

## Sketches for a Democratic Utopia

Robert A. Dahl, Yale University

I want to sketch the general shape of several new structures that would in my view provide stronger support for democracy than is provided by any existing society. I call these sketches for a democratic *Utopia* not because I would expect these structures to inaugurate a perfect democracy, whatever that might be, nor because they are beyond human reach. On the contrary the institutions I want to suggest are well within human reach. I call them Utopian only because I am not able to point with confidence to the historical forces that are likely to bring them about.

The structures I have in mind are designed to strengthen freedom and equality among citizens of democratic orders.

### Self-governing Economic Enterprises<sup>1</sup>

An alternative structure that I think would greatly reduce inequalities would be a system of economic enterprises collectively owned and democratically governed by all the people who work in them. By democratically governed, I mean that within each enterprise, decision making would be designed so far as possible to satisfy the criteria for the democratic process; thus it would achieve political equality and the protection of primary political rights within the firm. One crucially important requirement of self-governing enterprises, then, is that they satisfy the criterion of voting equality; hence each person employed in an enterprise – or one might say each member of the enterprise – would be entitled to one and only one vote. Systems of this kind have been called workers' cooperatives or examples of self-management or industrial democracy; but I prefer the term self-governing enterprises. Since such an enterprise, like a local government, is democratic within limits set by external democratic political controls and by markets, the people who work in the firm might be called citizens of the enterprise.

Because the firm is controlled democratically, the enterprise's citizens determine how the revenues of the firm are to be allocated. Obviously their abstract freedom to allocate the firm's revenues is limited by the need to buy inputs and sell outputs at prices they cannot unilaterally determine, and by the need to attract and hold a work force. Within the enterprise,

its citizens (or their elected representatives or managers to whom they delegate authority) determine wages and decide how surplus revenues are to be allocated. They therefore determine how much is to be set aside for reinvestment, how much is to be distributed to the enterprise's citizens, and the principle according to which these distributions are made.

While self-governing enterprises may prove to have several advantages over not only the typical stockholder owned and management controlled corporation but also publicly owned and hierarchically run firms, the justification most relevant here is the contribution they might make to the values of justice and democracy.

### *Contributions to Democracy*

What consequences for democracy could we reasonably expect from a system of self-governing enterprises? We need to assess three possibilities: First, that democracy within firms would improve the quality of democracy in the government of the state by transforming its members into better citizens. Second that it would improve the quality of democracy in the government of the state by facilitating greater political equality among citizens. Third, that it would extend political self-determination to a sphere of government – the government of economic enterprises – in which hierarchic authority typically prevails. If democracy is justified in the government of a state, then is it not also justified in the governments that make decisions *within* firms, quite apart from any other benefits that might result?

We can be rather confident as to the effects of a system of self-governing enterprises on political equality in the governing of the state. What I call corporate capitalism, for want of a better term, generates extensive inequalities in the distribution of such key values as incomes, wealth, status, life-chances, access to and control over knowledge, information, and communication, and control over economic decisions. To be sure, the initial distributions can be altered by the actions of the government of the state. It is an open question, however, whether business will turn in a satisfactory performance in a privately owned, market-oriented economy if wealth and income are massively redistributed. A structure of rewards substantial enough to persuade investors and managers to perform their social functions satisfactorily tends to create a highly inegalitarian distribution of wealth and income, and therefore also in the social values with which wealth and income tend to be associated. While some democratic countries have gone considerably further than others in modifying the initial distributions, to reduce these inequalities significantly requires that the government of the state pursue vigorous and unremitting redistributive policies, through taxes and transfers, for example. This is not always politically possible. And even

when it is, distribution of wealth remains much less altered than the distribution of incomes and services. Although it is impossible to say precisely how far a system of self-governing enterprises would verge toward equality in wealth, income, and other resources, inequality would tend to arise both within firms and among firms.

