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Becoming economic citizens

Advancing global economic integration means democratic values should be applied within economic structures themselves.



Henning Meyer

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In the general debate about globalisation, it is a widely held assumption that the scope of action of democratic governments is deteriorating due to advancing economic integration. The bringing down of trade barriers, the shift to a more service based economy and innovations in ICTs have led to business operations going further beyond national borders than ever before. This is generally a good development.

Unfortunately however, this expansion of economic activity has not yet been mirrored by a corresponding extension of democratic governance. As a result, the ability of democratic politics to regulate the economy has diminished. This all too often leads to unsustainable inequalities within and between countries. In this context there is some serious debate going on about the development of regional and global governance structures to regain the primacy of democratic politics.

This is a vital discussion that needs to be pushed forward. But it seems strange that the direct application of democratic values within economic structures themselves, rather than in the political realm, is rarely considered in these days.

There are examples where applied democratic principles in the economic sphere have produced real benefits. For instance, one of the achievements of the German social market economy Martin Kettle talked about on Comment is free last week is exactly the application of these democratic values in corporate governance.

The German system of co-determination, allowing employees to take part in corporate decisions, has become a cornerstone of the social market economy and has had many positive effects. It injected stability into the corporate decision-making process and - contrary to many stereotypes - has also had positive economic effects. Co-determination

motivates the workforce by inclusion in decision-making procedures and reduces transaction costs as well as information asymmetries.

In Britain, the debate about economic democracy was last seriously led more than 10 years ago, when Will Hutton published his book *The State We're In* and Tony Blair, at the time still Leader of the opposition, promised in his [Singapore speech](#):

"it is surely time to assess how we shift the emphasis in corporate ethos - from the company being a mere vehicle for the capital market - to be traded, bought and sold as a commodity; towards a vision of the company as a community of partnership in which each employee has a stake, and where a company's responsibilities are more clearly delineated."

Where are we a decade later? There are no more stakeholding elements in the economy than in the mid-1990s. And worse, even the discussion about democracy in corporate governance is dead in the water.

I am not suggesting that Britain should simply copy the German model of co-determination. Policy transfers from other countries can only take place in the context of their own economic tradition. But maybe a new debate about possible democratic elements in the economic realm is in order. More democracy in corporate governance could help to rebalance the relationship between shareholder value and employee interest and be a tool for real societal stakeholding rather than passive participation in the economic process.

Democratic principles are sometimes exported to other countries, even by means of war and yet large parts of the western world seem worried about applying them to their own economic structures. Would it be so wrong if an employee became more of an economic citizen than a production factor?

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