

BUILDING ECONOMIC DEMOCRACY IN EUROPE: CONCEPTS, CASES AND ACHIEVING PROGRESSIVE CHANGE

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EXECUTIVE SUMMARY

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In the face of the unfolding polycrisis, manifested as growing inequalities, stagnation, ecological damage and multiple geopolitical conflicts, many are questioning the fundamentals of our economic system, which seems at the heart of these problems.

A proposed route to mitigating the cumulative and cascading effects of the polycrisis is to transform the economy into a more democratic direction. But what would this mean? This policy study aims to contribute to a debate about advancing economic democracy in Europe in the context of the dynamic global economic environment of the 21st century.

The policy study argues that we need to rethink our approach to economic democracy, moving beyond older traditions centred upon the workplace and collective bargaining to consider how we can both empower individuals and increase democratic and deliberative decision-making across the economy as a whole.

Rather than expecting a single democratic institution to encapsulate all the meanings and expectations around democratic participation, economic democracy is better achieved in multiple and diverse spaces of participation, where individuals can exercise their rights in accordance with their predilections, knowledge and proximity.

Focusing on three key pillars can achieve a more holistic agenda: individual rights to a flourishing life and participation in economic decisions; diverse forms of democratic collective ownership to realise these rights; and the construction of deliberative, democratic publics to change the terrain of broader economic decision-making.

Our cases show that both grassroots' mobilisations and top-down initiatives by elected officials can lead to successful and sustained forms of economic democracy at the local level. These tend to occur where economic democracy advocates are able to construct broader coalitions and networks (typically

of grassroots activists, non-governmental organisations, social movements and labour unions), linking local actors with broader geographical and epistemic networks of support.

Our research also highlights the importance of bringing together diverse forms of knowledge, skills, expertise and experiences in collective learning processes in achieving transformative changes towards economic democracy goals.

Successful and sustained cases of economic democracy tend to be those where local action is supported by broader governance structures and legislation at regional and national levels, for example, the ability of German citizens to mobilise for change around direct democracy referenda.

Our cases suggest that there are important constraints from established governance processes to the exercise of economic democracy. These include:

- dominance of a multi-scalar power nexus around neoliberal economic discourse and practices at EU and national levels but also enforced by local authorities;
- powerful vested corporate interests that influence economic policy-making processes;
- the small "c" conservatism of elected government officials and civil servants who are resistant to transformative change because of ingrained habits, practices and behaviours;
- reluctance of supposed progressive political actors to depart from mainstream and neoliberal governance and embrace more transformative agendas; and
- lack of devolved capacities in many countries, including the ability to finance and sustain economic democratic practice.

More "internal" constraints include the difficulties of sustaining momentum beyond initial successes due to:

- activist fatigue;
- difficulties of sustaining alternative economic values in organisations in the face of commercial pressures;
- internal problems of sustaining democratic structures over time and the tendency to revert back to organisational and political hierarchies; and
- power imbalances favouring incumbent political actors in opposition to grassroots/alternative movement actors.

1. INTRODUCTION

1. INTRODUCTION

Europe, and indeed much of the Global North, faces a polycrisis, with a host of interrelated cumulative and cascading economic, political, social and ecological crises. These manifest as growing economic inequalities, wage stagnation, the cost-of-living crisis, stalling mortality rates, the effects of climate change, chronic problems of public service provision made evident by the COVID-19 pandemic, and so forth. Nearly four decades of a dominant system of neoliberal and globalised market governance have not produced the lasting benefits that were promised at the end of the Cold War, and instead, have seen the erosion of many people's living standards, the decline of stable and well-paid employment, the collapse of trade union representation, and the erosion of workers' collective bargaining power. Many people feel alienated from the existing political economic system, with an increasing number losing faith in liberal democracy and turning to right-wing, extreme populist and even authoritarian alternatives.

Against this backdrop, there is renewed interest in the potential for economic democracy to help address critical, current policy problems and tackle some of the existing social and ecological injustices associated with and produced by global capitalism. This policy study aims to contribute to a growing debate among progressives in Europe concerned with the potential for actions and policies that are informed by economic democracy. In doing so, we argue that past and established ideas about economic democracy need to be rethought if the concept is to be usefully developed to tackle some of the substantial problems confronting Europe. The work outlines a new framework for considering economy democracy that moves from more established understandings based around the workplace, which seeks to transform the economy in its entirety towards more democratic and participatory forms and away from elite control.

Building upon our previous work and new research around prominent examples of contemporary economic democracy in Europe, the policy study identifies key elements that contribute to successful change towards a more democratic economy. We also investigate some of the obstacles and blockages towards more systematic transformative change in the direction of economic democracy and consider what policies are required to resolve them.

The remainder of the policy study consists of four sections. The next section briefly reviews conventional understandings of economic democracy and their limits before outlining an alternative conception. The succeeding section develops this further, illustrating key examples of the kinds of measures required to facilitate a more holistic approach. Then the policy study focuses on key cases of economic democracy in three domains viewed as being central to enact our broader agenda in the European context: democracy in public spending; democracy at the workplace; and democratising local public services. The final section draws general conclusions from these themes and discusses more broadly some of the issues, constraints and positive lessons for achieving economic democracy.

2. RETHINKING ECONOMIC DEMOCRACY: FROM THE WORKPLACE TO THE ECONOMY AS A WHOLE

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The foundation of the conceptual approach proposed here is to move beyond the more conventional view of economic democracy centred around the workplace, or business enterprise, and employment relations.¹ These remain important elements of the approach advanced, but they are insufficient if we wish to undertake a more throughgoing transformation of the economy. Two important additions are highlighted. The first is to identify a form of economic citizenship rights for all individuals to participate in and benefit from economic decisions. The second is concerned with how democratic and participatory forms of economic governance are introduced across the economy as a whole, rather than just limited to individual workplaces or companies.

In this section, traditional and conventional approaches to economic democracy are briefly reviewed before setting out in some detail an alternative conceptual framework.

2.1 CONVENTIONAL UNDERSTANDINGS OF ECONOMIC DEMOCRACY AND THEIR LIMITATIONS

There is a longstanding academic and activist literature relating to established forms of economic democracy centred on the workplace.² In broad terms, this literature can be divided into: (1) studies concerned with the democratic ownership of firms, through co-operative and employee or worker-based ownership; and (2) approaches advocating greater democracy and worker engagement

in the decision-making of firms, notably focused around collective bargaining arrangements; co-determination; and, in the more radical form associated with Marxist or anarchist traditions, the takeover by workers of economic decision-making in its entirety and the elimination of capitalistic work relations.³ Clearly, these two traditions have considerable overlap, with many theorists and activists advocating both elements in a more democratic and socialised economy. One interesting distinction is between market socialists, who argue for a continuing market economy based around employee or co-operative ownership, and a more democratically planned economy, where market relations are eliminated for an economy organised around social ownership and deliberative planning. Both traditions are united in their emphasis of the fundamentally undemocratic nature of an economy based mainly around private property relations.

One of the strongest criticisms of these traditional forms of economic democracy is that they tend to emphasise a mass collective form of economic democracy at the expense of a deeper engagement with individual economic rights, both of the rights of individuals to control their own labour and the rights to a decent life, with the resources to realise that.⁴ Another significant criticism relates to the overemphasis placed upon the workplace, and in particular, the industrial workforce. For most of the 20th century this tended to prioritise the interests of white, male industrial workers over the interests of other social groups, namely, women, ethnic minorities and migrant workers, who subsequently faced discrimination and often relegation into more

precarious and poorer paid forms of work. For instance, in much of the Global North, care work, such as childcare and nursing, was and is heavily feminised and modestly paid relative to traditional male-dominated occupations.⁵



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In the current moment, the retreat to nationalistic and "nativist" sentiment and appeal to pay attention to the needs of "left-behind" people and places carries the danger of providing further succour to right-wing authoritarian figures without dealing with issues of marginalisation and alienation that are produced by our current economic system. Not breaking away from older traditions of economic democracy risks widening divisions within society, whilst also falling back on the gains made in many European countries in relation to tackling past and existing gender and racial injustices. Appeals to protect the interests of a "white (and often male) working class", which is seen as in competition with "others" for the diminishing number of well-paid and secure jobs, and for basic public services, inevitably seeks to lay the blame at perceived "outsiders", rather than challenging the systemic inequalities that affect all under 21st century global capitalism.

2.2 A BROADER CONCEPTION OF ECONOMIC DEMOCRACY

By placing our emphasis on the **individual economic rights of workers and citizens**, we depart from the older, more collective, approaches discussed above and from mainstream economic theory, in which labour is treated as a "factor of production" not different from other factors, such as land, machinery or capital. Under this approach, it is the owners of property who exercise much decision-making power, whilst individual workers or citizens have very little autonomy, other than the right to sell their labour. Alongside this, substantial elements of liberal democracy seem increasingly superficial, reduced to the electoral moment, like just another form of consumerism, where votes are cast for different brands that are essentially the same in their promotion of a largely "business-as-usual" approach, although some parties do seek to pursue transformational alternatives.

There are **two important underlying premises** for us if economic democracy is to be linked effectively to a progressive agenda around social justice and individual economic rights. The first step, building on the work of David Ellerman,⁶ Robert Dahl⁷ and others, is that **every individual should have the right to ownership and control of their own labour**. This view fundamentally rejects the assumptions in our existing capitalist system that there is a moral equivalence between people and machines and that people can be hired out for their labour with no, or limited, control over how their services are deployed and to what purpose. A second step, drawing on the work of Nancy Fraser,⁸ is that achieving social justice needs to move beyond tackling distributional justice (e.g., income or wealth inequalities) and cultural injustices (e.g., linked to discrimination against particular groups and identities) **to take more seriously representational justice, that is, the ability of people to meaningfully participate in (economic) decision-making**.

The right to participate more broadly in economic life is critical to any meaningful project of economic

democracy and Fraser's work has strong echoes of the earlier work of the great pragmatist philosopher John Dewey,⁹ who advocated a system of deliberative democracy as a way of making "improvements" to the conditions of discussion and debate about social matters. He viewed this as the means to challenge the hierarchical power structures residual from feudalism and adopted by capitalism.

The works of Dewey and Fraser resonate with the capabilities approach pioneered by Martha Nussbaum¹⁰ and Amartya Sen.¹¹ This is based on the Aristotelian concept of human flourishing, in which all individuals are equally entitled to live a meaningful life. For Nussbaum and Sen, capabilities are what an individual is able and willing to do or be. It is a freedom to achieve. This is partly about access to decent health and education systems but is also adversely affected by current economic conditions, where too many people experience increasing employment precariousness, household indebtedness and stagnating income. Flourishing also requires access to the possibilities to debate and take part in economic decision-making procedures.¹² Without the ability to shape one's environment, individuals will experience a capabilities deficit, and hence, will be less likely to pursue a flourishing and meaningful life. Disaffection and alienation can arise from such positions of powerlessness that can lead then to support for more extreme political alternatives, particularly from right-wing populists seeking to scapegoat others for social ills (typically refugees, migrant groups or ethnic minorities).