In self-governing enterprises, the members themselves would decide on the principles according to which wages, salaries, and surplus were to be distributed among the members. Their choice of internal distributive principles would depend on factors that are very far from predictable, including their implicit and explicit beliefs about fairness, which in turn would be influenced by tradition, the prevailing culture, ideology, religion and the like; and on the extent to which they would find it desirable or necessary to adjust wages and salaries to the supply of and demand for various skills. It is reasonable to suppose, however, that members of self-governing enterprises would maintain wage and salary differentials within firms at much lower ratios than, for example, the ten-to-one or even twenty-to-one that exist in American firms. They would also be less likely to provide top executives with the perquisites that increase the differentials even further, in some cases 100-to-1. Finally, inequalities in income and wealth would be reduced still more because the surplus of a self-governing firm would be shared among all its members, within whatever limits might be established through the democratic process in the government of the state. In actual practice we do find that although producer cooperatives have adopted a variety of distributive principles, in few cases (if any) do the differences approach those in the private firm.

But inequalities will also arise between firms. Differences in markets, changing demand, varying ratios of capital to labor, regional differences in labor supply, and many other factors will create differences in the revenues available to firms and industries for distribution to their members.

Thus to prevent an excessive erosion of political equality and distributive justice, it might be necessary to alter the initial distribution of personal resources generated by the enterprise (by taxes and transfers, for example), or to regulate the effects (for example, by limiting the use of money in politics), or to do both. The task of regulation and redistribution would be much easier, however, than in a system of corporate capitalism. For one thing, the initial distribution generated by the enterprises would be much less unequal. Thus while not completely self-regulating, the system would come far closer than corporate capitalism to bringing about a wide diffusion of economic resources among citizens.

The most far-reaching consequence of a system of self-governing enterprises would be to transform into democratic systems the hierarchical governments under which so many working people spend so much of their lives – that is, the government of the firm for which they work.

Now it may be objected that because of the inexorable workings of the iron law of oligarchy, though the oligarchs may change our seemingly democratic enterprises will once again be transformed into hierarchically governed firms. Yet Michels' famous 'law' is neither iron nor a law. At most it is a universal tendency in human organizations; and it is often offset by the displacement of strictly hierarchical controls by a significant degree of mutual control. Just as the democratization of the authoritarian structures of centralized monarchies and modern dictatorship has transformed relations of authority and power in the governments of states, so there is every reason to believe that the democratization of the governments of modern corporations would profoundly alter the relations of authority and power in economic enterprises. It is not unreasonable to expect that democratic structures in governing the workplace would satisfy the criteria of the democratic process neither markedly worse nor markedly better than democratic structures in the government of the state.

Yet if self-governing enterprises are distinctly advantageous from a democratic point of view, why have they not been widely adopted in democratic countries? The answer is complex, but an important part of it, I believe, is this. They could hardly have been brought about without the vigorous support of labor movements, and political parties and coalitions dependent on labor support. But both European and American labor movements failed to find satisfactory solutions to certain problems that must be solved before we can reasonably conclude that self-governing enterprises would be superior to the conventional privately owned form.

### *Ownership*

One such problem is ownership. How should self-governing enterprises be owned? Four possibilities are particularly relevant: individual ownership by members of an enterprise, who would take the place of individual shareholders; state ownership; ownership by 'society'; and cooperative ownership of an enterprise by all its workers and employees.

The first three seem to me less satisfactory on the whole than the fourth, yet the advantages of the fourth are not widely understood.

The fourth alternative, cooperative ownership, was the solution adopted by the Mondragon cooperatives in Spain. Under this scheme the rights pertaining to ownership are not distributed to individual workers but are vested in the workers as a collectivity. As in any territorial democratic unit, the rights of citizenship in the enterprise are determined not by ownership but by *membership*. Just as citizenship in a democratic country entitles one to full and equal rights as a member of a polity, but does not entitle one to claim ownership of an individual share of the country's wealth, so too in a cooperatively owned enterprise members have full and equal rights

but cannot lay claim to a share in the assets or net worth of the firm to dispose of as they choose. Instead, each member is entitled to an internal account to which an allotted share of surplus revenues is allocated, according to distributive principles adopted democratically by the members.

