History is filled with surprises. We like to think we live in a predictable world, a world with enough stability and regularity that we know pretty well what things will be like in the near future so that we can make sensible plans. Some things we can predict with great confidence. We predict with a very high level of confidence, for example, that in the year 2032 there will be a presidential election in the United States. We are confident about this because we believe it is extremely unlikely that the four-year election cycle “rules of the game” for choosing presidents, which has been in place for over 200 years, is likely to change. Other kinds of predictions are less certain. Students in universities today mostly believe that investing the time and resources in a college education will get them a pretty good job when they are done, certainly a better job than they would have been able to get if they didn’t go to college. On this basis these students make decisions now in anticipation of a future in which the “rules of the game” will be operating in more or less the same manner as they are today. This is what many college freshmen believed in 1926 at the height of the economic boom of the 1920s. By the time they graduated in 1930, the stock market had crashed, unemployment rates were over 25% and it was extremely difficult to find jobs. In four years we went from the biggest boom to the worst economic crisis in American history. Could this happen again?

History is filled with surprises for the fate of societies, not just individuals. Consider the following. Let us go back in history a century or so to 1905 and then examine important things that happened in the world in 15 year intervals from then to the present. At the beginning of each of these intervals, ask yourself the following question: would anyone at the beginning of the period, looking forward only 15 years, have remotely anticipated the shocking, extraordinary, often world-shattering things that happened in the short future they faced?:

1905-1920: World War I and the Russian Revolution; first commercial radio broadcasting

1920-1935: From the roaring 20s economic boom with an unshakable, large Republican majority to the Stock Market crash, the Great Depression, and the New Deal

1935-1950: World War II and the atomic bomb to the cold war; first commercial television broadcasts.

1950-1965: The civil rights movement; the end of segregation in the South; the beginnings of the student movement and hippies of the 1960s; the assassination of Kennedy.

1965-1980: The first defeat of the US in a war; the mass anti-War movement; the impeachment of Nixon; the sharp move of national politics to the right in the U.S. and the U.K.; personal computers

1980-1995: The collapse of the Soviet Union and the end of communism and the cold war; the creation of email and the Internet.

1995-2010: 9/11 and the war on terror; the electoral triumph of the most extreme,
ideologically right-wing political coalition in modern U.S. history controlling both the congress and the executive branch; the election of the first Black president with strong Democratic Party majorities in both houses of congress.

2010-2025: ??????

So, if history is any guide at all, this means that we should expect the unexpected. In all likelihood in the 15 years from 2010 to 2025 there will be monumental, unanticipated disjunctures and transformations. This can be a source of both fear and hope: fear, because sometimes these disjunctures have constituted catastrophes of human suffering and despair; hope, because they sometimes open up new possibilities for human freedom and flourishing.

There are thus many possible futures contained in the present. Do any of these have the potential to dramatically solve some of the problems we have touched on this book? Can we envision a future in which the destructive effects of markets are tamed, poverty and inequality are reduced, urban spaces are revitalized, democracy is deepened? We think that the answer is yes, but whether or not we as a society will actually be able to realize this kind of future depends on the historical surprises we will encounter, and also – crucially – upon how we respond to those surprises. And this is where the ideas of this book could be of some relevance.

If we could guide our national response to the opportunities for institutional change that the surprises of the future open up, what would we recommend? At the core of our perspective on what should be done is the question of democracy. More specifically, the idea that democracy needs to be both extended and deepened.

**EXTENDING DEMOCRACY**

Democratic practices need to be extended from the sphere of conventional politics to the economy and other arenas of social life. In a true and robust democracy, the scope of democracy extends to all issues that affect our common life as members of society. This does not mean that in a democracy the state intrudes into all aspects of personal life. Individual freedom and autonomy are also deep values in a democracy; people should have control over decisions which affect their own lives as separate persons. The problem, as we discussed in chapter 15, is that there is no hard and fast, unambiguous boundary between decisions which only affect the person making the decision and decisions which have broader ramifications for the lives of others. This means that the politically recognized boundary between the “public” and the “private” – between the realm of issues subject to democratic control and the realm of decisions left to individual persons – will always be a contested one, since there will always be disagreements about how to deal with the balance and trade-offs between individual autonomy and collective responsibility. There can be no once-and-for-all, absolute answer to the question, “what decisions should be made through a democratic collective process and which should be left up to individuals as private matters?” This decision itself needs to be made through democratic means.