This leads us to advocate a programme of economic democracy (Table 1) based on three pillars:

- 1) **Individual economic rights**; diverse forms of democratic collective ownership; and deliberative, knowledgeable and engaged publics. The first pillar requires that the individual has the right to own and control their labour, both within the workplace and beyond, but also needs some basic resources and skills to lead a flourishing life.
- 2) **Democratic forms of collective ownership**, which stem from the first and recognise the reality of the "social individual", as opposed to mainstream economics' assumption of the "selfish individual". Although this may sound counter-intuitive at first sight, it is one of Marx's insights: work is always dependent on, or in collaboration with, others. Protecting individual economic rights in this sense cannot be safeguarded through a mainstream economics framing of upholding individual economic decision-making or property rights, but rather through the construction of collective democratic forms of ownership. Only through the transformation of the economy towards democratic ownership can we challenge the current structure, which privileges shareholder value extraction and a plutocracy that affect us all. This would allow the more effective development of strategic and democratically planned solutions for the common good rather than private vested interests.
- 3) **Deliberative and knowledgeable "publics"**, which recognise that a functioning economic democracy should have a much deeper and sustained engagement in decision-making by the public, in all its diversity, than is currently the case in most countries under our system of globalised capitalism. One of the elements that enables elite groups to control the economy and accumulate an ever-greater share of wealth and resources is the domination and even colonisation of debate, economic thoughts and processes of knowledge construction. Counteracting this requires strategies that allow greater public participation and involvement in economic and public policy questions and the formulation of solutions in the common interest.

Table 1. Three pillars of economic democracy.

<p>INDIVIDUAL ECONOMIC RIGHTS</p>	<ul style="list-style-type: none"> • Rights of labour versus property rights • Self-government of labour in and beyond the workplace • Resources and skills for flourishing and "choiceworthy" lives
<p>DIVERSE FORMS OF COLLECTIVE OWNERSHIP</p>	<ul style="list-style-type: none"> • Collective ownership over the "social surplus" arising from productive work • Construction of the common good versus elite vested interests • Reinvigorate democratic state planning
<p>CREATING DELIBERATIVE AND KNOWLEDGEABLE PUBLICS</p>	<ul style="list-style-type: none"> • Rights for collective action • Active, pluralistic civil society • Recognition of diverse interests, groups and perspectives • Democratic, transparent and deliberative decision-making

Source: Adapted from Cumbers (2020: 39).



Substantial elements of liberal democracy seem increasingly superficial, reduced to the electoral moment, like just another form of consumerism.



3. THE THREE PILLARS OF ECONOMIC DEMOCRACY AND POLICIES FOR THEIR APPLICATION

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3.1 PROGRESSIVE INSTITUTIONS AND POLICIES FOR ADVANCING INDIVIDUAL ECONOMIC RIGHTS

The dominant approach to labour market policy pursued in the advanced economies of North America and Western Europe since the 1980s has been to decisively shift the balance of power in the workplace towards employers. Policies of deregulation and flexibilisation have been implemented to make it easier to hire and fire workers; these have run alongside policies to reduce welfare benefits and make these more conditional on willingness to work. This has not only reduced individual economic rights and freedoms of choice over how people use their labour but also eroded the power of trade unions.

The ideal of democratic self-governance of labour is in retreat. Even the more progressive policy ideas that have been implemented – for example, the Danish flexicurity model that provides strong social benefits and rights to retraining of workers in return for increasing the employer's right to hire and fire – have been driven by increasing labour market participation on behalf of employers, rather than providing real freedoms and economic security for individuals, families and communities.

Shifting the balance of power in the labour market away from employers to employees requires more radical proposals and agendas. One such proposal, which has come back into vogue in recent years in the wake of the financial crisis, austerity and the decline of decent full-time employment, is the idea of a **universal basic income** (UBI). While there are criticisms of some initiatives that want to use it to strip

away other elements of welfare support – although an alternative proposal instead is to provide a set of **universal basic services** (UBS)¹³ – more progressive supporters, such as Erik Olin Wright¹⁴ tend to agree that some kind of decent minimum income is necessary to empower people in their choices regarding their labour, rather than being coerced into more exploitative relations with either employers or the state. A further important element concerns the guarantee of employment, with the state assuming the role of employer-of-last-resort. In short, this scheme is a counter-cyclical strategy, in which the state offers employment to those losing their jobs from a downturn in business activity.¹⁵

Many on the right and centre of the political spectrum have criticised generous welfare provision and universal income benefits as encouraging individuals to drop out of the labour force or become "work shy". But there is little evidence to support this: the more authoritative systematic research on the topic¹⁶ suggests that there is no rise in unemployment or fall in labour market participation. Instead, substantial positive benefits are evident, including some individuals reducing their paid working hours to spend more time with and caring for family or increased volunteering activity in local communities. There are also substantial benefits for people who are able to use the income support to stay in education and training, helping improve the skills base of society while also contributing positively to physical and mental wellbeing.

Whatever the merits of UBI, a broader commitment to some kind of basic income, as part of a strong universal welfare state, is fundamental to basic

individual economic rights. Indeed, our ongoing research on constructing an index of economic democracy suggests that this is an important component in explaining why Nordic societies tend to outperform other types of economy in terms of income equality.¹⁷ Better levels of economic democracy compared to the experience elsewhere reflect such sustained and progressive policies for over half a century, especially but not exclusively with regard to gender inequality, in concert with progressive taxation, strong employment rights, generous welfare entitlements and strong trade unions, existing alongside high levels of labour productivity, full employment and low levels of inequality.

A broader suite of active labour market policies, as a progressive alternative to neoliberal "workfare" regimes,¹⁸ could include **living-wage legislation** and even maximum-wage elements.¹⁹ One issue is a high enough national minimum wage that allows a person to lead a decent life with the ability to make meaningful choices. Although the majority of the International Labour Organization's member countries have minimum wages in place, a failure to uplift in line with inflation means that real wages have declined across the world in recent years. This is leading many observers, including the UN's Special Rapporteur on Extreme Poverty and Human Rights, Olivier De Schutter, to call for a decent living-wage agenda, where the legal minimum is at least 60% the national median wage in any country.²⁰ This has also been backed by the European Parliament.²¹ Raising wages for the poorest-paid workers would have significantly positive outcomes for women, who make up 60% of the low-paid workforce.

The final strand required to strengthen individual economic freedoms are **policies to reduce statutory working hours** that allow individuals to free up time away from paid work. These would need to be addressed through an accompanying redistribution of income from employers to employees, which would also help reverse the trend over the past 40 years for wages to decrease in real terms as a proportion of total income. Not only would this be critical in freeing up time away from work for

individual flourishing and diverse choices to devote to leisure, other forms of creative and fulfilling activity, to spend more time with family, and enhance citizen participation and engagement in the broader community and society, but it would also help to redistribute available paid work in an advanced and more automated economy. This would be a way of redistributing flexibility away from managers and businesses and into the hands of workers and citizens. Even the World Economic Forum, in the wake of the recent COVID-19 pandemic, is recognising the benefit of a four-day week for business in improving the health and productivity of workers, whilst also cutting down on CO₂ emissions.²²

3.2 DIVERSE FORMS OF DEMOCRATIC COLLECTIVE OWNERSHIP

The expansion of forms of democratic ownership in the form of co-operatives and employee-owned firms remains an essential pillar of a more democratic economy.²³ Recent research has also investigated creating democratic forms of ownership of digital and platform economies.²⁴ A commitment to diverse as well as democratic forms of ownership is crucial in going beyond some of the flaws of over-centralised models of state ownership in the past. Gar Alperovitz puts this well in his call for a Pluralist Commonwealth:

Too many people mistakenly suppose that a single strategy – like localism, worker self-management, or public ownership – provides everything we need in terms of system design. On the contrary, a system robust, rigorous, and resilient enough to tackle all the hard questions – around scale, efficiency, power, sustainability, democracy, equity and liberty, to name but a few – should be at least a little complicated.²⁵

In this sense, a more democratic economy that is also capable of delivering progressive goals, for example, around social justice or environmental sustainability, would be one that has a more diverse ecosystem of democratic collective

ownership, which involves a mix of ownership forms (public, co-operative, community-owned, worker-owned, small private, family) across sectors based around planning and markets.



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There is, therefore, a broad spectrum of collective ownership models suitable for different contexts that can still deliver democracy and accountability, in contrast to the current system where ownership and wealth remain highly concentrated. Inevitably, there will be trade-offs between localised and decentralised organisational forms, such as community-owned or small-scale co-operatives, capable of securing high levels of worker or citizen engagement, versus national state-owned enterprises capable of tackling larger and more strategic societal goals, such as combating inequalities between people and places, or devising larger-scale planned initiatives (e.g., continent-wide electricity grid management and operation). It should also be recognised that there are important tensions to discuss and resolve between organisational effectiveness in securing key public policy goals and democratic public participation, particularly in relation to ensuring effective forms of management, knowledge formation and skills development. These tensions can become greater as organisations increase in size and scope, as we will see with some of our cases below. However, these are not always in opposition: organisations that act in elite interests

(whether these are formally private or state-owned) and without broader public participation often fail to generate the kinds of diverse forms of collective learning that are central to successful evolution in the context of uncertainty and dynamically changing economic environments.²⁶

Many of the greatest policy mistakes and errors occur when there is a lack of transparency, accountability and deliberation about what constitutes the common good, what the alternative choices are to achieve this, and what the effects of different policies would be for different elements of society. We can contrast, for example, the UK's energy policy choices around nuclear energy in the 1950s and 1960s and North Sea oil from the 1960s through to the early 2000s with those in Norway and Denmark. In the UK, whether under state ownership (as was the case with nuclear), or under the privatised system that emerged under Thatcherism with North Sea oil, key decisions were made by elite actors with little effective public debate or deliberation.²⁷ This can be contrasted with the Norwegian approach to oil development or the Danish decision to reject nuclear power in favour of renewables. In both cases, energy policy was the subject of intensive and often heated public debate and better outcomes in both cases in terms of social and ecological justice. Decision-making and ownership forms emerged in both countries that were more democratic and participatory. The key takeaway point here is that collective ownership attempts to foster forms of effective participation in strategic decision-making, so that values are driven by a deliberative process, where diverse perspectives are brought together that reflect the different social identities and communities that make up the public.

3.3 CREATING DELIBERATIVE AND KNOWLEDGEABLE PUBLICS

Beyond ownership, greater public participation in, and deliberation of, economic decision-making is central to democratising the economy. Aside from the democratic imperatives, greater participation

can also strengthen collective learning and knowledge formation processes in an economy, having positive outcomes for more effective deliberative processes. Recent years have seen an upsurge in experimentation around involving citizens more in economic decision-making, with a vast range of innovative proposals being developed and considered in this regard. Here, we detail a few key initiatives as exemplars of a broader trend, but we return to some examples in greater detail in our case studies below.

Participatory budgeting (PB) is probably the most well-known example around the world of attempts to devolve decision-making power over state funding to citizens. Originating in the Brazilian city of Porto Alegre following the victory of the Workers' Party in local elections in 1988, it has spread around the world, with one estimate suggesting as many as 11,000 schemes globally.²⁸ The basic principle of PB is to delegate part of the local government's funding directly to citizen or community groups, which are then brought together in a series of meetings and assemblies to deliberate and then vote on how funds should be spent, but with a particular aspiration to improve the lives of poor and more marginalised communities.

