Agent-democratic markets

Mildenberger, Carl David

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Carl David Mildenberger

Abstract

This essay examines a new way to exercise democratic control over the market. Instead of a democratic government interfering with a market's outcomes (e.g. via taxes or minimum wages), we may also "democratize" the market by requiring that all relevant group agents who participate in that market (notably: firms) be democratically governed. This is what I call an *agent-democratic* market. The purpose of this essay is to argue for the claim that agent-democratic markets are *a normatively viable way* to democratize the market – and potentially constitute *a genuine alternative* to the standard approach of subjecting market outcomes to democratic control.

Keywords: *democracy, markets, democratic firms, behavioral aggregation*

Many people are unhappy with the "free" market. They oppose the principles based on which a "free" market operates – or think its outcomes often are unjust. They call for active political control of markets, in contrast to merely passively establishing the political and legal enabling conditions of well-functioning markets.[1] In contemporary Western democracies, such attempts to strengthen the political influence over markets might be called, in a manner of speaking, attempts to "democratize" the market. The *demos* realizes, as it were, that it is not at the mercy of the blind market forces (once it has decided to run its economy in the form of a market economy) and calls for more state control.

The purpose of this essay is to examine a new way to exercise democratic control over the market. This new way differs from what one might consider the standard, hands-on approach of welfare-state capitalism these days; i.e. to democratize the market by exercising democratic control as regards market *outcomes*. A classic example is that of a democratic government setting a minimum wage which lies above the

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wage the “free” market yielded as an outcome. Let us call a market thus democratized an *outcome-democratic market*.

Yet, we cannot only democratize outcomes, so to speak, we can also democratize market participants. To introduce or strengthen democratic control as regards the decisions of economic *agents* (most notably: firms) is one of the main tenets of economic democracy [e.g. 4, 10, 14, 19, 52]. The debate in economic democracy often focuses on reasons for or against establishing democratic firms – but is not so much concerned with how this would affect the character of the markets in which these firms then operate. It is noteworthy, however, that if we passed legislation requiring that all relevant group agents who participate in a market have to be democratically governed, this would actually lead us to a second way to democratize the market. Let us call such a market in which all relevant group agents have to be democratically governed, an *agent-democratic market*. I am aware that the claim that corporations should be democratically governed is a radical claim in itself. However, when examining agent-democratic markets I am not concerned with arguing in favor or against democratizing firms. Rather, I am interested in the consequences for the market were we to do it.

The purpose of this essay is to argue for the claim that agent-democratic markets are *a normatively viable way* to exercise democratic control over the market – and potentially constitute *a genuine alternative* to outcome-democratic markets. They are a normatively viable way to democratize the market, if they yield outcomes which have a robust normative status; i.e. which are not just arbitrary, positive market outcomes, but democratically checked ones (Section 2). They potentially constitute a genuine alternative to the extent that, in comparison to outcome-democratic markets, they (i) likewise seem to achieve the goals which motivate our efforts to democratize the market (Section 3), (ii) without exhibiting knockdown idiosyncratic weaknesses (Section 4).

I happen to think that those who generally speaking advocate market-based allocation of goods and who defend the market against its critics [e.g. 8, 9, 58, 59] will have an easier time seeing the potential of agent-democratic markets (and thus reading this essay). But even for those who are dismissive of markets this essay holds something. Even if we are not convinced by the idea of agent-democratic markets as such, discussing what agent-democratic markets are capable of and how they should be designed opens up a new angle of attack for overcoming the entrenched positions of friends and foes of the market (Section 5).

1 Agent-democratic markets

The field of theoretical approaches suggesting how to exercise political control over the market is diverse, and not always consistent as regards terminology. What is more, we have to distinguish between approaches which focus on changes within firms (on the micro level) and approaches which focus on how markets are affected by these changes (on the macro level).

As regards the former, agent-democratic markets, and notably the idea of the firms that operate in them, have a "pre-history" in debates about *economic democracy* [e.g. 31, 51, 52] and *workplace democracy* [e.g. 4, 17, 18]. The firms that populate agent-democratic markets are democratically governed. Unlike some approaches to the democratic firm, however, agent-democratic markets as I conceive them do not feature joint- or employee-ownership of productive resources. That is, agent-democratic markets realize only one of the central demands of economic democracy. Namely, employee participation with respect to all important corporate decisions like what to produce, where to produce, how to produce, choice of managers, remuneration, and so on. In this sense, agent-democratic markets rely on a narrowed-down variant of economic democracy. I think it is analytically possible and useful to separate the questions of ownership and decision-making. For an example of a democratically run firm without joint ownership, think of a corporation exclusively issuing non-voting shares.[2] People can invest in such a corporation, profiting from its commercial success (e.g. in the form of a rising stock price and dividend payments), without having a say as regards how the corporation is run.

Because agent-democratic markets do not feature joint- or employee-ownership of productive resources, they also fall short of *market socialism* [7, 40], *participatory economics* [2], and are not to be confused with proposals of *property-owning democracy* [44, 48]. When examining agent-democratic markets, we are not interested in how changes in the ownership structure of a society affect the character of markets. The emphasis is one the decision procedure used, i.e. on the democratic element proper. What the mentioned approaches share with my analysis here, however, is the question of how the character of markets is affected, if we exercise micro level political control over them.[3]

As regards their genealogy, agent-democratic markets thus combine insights and demands from theories of the democratic firm with a focus typical of approaches emphasizing the macro level consequences of more democratic control over markets. The analysis is thus similar to analyses of *industrial democracy*; with industrial democracy seeking to strengthen the role of unions and co-determination within companies with a view to influence how the economy as a whole is run [42].

Theoretical debates aside, when it comes to *actual* exercises of democratic control over markets, those practices social democratic welfare-states engage in seem to be of particular relevance. The standard politico-economic toolbox of, say, the Scandinavian countries comprises taxes, subsidies, price ceilings, minimum prices, and so on. These widely used measures are characteristic of what I call *outcome-democratic markets* – which constitute the counterpoint to agent-democratic markets, because the interference does not take place on a micro but on the macro level.

Relying on mainstream microeconomic theory [61], what happens on outcome-democratic markets can be described in the following, simplified way.[4] In a first step, aristocratically governed group agents (i.e. firms ruled by a managerial elite) decide on the prices and quantities of a good g they want to supply to the market.[5] Call these respective prices and quantities p_i and q_i, with $i = 1, 2, \ldots, n$ being the number of firms in the market.

In a second step, market interaction between firms and consumers takes place – against the background of the political and legal enabling conditions of well-functioning markets. Of the consumers, some are individual agents (e.g. private buyers), some are group agents (e.g. buying syndicates), some are democratically governed (e.g. a democratic government), and some are not. The "free" interplay of the forces of supply and demand, i.e. the "unregulated" market mechanism, brings the market for g into equilibrium. Let p^* be the respective market-clearing price.

