

**THE 99
PERCENT
ECONOMY**

**HOW DEMOCRATIC
SOCIALISM CAN
OVERCOME THE CRISES
OF CAPITALISM**

PAUL S. ADLER

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*How Democratic Socialism Can Overcome
the Crises of Capitalism*

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CPP1 **PREFACE**

CPP2 This book is based on a series of three public lectures I was invited to give at the Said Business School, Oxford University—the Clarendon Lectures in Management Studies—in October 2015. The annual lecture series is organized jointly by the Business School and Oxford University Press. I thank the colleagues at Said Business School and David Musson of OUP, who invited me to give these lectures and hosted me so graciously. And I thank David Pervin, who took over responsibility for the manuscript in OUP’s New York office, for his generous editing guidance.

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CPP7 Finally, I thank my most critical critics and most enthusiastic supporters—my children, Laura, Zully, and David, and my wife, Ruth Kremen. They make everything possible.

The 99 Percent Economy



Co Introduction

The Argument

Co.P1 In recent years, we have seen the eruption of several progressive and surprisingly radical movements, most notably Occupy, the 2016 Bernie Sanders campaign, the Fight for Fifteen, Black Lives Matter, the People's Climate March, and #MeToo. Fueled by anger and hope, these movements gave voice to a widely shared passion for radical change—not just change in the personnel holding high positions, but change in the fundamental structures of power and privilege.

Co.P2 These movements have raised important questions that challenge the inevitability of those structures. Why is it that the Walton family alone, heirs to the Walmart fortune, has more wealth than 40% of American families combined, while the poorest quarter of the population have no net wealth at all?¹ Why is our government so unresponsive to people's need for affordable healthcare and quality public education? Why are the uncontrolled gyrations of financial markets allowed to throw millions out of their jobs and homes? Why are powerful corporate interests able to veto global efforts to address the looming climate crisis? Why do women have to endure discrimination, harassment, abuse, and violence at the hands of male bosses, clients, partners, and strangers? Why do poor and minority neighborhoods find themselves occupied by militarized police forces?

Co.P3 The emergence and urgency of such questions reflects a growing sense that we face multiple and deepening crises—in the economy, our workplaces, the political sphere, the natural environment, the social fabric of our communities, and our international relations.

Co.P4 We suffer from the growing irrationality of our economic system. This system generates obscene levels of inequality in wealth and income. It periodically stalls, throwing millions out of work. It produces much that we do not need and indeed much that poisons us and the planet. And on the other hand, so many products and services that we desperately do need are not profitable enough for business to produce and so we must go without.

Co.P5 We face a pervasive crisis of disempowerment in the workplace. People aspire to have a voice in the decisions that influence them, but as employees, we have little influence, if any, over the major decisions that affect our lives at work.

Co.P6 Our political system is unresponsive to the popular will. We have a system we call democracy, but it functions like a plutocracy—rule by the rich.

Co.P7 We are confronted with a mounting environmental crisis. Climate change is just one aspect of this crisis, but it is likely to disrupt profoundly civilization in the coming decades because we have failed to wean ourselves off fossil fuels.

Co.P8 We are suffering from a widening social crisis. In our gender and race relations; in our families, neighborhoods, cities, and regions; and in our systems of childcare, eldercare, justice, healthcare, housing, and education, our communities are constantly at war with business interests and with the government agencies supporting those interests.

Co.P9 And finally, our relations with other countries are rivalrous and domineering, when humanity so desperately needs international collaboration in resolving challenges such as climate change, war and the risk of nuclear conflagration, famine, and poverty.

Co.P10 The good news is: it doesn't have to be this way. The world has the resources and technological capabilities we need to offer everyone material comfort, human dignity, and opportunities for growth. But the social system that governs how this wealth is created and distributed leaves us insecure, fearful, and frustrated. We have a system that works for the one percent; but we could have one that works for the 99 percent.

Co.P11 Progressives in the United States—the “we” that I often refer to in this book—have engaged a debate on the origins of these crises and how best to address them. Some emphasize the need for more socially responsible leadership by the business sector. Some emphasize the role of government, advocating stronger social and environmental regulations, expanded welfare provisions, and limits on political campaign contributions. Some blame adversarial relations between business, government, and labor, and advocate Nordic-style social democracy. I argue that the origins lie deeper than these reforms can reach. These crises are endemic to capitalism itself,

and as a result, while such reforms are surely worth pursuing, they cannot resolve our crises. If the root cause of these crises is capitalism, the solution is a more radical, democratic-socialist transformation.

