present “war against terrorism” launched by the transnational elite in the aftermath of the September 2001 events in the USA.

The social dimension

The growth economy has already created a growth society, the main characteristics of which are consumerism, privacy, alienation and the subsequent disintegration of social ties. The growth society, in turn, inexorably leads toward a “non-society”, that is, the substitution of atomised families and individuals for society, a crucial step to the completion of barbarism. The social crisis has been aggravated by the expansion of the market economy into all sectors of social life, in the context of its present internationalised form. It is, of course, well known that the market is the greatest enemy of traditional values. It is not, therefore, surprising that the social crisis is more pronounced in precisely those countries where marketisation has been well advanced. This becomes evident by the fact that neither campaigns of the “back to basics” type (Britain), nor the growth of religious, mystic and other similar tendencies (United States) have had any restraining effect on the most obvious symptoms of the social crisis: the explosion of crime and drug abuse that has already led many states to effectively abandon their “war against drugs”.¹⁰

In Britain, for instance, it took 30 years for the crime rate to double, from 1 million incidents in 1950 to 2.2 million in 1979. However, in the 1980s, the crime rate has more than doubled, and it reached the 5 million mark in the 1990s. The ruling elites respond to the explosion of crime by building more jails, despite the fact that, as a Home Office study in Britain (reflecting similar research from the US and Germany) has shown, the prison population has to increase by 25 percent to cut the annual crime

[10] See T. Fotopoulos, *Drugs: Beyond penalisation and liberalisation* (in Greek) (Athens: Eleftheros Typos, 1999).

rate by 1 percent!¹¹ Thus, a recent UK Home Office report predicted that the present prison population in England and Wales will rise from 64,600, to 83,500 within six years. This means that 153 people will be in jail for every 100,000 of population.¹² Similarly, it took the United States 200 years to raise its prison population to a million, but only the last 10 years to raise it to almost two million, with 680 people in jail for every 100,000 –a quarter of the world's total prison population! In fact, the explosion of crime, as Martin Woolacott¹³ points out, tends to take the form of an insurgency in urban conglomerations all over the world, and is treated as such by the ruling elites.

So, the concentration of economic power, as a result of the marketisation of the economy, has not only increased the economic privileges of the privileged minority. It has also increased its insecurity. This is why the new over-class increasingly isolates itself in luxury ghettos. At the same time, marketisation and in particular the flexible labour market, has increased job insecurity –a phenomenon that today affects everybody, apart from the very few in the upper-class. No wonder the *International Labour Organisation Report 2000* has found that the stress levels in advanced market economies have reached record levels because of the institutionalisation of flexible labour markets that increased employers' pressures for greater labour productivity.

[11] *The Guardian* (15/10/1993).

[12] Nick Paton Walsh, *The Observer* (27/5/2001).

[13] Martin Woolacott, "The March of a Martial Law," *The Guardian* (20/1/1996).

The cultural dimension

The establishment of the market economy implied sweeping aside traditional cultures and values. This process was accelerated in the twentieth century with the spreading all over the world of the market economy and its offspring the growth economy. As a result, today, there is an intensive process of cultural homogenisation at work, which not only rules out any directionality towards more complexity, but is in effect making culture simpler, with cities becoming more and more alike, people all over the world listening to the same music, watching the same soap operas on TV, buying the same brands of consumer goods, etc.

The rise of neoliberal globalisation in the last quarter of a century or so has further enhanced this process of cultural homogenisation. This is the inevitable outcome of the liberalisation and de-regulation of markets and the consequent intensification of commercialisation of culture. As a result, traditional communities and their cultures are disappearing all over the world and people are converted to consumers of a mass culture produced in the advanced capitalist countries and particularly the USA. In the film industry, for instance, even European countries with a strong cultural and economic background have to effectively give up their own film industries, unable to compete with the much more competitive US industry.

Thus, the recent emergence of a sort of “cultural” nationalism in many parts of the world expresses a desperate attempt to keep a cultural identity in the face of market homogenisation. But, the marketisation of the communications flow has already established the preconditions for the downgrading of cultural diversity into a kind of superficial differentiation akin to a folklorist type. Finally, one should not underestimate the political implications of the commercialisation and homogenisation of culture. Thus,

the escapist role traditionally played by Hollywood films has now acquired a universal dimension, through the massive expansion of TV culture and its almost full monopolisation by Hollywood subculture.

The ideological dimension

The changes in the structural parameters marking the transition to neoliberal modernity were accompanied by a parallel serious ideological crisis which put into question not just the political ideologies, (what postmodernists pejoratively call “emancipatory metanarratives”), or even “**objective**” reason,¹⁴ but reason itself, as shown by the present flourishing of irrationalism in all its forms: from the revival of old religions like Christianity and Islam etc up to the expansion of various irrational trends, e.g. mysticism, spiritualism, astrology, esoterism, neopaganism and “New Age”.

The rise of irrationalism in particular is a direct result of the crisis of the growth economy in both its capitalist and “socialist” versions. As I attempted to show elsewhere, the collapse of the two main projects of modernity, i.e. the socialist and development projects, in combination with the parallel “credibility crisis” of science that developed in the last quarter of a century or so, were crucial for the present flourishing of irrationalism.¹⁵ Thus, the growing realization

[14] See, e.g., Thomas S. Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970); Imre Lakatos, *Criticism and the Growth of Knowledge* (Cambridge: Cambridge University Press, 1970); Paul Feyerabend, *Against Method* (London: Verso, 1975).

[15] See Takis Fotopoulos, “[The Rise of New Irrationalism and its Incompatibility with Inclusive Democracy](#)”, *Democracy & Nature*, Vol. 4, Nos. 2/3 (July/November 1998), pp. 1-49.

of the social effects of the rise of the consumer society, the ecological implications of growth, the economic effects of neoliberal globalisation in terms of increased poverty and insecurity, the parallel failure of “development” and the cultural homogenisation were instrumental for the rise of irrationalism in the North and the expansion of various fundamentalisms in the South.

On top of this, the credibility crisis of science has systematically undermined many scientific “truths” and especially those on the basis of which we used to justify our “certainty” concerning the interpretation of social and economic phenomena. But, as science plays a double role with respect to the reproduction of the growth economy, this crisis was particularly significant. Thus, first, science plays a functional role in the material reproduction of the growth economy, through its decisive contribution to the effort to dominate the natural world and maximise growth. Second, science plays an equally important ideological role in justifying “objectively” the growth economy. Just as religion played an important part in justifying feudal hierarchy, so does science, particularly social “science”, plays a crucial role today in justifying the modern hierarchical society. In fact, from the moment science replaced religion, as the dominant world-view, it had “objectively” justified the growth economy, both in its capitalist and socialist version. However, the realisation of the effects of economic growth upon Nature and, subsequently, upon the quality of life, called into question the functional role of science in advancing Progress. When the credibility of scientific truths themselves was also challenged, whether those truths originated in orthodox social science, or in

the alternative science of socialism, Marxism,¹⁶ then, the moment of truth for the growth ideology had come.

Still, it is not science itself and rationalism in general that have to be blamed for the present multi-dimensional crisis, as irrationalists of various types usually assert. Like technology, applied science is not “neutral” to the logic and dynamic of the market economy. Science belongs to the autonomy tradition from the point of view of the methods it uses to derive its truths and, sometimes, even from the point of view of its content (e.g. demystification of religious beliefs). Therefore, what is needed today is not to jettison rationalism altogether in the interpretation of social phenomena, but to transcend **“objective” rationalism** (i.e. the rationalism which is grounded on “objective laws” of natural or social evolution) and develop a new kind of democratic rationalism, as I will attempt to show in chapter 5.

Furthermore, as I mentioned in the last section, the collapse of socialist statism and the rise of neoliberalism had the effect that the radical critique of “scientific” socialism, statism and authoritarian politics did not function as a catalyst for further development of the non-authoritarian left thinking. Instead, the critique of scientism was taken over by post-modernist theoreticians and was developed into a general relativism, which inevitably led to the abandonment of any effective critique of the status quo and to the theorisation of conformism.¹⁷

However, although the two phenomena, i.e. the emergence of neoliberal globalisation and the ideological crisis that gave rise to postmodernism and irrationalism, have taken place roughly during the same period of time, i.e.

[16] For extensive bibliography, see *TID*, Ch. 8.

[17] Castoriadis, *“The Era of Generalised Conformism”*.

the last quarter of a century or so this does not imply a strict causal relationship between them of the type that Marxists used to assume between changes in the economic base and changes in the “superstructure”. Postmodernism, in particular, developed mostly independently of these economic structural changes, as the result of a combination of parallel developments at the epistemological level (the crisis of “objectivism” and “scientism”), the ideological level (the decline of Marxism in the aftermath of the collapse of “actually existing socialism”) and the ecological level (the vast ecological crisis which cast a serious doubt on the meaning of progress).

So, the present era of neoliberal modernity has already developed its own dominant social paradigm.¹⁸ The events of May 1968, as well as the collapse of Marxist structuralism, played a crucial role in the development of the postmodernist paradigm with its main themes of rejection of: an overall vision of History as an evolutionary process of progress or liberation; “grand narratives”, in favour of plurality, fragmentation, complexity and “local narratives”; closed systems, essentialism and determinism, in favour of uncertainty, ambiguity and indeterminacy; “objectivity” and “truth”, in favour of relativism and perspectivism. As a result of these trends, and particularly the influence that the postmodernist rejection of universalist project had on the “new social movements”, today, we face the end of the old type of antisystemic movement, which was the main expression of the social struggle for the past hundred and fifty years or so.¹⁹

[18] See Fotopoulos, “[The Myth of Postmodernity](#)”, *Democracy & Nature*, Vol. 7, No. 1 (March 2001).

[19] T. Fotopoulos, “[The End of Traditional Antisystemic Movements and the Need for A New Type of Antisystemic Movement Today](#)”, *Democracy & Nature*, Vol. 7, No. 3 (November 2001), pp. 415–456.

The ecological dimension

The ecological crisis, as manifested by the rapid deterioration in the quality of life, is the direct result of the continuing degradation of the environment, which the market economy and the consequent growth economy promote. It is no accident that the destruction of the environment during the lifetime of the growth economy, in both its capitalist and state socialist versions, bears no comparison to the cumulative damage that previous societies have inflicted on the environment. The fact that the main form of power within the framework of the growth economy is economic, and that the concentration of economic power involves the ruling elites in a constant struggle to dominate people and the natural world, could go a long way toward explaining the present ecological crisis. In other words, to understand the ecological crisis we should refer not simply to the prevailing system of values and the resulting technologies (as the environmentalists and the deep ecologists suggest) nor exclusively to the capitalist production relations (as eco-marxists propose) but to the relations of domination that characterise a hierarchical society based on the system of market economy and the implied idea of dominating the natural world.

In this context, humanity is faced today with a crucial choice between two radically different proposed solutions: "sustainable development" and what we may call the "eco-democratic" solution. The former seeks the causes of the ecological crisis in the dominant system of values and the technologies used and naively presumes that a massive change in them is possible, if only we could persuade people about the need for such a change. This solution is supported not just by the mainstream green movement but also by the "progressive" parts of the transnational elite, as it takes for granted today's institutional framework

of the market economy and representative “democracy”. Alternatively, the eco-democratic solution seeks the causes of the ecological crisis in the social system itself, which is based on institutionalised domination (not only economic exploitation) of human by human and the implied idea of dominating the natural world. It is obvious that this solution requires forms of social organisation that are based on the equal distribution of political and economic power. And this brings us to the relevance of the democratic project today.

CHAPTER 10

IS THERE A WAY OUT OF THE CRISIS?

The liberal answer: more marketisation

Several, if not all, of the above dimensions of the present crisis are acknowledged by both the Right and the Left. Not surprisingly, in terms of the above analysis, the proposals made by both ends of the political spectrum, despite appearances, do not in effect differ significantly between them, as both the Right and the Left take for granted the existing institutional framework of the market economy and liberal democracy.

On the part of the Right, the New Right's¹ solution to overcoming the present multi-dimensional crisis is further marketisation. But, if we consider the possible effects of further marketising the economy, it becomes obvious that none of the aspects of the multidimensional crisis that we considered is amenable to market solutions. Therefore, the Right's proposals for freeing completely the market forces, further privatisations and a minimal state amount to nothing less than the rational organisation of inequality. The New Right's claim that the liberalisation of markets brings about a decentralisation of economic power is obviously false. In fact, as I tried to show in this book, the opposite is true: the more liberalised the markets are, the greater

[1] See, e.g., Henri Lepage, *Tomorrow, Capitalism, The Economics of Economic Freedom* (London: Open Court, 1982); Nick Bousanquet, *After the New Right* (London: Heinemann, 1983), Mark Hayes, *The New Right in Britain* (London: Pluto Press, 1994).

the concentration of economic power in terms of income and wealth. The fact that the US has always been the model of a market economy is not irrelevant to it also being “the most unequal industrialised country in terms of income and wealth”.² Furthermore, not only the market economy has no inherent mechanism to avert ecological damage but, in fact, any effective social controls to protect the environment are incompatible with its logic and dynamic.

The socialist answer: enhancing the “civil society”

On the part of the Left, the way out of the crisis is expressed in terms of the proposal to enhance “civil society”, i.e. the various networks which are autonomous from state control (unions, churches, civic movements, cooperatives, neighbourhoods, schools of thought etc.). This tendency, thanks to the theoretical work of modern social democrats of the Habermas School,³ today exerts considerable influence among social democrats, eco-socialists, even social-liberals, as well as supporters of the “radical democracy” project.

The civil societarians’ way out of the multidimensional crisis seems to be radically different from the one proposed by the Right. Instead of further marketisation, they argue for limits (i.e. social controls) to be imposed on markets and the state by the civil society networks. Furthermore, instead of privatisations they propose a kind of “market

[2] Edward Wolff, “How the Pie Is Sliced: America’s Growing Concentration of Wealth,” *The American Prospect* (summer 1995).

[3] See John Ely, “Libertarian Ecology and Civil Society” and Konstantinos Kavoulakos, “The Relationship of Realism and Utopianism: The Theories of Democracy of Habermas and Castoriadis,” *Society and Nature*, Vol. 2, No. 3 (1994).

pluralism" which can encompass a variety of market agents: family businesses, publicly owned or municipal companies, worker communes, consumer cooperatives, non-profit organisations etc.⁴ Finally, acknowledging the fact that "civil society left to itself, generates unequal power relationships which only state power can challenge" they conclude that "only a democratic state can create a democratic civil society."⁵

It is therefore obvious that the civil societarian approach involves a high degree of statism, exercised either at the national or transnational level. It is also clear that the civil societarians, who castigate radical socialists and supporters of the democratic project as utopians, are in fact much less realistic than them when they suggest that the clock could be moved back to the period of statism, i.e. to a period when the market economy was characterised by a significantly smaller degree of internationalisation than at present. Clearly, the civil societarian approach is both utopian, in the negative sense of the word, and a-historical.

It is utopian, because, in effect, it is in tension with both the state and the internationalised market economy. It is in tension with the state because, as neoliberalism has shown, it is fairly easy for the state to undermine effectively the institutions of the civil society (see, for instance, the effective demolition of trade union power in Britain). And it is in tension with the internationalised market economy, because it is well known that there is an inverse relationship between the degree of competitiveness and the level of development of the civil society's institutions: the more developed these institutions are (e.g., trade unions) the

[4] Michael Walzer, "The Civil Society Argument", in *Dimensions of Radical Democracy*, ed by Chantal Mouffe (London: Verso, 1992), p. 100.

[5] Walzer, "The Civil Society Argument," p. 104.

lower the degree of international competitiveness, as the case of Sweden has shown. So, given that neither social democrats nor their fellow travellers in the Green movement see the outcome of the inevitable tension between the civil society, on the one hand, and the state and the market economy, on the other, in terms of the replacement of the latter by the former, it is not difficult to predict that any enhancement of the civil society will have to be compatible with the process of further internationalisation of the market economy and the implied role of the state.

Also, the civil societarian approach is fundamentally a-historical, since it ignores the structural changes which have led to the present neoliberal consensus and the internationalised market economy. In other words, it ignores the fact that the tendency to minimise social controls on the market, which today is dominant everywhere, is not simply a matter of policy but it reflects fundamental changes in the form of the market economy. This implies that every attempt towards an effective social control of the market necessarily comes into conflict with the requirements, in terms of competitiveness, for the reproduction of today's growth economy.

The civil societarians' problem is not, of course, that they do not base their strategy on an effort to seize state power (the traditional statist tactics) but rather on a strategy of social transformation "from below".⁶ The problem lies in the fact that their approach takes for granted the entire institutional framework of the market economy, representative democracy and the nation-state and therefore is as ineffective as that of the Right in dealing with the multi-dimensional crisis. Thus, the adoption, first, of the

[6] See for instance, Hilary Wainwright, *Arguments for a New Left, Answering the Free Market Right* (Oxford: Blackwell, 1994), Ch. 3.

market economy means that every attempt by autonomous institutions (for example, labour unions, ecological movements, etcetera) for an effective control of the market –in order to achieve social, ecological and other aims– is in dire contradiction with the logic and dynamics of the internationalised economy. Inevitably, any attempt to introduce similar controls will lead to the adoption of insignificant half-measures, which will be compatible with the institutional framework (see e.g. the fiasco of the world conferences to control the greenhouse effect).

The adoption, second, of representative democracy means that the direct democracy “injections” proposed by the advocates of this tendency, will, in fact, function as inoculations against direct democracy. The fundamental pre-condition for the creation of an active citizen’s consciousness is that the citizens themselves (and not others “on their behalf”) should manage the political process. Hence, the supposed “democratic” proposals merely reinforce citizens’ passivity, misleading them to believe that they exercise political power, when, in fact, the latter remains firmly the privilege of the few, and the many are relegated to the role of “pressure groups” –now baptised as “counter-powers”!

In conclusion, enhancing the civil society institutions has no chance whatsoever of either putting an end to the concentration of power, or of transcending the present multidimensional crisis. This conclusion may be derived from the fact that the implicit, although not always explicit, aim of civil societarians is to improve the functioning of existing institutions (state, parties, market), in order to make them more responsive to pressures from below when, in fact, the crisis is founded on the institutions themselves and not on their malfunctioning! But, in the present internationalised market economy, the need to minimise the socio-economic role of the state is no longer a matter of

choice for those controlling production. It is a necessary condition for survival. This is particularly so for European capital that has to compete with capital blocks, which operate from bases where the social-democratic tradition was never strong (the United States, the Far East).

But, even at the planetary level, one could seriously doubt whether it is still possible to enhance the institutions of civil society within the context of the market economy. Granted that the fundamental aims of production in a market economy are individual gain, economic efficiency and growth, any attempt to reconcile these aims with an effective “social control” by the civil society is bound to fail since, as historic experience with the statist phase has shown, social control and market efficiency are irreconcilable objectives.⁷ By the same token, one could reasonably argue that the central contradiction of the market economy today is the one arising from the fact that any effective control of the ecological implications of growth is incompatible with the requirements of competitiveness, which neoliberal globalisation process imposes.