At this point, the democratically elected government of the country in question might decide that p^* is undesirable for one reason or another. For example, p^* might be the "free" market price of an important drug. And the government might reach the conclusion that p^* is too high to be just – because at p^* only a very small part of the population is able to afford the drug, with a large part of the population being in need of it. Thus, it might decide to establish a price-ceiling for g, establishing a legally binding maximum price $< p^*$.

This legislative act brings us, in the last step, to a democratically checked price in the market for g. That price, and the equilibrium it marks, constitutes the (temporary) endpoint in this outcome-democratic market. Let us call it p^*_{OD}. It arises because of the interference of the democratic government with the "free" market outcome.

By contrast, the functioning of an *agent-democratic* market can be described in the following way. In a first step, democratically governed group agents (i.e. democratically governed firms) decide on the basis of democratic procedures the prices and quantities of a good g they want to supply to the market. Call these p_j and q_j, respectively.

In a second step, market interaction between firms and consumers takes place – against the background of the political enabling conditions of well-functioning markets. On the demand side, in addition to those firms consuming goods, the state is a democratically governed agent as well. Suppose that all those consuming agents which are group agents also are democratically governed. The "free" interplay of the forces of supply and demand, i.e. the "unregulated" market mechanism, brings the market for g into equilibrium. This does not lead to the "free" market price of p^* for g. Instead the democratically influenced price p^*_{AD} arises. It constitutes the (temporary) endpoint in this agent-democratic market. What leads to the emergence of p^*_{AD} rather than p^* first and foremost are the democratic decision procedures taking place within the supplying firms.

We can distinguish between *more or less perfect* forms of agent-democratic markets. For a market to be reasonably considered agent-democratic at all, it is a necessary condition that all firms participating in the market are democratically governed, and that the state is democratically governed too. This is because firms constitute the dominant agents on the supply side for an economy. And the state is the single most important agent on the demand side for most national economies, with firms hard on its heels. The more of the other group agents interacting on the market also being democratically governed (buying syndicates, trade unions, households, etc.), the more we move into the direction of a perfectly agent-democratic market. Whenever I speak in the following of an agent-democratic market, I have in mind a fairly perfect agent-democratic market, in which not only firms and the state but also the large majority of other market participants are democratically governed agents.

Now, the juxtaposition of outcome- and agent-democratic markets reveals two main differences. First, *where* the democratization takes place: on the micro or the macro level. Put differently, before or after the "free" interplay of supply and demand combines the multiple p_i or p_j into one equilibrium price. Second, *who*, by its actions, democratizes the market: predominantly a democratic government by exercising state control or predominantly democratic firms.

Speaking of the *who*, I want to rely on List and Pettit's [36] account of what makes firms group agents – without adding anything new here. What turns List-Pettit-group agents into *democratically governed* group agents is the way in which the members coordinate to form and enact the group agent's system of representational and motivational states. Namely, we may speak of a democratically governed group agent, if the aggregation procedure the members use (to aggregate their distinct and potentially conflicting individual attitudes into a single system of representational and motivational states) is *recognizably democratic*. Attitude aggregation via majoritarian voting is the paradigm case. But there are different organizational structures the members of the group agent might employ to achieve a recognizably democratic form of attitude aggregation. For instance, we can distinguish between group agents with a *functionally explicit* democratic structure and those with a *functionally inexplicit* one. While the former explicitly use the aggregation function of majority voting, the latter rely on some "process of deliberation that leads group members to converge on the attitudes of the majority" [36, p.60].

Note that I consciously use the vague idea of a "recognizably democratic" aggregation procedure. My focus here is not on answering the question of whether firms should better opt for some kind of representative democracy (electing managers?) or more directly democratic approaches. Neither do I want to develop an argument as to whether members of the ideal democratically governed firm should have voice-, vote-, or veto rights. This is because, more generally speaking, I do not aim to develop an account of what the *best* possible agent-democratic market would look like. This is a worthwhile question, but for another paper. Here, I only aim to develop and defend the general viability of agent-democratic markets.[6]

2 The normative status of the outcomes of agent-democratic markets

To show that agent-democratic markets are a normatively viable way to democratize the market, we need to show that the outcomes they produce have a robust normative status, i.e. are not purely positive. If this were not the case, then we seemingly could not argue that agent-democratic markets are a way to "democratize the market" in the first place.

Now some people might want to argue that even the outcomes of "free" markets are not purely positive but have some normative status. For instance, one might want to say that the prices as determined by the forces of supply and demand in a "free" market actually are *just* prices [5, 24]. This is not a line of argument I want to follow here. This essay proceeds on the basis of the assumption that the outcomes of "free" markets do not have a normative status. However, I want to argue that market outcomes *can* acquire a normative status *if we exercise some kind of democratic control* to influence and check them – and that they *do* acquire such a status *to the extent* that we democratically check them.

Note that when I suggest that the outcomes of democratized markets are democratically checked and to this extent normatively justified, I intend to remain neutral on the question of the exact nature of the normative justification. I do not aim to provide a definitive answer here as to what exactly it is about democratic processes that creates normatively justified outcomes. The potential answers are manifold, and they can be derived from different justifications of democracy. For instance, one might believe that the outcomes of democratic processes are normatively justified because of democracy's alleged tendency to produce *good* outcomes [39]. This is a classic instrumentalist perspective. But there also are procedural arguments in favor of the normative status of democratically chosen outcomes. One might say that the outcomes of democratic processes are normatively justified because of the public justification process that underlies them (e.g. parliamentary debates) [13]. Or to the extent that everybody had an equal say (and precisely in light of this consideration of equality) [53, e.g. pp.30-41].

The point is: all I need for my argument is the idea *that* the outcomes of democratically influenced processes are not purely positive but normatively justified in some way, be it instrumentally or procedurally. Then – based on whichever *general* reason we favor to argue for the idea that democratically checked outcomes are normatively justified to the extent they are democratically checked – we can argue how the outcomes of agent-democratic markets *in particular* are normatively justified to the extent they are democratically checked. The outcomes of agent-democratic markets as it were "inherit" whatever normative justification we think there is for democratically checked outcomes generally speaking.

Direct and behavioral aggregation

It seems unproblematic to assert that both p^*_{OD} and p^*_{AD} are to some extent democratically checked. Intuitively, p^*_{OD} seems to be more robustly democratically checked – and *pro tanto* more normatively justified. This is because agent-democratic markets do not directly bring about a democratically chosen outcome. Instead, they are only indirectly influencing the outcome by turning agents from aristocratic into democratic ones. Still I think that p^*_{AD} also has a robust normative status. To show that p^*_{AD} has a robust normative status I will make extensive use of List's [34] distinction between *direct* and *behavioral* aggregation of individual attitudes into group attitudes.

