

But at Least Capitalism Is Free and Democratic, Right?

BY

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It might seem that way, but genuine freedom and democracy aren't compatible with capitalism.

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In the United States, many take for granted that freedom and democracy are inextricably connected with capitalism. Milton Friedman, in his book *Capitalism and Freedom*, went so far as to argue that capitalism was a necessary condition for both.

It is certainly true that the appearance and spread of capitalism brought with it a tremendous expansion of individual freedoms and, eventually, popular struggles for more democratic forms of political organization. The claim that capitalism fundamentally obstructs both freedom and democracy will then sound strange to many.

To say that capitalism restricts the flourishing of these values is not to argue that capitalism has run counter to freedom and democracy in every instance. Rather, through the functioning of its most basic processes, capitalism generates severe deficits of both freedom and democracy that it can never remedy. Capitalism has promoted the emergence of certain limited forms of freedom and democracy, but it imposes a low ceiling on their further realization.

At the core of these values is self-determination: the belief that people should be able to decide the conditions of their own lives to the fullest extent possible.

When an action by a person affects only that person, then he or she ought to be able to engage in that activity without asking permission from anyone else. This is the context of freedom. But when an action affects the lives of others, then these other people should have a say in the activity. This is the context of democracy. In both, the paramount concern is that people retain as much control as possible over the shape their lives will take.

In practice, virtually every choice a person makes will have some effect on others. It is impossible for everyone to contribute to every decision that concerns them, and any social system that insisted on such comprehensive democratic participation would impose an unbearable burden on people. What we need, therefore, is a set of rules to distinguish between questions of freedom and those of democracy. In our society, such a distinction is usually made with reference to the boundary between the private and public spheres.

There is nothing natural or spontaneous about this line between the private and the public; it is forged and maintained by social processes. The tasks entailed by these processes are complex and often contested.

The state vigorously enforces some public/private boundaries and leaves others to be upheld or dissolved as social norms. Often the boundary between the public and the private remains fuzzy. In a fully democratic society, the boundary itself is

subject to democratic deliberation.

Capitalism constructs the boundary between the public and private spheres in a way that constrains the realization of true individual freedom and reduces the scope of meaningful democracy. There are five ways in which this is readily apparent.

1 “Work or starve” isn’t freedom.

Capitalism is anchored in the private accumulation of wealth and the pursuit of income through the market. The economic inequalities that result from these “private” activities are intrinsic to capitalism and create inequalities in what the philosopher Philippe van Parijs calls “real freedom.”

Whatever else we might mean by freedom, it must include the ability to say “no.” A wealthy person can freely decide not to work for wages; a poor person without an independent means of livelihood cannot so easily.

But the value of freedom goes deeper than this. It is also the ability to act positively on one’s life plans — to choose not just an answer, but the question itself. The children of wealthy parents can take unpaid internships to advance their careers; the children of poor parents cannot.

Capitalism deprives many people of real freedom in this sense. Poverty in the midst of plenty exists because of a direct equation between material resources and the resources needed for self-determination.

Capitalists decide.

2 The way the boundary between the public and private spheres is drawn in capitalism excludes crucial decisions, which affect large numbers of people, from democratic control. Perhaps the most fundamental right that accompanies private ownership of capital is the right to decide to invest and disinvest strictly on the basis of self-interest.

A corporation's decision to move production from one place to another is a private matter, even though it makes a radical impact on the lives of everyone in both places. Even if one argues that this concentration of power in private hands is necessary for the efficient allocation of resources, the exclusion of these kinds of decisions from democratic control unequivocally decimates the capacity for self-determination by all except the owners of capital.

3 Nine to five is tyranny.

Capitalist firms are allowed to be organized as workplace dictatorships. An essential component of a business owner's power is the right to tell employees what to do. That is the basis of the employment contract: the job seeker agrees to follow the employer's orders in exchange for a wage.

Of course, an employer is also free to grant workers considerable autonomy, and in some situations this is the profit-maximizing way of organizing work. But such autonomy is given or withheld at the owner's pleasure. No robust conception of self-determination would allow autonomy to depend on the private preferences of elites.

A defender of capitalism might reply that a worker who doesn't like the boss's rule can always quit. But since workers by definition lack an independent means of livelihood, if they quit they will have to look for a new job and, to the extent

that the available employment is in capitalist firms, they will still be subject to a boss's dictates.

4 Governments have to serve the interests of private capitalists.

Private control over major investment decisions creates a constant pressure on public authorities to enact rules favorable to the interests of capitalists. The threat of disinvestment and capital mobility is always in the background of public policy discussions, and thus politicians, whatever their ideological orientation, are forced to worry about sustaining a “good business climate.”

Democratic values are hollow so long as one class of citizens takes priority over all others.

5 Elites control the political system.

Finally, wealthy people have greater access than others to political power. This is the case in all capitalist democracies, although wealth-based inequality of political power is much greater in some countries than in others.

The specific mechanisms for this greater access are quite varied: contributions to political campaigns; financing lobbying efforts; elite social networks of various sorts; and outright bribes and other forms of corruption.

In the United States it is not only wealthy individuals, but also capitalist corporations, that face no meaningful restriction on their ability to deploy private resources for political purposes. This differential access to political power voids the most basic principle of democracy.

These consequences are endemic to capitalism as an economic system. This does not mean that they cannot sometimes be mitigated in capitalist societies. In different times and places, many policies have been erected to compensate for capitalism's deformation of freedom and democracy.

Public constraints can be imposed on private investment in ways that erode the rigid boundary between the public and private; a strong public sector and active forms of state investment can weaken the threat of capital mobility; restrictions on the use of private wealth in elections and the public finance of political campaigns can reduce the privileged access of the wealthy to political power; labor law can strengthen the collective power of workers in both the political arena and the workplace; and a wide variety of welfare policies can increase the real freedom of those without access to private wealth.

When the political conditions are right, the antidemocratic and freedom-impeding features of capitalism can be palliated, but they cannot be eliminated. Taming capitalism in this way has been the central objective of the policies advocated by socialists within capitalist economies the world over.

But if freedom and democracy are to be fully realized, capitalism must not merely be tamed. It must be overcome.

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