

# **Schweickart's "Economic Democracy" Management Model and Its Enlightenment**

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**Abstract.** David Schweickart, a professor of philosophy department in Loyola University, Chicago, USA, is a famous left-wing economist. In his exploring about where the future society will go, he proposed a pioneering "economic democracy" management model which based on criticism and reflection on traditional "planned economy" model and "market economy" model's practice experience by Yugoslavia, Japan, Spain, etc to construct itself with the market economy as the leading factor, workers' self-management enterprise as the kernel, social supervision and macro-control for security management. This enlightens us that when market plays a decisive role, we must handle the relationship between government and market, market and enterprise, sharing "labor process" and sharing "labor products" to standard employees' democratic participation in enterprise management to realize economic development's new leap broadening Shared development's scope.

## **1. Introduction**

David Schweickart, a professor in the philosophy department in Loyola University, Chicago, USA., wrote the famous books with "capitalism's or workers' control? A moral and economic evaluation (1980),"market socialism -- an argument between the socialism" (1998) and other works. His representative theory achievement is "Economic Democracy" management mode with market economic system's dominant role and the workers' democratic participation in enterprise management to realize enterprise's profit maximization and workers' equal income distribution, sharing "labor products" and "labor process". Therefore, it is very important to study Schweickart's "Economic Democracy" management mode.

## **2. "Economic Democracy" Management Mode's Theoretical Origin**

### **2.1 Theoretical criticism and reflection about "planned economy model"**

The "Economic Democracy" management mode is a direct product from theoretical criticism on "planned economy model", which mainly focuses on four aspects: "information problem, incentive mechanism problem, centralization tendency problem and enterprise innovation problem". [1] Schweickart pointed out that Information plays a vital role for the planners, the plan's undertakers, consumers. If information is improper or insufficient, the three parts' vital interests will be directly affected which will have a fatal impact on economic development. If the planners cannot obtain enough information, they cannot make reasonable plans which will affect production, consumption and distribution. If the plan's executors lack enough information, the disconnection between the production and operation will appear in the enterprise with the irrational, disordered and ineffective production, which will lead to products' surplus or shortage. If consumers cannot obtain correct information, they will have irrational, wasteful and excessive consumption which in turn will affect production. He said that planned economy is subject to administrative command constraints, and enterprises must carry out production and operation in strict accordance with the government's plans. Enterprises do not have independent management rights whose activities are led by the government's planning and instructions, lacking due vitality and initiative. Enterprises also do not need to consider

the operation effect, profit or loss and rely heavily on the government with "father and son" relationship for soft budget constraints. The special administrative subordination relations between government and enterprise could easily lead to "centralization tendency" including political centralization, economic dictatorship, political problems such as corruption, bribery. Since all the production and business operation activities are from the planners, there is no evolution and efficiency for enterprises, also "no new products or new technology in the economy found", naturally no effort to carry out the innovation with the "structure" reason. [2]

## 2.2 Practice Reference from "Market Economy Model"

2.2.1 *"worker's autonomous market economy Model" in Yugoslavia.* In the 1950s, Yugoslavia began with the reform through "workers' autonomy" and "market economy" to construct the "autonomous economic model" "autonomous political model" "autonomous social model" leading to Yugoslavia's economic development, which made Schweickart call it "the most liberal communist country", and interpret the "economic and democracy" management mode to be "Economic Democracy" as "workers' management market socialism". But the Yugoslavia reform had obvious failures, such as national economic function abolition, political function abolition, cultural function abolition leading to collapse. In designing "Economic Democracy" management model, Schweickart clearly emphasized the national macro-management system and social supervision system.

2.2.2 *Japanese "state intervention and workers lifetime employment guarantee" model.* As we all know, Japanese economy is one of the fastest growing countries after the second world war with the growing by 55 times from 1946 to 1976. Schweickart pointed out that Japanese economy features included "massive state intervention", "dual economic mechanism, one half is a competitive enterprise groups, the other half is thousands of small companies" "a lifetime job security for factory employees", etc. Therefore, Schweickart made "economic democracy" management mode mainly retain the advantages with "employee protection mechanism", "macro-control" and "market economy", and criticized Japanese government's capital investment management.

2.2.3 *"Mondragon" workers' cooperative Model in Spain.* Schweickart's another reference is Spain's Mondragon group, a workers co-operative beginning as a group run by the red Abbe, Arismend, for working-class boys who were too poor to go to university. In the 1980s, Mondragon group had more than 180 cooperatives, which increased a number of workers and achieved great success in construction, education, social security, research institutions and other fields. Schweickart appreciated the democratic cooperative nature that it had equal economic and democratic rights, workers' running enterprise independently and participating in the income distribution equally. At the same time, he also realized the problems such as the investment capital shortage and the reproduction expansion limitation, and designed the bank-centered investment distribution mode.

## 3. "Economic Democracy" Management Mode's Characteristics

### 3.1 Workers' Democratic Participation in Enterprise Management

This is "economic democracy model's" core which focuses on stimulating workers' labor enthusiasm so as to maximize enterprise profits and rationalize income distribution. The enterprise's major affairs must be decided by "one man and one vote" including production, sale, distribution, and other major issues to protect the workers' self-management equal division. The enterprise's managers must be elected by the workers by votes, and the workers have right to remove those management members who cannot carry out the workers' will. The enterprise's production is social ownership form, not private ownership form which is a new individual ownership form with the results that "enterprise property belongs to the society collective property, and workers cannot own the production ownership means", [3] laying a solid foundation for workers to obtain the equal income in the enterprise.