So, we cannot draw a bright line between the public and the private. What we can say with confidence is that the rules-of-the-game of American institutions create a far too restrictive scope for democratic deliberation with respect to the capitalist economy. The “private” in “private property” is given too much weight with too many barriers to democratic control. The result is a form of hyper-capitalism that generates huge inequalities, perpetuates poverty, under-produces all sorts of public goods, and generally devalues the common good of the many relative to the private advantage of the few. These problems can only be solved by a significant extension of
Among many other things, this extension of democratic power in the United States should involve the following:

**Refining the boundary between democratic regulation and private rights in the market**

Even at the peak of neoliberalism with the triumphant calls for deregulation of markets and unfettering the entrepreneurial spirit, markets in American capitalism never really became fully “free”. The rights of owners to use and dispose of their property just as they pleased were always curtailed by publically-enforced rules. Nevertheless, there was a retreat of democratic affirmative state from regulation of the capitalist economy beginning in the early 1980s. The results have been disastrous: the financial collapse of 2008; the massive rise in inequality; the erosion of the manufacturing capacity of the United States; the growth of low wage, low skill jobs and the overall polarization of the job structure. These consequences can only be reversed by a reconstruction of the affirmative state on a new footing, and this means extending the reach of democratic regulation much more deeply into private property and the market.

**Massive public investment in public transportation infrastructure**

The automobile-based urban transportation system in the United States creates tremendous negative externalities that can only be countered through public regulation and investment. Automobile drivers need to pay the true costs of driving cars, which includes estimated costs on future generations, and public transportation systems need to dramatically expanded to make them an attractive alternative to private cars. This necessarily means very large tax subsidies for the price of public transportation rides. Such subsidies should not be regarded as a way of creating artificially cheap public transportation that unfairly competes with cars, but rather as a way of embodying the true value to society of public transportation in the price of a ticket.¹ While individual choices of modes of transportation for any given trip would remain a private matter, the transportation environment within which those private choices are made needs to be deliberately constructed through democratic processes.

**Public control over energy development**

Energy choices need to be part of public deliberation and democratic decisions, not simply the result of private choices by individuals and corporations. This is essential if we are to combat global warming, but also if we are to contend with the long-term depletion of currently available energy resources. Democratic control over energy choices implies a diverse set of policies. First, significant resources need to be allocated to the research and development of clean energy sources. Since the pay-offs from much of this research is long term, this must be heavily lead by public funding. Second, the price of different energy sources needs to reflect the long-term negative-externalities of their use, and this means, especially, a dramatic increase in the tax on gasoline. Third, there needs to be large-scale retrofitting of buildings to make them energy

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¹ Economists generally regard prices as artificially high or low if they deviate from what they regard as a competitive equilibrium in a perfect market. This implies that there is perfect information, that there are no positive or negative externalities, and no producer or consumer has any power to affect the prices in the market (no monopoly or monopsony power). These conditions do not remotely exist in transportation markets. The “natural” price of a good or service can be thought of as a price that reflects the full costs of production, and this must include both positive and negative externalities of production and consumption of the good or service in question. Only in a situation in which there are no significant externalities can the spontaneous market price be thought of as the “natural” price in this sense.
efficient. This also needs to be driven by public choice with appropriate subsidies and incentives rather than simply by the market.

**Creating a genuine public health care system**

The capitalist market has proven an inadequate mechanism for producing high quality health care universally accessible. Rather than having a basically private system of health care delivery, with public provision filling gaps and dealing with the most serious weaknesses in the system, we need a public system which comprehensively provides health care for all and in which private provision only exists in ways allowed by democratic public choice. This need not at all imply a national health care system run and administered by a centralized bureaucracy. A public, democratically coordinated health care system is consistent with a highly decentralized system in which the actual provision of services is organized in a wide variety of ways: community based clinics; cooperatives run by health care professionals; nonprofit foundations; solo-practitioners; municipalities; etc. The key issue is that the funding is provided through collective resources – taxation – and the rules are set through democratic processes rather than markets.

**Extending Labor market and workplace regulation**

In all capitalist democracies the democratic state intervenes systematically in the seemingly “private” agreements made between employers and employees in the form of the labor contract. In effect this means that many of the choices that get made in those agreements are seen as matters of public concern: the health and safety conditions in the work place; the number of hours worked per day or per week; the minimum wage levels; the kinds of punishments the employer can impose on employees; the permissible criteria the employer can use in promotions, or indeed even in hiring (i.e. discrimination in various forms is illegal); and many other things. So, even in the hyper-capitalism of the United States, the boundary between public and private within labor markets and workplaces is already relatively permeable and gives a significant scope for public intervention.

