Why do We Need Economic Democracy Now?

By the Prout Research Institute of Portugal

As we all know and feel, we are living in a time of crisis. In Portugal, we are facing a huge debt crisis, and as a consequence, many of the citizens are unemployed. But, in reality, we are not alone in this crisis.

People in Spain, Italy, Ireland and many other countries in the world are facing growing debt, unemployment and inequality. In reality, the entire world is facing a crisis of unprecedented proportions. In many countries, in Southern Europe, one third of the people are unemployed. Among young people under 25, two out of three are unemployed. An enormous human potential is being wasted. Entire nations are suffering.

We have been told that we have a debt problem. This is correct, of course. Governments and private individuals owe so much money that this debt can never be paid back by the common citizen. But the solution our politicians have offered is no solution to the problem. Simply increasing austerity measures, and forcing the general population to tighten their belts and to pay back the debt will not solve this systemic, economic problem. It will only lead to more suffering and to debt deflation, and that only makes the people and economy suffer more.

When people owe money, they owe it to somebody. That somebody is obviously richer than they are, or they could not have lent them the money in the first place. So why should it be us, people of middle and low class that have to suffer even more, facing more austerity measures? It makes no sense.

Why should average people like us, who only struggle for survival, be responsible to repay the debts owed to the richest? It makes much more sense to write off the debts and let those who control and hold the financial power take the losses, because those can, in fact, afford it!

What is happening in Europe is more than a debt crisis. It is also a crisis of inequality. During the past 50 years, almost all of the growth in the economy has been concentrated in a fraction of 10% of the people, while the rest of the people have found their economic situation gradually becoming worse.

And what have those who have gotten richer done with their money? Instead of putting it into genuine productive investments, which would have led to economic growth and more jobs, they have been using the money for speculation and financial gain.

However, we know that neither speculation nor financial profits add any wealth to the world; they both drain wealth from the productive part of the economy. It is this speculative economy from those that have accumulated
more which has brought us into debt. Therefore, it should be the very rich, and not the average citizen, to solve the debt crisis we are in.

In order to solve this crisis, this trend has to be changed. And it has to be changed now!

In addition to the finance and inequality crises, we also have a resource crisis and an environmental crisis.

In this current economy, we are using up irreplaceable natural resources as if they were unlimited. We do not account for the energy that nature put in to create them. Oil, gas, coal, minerals and metals are some of the examples of natural resources that increasingly hard to extract as all these supplies are disappearing.

We are not only indiscriminately depleting limited resources without any concern or planning of the future. We are also destroying ecosystems that we depend on for our very survival. Economists have calculated that the free services that nature provides us with, such as free pollination, recycling of water, transportation of nutrients, etc. represent many times the value of all human economic activity in the entire world.

Instead of acknowledging this gift and to try to work in harmony with nature, the capitalist system, in its pursuit of short term profit, is destroying at an alarming rate the life supporting systems that nature provides us.

By now we have degraded two thirds of all natural systems, and the destruction continues with such an alarming rate that a recent United Nations study claims that the ability of the earth to sustain future generations can no longer be taken for granted.

We then pose the question: Why are we destroying the earth at this rate, without consideration for our long term survival? The reason lies with the nature of the capitalist free market system that gives the power of decision of how to allocate resources to those with the most economic power and to private companies.

Instead of being efficient in its whole, as free market proponents claim, corporations are only efficient in maximizing their own profits on a short term basis. In order to maximize profits and share prices for the next quarterly report, the executives only think short term. Their main goal is to increase the size of their own bonuses.

In a very general way, these people do not care with nature, for human survival, or for the welfare of their workers, and even those that have this concern are conditioned by the sole motivation of maximizing the profits, that the system imposes to them. Their sole motivation is to maximize
profits for their shareholders, and to try to push as much costs as possible to society as a whole.

Due to this short sighted nature of market capitalism, and its sole focus on maximizing profits, the free markets can never solve the problems of environmental destruction, resource shortages, inequality and financial debts.

In order to solve these crises, we need a new economy, we need economic democracy.

**Economic Democracy**

So what is economic democracy? In political democracy, everyone has a vote, but the real power is with those that have money and the corporations who pay the lobbyists, who again tell people how to run the economy.

In most countries, those who spend the most money on the election campaign win. Those with money influence people’s opinions through their control over the media; they use their money to lobby for laws that are to their advantage; and through the economic power of corporations they decide how resources should be allocated.

Money is concentrated in the hands of a few, and those few people hold the real power, and, as such, they hold the power of manipulation of the political machine. One could therefore say that instead of living in a democracy, we live in a money-controlled dictatorship.

As long as money controls politics, and remains concentrated in the hands of only a few, we cannot have real democracy. The only way to achieve real self-determination among people is by guaranteeing that the economic power can be distributed among the population.

In such a society, everyone will have a greater say in the allocation of resources. Debt levels will be reduced, and priorities will change from maximizing profits to maximizing welfare and long term survival of the people. This is what we call economic democracy. It’s an economy of the people, by the people and for the people.

Why would it be that in economic democracy the priorities would shift from profits to maximum welfare? The answer is quite simple. Most people are not obsessed with money. In fact, people are worried with their quality of life and of their families, with the future of their children and with the survival of human species. Money is just a tool to achieve that end.

The objective with the obtainment of profits and the exploitation of nature so prevalent in today’s society has become an obsession. The problem is that the economic and political system of today supports this obsession.
Therefore, the few people who are obsessed with economic power and greed become successful and end up in positions of power.

If there is no counterforce to control this power, the innate greed of these people, can eventually destroy the economy, society, our own culture and, finally, Nature itself.

We are gathered in this Forum exactly to share and explore other alternative options to these current trend, namely Economic Democracy, for which there are several practical orientations. Here and now I only have time to briefly mention a few of them.

For acknowledgement:

- **Let us attribute the debts to those who profit with the financial sector**
  That means, to cancel or write off debt that cannot be paid back, not applying austerity measures onto the common people, and letting the bankers and other rich people who gambled in the financial markets absorb the losses.

- **Put a cap on wealth and income**
  It is fundamental to establish a limit on incomes (defining a maximum salary for example) and on the accumulation of wealth. The resources of the world are limited. To protect the lives of everyone, society has the right to impose restrictions on how much wealth any individual can accumulate.

- **Guarantee the minimum requirements of life**
  Ensure that everyone is guaranteed a job and a minimum wage that can provide them with the basic necessities of life, such as food, housing, education, and medical care.

- **Three tiered economy**
  Break up corporations and structure the economy under three different sectors.

1st) Let the government run the large key industries such as oil industries, railroads and road systems. The claim that state enterprises are always inefficient is false. Statoil, for example, the state-run Norwegian oil company, is as efficient as any other oil company in the industry. Its shareholders are all the people of Norway, not just a few rich, private investors;

2nd) For medium and large scale enterprises, we should encourage cooperatives and other forms of enterprises where the workers are part-owners in the business. As owners, workers and members of the community with families, they will have a much more conscious perspective to make decisions than absentee managers that may live in a completely
different country and a different community than where the business operates;

3rd) Finally, for small scale business, private enterprises should be encouraged. In other words, the real problem with our economy is that capitalism works best on a small scale.

In brief, on a larger scale, the economy is best served when everybody’s interests are taken into account. And that can only happen when we have economic democracy, what implies that a group of ordinary citizens and not a minority group of 1%, in Portugal, In Spain, In Italy, in Ireland can decide their own future, their own economic and political future. That is economic democracy and, more than anything, that is the democracy we need!