In cases of direct aggregation, individual attitudes are aggregated to group attitudes by relying on some kind of formal rule, function, or summary statistic [34, p.1602]. That is to say, individual attitudes are explicitly elicited and then formally aggregated. A straightforward example is majority voting. An application to our topic is the kind of majority voting one witnesses when, in an outcome-democratic market, a democratic government decides on p^*_{OD}.

Suppose there are only two options the government is considering for what p^*_{OD} should be. First, the current equilibrium price of the "free" market p^*. Democratically choosing this price would come down to a non-interference strategy. Second, some other price p^+, which is (for some reason) the only natural contender for p^*. Now, if the attitudes to be aggregated are attitudes on whether p^*_{OD} should be equal to p^* or p^+, and the aggregation rule is the majority rule, then the group attitude on what p^*_{OD} should be is the majority attitude on what p^*_{OD} should be.

In this way, i.e. by relying on direct aggregation, outcome-democratic markets create democratically checked outcomes which are *pro tanto* normatively justified. Outcome-democratic markets create directly-aggregated democratically checked outcomes. The fact that we are aggregating attitudes with a normative rather than positive content does not seem to pose particular problems for the aggregation process. Some well-known theoretical problems arise, if there are more than two alternatives around, if we allow for non-binary attitudes, and so on.

Note that in agent-democratic markets an analogous process of direct aggregation takes place. Only this time within democratically governed firms. A first democratically governed firm (C_1) might decide via majority voting that p_1 will be the price at which it offers g. A second democratically governed firm (C_2) might democratically decide to set its price equal to p_2. And so on. Like this, all the individual prices p_j (with $j = 1, 2, \ldots, n$) decided on by the relevant democratically governed firms constitute directly-aggregated democratically checked outcomes in the exact same way that p^*_{OD} does. As is the case for p^*_{OD}, what creates the normative justification of the individual prices p_j is the fact that we rely on democratic procedures to identify them. The only difference between p^*_{OD} and the individual p_j is that, as stated above, we are either talking about the government making a macro-level decision, or about firms making micro-level decisions.

Once all democratically governed firms have decided on their respective p_j, an additional process of *behavioral aggregation* starts in agent-democratic markets. In cases of behavioral aggregation, aggregates "are determined as emergent property of the individuals' patterns of behavior" [34, p.1605]. In our case, it is the market interaction between firms and consumers, i.e. the "unregulated" market mechanism, which brings the agent-democratic market for g into equilibrium. The market process behaviorally aggregates the individual p_j and yields the aggregate p^*_{AD}. Generally speaking, "in markets, aggregate beliefs and preferences of the market are reflected in market prices" [34, p.1604].

This process of behavioral aggregation will take many rounds and involve feedback to the firms. For instance, if C_1 started out demanding a price of p_1 for its version of g, the people at C_1 might quickly realize that at this price, consumers rather buy g from C_2, as $p_2 < p_1$. The market feedback the firms receive comes in many forms. Information about competitors' prices, new insights about consumer demands, learning about other firms' competitive strategies, and so on. All of this will lead market participants to frequently reconsider the p_j they had democratically decided on – and to reach new democratic decisions about how to set the price. Like this, the individual p_j are constantly democratically adapted and thus democratically reaffirmed in a process of direct aggregation within the firms. But the (temporary) endpoint we reach in an agent-democratic market in the form of an equilibrium at p^*_{AD} is – in contrast to p^*_{OD} – a behaviorally aggregated rather than a directly aggregated outcome.

This shows that the simple idea that p^*_{OD} has a robust normative status whereas p^*_{AD} has not cannot be upheld. Note that in every competitive market (and *a fortiori* in an agent-democratic market), the equilibrium market price also is the price asked by each individual firm [61]. Put differently, in a competitive market, each firm ends up charging its customers the same price for g, namely the equilibrium market price. Formally, what this means is that $p^*_{AD} = p_j$, for all firms in the market. And since the individual p_j are determined by democratic procedures within the firms, in equilibrium all firms in the market have democratically decided to offer their version of g at the same price; namely, at the price of $p_j = p^*_{AD}$. Like p^*_{OD} is chosen by a democratic agent (the government), so is p^*_{AD}. p^*_{AD} is chosen – in the form of the p_j every firm in the market individually but equally chooses – by democratic group agents, and by relying on a democratic process.

Market interaction certainly plays a bigger role for determining p^*_{AD} than it does for p^*_{OD}. In principle, p^*_{OD} could be set by direct democratic choice without wasting any thought on what the market thinks the "correct" price is. But this does not mean that p^*_{AD} is not likewise democratically checked and *pro tanto* normatively justified. p^*_{AD} after all is the price multiple democratically governed group agents on the supply side have decided on – if only after multiple feedback loops as typical of behavioral aggregation. There is a considerable democratic consensus underlying p^*_{AD}. Thus, p^*_{AD} is not just some arbitrary, purely positive market price, but has a robust normative status.

The normative status of behavioral aggregation

Two additional issues need to be addressed to understand how exactly the outcomes of agent-democratic markets are normatively justified. The first one is the general normative status of behavioral aggregation. The second one is the particular normative status of outcomes which have been behaviorally aggregated *by the market*.

As regards the first issue, social choice- and judgment aggregation-theory is of little help. A lot of work has been done on the normative status of collective preferences or judgments which are aggregated through direct aggregation [e.g. 6, 35]. By contrast, what little work has been done on behaviorally aggregating procedures tends to look at prediction markets and non-normative aspects like their epistemological value [27, 34, 55]. Sunstein, for one, finds that prediction markets are preferable to deliberation-based procedures if we are to predict the probability of a certain future event. Yet, he also stresses that for prediction markets to work well, they need to be about some kind of objective truth. In particular, it is "not easy to see how prediction markets could be used for normative questions" [55, p.211], i.e. when we are not talking about what will be, but about what should be.

However, even without general formal insights, we can say something about the normative status of the outcomes of the behavioral aggregation taking place in agent-democratic markets. This is because what we see in agent-democratic markets is not a pure form of behavioral aggregation. It is a special case. In an agent-democratic market, the ongoing process of behavioral aggregation which drives prices into equilibrium is constantly democratically checked by the decisions of democratically governed group agents. This is what distinguishes the aggregation which takes place in a "free" market from that taking place in an agent-democratic market. There is a constant back and forth between the behavioral aggregation of the market and the justification-creating direct aggregation happening within firms. It is these recurrent feedback loops which are responsible for that fact that, in equilibrium, the p_j chosen by individual firms all equal p^*_{AD}. Even if behavioral aggregation had a purely positive status, the outcomes of agent-democratic markets would be recurrently checked by directly-aggregating democratic procedures – and *pro tanto* normatively justified.