The Porto Alegre example was lauded as a success by the World Bank²⁹ for making significant improvements in the city's water and sanitation services, increasing school enrolment and leading to important investment in the city's transport infrastructure. Research into its effects elsewhere suggests that, where it is sustained over time, there is a reduction in corruption, increased transparency in decision-making and improvement in public engagement, particularly of women and more marginal groups, such as ethnic minorities, in decision-making processes. Evidence from Brazil – where the initiative had been running longest – suggests that there were also positive effects in tackling poverty, with increased spending being committed to health and education in poorer city districts.³⁰

At the national level, there has been a **demand to make national macro-economic policy making more open to democratic and citizen participation.**

Recent years have seen an erosion of democratic control, with a "technocracy" of "independent" central banks being given greater autonomy from government but often resulting in dominance by financial interests. The Bank of England and European Central Bank, for example, have little democratic accountability or effective oversight. One response, proposed under the auspices of the Royal Society for the Arts in the UK was to establish a Citizen's Economic Forum (CEF, late Citizens' Economic Council, CEC) premised on the view that "there needs to be more spaces for citizens to exercise their power to create a better future".³¹ The CEF brought together groups with a focus on economically deprived regions of the UK to deliberate with experts on economic matters as well as propose alternative solutions. One idea was that citizens' panels could inform the key task of setting central bank interest rates, but there were also calls to demystify the jargon of experts and the language of the economy, as well as creating better opportunities for citizens to become economically literate. We review the experience in greater detail in the next section.

Citizens' assemblies have been used in France and the UK to consult on plans to achieve pledged reductions in carbon emissions.³² Both countries have had assemblies where mini-publics – randomly selected groups of citizens – are brought together alongside experts to deliberate and inform governments on policies. In France, President Macron set up the Citizens' Climate Convention in 2019, partly in response to the *Maillot Jaune* protests against the government's fuel tax proposals, which had ignited a broader demand to tackle social and economic inequalities. Macron had initially suggested that he would put all the Convention's proposals to the National Assembly to vote on, but, under pressure from corporate lobbying, especially in the transport sector, backtracked on this commitment to the extent that fewer than 10% of the proposals made it directly into government legislation and only a total of 40% after being severely diluted.³³

The UK convention, established under the then Prime Minister Theresa May, had no legislative

power and was not surprisingly a much lower profile affair than in France, where the Convention and its tensions with the government at least had the effect of gaining media attention and creating a broader public conversation and collective debate about climate policies. In both cases, the citizens' panels came up with far more radical sets of demands and targets than the countries' elected political classes. In the French case, a ban on flying under four hours, a 4% tax on corporate dividends to fund green policies and a new national speed limit on motorways, as well as the introduction of "ecocide" legislation to protect the environment into the French constitution. The fact that political elites either ignored (in the UK case) or heavily watered down (in the French one) citizens' proposals has done little to quell the sense of alienation with the existing political system.³⁴

These experiences echo the similar frustrations felt in Iceland around the country's Constitutional Council, established in 2012 in the wake of the financial crisis. It was composed of 25 elected citizens from over 500 candidates in a special election. The council was tasked with establishing a new constitution; among its proposal was guaranteed social welfare rights for all citizens, provision of free internet access and one of the most popular (that received 83% support) was that all Iceland's natural resources should be placed in democratic public ownership. Despite the high levels of public support, a change of government in 2013 led to the abandonment of the recommendations, reduced in the view of the incoming centre-right administration to an "irrelevant opinion poll".³⁵

4. LEARNING FROM EXISTING EXAMPLES ACROSS THREE CRITICAL SPHERES FOR ECONOMIC DEMOCRACY IN EUROPE

4. LEARNING FROM EXISTING EXAMPLES ACROSS THREE CRITICAL SPHERES FOR ECONOMIC DEMOCRACY IN EUROPE³⁶

In exploring the current landscape of economic democracy across Europe and identifying cases and examples of good practice, while also identifying obstacles and constraints to more systemic transformational change, we have decided to focus on **three key spheres: democratic initiatives around public spending; economic democracy in workplaces; and democratisation initiatives in local and municipal public services**. All three spheres link in different ways to our more holistic vision advanced earlier. Democratising public spending at all geographical scales is important for engaging diverse publics – both groups and individuals – in decisions about finance and investment, and to create more deliberative publics, where alternative perspectives and multiple forms of knowledge can be brought together to tackle critical policy goals. Economic democracy at the workplace – the core theme of traditional approaches – also remains significant to our vision of both extending individual economic rights and creating more collective and democratically controlled forms of economy. The local and municipal democratisation initiatives are important for the everyday needs and concerns of Europe's people in areas as diverse as housing, energy, water and transport, so that transparency, accountability and democratic control over how these are organised and for what purpose is a paramount concern for economic democracy. We consider each in turn, here, through selected cases.

4.1 DEMOCRATISING PUBLIC SPENDING

4.1.1 PB in Eberswalde, Germany

The proliferation of PB across Germany has had a not-so-positive tinge and its use can partly be explained by the context of austerity in the wake of the 2007-9 financial crisis and attempts to constrain municipal finances. Used more as a top-down instrument to "modernise" economic management of public funds, PB has been criticised as a participatory version of the New Public Management approach, rather than enhancing democratic choices.³⁷ What's more, many cases in Germany encouraged citizens to participate not only in expenditure decisions but also in cost-saving measures and ideas on how to improve government revenue generation.³⁸ While it may appear attractive to local governments aiming to make the most of fewer financial resources, an approach beyond this austerity model needs to be developed for deepening economic democracy. Budget planning is in itself a complicated, tedious subject, and if most ideas presented by participants are rejected on the grounds of budget constraints, interest in participation decreases.³⁹

Here, we present some insights into the main challenges of PB for the promotion of economic democracy, and use the example of the town of Eberswalde, in Brandenburg, a leading state within Germany for PB.⁴⁰

The role allocated to participants in German experiences has been consultative for the most part, and it has been local authorities who have retained decision-making power over the projects.⁴¹ From 2008 to 2012, PB in Eberswalde followed the consultative model of participation. This was later understood by its promoters as a source of dissatisfaction for participation, not offering a good enough perspective to motivate people to get involved.⁴² Results of the voting, where people decide which projects to fund, are not binding for the local government. In a special in-person event, each participant is given five chips that represent votes, and they can allocate these chips as they prefer to support projects. The use of chips is intended as a method to make people reflect on the weight and power of their decisions. Voting day also has a festive spirit, organised over a weekend day with live music and food stands.⁴³



If most ideas presented by participants are rejected on the grounds of budget constraints, interest in participation decreases.



Voting is preceded by two phases. Firstly, an idea-collection phase, where participants suggest projects for the allocated budget via different methods, both offline and online. There does not seem to be a deliberative moment of project formulation, which is common practice in other PB cases. Secondly, a viability phase, where each project is examined by local government administration and subject to approval or veto, depending if the idea abides by a series of requirements: avoid exceeding a maximum amount per proposal; be feasible of

implementation according to legal competences of a municipality; and not be a project that was funded by PB in the last three years.⁴⁴ This moment of the process is usually the most opaque in PB experiences, as it is not subject to open participation and the local government can effectively exert a veto over proposals. A common source of frustration for participants emerges when the local government does not provide detailed feedback on the reasons why their proposals were rejected.⁴⁵ Measures for mitigating that opaqueness can be implemented, to avoid potential concerns over its arbitrariness. In Eberswalde, comments over the motives for vetoing projects are published for everyone to see.⁴⁶

The participatory design in Eberswalde aims to promote the presentation of projects oriented towards the common good. They created a Citizens' Jury, composed of both older and newer participants, with the mission to deliberate over what the common good means and how it is reflected in the proposals made by participants. They give rewards to projects selected as promoting this common good. Interestingly, the meaning of common good is not defined from the beginning and is subject to deliberation by the group.⁴⁷

Finally, a frequent criticism of **PB initiatives**, including experiences in Germany, is that they **fail to promote diverse and broad participation**, often failing to mobilise marginalised population groups or the less politically active. Most participants end up being the "usual suspects" of participation: highly educated, middle-class, socially integrated adults from 35 to 65 years old.⁴⁸

In Eberswalde, measures to counteract that tendency have been taken. In 2013, they reduced the age requirement from 16 to 14, because in the previous year, several younger participants tried to participate, although they were not allowed. This extends voting rights beyond the criteria fixed for elections for local and state representatives, which is 16.⁴⁹ Another idea regarding democratic inclusion is extending the right to participate to all residents of the town, without restricting it to German or EU citizenship status.⁵⁰ This, along with the reduction

of the minimum age of participation, opens up democracy beyond the strict model of representative democracy, tied to the electoral moment.

4.1.2 The UK Citizens' Economic Council (CEC)

The UK's CEC was established under the auspices of an initiative of the Royal Society of Arts and was endorsed by the then Chief Economist of the Bank of England (Andy Haldane) in 2017. The Council provides a forum for discourse on a broad range of economic matters, which is supported by an expert panel. Recent topics include climate change and the cost-of-living crisis.⁵¹

The Council forum meets in locations all over the UK – akin to a travelling roadshow – and produces an annual report in addition to other publications. Its website invites citizens to apply for membership. They are then invited to an in-person meeting in their local vicinity – assuming this is part of the schedule. It is an exercise in deliberative democracy. People are given a platform to discuss major (economic) issues, although there is no direct link to the Bank of England's own decision-making processes.

The Council operates under the auspices of the UK's central bank, which funds it, arranges the schedule of meetings and publishes reports. The meetings are attended by central bank staff and members of the Monetary Policy Committee. This committee is the central decision-making body regarding central bank interest rates. The Council provides an additional source of evidence in this process. The extent to which this is significant is not currently known. Other levels of engagement include intermittent online question and answer sessions with central bank "decisionmakers" and online surveys.

CEC has an advisory board. Interestingly, board members have a range of economists, academic and consultants, and both mainstream⁵² and non-mainstream economic perspectives. Indeed,

the latter appears to be disproportionately represented. This may be associated with their relative familiarity with, and advocacy of, pluralism.

Arguably, the most notable success since the establishment of the Council's forum is its embedding in the processes of the central bank, although the effect and influence of the deliberative process is difficult to ascertain. There are, however, some **serious challenges** that can be identified to the development of the forum as a more powerful tool for engagement and participation. These are expressed as cultural resistance to inclusion in policy making by civil servants, some government departments and even opposition politicians, and the hostility of corporate lobbying groups.

Cultural resistance manifests in at least two ways: the deliberative process is claimed not to be sufficiently aligned with the relatively tight time frame under which government ministers have to operate. Accordingly, the potential for more inclusive decision-making is subject to resistance from some parts of the civil service. Some parts of the civil service are more open to deliberative processes, such as the Cabinet Office and Department of Environment, Food and Rural Affairs (DEFRA), whereas others, especially the key finance ministry, the UK Treasury, are far less inclined and on occasion hostile. This may be partially influenced by civil servants' professional backgrounds. For instance, in DEFRA, there may be a greater proportion of environmental and social research training and education relative to the Treasury, which has a more quantitative and technical mainstream economics emphasis. The latter may foster doubts over the efficacy of more qualitative and deliberate processes. This potentially impacts on the prevailing cultures across the civil service, and the willingness to engage in greater transparency in decision-making processes.

The second manifestation of cultural resistance may be related to **professional resistance**. Thus, the Treasury is not involved in the CEC, and indeed, other notable economic bodies, such as the UK's Institute for Fiscal Studies (IFS), have a relatively limited engagement.