The need for a new liberatory project

Still, despite the huge “objective” crisis we considered in the previous pages that has led to a situation in which the economic system cannot meet even the basic needs of at least a quarter, and possibly a third, of the world population,⁸ the internationalised market economy is not

[7] *TID*, Ch 2; see also, M. Olson, *The Rise and Decline of Nations* (New Haven, Connecticut: Yale University Press, 1988).

[8] According to the latest World Bank data, 24 percent of the world population live in absolute poverty or, alternatively, 32 percent live

widely questioned. It is obvious that the recent collapse of the “socialist” growth economy and the consequent integration of the “left” into social-liberalism has functioned as a decisive pacifying factor at the subjective level. This makes the need for a new liberatory project, which will transcend both the market economy and “socialist” statism, even more important.

Therefore, there is an urgent need today to develop a new liberatory approach which sees the causes of the present multi-dimensional crisis in terms of the concentration of power that is implied by any non-democratic institutional framework, either of the market economy or of the socialist statism variety. This will open the way for the development of a similar mass consciousness about the failure of “actually existing capitalism” to the one that led to the collapse of “actually existing socialism”, and for new forms of social organisation.

Today, we have to transcend both the neoliberal internationalised market economy and socialist statism in order to put an end to economic misery, which oppresses the majority of the world’s population, and to arrest the ecological destruction, which threatens us all. Failure to create alternative democratic forms of social organisation means that, as the present multidimensional crisis intensifies, the ways out of it that will be enforced by the transnational elite in the future will, inevitably, be increasingly authoritarian in character. The “war against terrorism” that was initiated by the events of September 2001, and the general shrinking of individual liberties that has accompanied it, are clear indications of the direction that present society takes.

Thus, roughly 100 years after the adherents to socialist

in relative poverty (World Bank, *World Development Report 2000/2001*, Tables 1.1. & 1.2).

statism attempted to create a new kind of institutional framework in place of the market economy and representative “democracy”, it is becoming increasingly clear today that the autonomy of the social individual can only be achieved in the context of democracy. In other words, in the framework of a structure and a process that, through direct citizen participation in the decision-making and implementing process, ensures the equal distribution of political, economic and social power among them –the topic of the next part.

CHAPTER 11

THE MEANING OF DEMOCRACY

What is democracy?

The conclusion drawn in the first part was that, assuming that the ultimate cause of the present multidimensional crisis is the institutional framework which reproduces the present concentration of power at all levels, the way out of this crisis should be in terms of a new institutional framework securing an equal distribution of power, i.e. democracy. But, what is democracy? Everybody talks about democracy today but, in fact, few words, apart perhaps from socialism, have been so widely abused during the twentieth century as the word “democracy”. It is therefore important, before we discuss the proposal for a new liberatory project in terms of an inclusive democracy, to examine the meaning of democracy itself.

The usual way in which the meaning of democracy has been distorted, mostly by liberal academics and politicians but also by libertarian theoreticians, is by confusing the presently dominant oligarchic system of representative “democracy” with democracy itself. Thus, a modern textbook on the topic states that “the word democracy comes from the Greek and literally means rule by the people”.¹ So, the author, having asserted that democracy is a kind of “rule” (an error repeated even by some libertarians today),

[1] Anthony H. Birch, *The Concepts and Theories of Modern Democracy* (London: Routledge, 1993), p. 45.

goes on to argue that if ruling is taken to mean the activity of reaching authoritative decisions that result in laws and regulations binding upon society, then it is obvious that (apart from occasional referendums) only a small minority of individuals can be rulers in modern, populous societies. So, for the definition to be operational, ruling must be taken in the much weaker sense of choosing the rulers and influencing their decisions.²

However, as I will try to show below, the modern concept of democracy has hardly any relation to the classical Greek conception. Furthermore, the current practice of adding several qualifying adjectives to the term democracy has further confused the meaning of it and created the impression that several forms of democracy exist. Thus, liberals refer to “modern”, “liberal”, “representative”, or “parliamentary” democracy, social democrats talk about “social”, “economic” or “industrial” democracy, and, finally, Leninists used to speak about “soviet” democracy, and, later, “people’s democracies” to describe the countries of “actually existing socialism”.

Still, as this chapter will attempt to show, there is only one form of democracy at the political level, that is, the direct exercise of sovereignty by the people themselves, a form of societal institution which rejects any form of “ruling” and institutionalises the equal sharing of political power among all citizens. Two important implications follow from this thesis:

First, that all other forms of so-called democracy (“representative”, “parliamentary” etc.) are merely various forms of “oligarchy”, that is, rule by the few and that the only adjectives that are permissible to precede democracy are those which are used to extend the classical meaning

[2] Ibid., p. 48.

of it to take into account democracy at the economic, or broader social domains. This is why in this book, to denote the extension of the classical conception of democracy to the social, economic and ecological realms, the adjective “inclusive” precedes the word democracy.

Second, that the arguments advanced by the “civil societarian” “Left” in favour of “deepening” democracy are nonsensical since they implicitly assume that the present representative “democracy” is a democracy and the difference with classical democracy is just quantitative, whereas, in fact, liberal “democracy” is not a democracy at all but what Castoriadis aptly called a “liberal oligarchy.”³ In other words, civil societarians confuse the present “statist” democracy in which polity is separate from society with the classical conception of democracy in which polity was identified with the citizens.

But let us examine in more detail the historical conceptions of democracy starting with the classical Athenian conception.

The Athenian conception of democracy

It is well known that the Athenian democracy was a partial one in the sense that power relations and structures did not disappear in the *Polis*, not only at the economic level where inequities were obvious, but even at the political level where the hierarchical structure of society was clear with the exclusion of women, immigrants and slaves from the proceedings of the *ecclesia*. Still, as Hannah Arendt⁴

[3] Castoriades, *Philosophy, Politics, Autonomy*, p. 221.

[4] Hannah Arendt, *The Human Condition* (Chicago: The University of Chicago Press, 1958), pp. 32-33.

points out, the Athenian democracy was the first historical example of the identification of the sovereign with those exercising sovereignty:

[T]he whole concept of rule and being ruled, of government and power in the sense in which we understand them, as well as the regulated order attending them, was felt to be prepolitical and to belong to the private rather than the public sphere. (...) equality therefore far from being connected with justice, as in modern times, was the very essence of freedom: to be free meant to be free from the inequality present in rulership and to move to a sphere where neither rule nor being ruled existed.

So, it is obvious that libertarian definitions of politics as “the *rule* of one, many, a few, or all over all” and of democracy as “the *rule* of all over all”⁵ are incompatible with the classical conceptions of both politics and democracy. It is, however, characteristic of the distortion involved that when libertarians attack democracy as a kind of “rule” they usually confuse direct democracy with its statist distortion. This is not surprising, in view of the fact that it is obviously impossible to talk about a “rule” in a form of social organisation where nobody is forced to be bound by laws and institutions, in the formation of which s/he does not, directly, take part.⁶ Thus, as April Carter points out “the only authority that can exist in a direct democracy is the collective «authority» vested in the body politic. (...) it is doubtful if authority can be created by a group of equals who reach decisions by a process of mutual persuasion”. Not surprisingly, the same author concludes that “commitment

[5] William McKercher, “Liberalism as Democracy,” *Democracy & Nature*, Vol. 3, No. 2 (1996)

[6] April Carter, *Authority and Democracy* (London: Routledge, 1979), p. 380.

to direct democracy or anarchy in the socio-political sphere is incompatible with political authority".⁷

Therefore, the Greeks, having realised that "there always is and there always will be an *explicit power*, (that is, unless a society were to succeed in transforming its subjects into automata that had completely internalised the instituted order),"⁸ concluded that "no citizen should be subjected to power and if this was not possible that power should be shared equally among citizens."⁹ So, although the Athenian democracy was a partial democracy, this was not due to the political institutions themselves but to the very narrow definition of full citizenship adopted by them – a definition which excluded large sections of the population (women, slaves, immigrants) who, in fact, constituted the vast majority of the people living in Athens. Unlike today's "democracies", which (after long struggles), institutionalised universal suffrage but at the same time secured the concentration of political power at the hands of a small political elite, as we saw in ch1, Athenian democracy was based on the principle that sovereignty is exercised directly by the citizens themselves. This is why classical Athens may hardly be characterised as a state in the normal sense of the word, as a state presupposes a sovereign and a centralised authority. As Castoriadis put it, "the Polis is not a «State» since in it explicit power – the positing of *nomos* (legislation), *dike* (jurisdiction) and *telos* (government) – belongs to the whole body of citizens".¹⁰

[7] Ibid., p. 69.

[8] Castoriadis, *Philosophy, Politics, Autonomy*, p. 156.

[9] Aristotle, *Politics*, Book VI, 1317b.

[10] Castoriadis, *Philosophy, Politics, Autonomy*, p. 157. Bookchin also agrees that, "the «state», as we know it in modern times, could hardly be said to exist among the Greeks". M. Bookchin, *From Urbanisation to Cities*, p. 43.

Still, Athenian democracy had a partial character not only because of the limitations of political democracy but also because of the fact that it was restricted to the political realm only. In fact, as I argued in TID, it was exactly the very limited nature of Athenian economic democracy¹¹ which, in combination with the limitations of political democracy, eventually led to its collapse. In other words, the final failure of Athenian democracy was not due, as it is usually asserted by its critics, to the innate contradictions of democracy itself but, on the contrary, to the fact that it never matured to become an inclusive democracy. Furthermore, this failure cannot be adequately explained by simply referring to the immature “objective” conditions, the low development of productive forces and so on –important as may be– because the same objective conditions prevailed at that time in many other places all over the Mediterranean, let alone the rest of Greece, but democracy flourished only in Athens. Vice versa, the much lower development of productive forces did not prevent higher forms of economic democracy than in Athens to develop among aboriginal American communities where economic resources were available to everyone in the community for use and “things were available to individuals and families of a community because they were needed, not because they were owned or created by the labour of a possessor”.¹²

[11] As I argued in TID the evolution of political democracy in Athens was associated with a parallel process of expanding economic democracy only in the narrow sense of reducing income inequalities, Fotopoulos TID, Ch. 5.

[12] Murray Bookchin, *Remaking Society*, p. 50.

The Liberal Conception of Democracy

The liberal conception of democracy is based on the negative conception of freedom¹³ and a corresponding conception of human rights. In other words, on a conception of freedom as the absence of restraint (“freedom from”) rather than on a positive conception as the ability to engage in self-development or participate in the government of one’s society (“freedom to”). This liberal conception is adopted not just by liberals but also by, individualistic anarchists and libertarians, whereas the positive conception has always been adopted by communists and anarcho-communists.

From the negative conception of freedom and a worldview which sees human nature as atomistic and human beings as rational agents whose existence and interests are ontologically prior to society follow a number of principles about the constitution of society: political egalitarianism, freedom of citizens –as competitors– to realise their capabilities at the economic level and separation of the private realm of freedom from the public realm. These principles imply, in turn, a regime where the state is separate from the economy and the market. In fact, liberal philosophers not only took for granted the separation of the state apparatus from society but saw democracy as a way of bridging the gap between state and society. The bridging role was supposed to be played by representative “democracy”, a system whereby the plurality of political parties would provide an adequate forum for competing interests and systems of values. No wonder therefore that none of the founders of classical liberalism was an advocate of democ-

[13] See Isaiah Berlin, “Two Concepts of Liberty” in Isaiah Berlin, *Four Essays on Liberty* (Oxford: Oxford University Press, 1969).

racy in the sense of direct democracy, let alone inclusive democracy.

In representative “democracy”, as Hannah Arendt stressed, the age-old distinction between ruler and ruled asserts itself again since “once more, the people are not admitted to the public realm, once more the business of government becomes the privilege of the few”.¹⁴ In this light, one may be led to a different understanding of the motives behind the liberal adoption of representative “democracy”. Thus, instead of considering representative democracy as a bridge between state and society we may see it as a form of statist “democracy”, whose main aim is the exclusion of the vast majority of the population from political power, as John Dunn¹⁵ pointed out:

It is important to recognise that the modern state was constructed, painstakingly and purposefully, above all by Jean Bodin and Thomas Hobbes, for the express purpose of denying that any given population, any people, had either the capacity or the right to act together for themselves, either independently of, or against their sovereign. The central point of the concept was to deny the very possibility that any *demos* (let alone one on the demographic scale of a European territorial monarchy) could be a genuine political agent, could *act* at all, let alone act with sufficiently continuous identity and practical coherence for it to be able to rule itself (...) the idea of the modern state was invented precisely to repudiate the possible coherence of democratic claims to rule, or

[14] Hannah Arendt, *On Revolution* (London: Penguin, 1990), pp. 237-38.

[15] Dunn, *Democracy, The Unfinished Journey*, pp. 247-48.

even take genuinely political action (...) representative democracy is democracy made safe for the modern state.

As regards the historical evolution of (liberal) representative “democracy” one has to notice that although society was separated from the economy about two centuries ago, when, within the marketization process, most social controls over the market were abolished and a process of concentrating economic power was set in motion, still, the separation process had begun earlier, in sixteenth-century Europe. At the political level, the emergence of the nation-state, at about the same time and place, initiated a parallel process of concentrating political power, initially in the form of highly centralised monarchies and later in the form of liberal “democracies”. From then on, as Bookchin points out, “the word «state» came to mean a professional civil authority with the powers to govern a «body politic».”¹⁶

It was also during the same sixteenth century that the idea of representation entered the political lexicon, although the sovereignty of Parliament was not established until the seventeenth century. Thus, in the same way that the king had once “represented” society as a whole, it was now the turn of Parliament to play this role, although sovereignty itself was still supposed to belong to the people as a whole. In fact, the doctrine that prevailed in Europe since the French revolution was not just that the French people were sovereign and that their views were represented in the National Assembly, but that the French nation was sovereign and the National Assembly embodied the will of the nation. As Anthony Birch¹⁷ stresses:

[16] Murray Bookchin, *From Urbanization to Cities*, p. 43.

[17] Birch, *The Concepts and Theories of Modern Democracy*, p. 58.

this was a turning point in continental European ideas since, before this, the political representative had been viewed in the continent as a delegate. According to the new theory promulgated by the French revolutionaries (...) the elected representative is viewed as an independent maker of national laws and policies, not as an agent for his constituents or for sectional interests.

In fact, one may say that the form of liberal “democracy” that has dominated the West in the last two centuries is not even a representative “democracy” but a representative *government*, that is a government of the people by their representatives, as Bhikhu Parekh¹⁸ rightly points out:

Representatives were to be elected by the people, but once elected they were to remain free to manage public affairs as they saw fit. This highly effective way of insulating the government against the full impact of universal franchise lies at the heart of liberal democracy. Strictly speaking liberal democracy is not representative democracy but representative government.

The Marxist-Leninist conception of democracy

It could be argued that, appearances to the contrary notwithstanding, this is also a statist conception of democracy. This is because; in this conception, democracy is not differentiated from the state for the entire historical period which separates capitalism from communism, that is, for the entire period that is called the “realm of necessity”

[18] Bhikhu Parekh, “The Cultural Particularity of Liberal Democracy” in *Prospects for Democracy*, ed by David Held (Cambridge: Polity Press, 1993), p. 172.

when scarcity leads to class antagonisms which make inevitable class dictatorships of one kind or another. In Marx's view, socialism will simply replace the dictatorship of one class, the bourgeoisie, by that of another, the proletariat.¹⁹ Lenin was even more explicit:

Democracy is also a state and consequently democracy will also disappear when the state disappears. Revolution alone can "abolish" the bourgeois state. The state in general, i.e. the most complete democracy, can only "wither away"²⁰ (...) there will then be no need for society to regulate the quantity of products to be received by each; each will take freely according to his needs.²¹

It is therefore obvious that in this worldview, a non-statist conception of democracy is inconceivable, both at the transitional stage leading to communism and at the higher phase of communist society: in the former, because the realm of necessity makes necessary a statist form of democracy where political and economic power is not shared among all citizens but only among members of the proletariat; in the latter, because when we reach the realm of freedom, no form of democracy at all is necessary, since no significant decisions will have to be made! Thus, at the economic level, scarcity and the division of labour will by then have disappeared and there will therefore be no need for any significant economic decisions to be taken about the allocation of resources. Also, at the political level, the

[19] Thus, for Marx, the state in the transition period 'can be nothing but the revolutionary dictatorship of the proletariat, Karl Marx, *Critique of the Gotha Programme* (Moscow: Progress Publishers, 1937), p. 25.

[20] V. I. Lenin, *The State and Revolution* (Moscow: Foreign Languages Publishing House, 1917), pp. 31-32.

[21] *Ibid.*, p. 165.

administration of things will have replaced the administration of people and there will therefore be no need for any significant political decisions to be taken either.

However, the Marxist abolition of scarcity depends on an objective definition of “needs”, which is neither feasible, nor –from the democratic point of view– desirable. It is not feasible because, even if **basic** needs can be assumed to be finite and independent of time and place, we cannot make the same assumption about their **satisfiers** (i.e., the form or the means by which these needs are satisfied), and even more so about non-basic needs. It is not desirable because, in a democratic society, an essential element of freedom is choice as regards the ways in which needs are formed and satisfied.

Therefore, the communist stage of post-scarcity is in fact a mythical state of affairs, since it is obvious that the level of development of productive forces that is required, so that material abundance for the entire population on Earth can be achieved, makes it at least doubtful that such a stage could ever be achieved without serious repercussions to the environment. Unless, of course, “needs” and “material abundance” are defined democratically (and not “objectively”) in a way which is consistent with ecological balance –a process that presupposes an economic democracy.

Within the problematique of the democracy project, therefore, the link between post-scarcity and freedom should be broken. The abolition of scarcity, and consequently of the division of labour, is neither a necessary nor a sufficient condition for democracy. The ascent of man from the kingdom of necessity to the kingdom of freedom should be de-linked from the economic process. Still, from Aristotle, through Locke and Marx, to Arendt and Bookchin, the distinction between the “realm of necessity” (where nature belongs) and the “realm of freedom” always has

been considered to be fundamental. However, although this distinction may be useful as a *conceptual tool* in classifying human activities, there is no reason why the two realms must be seen as mutually exclusive in social reality. Historically, there have been several occasions when various degrees of freedom survived under conditions that could be characterised as belonging to the “realm of necessity”. Furthermore, once we cease treating the two realms as mutually exclusive, there is no justification for any attempt to dominate Nature –an important element of Marxist growth ideology– in order to enter the realm of freedom.

In conclusion, there are no material preconditions of freedom. The entrance to the realm of freedom does not depend on any “objective” factors, like the arrival of the mythical state of affairs of material abundance. So, neither capitalism nor communism constitute historical preconditions to enter the realm of freedom.