Co.P12 Capitalism is a system of production for profit, not for people or for the planet. Yes, over the past decades and centuries capitalism has stimulated remarkable scientific and technological advances and has led to real improvements in the material conditions of many. But these improvements are only intermittent. They are shared very unequally. And they come with escalating social and environmental costs. Government is dependent on the profitability of the business sector for its legitimacy and resources and therefore cannot adequately address those costs. That's why we face a world in crisis.

Co.P13 If we are to overcome these crises and create an economy for the 99 percent, we need to change the way enterprises make decisions about investment, products, and work. These decisions need to be guided by the needs of people and the planet—not just by profitability considerations. They need to be made democratically, informed by deliberation and debate not only at the enterprise level, but also at the regional, industrial, and national levels—not made by CEOs and boards of directors doing the bidding of private investors. To make this happen, we need to replace private ownership of enterprise with socialized, public ownership. And this will enable us to shift from business-dominated government to a truly democratic political system. More modest reforms are worthwhile, but they are simply too limited to resolve the crises we now confront.

Co.P14 The goal of this book is to show why this socialist transformation is necessary and how such a society would work. This is not a blueprint for 21st-century socialism, let alone a step-by-step plan for getting there. Large-scale societal change doesn't work that way: it is by nature a zig-zagging, experimental process. But our efforts as progressives need to be guided—as is every human project—by a vision, a mental model, of the society we want to create. I argue that democratic socialism provides the most reliable guiding vision if we are to overcome the crises we face.

Co.P15 In making this case, this book focuses on the United States. The same general argument, however, applies in other countries. And the probability of success in overcoming these crises will be much greater if we engage this socialist transformation together.

Co.P16 There are many hurdles facing us if we want to move from capitalism to democratic socialism, and this book aims to help us overcome one of the most important—our lack of confidence that such a system could work.

To replace corporate hierarchy with democratic management within enterprises, and to replace market competition with democratic management of the entire economy, we will need to restore people’s confidence in democracy—in our ability to make decisions together that benefit us collectively, that benefit the public good. But democracy has lost its luster.

Co.P17

The failure of successive administrations, both Republican and Democratic, to serve the interests of working people has created widespread cynicism about the very idea of democracy. Indeed, the support among working people for Donald Trump in the 2016 presidential elections showed the depth of the frustration they felt with the “elites” and with the empty democracy that these elites dominate. Hilary Clinton’s campaign promises of stronger regulations and safety-net provisions rang hollow, and her support for foreign wars repelled many. In their frustration, working people turned to the candidate who seemed at least to recognize their predicament. If he sounded like an authoritarian populist, why would that deter them, when our country’s vaunted democracy had failed them so abjectly?

Co.P18

But this cynicism is the most powerful weapon of the elites that rule today. This book aims to overcome that cynicism by sketching a world in which democracy—expanded and enriched—works for, rather than against, the public good.

Co.P19

I teach in a business school, and, yes, it is unusual to find a business-school professor advocating socialism. However, my research has given me the opportunity to study the management of some of our most sophisticated business enterprises, and this research has led me to two conclusions that both point toward democratic socialism.

Co.P20

First, while capitalist industry has been remarkably successful in many respects, it is impossible for the private-enterprise business sector to solve the big crises we face. In any society whose economy is based on competing, profit-seeking, capitalist firms, there are severe limits to what can be achieved by appeals for greater social and environmental responsibility on the part of business leaders, customers, or investors. Moreover, in any such society, national prosperity hinges on the profitability of the business sector, and as a result, there are also severe limits to the scope of government regulations, welfare programs, and international cooperation. To overcome the crises we face and to realize the better world that is within our reach, we need to find our way past those limits. We need a socialist transformation that allows us to decide democratically on our economic,

[4] *Introduction*

workplace, political, environmental, social, and international goals, and to manage strategically our resources to pursue those goals.

Co.P21 Putting these two ideas together—*decide democratically* and *manage strategically*—may strike some people as incongruous. We are so accustomed to seeing management, strategic or not, as something done *to us* by people called managers—people over whom we have little influence and whose objectives are often quite antithetical to ours.

Co.P22 But management is far too important to be left to managers. To overcome the crisis of workplace disempowerment, we need to democratize the management of our enterprises. We need to put these enterprises under the control of boards representing workers, customers, and the broader community, and to replace top-down autocratic control with all-round participative management. Moreover, to overcome the other crises we face, we need to manage democratically not only each individual enterprise but also our society's overall economic activity. We can no longer afford to leave the direction of the economy to the roller-coaster market process, nor to rely on undemocratic agencies such as the Federal Reserve to moderate that process. We need to manage our economy to target our shared goals of well-being for people and sustainability for the planet.