#### *Are Workers Qualified to Govern their Firms?*

There remain, however, many issues having to do with efficiency and viability. To begin with, are workers qualified to govern their own firms? A fair answer requires that we not compare the ideally efficient firm of theoretical economics with a firm run in hyperdemocratic fashion in which all decisions are made by assemblies of workers without managers or experts. The ideally efficient firm of theoretical economics does not exist, while in practice – again the experience of the Mondragon cooperatives is relevant – except in exceedingly small firms, workers would surely choose to delegate some decisions to managers. In larger firms, they would no doubt elect a governing board or council, which in the typical case would probably be delegated the authority to select and remove the top executives. Except in very large enterprises the workers might constitute an assembly for legislative purposes – to make decisions on such matters as the workers choose to decide, to delegate matters they prefer not to decide directly, and to review decisions on matters they had previously delegated as well as the conduct of the board and the managers in other ways. In very large firms, a representative government would have to be created.

Given the passivity of shareowners in a typical firm – at least in the English-speaking countries, and I suspect elsewhere as well – their utter dependency on information supplied by the management, and the extraordinary difficulties of contesting managerial decisions, it seems to be hardly open to doubt that employees are on the whole as well qualified to run their firms as are the shareholders, and probably on average a good deal more. But of course that is not really the issue, since it has long been known that most firms – I speak particularly of the United States – are not controlled by the shareholders, or by the boards they nominally elect, but by the top executives themselves, who typically select the members of their boards and dominate over them. I cannot resist remarking that American business performance in recent years does not seem to demonstrate a very high level of competence among the top executives of our major industries.

#### *The Need for Support Systems*

Yet if self-governing enterprises can be as efficient as orthodox firms, why have they so often failed? The late nineteenth century saw waves of short-lived producer cooperatives in Britain and the United States. Their quick demise convinced trade union leaders that in a capitalist economy unionism

and collective bargaining held out a much more realistic promise of gains for workers than producer cooperatives. In both countries, and in Europe as well, labor and socialist movements largely abandoned producer cooperatives as a major short-run objective. Most academic observers, including labor economists and social historians, concluded that the labor-managed firm was a rejected and forlorn Utopian idea irrelevant to a modern economy.

By contrasting the experience of producer cooperatives that have failed with those that have succeeded we can identify some of the requirements of success. Speaking broadly, success requires a support system that until recently almost all attempts at self-governing enterprises have lacked, and that fully exist even now almost nowhere outside of Mondragon – which is why I refer to it so often.

To begin with, it is a profound mistake to neglect the problem of management. A disastrous assumption of revolutionaries, exhibited with stunning naïveté in Lenin's *State and Revolution*, is that managerial skills are of trivial importance, or will arise spontaneously, or will be more than compensated for by revolutionary enthusiasm. One source of the Mondragon cooperatives' success lies in the prominence they have assigned to education, including technical education at advanced professional levels. Whether in a single enterprise or as a widespread system, self-governing enterprises are likely to fail unless they are accompanied by systematic efforts to train managers.

A second issue over which economists have spilled much ink on purely theoretical forays is whether systems of self-governing enterprises would adversely affect savings, investment, employment, and growth. The problem arises mainly because it would be to the advantage of workers in worker-owned firms not to take on additional workers if doing so would dilute the share in earnings of each existing member. Turning from the misty domain of theoretical models, experience seems to indicate that this is not an inherent problem. For example, the percentage of gross value added through investment by the Mondragon cooperatives between 1971 and 1979 was nearly four times the average rate of industry in the heavily industrialized Basque province in which Mondragon is located. Moreover, the introduction of self-governing enterprises could be accompanied by the creation of new investment funds operating under democratic control. Workers might well find it advantageous to enter into a social contract that would require them to provide funds for investment, drawn from payrolls, in return for greater control over the government of economic enterprises. I was interested to discover that the Social Democratic Party in Denmark made a proposal very much along these lines in 1973 – though I am also well aware that they made little progress.