The conceptions of “radical” democracy

In the last ten years or so, and particularly after the collapse of “actually existing socialism”, several versions of what is usually termed “radical” democracy have flourished among socialist statistes (post-Marxists, neo-Marxists ex-Marxists et al). The common characteristic of all these approaches²² to “radical” democracy is that they all take for granted the present institutional framework, as defined by the market economy and liberal democracy, and suggest various combinations of the market with forms of social

[22] See for a detailed assessment of the radical democracy approaches, *TID*, Ch. 5.

ownership of the means of production, as well as the “democratisation” of the state.

The Habermasian school, for instance, promotes a “proceduralist” model of democracy, which not only sees democracy as a set of procedures rather than as a *regime*, as Castoriadis²³ rightly points out, but it is also utterly irrelevant to the present trends of the market economy and the bureaucratisation of today’s “politics”. Thus, Habermas ignores the fact that the present internationalised market economy can easily marginalize any “autonomous” from the market public spheres (co-ops etc.) –unless such spheres are part of a comprehensive political program aiming at a new form of society. Equally ignored by him is the fact that, even at the political level, the possibility of autonomous from the state public spheres is effectively undermined by the marketisation process (deregulation of markets, etc.), which enhances not the “civil society” but, instead, the elites in effective control of the means of production. Similar arguments could be advanced against the various versions of “red-green” democracy proposed by the Marxist ecological left.²⁴

Others talk about a *process* of democracy rather than a set of procedures. Thus, Chantal Mouffe’s version of “radical” democracy is differentiated from that of the Habermasians by postulating that a final realisation of democracy is impossible, because of “the unresolvable tension between

[23] Cornelius Castoriadis, “La démocratie comme procédure et comme régime” in *La Montée de l’insignifiance, Les Carrefours du Labyrinthe IV* (Paris: Seuil, 1996), pp. 221–241 [reprinted in *Democracy & Nature*, (greek edition) No. 1 (1996)].

[24] See e.g. James O’Connor, “Democracy and Ecology,” *Capitalism, Nature, Socialism*, Vol. 4, No. 4 (Dec. 1993) and John Dryzek, “Ecology and Discursive Democracy,” *Capitalism, Nature, Socialism*, Vol. 3, No. 2 (June 1992), p. 37.

the principles of equality and liberty".²⁵ The author sees "radical" democracy as the only alternative today and explicitly states that "such a perspective does not imply the rejection of liberal democracy and its replacement by a completely new political form of society, as the traditional idea of revolution entailed, but a radicalisation of the modern democratic tradition."²⁶ Clearly, Mouffe's "radical" democracy is based on the assumption of separation of political from economic liberalism (i.e. of representative "democracy") from the market economy. But, the fact that political and economic liberalism have always been inseparable is not a historical accident. The marketisation of the economy, i.e. the minimisation of social controls on the market in the last two centuries, was based on the ideal of a "free" (from state controls and restrictions) individual. So, Mouffe's version of "radical" democracy is grounded on a negative conception of freedom and an individualistic conception of autonomy, which is assumed separate from collective autonomy. Finally, the author derives a typical postmodernist (and conformist) conclusion: as the identities of citizen and individual can never be reconciled, since they correspond to the tension between liberty and equality, the project for democracy will never be completed. So, for Mouffe's "radical" mind, the tension between liberty and equality has nothing to do with the unequal distribution of political, economic and social power and it is therefore pointless to think about a liberatory project that could create the necessary institutional conditions for eliminating this tension!

Similar arguments could be put forward about the essentially a-historical character of David Miller's "deliberative

[25] Chantal Mouffe, "Democratic Politics Today" in *Dimensions of Radical Democracy*, p. 13.

[26] Ibid., p. 1.

democracy",²⁷ which presupposes a degree of statism that is no longer possible in the present internationalised market economy, or Paul Hirst's model of "associational" or "associative" democracy,²⁸ which does not aim at a radical transformation of society at all, or, finally David Held's "cosmopolitan model of democracy",²⁹ which attempted to internationalise the utopian (because of its hopelessly "closed" character) civil societarian approach, making it in the process even more utopian!

[27] See David Miller, "Deliberative Democracy and Social Choice" in Held's *Prospects for Democracy*; see also D. Miller, *Market, State and Community: Theoretical Foundations of Market Socialism* (Oxford: Clarendon Press, 1989).

[28] Paul Hirst, "Associational Democracy" in *Prospects for Democracy*, pp.112-35. See also, Paul Hirst, *Associative Democracy: New Forms of Economic and Social Governance* (Amberst: University of Massachusetts Press, 1994).

[29] David Held, "Democracy: From City-States to a Cosmopolitan Order?" in *Prospects for Democracy*, pp. 13-52 and, also, his *Democracy and the Global Order* (Cambridge, Polity, 1995).

CHAPTER 12

THE FOUNDATIONS OF THE NEW LIBERATORY PROJECT

What is the foundation of freedom and democracy

An autonomous society is inconceivable without autonomous individuals and vice versa. Thus, in classical Athens no citizen is autonomous unless he participates equally in power, that is, unless he takes part in the democratic process. In general, as Castoriadis observes, no society is autonomous unless it consists of autonomous individuals because “without the autonomy of the others there is no collective autonomy –and outside such a collectivity I cannot be effectively autonomous.”¹ It is therefore obvious that in the social context, the very acceptance of the idea of autonomy inevitably leads to the idea of democracy.

But, even if we take for granted the connection between freedom/ autonomy and democracy, the question still remains about the foundations of democracy, indeed freedom itself. Traditionally, most libertarians, from Godwin to Bakunin and Kropotkin, based their ethics and politics, freedom itself, on a fixed human nature governed by “necessary and universal laws”, by which –in contrast to Marxists who emphasised economic “laws”– they usually meant natural laws. This reflected the same nineteenth-century incentive which led Marx to develop his “scientific”

[1] Castoriadis, *Philosophy, Politics, Autonomy*, p. 76.

economic laws, namely, the incentive to make the liberal project look “scientific” or, at least, “objective”.

However, the use of an “objectivist” method to justify the need for an inclusive democracy is both problematical and undesirable. It is *problematical* because few still believe today, after the decisive introduction in twentieth-century science of uncertainty, that it is still possible to derive any “objective” “laws”, “tendencies” or “directionalities” of social evolution. It is *undesirable* because, as the case of the socialist project has shown, there is a definite link between the “scientification” of that project in the hands of Marxists-Leninists and the consequent bureaucratisation of socialist politics and the totalitarian transformation of social organisation. So, one may assume that if inclusive democracy ever replaces the present heteronomous forms of political and economic organisation, this will represent not the actualisation of unfolding potentialities for freedom but simply the conscious choice among two social possibilities, which schematically may be described as the possibility for autonomy versus the possibility for heteronomy.

But, if modernist “objectivism” seems problematical and undesirable, this does not mean that post-modernist subjectivism is less problematical, as it may easily lead to general relativism and irrationalism, if not to the complete abandonment of radical politics and conformism. The democratic project is incompatible with relativism, because it explicitly denies the view that all traditions, as in this case the autonomy and heteronomy ones, have equal truth values. Thus, although one may accept the post-modernist view that history cannot be seen as a linear (Kant et al.) or dialectical (Hegel, Marx) process of Progress that embodies reason, this does not imply that we should assign equal value to all historical forms of social organisation: from classical Athens, the Swiss cantons and the Parisian

Sections, to the present “democratic” regimes. This type of general relativism, which is adopted by post-modernism, simply expresses the latter’s abandonment of any critique of the institutionalised social reality and a general retreat to conformism, as Castoriadis² rightly points out. Furthermore, adopting the post-modern rejection of universalism implies the abandonment of any idea of a liberatory project, as the project of autonomy/democracy is of course very much a “universal” one.³

Finally, the democratic project is incompatible with irrationalism because, democracy, as a process of social self-institution, implies a society which is open ideologically, namely, which is not grounded on any closed system of beliefs, dogmas or ideas. “Democracy,” as Castoriadis puts it, “is the project of breaking the closure at the collective level.”⁴ Therefore, in a democratic society, dogmas and closed systems of ideas cannot constitute parts of the dominant social paradigm, although, of course, individuals can have whatever beliefs they wish, as long as they are committed to uphold the democratic principle, namely the principle according to which society is autonomous, institutionalised as inclusive democracy. It is indicative that even in classical Athens, 2,500 years ago, a clear distinction was made between religion and democracy. It is not accidental for instance that all the laws approved by the *ecclesia* started with the clause that “this is the opinion of *Demos*” with no reference to God. This is in sharp contrast to the Judeo-Christian tradition, where, as Castoriadis points out, the source of the laws in the Old Testament is divine: Jehovah gives the laws to Moses.⁵

[2] Castoriadis, “The Era of Generalised Conformism”.

[3] See Fotopoulos, “The Myth of Postmodernity”.

[4] Castoriadis, *Philosophy, Politics, Autonomy*, p. 21.

[5] Castoriadis, “The problem of democracy today,” p. 23.

So, the democratic project cannot be grounded on any divine, natural or social “laws” or tendencies, but on our own conscious and self-reflective choice between the two main historical traditions: the tradition of heteronomy which has been historically dominant, and the tradition of autonomy. The choice of autonomy implies that the institution of society is not based on any kind of irrationalism (faith in God, mystical beliefs, etc.), as well as on “objective truths” about social evolution grounded on social or natural “laws”. This is so because any system of religious or mystical beliefs (as well as any closed system of ideas), by definition, excludes the questioning of some fundamental beliefs or ideas and, therefore, is incompatible with citizens setting their own laws. In fact, the principle of “non-questioning” some fundamental beliefs is common in every religion or set of metaphysical and mystical beliefs, from Christianity up to Taoism. This is important if we take particularly into account the fact that today’s influence of irrationalist trends on libertarian currents has resulted in the silly picture of scores of communes organised democratically and inspired by various kinds of irrationalism (not unlike similar religious sects in the past, e.g. the Christian Catharist movement extolled by libertarians as democratic!)⁶

The fundamental element of autonomy is the creation of our own truth, something that social individuals can only achieve through direct democracy, that is, the process through which they continually question any institution, tradition or “truth”. In a democracy, there are simply no given truths. The practice of individual and collective au-

[6] See G. Woodcock, “Democracy, heretical and radical”, *Our Generation*, Vol. 22, Nos. 1-2 (Fall 1990-Spring 1991), pp. 115-16.

tonomy presupposes autonomy in thought, in other words, the constant questioning of institutions and truths.

But, if it is neither feasible, nor desirable to ground the demand for democracy on “scientific” or “objective” “laws” or “tendencies”, which direct social evolution towards the fulfilment of objective potentialities, then this demand can only be founded on a liberatory *project*. And such a liberatory project today can only constitute a synthesis of the democratic, the socialist, the libertarian and radical green and feminist traditions. In other words, it can only be a project for an inclusive democracy, in the sense of political, economic, “social” and ecological democracy.

Still, the fact that the democratic demand can only be founded on a project which can neither be “scientified” nor “objectivized” does not mean that it is just a utopia in the negative sense of the word. A liberatory project is not a utopia if it is based on today’s reality. And today’s reality is summed up by the unprecedented multidimensional crisis we saw in the first part of the book which engulfs all societal realms (political, economic, social, cultural) as well as the Society-Nature relationship.

Also, a liberatory project is not a utopia, if it expresses the discontent of significant social sectors and their, explicit or implicit, contesting of existing society. Today, the main political, economic and social institutions on which the present concentration of power is founded are increasingly contested. Thus, not only basic political institutions are questioned in various ways (ch. 4), but also fundamental economic institutions, like private property, are challenged in a massive way (see e.g. the explosion of crime against property in the last quarter of a century or so).

Finally, a liberatory project is not a utopia if it reflects current trends in social change. And the project for an inclusive democracy that will be outlined in the next chapter does express the democratic trends that were first

expressed dramatically by May 1968 and today by the organisational forms of the antiglobalisation movement in the North and similar trends for democratic organisation, beyond representative “democracy” and the market economy, in the South.

Toward a democratic rationalism

Today, it is possible to define a liberatory project for an inclusive democracy without recourse to controversial objective grounds or to post-modern neo-conservatism. For this, we have to define the liberatory project in terms of the demand for social and individual autonomy,⁷ which implies that:

- we responsibly choose autonomy, as well as its expression in democracy and we explicitly rule out the possibility of establishing any “objective” laws, processes or tendencies that, inevitably or “rationally”, lead to the fulfilment of the autonomy project.
- we avoid the trap of objectivism without succumbing to liberal individualism, as many ex Marxists and libertarians today do, and
- we see democracy not just as a *structure* institutionalising the equal sharing of power, but, also, as a *process of social self-institution*, in the context of which politics constitutes an expression of both collective and individual autonomy.

Thus, as an expression of collective autonomy, politics

[7] For a definition of the liberatory project in terms of social and individual autonomy, see *TID*, Ch. 5; see also Cornelius Castoriadis, *L'Institution Imaginaire de la Societe* (Paris: Seuil, 1975).

takes the form of calling into question the existing institutions and of changing them through deliberate collective action. Also, as an expression of individual autonomy, “the *polis* secures more than human survival. Politics makes possible man’s development as a creature capable of genuine autonomy, freedom and excellence.”⁸ Therefore, a democratic society will be a social creation, which can only be grounded on our own conscious selection of those forms of social organisation that are conducive to individual and social autonomy.

All this implies a new kind of rationalism, beyond both the “objectivist” types of rationalism we inherited from the Enlightenment and the generalised relativism of postmodernism. It implies a **democratic rationalism**, i.e. a rationalism founded on democracy as a structure and a process of social self-institution. Within the context of democratic rationalism, democracy is not justified by an appeal to objective tendencies with respect to natural or social evolution, but by an appeal to reason in terms of *logon didonai*, (rendering account and reason), which explicitly denies the idea of any “directionality” as regards social change.

So, if our aim is to reach a synthesis of the autonomous-democratic, libertarian socialist and radical green and feminist traditions, I think that our starting point should be the fact that the social imaginary or creative element plays a crucial role with respect to social change. This implies that the project for democracy may be grounded only on our own conscious **choice** between the heteronomous and the autonomous tradition.

However, once we have chosen, broadly, the content of the liberatory project, some definite implications follow

[8] Cynthia Farrar, referring to the thought of the sophist philosopher Protagoras. See her article, “Ancient Greek Political Theory as a Response to Democracy” in *Democracy*, John Dunn, ed., p. 24.

regarding our interpretation and assessment of social reality. In other words, the very definition of a liberatory project conditions the “way of seeing” and criticising social reality. Therefore, the grounding of a free society on a conscious choice does not deprive us of an ethical criterion to assess the various forms of social organisation. In fact, the degree to which a form of social organisation secures an equal distribution of political, economic and social power is a powerful criterion to assess it. But this is a criterion chosen by us and not implied by some sort of evolutionary process.

To conclude, if we take for granted that autonomy and democracy cannot be “proved” but only postulated, **we** value autonomy and democracy more than heteronomy because, although both traditions are true, still, it is autonomy and democracy which **we** identify with freedom and **we assess freedom as the highest human objective.**

CHAPTER 13

DIRECT POLITICAL DEMOCRACY

Public and private realms

It is clear that all the dimensions of the multidimensional crisis we considered in the first part of the book bring us back to the issue of democracy. This demands not just to revive the tradition of the Greek *polis* but to transcend it as well, so that the reintegration of society with polity, but also with the economy and Nature can be achieved. In this sense, democracy should be seen as irreconcilable with any form of inequity in the distribution of power, that is, with any concentration of power, political, social or economic. Consequently, democracy is incompatible with commodity and property relations, which inevitably lead to concentration of power. Similarly, it is incompatible with hierarchical structures implying domination, either institutionalised (e.g., domination of women by men), or “objective” (e.g., domination of the South by the North in the framework of the market division of labour), and the implied notion of dominating the natural world. Finally, democracy is fundamentally incompatible with any closed system of beliefs, dogmas, or ideas. So, democracy has nothing to do with the present dominant liberal conception of it, nor with the various conceptions of the ideal society which are grounded on religion, spiritualism, or irrational beliefs and dogmas.

The conception of inclusive democracy that forms the core of the proposed new liberatory project, is a new conception, which, using as a starting point the classical

definition of it, expands its scope to other areas where collective decision-taking is possible. It is derived from a synthesis of two major historical traditions, the classical democratic and the socialist, although it also encompasses radical green, feminist, and liberation movements in the South. Within the problematique of the inclusive democracy project, it is assumed that the world, at the beginning of the new millennium, faces a multi-dimensional crisis (economic, ecological, social, cultural and political) which is caused by the concentration of power in the hands of various elites, as a result of the establishment, in the last few centuries, of the system of market economy, representative democracy and the related forms of hierarchical structure. In this sense, an inclusive democracy, which involves the equal distribution of power at all levels, is seen not as a utopia (in the negative sense of the word) but as perhaps the only way out of the present crisis.

A fruitful, perhaps, way to begin the discussion on this new conception of democracy may be to distinguish between the two main societal realms, the public and the private, to which we may add an “ecological realm”.

The public realm in this book, contrary to the practice of many supporters of the republican or democratic project (Arendt, Castoriadis, Bookchin et al) includes not just the political realm, but any area of human activity where decisions can be taken collectively and democratically. So, the public realm includes:

- The political realm which is defined as the sphere of political decision-taking, the area where political power is exercised.
- The economic realm which is defined as the sphere of economic decision-taking, the area where economic power is exercised with respect to the broad economic choices that any scarcity society has to make.

- The social realm which is defined as the sphere of decision-taking in the workplace, the education place and any other economic or cultural institution that is a constituent element of a democratic society. Finally,
- The ecological realm which is defined as the sphere of the relations between the natural and the social worlds.

To my mind, the extension of the traditional public realm to include, apart from the political realm, the economic, ecological and “social” realms is an indispensable element of an inclusive democracy. We may therefore distinguish between four main types of democracy that constitute the fundamental elements of an inclusive democracy: political, economic, ecological and “democracy in the social realm”. Political, economic and democracy in the social realm may be defined, briefly, as the institutional framework that aims at the equal distribution of political, economic and social power respectively, in other words, as the system which aims at the effective elimination of the domination of human being over human being. Correspondingly, we may define ecological democracy as the institutional framework that aims at the elimination of any human attempt to dominate the natural world, in other words, as the system which aims to reintegrate society and nature.

The meaning of political democracy

We may distinguish various forms of political power-sharing in History, which, schematically, may be classified as either democratic or oligarchic. In the former, political power is shared equally among all those with full citizen rights (typical example the Athenian ecclesia), whereas in

the latter political power is concentrated, in various degrees, at the hands of miscellaneous elites.

