

SOME GOOD NEWS FOR A CHANGE

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I don't think we liberal egalitarian democrats are particularly lacking in "Gini negative" suggestions for policy. We have a plethora of well-reasoned such proposals, some reformist, some radical, and some radical-reformist – on labor, corporate, tax, and competition law; on industrial policy, social insurance, and direct service provision; on improving government efficiency and responsiveness to public demand; even on better informing, uniting, and harnessing constructive energy from our currently angry and sad and fractured public. All can be improved through testing and experiment. Much more than a lack of ideas, I'm impressed by our lack of power to enact and skill to implement them. This absence is painfully obvious in the US, but hardly unique to it. With qualified exception of the Nordics, national egalitarian democratic politics, and confidence in its functional ability to improve people's lives, is in retreat worldwide. Reviving it will require many things, of course. But critical among them is a public philosophy or view of public order that's inviting enough to ordinary citizens to secure durable governing majorities and get the space to again learn, widely, how to make such ideas work in reality and continuously improve their implementation.

To reprise familiar history, for a long generation after WW II, social democracy and its Keynesian welfare state provided that popular public philosophy and secured an uneasy but productive peace between capitalism and democracy. But social democratic parties today have lost much of the support and credibility they had with the public and that peace is no more. The chief reason is that the world that traditional social democracy worked well in – national economies still relatively insulated from international competitive pressure, led by a limited number of large, functionally centralized and vertically integrated firms that organized production in stable systems of hierarchical control – is also no more. It's been replaced by one of much more internationalized and digitalized production, by changing constellations of functionally decentralized and vertically disintegrated firms, drawing from a global labor force that includes billions of workers paid a tiny fraction of what their rich-country counterparts make. This new world has disrupted labor movement across the globe and eliminated any trace of home-country loyalty by most big business. But its greatest casualty has been public confidence in liberal democracy itself. At no time in the past century has that been lower than today.

I don't blame the public for this. Politics has truly failed them. For more than a generation now, virtually every important elected leader has told the same story to justify a lethal constellation of policies of deregulation, regressive tax cuts, and privatization (*aka* "neoliberalism"). "Capital is free to move anywhere. Any tax or regulation we impose on it will be a cost, and any cost a spur to movement elsewhere, which will hurt us all. So while we feel your pain, you must understand that our ability to regulate or tax capital is gone. Get used to it." That this story ignores some crucial facts – the real-world institutional stickiness of much investment; the self-supply of most economies; the heavy dependence of the service sector, which supplies most jobs, on immobile labor; the power of government purchasing to shape private markets; and the obvious fact that many taxes pay for things that capital sorely needs and much regulation is needed to enable much less optimize actual markets – doesn't stop its devout repetition. Nor did financial capital's crashing its own global system in 2008.

Looking at this sorry history, and the near abject failure of the Left – especially as compared to the Right – to make political use of this spectacular failure of neoliberalism, many have concluded that these times mark not just the end of social democracy but any plausible egalitarian-democratic project. I think that's wrong. Traditional social democracy, with big labor, big business and big government bargaining over management of the economy and society, is indeed near death and probably cannot be revived.

But I don't think we should try. We can't and shouldn't want to will back those postwar economic conditions. And in its politics, even in its heyday, social democracy was too centralized and top down in its administration, too socially exclusionist, and too narrowly concerned with class. And it still is.

However, an alternative egalitarian and democratic project – one more suited to today's economy and sensibilities and more uplifting of real freedom and human possibility – is available to us. It offers a natural and very large base, demonstrated proof of effectiveness of most of its policy ingredients, and even some properties of emergence.

PRODUCTIVE DEMOCRACY

Call this project what you will. I call it “productive democracy” (PD). I believe that a well-ordered democracy is not only a source of representation and fairness, but of material value. And I believe that a properly designed democracy can make decisions with reasonable efficiency, and is far more likely than undemocratic forms of government to correct mistakes. After forty years of corporate-sponsored defamation of democracy as only whining parasitism or incompetence, and of democratic government as mere “waste, fraud, and abuse,” it's imperative that egalitarian democrats show this ability of their liberal democratic government to actually work, to be useful in everyday people in their everyday lives, to improve rather than simply administer those lives. It must not only show respect for its public, but results.¹ This is what I'd call mass liberal democratic politics “survival criterion.”