Third, any proposal for a system of self-governing enterprises must



confront the question of innovation. How are new products to be invented, new processes developed, new systems produced and marketed? How are new economic organizations to be created – whether firms, units within firms, subcontractors, or whatever? These are tasks requiring leadership, or entrepreneurship, or within firms what has been called ‘intrapreneurship’. There are several reasons for thinking that self-governing firms could handle the challenge successfully, provided they were accompanied by an appropriate support system. To begin with, self-government is particularly suitable for smaller firms, and despite the mystique of the giant firm smaller firms are the seedbed of innovation. Moreover, the style of management typical at least of the large American corporation (and many smaller ones as well) is ill-suited to innovation and growth. Authoritarian leadership stifles criticism, suppresses opposition, cuts itself off from intelligence, and adopts and adheres to policies that lead to failure. Need I do more than cite the American automobile industry?

Finally, the experience of Mondragon shows that with the proper supporting organizations, worker-owned enterprises can be highly innovative. The key to their solution is the Empresarial (we might say Entrepreneurial) division of the bank created by the Mondragon Cooperative Movement. The cooperative bank (Caja Laboral Popular [CLP]) has been a highly successful financial institution that in less than a quarter century became Spain’s twenty sixth largest bank, with 120 branches, over a thousand workers, and a half million customers. Its ability to accumulate savings has been so great that by 1982 its lending capacity had begun to exceed the needs of the cooperatives. Among other activities, the bank lends funds to new cooperative enterprises. These are created in the following way. The Products Department of the Empresarial Division continually explores possibilities for new markets and products. These studies are kept current for reference by new enterprises. Typically a new enterprise is begun by a group of workers who approach the bank with a proposal for a product and a leader whom they have designated to work with the bank. For eighteen months to two years the leader works with an advisor in the Products Department to perform a feasibility study, perhaps revising the group’s original ideas extensively. If the proposal then looks promising, the Bank enters into a contract with the group and another Department of the Empresarial Division helps the group through the difficult process of launching their cooperative. The process has proved strikingly successful. During the last quarter century, it has led to a hundred new cooperative firms, including some of the largest producers in Spain, with only one failure. As an American economist who studied the Empresarial Division concluded, this record ‘must be seen as a quantum leap over the quality and type of entrepreneurship represented in America where 80 to 90 percent of all new small businesses fail within five years’.<sup>2</sup>

### *Conclusion*

Thus a system of self-governing enterprises would require support systems for training managers, for capital funds, for innovation, and for creating new firms. Experience shows that the lack of these supports has doomed many producer cooperatives to failure. But it also shows that with them, self-governing enterprises can be highly successful. If self-governing enterprises were as efficient as present firms, if they did not diminish fundamental liberties – and there is no reason for thinking they would – and if at the same time they were superior in their consequences for democracy, then must we not conclude that they would be definitely better than what we now have?

### **New Institutions for Civic Competence<sup>3</sup>**

I now turn to another source of inequality among citizens: access to knowledge, information, and means of communication. This problem would persist even if economic inequalities were somehow eliminated; it is also more difficult to solve; and in sketching alternative institutions we are compelled to enter into a territory about which previous experience tells us much too little.

The problem is deeply troubling for the prospects of democracy not merely because democracy's ancient rival, guardianship, stands as a formidable alternative, as it has throughout the world since the dawn of democratic ideas and practices, but also because modern democracies must now grapple with issues of unprecedented complexity. Consider a few contemporary issues in my own country. As the Challenger disaster demonstrated tragically, the U.S. effort in manned space exploration produced technological and organizational complexities so great that a proper assessment of risks, uncertainties, and trade-offs became all but impossible even for top officials, let alone members of Congress, and even less by the general public. Or consider the question of what policies Americans should adopt with respect to nuclear weapons strategy, control, defense, and disarmament. Or what should we do about nuclear waste disposal? Or nuclear energy, for that matter? Should recombinant DNA research be regulated by the government? If so, how? Or consider the technical and economic issues involved in air and water pollution. How serious a problem is ozone depletion, and what should be done about it?