In the political realm there can only be one form of democracy, what we may call *political* or *direct democracy*, where political power is shared equally among all citizens. So, political democracy is founded on the equal sharing of political power among all citizens, the self-instituting of society. This means that the following conditions have to be satisfied for a society to be characterised as a political democracy:

1. Democracy is grounded on the conscious **choice** of its citizens for individual and collective autonomy and not on any divine or mystical dogmas and preconceptions, or any closed theoretical systems involving social/natural “laws”, or tendencies determining social change.
2. No institutionalised political **processes** of an oligarchic nature. This implies that all political decisions (including those relating to the formation and execution of laws) are taken by the citizen body collectively and without representation;
3. No institutionalised political **structures** embodying unequal power relations. This means, for instance, that where delegation of authority takes place to segments of the citizen body, in order to carry out specific duties (e.g., to serve as members of popular courts, or of regional and confederal councils, etc.), the delegation is assigned, on principle, by lot, on a rotation basis, and it is always recallable by the citizen body. Furthermore, as regards delegates to regional and confederal bodies, the mandates should be specific. This is an effective step towards the abolition of hierarchical relations since such relations today are based, to a significant extent, on the myth of the “experts” who are supposed to be able to control everything, from nature to society.

However, apart from the fact that the knowledge of the so-called experts is doubtful (at least as far as social, economic and political phenomena is concerned), still, in a democratic society, political decisions are not left to the experts but to the users, the citizen body. This principle was consistently applied by the Athenians for whom "all citizens were to take part, if they wished, in running the state, but all were to be amateurs ... professionalism and democracy were regarded as, at bottom, contradictory"¹;

4. All residents of a particular geographical area and of a viable population size beyond a certain age of maturity (to be defined by the citizen body itself) and irrespective of gender, race, ethnic or cultural identity, are members of the citizen body and are directly involved in the decision-taking process.

The above conditions are obviously not met by representative "democracy" (as it functions in the West), soviet "democracy" (as it functioned in the East) and the various fundamentalist or semi-military regimes in the South. All these regimes are therefore forms of political oligarchy, where political power is concentrated in the hands of various elites (professional politicians, party bureaucrats, priests, military and so on). Similarly, in the past, various forms of oligarchies dominated the political domain, when emperors, kings and their courts, with or without the co-operation of knights, priests and others, concentrated political power in their hands.

On the other hand, several attempts were made in the past to institutionalise various forms of direct democracy, especially during revolutionary periods (for example, the

[1] Mogens Herman Hansen, *The Athenian Democracy in the Age of Demosthenes* (Oxford: Blackwell, 1991), p. 308.

Parisian sections of the early 1790s, the Spanish collectives in the civil war etc.). However, most of these attempts were short-lived and usually did not involve the institutionalisation of democracy as a new form of political *regime* that replaces, and not just complements, the State. In other cases, democratic arrangements were introduced as a set of procedures for local decision-making. The only perhaps real parallel to the Athenian democracy, as Hansen notes, were four Swiss cantons and four half cantons which were governed by assemblies of the people (*Landsgemeinden*) and, in their day, were sovereign states.²

So, the only historical example of an *institutionalised* direct democracy where, for almost two centuries (508/7 BC–322/1 BC), the state was subsumed in the democratic form of social organisation, was the Athenian democracy which, however, as we saw in the last chapter, was a partial political democracy. Furthermore, I refer to “institutionalised” direct democracy in order to make clear the distinction between democratic *institutions* and democratic *practice*, which may still be undemocratic, even if the institutions themselves are democratic. It is therefore clear that the institutionalisation of direct democracy is only the necessary condition for the establishment of democracy. As Castoriadis puts it: “the existence of a public space (i.e. of a political domain which belongs to all) is not just a matter of legal provisions guaranteeing rights of free speech etc. Such conditions are but conditions for a public space to exist”.³ Citizens in Athens, for instance, before and after deliberating in the assemblies, talked to each other in the *agora* about politics.⁴ Similarly, a crucial role in the education of citizens is played by *paedeia*. **Paedeia** is not just

[2] Ibid., p. 2.

[3] Castoriadis, *Philosophy, Politics, Autonomy*, p. 113.

[4] Hansen, *The Athenian Democracy in the Age of Demosthenes*, p. 311.

education but character development and a well-rounded education in knowledge and skills, i.e. the education of the individual as citizen, which can only “give valuable, substantive content to the «public space»”.⁵ As Hansen points out on the crucial role of *paideia*:

[T]o the Greek way of thinking, it was the political institutions that shaped the “democratic man” and the “democratic life”, not vice versa: the institutions of the *polis* educated and moulded the lives of the citizens, and to have the best life you must have the best institutions and a system of education conforming with the institutions.⁶

Confederal democracy

The basic unit of decision making in an inclusive democracy is the *demotic* assembly, i.e. the assembly of ***demos***, the citizen body in a given geographical area that delegates power to demotic courts, demotic militias etcetera. However, apart from the decisions to be taken at the local level, there are a lot of important decisions to be taken at the regional or confederal level, as well as at the workplace. So, an inclusive democracy today can only take the form of a confederal democracy that is based on a network of administrative councils whose members or delegates are elected from popular face-to-face democratic assemblies in the various *demoi*, which, geographically, may encompass a town and the surrounding villages, or even neighbourhoods of large cities. The members of these confederal councils are strictly mandated, recallable, and responsible

[5] Castoriadis, *Philosophy, Politics, Autonomy*, p. 113.

[6] Hansen, *The Athenian Democracy in the Age of Demosthenes*, p. 320.

to the assemblies that choose them for the purpose of coordinating and administering the policies formulated by the assemblies themselves. Their function is thus purely administrative and practical, not a policy-making one, like the function of representatives in representative "democracy".⁷

As regards the decisions which have to be taken at the places of work, the proposed scheme, as shown in the diagram in the next section, envisages a system of demotic and workplace assemblies in which people as citizens and workers respectively take part. Finally, delegates from the demotic assemblies take part in regional assemblies and the confederal assembly.

The first issue that arises with respect to a confederal democracy is whether, given the size of modern societies, direct democracy is feasible today. A related issue is how the regional and confederal councils can be prevented from developing into new power structures that will start "representing" demotic assemblies.

As regards the question of feasibility in general, as Mogens Herman Hansen points out, summarising the results of recent research on the topic, "modern technology has made a return to direct democracy quite feasible—whether desirable or not is another matter".⁸

Also, as regards the related issue of how the degeneration of confederal councils into new power structures may

[7] Murray Bookchin has described a similar scheme which however is based on communities and does not involve a proper economic democracy since it assumes away the problem of scarcity, see "The Meaning of Confederalism", *Society and Nature*, Vol. 1, No. 3 (1993).

[8] Hansen, *The Athenian Democracy in the age of Demosthenes* (Oxford: Blackwell, 1991), p. 1. The references quoted by Hansen on the feasibility of direct democracy today include: F.C. Artterton, *Teledemocracy* (Washington, D.C. 1987), I. McLean, *Democracy and New Technology* (Cambridge, 1989).

be avoided, modern technology may, again, play a significant role. An electronic network could connect the demotic assemblies at the regional or confederal level, forming a huge “assembly’s assembly”. This way, the confining of the members of the regional or confederal councils to purely administrative duties of co-ordination and execution of the policies adopted by demotic assemblies is made even easier. Furthermore, at the institutional level, various safety valves may be introduced into the system that will secure the effective functioning of democracy. However, in the last instance, it is *paedeia* that may effectively condition democratic practice.

A common objection against the democratic decision-taking process is that it may easily lead to the “tyranny of the majority”, where various minorities –defined by cultural, racial, or even political, criteria– are simply oppressed by majorities. Thus, some libertarians declare that “the majority has no more right to dictate to the minority, even a minority of one, than the minority to the majority.”⁹ Others stress that “democratic rule is still a rule ... it still inherently involves the repression of the wills of some people.”¹⁰ I think that there are two issues here that have to be examined separately. First, the question whether democracy is still a “rule” and second, how minorities, even of one, may be protected.

As regards the first issue, it is obvious that those assuming, erroneously that democracy involves a form of “rule” confuse non-statist democracy with statist forms of it. The fact, which is simply ignored by libertarians adopting this sort of objection against democracy, is that in a non-statist

[9] Peter Marshall, *Demanding the Impossible* (London: Harper, 1992), p. 22.

[10] L. Susan Brown, *The Politics of Individualism* (Montréal: Black Rose Books, 1993), p. 53.

conception of democracy there is no conflict between democracy and freedom of the social individual, *since all social individuals equally share power* and may take part in the decision-taking process. Furthermore, as Bookchin points out, the alternative proposed by them, consensus, is “the individualistic alternative to democracy”¹¹ –an alternative which, in fact, assumes away individual diversity that supposedly is oppressed by democracy!

As regards the second issue it is true that there is a problem of how minorities, “even of one”, are protected against majorities and, in particular, how certain fundamental individual freedoms are safeguarded against democratically taken decisions by the majority. The historical answer given to this question by supporters of statist democracy has taken the form of “human rights”.

Thus, it was the liberal conception of human rights that was developed first by liberal philosophers of the seventeenth and eighteenth centuries (John Locke, Montesquieu, Voltaire, Rousseau) and the associated English, French and American revolutions. Liberal individualism, the economic doctrine of *laissez faire* and the liberal definition of freedom as “freedom from” constitute the pillars on which these rights are based. Then, it was the turn of the “second generation” of human rights (social and economic rights), which originated in the socialist tradition, namely the socialist thinkers and the mass movements and revolts of the nineteenth and twentieth centuries. In consistency with the socialist conception of freedom, which is defined positively, the socio-economic rights in this category are, also, defined positively; their aim is social equality, mainly in the form of an equitable participation in the production and

[11] Murray Bookchin, “The Democratic Dimension of Anarchism”, *Democracy and Nature*, Vol. 3, No. 2 (1996).

distribution of the social product, achieved through state intervention. These rights are therefore “collective” in the sense that they belong more to communities or whole societies rather than to individuals (right to work, paid leave, social security, education, etc.).

However, both the liberal and the socialist conceptions involve a view which sees political and socio-economic rights as somehow separate from each other a view that, as a Green activist put it, is a by-product of a conception that sees social existence as being truncated into separate –political and economic– spheres.¹² But, a more fundamental characteristic that both the liberal and socialist conceptions of rights share is that they presuppose a statist form of democracy. Human rights are mostly rights against the state; it is only in forms of social organisation where political and economic power is concentrated in the hands of elites that many “rights” are invested with any meaning, whereas in a non-statist type of democracy, which by definition involves the equal sharing of power, these rights become meaningless. This is, for instance, the view adopted by Karl Hess when he states that “rights are power, the power of someone or some group over someone else (...) rights are derived from institutions of power.”¹³ In principle, therefore, the issue of human rights should not arise at all in the case of a non-statist democracy as we defined it.

Still, even in an inclusive democracy, the question remains of how best to protect the freedom of the single individual from the collective decisions of the assemblies. Classical anarchists like Proudhon and Kropotkin, as well as

[12] V. Ramaswamy, “A New Human Rights Consciousness,” *IFDA Dossier* 80 (Jan.-March 1991), p. 9.

[13] Karl Hess, “Rights and Reality” in *Renewing the Earth: The Promise of Social Ecology*, John Clark, ed. (London: Greenprint, 1990), pp. 130-33.

modern ones like Karl Hess, look to contracts in the form of voluntary agreements to regulate affairs between people in a non-statist society. However, to my mind, the issue of protecting individual freedoms against majority decisions cannot just be left to voluntary agreements, which could be easily broken. This is a very important issue that should be decided democratically like all other important issues. If a consensus requirement in establishing (or in annulling) such freedoms may be impractical or even morally wrong, this should not mean that such an important issue could be left to be decided by the simple majority of a local or regional assembly. This is therefore perhaps an area where decisions have to be taken by confederal assemblies with the requirement of exceptional quorum and majorities.

However, democracy requires a significant degree of cultural homogeneity for it to be tolerable. Cultural divisions may create resentment against majority rule or intolerance with respect to the rights of minorities. Therefore, despite the above safeguards, there may still be problems of oppression of racial or ethnic minorities by majorities. One possible solution to such problems may be the one suggested by Howard Hawkins¹⁴ in connection to the US experience, i.e. to advance a program of minority-based *demoi*, or even confederations of self-governing communities, wherever minorities are geographically segregated. But, in case such geographical segregation is non-existent, perhaps, different institutional arrangements should be introduced, creating separate minority assemblies within the confederation, or perhaps giving minorities a veto “block” vote. Of course, institutional arrangements create only the *preconditions* for freedom. In the last instance,

[14] Howard Hawkins, “Community Control, Workers’ Control and the Cooperative Commonwealth”, *Society & Nature*, Vol. 1, No. 3 (1993), p. 75.

Individual and collective autonomy depends on the internalisation of democratic values by each citizen. Therefore, *paedeia* plays, again, a crucial role in this connection. It is *paedeia*, together with the high level of civic consciousness that participation in a democratic society is expected to create, which will decisively help in the establishment of a new moral code determining human behaviour in a democratic society. I suppose it will not be difficult to be shown that the moral values which are consistent with individual and collective autonomy in a *demos*-based society are those that are based on co-operation, mutual aid and solidarity.

The attacks against direct democracy

The demand for direct democracy has recently been attacked from various quarters, even supposedly libertarian ones,¹⁵ and of course from statists of the civil societarian variety like Andre Gorz and Norberto Bobbio. What is surprising is that one of the main arguments Gorz uses against this type of society is that it will necessarily be in opposition to individual autonomy,¹⁶ presumably, because it will represent another *system* whereas the objective should be to abolish everything that makes society a system. In the process, however, Gorz makes clear that he takes for granted the *system* of market economy and the state insisting that, as Finn Bowring points out, the socialist aim should not be to eliminate the system or the sphere of

[15] See e.g. John Clark, "The Politics of Social Ecology: Beyond the limits of the city" and my reply in *Democracy & Nature*, Vol. 5, No. 3 (Nov. 1999), pp. 523-576 and Susan Brown, *The Politics of Individualism*.

[16] See André Gorz, *Capitalism, Socialism, Ecology* (London: Verso, 1994), p. 3.

heteronomy, but to restrict it where it cannot be dispensed with!¹⁷ On the other hand, Bobbio, adopting the negative definition of freedom as “freedom from”, characterises liberal democracy as “the only possible form of an effective democracy” capable of protecting the citizens from state encroachment.¹⁸ In the process, he attacks what he calls the “fetish” of direct democracy on the usual grounds of scale (ignoring the proposals of confederalists) and the negative experience of the student movement (ignoring the fact that democracy is not just a procedure but a regime, a form of social organisation). In essence, therefore, what Bobbio, as well as Miliband¹⁹ and other writers in the same ideological space promote, is a form of economic democracy to complement liberal democracy.

Another common objection raised against this type of social organisation is that the “complexity” and the size of today’s societies make such a society a utopian dream. Thus, Andre Gorz, again, argues that a decentralised society is impossible because it implies the “radical elimination” of industrial techniques, specialised functions and division of labour and the return to autarchic communities or to a kibbutz type of society.²⁰ However, a confederal democracy presupposes nothing of the sort. Not only is modern technology perfectly compatible with such a society, as Murray Bookchin has shown,²¹ but also the talk about

[17] Finn Bowring, “Andre Gorz: Ecology, System and Lifeworld”, *Capitalism, Nature, Socialism*, No. 24 (Dec. 1995).

[18] See Perry Anderson, “The Affinities of Norberto Bobbio,” *New Left Review*, No. 170 (July-Aug. 1988), p. 21.

[19] Ralph Miliband, “Fukuyama and the Socialist Alternative,” *New Left Review*, No. 193 (May-June 1992).

[20] Andre Gorz, “A gauche c’est par ou?,” *Lettre Internationale* (Summer 1990).

[21] See Bookchin’s essay “Towards a Liberatory Technology” in *Post-Scarcity Anarchism* (London: Wildwood House, 1974).

a return to autarchic communities or to a kibbutz-type of society represents a total misconception of the proposals concerning the economic organisation of such a society. As I will attempt to show in the next section, a confederal democracy neither rules out specialisation and the division of labour, nor depends on a system of autarchic communities – a system which, today, is not feasible anyway. What the proposed system *does* rule out is the market economy and representative “democracy”, institutions that the “radical” thought of thinkers like Andre Gorz cannot do without!

CHAPTER 14

ECONOMIC DEMOCRACY

The meaning of economic democracy

The usual definitions given to economic democracy by liberals, socialists and Green economists can be shown to be either inadequate or *particular* or both, and sometimes they tend to emphasise only one of the two main aspects of economic power: ownership and control.

Neoliberals, for instance, identify economic democracy with “popular capitalism”, which, however, can secure neither democratic ownership nor control. Thus, as the Thatcherite experiment of popular capitalism has shown, a wider spreading in the ownership of shares does not imply a smaller concentration of ownership and economic power. Furthermore, the spreading of shares is not, by itself, related to a higher degree of democratic control since the crucial economic decisions are still taken by managers and technocrats on the basis of profit-making considerations.

The practice of socialist statism tended to define economic democracy in a more narrow sense, namely, as a system that institutionalises the minimisation of socio-economic differences which, according to Marxist theory, were due, “in the last instance”, to the unequal distribution of private property. This implied that the state should be involved in either a process of redistributing income through taxation and the welfare system (social democracy) or in a process of abolition of private property for the means of production (actually existing socialism). However, as private property of the means of production is only one aspect

of economic power, the attempt to minimise the effects of its unequal distribution on income, or even the abolition of private property on the means of production, could not secure, by itself, the elimination of economic power relations. So, the outcome was that the economic power of the *capitalist elite controlling the private sector* in market economies was simply replaced by the economic power of the *party elite controlling the state sector* in centrally planned economies, as we saw in chapter 2.

Today, after the collapse of “actually existing socialism”, most self-styled “socialists” have abandoned any vision for a marketless, stateless, noncapitalist society and identify economic democracy with the enhancement of “civil society” within the context of “radical” democracy. Furthermore, they do not propose any dialectical tension between the nation-state and civil society. The enhancement of the latter has nothing to do anymore with the process of withering away of the former, but it solely aims to counterbalance or just check the state’s power, within a market economy system. In other words, the vision of a socialist planned economy, to emerge after a transition period, has simply been abandoned by most “socialists” today.¹

Finally, some Green economists identify economic democracy with various forms of “employee ownership” and “workplace democracy”² However, even when such forms of economic organisation presuppose democratic control/ownership, control is narrowly defined to cover only

[1] See, e.g., the article of Robin Blackburn, editor of the once radical *New Left Review*, that now advocates a “socialised market”!; R. Blackburn, “Fin de Siècle: Socialism After the Crash,” *New Left Review* (Jan./Feb. 1991), pp. 5-68.