That said, the former director of the IFS, is part of the advisory board. A major part of this professional resistance may stem from the view that macroeconomics is highly technical and, therefore, the public is not sufficiently informed to contribute to the decision-making process. Arguably, this perspective is more strongly associated with mainstream economists. It also engages with wider issues of the role of the expert. Moreover, aspects of the CEC's discussions are potentially viewed as overtly political. The Treasury's lack of involvement in the climate assembly of the CEC is a notable example.

There may also be **opposition from the corporate lobbying industry**, which is concerned with a decline in its influence. There is evidence of notable "push-back" from energy-related bodies in relation to the CEC forum's climate assemblies. Indeed, both establishment UK political parties had elements that were critical of the greater adoption of deliberative processes.

As with the exercise in creating mini-publics described earlier, one of the key issues with the UK's experience with the CEC is not that it doesn't succeed in engaging citizens. The French "climate change" experience, for example, suggested that those taking part in the panels actually participated far more than was expected of them, spending time researching and educating themselves in between deliberation meetings. Instead, the danger is always that participatory initiatives become either co-opted into existing policy-making agendas (e.g., austerity in the case of PB in Germany) to show a superficial democratic engagement with citizens, while leaving the main structures of powers and critical levers of economic decision-making intact, or ignored where they go against elite policy discourse (e.g., climate panels).

A key obstacle remains the **unwillingness of the mainstream political establishment to engage seriously on a systematic basis with such initiatives** or change long-held technocratic mindsets and behaviours. There appears not only an unwillingness to cede decision-making power but also accompanying and to some extent justifying this, a small "c" conservatism about democratic change linked to distrust and possibly distaste for parts of the public.

As such, it is the relationship with the formal political process and elected politicians that is at the root of the problem here. If such deliberative forums were **more fully integrated into the legislative process**, and given their own institutional autonomy, rather than being at the whim of governments, such forums could make an important contribution to enhancing accountability and responsiveness in decision-making discourse. Accordingly, greater institutional weighting in the significance of the forums could, for example, be made in the frequency of meetings, and in ensuring that voluntary participants are suitably compensated for their time (perhaps being modelled on aspects of the jury system in some countries).

4.1.3 Community wealth building (CWB) and the Preston model

An approach that attempts to regain control of public spending across a local economy more broadly is the CWB model, which initially took root in Rust Belt America – a once-prosperous industrial region now grappling with economic decline, a dwindling population and urban decay. The term was coined by the Democracy Collaborative (a Washington-based progressive think tank) and arose as a response to the shortcomings of revitalisation efforts and wealth distribution. Its main pilot project has been in Cleveland, Ohio, focused around local public anchor institutions and worker co-operatives at its core. CWB has since spread to the UK, notably in the city of Preston (population of 144,000) in the north of England but is also attracting the attention of the Scottish Government. In essence, CWB represents an attempt to reorient local economic development to the needs of local communities as a whole, rather than to outside investors, as is often the case with foreign direct investment strategies, or to benefit wealthier residents at the expense of poorer inhabitants, which typically arises from gentrification. But as a project aimed at tackling local injustices, there are important democratic elements at its heart.

CWB has been both inspired by and represents an advance beyond the Mondragon experience

(Section 4.2.2, below), with a broader ambition to democratise the local economy through using public sector anchor institutions (such as hospitals, local government and public universities) to promote the sourcing of supply chains from local enterprises. A key element of the model is expanding co-operatives and employee ownership, as well as creating local public and co-operative banking institutions and vehicles to finance, sustain and grow local forms of collective ownership. The Scottish Government has recently committed itself to CWB policy, as part of its economic development agenda.⁵³

The approach involves **three key components**:

- 1) It prioritises **movement building** and establishing networks, liaising with a range of organisations, including academic institutions, on a global scale. It is these partnerships that help to cultivate networks of individuals dedicated to advancing CWB and associated activities.
- 2) Involves **practical work on the ground** and actively engaging in projects in various locations, predominantly in the USA and UK, applying CWB principles directly to bring tangible benefits and improvements to communities.
- 3) A focus on **policy and legislation**. This component involves conducting policy research aimed at creating conducive conditions to advance CWB practices. These three areas work synergistically together.

The CWB approach is underpinned by five pillars:⁵⁴ plural ownership of the economy; making financial power work for local places; fair employment and just labour markets; progressive procurement of goods and services; and socially productive use of land and property.

CWB took off in Preston in response to the limits of community regeneration efforts under the New Labour governments. Although these governments (from 1997 to 2010) did see substantial investment, the top-down model pursued failed to address many of the structural problems and inequalities that

Preston and many other older industrial cities and regions of the UK faced. The initiatives that were introduced lacked meaningful participation and failed to address the root causes of poverty and inequality. Meanwhile, the gap between the wealthy and the less affluent continued to widen, especially after the imposition of austerity by successive Conservative-Liberal Democrat and Conservative governments. A particular trigger was the abandonment of the £700 million Tithebarn investment project, aimed at attracting inward investment to regenerate the city centre, in the wake of the financial crisis and the shift towards austerity in local government.

It was within this context that important figures in local government, such as Councillor Matthew Brown from the city's Labour administration, decided on an alternative approach, and in 2013, began to pursue a partnership around CWB with the Manchester-based think tank the Centre for Local Economic Strategy (CLES), led by Neil McInroy, that had been at the forefront of advancing these ideas in the UK. Initially, the main goal was to transform the local economy from one that was in industrial decline with significant economic and social problems, reliant on external sources of development, to one "where wealth produced locally was controlled by those who produced it, not by distant shareholders", in the words of Matthew Brown.⁵⁵

Democracy in this sense was about increasing local political control over economic development by attempting to **use public procurement** processes to create local financial circuits and local economic multiplier effects, but also through stimulating democratic forms of local collective ownership. One component to this goal was to use the city's local public sector employers, such as local hospitals, universities and local government, buildings as "anchor institutions" to generate more local public procurement, where public sector activity contributed to the local economy and supply chains rather than leaking outside. It is estimated that this has led to an increase of £200 million in local multiplier effects. The council has also persuaded various locally based public pension funds to commit over £50 million to local projects.

Two of the more recent examples of what we would view as a local holistic approach to economic democracy occurred during the COVID-19 pandemic, when the local hospital set up a contract to buy masks from a local company with the creation of 120 jobs (authors' interviews) and a struggling private care home was brought into public ownership, with the outcome that staff moved from precarious low-wage contracts to more secure and better paid conditions on public sector terms. Current projects include using a £120 million capital fund to build a municipally owned cinema that will have a local supply chain, promote trade union membership and the restoration of a local museum using a Preston company that has sourced over 50% of its materials locally.

The city council received funding from the Open Societies Foundation to create ten new worker co-operatives, seven of which have now been established. These include an ex-prisoner retail co-operative; a food co-operative run by four ethnic minority workers; the conversion of a private business with some public funding into a "not-for-profit" yoga and wellness hub, which pays a minimum wage for the 17 part-time, predominantly female, workforce of £17 per hour (the national minimum wage in the UK is £11.44 per hour); a new publicly funded co-operative, which is being used to renovate an old community centre with the aim that this experience will help it win further contracts from the local public anchors; a digital co-operative with former local graduates; a co-operative education company described as a "union-backed co-operative", which is promoting worker ownership to trade union branches; a new social hybrid media platform for community groups (under 50% worker ownership); and the Preston Digital Co-operative (a municipal-led rather than worker-owned cooperative) was established to provide free broadband, particularly to deprived communities.

As can be seen from such examples, there is a broader mission of using public resources that has its own momentum to both democratise and socialise the local economy through municipal government agency. Ongoing initiatives also include funding new public housing projects and renovating old properties.

It has clearly been driven by energetic and pragmatic local city council leadership, allied to the CLES/Democracy Collaborative model, which has been able to draw other important local public and private actors into its CWB efforts. A key element has been the ability to capture external funding, both from UK Government funded initiatives and from other sources (such as Open Society). It has also had the advantage of having widespread support in the community, which means it has been a longer-term sustained initiative. Preston also benefits geographically from its position within the north-west of England, where there are other progressive left-of-centre mayors in cities such as Liverpool, Salford and Manchester, to the extent that one of the key aspirations now is the creation of a regional co-operative bank that could allow Mondragon-style self-financing of local initiatives.

There have been constraints and obstacles to the initiative, including local opposition initially from politicians and public officials steeped in more market-driven and neoliberal forms of development, but the early success in building a broader alliance across the local economy, allied to the broader recognition of the Preston model has given CWB important wider kudos and momentum. There is also the continuing austerity agenda being imposed on local government through Conservative governments at the UK level, which continues to constrain local capacities. While Preston has made some notable strides in tackling economic and social problems, realising its full potential locally and scaling up the model further would require a change in the UK governance regime to one that genuinely allows more local democratic control over economic development.

Table 2 sets out a summary of our findings on the case studies on democratic public spending.

Table 2. Participatory public spending.

EXAMPLES	CASES	AREAS OF SUCCESS	IMPEDIMENTS
PB	Eberswalde, Germany Various phases of participation and voting – idea collection and viability; participation is open to people aged 14 and over	Efforts to widen participation include reducing the minimum age and residency as opposed to citizenship	Limited decision-making power, as authorities are not bound to implement outcomes of budgeting process; municipalities are not obliged to provide justification for their decisions
CEC	Bank of England, UK Forums are in the form of travelling "roadshows" across the UK	There is the potential to discuss a wide range of topics of importance to participants; sessions are attended by at least one member of the Bank's monetary policy committee	Resistance from parts of the civil service and lobbying firms; there is a lack of engagement from parts of government and civil service; the influence of council meetings is unknown
CWB	Preston, England Attempts to retain wealth in the local area through the procurement practises of public anchor institutions	The initiative established local supply chains through procurement by hospitals and the city council; ten co-operatives were founded and supported	Some resistance from parts of the polity invested in standard business governance, and ongoing pressures on local authority budgets constrains capacities for widening the initiative

4.2 DEMOCRATISING THE WORKPLACE

Ownership is not just a legal or financial arrangement; it profoundly shapes a business's culture, behaviours, priorities and strategic direction. In the aftermath of the 2007-8 financial crisis and subsequent recessions, there has been discussion in both academic and policy circles⁵⁶ around how different ownership forms – especially mutuals and co-operative organisations – might offer more resilient and sustainable models of business organisation to private and public limited companies, as well as

aligning business operations with broader social and ecological values.⁵⁷ Co-operative forms have a long history in attempting to give both consumer and producer groups more power and agency in their economic interactions. Democratic workplace ownership is vital to economic democracy because it ensures that workers have a direct say in the decisions that affect their work and workplace, **leads to more equitable wealth distribution, and enhances job satisfaction and worker wellbeing.**⁵⁸ Additionally, research suggests that firms where employees have a stake in decision-making and

feel more empowered are **more likely to deliver innovation and productivity improvements** over the longer term than their corporate rivals.⁵⁹ As renowned political theorist Carole Pateman argues,⁶⁰ however, the primary justification for workplace democracy lies in its **intrinsic democratic values**, rather than its instrumental benefits like increased productivity or improved industrial relations. This underscores the ethical and political importance of democratic participation in the workplace for advancing broader democratic ideals within society. In this section, we offer five examples, two relating to employee ownership, two to more user- or consumer-driven forms of co-operative, and the work of the Institute of Economic Democracy and its advocacy of employee ownership.