Making that demonstration is a central aim of PD — and the source of the “productive” in its name. Along with seeking economic security and opportunity for all, PD would emphasize democracy's contribution to both social learning and productivity. These are goods in themselves, they are needed for the social surplus to be invested to achieve more ambitious egalitarian ends. PD would place a bigger and more visible bet than social democrats ever did on a well-ordered democracy's ability to enable citizen contribution to them. Its signature politics would be developing and harnessing that contribution. Indeed, PD would define the “general welfare” not just as physical and economic security and reasonably equal opportunity and life chances, but as the capacity and interest of all citizens to make that contribution, to be actively engaged in building their own society.

But so much for ambitions. Let's go to basic elements. These are telegraphically (and sometimes, I admit, with exaggeration and heavy irony) summarized in the table on the next page, below, which aims to clarify PD's broad “constitutional political economy” by contrasting its approach to characteristic policy and governance problems with those of neoliberalism and traditional social democracy.

¹ Doing both, and together, was traditionally part of the great appeal of liberal representative democracy – which seems exhausted now that these twin elements appear at odds. See discussion in Runciman, D. (2018) *How Democracy Ends* (New York NY: Basic Books).

THREE PUBLIC PHILOSOPHIES

	<i>Neo-Liberalism</i>	<i>Social Democracy</i>	<i>Productive Democracy</i>
Economic strategy	Inequality/incentives	Effective demand	Effective demand & supply of high-road productive infrastructure
Redistributive peak	None	Late	Early
Asset ownership	Narrow	Narrow	Wide (private firms and public commons)
Income security	None	Employment	Social dividend (basic income)
Revenue	Regressive taxes on private income/profit	Progressives taxes on private income/profit	Progressive taxes on private income/profits/wealth & consumption, public bads, non-reinvested profits
Intl econ strategy	Forced integration	Strategic protectionism	Balanced trade, managed diversity, global public goods, unitary taxation, FTT, ICU
Privileged branch	Judiciary	Executive	Legislature and problem-solving public
Public admin	Disable affirmative ate	Delegation/rule-bound	Deliberative experimentalism
Intergov relations	Regressive federalism or unitary state	Progressive unitary state, limited federalism	Progressive federalism
Social contribution	Demand/not enabled	Enabled/not demanded	Strongly encouraged and enabled

Considering first *policy* ... In economic policy, PD would continue to use traditional tools of macroeconomic steering to maintain effective demand and keep the economy near its full potential. But it would commit as well to effective supply of the productive high-road infrastructure needed to support the economy we actually want, not just the one we have. The “high road”² is a development path that uses democratic organization, inside and outside the state, to reduce waste, add value, and capture and share the results of doing both, locally. Think of it as using better democratic organization to increase a place’s all-factor productivity.³ By “high-road productive infrastructure” I mean a suite of policies, public goods, and institutions that together work to raise performance standards on firms and communities, enable both to meet them, and to capture and share the resulting increased wealth.

This infrastructure is intrinsically local. The relevant “location” can and sometimes would be the whole nation. But it may be easier to imagine it in terms of the metropolitan areas (cities and their surrounding suburbs and commuting sheds), the densely populated and geographically compact engines of wealth in all national economies. (In the US, for example, on just 12% of our land area, the top 100 metropolitan areas house two-thirds of our total population and produce more than three quarters our annual GDP.)⁴ Already adopted in many cities, but nowhere near all, typical *policies* might include things like: standards on job quality, training, career pathways, and a living wage at area firms; requirements for reduced waste (eventually zero) in material production; and broad encouragement of worker organization and ownership. Typical *public goods*, with their positive effects in lowering living costs, increasing sustainability, and improving the local quality of life, are things like public transit, education, recreational facilities, and public space. Typical *institutions* are things like regional partnerships (among firm owners, workers, and communities) for joint training, credentialing, modernization, and marketing efforts; public-financing and technical assistance services to enable meeting higher environmental and

² See Rogers, J., *What Does "High Road" Mean?* (Madison, WI: COWS, 1990)

³ Productivity understood here as value output per unit of input, not physical output per hour. "All-factor" rather than the conventional "multi-factor" is used to include our still unvalued natural (much less social) capital as inputs.

⁴ Berube, A. (2007). *MetroNation: How US metropolitan areas fuel American prosperity*. Metropolitan Policy Program at Brookings.

other standards; and facilities for planning and citizen engagement and review.