[2] See, for instance, M. A. Lutz & K. Lux, *Humanistic Economics* (NY: Bootstrap, 1988), Ch. 12; C. George Benello et al., *Building Sustainable Communities* (NY: Bootstrap, 1989), Chs. 18-20.

workers and employees and not society at large. Combined with the fact that in this type of economic democracy it is still the market that ultimately determines what is to be produced and how, this could imply that what is involved is not a fundamental change in the nature of a competitive system. In other words, despite the anti-growth rhetoric of mainstream green economists, as long as they take for granted the system of the market economy and its “grow-or-die” dynamic, they indirectly adopt the growth economy itself. Such proposals, therefore, do not imply the abolition of economic power but simply its further decentralisation, while, at the same time, they cannot secure (like the liberal and socialist versions of economic democracy) the pursuit of the general interest. It is therefore obvious that we need a definition of economic democracy which involves the abolition of economic power itself.

For the Inclusive Democracy project, the definition of economic democracy has to imply the abolition of economic power relations. Thus, if we define political democracy as the authority of the people (*demos*) in the political sphere –which implies the existence of political equality in the sense of equal distribution of political power– then economic democracy is the authority of *demos* in the economic sphere –which implies the existence of economic equality in the sense of equal distribution of economic power. And, of course, we are talking about the *demos* and not the state, because the existence of a state means the separation of the citizen body from the political and economic process. Economic democracy therefore relates to a social system which institutionalises the integration of society and the economy and may be defined as an economic *structure* and a *process* which, through direct citizen participation in the economic decision-taking and decision-implementing process, secures an equal distribution of economic power among citizens. This means that, ultimately, the

demos controls the economic process, within an institutional framework of *demotic* ownership of the means of production.

On the basis of the above definition of economic democracy, the following conditions have to be satisfied for a society to be characterised as an economic democracy:

1. No institutionalised economic *processes* of an oligarchic nature. This means that all “macro” economic decisions, namely, decisions concerning the running of the economy as a whole (overall level of production, consumption and investment, amounts of work and leisure implied, technologies to be used, etc.) are taken by the citizen body collectively and without representation, although “micro” economic decisions at the workplace or the household levels may be taken by the individual production or consumption unit, and
2. No institutionalised economic *structures* embodying unequal economic power relations. This implies that the means of production and distribution are collectively owned and directly controlled by the *demos*. Any inequality of income is therefore the result of additional voluntary work at the individual level. Such additional work, beyond that required by any capable member of society for the satisfaction of *basic needs*, allows only for additional consumption, as no individual accumulation of capital is possible, and any wealth accumulated as a result of additional work is not inherited. Thus, *demotic ownership* of the economy provides the economic **structure** for democratic ownership, whereas direct citizen participation in economic decisions provides the framework for a comprehensively democratic control **process** of the economy. The *demos*, therefore, becomes the authentic unit of economic life, since economic democracy is not feasible today unless both the ownership

and control of productive resources are organised at the local level. So, unlike the other definitions of economic democracy, the definition given here involves the explicit negation of economic power and implies the authority of the people in the economic sphere. In this sense, economic democracy is the counterpart of political democracy, as well as the foundation of an inclusive democracy in general.

Historically, even when direct democracy was introduced in the political realm, this was not necessarily associated with economic democracy. Thus, in classical Athens the question of economic power was never a public issue, except in the narrow sense of redistribution of income and wealth. The reason was, of course, that the accumulation of capital was not a structural characteristic of the Athenian democracy and therefore of the dominant social paradigm. As a result, questions about the way economic resources were to be allocated did not belong to the public realm, (Aristotle was explicit about it)³ except to the extent that they referred to the setting of social controls to regulate the limited market, or to the financing of “public” spending. No wonder that, as Hansen points out, “the Athenians of the classical period had a complicated network of political institutions but, as far as we can tell from the sources, no parallel economic organisations”.⁴

It was only when the market economy appeared, two centuries ago, that the question arose of how important economic decisions should be taken (how, what and for whom to produce) and how economic power in general should be shared. It is equally clear that the forms of economic organisation that have prevailed since the emergence of the

[3] Aristotle, *Politics*, Book 1.

[4] Hansen, *The Athenian Democracy in the Age of Demosthenes*, p. 63.

market economy, that is, capitalism and socialist statism, were just versions of economic oligarchy, where economic power was concentrated in the hands of capitalist and bureaucratic elites respectively.

However, even when socialist attempts to reduce the degree of inequality in the distribution of income and wealth were successful, they were never associated with meaningful attempts to establish a system of equal distribution of economic power in general. Therefore, in contrast to the institutionalisation of political democracy, there has never been a corresponding example of an institutionalised economic democracy in the broad sense defined above. This has been the case, despite the fact that in the type of society which has emerged since the rise of the market economy, there was a definite shift of the economy from the private realm into what Hannah Arendt called the "social realm", to which the nation-state also belongs. It is this shift that today makes hollow any talk about democracy which does not also refer to the question of economic power. Therefore, to talk about the equal sharing of political power, without conditioning it on the equal sharing of economic power, is at best meaningless and at worse deceptive. It is not therefore accidental that the present decline of representative democracy has led many liberals, social democrats and others to pay lip service to direct democracy, without referring to its necessary complement: economic democracy.

From this point of view, I think that statements like the following one by Noam Chomsky which describe the United States as "a very free, very democratic society (in which) unlike many other places in the world, we can act and speak in all sorts of ways without fear of state punishment and

retribution,”⁵ are obviously wrong. I think that such an assessment would only stand if we could separate political freedom and equality from economic freedom and equality. Therefore, even if one agrees that a significant degree of political freedom may have been secured in the United States at the legislative level (though, of course, one may have serious reservations about how the relevant legislation is implemented with respect to minorities, etc.), still, the very high degree of economic inequality and poverty that characterise this country with respect to its level of economic development would definitely not classify it as “a very free, very democratic society”!

A model of economic democracy

The aim of this section is to outline the conditions under which an inclusive democracy could work under today’s conditions. Even though it is up to the citizens’ assemblies of the future to design the form an inclusive democracy will take, I think that it is important to demonstrate that such a form of society is not only necessary, as I tried to show in the first part of the book, but feasible as well. This is particularly important today when the self-style “left” has abandoned any vision of a society that is not based on the market economy and representative “democracy”, which they take for granted, and dismiss any alternative visions as “utopian” (in the negative sense of the word). It is therefore necessary to show –as I tried to do in the first part of the book– that it is in fact the “Left’s vision of “radical” democracy which, in taking for granted the present

[5] See Chomsky’s interview for the *NBC/Washington Post* network (<www.msnbc.com>) (October 2, 2001).

internationalised market economy, may be characterised as utterly unrealistic. But, I think it is equally important to attempt to outline how an alternative society based on an inclusive democracy might try to sort out the basic socio-economic problems that any society has to deal with, under conditions of scarce resources and not in an imagined state of post-scarcity. Such an attempt may, not only help supporters of the democratic project form a more concrete idea of the society they wish to see, but also assist them in addressing the “utopianism” criticisms raised against them.

The type of economic democracy proposed here does not assume what Arendt calls the “communistic fiction” that there is one interest in society as a whole. Such an assumption (which implies that the “invisible hand” in a market economy –or, alternatively, the planning process in a state socialist economy– would satisfy the general interest) abstracts from the essential fact that social activity is the result of the intentions of numerous individuals.⁶ What I propose, instead, is to explicitly assume the diversity of individuals (which, in turn, implies that consensus is impossible) and to institutionalise this diversity through the adoption of a combination of democratic planning procedures on the one hand and voucher schemes within an artificial “market” on the other. The aim is to secure an allocation of resources that ensures both freedom of individual choice and the satisfaction of the basic needs of all citizens.

Furthermore, the proposed economic democracy assumes away the mythical stage of free communism and addresses the issue of how, within the context of a *scarcity*

[6] Hannah Arendt, *The Human Condition* (Chicago: The University of Chicago Press, 1958), p. 44.

society, i.e. a society where resources are still scarce with respect to needs, a method of resource allocation might be found which ensures that the above aim is achievable. From this viewpoint, it is not accidental that some modern libertarians who support the "politics of individualism" find it necessary, in order to attack democracy, to resort, on the one hand, to the myth of free communism and, on the other, to the distortion that democracy involves a kind of "rule", in the form of majority rule. The intention is clear: the former makes economic democracy superfluous, whereas the latter makes direct democracy undesirable.⁷

Briefly,⁸ the main characteristic of the proposed model, which also differentiates it from socialist planning models, is that it explicitly presupposes a stateless, moneyless and marketless economy that precludes private accumulation of wealth and the institutionalisation of privileges for some sections of society, without having to rely on a mythical post-scarcity state of abundance, or having to sacrifice freedom of choice.

However, given today's high degree of concentration of economic power and international interdependence, it is difficult even to imagine a radically different form of society based on economic democracy. Is such a society feasible today? What should be the system of allocation of resources that would be compatible with economic democracy? The magnitude of the questions asked obviously implies the need for significant collective research work. Here, we can only make some tentative proposals about the general guidelines for such an undertaking. Of course, theory can only explore possibilities, and it is up to social

[7] See e.g. L. Susan Brown, *The Politics of Individualism*, pp. 127-28.

[8] For the full version of this model see, *TID*, Ch. 6; see, also, Takis Fotopoulos, "Pour une démocratie économique," *Agone*, No. 21 (1999), pp. 137-158.

“praxis” to give concrete content to the new form of social organisation. In what follows an attempt is made to put forward a new vision of economic democracy, as well as some concrete proposals about how such a democratic model of the economy could function. In this double sense, the approach proposed here represents an original *demos*-oriented model of the economy.

As with the case of direct democracy, economic democracy today is only feasible at the level of the confederated *demos*. In other words, it involves the *demotic* ownership of the economy, i.e. the means of production belong to each *demos*. This is something radically different from both the two main forms of concentration of economic power (capitalist and “socialist” growth economy), as well as from the various types of collectivist capitalism, either of the “workers’ control” type, or of the milder versions that social democrats of the post-Keynesian variety suggest.⁹

The preconditions of economic democracy, which we shall briefly examine next may be defined as follows:

- *demotic* self-reliance,
- *demotic* ownership of productive resources, and
- confederal allocation of resources.

Demotic Self-reliance

Self-reliance is meant here in terms of autonomy, rather than in terms of self-sufficiency, which, under today’s conditions, is neither feasible nor desirable. A useful definition of self-reliance is the one given by the 1974 Cocoyoc

[9] See, e.g., the work of G. Hodgson, *The Democratic Economy* (Gretna, LA: Pelican, 1984), *Economics and Institutions* (Cambridge: Cambridge University Press, 1988), and *Rethinking Economics* (Edward Elgar, 1992).

Declaration of non-aligned countries as “reliance primarily on one’s own resources, human and natural, and the capacity of autonomous goal-setting and decision-making”.¹⁰ Thus, although self-reliance implies maximal utilisation of local resources and sources of energy, it should not be confused with autarchy and should always be seen within the context of confederalism. As the direct democratic control of the economy and society is only possible today at the local level, it is obvious that self-reliance is a necessary condition for political and economic autonomy.

However, it is not only the demand for autonomy that necessitates self-reliance, so that control over one’s own affairs can be restored. Self-reliance becomes also necessary by the fact that the historical trend away from self-reliance has had important adverse implications at the macro-economic, the cultural, the environmental and the social levels.

At the macro-economic level, millions of people all over the world have been condemned by the market forces (that ultimately control their fate once they have moved away from self-reliance) to unemployment, poverty and even starvation. Today, local economies depend on outside centres for the organisation of production and work, for covering their needs in goods and services, even for the provision of social services (education, health, etc.). For example, to attract investors, very expensive incentives are used which usually overlook the ecological implications, while the investments themselves do not maximise local employment and create a significant outflow of local income. The World Trade Organisation, for instance, has made self-reliance in agriculture almost impossible, destroying in the process

[10] Quoted in Paul Ekins, *Trade for Mutual Self-Reliance* (London: TOES publication), 1989, p. 13.

the livelihood of millions of farmers all over the world and transforming agriculture into an even more chemical-intensive process controlled by big agro-business. On the other hand, local self-reliance implies maximal utilisation of local resources and sources of energy, a process that leads to a corresponding maximisation of local employment and, through the “multiplier effects”, of local income.

At the cultural level, the shift away from self-reliance has led to the dismantling of the social ties and values that unite communities, or even whole cultures. The *market values* of competitiveness and individualism have replaced the *community values* of solidarity and co-operation, transforming human beings into passive citizens and consumers.

At the environmental level, the trend away from self-reliance has led to the irrationality of a system that has to rely, for its everyday functioning, on the transport of goods and people over huge distances, with all the implications on the environment that this massive movement implies.¹¹ It should therefore be stressed that self-reliance is a necessary condition (though, of course, not a sufficient one as well) for the creation of an ecologically sustainable world order. This is so because self-reliant *demoi* constitute today the only way to reverse the process of overproduction and overconsumption that is the main effect of the growth economy, as well as the main cause of the ecological threat.

Finally, the trend away from self-reliance has also been associated with significant socio-economic costs that have been particularly emphasised by green economists.¹² Thus, de-skilling, vulnerability and economic dependence are the respective costs of the division of labour, specialisation

[11] See, e.g., Paul Ekins, *Trade for Mutual Self-reliance*, p. 9.

[12] For an examination of this topic from a green economics perspective, see, e.g., Paul Ekins, *Local Economic Self-reliance* (London: TOES publication, 1988).

and free trade. In other words, the trend away from self-reliance implies a radical shift away from individual and social autonomy.

Economic democracy is therefore impossible without a radical decentralisation of economic power so that self-reliance becomes feasible. However, a radical decentralisation implies, in fact, that the type of development which historically has identified Progress with economic growth and efficiency has to be abandoned. The trend away from local economic self-reliance was, in fact, an inevitable by-product of the rise of the market economy. In other words, the features associated with this trend (division of labour, specialisation, exploitation of comparative advantage through free trade) followed inevitably from the expansionary nature of the system of the market economy and its grow-or-die dynamic. Similarly, the Marxist adoption of the idea of Progress, led to the "socialist" growth economy, where the huge concentration of economic power in the hands of the bureaucrats controlling central planning destroyed any change for self-reliance.

Today, a form of decentralisation is taking place within the internationalised market economy, a decentralisation which is due to technological changes. Stages within the production process (for some products, even the production process itself) that used to take place in advanced capitalist countries have been moving to the semi-periphery (Mexico, Korea, Taiwan, Mediterranean Europe) or the periphery (Thailand, Malaysia, China, Eastern Europe). TNCs have now the technological capability to shift parts of productive activity from the centre to the periphery, in order to minimise production costs (including environmental costs). But, the decentralisation that takes place within this process is physical, not economic, since economic power remains at the metropolitan centres. The very dynamics of the neoliberal phase, which is a process of

liberating markets from the “constraints” imposed by the state in the statist phase of marketisation, lead to further concentration of economic power at the metropolitan centres, as it was shown in the first part of this book. This is what I call ***dependent decentralisation***, a process constituting an integral part of today’s process of concentration of economic power in the metropolitan centres, which implies a reproduction of the hierarchical division of labour and the dominance/dependence relations.

A clear example of dependent decentralisation is the “principle of subsidiarity” that has been adopted by the European Union to calm the fears of the European peoples, who see even their present minimal capability to self-determination being usurped. This principle, which requires decisions to be taken at the lowest possible level, refers mainly to the decentralisation of political decisions whereas the main economic decisions are left to be taken at the centre, by the political and economic elites. Thus, the metropolitan areas determine the quantity and content of development of the peripheral areas not only at the micro-economic but also at the macro-economic level: at the micro level, because it is from the metropolitan areas that the multinational capital, needed for peripheral development originates; and at the macro level, because the economically stronger areas are able, through the European Union institutions (particularly the European central bank), to impose directly their will on the weaker ones.

Opposed to this type of decentralisation is a ***self-reliant decentralisation*** that can only be founded on the horizontal interdependence of economically self-reliant demoi. The economic relations between the confederated demoi should therefore be structured in a way to enhance mutual self-reliance, in the context of collective support, rather than domination and dependency, as today. This could only be achieved within the framework of

a confederal democratic planning process. Self-reliance within this framework should imply that the *basic needs*, democratically defined, should, as far as possible, be covered at the local level, although the level of satisfaction of these needs should be the same across the confederation. Therefore, exchanges between the demois in a confederation are both necessary and desirable, given that self-reliance can never lead to the satisfaction of all needs. The real issue is who controls such exchanges: is it the demos itself, as for instance happened in the free medieval cities,¹³ or the “market”, namely, those who, because of their economic power, are in a position to control the market, i.e. the economic elite?

An important question that has to be asked with respect to self-reliance is the size of the economic unit (i.e., the size of the demos), which, on the one hand, makes self-reliance viable and, on the other, is compatible with direct and economic democracy. As regards economic viability, no general a priori answer can be given, in view of the significance of such factors as the access to raw materials, climate, geography and others. However it is indicative that, at the beginning of the 1990s, 70 percent of the countries with less than 100,000 in population belonged to the group of countries classified by the World Bank as “high-income” or “upper-middle income”.¹⁴ This illustrates the fact that economic viability is not determined exclusively or even

[13] Kropotkin, *Mutual Aid*, pp. 181-86.

[14] In 1990-91, 27 out of 45 countries with less than 500,000 population and 9 out of 13 with less than 100,000 belonged to the “high income” category; *Britannica World Data*, 1992. Of course, the fact should be taken into account that size may play a less significant role with respect to the economic viability of an export-led small economy than for that of a self-sufficient one, but then, again, the technology used by the two types of economies may be radically different.

decisively by size, provided, of course, that it exceeds a certain minimum (say, 30,000) that would allow the local satisfaction of many, if not most, basic needs.

It is therefore compatibility with direct and economic democracy, that is, the feasibility of decision taking in face-to-face assemblies, that should be the basic determinant of the size of the self-reliant demos. On these grounds, the *demos* emerges as the most appropriate economic unit that could constitute the nucleus of an inclusive democracy. However, given the huge size of many modern cities, this implies that many of them will have to be broken up for this purpose. Still, this does not require their immediate *physical* decentralisation –which is obviously a long-term project– but only their institutional decentralisation, which could be introduced immediately.

Demotic Ownership of Productive Resources

The question of ownership refers to who owns and controls the productive resources and should not be confused with the issue of allocation of resources, which refers to the mechanism through which the basic questions of *what, how* and *for whom* to produce are answered. The two modern forms of ownership of productive resources are the capitalist and the socialist ones, whereas the two main forms of allocation of resources are the market and the planning mechanisms. Historical experience has provided us with all sorts of combinations between systems of ownership/control and allocation of resources, from state-owned firms within a market economy system to capitalist firms within a planned economy.

