

# Economic democracy: We must restructure the economy, not return it to its pre-COVID-19 state



*Felix FitzRoy and David Spencer highlight some fundamental problems of UK economic policy, as exposed and exacerbated by the lockdown. They write that, alongside the temporary emergency measures adopted, there is an urgent need for wider reforms, based on the goal of promoting economic democracy.*

The COVID-19 crisis has presented clear challenges for UK economic policy. It has meant the state intervening in the economy in unprecedented ways, such as through the implementation of a [‘furlough’ scheme](#). But the concern is that current economic policy is limited. Many workers still face unemployment, with little help from the state. Many others face having to get by in low-paid, unsafe work conditions. For all the talk of ‘key’ workers, there remains no serious effort to regulate work and to combat low pay.

There is also concern that emergency economic policies will be reversed too quickly. Doubts remain about the longevity of furloughing, for example. More generally, the spectre of austerity still looms over economic policy. Higher public spending could still be scuppered, under a false and dangerous insistence on bringing down the deficit. Further, there is the wider concern that current policy is about returning to ‘business as usual’. In this case, the need and opportunity will be missed to rebuild the economy. Indeed, the danger is that the same inequalities that existed before the crisis will be magnified and increased in the future.

In a [new paper](#), we highlight the problems of current economic policy in the UK. We also outline various measures (including an emergency universal basic income and a Green New Deal) that could be used immediately to support those worst affected by crisis. But we also propose wider reforms that, if enacted, would help to create a more sustainable economy – one that would offer not just greater prosperity, but also the conditions for higher wellbeing. These reforms are based on the goal of promoting economic democracy.

## Unequal economic power

The crisis has shown the fragilities of the economic system. In particular, it has shown the precarious nature of work – many workers have faced redundancy without adequate economic and social protection. Unemployed workers face the prospect of meagre benefits, issued through a welfare system that is not designed to accommodate high unemployment.

The crisis has also exposed the inequalities in work. Firms remain places where workers’ interests are secondary. Human resource management reduces labour to a cost. Workers, in turn, are treated as bundles of human capital. In work, workers face having to do tasks that are required by employers and have limited autonomy over their work. Hence, in the crisis, firms have decided to furlough workers. Decisions on when workers come to work are also still left with employers.

An exception is the ‘gig economy’, where individuals are forced (by their own material deprivation) to work in order to live. Choice here obscures a dependency on work and exposure to chronic low pay.

The issue for us is that discussion of reforms in the crisis has missed the need to challenge the power inequalities in the economy. To the contrary, policies implemented thus far seem to be about restoring power for the already powerful. But challenging power is vital for recovery and renewal beyond the crisis.

Here there are different policy options, from higher progressive taxes to the introduction of new bailout schemes that make finance for quoted companies conditional on equity stakes. One way forward would be to ensure that, where government grants financial support to firms, it does so with the requirement that the firms adopt meaningful co-determination and profit sharing. A new social contract could be implemented with the government requiring firms that receive support to democratise work and share surpluses. Such a requirement could pave the way for general legislation for economic democracy, a long overdue, fundamental reform recently supported by thousands of scholars in [The Guardian](#).

The guiding principle must be to restructure the economy, not return it to its pre-crisis state. Key objectives should be the empowerment of workers in firms and the shift in governance away from shareholder value capture. Only then can we seek progressive change, including higher pay and better working conditions, but also shorter work time and greater human freedom.

### Political obstacles and opportunities

But in advancing radical change, there are political obstacles to overcome. There are always some groups that lose out from fundamental reform, and business lobby groups, in particular, are likely to push for a return to the status quo ante. Conservative politicians will also resist change.

The economist, [Michal Kalecki](#), in a famous article published in 1943, wrote about the political obstacles to full employment. Capitalist employers required unemployment to retain the effectiveness of 'the sack'. They also wanted to retain their ability to exercise control over the economy. While capitalist employers would benefit from higher profit in the event of the government pursuing full employment policies, they would still resist such policies because of the political effects of the policies on their right to manage.

But the political obstacles identified by Kalecki alert us to the reforms required in work and society more generally. In bringing democracy to the workplace, cooperation can be secured, without the threat of unemployment. And with society organised on principles of democracy, not rule by capital owners and their representatives, there is scope to achieve high surpluses with full employment.

In the present crisis, there is the risk of unemployment becoming entrenched, centralising power and preventing democratic change. Again this is where reform is needed, both to challenge and reform power relations. In this way, the crisis opens up space for a different politics – one where economic democracy is enhanced.

[J.M Keynes](#), in another classic essay, wrote positively about the economic possibilities for the future. Writing in the depth of the Great Depression, Keynes looked forward to a time when abundance would replace need and free time would replace drudgery. The parallels with the present are stark. Hence Keynes wanted his reader to think beyond the crisis – indeed, he wanted his reader to keep alive the idea of – and strive for – a better future. Now, we can argue that a similar optimism is needed in order to reconstruct the economy.

A missing aspect of Keynes's essay was the idea of democratic reform in work. Keynes was confident – if unrealistically so – that capitalist employers would pass on the benefits of productivity growth to workers. What he failed to note was how capitalism would require deeper reform to realise the kind of shared future he wanted to achieve. Here Kalecki was more conscious of the changes required to transform society for the better.

The general point is that while the crisis creates hardship, it also offers an opportunity to rethink how we organise work. Conservative politics will try to hold back necessary reform to conserve concentrated power, privilege, and wealth, but that only illustrates the need for such reform to occur. In the end, there is no other way to live better than to democratise the institutions that govern the way we work.

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