This scope needs to be widened if democratic principles are to be fully realized. Minimum wages need to be adjusted to be living wages. Impediments to unionization need to be removed so that workers can more easily form collective organizations to pursue their interests. Health and safety regulations need to be strengthened and, even more importantly, aggressively enforced.

A much more controversial issue concerns the rights of workers to participate in the governance of corporations. In the United States workers have no such rights: management has the right to entirely exclude nonmanagerial employees from any role whatsoever in corporate decision making. This, defenders of the authoritarian corporation argue, follows from the fact that the corporation is privately owned, and the owners have the right to tell everyone they employ what to do. Managers are simply delegated by the owners to carry out these tasks. This argument directly violates the central value of democracy, which says that people have a fundamental right to participate in decisions which affect their lives. Since many decisions within corporations have profound ramifications for the lives of the employees of the firms in which they work, democratic rights of participation in the governance of firms should be extended to employees. There is no legitimate reason why firms should be run as dictatorships any more than states. People can invest financial resources in corporations and thereby earn a rate of return on their investment, and still on democratic principles all “stakeholders” in the firm – all people whose lives are directly affected by those decisions in a significant way – and not
just stockholders should have meaningful representation on the board of directors of the firm.2

**Changing the balance of Public and Private sector employment**

In the United States there is a general presumption that employment should be organized by the market rather than directly by the state. Only essential tasks which cannot be done efficiently in the market are candidates for public sector employment. There is an alternative way of thinking about this issue: Consider all the needs that have to be met through economic activity and ask, “which of these are most efficiently done by the market and which are better done by public employment?” No priority should be given to the market over public employment; the focus should be on what needs doing and then see how best to organize it. There are many important tasks that need to be done which simply will not be provided sufficiently through the market: good quality, affordable childcare services; eldercare services, especially directed at enabling the frail elderly to stay in their homes and communities; preschool education; adult education and life-long skill upgrading; healthcare services. These have to be provided substantially through public sector employment or various forms of publicly funded employment if they are to be provided well.

**Taxation and redistribution policies that counter the inegalitarian effects of markets**

Finally, for democracy to be effectively extended in any of the ways we have discussed, democracy needs to be extended into the realm of income distribution. So long as people see income generated in the market as somehow intrinsically private income, this acts as a significant constraint on the capacity of democratic decision-making to allocate resources to public purposes. As we argued in chapter 18 on Taxation, the total economic pie in a complex economy is generated through an extended process of social cooperation. This pie then needs to be divided up – distributed – to different purposes. “Taxation” is the principle way, in a market economy, that we divide the pie between public and private uses. Increasing taxation fundamentally means increasing the scope for democratic deliberation over how best to use our resources.

John Kenneth Galbraith, one of the most publicly influential economists of the second half of the twentieth century, commented in his book *The Affluent Society,* that the United States was characterized by private affluence and public squalor, dirty streets and clean houses. This is a chronic problem in a society within which the private choices of individuals and corporations in the market are privileged over collective choices of citizens and communities in the public sphere. Building a vigorous affirmative state by extending democracy into domains currently dominated by the market is an essential part of the solution.

**Deepening Democracy**

Unless democracy is also deepened, then extending the role of the state in an affirmative direction simply means extending the role of centralized bureaucracy. This is the specter that political Conservatives always invoke against efforts at extending the scope of the democratic

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affirmative state. Do you want the government controlling your life? Do you want bureaucrats in Washington deciding on your health care? One of the appeals of the extension of the “free” market is precisely its promise of preventing heavy-handed, centralized bureaucracies from dominating our lives.

As we have argued throughout this book, the free market, at best, provides only a limited basis for people to control their own lives and destinies. The problem is that many aspects of our lives are deeply shaped by the choices and actions of other people, especially people in control of large corporations operating in capitalist markets. “Democracy” is the name we give to a society in which people really do have the power to control their own lives and destinies, but this means putting the market in its place rather than letting the market itself insulate vast realms of important decisions from collective deliberation.

Still, it remains the case that expanding the scope and jurisdiction of the state is no guarantee at all for enhancing democracy. What we want is not intensified bureaucratization of social life, but intensified democratization. Deepening democracy basically means strengthening the ways in which ordinary citizens effectively participate in democratic politics and subordinate the machinery of the state to their collective purposes. This entails a number of difficult social transformations.