By the same token, the question of ownership should not be confused with the question of control. I do not just

refer to the usual argument about the divorce of ownership from control in today's giant stock companies, where shareholders are the owners but actual control is exercised by managers and technocrats. In fact, the famous "divorce" is in this case meaningless since shareholders and managers/technocrats in a sense –the most important one from our viewpoint– share common motives: to make profits and to reproduce the hierarchy relations that exclude most of the employees from effective decision taking. I also refer here to the case where a firm may be owned by its employees and still be managed and effectively controlled by technocrats, managers and others (e.g., the Mondragon¹⁵ type of workers' co-op). In that case, potentially, there may be a real divorce of interest between those who own the firm (workers) and those who control it (managers, etc.) since, even if profitability is a common aim, hierarchy may not be. This conflict of interest is illustrated by the fact that, as even supporters of workers' co-ops admit it, "many co-operatives have indeed suffered from mismanagement, primarily due to a lack of discipline with respect to shop floor workers ignoring management orders".¹⁶

The capitalist system of ownership implies private ownership of productive resources and is usually associated with a market system of allocating them among various uses. Private ownership of productive resources, irrespective of whether it is combined with a market system or not, implies control to serve *particular* interests (of shareholders, managers or workers) rather than the general interest. Furthermore, when private ownership of productive resources is combined with a market allocation of resources the inevitable result is inequality, concentration

[15] M. A. Luts & K. Lux, *Humanistic Economics*, Ch. 12.

[16] *Ibid.*, p. 258.

of political/economic power, unemployment and maldevelopment or “inappropriate” development.¹⁷ Furthermore, the grow-or-die dynamic that inevitably develops in such a system leads to systematic efforts to conquer nature and, consequently, to ecological damage. Therefore, this system is clearly incompatible with an inclusive democracy.

On the other hand, the socialist system of ownership implies a “social ownership” of the means of production, which can exist within either the market or the planning system. This historically has taken two main forms:

- a. nationalised enterprises and
- b. collectivised self-managed enterprises.

In *nationalised enterprises*, a real divorce between ownership and control is introduced: whereas formal ownership and control belongs to society at large, effective control of production belongs to either technocratic elites (in a market economy system) or to bureaucratic elites (in a planned system) which take all important economic decisions, as a rule pursuing their own particular interests. This is true, either such enterprises function within a market economy system (in which case they usually do not differ –from the point of view of the real objectives pursued– from normal capitalist firms) or within a “socialist” planned system (in which case they are controlled by the party elite, through its control of the state apparatus, within the context of a bureaucratic top-down control). It is therefore obvious that nationalised enterprises are incompatible with economic democracy.

In *collectivised self-managed enterprises*, the ownership

[17] See for a definition of appropriate/inappropriate development, Ted Trainer, “What is development?,” *Society & Nature*, Vol. 3, No. 1 (1995).

belongs, wholly or partially, to the worker/employees of the enterprise. Historically, we meet self-managed enterprises both within a market economy system (e.g., the Mondragon co-ops) and within a “socialist” planned economy (e.g., the Yugoslav self-managed enterprises). The main problem with such self-managed enterprises is that the more independent of each other and of society at large they are the more they tend to satisfy the *particular* interest of their employees, as against the general interest of citizens. Thus, if nationalised industries mainly serve the particular interests of the managers and party elites controlling them, self-managed enterprises mainly serve those of their employees. Also, to survive in a competitive world, they usually have to use the same production methods as capitalist firms (methods which may be alienating, damaging to the environment, labour saving, etc.). Furthermore, collectivised self-managed enterprises tend to compete with each other for productive resources (land, labour, etc.) in a way very similar to the competition among capitalist firms. Finally, such forms of self-management cannot secure the autonomy of the worker as citizen. Thus, although some forms of it, supported by syndicalists and parts of the green movement, may promote democratic procedures within the enterprise (what we call “democracy in the social realm”), they do nothing to promote democracy in general. So, these forms of self-management, as Bookchin observes, usually represent “exploitative production with the complicity of the workers”¹⁸ since they cannot guarantee freedom from the tyranny of the factory and rationalised labour. Therefore, collectivised self-managed enter-

[18] Murray Bookchin, “Municipalization: Community Ownership of the Economy,” *Green Perspectives* (Feb. 1986).

prises are, also, incompatible with an inclusive democracy in general and an economic democracy in particular.

It is therefore clear that economic democracy requires a new type of enterprise characterised by a form of social ownership which secures a democratic ownership *and* control of productive resources. This is the *demotic enterprise* which is based on *demotic* ownership. This type of ownership leads to the politicisation of the economy, the real synthesis of economy and polity – a synthesis, which can only be achieved within the institutional framework of an inclusive democracy. This framework, by definition, excludes any divorce of ownership from control and secures the pursuit of the general interest. This is so because, as I will try to show in the next section, economic decision making is carried out by the entire *demos*, through the citizens' assemblies, where people take the fundamental macro-economic economic decisions which affect them *as citizens*, rather than as vocationally oriented groups (workers, technicians, engineers, farmers etc.). At the same time, people at the workplace, apart from participating in the demotic decisions about the overall planning targets, would also participate *as workers* (in the above broad sense of vocationally oriented groups) in their respective workplace assemblies, in a process of modifying/implementing the Democratic Plan and in running their own workplace. Thus, the democratic planning process would be a process of continuous information feedback from demotic and confederal assemblies to workplace assemblies and back again. Finally, the running of the *demotic* enterprises could be supervised by a kind of supervisory board appointed by the workplace assembly. This supervisory board should include personnel with specialist knowledge and its members would be constantly recallable by the workplace assembly, apart from being indirectly controlled by the demotic assemblies. Thus, workplace assemblies will function both

as institutions of “democracy in the social realm” and as fundamental components of economic democracy, given their role in the process of democratic planning. As such, workplace assemblies, together with citizen’s assemblies, and with clearly delineated responsibilities and functions, constitute the core of the inclusive democracy.

Confederal allocation of resources

This precondition implies that the decision mechanism for the allocation of scarce resources in an inclusive democracy should be based at the confederal rather than the demotic level, i.e. at the level of the confederation of *demos*. This is in order to take into account the fact that in today’s societies many problems cannot be solved at the local level (energy, environment, transportation, communication, technology transfer –to mention a few).

Apart, however, from the problems of co-ordination, there is also the problem of the mechanism that would secure a fair and efficient allocation of resources both within and between the *demos*. The mechanism proposed here aims to replace both the market mechanism and the central planning mechanism.

The former is rejected because it can be shown that the system of the market economy has led, in the last two hundred years since its establishment, to a continuous concentration of income and wealth at the hands of a small percentage of the world population and, consequently, to a distorted allocation of world resources. This is because in a market economy the crucial allocation decisions (*what* to produce, *how* and *for whom* to produce it) are conditioned by the purchasing power of those income groups which can back their demands with money. In other words, under

conditions of inequality, which is an inevitable outcome of the dynamic of the market economy, the fundamental contradiction with respect to the market satisfaction of human needs becomes obvious: namely, the contradiction between the *potential* satisfaction of the basic *needs* of the whole population versus the *actual* satisfaction of the *money-backed wants* of part of it.

The latter is rejected because it can be shown that centralised planning, although better than the market system in securing employment and meeting the basic needs of citizens (albeit at an elementary level), not only leads to irrationalities (which eventually precipitated its actual collapse) and is ineffective in covering non-basic needs, but it is also highly undemocratic.

The system of allocation proposed by the Inclusive Democracy project aims to satisfy the twofold aim of

- meeting the basic needs of all citizens –which requires that basic macro-economic decisions are taken democratically and
- securing freedom of choice –which requires the individual to take important decisions affecting his/her own life (what work to do, what to consume etc.)

Both the macro-economic decisions and the individual citizens' decisions are envisaged as being implemented through a combination of democratic planning and an artificial "market". So, the system consists of two basic elements:

- a planning element that involves the creation of a feedback process of democratic planning between workplace assemblies, demotic assemblies and the confederal assembly.
- a "market" element that involves the creation of an artificial "market", which will secure a real freedom of

choice, without incurring the adverse effects associated with real markets

In a nutshell, the allocation of economic resources is made first, on the basis of the citizens' collective decisions, as expressed through the *demotic* and confederal plans, and second, on the basis of the citizens' individual choices, as expressed through the voucher system.

The main assumptions on which this model of social organisation is based are, as shown in the diagram below, as follows:

- the demotic assembly –the classical Athenian *eclesia*– is the ultimate *policy-making* decision body in each self-reliant community;
- the demoi are co-ordinated through regional and confederal *administrative* councils of mandated, recallable and rotating delegates (regional assemblies/confederal assembly);
- productive resources belong to each demos and are leased to the employees of each production unit for a long-term contract; and
- the aim of production is not growth but the satisfaction of the basic needs of the demos and those non-basic needs for which members of the demos express a desire and are willing to work extra for.

The general criterion for the allocation of resources is not efficiency, as it is currently defined in narrow techno-economic terms on the basis of the system's capability to satisfy money-backed wants. Efficiency should be redefined to mean effectiveness in satisfying human needs.

As far as the meaning of needs is concerned, a distinction is drawn between basic and non-basic needs and a similar one between needs and "satisfiers" (the form or the means by which these needs are satisfied). The distinction

between basic and non-basic needs is introduced here because each sector is assumed to function on a different principle. The “basic needs” sector functions on the basis of the communist principle “from each according to his/her ability to each according to his/her needs”. On the other hand, the “non-basic needs” sector is assumed to function on the basis of an artificial “market” that balances demand and supply, in a way that secures the sovereignty of both consumers and producers. Also, the distinction between needs and satisfiers is introduced to secure freedom of choice even in the satisfaction of basic needs.

So, what constitutes a need –basic or otherwise– is determined by the citizens themselves democratically. Then, the level of need-satisfaction is determined collectively and implemented through a democratic planning mechanism, whereas the satisfiers for both basic and non-basic needs are determined through the revealed preferences of consumers, as expressed by the use of vouchers allocated to them in exchange for their “basic” and “non-basic” work. All vouchers are issued on a personal basis, so that they cannot be used, like money, as a general medium of exchange and store of wealth.

Basic vouchers (BVs –allocated in exchange for “basic” work, i.e. the number of hours of work required by each citizen in a job of his/her choice so that the confederal basic needs are met) are used for the satisfaction of basic needs. These vouchers, which are issued on behalf of the confederation, entitle each citizen to a given level of satisfaction for each particular type of basic need, but do not specify the particular type of satisfier, so that freedom of choice may be secured. The BVs scheme will represent also the most comprehensive “social security” system that has ever existed, as it will cover **all** basic needs (according to the definition of basic needs given by the confederal assembly) not only of those able to work but also of those unable to

work. The overall production targets with respect to the confederal basic needs are determined by the confederal assembly but the specific production levels and mix for each workplace are determined by workplace assemblies, on the basis of the targets set by the confederal plan and the citizens' preferences, as expressed by the use of vouchers for each type of good and service.

Non-basic vouchers (NBVs –allocated in exchange for “non-basic” work) are used for the satisfaction of non-basic needs (non-essential consumption) as well as for the satisfaction of basic needs beyond the level prescribed by the confederal assembly. NBVs, unlike BVs, are issued on behalf of each demos, so that greater choice at the local level could be achieved. Work by citizens over and above the “basic” number of hours is voluntary and entitles them to NBVs, which can be used towards the satisfaction of non-essential needs. The “prices” of the non-basic goods and services in the proposed system, instead of reflecting scarcities relative to a skewed income and wealth pattern (as in the market economy system), indicate scarcities relative to citizens' desires and function as guides for a democratic allocation of resources. Therefore, prices, instead of being the cause of rationing –as in the market system– become the effect of it and are assigned the role of equating demand and supply in an artificial “market”, which secures genuine sovereignty of both consumers and producers. The “prices” formed in this way, together with a complex “index of desirability” drawn on the basis of citizens' preferences as to the type of work which they wish to do, determine a “subjective” rate of remuneration for non basic work. This is in place of the “objective” rate suggested by the labour theory of value, which, apart from its internal problems, cannot also secure freedom of choice. Therefore, the rate of remuneration for non-basic work, namely, the rate which determines the number of non-basic vouchers

a citizen receives for such work, should express the preferences of citizens both as producers and consumers.

The effect of the proposed system on the distribution of income will be that a certain amount of inequality will inevitably follow the division between basic and non-basic work. But, this inequality will be quantitatively and qualitatively very different from today's inequality: quantitatively, because it will be minimal in scale, in comparison to today's huge inequities; qualitatively, because it will be related to voluntary work alone and not, as today, to accumulated or inherited wealth. Furthermore, it will not be institutionalised, either directly or indirectly, since extra income and wealth –due to extra work– will not be linked to extra economic or political power and will not be passed to inheritors, but to the community.

As the above brief description of the model of economic democracy makes clear, the project for an inclusive democracy refers to a future international political economy which transcends both the political economy of state socialism and that of the internationalised market economy. This new international political economy should obviously include not only a system of "internal" exchanges between demoi, but also of external exchanges between confederations.¹⁹

[19] See for details *TID*, Ch. 6.

CHAPTER 15

THE OTHER ELEMENTS OF INCLUSIVE DEMOCRACY

Democracy in the social realm

The satisfaction of the above conditions for political and economic democracy would represent the reconquering of the political and economic realms by the public realm, that is, the reconquering of a true social individuality, the creation of the conditions of freedom and self-determination, both at the political and the economic levels. However, political and economic power are not the only forms of power and therefore political and economic democracy do not, by themselves, secure an inclusive democracy. In other words, an inclusive democracy is inconceivable unless it extends to the broader social realm to embrace the workplace, the household, the educational institution and indeed any economic or cultural institution which constitutes an element of this realm.

Historically, various forms of democracy in the social realm were introduced, particularly during this century, usually in periods of revolutionary activity. However, these forms of democracy not only were short-lived but seldom extended beyond the workplace (e.g. Hungarian workers' councils¹ in 1956) and the education institution (e.g. Paris student assemblies in 1968).

A crucial issue that arises with respect to democracy

[1] Andy Anderson, [Hungary 56](#) (London: Solidarity, 1964).

in the social realm refers to relations in the household. Women's social and economic status has been enhanced this century, as a result of the expanding labour needs of the growth economy on the one hand and the activity of women's movements on the other. Still, gender relations at the household level are mostly hierarchical, especially in the South where most of the world population lives. However, although the household shares with the public realm a fundamental common characteristic, inequality and power relations, the household has always been classified in the private realm. Therefore, the problem that arises here is how the "democratisation" of the household may be achieved.

One possible solution is the dissolution of the household/public realm divide. Thus, some feminist writers, particularly of the eco-feminist variety, glorify the *oikos* and its values as a substitute for the *polis* and its politics, something that, as Janet Biehl observes, "can easily be read as an attempt to dissolve the political into the domestic, the civil into the familial, the public into the private".² At the other end, some Marxist feminists³ attempt to remove the public/private dualism by dissolving all private space into a singular public, a socialised or fraternal state sphere. However, as Val Plumwood points out, the feminists who argue for the elimination of household privacy are today a minority although most feminists stress the way in which the concept of household privacy has been misused to put beyond challenge the subordination of women.⁴ Another

[2] Janet Biehl, *Rethinking Ecofeminist Politics* (Boston: South End Press, 1991), p. 140.

[3] Pat Brewer, *Feminism and Socialism: Putting the Pieces Together* (Sydney: New Course, 1992).

[4] Val Plumwood, "Feminism, Privacy and Radical Democracy", *Anarchist Studies*, Vol. 3, No. 2. (Autumn 1995), p. 107.

possible solution is, taking for granted that the household belongs to the private realm, to “democratise” it in the sense that household relationships should take on the characteristics of democratic relationships, and that the household should take a form which is consistent with the freedom of all its members.⁵

To my mind, the issue is not the dissolution of the private/public realm divide. The real issue is how, maintaining and enhancing the autonomy of the two realms, such institutional arrangements are adopted that introduce democracy at the household and the social realm in general (workplace, educational establishment etcetera) and at the same time enhance the institutional arrangements of political and economic democracy. In fact, an effective democracy is inconceivable unless free time is equally distributed among all citizens, and this condition can never be satisfied as long as the present hierarchical conditions in the household, the workplace and elsewhere continue. Furthermore, democracy in the social realm, particularly in the household, is impossible, unless such institutional arrangements are introduced which recognise the character of the household as a needs-satisfier and integrate the care and services provided within its framework into the general scheme of needs satisfaction.

Ecological Democracy

The final question that arises with respect to the conception of an inclusive democracy refers to the issue of how we may envisage an environmentally-friendly institutional framework that would not serve as the basis of a

[5] *Ibid.*, p. 111.

Nature-dominating ideology. Some critics of inclusive democracy misconceive the issue as if it was about the guarantees that an inclusive democracy might offer in ensuring a better relationship of society to nature than the alternative systems of the market economy, or socialist statism. A well known eco-socialist, for instance, asserted a few years ago that “the «required» ecological consensus among ecotopia’s inhabitants might not be ensured merely by establishing an Athenian democracy where all are educated and rational”.⁶ This is a clear misconception of what democracy is about because, if we see it as a process of social self-institution where there is no divinely or “objectively” defined code of human conduct, such guarantees are by definition ruled out. Therefore, the replacement of the market economy by a new institutional framework of inclusive democracy constitutes only the **necessary condition** for a harmonious relation between the natural and social worlds. The sufficient condition refers to the citizens’ level of ecological consciousness. Still, the radical change in the dominant social paradigm that will follow the institution of an inclusive democracy, combined with the decisive role that **paedeia** will play in an environmentally-friendly institutional framework, could reasonably be expected to lead to a radical change in the human attitude towards Nature.

In other words, a democratic ecological problematique cannot go beyond the institutional preconditions that offer the best hope for a better human relationship to Nature. However, there are strong grounds to believe that the relationship between an inclusive democracy and Nature would be much more harmonious than could ever be achieved in a market economy, or one based on socialist statism. The

[6] David Pepper, *Modern Environmentalism*, p. 324.

factors supporting this view refer to all three elements of an inclusive democracy: political, economic and social.

At the political level, there are grounds for believing that the creation of a public space will by itself have a very significant effect in reducing the appeal of materialism. This is because the public space will provide a new meaning of life to fill the existential void that the present consumer society creates. The realisation of what it means to be human could reasonably be expected to throw us back toward Nature. Thus, as Kerry H. Whiteside points out:

Political participation is not just a means to advance a Green agenda. Nor is it simply a potentially fulfilling activity that would remain available in a world less given to material consumption. A community that takes pride in collective deliberation fosters a way of life that limits the appeal of labour and work (...) a world in which labour is seen as only one part of a meaningful life will find consumption less tempting.⁷

Also, at the economic level, it is not accidental that, historically, the process of destroying the environment en masse has coincided with the process of marketisation of the economy. In other words, the emergence of the market economy and of the consequent growth economy had crucial repercussions on the society-Nature relationship and led to the rise of the growth ideology as the dominant social paradigm. Thus, an “instrumentalist” view of Nature became dominant, in which Nature was seen as an instrument for growth, within a process of endless concentration of power. If we assume that only a confederal society could secure an inclusive democracy today, it would be reasonable to assume further that once the market economy is

[7] Kerry H. Whiteside, “Hannah Arendt and Ecological Politics,” *Environmental Ethics*, Vol. 16, No. 4 (Winter 1994), p. 355.

replaced by a democratically run confederal economy, the grow-or-die dynamics of the former will be replaced by the new social dynamic of the latter: a dynamic aiming at the satisfaction of demos' needs and not at growth per se. If the satisfaction of demotic needs does not depend, as at present, on the continuous expansion of production to cover the "needs" that the market creates, and if the link between economy and society is restored, then there is no reason why the present instrumentalist view of Nature will continue conditioning human behaviour.