4.2.1 The John Lewis Partnership

In the UK, the term "employee-owned" is typically reserved for businesses where the workforce owns more than 50% of the shares or ownership rights of the business. Established in 1929 as an "experiment in industrial democracy",⁶¹ the John Lewis Partnership is the largest and most well-known employee-owned firm in the UK. With 34 department stores and 329 supermarkets, John Lewis is a major retailer, employing around 74,000 people. Referring to its workforce as "partners", the company's employee-owned structure serves as a fundamental pillar of its ethos and operational approach. In contrast to the traditional shareholder-driven model, where decisions may prioritise short-term financial gains to appease investors, John Lewis operates with a structure where workers within the company have a direct stake in its success and directly benefit from it. This alternative model represents a departure from the prevailing traditional hierarchical ownership structure in the UK, embodying more democratic and participatory principles. As a form of employee ownership, it is a trust-based model,⁶² in the sense that workers do not directly own it but share in the business profits through the trust or foundation that has been established to represent their interests. Democracy occurs with elected

bodies at the store, region, divisional and head office levels, so that workers do play a substantial role in the governance of the organisation.

Like all major retailers in the UK, John Lewis has faced significant challenges in recent years against a backdrop of inflation, the pandemic, the escalating cost-of-living crisis, fluctuating consumer spending and soaring rental rates for many of its stores. The current predicament and existential challenges faced by the company were reflected in an announcement from Dame Sharon White in 2022, Chair of John Lewis Partnership, forecasting an anticipated loss of £230 million. The news reverberated deeply through the organisation, its workforce and wider society, raising concerns about the stability of the business and the potential impact on jobs and livelihoods. In her address, Dame Sharon expressed regret over the decision to forgo the annual profit-sharing bonus for workers, marking only the second occurrence of such an event in the company's 70-year history.⁶³ This annual bonus is a hallmark of the partnership's shared success and serves as a tangible symbol of its commitment to its workforce and democratic processes.

The situation became even more serious with the revelation that John Lewis was considering moving away from its tradition of 100% employee ownership.⁶⁴ The company management proposed to demutualise and increase their investment by attracting external investors into the structure. This prospect of diluting the employee-owned structure created a sense of unease among the workforce and wider employee-ownership sector about how these changes would unfold. For many, this development confirmed long-held fears that even a cherished British institution like John Lewis might eventually give in to the pressures of seeking outside investment.⁶⁵ While the reported aim of attracting between £1 billion and £2 billion of new investment might help the struggling retailer, it is crucial to consider the long-term implications. Such a shift could change the democratic governance structure, raising questions about the potential erosion of the company's participatory culture and values. Cathcart discusses the challenges within the

Partnership's decision-making structures, noting that, despite being safeguarded by a constitution, there are ongoing struggles "to define partnership in a way that privileges managerial interests".⁶⁶

Since these challenges surfaced, John Lewis and its workforce appear to be navigating this complexity by embracing internal activism. According to a report by SEC Newgate,⁶⁷ amidst the uncertainty, there has been a rise in internal activism, with employees increasingly taking an active role in shaping the company's policies and practices. This highlights the benefits of participatory governance, preserving the foundational principles of economic democracy. Workers have since exercised their right to voice their opinions and hold leadership accountable. In response, Dame Sharon has ruled out selling an equity stake to external investors before her term ends in February 2025.⁶⁸

In the face of mounting threats and obstacles, Mutuo highlights that this ought to direct focus once again to the **fundamental problem that mutuals and co-operatives often face in raising investment capital** compared to their competitors.⁶⁹ Beyond the UK, there are examples of organisations globally that have found ways to raise external capital without compromising the core purpose of the business or relinquishing control to investors. While Australia has introduced new legislation in the form of mutual capital instruments, which are a new way of issuing shares only available to mutual organisations, in order to raise investment capital. These offer sustainable investment opportunities for all companies with a mutual constitution.⁷⁰ The UK lags behind, with delays in implementing the Mutuals' Deferred Shares Act since 2015. This discrepancy highlights the varying levels of prioritisation and political will towards promoting mutual ownership. Peter Hunt, Chief Executive of Mutuo, suggests that the UK Government should be dedicating resources to thoroughly explore such options, stressing that urgent legislation is required to provide different options for John Lewis and similar entities to attract the required investment without jeopardising their identity and ethos.

Pendleton and Robinson emphasise that, while political support significantly influences employee-ownership activity, it is not the primary determining factor.⁷¹ D'Art and Turner⁷² refer to "favourable conjunctures",⁷³ which include both internal factors, like organisational structures and processes, as well as external factors, such as macroeconomic conditions and societal ideologies. These factors need to align within a specific context for employee ownership to be successfully implemented and sustained.

John Lewis exemplifies the transformative potential of employee-ownership models, and as observers closely monitor developments, the fate of the company will undoubtedly carry implications for the perceived resilience and adaptability of the employee-ownership model in the UK and beyond.

4.2.2 Mondragon's regional ecosystem of worker ownership in the Basque Country

From a democratic perspective, the Basque firm Mondragon represents a distinct alternative to John Lewis in terms of its governance structure. Arguably, its co-operative values have more effectively withstood commercial pressures over time, partly because it has developed as a broader network of democratic enterprises that can, to some extent, be mutually supportive. As such, it remains an important inspiration for employee ownership. Less a single firm but more of an employee-owned regional ecosystem – with 74,000 employees across a network of worker co-operative companies, ranging from retail, through manufacturing, to banking – it continues to be centred upon principles of "labour sovereignty".⁷⁴ Every co-operative has an annual general assembly, which approves the business plan and budget, based on one member, one vote and an elected board of directors. A further element of economic democracy is an elected Social Council, where working conditions and other social issues can be discussed with management. One of its abiding strengths in adapting to dynamic market conditions, especially in weathering the financial crisis

and subsequent periods of austerity, appears to be its commitment to investing its surplus in research, innovation and training, with the important asset of its own bank to provide financial independency and longer-term patient capital across its network.⁷⁵

Mondragon is not without its critics. For instance, some scepticism has been expressed about how well the co-operative ethos travels to some of the corporation's overseas operations. One study has highlighted how they "operate like standard (commercial) firms", providing "confirmation that co-ops cannot survive in a global capitalist sea".⁷⁶ The implication being that, to compete, co-operatives have to lose their mutualist and solidaristic ethos, and there is even some evidence that in its home region "worker-ownership did not shield them from factory regimes that were devised for profit maximisation and workplace discipline in the capitalist market".⁷⁷ Other research points out that, for all its impressive efforts at constructing a local co-operative ecosystem, Mondragon makes up only 6-7% of the Basque economy.⁷⁸



Replicating elsewhere and expanding the reach of workplace democracy in this sense requires supportive state legislation and other mechanisms and policies.



Nevertheless, the Mondragon experience does demonstrate the potential for scaling up forms of employee and co-operative ownership at the local level. Taken as a whole, it is indicative of both the potential and the limits to workplace-based approaches to economic democracy. While they can be important in generating more solidaristic values,

they do not, on their own, allow an escape from capital-labour tensions in a broader economy that is still dominated by profit maximisation and market-based competition. Replicating elsewhere and expanding the reach of workplace democracy in this sense requires supportive state legislation and other mechanisms and policies (including forms of public and municipal ownership) to foster greater economic democracy and public participation.

4.2.3 The Institute for Economic Democracy (IED) in Slovenia

One initiative that is important in this regard has been the establishment of the IED in Slovenia in 2018. IED's aims are centred on production governance in the promotion of models of employee ownership and participation, which it sees as the most effective way of promoting social justice through enhancing employee rights. Providing greater ownership and control for labour is also seen as promoting greater economic efficiency in the form of "community-anchored business ownership".

The institute utilises several approaches in promoting its aims. It has and continues to provide (pro bono) policy research and legislative assistance to the Slovenian government. This focuses on the framing of the political-legal nexus promoting the Employee Share Ownership Plan (ESOP). In particular, in small-to-medium enterprises, family succession, it is argued, is declining, which presents a risk that capital ownership transfers to larger trans-national corporations. Accordingly, the IED argues that surpluses will be transferred beyond the domestic economy in a more extractive approach. By contrast, ESOP presents the opportunity for sustainable local and community ownership, with surpluses remaining within the domestic economy. In presenting this case, the IED also engages with trade unions and chambers of commerce. In the case of the former, the focus relates to promotion of employee rights, with the latter enlightened self-interest in that the adoption of ESOP will benefit firms as well as the wider community.

Relatedly, much of the IED's work is legal advice and advocacy. For instance, the IED has worked on the translation of the US system of employee stock-purchase plans to the EU, specifically the European Commission. In the domestic context, the IED has advocated a system of tax incentives to the Economy Ministry in Slovenia. These revolve around promoting and sustaining ESOP. Employee share-owned firms are entitled to tax deductions, which are clawed back if the ESOP sells out over the first ten years.

The most significant success for the IED, to date, was the establishment of an ESOP in a firm of 110 employees, and since 2018, initiatives range across industries such as accounting services, electrical component manufacturing and the testing of measurement equipment. Interest throughout the EU in the promotion of employee-participation initiatives is also viewed as a measure of success. That said, further policy support at the EU level is necessary to facilitate the dissemination of the initiative.

4.2.4 Schönau's rural energy co-operative

One notable trend across Europe in recent years, linked to efforts to tackle climate change, has been the growth in local energy co-operatives, particularly prominent in countries such as Germany and Denmark, where there have been government policies, such as feed-in-tariffs, which have encouraged local energy generation through a certain level of guaranteed pricing. The European umbrella body REScoop suggests that there are now around 2,250 energy co-operatives, with over 1.5 million citizens said to be "active in the energy transition".⁷⁹ While the extent to which such co-operatives genuinely engage broader publics as active members is variable, membership can often be relatively passive and linked to ownership of shares rather than active decision-making. Moreover, the development of energy co-operatives appears to be losing some momentum, particularly given the increased emphasis upon an "energy market" in EU directives over more formal, planned state policies. Yet, there are examples of good practice,

where there are both structures in place to allow democratic decision-making among members and mechanisms to encourage worker engagement.

One such example from the Black Forest region of southern Germany is the rural energy co-operative, *Elektrizitätswerke Schönau* (EWS). EWS was established in 1996 following a campaign by local residents of the small town of Schönau (population 2,500) against their incumbent private energy provider *Kraftübertragungswerke Rheinfeld* (KWR) and its reliance on nuclear energy. This followed growing citizens' concerns after the 1986 Chernobyl disaster and the desire to shift towards an alternative and more renewable energy system. Faced with the intransigence of KWR, 10-15 Schönau residents – self-described as "mothers, doctors and teachers"⁸⁰ – embarked upon a remarkable campaign to understand and look for alternatives: "parents for a nuclear free future", wanted to campaign for a solution and not just a protest movement. That solution was to set up their own local co-operative and take over the running of the grid from KWR.

In the face of opposition from the local city council (which was dominated by the centre-right Christian Democratic Union, CDU), activists in the local population mobilised a broader coalition, including experts with knowledge of the energy sector and a specialist from Aachen who was able to write a feasibility study that was approved by regional state officials. Using German direct-democracy laws allowing local referenda, the citizens campaign narrowly won the right to take control of the grid in 1996, with the co-operative established a year later.⁸¹ A further hurdle the co-operative had to clear was payment of compensation to KWR for its loss of contract – originally €5.7 million, but later reduced to €3.7 million after a court ruling. The finance was raised through a national campaign after the case had become a celebrated cause in the German media.