Or take much more familiar matters. How should the United States deal with its huge federal deficit and its gigantic trade imbalance? Or to use the currently fashionable word in Washington, the competitiveness of American industry? What about health care, hospital costs, the military budget? Complex problems are everywhere.



Problems like these have enormous consequences for a vast number of people, they seem to require government decisions of some kind, and in order to make wise decisions, decision makers need specialized knowledge that most citizens do not possess.

Many people will contend that the only solution is to improve the quality and performance of our decision-makers. Given their sometimes dismal performance, one can hardly object to such a laudable objective. But though greater wisdom and virtue among leaders is surely desirable, and is probably a necessary ingredient to a satisfactory solution, it cannot be sufficient for the simple reason that improving the quality and performance of decision makers does nothing to improve the performance of ordinary citizens – which is exactly the problem with which we began.

### *Sketch of a Quasi-Utopian Solution*

Our aim, then, should be to develop a body of citizens who are competent to make adequately enlightened judgments either about the public issues themselves, or about the terms on which they may safely delegate to others the authority to make decisions. By adequately enlightened I mean that every citizen should be able to answer questions like the following.

What kinds of problems do I confront for which government action is necessary or desirable? For a given problem or set of problems, what are the relevant alternative solutions I ought to consider, the likely results of each, and the relative likelihood that the expected consequences will actually come about? Considering the answers to these questions, and my own values, what relative value should I assign to each alternative? To whom and on what terms can I safely delegate decisions on matters that I cannot reasonably hope to decide wisely?

To enable citizens to answer these questions we need structures that would do three things:

1. Insure that information about the political agenda, appropriate in level and form, and accurately reflecting the best knowledge available, is easily and universally accessible to all citizens.
2. Provide easily available and universally accessible opportunities to all citizens to influence the informational agenda, and to participate in a relevant way in political discussions.
3. Provide a highly informed body of public opinion that is representative of the entire citizen body in every relevant respect, except for being much more highly informed.

The new structures to achieve these objectives require both technology and human organization. The technological problems are simple and easily

solved, the human problems, as always, formidable and perhaps insoluble. While the technology might sound a bit futuristic, it is in fact already at hand and certain to be employed for some human purposes. But almost certainly it will not be employed for democratic purposes unless we begin now to create the structures for doing so.

The technology of interactive telecommunications now enables us to make information easily and universally accessible to all citizens. Suppose, for example, that a citizen wonders what the main issues are in current politics, or wants to know something about a particular issue, or is uncertain where she stands on a current question. She turns to an interactive television channel, asks for political information, and receives a menu of options. She chooses 'issues' and receives three responses. One is a list of issues ranked from 'most important' to 'least important' by a random sample of 1600 citizens. A second is an offer to list the issues that other people who are like her in some important ways feel are important. To receive this list she checks off the personal characteristics she thinks are most relevant: let us say, gender, education, job, income, and, in some countries, perhaps race. The third is a list of issues prepared by an advisory commission of scholars. I want to say more about these advisory commissions in a moment since they are the most difficult and problematic part of the solution.

Having examined the lists, she wants to learn something about one of the issues. What she can now receive is relevant information, appropriate to her capacity both in level and in form, that accurately reflects the best knowledge available in the society. To be appropriate in level, the information would be available at graded levels of difficulty and complexity, so that if our citizen finds one presentation too difficult, or not advanced enough, she may move to another level. To be appropriate in form, information cannot be confined merely to print. Speech, dialogue, graphics, two-dimensional illustrations, yes, even cartoons might be the most appropriate forms for some persons. For certain purposes, such as urban planning, existing technology also would make it possible to visualize and experience forms and spaces before they are actually built. A computer can move a camera both horizontally and vertically over scale models of proposed structures, so that a view can simulate walking along a street. By changing the shutter speed, one may even move along a street at the speed of an automobile – which in rush hour, no doubt, would be slower than walking.