We know from experience that providing such productive infrastructure has two salient effects. It increases productivity and wealth in those locations,⁵ thereby attracting more private investment. And it grounds that investment (makes it “stickier”), which reduces the frequency and credibility of capital threats to leave town—or the country.⁶ This reopens space for social bargaining, even under murderously competitive international conditions.

PD would also argue for increasing the relative share of total “welfare” investment made early in life (everything from early pregnancy care to perinatal and visiting nurse assistance to whatever else is needed, up to adulthood, by way of other health, education, counseling, or other support and capacitating services). While expensive, producing capable and confident adults is still much cheaper than repairing broken ones, and PD’s commitment to equality means preparing *all* citizens to participate and make some contribution to society. For similar reasons it would also supplement employment income with some sort of social dividend or basic income guarantee. And it would vastly widen worker-citizen ownership, both of private firms and society’s “commons.” The latter includes both our natural commons (air, land, water, flora and fauna) and our created one, especially those parts of special benefit to business (e.g., physical infrastructure, intellectual property and business law, central banking). As many have argued, both parts of this commons should be “monetized,” with beneficiaries charged a user fee, which in whole or part would be distributed back to all citizens on an equal *per capita* basis. Alaska and Norway have long done this with their oil holdings, and California is now doing it with monies paid for carbon permits. But we could – and should – do more.

For revenue, PD would make greater use of progressive consumption taxes (no tax up to some reasonable level of consumption, then sharply progressive afterward) and Pigovian taxes on “public bads” (like pollution, other environment degradation, or other socially destructive behaviors). It might also favor steeply progressive taxes on non-reinvested corporate profits. All these means of raising revenue directly contribute to equity, efficiency, and sustainability – even before the money from them is spent.

In international affairs, any PD nation would break with the tenets and practices of corporate-led neoliberalism. It would unapologetically declare its national interest in “fair” trade that benefits both national parties to it, and control of its own development strategy – while respecting the like interests of other nations, and seek to manage, not obliterate, the resulting diversity. It would also work to limit wasteful speculation (e.g., through a financial transaction tax), criminalize tax-free havens, and eliminate tax arbitrage through some “unitary taxation” scheme (where, by agreed formulae, country shares of taxes on multinationals would be apportioned by the country location of each corporation’s production, employment, value added, and sales), and reverse Harry Dexter White win at Bretton Woods by establishing an international currency union along the trade and credit benign-balancing lines Keynes

⁵ E.g., Morrison, C. J., & Schwartz, A. E. (1996), “State infrastructure and productive performance,” *American Economic Review* 86: 1995-1111.

⁶ This stickiness extends even the uppermost reaches of high-end labor markets. See Iversen, T. and Soskice D. (2019) *Democracy and Prosperity: Reinventing Capitalism through a Turbulent Century* Cambridge MA: Harvard University Press

first suggested. And it would do its share (measured by its share of world product) to underwrite needed global public goods: in health, development, climate, security, and peace. The last two imply, for the US, dismantling much of our military empire and permanent war machine not actually needed for security.

Moving then to *governance* ... PD would move government more squarely back into the business of public debate and deliberation. Its “privileged” unit of government would not be those private-property-guardians so favored by neoliberals: the judiciary. Nor would it be the executive-centered administrative state favored by social democrats. Rather, it would be the “the people’s house,” the legislature – and the organized public itself. In PD’s version of progressive federalism, national government sets and funds a core set of commitments to all citizens; subnational governments are prohibited from going below that minimum but free to go above it. Preserving its commitment to the affirmative state – the belief that protecting and deepening democracy is one part of government’s job – PD would promote experimentation and deliberative problem-solving, often involving citizens, in achieving legislative-declared goals. It would measure and ensure accountability by regular reporting and monitoring on progress toward declared goals, not by enforcing fidelity to rules limiting informed discretion.

In sum, PD would offer a more open, decentralized, locally-rooted, egalitarian democracy, supported by leaner and more flexible government(s), as joined by a more capable public. Its policies and institutions cohere and mutually support each other in driving up social learning and productivity, visibly benefitting citizens *via* a better democratic order. It both satisfies democracy’s “survival criterion,” and reopens its future. Not Nirvana, but not too shabby.

Rational Hope

Why am I (ever cautiously) optimistic about PD’s political chances?