Co.P23 The idea of such economy-wide strategic management for the public good—the idea that we could set goals, plan, organize, direct, coordinate, and evaluate and compensate performance for entire regions and industries, indeed for the economy as a whole—has been largely absent from recent discussions of alternatives to capitalism. Indeed, the idea of socialism rings alarm bells for many people because they do not see how such economy-wide strategic management (aka “government economic planning”) could be democratic or effective, let alone both.

Co.P24 Socialism in the 21st century must be democratic. Not only because the principle of equality is dear to us but also because progress requires democracy. Authoritarian socialist planning may have been effective in forcing feudalistic Russia and China rapidly into the industrial age, but it came at a terrible cost. And today, in our postindustrial era, we can tackle the crises we face and assure the progress we need only if we mobilize widespread, creative problem-solving at every level in both our enterprises and our government. Democracy is an essential precondition for that active engagement.

Co.P25 But how can we ensure that our management of the economy is not only democratic but also effective? That is where the second conclusion from my research fits in. I have found that management innovations in some of our largest corporations show us how this combination can be assured. To coordinate their internal operations, many of these firms rely on strategic management, not on market competition between their subunits. And in some

of these firms—in particular, the “high road” firms, those that try to create competitive advantage by engaging the creativity of their employees—strategic management is not a rigid, top-down process where top managers dictate a plan that tells everyone else what to do. It is rather an ongoing, highly participative dialogue about shared goals. Moreover, some of these high-road firms are truly massive—bigger than many smaller nations, employing sometimes millions of people in operations spanning the globe. If these high-road firms can manage so effectively and so participatively on such a massive scale, then we should be able to use similar strategic management practices to bring under democratic control the economic activity of enterprises, regions, industries, and the entire nation.

Co.P26 Employee participation in the strategic management of these high-road capitalist firms is, of course, limited and far from our democratic ideals. Participation by the wider community is even more limited. Even in these high-road firms, CEOs are still accountable primarily to investors, and employees are still essentially help for hire. In a socialist society, we would institutionalize much wider and deeper participation within enterprises, and we would use these democratic strategic management principles to guide our efforts to manage the economy at the wider levels. A radical socialist transformation is therefore not entirely a leap into the unknown. Capitalist industry is laying both technological and managerial foundations for democratic socialism.

Co.P27 To be sure, even with such foundations, the idea of democratic socialism has an inescapably utopian quality. Obviously, this transformation is not possible in the next election cycle, for example. But that should not deter us. Part of our challenge is to have the courage to believe that a better world is possible. As has often been said recently, it has become easier to imagine the end of the world than the end of capitalism.²

Co.P28 But capitalism is just the latest in the historical sequence of forms of society, and it is hard to believe that a system as flawed as capitalism represents the highest possible form of human civilization. The sketch of democratic socialism that I offer is thus a utopia—in Oscar Wilde’s positive sense:

Co.P29 A map of the world that does not include Utopia is not worth even glancing at, for it leaves out the one country at which Humanity is always landing. And when Humanity lands there, it looks out, and, seeing a better country, sets sail. Progress is the realisation of Utopias.³

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Co.P30 The socialist utopia is an idea on which many have “landed” and toward which many have “set sail” over the past two centuries—ever since capitalism emerged as the basic structure of modern society and since its limitations became obvious. Over that period, each generation with a passion for social and economic justice has articulated its own vision of this utopia and its own strategies for how we might achieve it.

Co.P31 Looking back on the experiences of these earlier generations, I am struck by the fact that when the radical transformations they worked for did not happen in their own time or turned out to be disappointing, many activists gave up on the socialist vision, and quite a few even turned against it. I want to arm us against such despair. My message is at once urgent, hopeful, and optimistic.

Co.P32 Urgent: while the development of capitalism has brought many benefits, it also engenders crises, and these crises deepen and multiply over time. Given the suffering already created by this increasingly obsolete capitalist system, and given the very high likelihood that this suffering will be magnified in coming years—most notably, by climate change—socialist transformation is urgent.

Co.P33 Hopeful: even when prospects for radical change look slim, capitalism’s failures fuel deepening and widening frustration, and this means that opportunities for a radical rupture might open at any moment, surprising us all. While there is a real danger that reactionary demagogues might capture these frustrations—the election of Donald Trump to the presidency in 2016 parallels similar events in several European countries—progressive activists can mobilize such frustrations to work toward a better world.

Co.P34 And optimistic: yes, we confront huge challenges, but we have means with which to meet them. Yes, this will require a fundamental change in our form of society, but we already have foundations on which this new form can be built. Yes, it is frustrating that this change has not happened yet, but over the longer term, capitalism’s own development makes socialism progressively more feasible and more likely.