One might worry, though, that the justification-creating democratic decision-making process within firms is directly offset (or at least significantly tarnished or undermined) by the "free" interplay of supply and demand on agent-democratic markets. This worry brings us to the second issue. We are all used to hear that, in order to be successful in a market setting, sometimes hard decisions need to be made; like laying off people or switching to a less clean but cheaper production technology. And one might feel that democratically governed firms in agent-democratic markets are in a constant state of (competitive) pressure, which normatively corrupts their decisions. Are agent-democratic markets merely presenting us with a democratic fig leaf when actually the "free" market is in power?

To address this issue it is helpful to compare agent-democratic markets with another scenario in which democratic decisions are made under external pressure. Consider international politics. In analogy to the question of whether agent-democratic markets merely are a democratic fig leaf one can ask in that context: is not a national democratic government making decisions on foreign policy just a democratic fig leaf when actually military power politics make international politics go around? What the comparison highlights is that reaching democratic decisions under external pressure is by no means an uncommon phenomenon – and that we need to distinguish between several kinds of external pressure on democratic decision-making.

Firstly, if some democratically governed agent is *forced*, e.g. by physical force, to make a certain decision, then the "decision-making" process cannot be said to normatively justify the outcome. The outcome of such a process is not democratically checked at all. Note that this is not what we see in agent-democratic markets.

Secondly, if some democratically governed agent decides *subject to* *certain side conditions*, this also is a kind of external pressure. For instance, the agent might have to respect exogenously determined budget restrictions. Or its decisions on one issue are interdependent with its decisions on another matter, so that there is a goal conflict that needs to be taken into account. This seems to constitute the rule rather than the exception for all decision-making on socio-economic matters where scarcity is a thing. Yet, one does not hear people arguing that democratic decisions subject to side conditions are not democratically checked.

Finally, there seems to be a middle ground between forced "decisions" and decisions subject to side conditions as regards decisions made under external pressure. These are *coerced* choices. In instances of coercion, some entity alters the coercee's set of available options in such a way that the option the coercer prefers also becomes the most desirable option for the coercee – all the while the coercee still has the choice to opt for an alternative, less desirable course of action [43]. For instance, a democratically governed firm could be coerced by an evil politician to either switch to a minimally cheaper but considerably more polluting production technology (for which the politician happens to hold a patent), or to have its license to operate withdrawn.

Now, importantly, the outcomes of coerced choices do not lose all their normative content – as the outcomes of forced "decisions" do. The decision of the democratically governed firm to either pollute more or to go out of business remains a democratically checked and *pro tanto* normatively justified decision. The decision of a democratic government to establish compulsory military service in light of threats to wage war by an external aggressor is of the same kind. These are situations where democratic agents need to choose the lesser of two evils. Still, we are dealing with democratically made choices.

To come back to the issue of whether agent-democratic markets merely are a democratic fig leaf, I think two things need to acknowledged. First, even if the "free" market had the power to coerce democratically governed firms on agent-democratic markets, this would not mean that their choices can no longer be considered democratically checked and *pro tanto* normatively justified.[7] Second, unlike in the international politics scenario, those on whom the pressure is exerted actually have a choice on whether they want to be exposed to that pressure. The people cannot decide not to be militarily threatened by an external aggressor. They can decide not to have their economy set up as a competitive market economy. To some extent, this *ex ante* legitimizes the market pressures they experience as coercive *ex post*. Therefore, while market processes certainly do have considerable power in agent-democratic markets, I do not think it follows that democratic decision-making within firms becomes altogether vain, or loses its potential to normatively justify the decisions reached.

I do not think that these three arguments are sufficient to completely refute the worry that market pressures will influence democratic decision-making within firms. While p^*_{AD} is democratically checked (if ever so little) and *pro tanto* normatively justified, it probably is fair to say that p^*_{OD} is democratically checked to a greater extent. Many might think of this as a weakness of agent-democratic markets in comparison to outcome-democratic ones. Those who like freer markets might actually think of this as a strength of agent-democratic markets. Joining neither camp, I think what we should do just is to acknowledge the relatively speaking weaker democratic control in agent-democratic markets. It is a feature of theirs we need to take into account when making an overall judgment about their desirability (cf. Section 5).

What we should not forget in this respect, however, is that it is a matter of design just how much democratic control we want in our agent-democratic markets. Think of decisions like whether we require employees to have voice-, vote-, or veto-rights within democratically governed firms. They may function as a controller allowing us to opt for more or less democratic control within agent-democratic markets. Thus, they also are decisions allowing us to further strengthen the extent of normative justification of p^*_{AD}.

3 Strengths of agent-democratic markets

Are agent-democratic markets not just *a way* to democratize the market, but *a genuine alternative* to outcome-democratic markets? Without developing a sophisticated account of what it is for one thing to be a genuine alternative to another thing, we can work with the intuitive idea that agent-democratic markets are an alternative to outcome-democratic markets to the extent that, (i) without knockdown idiosyncratic weaknesses, they (ii) are able to achieve those goals which motivate our efforts to democratize the market in the first place. I will address (ii) in this section, discussing (i) in the next.[8]

There are different goals which might motivate our efforts to democratize the market. Apart from the main normative goal – to exercise some democratic control over the "free" market to democratically check its outcomes – we can classify the goals agent-democratic markets achieve into *democracy-related* ones and *efficiency-related* ones.

The first democracy-related goal agent-democratic markets achieve is a more legitimate form of authority within firms [38]. As Anderson has recently argued, most workers in non-democratically governed firms basically "are governed by communist dictatorships in their work lives", with the *status quo* of workplace government being "both arbitrary and dictatorial" [4, p.63].[9]

Second, one might also hold that agent-democratic markets allow for a more legitimate form of democratic decision making on economic matters. It seems fair to say that most democratic theorists work with the presumption that lower level decision making is "more legitimate", where scaling up requires a further justification. This basically is what the *principle of subsidiarity* holds [3, 23].[10] The idea is that democracy and subsidiarity go together well, as both are in favor of being "closer to the people" [33, p.16]. If we compare agent- to outcome-democratic markets, the former allow decisions to be made much closer to the people. It is not the entire *demos* of a certain society which decides on how my daily economic life should look like. Instead, it is my co-workers and me. No delegation of authority to a higher level takes place. In this sense, agent-democratic markets allow for a particularly direct kind of democracy to be practiced in market contexts.[11]

Third, there is a class of democracy-related goals which stresses how democratic decision-making is essential for character-building [e.g. 39]. The general idea is that one can only become a good and responsible citizen if one actively participates in political decision-making – and that one can most effectively do so on a lower level, where one's own vote has a higher likelihood to be decisive and to have visible effects. In agent-democratic markets, the democratic governance of firms brings individual members to wrestle with all kinds of normative problems related to economic production and exchange. This leads, in a second step, to individual agents becoming more aware of all the normative issues different kinds of products feature. As the "blind" consumer, who simply buys goods without thinking about the normative implications of his consumption choices, seems to be dying out in light of ethical consumerism, so would the "blind" producer, if agent-democratic markets were to be established. Each individual agent would experience how his voice changes economic relations. Overall, agent-democratic markets have the potential to be a paradigm case of how participation may lead to a positive change in character.