**Striving for political equality**

This is of fundamental importance: to realize the goals of democracy requires achieving the greatest possible equality in the ability of people to participate in public deliberations and collective choices. This of course means removing formal legal obstacles to participation, but just as important, meaningful political equality requires a considerable equalization of resources. Vast material inequality in conditions of life is itself a source of inequalities in real freedom and access to political power. Both the levels of extreme poverty in the United States and the levels of extraordinary wealth are inconsistent with genuine political equality. Here the issue is not the question of whether such economic inequality is unfair or unjust, but whether it subverts the necessary conditions for meaningful political equality. It does.

In this book we have discussed a range of remedies for the inequalities in American society: public jobs programs and life-long education and skill formation programs can reduce inequalities in access to good jobs; more progressive tax policies combined with income subsidy programs, including potentially universal basic income, can reduce income inequality; comparable work remedies for gender inequalities in earnings resulting from sex-typing of jobs. In these and other ways, democracy requires countering the spontaneous inequalities generated by capitalist markets.

**Reducing the role of private money in politics**

Given that large inequalities in private incomes will remain a characteristic of American capitalism for the foreseeable future, it becomes especially important to somehow block the translation of private economic power into political power. One central aspect of this problem is limiting the role of private money in politics. Of course, elections are expensive, especially in large jurisdictions, and any viable public system of financing elections will be costly. To really drive private money out of elections will require something like Bruce Ackerman’s proposal for *Democracy Cards* discussed in chapter 17, which would certainly cost billions of tax dollars a year. Given the stakes, this is cheap. Without such reforms private wealth will continue to
disproportionately influence the elections for public office.

**Institutional reforms of the rules of the game**

The existing electoral rules of the game in the United States guarantee a political duopoly of the two major parties. Minority political voices are marginalized, and both major parties firmly support the interests of corporate capitalism. There is a wide range of alternative electoral rules that would open up the political arena: various schemes of proportional representation; two-round run-offs; instant run-offs.

**Democratic innovation**

Ultimately a robust, deep democracy must be based on the active, on-going participation of ordinary citizens in the real governance. It is important, of course, that elections be vigorously and fairly contested. But democracy needs more than just fair elections; it needs a wide range of ways for citizens to actively participate in the governance of the society in which they live. This necessarily requires serious forms of decentralization, for it is above all in local contexts where people live and work that most people have the possibility of being directly involved in democratic processes. Decentralization is not, however, the same as privatization in which the state sheds its responsibilities in favor of the market. Decentralization means locating sites of participatory problem-solving where the problems lie and then empowering citizens to become directly involved in the decision-making process. Without such participation and real citizen empowerment, decentralization can simply be a cover for reducing the capacity of the state to act in the collective interest.

**REALIZING AMERICAN IDEALS**

We began this book by laying out what we felt were a core set of American ideals around the values of freedom, efficiency, fairness, and democracy. These values are only imperfectly realized in American institutions as they exist at the beginning of the 21st century. Freedom is embodied in the ability of people to make choices in the market, but because of the huge inequalities generated by the market, such freedom is very unequally distributed. American capitalism does promote certain forms of efficiency, but because of the chronic and inherent problems of negative externalities and concentrations of power, capitalist markets produce all sorts of inefficient outcomes as well that generate great harms to our collective wellbeing. Progress on fairness has been substantial through the elimination of many blatant forms of sexism and racism in the last half of the twentieth century, yet opportunities remain grossly unequally distributed. No one can regard the severe poverty experienced by many American children as in any way just or fair. And finally, democracy and the political freedoms associated with democracy remain central features of the American political system, and yet the large disparities of power of citizens violate the basic democratic principle of political equality, and the restrictions on the scope of state activity undermines the extent to which the society is democratically governed. These are the realities of how American society really works.

These realities, however, are not destinies. They are the result of past struggles over how American institutions should be organized, struggles in which some visions prevailed and others were defeated. The result of those struggles has been the complex institutional configuration we call “American Society,” configurations which from time to time will be subjected to new struggles and transformations. In those periods people will be called upon to make choices concerning these values-- in the ballot box, in support for various kinds of social movements, in
conflicts within workplaces and other institutions. Extending and deepening democracy is one possible direction transformations could take. This would not automatically solve the pressing social and economic problems of American society, but it would create a framework within which creative solutions become much more achievable because the constraints on what can be done are widened. And this just might make a possible a surprising future: an American Society that was fairer and more democratic, with an economy that advanced the common good and in which the promise of real freedom was extended to all.