Over quarter of a century later, EWS has become an important player across Germany in promoting co-operative and local community forms of renewable energy, including offering advice and sometimes financial support for other co-operative

energy initiatives, in opposition to the dominant corporate utility giants. It has 15,000 co-operative members across Germany, with half of these in the local region of Baden-Württemberg, including a cluster in the nearby city of Freiburg. There are a few hundred outside (mainly across the border in Switzerland), but also "hotspots of membership in student cities such as Berlin, Hamburg and Koln" (interview with director). Membership from the northern cities tends to be younger than the local membership.

There is an annual Assembly open to all members (under German Federal Law with a law on co-operative association stretching back to the 19th century – the *Genossenschaftsgesetz*), where all members are allowed to come and vote on strategic policy on the basis of "one member, one vote". It is at the Assembly that the co-operative's controlling board of seven members is elected on a rotating basis for three years at a time. The controlling board then selects the executive board of directors that runs the company's day-to-day business, and the two boards discuss together key decisions about how the company proceeds, typically the executive board makes recommendations. After the formal elections, the workshops are where opportunities are open for discussion on different matters.

Decisions to change policy must be made by changing the membership of the oversight board. Only those members who attend the meeting can vote, typically there are around 400 that attend the meeting, and most are in their 60s or older, a lot are children of previous members. It is described as 500-600 active members, with many of the rest being family members. The company has 260 employees, predominantly local but with 60 in Freiburg and 20 in Berlin, the latter working with other co-operatives to lobby government policy. After a six-month probation period, workers become permanent employees and receive shares in the company as part of a Christmas bonus scheme, effectively meaning that all permanent employees become co-operative members. There is no recognised trade union, but given its size, under German law, the company has an elected works council, where health and safety and employment regulations are discussed. The works council does not play a role in company strategy.

4.2.5 Copenhagen's Københavns Almene Boliger (KAB) housing co-operative

KAB is the largest non-profit rental administrator in the greater Copenhagen region of Denmark. It was established in 1920 with the goal of ensuring the provision of "outstanding housing" for "everyone". The organisation claims to be "highly aware" of its social responsibility and emphasises sustainability in the environmental, financial and social domains.

The body is responsible for administering 60 housing association providers. It ensures that housing rentals reflect costs without a profit markup. They are also responsible for waiting lists and housing allocations. KAB is technically owned by the housing association that it administers, which, in principle, may entail possible conflicts of interest.

Housing associations are centred on estates in which housing is allocated on the bases of queueing systems and degrees of urgency. Residents in housing association estates have the right to participate in decisions over budgetary allocations over a range of services. Specifically, residents are invited to participate in estate board meetings in which they can elect representatives and directly shape various regulations, such as the prohibition of pets; communal barbeques; the allocation of budgets to, for example, maintenance of common areas; and investment decisions, such as upgrades of kitchens.

The initiative is largely self-funding with limited state subsidy. The argument being that this should be subject to local direct accountability and transparency. Resident board meetings are supported by KAB staff and civil servants, who act in an advisory capacity. Budget allocations may be subject to approval from the KAB board, which then arranges the financing of initiatives. This board, and housing association boards, are elected by tenants.

The principal challenge in the system is to ensure and encourage tenant participation. Board membership can be time-consuming, and therefore, may be dominated by particular social groupings and thus not representative of the diversity of tenants.

The arrangements governing KAB and "tenant democracy" are reflective of the broader deliberative and participative forms of democracy embedded within Danish society.

Table 3 sets out a summary of the cases associated with democratising the workplace.

Table 3. Democratising the workplace.

EXAMPLES	CASES	AREAS OF SUCCESS	IMPEDIMENTS
Employee ownership	John Lewis Partnership, UK; Mondragon worker co-operatives, Basque Country	John Lewis – democratic procedures established to ensure employees share in company success; Mondragon – well-established ecosystem of co-operatives has demonstrated resilience to challenging circumstances; the governance arrangements centre on the one-member, one-vote principle; employees are directly involved in approving business plans and budgets	John Lewis – contraction in demand associated with the COVID-19 pandemic and cost of living crisis in the UK; the company experiencing considerable financial pressure; senior management considering demutualisation as a means of attracting external investment; Mondragon – overseas' subsidiaries do not appear to embrace the co-operative ethos; operating as standard capitalist firms
User-consumer co-operatives	Energy co-operative, Schönau, Germany; Tenant democracy (KAB), Copenhagen, Denmark	Schönau – established model of participation that has spread across Germany; one-member, one-vote principle in decision-making over strategic policy; an elected assembly oversees the operational procedures of the co-operative; KAB, Copenhagen – tenant involvement in the allocation of funds for communal investment priorities; direct elections to governing boards	Schönau and KAB, Copenhagen, both encounter issues of ensuring broader participation beyond particular social groupings; Problems of energy cooperatives competing in less-regulated European energy markets versus larger private utilities
Expert policy advice	IED, Slovenia	Provides expert legal and economic advice to companies, chambers of commerce, trade unions and national government on employee share ownership; this enables surpluses to remain in the locality of business	Challenges in scaling-up influence and adoption of employee ownership beyond small- and medium-sized firms; ensuring secure finance can be challenging

4.3 DEMOCRATISING LOCAL PUBLIC SERVICES THROUGH REMUNICIPALISATION PROCESSES

One of the most important trends in relation to the broader agenda of economic democracy in recent years has been at the local level, where there has been a global pushback against the privatisation of public services. In what has become labelled as "remunicipalisation", cities, towns and even regional authorities across the world have been taking formerly privatised services in sectors as diverse as water, energy, transport, health, housing and other aspects of local government have been brought back into local public ownership.⁸² A new database constructed by the Transnational Institute in partnership with the University of Glasgow through a bottom-up, crowd-sourced movement of activists, non-governmental organisations (NGOs) and trade unionists has recorded 1,695 cases of either deprivatisation or new municipally owned enterprises being created around the world since 2000.⁸³ Many of the cases recorded reflect the failures of privatisation to deliver promised efficiencies and improved services, whilst prices to consumers have risen and many private firms have made exorbitant profits despite poor performance. But an important element reflected in around one quarter of cases has been regaining local democratic control over essential public services to tackle critical public policy issues, notably climate change and infrastructure modernisation.⁸⁴

Europe has been the epicentre of remunicipalisation, to date, with over 60% of cases, and we detail below four examples of initiatives across different sectors and countries that have been forged around democratic mobilisations and citizen engagement.

4.3.1 Paris's water remunicipalisation

In January 2010, the city of Paris brought its water service provision back into public ownership, after deciding not to renew the contracts of the private operators, French water multinationals Suez and Veolia. This decision was a momentous one; the

French water sector had been dominated for over a century by the two firms, which used their strong national positions to develop internationally from the 1980s onwards, benefiting from neoliberal-inspired Washington Consensus policies encouraging cities and regions to privatise water sectors.

Like many French cities, Paris's water sector had for years been outsourced to private operators with little transparency over its running and costs, and no real democratic accountability. In Paris, a series of right-wing mayors (including eventual French President Jacques Chirac) had colluded with the private sector, a system of "collusion and connections between the different spheres of power [...] creating and maintaining a network of economic and political players driven by cronyism, backroom deals and lobbying."⁸⁵ When a new left-green coalition was elected to run the city in 2001, reform of the water services was a key objective, although at the time better and more transparent management was the goal rather than public ownership. However, as the problems and complexities of the opaque system of water privatisation became clear, with very little public control, for example, over the setting of tariffs, it became clear that a re-negotiation with the private sector would not allow real change to occur. The mayor's team realised that a full remunicipalisation of the entire service was required and campaigned for re-election in 2008 on that basis.

Unlike some of the other remunicipalisations discussed here, this was **largely a top-down process** without a grassroots social movement presence. Despite this, it has been animated by concerns to enhance democratic governance and increase public participation. A key figure in the subsequent campaign to remunicipalise was Anne Le Straat, a Green councillor responsible for water services since 2001. Believing that a full municipal takeover was necessary to transform the water sector from a revenue-generating machine for a private cartel to serve the public interest, Le Straat worked with public sector trade unions and civil servants to recruit workers and build up public capacities and knowledge in advance of remunicipalisation. From the outset, in the preparations to create the public company, the intention was

"to involve the staff of the company", specifically to make it a more democratic and participatory process from the start but also to draw upon their knowledge, skills and experiences. This was very important in coming up with a detailed business case and plan with the right professional and technical knowledge to convince others in the city council and higher civil servants in the city government. The Paris team also drew on experience from Grenoble public officials, who had remunicipalised their water services over ten years earlier.

Keen to make the new public water company (*L'Eau de Paris*) democratic and accountable, a new multi-stakeholder board was appointed to run the company, comprised of elected officials, employees and civil society representatives. Another key innovation alongside this was the establishment of a Water Observatory, which was, in the words of Le Straat, to be a "space for citizen oversight and information, and to make the elected representatives of the City of Paris, its administration and the employees of *L'Eau de Paris* accountable to citizens". An elected member from the Observatory was also to sit on the company's management board.

The remunicipalisation is now regarded as a considerable success and has been an inspiration for other cities across France to follow Paris's lead, including Lyon, Bordeaux, Montpellier and Nice. As a report by the Corporate Europe Observatory noted:

Ten years after the city's remunicipalisation, it is hard to find anybody who would dispute the achievements of the new public water operator Eau de Paris. In 2017, it was awarded the prestigious United Nations Public Service Award. When the water was remunicipalised, the price of water was cut by 8% as a result of savings on financial transfers to private companies and their shareholders. In 2020, prices are still lower than they were before remunicipalisation and are the lowest in the entire Paris region.⁸⁶

Improvements include enabling better access to water for poorer residents, the homeless and refugees; dramatically increasing water fountains throughout the city; and increasing water conservation. It has also

developed partnerships with the agricultural sector to secure its water catchments and provide funding for farmers to encourage fewer pesticides and nitrates and greater use of organic methods.

Despite such successes, the level of democratic involvement has declined over time. Although the Water Observatory did initially seem to work well in bringing citizens' views and experiences into the discussions of water governance and management, over time, this has diminished and the Observatory has become less active. Partially, this may reflect less public concern with water, given a more stable and improved performance after remunicipalisation. Another factor seems to have been a change of personnel involved in the water company and the Observatory, with new actors not showing the same levels of commitment to democratic participation and engagement as their predecessors. An idea that is currently being debated to reinvigorate public engagement is to dedicate a portion of the income generated by the municipal company to PB initiatives.

4.3.2 Terrassa's experience with democratic participation through its Observatory

The city of Terrassa in Catalonia (population 218,000) followed the Paris example in setting up a Water Observatory, following its remunicipalisation process between 2014 and 2018, and has been described as a vanguard case because of the depth of its commitment to citizen participation.⁸⁷

A group of activists that were part of Spain's 15-M movement created, in 2014, a group called *Taula del'aigua* (Water Roundtable) with the aim of preventing the municipal government from reprivatizing the service. They argued in favour of citizen participation in the governance of the service and against the use of the commons for private interests.⁸⁸ Unlike the Paris example, this case can be characterised as a **bottom-up initiative**, with social movements being active leaders in the proposal of a new participatory institution for the democratic governance of the water service in the city, then sanctioned by the *Ajuntament*.