Let us turn to *efficiency-related* goals fulfilled by agent-democratic markets next. The general idea of how agent-democratic markets achieve efficiency is that by keeping power and tasks on a lower level, a higher level of welfare can be secured. Decentralized decisions allow for public policies matching the individual desires and needs of those affected – where local variations might all to easily be ignored by centralized authorities on the higher level [57].

Consider, for instance, the issue of working hours. Some democratic firms which produce industrial goods might find it extremely beneficial to run shift work. Other democratic firms, notably those in the service sector selling directly to private customers, will see no use in working around the clock – and might even decide to only open on weekends. For yet other firms, say those in the consulting business, it might be of outstanding importance to have very flexible working hours and to allow for very high amounts of overtime work in times of high workload. These cases show how a unified regulation as regards the length, timing, and flexibility of working hours would lead to efficiency losses. If the different democratically governed firms were able to decide this question independently, it is very likely that majority opinion would differ starkly across firms. Thus, the setting of agent-democratic markets allows efficiency to be increased by catering differently to differing groups.

Efficiency arguments also often have an epistemic component. Allard-Tremblay, for one, argues that "[l]ocal information might simply be unable to influence the decisions of a central decision-making authority by being watered down in the abundance of other local perspectives" [3, p.701]. There is a related point, as regards the production of knowledge via increased experimentation under conditions of decentralization. Keeping decision-making authority on a lower level, as agent-democratic markets do,

> is epistemically beneficial because ... it is in principle epistemically beneficial for every group within a political society to allow a diversity of coordination points. This is because the results of these experiments can be made available for all, especially if there is some pooling mechanism by which information can be transferred from one part of the system to the others. [3, p.701][12]

Some efficiency arguments, like the ones just given, are well-known from political theory. However, I think that the strongest efficiency-related argument in favor of the micro-level decision-making of agent-democratic markets is one which is idiosyncratic to the economic sphere. Hayek [28] argues how economic agents acting in a decentralized way are able to efficiently use widely dispersed knowledge, thus increasing productive efficiency. This is important as an economic system's productive efficiency ultimately is determined by how it allows us to make use of a society's existing knowledge, which is knowledge of particular circumstances of time and place [28, p.521].

> To know of and put to use a machine not fully employed, or somebody's skill which could be better utilized, or to be aware of a surplus stock which can be drawn upon during an interruption of supplies, is socially quite as useful as the knowledge of better alternative techniques. And the shipper who earns his living from using otherwise empty or half-filled journeys of tramp-steamers ... [performs an] eminently useful function based on special knowledge of circumstances of the fleeting moment not known to others. [28, p.522]

Hayek's argument is, first of all, an argument in favor of not assigning *pricing decisions* to a central, higher-level authority. But it can be broadened to apply to all kinds of economic decisions (as regards quantity, production-technology, etc.). In agent-democratic markets, economic decisions are made decentrally by agents directly involved with the matters at hand. Not only can these agents make efficient use of dispersed, local knowledge. This also ensures that the decisions are made by experts, not strangers to the industry or trade.

4 Weaknesses of agent-democratic markets?

Agent-democratic markets are able to achieve a wide range of goals that might underlie our motivation to democratize that market. On the other hand, they also seem to possess their own idiosyncratic weaknesses in comparison to the standard approach of outcome-democratic markets. Let us consider what I take to be the four most salient issues – negative externalities, globalized markets, the *demos* problem, and market failure. Note that I could not possibly provide full-fledged arguments to treat and dismiss all the potential idiosyncratic weaknesses of agent-democratic markets here. I do not aim to do this either. In the following, I merely aim to show very briefly that, even in light of apparent weaknesses, agent-democratic markets are no lost cause to begin with.

Negative externalities
The decisions of smaller units often have effects that negatively affect outsiders – effects which could be internalized if only the decision-making unit were bigger. Important negative externalities like global warming even seem to call for political control over the market at the highest possible level, i.e. the global one. Thus, agent-democratic markets seem to fare poorly as regards their ability to address externalities.

Note, however, that an exclusive reliance on agent-democratic markets is compatible with strict anti-externality policies. This is because even in a system of agent-democratic markets, the democratic government remains responsible for establishing the legal and political enabling conditions of well-functioning markets more generally speaking. And in this context externalities can be dealt with *ex ante*. That is to say, we can address the issue of externalities before market interaction takes place by setting up an appropriate legal framework.[13]

The classic example is the EU's system of tradeable emission permits. By turning clean air into a marketable good, i.e. by assigning functional property rights *ex ante*, the externality of some firms' choice of a dirty production technology can be internalized without any *ex post* macro-level intervention (like a Pigovian tax) being needed. In such a system, a government's environmental goals can be fulfilled equally well by democratically or aristocratically governed firms.

Arguably, all externalities come down to misallocated or insufficiently far-reaching property rights, or can at least be efficiently dealt with against the background of a legitimate scheme of property rights [12, 54]. To this effect, Hayek [29, 30] offers a consistent way to distinguish between *ex ante* regulations (which are permissible in a purely agent-democratic market), and *ex post* regulations like Pigovian taxes (which are not). The main criterion he offers is whether a particular regulation directly meddles with the pricing system. If so, then it disrupts the spontaneous order of the market and thus is to be considered *ex post*.

Globalized markets
Imagine a worker W employed by a certain multinational corporation (MNC) in country U. And suppose U was planning to establish a system of agent-democratic markets. Would this not create a situation in which the politico-economic influence of W would be extremely minimal? To give a concrete example, how could one think that if an *Amazon* worker based in some village in the UK "has a say" in the corporate politics of *Amazon*, this would be enough to democratize the market?

Multinational corporations pose a difficult problem for any attempt to democratize the market. Irrespective of whether we aim for agent- or outcome-democratic markets, there always is the problem that MNCs might all too easily be able to evade the jurisdiction of one particular country. That is to say, exercising political control over the market is greatly hindered by globalized markets.

But imagine we managed to achieve at least the following. Every firm which offers goods or services in country U has its license to operate withdrawn unless it is democratically governed at least as regards its operations in U; e.g. by means of a fairly autonomous national branch of the MNC. In that scenario, not only firms exclusively operating in U would be democratically governed, but also MNCs as regards their operations in U. So the national agent-democratic market would be intact.

