

Developmental Linkage of Economic Democracy Index

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Abstract - The economic democracy index, as a phenomena recently developed, includes certain parameters which support the development process and in this way the EDI can be an important measure to give direction to the democracy of any system towards development and progress. EDI may prove even an improvement on ongoing democracy. Search parameters are employment rights, employee participation, distribution of economic decision-making powers, transparency.

The paper highlights a new dimension to economic democracy: Creativity vs Conformity. Creativity and conformance both have their impact on productivity. It is the productivity which provides ultimately creativity and conformance any meaning and worth. But conformance ensures current productivity whereas creativity improves the chances of long-term survival, growth & transformation and enhances future productivity.

Political democracy starts from political leaders & parties and tries to go to the masses with trickle-down approach which does not always percolate down effectively. But economic democracy starts from people and popular initiatives and goes to the societal and systemic levels. The EDI measures as developed further for micro as well as macro levels may be used as significant indicators for progress of economic democracy.

Index Terms - EDI_{micro}, EDI_{macro}, Democratic engagement, Coordinated Cooperatives, FPOs, Distributing Productive Assets

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INTRODUCTION

Economic democracy simply refers to subordination of voice of corporate shareholder to the voice of general stakeholder in economic decision making. It leads to economic well-being of majority of stakeholders in such a manner that gains from corporate activity must be distributed between stakeholders in equitable manner. The proponents of economic democracy philosophy argue that economic organization must take into consideration the voices of general stakeholders such as workers, suppliers, neighbors and general public. Their argument is as if the voices of stakeholders other than shareholders and managers were ignored it leads to inequitable distribution of income. It ultimately leads to deficiency of effective demand—ultimately not beneficial to anyone. [1]

Vieira in her work titled ‘A new definition of economic democracy – and what it means for inequality’ introduces the concept of Economic

Democracy Index (EDI). The motive behind construction of such Index is to create a measure of democratic health of economies that speaks to their problems of alienation and disempowerment. [2] Her EDI is based on data of 32 (OECD) countries in light of GINI index and poverty. She further used statistical methods to study the relationship between Economic democracy and Poverty & GINI Index. By her statistical findings she concludes, "There is a strong negative significant correlation between the EDI and poverty & Inequality measures." [3]

This simply means that economic democracy is significantly important in equal distribution of Income, and it ultimately Leads to reduction of poverty.

- Helena Vieira [3] at the University of Glasgow and Nottingham Trent University, in partnership with the New Economics Foundation and Oxfam has constructed an international Economic Democracy Index. It tries to measure the extent of democratic processes in the economy and its importance in development of the economy.

Parameters of Economic Democracy Index [4]

- Workplace + employment rights which includes levels of employment protection and insecurity
- Employee participation and managerial attitudes
- Distribution of economic decision-making powers: a range of measures of the concentration of economic power (strength of financial sector, geographical concentration of government fiscal powers and so on)
- Transparency and democratic engagement in macroeconomic decision making.

EDI at micro level may be taken as:

$EDI_{micro} = f(\text{workplace} + \text{employment rights, employee participation, managerial attitudes, distribution of economic decision-making powers, transparency})$

EDI at macro level may be taken as:

$EDI_{macro} = f(EDI_{micro}, \text{democratic engagement in macroeconomic decision making, Coordinated Cooperatives, SHGs, proportion of subsidies, direction of subsidies, proportion of employment in agriculture related activities})$

The EDI_{macro} is directly associated with economic development whereas EDI at micro level has indirect formative impact.

DEFICIENCY OF ECONOMIC DEMOCRACY RESULTS IN

- Artificial scarcity of resources created by corporate monopoly
- Socio-economic imbalance that restricting workers from access to economic opportunities
- Reduction in purchasing power
- Lack of effective demand

Essentials of Economic Democracy

- Self-governance of resources
- Decentralized control of resources
- Sustainable usage of natural resources
- Fair access to resources for all who require them

Basic features of Economic Democracy [1]

- Worker Self-Management: each productive enterprise is controlled democratically by its workers.
- Social control of investment: funds for new investment are returned to the economy through a public network.
- The market: enterprises interact with one another and with consumer in an environment largely free of governmental rules.