Finally, democracy in the broader social realm could also be reasonably expected to be environmentally-friendly. The phasing out of patriarchal relations in the household and hierarchical relations in general should create a new ethos of non-domination which would engulf both First Nature and Second Nature. In other words, the creation of democratic conditions in the social realm should be a decisive step in the creation of the sufficient condition for a harmonious nature-society relationship.

But, apart from the above political and economic factors, an ecological factor is involved here, which strongly supports the belief in a harmonious democracy-Nature relationship: the "localist" character of a confederal society might also be expected to enhance its environmentally-friendly character. Thus, as Martin Khor of the Third World Network argues, "local control, while not necessarily sufficient for environmental protection, is necessary, whereas, under state control, the environment necessarily suffers."⁸ The necessity of local control becomes obvious if we take into account the fact that the environment itself is local. Therefore, local control makes collective management of

[8] M. Khor, presentation at World Rainforest Movement (1 March 1992), New York, quoted in *The Ecologist*, Vol. 22, No. 4 (July-Aug. 1992).

the commons more effective because of the higher visibility of the commons resources and behaviour toward them, feedback on the effect of regulations etc.

Furthermore, it is reasonable to assume –and the evidence about the remarkable success of local communities in safeguarding their environments is overwhelming⁹– that when people rely directly on their natural surroundings for their livelihood, they will develop an intimate knowledge of those surroundings, which will necessarily affect positively their behaviour towards them. However, the precondition for local control of the environment to be successful is that the demos depends on its natural surroundings for its long-term livelihood and that it therefore has a direct interest in protecting it –another reason why an ecological society is impossible without economic democracy.

In conclusion, the present ecological crisis is basically susceptible to two solutions: one solution presupposes radical decentralisation. Thus, the economic effectiveness of the renewable forms of energy (solar, wind, etc.) depends crucially on the organisation of social and economic life in smaller units. This solution however has already been marginalized by the internationalised market economy –precisely because it is not compatible with today's concentration of economic, political and social power– and alternative solutions¹⁰ presupposing the present centralisation are advanced, which do not necessitate any radical changes in the market/growth economy.

[9] For evidence, see *The Ecologist*, Vol. 22, No. 4 (July-Aug. 1992).

[10] See, for instance, the programme for the "International Thermonuclear Reactor", which, to be commercially viable has to be produced from vast stations providing massive centralised power [J. Vidal, *The Guardian* (16/11/1991)].

A democratic conception of citizenship

After this discussion of the fundamental components of an inclusive democracy, we are now in a position to summarise the conditions necessary for democracy and their implications for a new conception of citizenship. Democracy is incompatible with any form of a closed system of ideas or dogmas, at the ideological level and with any concentration of power, at the institutional level. So, democracy is founded on a self-reflective choice and on institutional arrangements which secure the equal sharing of political, economic and social power. But, as it was stated above, these are just necessary conditions for democracy. The sufficient condition so that democracy will not degenerate into some kind of “demago-crazy”, where the demos is manipulated by a new breed of professional politicians, is crucially determined by the citizens’ level of democratic consciousness which, in turn, is conditioned by *paedeia*.

Historically, the above conditions for democracy have never been satisfied fully. We already saw why the Athenian democracy was only a partial democracy. Similarly, the “people’s democracies” that collapsed about a decade ago did not satisfy any of the above conditions, although they represented a better spreading of economic power (in terms of income and wealth) than liberal “democracies”. Finally, today’s representative “democracies”, also, do not basically satisfy the above conditions, although it may be argued that they meet the ideological condition in the sense that they are not rooted on any divine and mystical dogmas, or “laws” about social change.

In conclusion, the above conditions for democracy imply a new conception of citizenship: economic, political, social and cultural. Thus:

- *political citizenship* involves new political structures

and the return to the classical conception of politics (direct democracy).

- *economic citizenship* involves new economic structures of demotic ownership and control of economic resources (economic democracy).
- *social citizenship* involves self-management structures at the workplace, democracy in the household and new welfare structures where all basic needs (to be democratically determined) are met. Finally,
- *cultural citizenship* involves new democratic structures of dissemination and control of information and culture (mass media, art, etc.), which allow every member of the demos to take part in the process and at the same time develop his/her intellectual and cultural potential.

Although this sense of citizenship implies a sense of political community, which, defined geographically as a demos, is the fundamental unit of political, economic and social life, still, it is assumed that it interlocks with various other communities (cultural, professional, ideological, etc.). Therefore, the demos and citizenship arrangements do not rule out cultural differences or other differences based on gender, age, ethnicity and so on but simply provide the public space where such differences can be expressed. Furthermore, these arrangements institutionalise various safety valves that aim to rule out the marginalisation of such differences by the majority. What therefore unites people in a confederation of demoi, is not some set of common values, imposed by a nationalist ideology, a religious dogma, a mystical belief, or an “objective” interpretation of natural or social “evolution”, but the democratic institutions and practices, which have been set up by citizens themselves.

It is obvious that the above new conception of citizenship

has very little in common with the liberal and socialist definitions of citizenship which are linked to the liberal and socialist conceptions of human rights respectively. Thus, for the liberals, the citizen is simply the individual bearer of certain freedoms and political rights recognised by law which, supposedly, secure equal distribution of political power. Also, for the socialists, the citizen is the bearer not only of political rights and freedoms but, also, of some social and economic rights, whereas for Marxists the citizenship is realised with the collective ownership of the means of production. Finally, the definition of citizenship here is not related to the current social-democratic discourse on the subject, which, in effect, focuses on the institutional conditions for the creation of an internationalised market economy “with a human face”. The proposal for instance for a redefinition of citizenship within the framework of a “stakeholder capitalism”¹¹ belongs to this category. This proposal involves an “active” citizenship, where citizens have “stakes” in companies, the market economy and society in general and managers have to take into account these stakes in the running of the businesses and social institutions they are in charge of.

The conception of citizenship adopted here, which could be called a democratic conception, is based on our definition of inclusive democracy and presupposes a “participatory” conception of active citizenship, like the one implied by the work of Hannah Arendt.¹² In this conception, “political activity is not a means to an end, but an end in itself; one does not engage in political action simply to promote one’s welfare but to realise the principles intrinsic to political life, such as freedom, equality, justice,

[11] See Hutton, *The State We’re In*.

[12] Maurizio Passerin d’Entreves, “Hannah Arendt and the Idea of Citizenship” in *Dimensions of Radical Democracy*, pp. 145–68.

solidarity, courage and excellence”.¹³ It is therefore obvious that this conception of citizenship is qualitatively different from the liberal and social-democratic conceptions which adopt an “instrumentalist” view of citizenship, i.e. a view which implies that citizenship entitles citizens with certain rights that they can exercise as means to the end of individual welfare.

[13] Ibid., p. 154.

CHAPTER 16

THE TRANSITION TO AN INCLUSIVE DEMOCRACY

The limitations of lifestyle and direct action strategies

The immediate problem facing the proponents of an inclusive democracy today is the design of a transitional strategy that would lead to a situation where the democratic project becomes the dominant social paradigm. In this chapter, a proposal is made for a political and economic strategy that will create the institutional framework for an inclusive democracy. This strategy involves a new kind of politics and the parallel gradual shifting of economic resources (labour, capital, land) away from the market economy.

As we saw in ch. 4 traditional politics has entered a stage of serious crisis, as the accelerating internationalisation of the market economy is met by the continuous decline of representative “democracy”. At the same time, the pipe dreams of some parts of the “left” for a democratisation of the civil society are doomed. The internationalisation of the market economy is being inevitably followed by the internationalisation of the civil society and competition would surely impose the least common denominator standards as far as social and ecological controls on markets is concerned.

If we set therefore aside the approaches which take for granted the existing institutional framework of the market economy and representative “democracy”, like the various

versions of the “civil societarian approach”, the main approaches today which aim at a radical social change are the life-style and direct action strategies proposed by some radical currents within the Green and the libertarian movements. As I discussed elsewhere¹ the limitations of both these movements, I will only summarise briefly the argument.

I will describe as life-style activists all those engaged in activities involving the creation of alternative political and economic institutions for their own sake, in the hope that they will bring about social change “by example” and the corresponding change in values, rather than as stepping stones for the building of a new antisystemic movement with a clear vision about a future society and a strategy to reach it.

Of course, the motivation to build alternative institutions within the existing institutional framework is correct. Particularly so if we take into account that the major problem of any antisystemic strategy, (i.e. a strategy aiming to replace the system of the market economy and representative “democracy” with new democratic institutions) is the uneven development of consciousness among the population. In other words, if we take into account the fact that systemic changes in the past had always taken place within an environment in which only a minority of the population had already broken with the dominant social paradigm, allowing various elites to use the revolutionary outcome in order to create new heteronomous forms of society.

The crucial issue therefore is how a systemic change, which presupposes a rupture with the past both at the subjective level of consciousness and at the institutional

[1] See T. Fotopoulos, “[The Limitations of Life-style strategies](#)”, *Democracy & Nature*, Vol. 6, No. 2 (July 2000).

level, could be brought about by a majority of the population, "from below", so that a democratic abolition of power structures could become feasible.

One way to achieve a systemic change may be a "life-style" strategy. However, this approach is, by itself, utterly ineffective in bringing about such a change. Although helpful in creating an alternative culture among small sections of the population and, at the same time, morale boosting for activists who wish to see an immediate change in their lives, this approach does not have any chance of success, in the context of today's huge concentration of power, to create the democratic majority needed for systemic social change. The projects suggested by this strategy may be too easily marginalized, or absorbed into the existing power structure (as has happened many times in the past) while their effect on the socialisation process is minimal –if not nil. Furthermore, life-style strategies, by usually concentrating on single issues, which are not part of a comprehensive political program for social transformation, do not help in creating the "anti-systemic" consciousness required for a systemic change. Finally, systemic social change can never be achieved outside the main political and social arena. The elimination of the present power structures and relations can neither be achieved "by setting an example", nor through education and persuasion. A power base is needed to destroy power. And, to my mind, the only way in which an approach aiming at a power base could be consistent with the aims of the democratic project would be through the development of a comprehensive program for the radical transformation of local political and economic structures.

Similar arguments could be used to criticise the various forms of direct action with respect to their capability of creating an alternative consciousness. The anti-globalisation "movement", for instance, which is the main form

of direct action today, although much more politicised and radicalised than many lifestyle activities, still suffers from similar deficiencies. Thus, first, the heterogeneous nature of the various groups participating in it, which range from reformist groups (NGOs, mainstream Greens, trade unions and others) to revolutionary antisystemic currents, could hardly characterise the antiglobalisers a “movement”. Second, the fact that most of the activists involved in this movement do not have any clear anti-systemic goals makes it even harder to classify it as an anti-systemic movement. It is obvious that the aim of most participants is not to advance a systemic change but rather to “resist” globalisation in the (vain) hope of forcing the introduction of effective social controls over the internationalised market economy for the protection of the environment and labour. The activities therefore of the anti-globalisation movement, like those of lifestyle activists, have no chance of functioning as transitional strategies for systemic change, unless they become an integral part of a programmatic political mass movement for systemic change. At most, the anti-globalisation movement can function as a kind of “resistance movement” to globalisation and bring about some sort of reforms –but never systemic change. But, a resistance movement can never create the anti-systemic consciousness required for systemic change since, by its nature, it has to work on a consensus platform, which would necessarily express the lowest common denominator of the demands of the various activists taking part in it. This means that it is more than likely, given the present structure of this movement, that its political platform will be a reformist one.

Finally, one should not forget the parameters set by the institutional framework. Given that the neoliberal consensus and the present form of globalisation are not just policy changes, as most in the Left assume, but a structural

change imposed by the internationalisation of the market economy, the basic elements of neoliberal globalisation and particularly the crucial elements of open and flexible markets will never go away within the present institutional framework. A market economy today can only be an internationalised one, given that the growth (and therefore profitability) of the TNCs, which control the world market economy, depends on their enlarging their markets worldwide. However, as long as the market economy has to be an internationalised one, markets have to be as open and as flexible as possible. This means that, as long as the system of the market economy and representative democracy reproduces itself, all that reforms ("from above", or "from below") can achieve today is temporary victories and reversible social conquests, not unlike those achieved during the period of the social democratic consensus that are now being systematically dismantled.²

A strategy for the transition to a confederal inclusive democracy

To my mind, the only realistic approach in creating a new society, beyond the market economy and statist forms of organisation, is a political strategy that comprises the gradual involvement of increasing numbers of people in a new kind of politics and the parallel shifting of economic resources (labour, capital, land) away from the market economy. The aim of such a transitional strategy should be to create changes in the institutional framework and value systems that, after a period of tension between the new

[2] Fotopoulos, "[Welfare state or economic democracy?](#)", *Democracy & Nature*, Vol. 5, No. 3 (November 1999).

institutions and the state, would, at some stage, replace the market economy, statist democracy, as well as the social paradigm “justifying” them, with an inclusive democracy and a new democratic paradigm respectively.³

But, what sort of strategy can ensure the transition toward an inclusive democracy? In particular, what sort of action and political organisation can be part of the democratic project? A general guiding principle in selecting an appropriate transitional strategy is consistency between means and ends. Obviously, a strategy aiming at an inclusive democracy cannot be achieved through the use of oligarchic political practices, or individualistic activities.

Thus, as regards, first, the significance of collective action in the form of class conflicts between the victims of the internationalised market economy and the ruling elites, I think there should be no hesitation in supporting all those struggles which can assist in making clear the repressive nature of statist democracy and the market economy. However, the systemic nature of the causes of such conflicts should be stressed and this task can obviously not be left to the bureaucratic leaderships of trade unions and other traditional organisations. This is the task of workplace assemblies that could confederate and take part in such struggles, as part of a broader democratic movement which is based on *demoi* and their confederal structures.

Next, is the question of the significance of direct action and activities like Community Economic Development projects, self-managed factories, housing associations, LETS schemes, communes, self-managed farms and so on. It is obvious that such activities cannot lead, by themselves, to radical social change. On the other hand, the same activities are necessary and desirable parts of a

[3] For a detailed description of this strategy, see *TID*, Ch. 7.

comprehensive political strategy, where contesting local elections represents the culmination of grassroots action. This is because contesting local elections does provide the most effective means to massively publicise a programme for an inclusive democracy, as well as the opportunity to initiate its immediate implementation on a significant social scale. In other words, contesting local elections is not just an educational exercise but also an expression of the belief that it is only at the local level that direct and economic democracy can be founded today. Therefore, participation in local elections is also a strategy to gain power, in order to dismantle it immediately, by substituting the decision-taking role of the assemblies for that of the local authorities, the day after the election was won. Finally, contesting local elections gives the chance to start changing society from below, which is the only democratic strategy, as against the statist approaches, which aim to change society from above through the conquest of state power, and the “civil society” approaches, which do not aim to a systemic change at all. It is because the demos is the fundamental social and economic unit of a future democratic society that we have to start from the local level to change society.

The immediate objective should therefore be the creation, from below, of “popular bases of political and economic power”, that is, the establishment of local public realms of direct and economic democracy which, at some stage, will confederate in order to create the conditions for the establishment of a new society. To my mind, this approach offers the most realistic strategy today to tackle here and now the fundamental social, economic and ecological problems we face and at the same time to dismantle the existing power structures. A political programme based on the commitment to create institutions of an inclusive democracy will eventually capture the imagination

of the majority of the population, which now suffers from the effects of the political and economic concentration of power.

Thus, once the institutions of inclusive democracy begin to be installed, and people, for the first time in their lives, start obtaining real power to determine their own fate, then the gradual erosion of the dominant social paradigm and of the present institutional framework will be set in motion. A new popular power base will be created. Town by town, city by city, region by region will be taken away from the effective control of the market economy and statist forms of organisation (national or international), their political and economic structures being replaced by the confederations of democratically run communities. A dual power in tension with the statist forms of organisation will be created. Of course, at some stage, the transnational elite as well as the local elites and their supporters, who will surely object to the idea of their privileges being gradually eroded, after they have exhausted subtler means of control (mass media, economic violence etc.), may be tempted to use physical violence to protect their privileges, as they have always done in the past. But, by then, an alternative social paradigm will have become hegemonic and the break in the socialisation process –the precondition for a change in the institution of society– will have occurred. The legitimacy of today's "democracy" will have been lost. At that stage, the majority of the people could be expected to be prepared to counter state violence in order to defend the new political and economic structures. Once citizens have tasted a real democracy, no amount of physical or economic violence will be enough to persuade them to return to pseudo-democratic forms of organisation.

The significance of local elections

Contesting local elections does provide the most effective means to massively publicise a programme for an inclusive democracy, as well as the opportunity to initiate its immediate implementation on a significant social scale. In other words, contesting local elections is not just an educational exercise but also an expression of the belief that it is only at the local level that direct and economic democracy can be founded today, although of course local inclusive democracies have to be confederated to ensure the transition to a confederal democracy. It is because the *demos* is the fundamental social and economic unit of a future democratic society that we have to start from the local level to change society. Therefore, participation in local elections is an important part of the strategy to gain power, in order to dismantle it immediately afterwards, by substituting the decision-taking role of the assemblies for that of the local authorities, the day after the election has been won. Furthermore, contesting local elections gives the chance to start changing society from below, something that is the only democratic strategy, as against the statist approaches that aim to change society from above through the conquest of state power, and the “civil society” approaches that do not aim at a systemic change at all.

However, the main aim of direct action, as well as of the participation in local elections, is not just the conquest of power but the rupture of the socialisation process and therefore the creation of a democratic majority “from below”, which will legitimise the new structures of inclusive democracy. Given this aim, it is obvious that participation in national elections is a singularly inappropriate means to this end, since, even if the movement for an inclusive democracy does win a national election, this will inevitably set in motion a process of “revolution from above”. This is

because the rupture in the socialisation process can only be gradual and in continuous interaction with the phased implementation of the program for the inclusive democracy, which, for the reasons mentioned above, should always start at the local level. On the other hand, an attempt to implement the new project through the conquest of power at the national level does not offer any opportunity for such an interaction between theory and practice and for the required homogenisation of consciousness with respect to the need for systemic change.