What differences (and potentially disadvantages) could arise between a person employed by an MNC in U in comparison to his friend employed by a nationally operating firm? I do not see any big threats looming here. As members of a democratically governed group agent, both would have a say as regards their own working conditions and wages. As citizens of U, both would be eligible for benefits of the welfare state (e.g. membership in the public health insurance company or the pension system). And as voters in U they could express their preferences as regards the legal and political enabling conditions of well-functioning markets in U. To summarize, I do not think that the approach of agent-democratic markets exhibits any new challenges or idiosyncratic weaknesses in light of globalized markets. What we need to deal with only is the notorious problem of how to establish democratic control in the first place.

The demos *problem*

One aspect that crucially distinguishes agent- from outcome-democratic markets is who has a say on what. In outcome-democratic markets, in principle every citizen has a say on all aspects of the economy. Take the example of good g. In an outcome-democratic market, everyone who has a voting right in the respective country has a say on whether there should be, say, a price ceiling for g in that country. If there is the majority of people in favor of setting the price for g equal to p^*_{OD} $(< p^*)$, then this will become the price for g. In an agent-democratic market, on other hand, decision-making authority is much more dispersed and varied. And one might have the impression that the only people who are able to exercise democratic control as regards the price of g are the democratic firms supplying g.

Put differently, agent-democratic markets seem to have a *demos* problem. Even if the price of g is democratically checked, one could object that it is not democratically checked by all those affected by it – thus violating the all-affected principle for constituting a normatively acceptable *demos* [14, 25, 62]. For instance, if g were a life-saving drug, and only those producing it (but not those in need of it) were able to exercise democratic control over its price, one could easily see how this situation would be undesirable from the standpoint of democratic theory.

Pointing to the *demos* problem is one way to formalize the impression that agent-democratic markets do not achieve one common goal of democratizing the market. Namely, while they democratize the decision-making processes *within* firms, they do not likewise democratize the interplay *between* firms and consumer, i.e. between the supply and the demand side of the market. But this often seems to be precisely what we want democratic control over. Outcome-democratic markets allow us to determine the price of g, to *directly* set the "correct" price. Seemingly, agent-democratic markets do not even allow us to *indirectly* have democratic influence over the price of g – because the respective *demos* is too small. Since democratically run firms have no systematic incentive to establish a ceiling on the drug's price, and since the interplay of buyers and sellers is unregulated, we might well see an "incorrectly" high price.

Please let me outline a possible reply to this objection in four short remarks. First, the impression that the *demos* in agent-democratic markets only encompasses supply side agents is false. To name just the most important counterexample: the state is a hugely important democratic agent on the demand side. In addition, the supply side and the demand side of the market do not have a fixed set of members, with agents either constantly belonging to the supply or the demand side. While households buy consumption goods, they sell labor. Firms act as consumers in business-to-business markets. It will thus often be the case that the same agent has a say on prices in some markets, but not in others – and that in transactions there are democratic agents on both sides. To be sure, this still does not give us direct democratic control over the interplay of supply and demand. But it relativizes the picture of how large and diverse the *demos* in agent-democratic markets is.

Second, while there is no systematic mechanism built into agent-democratic markets to make sure that the "correct" price arises, there is reason to believe that the arising p^*_{AD} will be a step in the right direction. This is because p^*_{AD} is, after all, democratically checked. As soon as more people get to decide on a product's price than just elite managers (which are paid and rewarded to the extent that they maximize profits), we can plausibly expect a positive effect. Different people's perspectives are heard. Relatives and friends of people affected by high prices might be part of the *demos*. And there actually is a public deliberation on what the price should be. All of this should help to prevent the most drastic aberrations of p^*_{AD} from the "correct" price.

We have to be careful not to be overly optimistic here. It might be harder to vote for, say, environmental protection for the people working in agent- rather than in an outcome-democratic market. This is because in an agent-democratic market, voting on a non-profit-maximizing interest will negatively impact the economic position of *their* firm only, as opposed to an outcome-democratic market, where voting on their non-profit-maximizing interest will burden *all* the firms in an industry. Still, the very nature of democratic procedures – notably the need to agree on compromises to secure majorities – makes it plausible to expect a negative net effect on "excessive" decisions, be it with respect to pricing or pollution.

What is more, the very introduction of agent-democratic markets might plausibly have an influence on the kind of economic competition we see. What I have in mind here is democratic peace theory; and in particular the idea that democracies are less inclined to view equally democratically governed bodies as hostile [16, 32]. If we transfer this idea to our context, it would imply that having firms democratically governed leads to a weakening of competitive market pressures. In some cases, democratically run firms might just decide not to wage price war on each other. Agent-democratic markets seem to qualify as a countermeasure against too intense market competition; with the need to outdo competitors by maximizing profits in turn being one important factor underlying "incorrect" prices.

Third, we can rely on similar tools as in the externalities case. That is, we can embed agent-democratic markets in a legal framework setting clear boundaries for pricing. For instance, a strict jurisdiction as regards what constitutes coercive wage offers would go a long way to *ex ante* eliminate non-living wages [cf. 63]. It would do so without interfering with the free interplay of supply and demand on agent-democratic markets. A more drastic approach would be to establish a system of agent-democratic markets for most goods, but to explicitly exclude some goods. There is no contradiction in holding that agent-democratic markets overall are a valid approach to democratize the market, but insisting that they should not be employed to allocate goods for which there are independent reasons which speak against market-based allocation. The moral obligation to ensure access to a good for those in desperate need of it is one example for such a reason. Worries of commodification might be another.

Fourth, not all goods are equally affected by the *demos* problem. Consider, for instance, the prices for labor. In agent-democratic markets, those who are affected by the wage level have considerable democratic control over it. This is because wages are decided on by the employees of democratically run firms. One might be worried about the unemployed, though. As wages are decentrally determined by those who work, those without job do not have a say on working hours and wages in agent-democratic markets. And those employed might make decisions to their detriment. Microeconomic theory predicts that higher wages (which are good for those employed) will *ceteris paribus* lead to more unemployment (and might keep those currently unemployed even longer unemployed).[14]

With respect to satisfying all-affected principles, this insider-outsider problem is not necessarily a big one, however. This is because, according to some plausible versions of such a principle, "people ought be given a say not simply if their interests are affected but also in proportion to the degree to which their interests are affected" ([25, p.51]; cf. also [15, 22, p.65]). In light of such a proportionality condition, agent-democratic markets do not necessarily fare worse than outcome-democratic ones. In the former, there is the risk that the unemployed relatively speaking have too little a say as regards something that affects them, if only indirectly; namely, working hours and wages. In the latter, there is the risk that the unemployed relatively speaking have too much of a say as regards something that only indirectly affects them.[15]

The proportionality condition might also be invoked to argue how, for most regular consumption goods, it is alright to privilege democratic firms concerning the control of prices. Consider that for suppliers of goods, there is a lot at stake in setting the price. Notably, they need to make sure that the price is high enough to cover all costs incurred; like those for research and development investments made, for paying creditors, for paying wages, etc. If the price realized continuously does not cover the costs, the firm needs to go out of business. By contrast, in every non-monopoly market for regular consumption goods, buyers have the possibility to simply switch to a different version of the product as offered by a competitor.