But how can we possibly insure that information like this accurately reflects the best available? Since I can think of no solution that would not require the participation of scholars, you may think that I have only rejected the guardianship of Plato's philosopher kings in order to recreate it in the guise of democracy. I confess I worry about that danger. While I cannot offer a solution suitable for other countries, I can illustrate what I have in mind by considering the United States. I would propose to create there a

set of advisory commissions of scholars. The members of these advisory commissions would receive their appointments not from the government but from the independent professional associations themselves – the professional associations for economists, political scientists, psychologists, physicists, chemists and so on, which in that country are almost without number. Members would also be selected by the boards of autonomous scholarly organizations like the Social Science Research Council and the American Council of Learned Societies, and by the honorary societies such as the National Academy of Sciences, the American Academy of Arts and Sciences, and several others, perhaps in the same way that new members are now elected, that is, by current members. These organizations are highly diverse and about as independent of external controls as any organizations I know anywhere, including churches and universities. Any overt attempt to manipulate them would trigger off enormous opposition. I have no doubt that they could be brought to heel by an authoritarian regime, and surely would be. But in that event the problem we are concerned with here would no longer be relevant anyway.

Imagine then that these professional associations were to appoint members to the advisory commissions. One of these commissions would describe the major issues that, in its view, citizens need to confront – only one of three such descriptions, you may recall, that citizens could receive through the telecommunications network. With respect to each major issue, another commission would describe the relevant alternatives, estimate the likely consequences of each, assess the reliability of these estimates, call attention to the relevant values, and monitor the preparation and presentation of the informational programs.

In addition, interactive communication would enable citizens to indicate matters that in their view were omitted or inadequately handled. Rules could be established to insure that any matters on which a sufficient number of citizens indicated a common concern would be dealt with by an advisory commission.

Finally, I would propose the creation of what might be called a *minipopulus*. Its members would be a group of randomly selected citizens, who would serve for a limited period: let us say a thousand citizens serving for a year, when they would be replaced with a new minipopulus. More than one minipopulus would be desirable. One might decide on the agenda of issues, while several others might each concern itself with one of the major issues. A minipopulus could exist at any level of government, national, regional, or local.

Members of a minipopulus would not need to assemble in one place. They could easily meet instead by means of telecommunications. During their year members would be expected to work through a single important issue. Each minipopulus would be attended, again by means of tele-

communications, by an advisory committee of scholars, and a staff monitored by the advisory committee. At the end of its year, a minipopulus would indicate the preference ordering of its members among the most relevant alternatives in the policy area assigned to it. A minipopulus would not be a lawmaking body, however, but would represent what the public would itself prefer if the public were as well informed as their fellow citizens in the minipopulus had become during their period of service. If decision makers were to disagree with a minipopulus, they would need to explain the reasons for their disagreement. In this way the disagreements between decisionmakers and a minipopulus would itself contribute further to the continuing process of civic teaching and learning.

## Conclusion

Whether the solutions I have sketched out are the best that could be suggested, I cannot say. I assume that further discussion, inquiry, and experience might well lead to better solutions.

My intention has been to identify and clarify some problems of urgency, to sketch possible solutions, to invite further inquiry, and if possible, to stimulate experiments from which firmer conclusions might be drawn.

My argument is animated by the hope that the ancient vision, now twenty-five centuries old, of a people governing itself through the democratic process, and possessing all the resources and institutions necessary in order to govern itself wisely, can be adapted yet once again, as it has been in the past, to a world drastically different from the world in which that vision was first put into practice.

### NOTES

1. This section is drawn from *A Preface to Economic Democracy* (University of California Press, 1985).
2. David P. Ellerman, 'The Socialization of Entrepreneurialism: The Empresarial Division of the Caja Laboral Popular'. (Somerville, Mass.: Industrial Cooperative Association, 1982), p. 4.
3. This section is drawn from *Controlling Nuclear Weapons, Democracy versus Guardianship* (Syracuse University Press, 1985).