The aim of the Observatory is to articulate citizen participation in the decisions that affect the water service, the elaboration and dissemination of information, and the promotion of public control and accountability of the service. Recognised officially as a "municipal participatory body", it is autonomous with regards to the city government.⁸⁹ It is a consultative space for generating proposals for water governance. The fact that the decisions are not binding for the local government opens the question of its power to change the water culture in Terrassa. Because it has representatives of each political party, it may offer an informal guarantee that the decisions which are approved would then have a consensus in the local council.⁹⁰ However, the absence of mandatory regulations may lead the local government to assume that its responsibility is fulfilled by merely allowing this space to exist, in view of other technical, economic and strategic justifications that may lead it to discard what is being proposed.

The Observatory has a plenary formed by representatives of political parties with representation in the local council, the municipal government, technical service staff from the water company, business confederations, citizen activist groups, unions, schools and university research groups. It also has working groups and collaboration boards.⁹¹ The Observatory comprises a mixture of participatory forms and orientations. This is a hybrid between a "radical type of participation", which introduces direct engagement of the community in decision-making, and a "socioliberal" type, which aims for consensus between different groups to define the general interest.⁹² The Observatory rules encourage consensus, with a public vote only under circumstances in which a consensus does not emerge.⁹³ Groups are diverse, which lends legitimacy to the process.

As participation in the Observatory is voluntary, it may end up being possible only for people who have the time and resources to dedicate to it. Many of the participants are retired and feel an altruistic desire to participate in the initiative. The age of participants creates the issue of needing a generational shift for the observatory to last. It

is not always easy to find a balance between the volume of work assigned and available time, which can lead the most engaged participants to feel overwhelmed and demotivated.⁹⁴ In addition, participants may feel that the municipal government and the company are "using" that same active will to participate to legitimise their decisions or out-source their responsibilities to the Observatory's "free labour".⁹⁵

Further challenges have arisen from working with the deprivatised company, *Taigua*, which has retained some of the culture and practices of the private operator, and as such there has been resistance to the concept of the "co-production" of policies.⁹⁶ On occasion, the company and the municipal government display some reservations over the supervisory arrangements associated with the Observatory, leading them to having a patronising approach,⁹⁷ inducing some tensions in relations. It takes time and effort to progress towards a participatory water governance, to break the inertia of keeping old, non-participatory practices within the administration. This is frequently exacerbated by the task demands on *Ajuntament* employees, who accordingly cannot dedicate sufficient time to immerse themselves into a new participatory culture.

4.3.3 Berlin's grassroots movement to socialise the housing sector

Since reunification in 1990, before which much of the housing sector (in the former West and East Berlin) was under state or public forms of ownership, Berlin has undergone a massive privatisation of its housing stock, which has run alongside ongoing gentrification and market-led forms of urban development in the city. Much of the public housing stock was sold off and remaining public housing increasingly run along commercial lines. The situation has led to rising rents, an increasing crisis of unaffordability and many lower-income groups being priced out of living in the city. A particular phenomenon in Berlin has been the growth of a few large private corporate housing developers

owning a significant number of properties, including a growing amount of financialised, hedge-fund involvement. One of the largest of these real estate developers is *Deutsche Wohnen* (which since 2021 has been part of the larger corporation Vonovia), which owns around 115,000 properties.⁹⁸

Against this background, a grassroots movement involving tenants' organisations, left activists, academics and other campaigners emerged to campaign in the first instance for rent controls but later, in 2018, started a more radical campaign to appropriate the housing stock of the large private developers (companies with over 3,000 properties), which is estimated to involve around 250,000 properties. The movement that emerged is known as *Deutsche Wohnen Enteignen* (DWE, in English, socialise Deutsche Wohnen after the private company).

Significantly, most of the city's political and economic establishment, including all leading political parties (even the left) and some trade unions in the construction sector have supported market-led urban development persuaded by pro-growth arguments, although *Die Linke* have now thrown their support behind the campaign. In the face of such establishment opposition, the movement has used direct-democracy tactics, specifically, the use of referenda, which are enabled by the federal constitution, and were already used in the case of water and energy remunicipalisations. An earlier attempt in 2015 to hold a referendum on rent controls, the *Mietenvolksentscheid*, failed to pass but did extract some concessions around keeping rents lower.

Referenda in Berlin, and elsewhere in Germany, usually involve a two-stage process: one for collecting signatures to hold the referendum; and a second stage where the vote takes place and has to pass a certain threshold (a 25% turnout) to be implemented. The referendum took advantage of Article 15 of the German Federal Post-1945 Constitution that gives individual states within the federal system (e.g., Bavaria, Berlin as a city state) the right to vote to take control of private assets and socialise them, but previously this had not been used. Taking place on 26 September 2021, DWE

won the vote with 57.6% of the vote, although as a non-binding referendum, there was no obligation by the city council to implement it. So far, with a new CDU-Social Democratic Party (SPD) coalition elected to the city government in 2023, there are no plans to implement the law.

A third campaign was initiated in 2023; this time to fight a binding referendum that would force the government to implement the change. So far, for the new campaign, a crowd-funded effort raised €100,000 to pay for the legal advice and support they need to make sure the proposal passes the legislative process to allow the referendum to go ahead.



The experience of direct democracy itself over a sustained period does seem to generate a more democratic and active citizenship capable of mobilising and self-organising.



The movement is non-hierarchical and comes out of autonomous, anarchist traditions in Berlin, which have grown up over time and been refreshed through other grassroots campaigns that have used direct-democracy methods through the holding of referenda, most notably against selling off of the former Tempelhof Airport to developers and water and energy remunicipalisation campaigns undertaken in the 2010s. Hence, a strong radical civil society tradition in Berlin seems capable of mobilisation in waves at particular junctures to contest the privatisation of city spaces and mobilise for public and democratic alternatives. It can also be linked back to the strong squatter movement of the 1980s.

At points, leadership to mobilise a broader campaign came through tenants' groups of different types (e.g., the relatively moderate *Berliner Mieterverein* tenants' union, trade unions), but it seems to be mainly a shifting network of activists and movements with different constellations of individuals coming together to take the lead at different moments.

The grassroots movement has been very successful in mobilisation of a broader coalition for the various direct-democracy campaigns, where there is a clear end goal aimed at dealing with critical social and public policy problems (water, energy and now housing campaigns). The experience of direct democracy itself over a sustained period does seem to generate a more democratic and active citizenship capable of mobilising and self-organising to hold elected politicians accountable and generate new policy initiatives. Also, these campaigns do generate a lot of collective learning that is also very important in training and educating people in active processes of democracy and governance.

Most of the constraints and frustrations with realising a more democratic process come from state and elected officials and parties, who seem to have too-close relationships with private, developer and corporate interests. Right-wing elements of the SPD and allied trade unions have strong links to the construction industry. The SPD establishment, for example, has been unwilling to move away from a narrative of "partnership with investors" to "democratic public ownership", although there are divisions internally described as 50/50 by one of our respondents. The Greens too display similar divisions. There is also a problem in overcoming small "c" conservatism among state bureaucracy and officials in relation to enacting new legislation and changes that go against established norms. The state itself has been hollowed out by austerity and neoliberal governance agencies, so that it lacks the capacity to control and regulate the existing legislation.

Another key hurdle for activists can be in accessing the knowledge, skills and expertise to navigate the institutional and regulatory architecture of the state at local and national levels and having the right

advice and combatting an imbalance of power in relation to powerful corporate private actors in this regard. The Berlin movement has, in this sense, benefited from a broad, diverse range of backgrounds, with academics and lawyers also being involved.

4.3.4 Hamburg's grassroots campaign for an integrated public energy company

In September 2013, by the narrowest of majorities (50.9% of voters), the city of Hamburg voted in a referendum to remunicipalise its energy grid, forcing the city's government to buy back ownership and control of the grid from the private operator, Swedish multinational *Vattenfall*.⁹⁹ The referendum campaign reflected a powerful grassroots mobilisation – *Unser Hamburg, Unser Netz* (Our Hamburg, Our Network) – to force the city government to move faster in implementing policies towards a post-carbon energy transition and focused around using direct-democracy tools as a means of achieving its goals. The campaign also sought public control of the district heating grid and gas supplier to enable an integrated approach to energy transition.

What was remarkable about this result was that it was achieved by a campaign of NGOs and local environmental activists (with groups such as "Robin Wood" and "Stop Moorburg Pipelines") against the opposition of powerful mainstream political parties (SPD and CDU), which had long dominated city politics. The referendum was also opposed by the energy-sector trade union, which had a longstanding collective bargaining agreement with *Vattenfall*. Although a strong grassroots mobilisation, the support of key NGOs was crucial. The BUND (German branch of Friends of the Earth), *Verbraucherzentrale* (Consumer Advice Centre) and the charitable arm of the Protestant-Lutheran church were able to supply considerable organisational capacity and mobilise broader support networks.

As the dominant party in the city government, the SPD was tasked with implementing the result, despite having opposed it, so it was also able to block,

for a time, further proposals around district heating and gas. However, the departure, in 2018, of the more conservative SPD Mayor of Hamburg Olaf Scholz, to become Federal Government Finance Minister (subsequently Chancellor), led to a regime change, resulting in district heating remunicipalisation. Strong mobilisation around green issues, including massive Fridays for Future demonstrations, and another campaign, *Tschuss Kohl*, started in response to the city establishment's failure to rapidly phase out its coal-fired power stations, with the threat of another referendum, led to a step-change in the city's transition policies.

Now, with a fully integrated municipally owned and controlled energy system, the city can realise far more ambitious energy-transition targets, notably the plan to convert 400,000 homes away from coal- and gas-fired heating towards renewables and district heating. As one of the richest cities in Europe, Hamburg has an advantage over many others of being able to borrow cheaply to finance its investment programmes. Additionally, its political leverage as a fully fledged *Bundesland* (regional state) within the German federal system means that it can even influence national laws, which it has done to amend district-heating regulations to support its goals.

Several years earlier, the Green Party, in the governing coalition at the time with the CDU, had set up the city-owned company *Hamburg Energie*, with the aim of producing renewable energy and selling electricity to consumers. As of today, the city now has a fully integrated public energy system from production to distribution that can enable the city to set ambitious energy-transition goals towards a carbon-neutral economy. While these publicly owned companies are not subject to the kinds of direct democratic involvement and citizen/worker engagement in strategic decision-making seen in some other examples (e.g., Mondragon and *Banco Popular*), there are two elements of economic democracy that are notable here. Firstly, the presence of a well-developed active civil society (including key actors in the NGO sector) around environmental issues that has mobilised in terms of generating broader coalitions around particular platforms, notably, *Energietisch* and *Tschuss*

Kohl, to push city leaders towards a more rapid energy transition. Secondly, the possibility to use direct democracy through referenda within the German federal system to initiate change from below against local political and business elites. A final interesting development has been the creation of a local energy co-operative, *EnergieNetz Hamburg*, created at the time of the remunicipalisation, having raised €50 million through its 3,000 members, and now acting both as a lobbying actor for decentralised, carbon-free energy and financing its own renewable-energy-generation projects.¹⁰⁰

Table 4 summarises the cases of attempts to democratise local public services.

Table 4. Democratising local public services through remunicipalisation processes.

