

Costas Panayotakis on “From Capitalist Scarcity to Economic Democracy: The Role of Managers”

On May 4th, Business and Economic Inequality Forum (BEIF) organized a talk by Costas Panayotakis on his recent book, “Remaking Scarcity”, and how it relates to managers. In his book ‘Remaking Scarcity’, Costas critiques mainstream capitalist thought and promotes the idea of ‘economic democracy.’

Pleased with the turnout, Costas began with why he researches this topic. As an economics student, he started with learning mainstream neo-classical economics models, which had a focus on scarcity. Scarcity is the idea that humanity wants goods that are not in abundance, whether in overall quantity or just at a specific point in time. Costas was inspired to look for ways to eliminate material scarcity.

He set up the talk by presenting a case against current neo-classical economic models of scarcity. “There is a problem with the way capitalism is framing scarcity”, Costas said. He disagrees with the notion that capitalism, through the ideology of *laissez-faire* (or Hands Off) policies, is the best way to allocate resources. Costas suggests that high unemployment is the result of adoption of neo-liberal austerity strategies which treat workers as disposable and replaceable commodities.

Costas believes that a direct cause of this is a lack of economic democracy. The economy is important for how our surplus production shapes the future of our species, the human race, and of the planet. He argued that these decisions should not be made by small self-interested elites, but by everyone in society. There are several hindrances to achieving economic democracy: little time left for many after working long hours; ability of the elites to distort information and misrepresent knowledge. However, when pursued, economic democracy can be a source of economic growth, stability and happiness. For example, democratically run factories (through worker co-operatives) are helping the economy of Argentina, which experienced its financial crisis in 2001. He also recommends participatory budgeting, in which everyone in a community decides how public funds should be invested, and democratization of the household (by increasing gender equality) as important solutions.

How does this relate to what managers can do? It is well known that too much economic inequality can destabilize the economy and significantly reduce profits for companies. Costas argued that the aggregate result of everyone pursuing profit alone is what leads to economic crises. Thus, managers can encourage and practice democracy at workplace as well as spread and ‘democratize’ their skills to their subordinates in order to promote the common good.

The arguments made by Costas provoked much thinking and animated discussion. Professor [Sue Bruning](#) suggested that it has been shown to be very challenging to convince people to change from a self-interested perspective to a collectivist perspective. Professor Costas agreed with the challenges and clarified that we should not aim to convince people to be not self-interested, but that we should create institutions that promote the goal of thinking for society as well as for themselves.

[John Pozios](#) posed a question on the practicalities of an economic democracy and wondered if it meant a referendum on every decision before a management decision, which would be highly inefficient. Costas responded that he did not think this would result in frequent referendums, but that the way in which workers would interact would become more collaborative. He referenced to how worker

cooperatives had workers that knew each other better and could convince co-workers to work harder than a manager might. He also reiterated the idea of participatory budgeting, in which the population sets out how they want the money spent, and then managers work to make this happen, instead of the current top down approach.

Professor [Charles Mossman](#) argued that a tangible transference from capitalism to the participatory economic democratic system is not viable. He framed the current crisis as a result of corruption within the capitalist system, and that democracy, in comparison to the market, was the weaker institution to rely on for change in this case. Mossman stated that the government needs to set up the framework of regulation to prevent crises like these from happening, and to change the way incentives are set for managers so that they are not rewarded for blind ambition at the detriment of society. Costas agreed with the goals but felt that the capitalist system was not the ideal framework in which to conduct this.

Professor [Paul Earl](#) pointed that grain grower cooperatives that existed in the prairies were the closest example of economic democracy, yet they failed and were eventually acquired by for-profit corporations. Therefore, Paul argued, emergence of elites and hierarchy is endemic in human societies, and what is really needed is stronger checks and balances to stabilize the powers of the elites. Costas, while admitting that he was not aware of the example Professor Earl referenced, highlighted the [work of Samuel Bowles](#) and other scholars such as John Gowdy who showed that for most of the time that human species lived on this earth, it was organized on principles of cooperation and in non-hierarchical societies.

[Howard Hartz](#) drew on Adam Smith's first book, "The Theory of Moral Sentiments", to suggest that moral development of individuals was necessary before they entered into the capitalist society. Similarly, people would need to be trained to make use of economic democracy. Otherwise, it might be counterproductive.

Professor [Bob Trivica](#) referenced an old saying from Eastern Europe about economic systems: You start with Capitalism, which leads to Socialism, which leads back to Capitalism. This was followed by a comment that that organizations become corrupt as they become involved with the state.

Finally, [Alan Freeman](#) commented on the implicit difference between our current democracy and that of the proposed deliberative democracy that Professor Costas Panayotakis was promoting. Illustrating it with an example of city planning, Alan argued that sound decisions can be made not simply by relying solely on experts – whose interests might not match that of the community – but by using their advice in conjunction with the needs of the community, gathered in a democratic fashion.

The engaging debate took the event well past its intended time limit. John Pozios concluded by thanking Costas and everyone in attendance and hoped that the enriching conversation would continue online at BEIF and in such BEI events in the future.

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Report prepared by Kevin Morris