The comparative lack of flexibility for the suppliers instantiates the worry which underlies the very call for a proportionality condition as part of all-affected principles. Even though it might be theoretically appealing to give virtually everyone everywhere an equal vote on virtually everything decided anywhere, there are reasons over and above impracticability which speak against this ideal [25, p.68]. Namely, it seems that those who are responsible for an economic enterprise and who bear its risk could rightly lament if everybody gets an equal say on what, first and foremost, is their joint and common enterprise, on which they rely to make a living.

Market failure
It goes without saying that market failures like information asymmetries [1] or market power [60] are able to corrupt market outcomes. This is a problem for agent-democratic markets, which (with respect to final outcomes) rely more heavily on market processes than outcome-democratic markets do.

We should acknowledge, though, that not only markets may fail. Democracies sometimes fail too. This is, in turn, mainly a problem for outcome-democratic markets which (with respect to final outcomes) rely more heavily on democratic processes than agent-democratic markets do. While markets are problematic whenever there are, for instance, information asymmetries, externalities, and market power, democracies are struggling whenever there is, for instance, a strong populist leader, no free press, or a very low voter turnout.[16]

While democratic decisions as practiced in outcome-democratic markets might sometimes be the cure for the undesirable outcomes of failed markets, the reverse can equally be true. The market might sometimes be the cure for the undesirable decisions of a government; for example, when in a series of voluntary exchanges some good initially distributed by the state is redistributed so as to achieve a Pareto improvement.

Therefore, it is not the case that agent-democratic markets are more intrinsically vulnerable to failure than outcome-democratic markets. Both kinds of arrangements are prone to both kinds of failure – with the question of which kind of failure (and on which level) is more likely, or more problematic, being an open one.

5 *Agent-democratic markets as a new angle of attack*

The outcomes of agent-democratic markets are democratically checked and *pro tanto* normatively justified. Agent-democratic markets have distinct advantages in terms of legitimizing authority within firms and efficiently using decentralized knowledge. Still, one might feel like p^*_{AD} is not quite democratically checked enough. Or that the outcomes agent-democratic markets are likely to produce just are not good enough – e.g. because of externalities not properly dealt with – for agent-democratic markets as such and on their own to be a promising approach to exercise democratic control over the market. It surely does need diligent market design, i.e. just the right ideas for filling in the details I left vague, to at least partly offset their weaknesses and shortcomings.

Yet, even for the skeptics, further theoretical discussion of agent-democratic markets would be worthwhile. This is because agent-democratic markets lack one crucial shortcoming other approaches have; namely, of all too quickly leading to a trench warfare between friends and foes of the market. Agent-democratic markets provide us with a new perspective on how markets can be democratized – a new perspective we surely need given how deadlocked positions are. Let me give just one example: how agent-democratic markets tackle the issue of monetary inequality.

Monetary inequality is widely seen as a normative problem closely related to "free" markets. Existing monetary inequality paired with "free" markets seems to systematically favor the rich [49, chpt.1]. This is because willingness to pay, i.e. the relevant "currency" if goods are allocated via markets, is inseparably tied to ability to pay. Also, an extreme lack of monetary means in such a system might turn some market participants into vulnerable agents [50, chpt.4]. Finally, notably financial markets seem to create even more monetary inequality over time [46].

One of the standard macro-level politico-economic tools to deal with inequality are redistributive taxes. For instance, income taxes (i.e. taxes tied to the price of labor) or value-added taxes (taxes tied to the price of goods and services) might be used redistributively. Those who desire democratic control over the "free" market will typically be in favor of such outcome-democratic measures. But those friends of the market who insist that the price system needs to remain as unregulated as possible for the market to work well will oppose such measures. They oppose the idea that we should be willing to accept a less free market only to get more political control.

Here is how an agent-democratic market might deal with the problem of monetary inequality. In agent-democratic markets, monetary inequality would be fought one firm at a time. If the compensation of a firm's workforce would be subject to democratic decision of that workforce, it is hard to imagine excessive management wages would be paid. If we left behind a system where elitist men's clubs (i.e. former, current, and future executives as well as board members) determine management wages, and if we replaced it with a democratic system, this would lead to substantial change. As for the lower end of the wage spectrum, note that there typically are considerably more workers than top managers in a firm. Their combined democratic power would plausibly result in higher wages for the less well-paid. At the very least, it seems plausible that particularly drastic cases of wage inequality, when workers are unfairly taken advantage of and exploited, would be eliminated.

By viewing the problem of monetary inequality through the lens of agent-democratic markets, we are able to conceive of the problem not as one between two opposing spheres: the political and the economic. We are able to see how the political and the economic can be intermingled from the very start. We are able to keep a "free" market yet exercise more democratic control. This is because agent-democratic markets establish strict democratic control – albeit not via taxes, price-ceilings, etc., but via governance structures.

Supposedly, the biggest resistance against introducing a system of agent-democratic markets would come from those who currently make most important economic decisions in corporations; namely, those who own them. It is a big step from the primary rationale of a corporation as a profit-maximizing vehicle for its owners to a democratically run firm which necessarily takes into account other tangible viewpoints than those of shareholders. I have outlined above how we can keep the issues of decision-making and ownership separate when discussing agent-democratic markets as a theoretical approach. But when one proceeds to think about implementation one will have to engage with the issue of property ownership.

The most important philosophical work which needs to be done is to explore the normative intricacies of separating the ownership of a thing from the decision-making authority with respect to that thing. To this effect, it would be useful to inquire into competing theories of property – like Bundle Theory [e.g. 26], the Integrated Theory [e.g. 41], or Power-Based Theories [e.g. 11] – with the explicit goal to highlight how and on what grounds they allow for separating ownership and decision-making authority. This would lead to a deeper understanding of the normative status and legitimacy of things like *usufructs* [cf. 20] – and thereby also of things like non-voting shares.

I think that this is a more promising strategy than looking for arguments able to directly justify taking the right to make economic decisions out of the shareholders' hands. Building a normative theory supporting the democratic firms typical of agent-democratic markets from the ground up, and to then actually found such firms, is much less confrontational. And trench warfare is exactly what we seek to overcome.