Economic Democracy: Its imperatives to society

A good economic democracy is oriented to solve the following economic issues:

- Food crisis.
- Healthcare related problems.
- Education related hurdles.
- Unemployment related problems.

Development and Democracy

The leaders like the Malaysian President Mahatir Mohamad in the Times Leadership Summit as held in Delhi in Nov. 10, 2011 have been raising an issue that democracy is detrimental to development. 'Less democracy better for India'. [5] Too much democracy too high corruption, inefficiency and low pace of development. The experiences of the Asian Tigers like Japan, South Korea, Taiwan, Singapore and Hongkong support this contention and the same is the case also with China and Russia.

But the economic democracy index, as a phenomena recently developed, includes certain parameters which support the development process and in this way the

EDI can be an important measure to give direction to the democracy of any system towards development and progress. EDI may prove even an improvement on ongoing democracy. Search parameters are: employment rights, employee participation, distribution of economic decision-making powers, transparency.

TOOLS FOR ECONOMIC DEMOCRACIES:

Co-operatives: A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprises. [6]

Workers co-operatives are important institutions the voices of which must be taken into consideration while making decisions in economic organizations. These ultimately strengthen the economic democracies.

Consumer Co-operatives, Food cooperatives, SHGs and such others are important for economic democracy.

Democratizing Workplaces and Distributing Productive Assets:

Workplace democracy refers to taking into consideration the say of each stakeholder in making decisions. In modern organizations it is seen that the democracy is limited to the shareholder while deciding Investment decisions, while the workers voice goes neglected.

Political theorist Isabelle Ferreras argues that an economic organization is not only for economic motives, it is having its impact on social life and environment also. Hence it is important to make an organization a democratic place.

SUGGESTIONS

A) Coordinated Cooperatives [7]

Small and marginal holdings occupy 84 per cent of India's agricultural land on which efficient farming has been a challenge. Cooperatives were adopted in the fifties to meet this challenge, but it was also necessary to create a conducive environment for their success. In the case of Amul in Gujarat, it was done as an experiment on the direction of the then Prime Minister Lal Bahadur Shastri and the entire country benefited from it and today it has proven to be a good model for

the country. Worldwide, cooperatives are considered as the 'Silent Revolution for Economic Democracy'. Rigveda's 'Sangchhadhvam Sangavadadhvam, Sanvo Manaansi Jaantaam' is the basic mantra of cooperatives.

Small or unproductive agricultural holdings should be included in coordinated cooperative farming. Every farmer who pools his land in such a cooperative should be guaranteed personal ownership rights for the return of their land when the enterprise is closed or reorganized.

Overall, cooperatives have played an important role in the prosperity of the States of Gujarat, Maharashtra, Andhra, Tamil Nadu, Karnataka, Punjab, Madhya Pradesh etc. For sustainable development, like these States, creation of a policy, legislative, technical and encouraging environment conducive to coordinated cooperatives in other States is not very difficult for the Governments—it requires strong will. Being puppet in the hands of companies has to be avoided.

It should not be forgotten that the mindset of the farmers of Europe like Denmark, Holland, Israel, Germany, etc., is not very different from that of the farmers of India. But when they felt that the dominance of the companies would ruin them, they enthusiastically adopted cooperative farming and marketing.

B) FPOs [8]

The Farmer Producer Organization scheme covers corporate, cooperative and group farming and marketing efforts. A producer organization (PO) is a legal entity formed by primary producers. The FPO has the collectivization of agricultural producers, especially small and marginal farmers, to collectively form an effective alliance to address many challenges. It is being acclaimed as a very effective way to meet many challenges related to agriculture and to improve investment, technology and inputs and market access. But it has indirect emphasis on corporate dominance, so cooperatives are bound to be suppressed.

At present there are about 5000 FPO across the country. Out of these, about 3200 FPOs are registered as producing companies (FPC) and the rest are in the form of cooperative, etc. Today, one of the major reasons for the farmers' anger is the fear of exploitation and gross neglect of the weak inherent in corporate supremacy. A company follows the principle of 'one share one vote' while cooperative follows 'no profit or

loss' on the principles of 'one person one vote' and 'one for all and all for one'.