### **3.2 Market Economy Playing a Leading Role**

This is the basic economic system that "Economic Democracy" management mode depend on, that is, market economy system can play the main regulating function, at least to ensure the decisive adjustment in terms of consumer goods and capital allocation, for "market has many attractive characteristics that it can actively promote rather than hinder socialist objectives' achievement by making the income, wealth and opportunity properly distributed". [4] Schweickart put forward that enterprises must carry out activities as independent market subjects with independent operation and self-financing. Enterprises have independent production right, what to produce, how to produce, and so on, must be decided by enterprises according to market conditions. Enterprises generally can make prices about the raw materials they buy and commodities they sell. At the same time, it is necessary to play state's macro-control function on the market under special conditions such as market failure.

### **3.3 Society's Macro-control and Supervision Function on the Market**

This is "Economic Democracy" management mode's guarantee system. Schweickart is very concerned about the state's macro-control role especially in the enterprises investment, by social supervision with the state, local governments and community-level organizations. In order to overcome insufficient capital investment and disordered distribution, Schweickart emphasized state's macro-control function by economic means. He envisioned that new investment must depend on a central property tax to break through the traditional funds shortage caused by private investment. On the funds investment in enterprise distribution, David Schweickart suggested to set up cooperative Banks similar to "Mondragon" type, through which the central government transfers the collected funds to the bank through community, the bank put the funds allocated to the enterprise, if the enterprise can not invest in accordance with the requirements, the bank shall have the right to return the money to invest in a business having security investment. In addition, in order to ensure state public expenditure and special projects, the national legislature shall have the right to reserve funds for basic facilities development, public welfare undertakings and special projects. The remaining funds would be redistributed to states and provinces in proportion to their population with regional legislatures making the same public spending and incentive project funds; the rest is redistributed to communities which also allocate funds based on local public spending and incentive projects.

## **4. "Economic Democracy" Management Mode's Enlightenment**

### **4.1 Handling the Relationship between Government and Market Properly**

Handling the relationship between government and market is a difficult problem facing all market economy countries in the world, which is also Chinese economic development's top priority. At present, China has entered a critical period to make "the market a decisive role" which has a profound impact on people's material world and spiritual world. But Market economy itself has natural defects such as fittest survival, hysteresis, market failure, improper competition, etc. If the government's macro-control function is not fully played, the market's natural nature is bound to burst out and generate a series of problems, such as moral decline, environmental pollution, financial charges and other contradictions, thus causing other problems. And if the government interferes market economy too much, the market economy's dominant attributes will be inevitably affected. The state's intervention in economy should be reflected in such fields as "social welfare projects" "special sectors" "construct public welfare undertakings" "incomplete market compensation", [5] so as to make up for market shortage and regulate market economy. Schweickart's "Economic Democracy" management model enlightens us that we should give market decisive role, make full use of the market's allocation function in resources, accumulate more material wealth, and make economy re-take-off of. At the same time, we must recognize that the market is not decisive in all fields, the government must play a decisive role in income distribution system, macroeconomic policies, major infrastructure construction, special projects, public service system construction in areas such as

function. We must have the whole society's supervision role especially by the grass-roots people and organizations to ensure the social resources and market resources used rationally.

#### **4.2 Handling the relationship between enterprises and market Properly**

In the market's decisive role background, the enterprises should be independent bodies to bear the production, distribution, exchange and consumption, service, and other functions, but the enterprise's capabilities can not leave secure market, mature market rules, more market factors. Therefore, we must pay more attention to the relationship between market and enterprises. At present, Chinese economic development has entered a particular stage with urban back-feeding rural, state-owned enterprises, private enterprises, foreign-funded enterprises, joint ventures already constituting a market main body, such as primary industry, secondary industry and tertiary industry being in enterprise main body form into the market economy development pattern. Schweickart's "Economic Democracy" management model enlightens us that enterprises must be regarded as independent economic entities, given more autonomy to realize independent operation, self-financing, and fundamentally eliminate enterprise activities limitation. We will continue to intensify reform and policy orientation in state-owned, private and foreign-funded enterprises, allow all enterprises to participate in market economy so as to create a fair, efficient, harmonious market environment.

#### **4.3 Handling the relationship between sharing "labor process" and sharing "labor products"**

Shared development is the unity between Sharing "labor process" and Sharing "labor products ". Among them, sharing "labor process" is the foundation, which is workers' participation in labor activities, sharing "labor products " is the result which is the direct expression for the workers' participation in labor. At present, China is generally concerned about sharing "labor results", ignoring sharing "labor process". Employees are only concerned about sharing reform achievements, and are not willing to pay too much labor or take the initiative to pay labor, lack of enthusiasm, creativity, social responsibility, etc. Schweickart's "Economic and Democracy" management mode enlightens us that we should pay more attention to the workers' participation in the activities in all kinds of initiative, enthusiasm and creativity through system specification and spiritual education to standardize the worker participation in labor, improve the labor outcomes associated with labor pay system, strengthen workers to participate in the social construction in democratic system construction, etc., to experience labor pleasure to create happiness, sharing the effect of" labor process ".

### **5. Conclusion**

In "Economic and Democracy" management mode, Schweickart imagined the democratic principles to encourage workers to participate in enterprise management practice starting from market economy dominating, which can guarantee enterprise to promote production efficiency providing abundant material wealth for shared development, and inspire staff to participate in enterprise labor interests in Shared labor process to supply direction for exploring Shared development.

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