The most promising research strategy, however, to pave the way for an implementation of agent-democratic markets probably is an empirical one. I think the hope that democratically run firms are able to outperform their aristocratic counterparts with respect to financial returns is not altogether vain. If empirical research were able to show that actually is the case, this would allow for a soft transition into a system of agent-democratic markets. We could expect investors to slowly but surely reallocate their money, from holding common shares of aristocratic corporations to holding non-voting shares of democratic firms. The biggest challenge for such empirical research would be to show not only that already existing democratic firms may economically outperform non-democratic firms in the current system of outcome-democratic markets. But to come up with evidence for the (somewhat counterfactual) claim that this would continue to be the case were more and more firms to become democratically governed.

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Notes

1 As markets typically heavily rely on enforceable contracts and secure property rights, arguably there is no genuinely free market in the sense of a completely politically unaffected market. Even the absence of the political enabling conditions

of well-functioning markets (as to be seen, for example, in the black markets of P.O.W. camps [47]), is a political factor that shapes how the market works.

2 Compare, for instance, the non-voting Class C shares of Google's mother corporation Alphabet – in contrast to Class A shares which have one vote each.

3 As agent-democratic markets endorse the idea of democratic firms, proponents of market democracy – who affirm a thick conception of economic liberty that is incompatible with workplace democracy [59] – might think that they go too far in granting political control over the market.

4 When I use the term market in the following, what I have in mind is a competitive market which functions along the lines suggested by mainstream ideas and concepts of microeconomic theory (multiple buyers and sellers, homogeneous goods, no market power present, etc.). I will explicitly address the issue of market failure below.

5 For reasons of simplicity, I shall treat firms as the decisive agents on the supply side of the market and as regards the resulting market price. This is not always true. But it is an assumption commonly made in this context [21, p.27].

6 I will come back to the question of how different recognizably democratic structures may influence the overall acceptability of agent-democratic markets in Section 5.

7 Such an argument would by no means be easy to come up with. To name just one worry: do we really face a case of coercion if "the market" or "competition" is responsible for a democratically governed firm having to make a hard choice?

8 The question of whether agent-democratic markets are an alternative to outcome-democratic markets is pressing, as there are reasons which speak against simultaneously opting for both ways to democratize the market (i.e. a "combined approach"). First, any approach to democratize the market – including a combined approach – should aim for economically efficient intervention. This is a classic economic desideratum. Now, if we do not only rely on the standard, politico-economic tools of outcome-democratic markets like taxes or price ceilings – which all create economic inefficiencies [61] – but simultaneously establish an agent-democratic market, an additional source of inefficiency arises. Namely, more complex decision procedures within firms [38]. As one of the perceived weaknesses of both ways to democratize the market are the economic inefficiencies they are linked to, it seems a double-inefficiency should be avoided to keep the overall idea of a democratized market appealing. Second, any approach to democratize the market should not directly issue into a situation which is troublesome based on democratic grounds. This is a classic political desideratum, which a combined approach would be unable to meet. For if we simultaneously rely on both agent- and outcome-democratic markets, we deliberately introduce what Thompson [56, p.112] coined the problem of many majorities, i.e. the problem "that decision-making authority is dispersed, and that no majority has an exclusive and overriding claim to democratic legitimacy". Namely, we end up in situations in which a democratic government is called upon to override decisions made by democratically governed firms on a lower level. Overruling p^*_{AD} on the macro level – by establishing p^*_{OD} instead – literally means to overrule the democratically evolved pricing policy of all the suppliers of g. In such a situation, the democratic majority backing the government does not seem to be the only democratic majority that counts. The majorities within the democratically run firms also have democratic legitimacy. The problem of many majorities is

one that we regularly face (and somehow address) in all kinds of multi-layered or multi-leveled political contexts. But deliberately introducing a new instance of this problem, without being forced to do so by historical contingencies, seems undesirable.

9 For a critical perspective which stresses that "private government" is voluntarily entered into and thus legitimate (albeit non-democratic) see for example [37].

10 For an excellent critique of the shaky normative foundation of the principle of subsidiarity's presumption rule in favor of lower-level decision-making see [33].

11 Especially in the confederalist and republican traditions it has also been argued that limiting the authority of higher-level units protects liberty – and that assigning tasks to lower-level units promotes freedom as we avoid subjecting ourselves to the will of another ([e.g. 45], [23, p.204-7]). If one follows this reasoning, then there also is an autonomy argument in favor of agent-democratic markets to be made. In agent-democratic markets, economic group agents keep the autonomy over their economic decisions.

12 A concrete example where the productive practices in one industry have positively influenced how things are done in another industry – with the latter industry benefitting greatly from best practices established elsewhere – is aviation and healthcare. The Six Sigma standard, which calls for production processes in which 99.99966% of all opportunities to produce some feature of a part are statistically expected to be free of defects, has been implemented early on by aircraft manufacturers and airport ground personnel for obvious reasons. Later on, hospitals managers found that they should aim for the same standard – and could learn greatly from aviation how this goal can be achieved.

13 This legal framework which establishes the parameters for enforcement of contracts, ensures (some degree of) transparency, prohibits exploitative or unfair transactions, and sets bounds on what goods are admissible for sale is something agent-democratic markets and outcome-democratic markets have in common. Even though I do not treat these functions in detail here, they are integral to any approach for exercising democratic control over the market.

14 What underlies this way of setting up the problem is a rather grim idea of man, or more precisely, of the worker. If those employed self-interestedly prefer higher wages for themselves to less unemployment, then agent-democratic markets give them more power to live out these preferences. If, on the other hand, there is such a thing as worker solidarity, then agent-democratic markets likewise grant the workers more power to live out this solidarity. In agent-democratic markets, workers have a say as regards hiring decisions as well as the decision of whether to invest in more capital or in more labor to increase output. Thus, whether the insider-outsider problem will lead to more or less unemployment in an agent-democratic market ultimately comes down to empirical questions about human nature.

15 In light of what has been said in the first two remarks, it would typically be wrong to hold that some groups in agent-democratic markets have strictly no influence on outcomes whatsoever.

16 Just as market failure is defined with respect to the market not living up to what is often seen as justifying it in the first place – namely, ensuring an economically efficient allocation of goods – "democracy failure" may be defined in terms of democracy not living up to what one might think justifies opting for democratic decision procedures. For instance, if one supports democracy on instrumental

epistemic grounds, the presence of populist leaders or no free press seem to thoroughly threaten that justification. By contrast, if considerations of equality play a major role in one's justification of democracy, for such approaches a very low voter turnout or a large group of people feeling their interests are not represented by the existing parties seem candidates for democracy failure.

Carl David Mildenberger
Department of Philosophy, University of St. Gallen
Unterer Graben 21
CH-9000 St. Gallen, Switzerland
<carldavid.mildenberger@unisg.ch>
<http://carldavid.mildenberger.ch>

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