EXAMPLES	CASES	AREAS OF SUCCESS	IMPEDIMENTS
Remunicipalisation of water services	Paris Observatory, France Terrassa Observatory, Catalonia	Establishment of multi-stakeholder boards, comprising elected and unelected officials and civil society participants to oversee the operation of water services; improvements in accessing water services for marginalised groups Paris – top-down initiative Terrassa – bottom up initiative, attempting to mimic the Paris model and to prevent the reprivatisation of water services by the municipality	Both cases have experienced declines in participation in the observatories due to demands on participants' time Terrassa has also encountered some tensions between civil servants and voluntary participants
Socialisation of housing	Berlin, Germany	Use of direct-democracy referenda to mobilise support for social alternatives Building of diverse coalitions from an active local civil society around key public services	Unwillingness of local political elites to endorse democratic decisions and challenge status quo Powerful pro-business lobby for gentrification and market-led development
Integrated public energy	Hamburg, Germany	Adoption of ambitious energy transition plans to reduce carbon emissions Influenced national legislation concerning the adoption of district heating initiatives Establishment of a local energy co-operative	On-going austerity agenda of national government

5. DISCUSSION AND CONCLUSION

5. DISCUSSION AND CONCLUSION

As the range of cases that we have reviewed demonstrates, the broader concept of economic democracy that we argue for here is alive and well across Europe. Although we have chosen not to focus on initiatives, such as UBI or UBS, or the campaign for shorter working hours, which would enhance individual economic freedoms, there are also growing debates and experiments around such initiatives across the continent.¹⁰¹ In the three areas that we have focused upon, our cases demonstrate not just the viability of economic democracy, but also its role as a different form of governance that can tackle the social and ecological injustices that are increasingly manifest.

We need to acknowledge that economic democracy is geographically uneven. While there are important examples of economic democracy across Southern and Eastern Europe, such as social co-operatives in Bologna and the remunicipalisation of water services in Naples, a lack of resources and particularly funding for alternatives to marketised forms of economic governance, make the terrain for economic democracy more difficult.¹⁰² Germany, with its decentralised political system and strong history of, and institutional support for, co-operativism, seems to provide considerable opportunities for local autonomy and democratic initiatives. Similarly, and although they haven't figured here beyond the case of KAB (Section 4.2.5), the Nordic countries', with their traditions of social democracy (although eroded by neoliberalism), continuing commitment to social partnership in the workplaces, traditions of mutualism and decentralised governance structures also provide a more fertile terrain for economic democracy than a more centralised polity like the UK.¹⁰³ Though, even here, as the Preston model attests, determined local actors can effect real change.

Nevertheless, the broader climate of continuing neoliberal-driven austerity policies across Europe, the

resulting constraints on resources and mechanisms to pursue alternatives, and the failure of supposed progressive political parties to confront these limitations, fundamentally limit the ability to scale out and up promising local economic democracy initiatives. This is even evident in the continent's most powerful economy, Germany, where the *Schuldenbremse* – the debt brake introduced into the constitution by the coalition government of the CDU-SPD following the financial crisis – has severely hamstrung the country's efforts to invest to fulfil its commitments to a post-carbon transition. Additionally, the European Commission's commitment to a neoliberal discourse that prioritises private solutions to public policy problems, allied to the ability of powerful corporate lobbying groups to influence national and EU government economic decisions and key institutions, such as central banks, further constrain initiatives towards economic democracy.

Given these conditions, there are considerable obstacles to developing a broader agenda for transformative change towards economic democracy. Promising initiatives, such as CWB, require much greater national and supra-national support, both financially and legislatively (in terms of, for example, supporting local procurement efforts and policies that promote democratic collective, co-operative and public forms of ownership). Our evidence from Germany, in particular, suggests that, where there are regulatory and legislative supports (e.g., for direct democracy or socialisation of ownership), these can enable effective mobilisations around democratic alternatives. Other evidence, for example, from the UK with the CEC (Section 4.1.2), suggests that progressive initiatives that remain voluntary and only "advisory" can only go so far without active government legislation to embed them fully in key economic decision-making bodies, such as central banks or finance ministries (Section 4.1.1).

More positively, as many of our cases, from Paris to Hamburg and Preston, demonstrate, progressive change is attainable. Our research also points to examples where democratic spaces emerged from the grassroots and were then successfully institutionalised, such as the Terrassa Water Observatory or the remunicipalisation of Hamburg's energy system and the taking over of the local energy grid in Schönau (Sections 4.2 and 4.3).

There are key elements of change that emerge from our cases. The first of these is the importance of building diverse coalitions for change that harness both local capacities and skills but are also capable of drawing upon external expertise when required (Section 4.2.4). This is apparent in different ways through our cases. Whether it is through building-up knowledge, skills, expertise and support internally in the Paris water remunicipalisation, or by assembling a coalition of diverse, self-educating citizens together with external expertise (as in the case of Schönau) or to a similar extent in Berlin, or through diverse NGO-activist coalitions in the case of Hamburg (Sections 4.3.3 and 4.3.4). Such coalitions can then become empowered to challenge and sometimes defeat elite and vested interests to create alternative more democratic forms of economic governance established.

A second issue relates to resolving the tensions between the need for professional and technical expertise to run organisations, even in delivering effective outcomes for alternative non-profit values promoting social or ecological justice, and the pursuit of public participation to realise democratisation. Some of our cases demonstrate the tensions that arise but also the kinds of solutions. The example of Paris (Section 4.3.1) and the opening up of the corrupt and opaque governance of water by private interests, and the working through using deliberative collective learning processes by the city's leadership, workers, civil servants and public sector unions of what would be required to create a publicly owned and accountable water system, again comes to the fore. In this regard, it should also be recognised that there are not simple binaries between experts and the wider non-expert public. Workers and users of

public services have alternative perspectives and often important knowledge about the operation of enterprises that can complement and even enrich managerial decision-making processes.

Thirdly, there remain inevitable tensions in making democracy work in organisations, even where more democratic and participatory structures have been put in place. Participatory bodies created for advancing economic democracy often share the characteristic of needing to deliberate over topics that have a highly technical dimension, where experts tend to lead the terms of the deliberation (Sections 4.1.2, 4.2.3, 4.2.4, 4.2.5 and 4.3.2). These specialists, from within state and company structures, may tend to monopolise the discussions and feel threatened by the inclusion of alternative views to the issues, brought by participants beyond the expertise nucleus. This emerges then as a constraint. In the CEC (Section 4.1.2), for instance, mainstream economists consider that the public is not informed enough to deliberate on monetary policies, but this in itself reflects a lack of engagement and knowledge about alternative economic perspectives and practices.

Typically, in PB cases, a phase of the process is not open to public deliberation and scrutiny, and local authorities retain veto power over people's proposals on the basis of legal or technical constraints (Section 4.1.1). Measures to counteract such monopolisation of discourse and knowledge should be pursued, which open up the terms on which discussion takes place and informs the process through its different phases. As well as being more inclusive, this will ensure that a plurality of knowledge is taken into account for deliberation.

All in all, a single participatory body cannot offer all of the possibilities for participation. Instead, a plural environment of democratic publics and deliberative spaces can enhance economic democracy, which can focus on diverse aspects of the economy and accommodate the motivations of individuals to participate in aspects that resonate with their lives. This can effectively offer spaces of participation to everyone that is inclined to do so.

In this regard, measures to avoid restricting participatory rights to particular categories of people, for example, citizens of the country or adults, can democratise these spaces, such as those seen in Eberswalde's PB (Section 4.1.1).

A common issue with many of the forms of public participation and engagement discussed here is the problem of actor fatigue and lack of resources, time and energy to sustain early breakthroughs towards democratisation over time (Sections 4.2.4, 4.2.5 and 4.3.2). Our research has heightened awareness of how time-consuming participation can be for all the involved actors. This adds weight to the argument about the need for systemic policies to free up time for participation – particularly shorter working hours and perhaps even financial support, particularly for more marginalised groups so that participation in economic decision-making becomes a genuine individual economic right, rather than a privilege for those with the capacity, resources and social capital able to participate.

A positive finding from some of the cases is the way that established local political actors can, over time, come to accept quite radical and transformative changes, most obviously evidence by the cases of remunicipalisation in Paris and Hamburg (Sections 4.3.1 and 4.3.4), although Berlin demonstrates the continued intransigence of mainstream political actors and vested interests to considering a socialised solution to the city's chronic housing problems. Unfortunately, much of the political mainstream centre-left and centre-right establishment across Europe remains impervious to the scale of transformative change in political economic governance that is needed to tackle the polycrisis.

In this sense, perhaps the biggest hurdle to achieving more transformative and systemic change in the direction of economic democracy is the small "c" conservative mindsets to be found among powerful elite actors in Europe's political economy. Whilst it is not surprising that large corporate and business actors resist many of the elements of economic democracy that are proposed here, what is more disturbing is the unwillingness of so-called

progressive political actors, who would consider themselves to be on the left of politics, to countenance a project of genuine economic democracy. It is particularly concerning that many nominally socialist or social democratic politicians at the national level continue to cling to failing economic ideas around prioritising business interests and market-led policies that reflect "third way" agendas around 1990s-style globalisation, despite the evidence of their failings.

At a deeper intellectual level, there is a sense that misplaced nostalgia for older forms of social democracy, inherited from the post-1945 settlement across much of Western Europe, still dominates the contemporary mindsets of too many of the leaderships of progressive and official left parties. This reflects a continuing belief that control and ownership of the economy should be left largely in private hands in return for collective bargaining rights, some degree of social partnership and redistribution of income through taxation policies. But this period of social partnership ended with the rise of neoliberalism and globalisation in the 1980s and 1990s and has subsequently been largely abandoned by business interests. Moreover, in the face of accelerating climate change, the status quo of market solutions left primarily in the hands of elite, financial and private actors is manifestly failing. Instead, in the current political economic conjuncture, a new progressive agenda around a more assertive economic democracy that tackles vested elites and articulates more participatory and inclusive alternatives along the lines we have argued for is urgently required.

ENDNOTES

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Emilia Arpini

Emilia Arpini is a Political Scientist, and Doctor in Social Sciences at the University of Buenos Aires, Argentina. Currently she is finishing her second PhD, now in Politics, at the University of Glasgow. She specialises in the topics of participation and local politics. Her current research project focuses on experiences of agroecology in public spaces, led by social and popular economy movements in Argentina.

She is also participating in collective research projects involving experiences of public ownership at the local scale, as well as economic democracy initiatives, where people can participate in economic decisions regarding public services, public spending, and community wellbeing.

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The current economic system has concentrated power in the hands of the few and created record inequality, stagnation and ecological damage. This brings into question the fundamentals of our economic system. The way to transform the economy in a way that is fair and sustainable is through economic democracy.

This policy study aims to contribute to a debate about the ways to advance economic democracy in Europe. It argues that we need to rethink our approach to economic democracy, moving beyond older traditions centred upon the workplace and collective bargaining to consider how we can both empower individuals and increase democratic and deliberative decision-making across the economy as a whole.

Based on interviews with changemakers, the study explores experiences of democratic transformation in public spending, employment and public services domains to understand the driving factors and successful strategies that result in the transfer of economic power to people. It also investigates some of the obstacles towards more systematic transformative change in the direction of economic democracy and considers what policies are required to resolve them.

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