For starters, and even among many ordinary citizens quite hostile to the current affirmative state, I think it would be quite popular. Nobody likes bungling and bullying bureaucracy, and nearly everyone prefers greater local government to more national, much less a faceless international one in service primarily to corporate interests. Wider citizen-worker ownership has cross-partisan appeal. Taxes on consumption and public bads are more popular than those on income. And PD’s basic values – freedom, opportunity, active citizenship, fairness, responsibility to future generations — are nearly universal. Indeed, the only real opponents I see are greedy and socially irresponsible corporate elites and the many public officials who serve them and not the people — exactly the kinds of opponents progressives should want.

Of course, unorganized public opinion is politically powerless. But I also think that both the supply and demand conditions for the sorts of democratic collective action PD calls for are increasingly favorable.

On the supply side, technology helps.⁷ Our ability to confer across distance, and to coordinate, monitor, and precisely measure the performance of virtually any inanimate thing, are light-years better and cheaper than a generation ago. But so does our social evolution, where conduct or ordinary business in civil society and the economy is already widening the sorts of skills and experience that PD demands. Hundreds of millions of workers daily participate in multi-disciplinary problem-solving teams. Many thousands of governments are already breaking down bureaucratic silos, experimenting and measuring progress in policy, and inviting the public to help. New forms of direct citizen engagement in policy are

⁷ Please don’t confuse this statement of fact with a mindless “techno optimism” that imagines effortless and good use of technology without considering its abuse.

also sprouting up all over. And the “share” economy of peer-to-peer production and a collaborative commons with zero marginal costs is exploding. What PD imagines is in the adjacent possible, not the remote.

On the demand side, global improvements in living conditions (better income, health, education, etc.) will naturally fuel expectation of more improvement (with the same reliability that their disappointment in the rich North has led to leads to anger). And the obvious and growing shortfall between potential human flourishing (at peace with the rest of the biosphere) and the absurdly and unnecessarily degraded conditions that most of the world lives and works is not exactly news. It animating social movements all over that “Another World is Possible,” which of course is true.

This supply and demand for more and better democracy converge in cities (i.e., densely settled areas), whose newfound prominence in social life helps our case. Along with digitalization, internationalization, and advances in life sciences, urbanization is a crucial defining feature of our time. Cities are where a majority of the world’s 7.8 billion population already live and work, on less than 4% of its land area, as 70% of a larger 9.6+ billion are expected to by 2050. Cities already produce an overwhelming share of the world’s knowledge and wealth (currently, more than 80% of global GDP), and their share of both is also growing. Amplified by mindful use of available and emerging technology, the promise of humanity’s urban future’s more equal and abundant human flourishing seems nearly endless. But cities are also a point source for many of the forces – climate disruption (some 70% of current greenhouse gas emissions trace to their consumption), growing within-country material wealth inequality (rising everywhere), social fragmentation and distrust – that threaten social collapse. How cities go, humanity follows. How they are governed will largely decide our fate.

The spatial density that defines cities increases both demand for, and more efficient supply of, of critical public goods (and club and common goods) of all kinds. It naturally reduces the per capita cost of providing shared mobility, housing, water and sanitation, energy, education, public places, and more. But making our cities easier to get around in, safer and greener, and more rewarding places to learn, work, and play in is not something that can be engineered from any central capital. To work, it needs the local knowledge and commitment of people actually living there.⁸

Finally, and this goes to the question of “base,” nothing I’ve argued for here is remote from humanity’s evident desire. All around the world – a world in which the US has far less limiting power than in the recent past – billions of people are repelled by the effects of predatory capitalism, and would grab at a plausible democratic alternative. For most people, the choice between further degradation and a plausible route to greater security and freedom is an easy one. I think PD offers people that choice. Progressives should put it before them.

⁸ Whiles not touching income directly reducing waste is a great and readily available equality-promoting strategy, since the “poor pay more” for satisfaction of basic needs and their payment is a larger share of their lesser incomes. Internationally, we have many examples of comparable or better housing, transportation, basic utilities, and health insurance costing less than half what they do in the US. Those necessities take up two-thirds of the median householder in the US, more in the bottom two quintiles, which translates to an increase of 1/3rd or more in disposable income. See BLS (2018), Consumer Expenditure Survey, Table 1101 “Quintiles of income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation” (<https://www.bls.gov/cex/2018/combined/quintile.pdf>)