C) Additional Measures

- Organizing voluntary community
- Decentralized authority
- Effective communication Network
- Effective labour policies
- Develop natural acceptance between employees and trade unions
- Community oriented & problem-oriented policy framing.

A New Dimension to Economic Democracy: Creativity vs Conformity_(Adapted from Singh, 2010) [9]

Creativity and conformance both have their impact on productivity. It is the productivity which provides ultimately creativity and conformance any meaning and worth. But conformance ensures current productivity whereas creativity improves the chances of long-term survival, growth & transformation and enhances future productivity.

Creativity and Conformity Grid

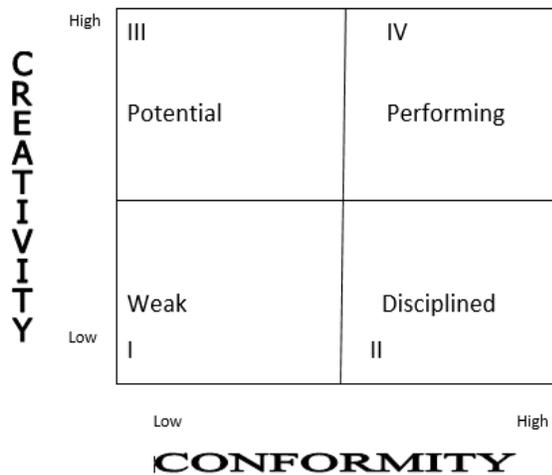


Figure: 1

Source: Adapted from Singh R P, 2010 Managing Creativity in a Knowledge Economy', Shree Publishers & Distributors, 2010, New Delhi, ISBN 978-81-8329-380-8, p. 71.

As the figure 1 shows both creativity and conformity are essential and supplementary to each other for a properly directed high-performing organization. The quadrant I is low in both features—creativity and conformity. Such organization requires complete overhauling of its systems and processes to reach in

the quadrant IV. The quadrant II is high on conformity for the time being, but lack of quality and innovation will lead to stagnation and poor competitiveness affecting present growth and future survival of the organization. Such organization requires equipping with information, communication, TQM and innovation supports & facilities. Organizations lying in the quadrant III have high potential for quality and innovation but suffer from lack of proper direction and perseverance for sincere and effective effort. Through introspection, attitudinal training, employee counseling & coaching, survey feedback and grid training reasonable level of awareness can be developed as preparing the organisation for ensuring competitive advantage leading to a performing organization of quadrant IV with good strategic strength.

Conformity supports current performance and that too conditioned to the existing value system within the organization. But creativity goes beyond the existing value system (creative people prefer autonomy over conformance and work to rule). Hence a creative organisation is better able to improve its long-term performance and survival and growth prospects though in the short run it may have to bear transitional, initial investment and R&D costs. As compared to the traditional industries the knowledge intensive industries have to be more creative to ensure competitive advantage. But traditional industries are also fast getting converted into knowledge intensive industries to take advantage of intelligent machines and sophisticated technology. The direct impact of economic upheavals on the knowledge intensive industries and financial sector is performing the economies to remove their economic hollowness by improving their material production through more efficient techniques which becomes knowledge intensive in a vicious circular way. This circularity of reasoning on the supply side can be removed by focusing on the demand side connection.

Creativity requires autonomy and is a pre-requisite for speed in any system. On the other side, conformity requires norms and standards and is a pre-requisite for systemic discipline. But speed and discipline—both are an essential pre-requisite for progress of any system. Creativity requires autonomy and is a pre-requisite for speed in any system. On the other side conformity requires norms and standards and is a pre-requisite for systemic discipline. But speed and

discipline—both are an essential though not a sufficient pre-requisite for progress of any system.

In fact, political democracy starts from political leaders & parties and tries to go to the masses with trickle-down approach which does not always percolate down effectively. But economic democracy starts from people and popular initiatives and goes to the societal and systemic levels. The EDI measures as developed above for micro as well as macro levels may be used as significant indicators for progress of economic democracy.

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