If there is one lesson History taught us, this is that the basic cause of failure of previous, revolutionary or reformist, attempts aiming at a systemic change was exactly the significant unevenness in the level of consciousness, in other words, the fact that all past revolutions had taken place in an environment where only a minority of the population had broken with the dominant social paradigm. This gave the golden opportunity to various elites to turn one section of the people against another (e.g. Chile), or led to the development of authoritarian structures for the protection of the revolution (e.g. French or Russian revolutions), frustrating any attempt for the creation of structures of equal distribution of power. However, for a revolution, to be truly successful, a rupture with the past is presupposed, both at the subjective level of consciousness and at the institutional level. Still, when a revolution in the past was “from above”, it had a good chance to achieve its first aim, to abolish state power and establish its own power, but, exactly because it was a revolution from above, with its own hierarchical structures etc, it had no chance to change the dominant social paradigm but only formally, i.e. at the level of the official (compulsory) ideology. On the other hand, although the revolution from below has always been the correct approach to convert people democratically to the new social paradigm, it suffered in the past from the fact

that the uneven development of consciousness among the population did not allow revolutionaries to achieve even their very first aim of abolishing state power. Therefore, the major problem with systemic change has always been how it could be brought about, from below, but by a majority of the population, so that a democratic abolition of power structures could become feasible. It is hoped that the ID strategy does offer a solution to this crucial problem.

Thus, once the institutions of Inclusive Democracy begin to be installed, and people, for the first time in their lives, start obtaining real power to determine their own fate, then the gradual erosion of the dominant social paradigm and of the present institutional framework will be set in motion. A new popular power base will be created. Town by town, city by city, region by region will be taken away from the effective control of the market economy and statist forms of organisation (national or international), their political and economic structures being replaced by the confederations of democratically run communities. An alternative social paradigm will become hegemonic and the break in the socialisation process –the precondition for a change in the institution of society– will follow. A dual power in tension with the statist forms of organisation will be created which ultimately may or may not lead to confrontation with the ruling elites depending on the balance of power that would have developed by then. Clearly, the greater the appeal of the new institutions to citizens the smaller the chance that the ruling elites will resort to violence to restore the power of the state and the market economy institutions, on which their own power rests.

The need for a new type of movement

Today, as I attempted to show elsewhere,⁴ we face the end of “traditional” antisystemic movements: the issue is not anymore to challenge one form of power or another but to challenge power itself, in the sense of its unequal distribution that constitutes the basis of heteronomy. In other words, what is needed today is a new type of antisystemic movement which should challenge heteronomy itself, rather than simply various forms of heteronomy, as used to be the case in “traditional” antisystemic movements challenging the unequal distribution of economic power (statist socialist movements), political power (libertarian socialist), or social power (feminist etc) as the basis of all other forms of power. Therefore, the issue is to challenge the inequality in the distribution of every form of power, in other words, power relations and structures themselves.

It is this collapse of the traditional antisystemic movements which raises the need for a new type of antisystemic movement. A second reason which is related to the first one and justifies further the need for such a movement is the fact that today we face not simply the end of the traditional antisystemic movements but also of traditional Marxist class divisions. However, the fact that we face today the end of class politics does not mean that there is no “system” anymore as such, or “class divisions” for that matter. What it does mean is that today we face new “class divisions”.⁵ Thus, in the ID problematique, the phasing out of economic classes in the Marxist sense simply signifies

[4] See Fotopoulos, [“The End of Traditional Antisystemic Movements and the Need for A New Type of Antisystemic Movement Today”](#), *Democracy & Nature*, Vol. 7, No. 3 (November 2001).

[5] See T. Fotopoulos, [“Class Divisions Today: the Inclusive Democracy Approach”](#), *Democracy & Nature*, Vol. 6, No. 2 (July 2000).

the death of traditional class divisions and the birth of new “holistic” class divisions, i.e. divisions which are located into the power structures of the socio-economic system itself and not just to some aspects of it, like economic relations alone, or alternatively gender relations, identity politics, values and so on. In other words, the present social divisions between dominant and subordinate social groups in the political sphere (professional politicians versus the rest of citizenry), the economic sphere (company owners, directors, managers versus workers, clerks etc) and the broader social sphere (men versus women, blacks versus whites, ethnic majorities versus minorities and so on) are based on institutional structures that reproduce an unequal distribution of power and on the corresponding cultures and ideologies, (i.e. the “dominant social paradigm”).

In today’s society, the main structures which institutionalise the unequal distribution of power are the market economy and representative democracy, although other structures which institutionalise the unequal distribution of power between sexes, races, ethnicities etc cannot just be “reduced” to these two main structures. So, the replacement of these structures by institutions securing the equal distribution of political, economic and social power within an inclusive democracy is the necessary condition (though not the sufficient one) for the creation of a new culture that would eliminate the unequal distribution of power between all human beings, irrespective of sex, race, ethnicity etc. Therefore, the attempt by Greens, feminists and other supporters of the politics of difference and identity to change culture and values first, as a way of changing some of the existing power structures, (rather than being engaged in a fight to replace all the structures which reproduce the unequal distribution of power and, within this struggle, create the values that would support the new

structures), is doomed to marginalisation and failure, with (at best) some reforms being achieved on the way.

It is therefore clear that, although it is not meaningful to talk anymore about monolithic class divisions, this does not rule out the possibility that, when the social groups which belong to the emancipatory subject as defined below develop a shared consciousness about the values and institutions which create and reproduce structures of unequal distribution of power, they may unite, primarily, not against the dominant social groups as such but against the hierarchical institutional framework and those defending it. The unifying element which may unite members of the subordinate social groups around a liberatory project like the ID project is their exclusion from various forms of power—an exclusion which is founded on the unequal distribution of power that today's institutions and the corresponding values establish. This brings us to the crucial question facing any transitional strategy: the "identity" of the emancipatory subject or as it used to be called the "revolutionary subject".

The liberatory subject today

All antisystemic strategies in the past were based on the assumption that the revolutionary subject is identified with the proletariat, although in the last century several variations of this approach were suggested to include in the revolutionary subject peasants⁶ and later on students.⁷

[6] See e.g. Mao Tse-Tung, "Report of an investigation of the peasant movement in Hunan" (March 1927) in *Selected Readings from the works of Mao Tse-Tung* (Peking: Foreign Languages Press, 1967).

[7] See for instance Ernest Mandel, "The new vanguard" in Tariq Ali's (ed) *The New Revolutionaries* (New York: William Morrow & Co., 1969).

However, the “systemic changes” that marked the shift from statist modernity to neoliberal modernity and the associated class structure changes, as well as the parallel ideological crisis,⁸ meant the end of traditional class divisions, as I mentioned above –although not the end of class divisions as such– as social-liberals suggest.⁹ Still, some in the radical Left, despite the obvious systemic changes, insist on reproducing the myth of the revolutionary working class, usually by redefining it in sometimes tautological ways.¹⁰ At the same time, writers on the libertarian Left like Bookchin¹¹ and Castoriadis¹² moved to a position according to which, in defining the emancipatory subject, we have to abandon any “objective criteria” and assume that the whole of the population (“the people”) is just open-or closed-to a revolutionary outlook. Finally, postmodernists replace class divisions with identity differences and substitute fragmentation and difference for the “political system”. This has inevitably led to a situation where the systemic unity of capitalism, or its very existence as a social system, is denied and “instead of the universalist aspirations of socialism and the integrative politics of the struggle against class exploitation, we have a plurality of

[8] See Fotopoulos, “The End of Traditional Antisystemic Movements”.

[9] See, for instance, Anthony Giddens, *The Third Way* (Oxford: Polity Press, 1998).

[10] See e.g. Erik Olin Wright, *Classes*, (London: Verso, 1985/1997) and D. Ames Curtis, “On the Bookchin/Biehl resignations and the creation of a new liberatory project,” *Democracy & Nature*, Vol. 5, No. 1 (March 1999), pp. 163-74.

[11] Murray Bookchin, *Post-scarcity anarchism*, (London: Wildwood House, 1974), p. 191.

[12] C. Castoriadis’ introductory interview in *The Castoriadis Reader*, edited by David Ames Curtis, (Oxford: Blackwell, 1997), pp.26-27.

essentially disconnected particular struggles which ends in a submission to capitalism".¹³

In the ID problematique, what we need today is a new paradigm which, while recognising the different identities of the social groups which constitute various sub-totalities (women, ethnic minorities etc), at the same time acknowledges the existence of an overall socio-economic system that secures the concentration of power at the hands of various elites and dominant social groups within society as a whole. Such a paradigm is the Inclusive Democracy paradigm which does respond to the present multiplicity of social relations (gender, ethnicity, race, and so on) with complex concepts of equality in the distribution of all forms of power that acknowledge people's different needs and experiences. In fact, the main problem in emancipatory politics today is how all the social groups, which potentially form the basis of a new emancipatory subject, would be united by a common worldview, a common paradigm, which sees the ultimate cause of the present multidimensional crisis in the present structures that secure the concentration of power at all levels, as well as the corresponding value systems. In this problematique, given the broad perspective of the project for an inclusive democracy, a new movement aiming at an inclusive democracy should appeal to almost all sections of society, apart of course from the dominant social groups, i.e. the ruling elites and the overclass.

Thus, the economic democracy component of the ID project should primarily appeal to the main victims of the internationalised market economy, i.e. the underclass and the marginalized (the unemployed, blue collar workers, low-waged white collar workers, part-timers, occasional

[13] Ellen Meiksins Wood, *Democracy Against Capitalism* (Cambridge: Cambridge University Press, 1995), p. 262.

workers, farmers who are phased out because of the expansion of agribusiness), as well as the students, the prospective members of the professional middle classes, who see their dreams for job security disappearing fast in the “flexible” labour markets being built. It should also appeal to a significant part of the new middle class which, unable to join the “overclass”, lives under conditions of constant insecurity, particularly in countries of the South as the Argentinian crisis showed.

The political democracy component of the ID project should appeal to all those who are presently involved in local, single-issue movements for the lack of anything better. As even the theoreticians of social-liberalism recognise, although confidence in professional politicians and government institutions is in drastic decline, the decay of parliamentary politics is not the same thing as depoliticisation. This is obvious by the parallel growth of new social movements, NGOs, citizens’ initiatives etc. No wonder that the “small group movement” (i.e. small numbers of people meeting regularly to promote their common interest) is thriving with 40 percent of the population in the USA – some 75 million Americans – belonging to at least one small group, while in the UK self-help and environmental groups have in recent years expanded rapidly.¹⁴ Although this celebrated expansion of the “civil society” is concentrated in the new middle class, still, this is an indication of a thirst for a genuine democracy in which everybody counts in the decision-taking process. Furthermore, given that the scope for citizen participation is presently restricted to single issues, it is not surprising that it is single issue movements and organisations which flourish. In other words, one may argue that the expansion of the small group movement

[14] See Anthony Giddens, *The Third Way*, pp. 80–81.

indicates, in fact, a move from pseudo-democracy at the national level –in which the system of representation nullifies collective participation– to pseudo-democracy at the local level –in which important political and economic decisions are still left to the political and economic elites but at the same time, in a kind of “sub-politics”, citizen bodies in the “active” civil society claim a right to take decisions on side issues, or local issues.

Finally, the ecological component of the ID project, as well as the one related to “democracy at the social realm”, should appeal to all those concerned about the effects of concentration of power on the environment and to those oppressed by the patriarchal and other hierarchical structures in today’s society.¹⁵

So, to sum it up, it is necessary that the new political organisation is founded on the broadest political base possible. To my mind, this means a broad spectrum of radical activists, involving antiglobalisation activists, radical ecologists, supporters of the autonomy project, libertarian socialists, radical feminists, libertarian leftists and every other activist that adopts the democratic project. The ID project should appeal to all those radical activists given its broad social appeal to the vast majority of the population. Thus, the following social groups could potentially be the basis of a new “liberatory subject” for systemic change:

- the victims of the market economy system in its present internationalised form, i.e. the unemployed, low-waged, farmers under extinction, occasionally employed etc;
- those citizens, particularly in the “middle groups”,

[15] See Takis Fotopoulos, *Towards An Inclusive Democracy*, chs 5-7; see also Murray Bookchin, “The Ghost of Anarcho-Syndicalism”, *Anarchist Studies*, Vol. 1, No. 1 (Spring 1993), pp. 3-24.

who are alienated by the present statecraft which passes as “politics” and already claim a right of self-determination through the various local community groups;

- workers, clerks etc who are exploited and alienated by the hierarchical structures at the workplace;
- women, who are alienated by the hierarchical structures both at home and the workplace and yearn for a democratised family based on equality, mutual respect, autonomy, sharing of decision-making and responsibilities, emotional and sexual equality
- ethnic or racial minorities, which are alienated by a discriminatory “statist” democracy that divides the population into first and second class citizens
- all those concerned about the destruction of the environment and the accelerating deterioration in the quality of life, who are presently organised in reformist ecological movements, marginalized eco-communes etc

There is no doubt that several of these groups may see at the moment their goals as conflicting with those of other groups (middle groups vis-à-vis the groups of the victims of the internationalised market economy and so on). However, as I mentioned above, the ID project does offer a common paradigm consisting of an analysis of the causes of the present multidimensional crisis in terms of the present structures that secure the unequal distribution of power and the corresponding values, as well as the ends and means that would lead us to an alternative society. Therefore, the fight to build a movement inspired by this paradigm, which to be successful has to become an international movement, is urgent as well as imperative, so that the various social groups which form the new liberatory subject could function as the catalyst for a new

society that would reintegrate society with polity and the economy, humans and Nature.

A new type of Politics

Old politics is doomed, as the accelerating internationalisation of the market economy is met by the continuous decline of representative “democracy”. The impotency of the state to effectively control the market forces, in order to tackle the fundamental problems of massive unemployment, poverty, rising concentration of income and wealth and the continuing destruction of the environment, has led to massive political apathy and cynicism, particularly among the underclass and the marginalized. As a result, all parties today compete for the vote of the middle classes which, effectively, determine the political process. At the same time, the pipe dreams of some parts of the “left” for a democratisation of the civil society are, also, doomed. As I mentioned above, the internationalisation of the market economy is being inevitably followed by the internationalisation of the civil society. In other words, competition imposes the least common denominator standards as far as social and ecological controls on markets is concerned. Therefore, that type of civil society is bound to prevail which is consistent with the degree of marketisation that characterises the most competitive parts of the global economy.

It is therefore clear that we need a new type of politics which would comprise the creation of local inclusive democracies, i.e. the creation of a new public realm that would involve citizens as citizens taking decisions on broad political, economic and social matters within the institutional framework of demotic assemblies; citizens as

workers taking decisions on the running of demotic enterprises within the institutional framework of workplace assemblies; citizens as students taking decisions on the running of colleges and schools etc. This new Politics requires a new type of political organisation which will play the role of the catalyst for its emergence. So, what form should this new political organisation take and how can we go about to create it?

A new type of political organisation

It is clear that the new type of political organisation should itself mirror the desired structure of society. This would not be the usual political party, but a form of “democracy in action”, which would undertake various forms of intervention at the local level, always as part of a comprehensive program for social transformation aiming at the eventual change of each local authority into an inclusive democracy. These forms of intervention should extend to every area of the broadly defined above public realm and could involve:

- At the political level, the creation of “shadow” political institutions based on direct democracy, (neighbourhood assemblies, etc) as well as various forms of direct action (marches, rallies, teach-ins and civil disobedience) against the existing political institutions and their activities;
- At the economic level, the establishment of a “demotic” sector, (i.e. a sector involving demotic production and distribution units which are owned and controlled collectively by the citizens, demotic welfare etc) as well as various forms of direct action (strikes, occupations etc) against the existing economic institutions and their activities;

- At the social level, the creation of self-management institutions in the workplace, the place of education etc, as well as participating in struggles for worker's democracy, household democracy, democracy in the educational institutions and so on;
- At the ecological level, the establishment of ecologically sound production and consumption units, as well as direct action against the corporate destruction of Nature;
- At the cultural level, activities aiming at the creation of a community-controlled art (in place of the presently elite-controlled art activities) and alternative media activities that will help in making the value system which is consistent with an inclusive democracy the hegemonic culture in society.

The following is a general description of the steps that might be taken in building an ID organisation, although of course the concrete form that this procedure will take in practice will crucially depend on local conditions and practices.

The first step in building such an organisation might be to initiate a meeting of a number of people in a particular area who are interested in the ID project with the aim to create a study group for the discussion of this project and in particular of the aims of the international ID network (see below).¹⁶ If general agreement with the principles of the ID network is confirmed then the group could come in contact with the cells of the ID network in the same country and also in other countries for the exchange of information,

[16] A perfect example of such a formulation of the basic ID principles is given in the text prepared by the Athens group which publishes a magazine under the title "[Periektiki Dimokratia](#)" (Inclusive Democracy); this text is repeated on every issue of the magazine.

news etc. After a series of meetings between the people involved, and as a result of discussions on the matter, the group could formulate a minimum program expressing the basic goals, means and strategy of the local ID group. The group should also formulate its organisational structure along non-hierarchical lines, as well as its decision-taking process on the basis of direct democracy principles.

The next step might be the publication of a local newsletter, or in the case of big cities a local magazine, in which this minimum program would be published, as well as comments on local or national/international news from the ID perspective and brief theoretical texts on the goals, means, strategy of the ID project. News on relevant, local or not, activities should get particular prominence. At this stage, the ID group could begin getting involved in the organisation of public meetings in which issues of particular concern to the local people (economic, ecological, social etc) are discussed. All these issues should be introduced by members of the group who express the ID angle and full discussions with local citizens should follow.

As the number of people involved in the ID group grows, it may start taking part in local struggles (or even initiate such struggles on various issues of concern for the establishment of an ID) and also –in alliance with similar groups from other areas– in struggles on regional, national or international issues. With this aim, the group should liaise with similar local groups in the same region, country and other countries to form confederations of autonomous ID groups (at the regional, national and international levels) with the aim to coordinate the political activity of the groups involved. The creation of an ID electronic newsletter might play a significant role in this process. Alliances with other radical groups of the Left should also be encouraged on specific issues (e.g. to replace the present European Union of capitalists with a European Community

of peoples) on which a consensus view on the demands to be raised could be reached.

Finally, once a sufficient number of activists has joined the group so that it can take the form of an ID political organisation (with organisational structure and decision-taking process similar to the ones of the original group) the ID organisation may start expanding its activities and be involved in the creation of local institutions of political, and economic democracy as well as democracy in the social realm (workplace, educational place etc), cultural activities etc –see below. At the same time the ID organisation should start contesting local elections, Initially, with an educational aim, i.e. to familiarise citizens on a significant social scale about the ID project. Once however the ID organisation has won the elections in a particular area it should start implementing the transitional program for the building of an inclusive democracy. Needless to add that in all these stages the activists in the ID movement function not as “party cadres” but as catalysts for the setting up of the new institutions. In other words, their commitment is to the democratic institutions themselves and not to the political organisation.

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