**Democracy and Subordination of Capital**

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1. **Introduction**

In 2018, the Seattle City Council unanimously passed a corporate tax hike to fund the city’s attempt to combat homelessness and the affordable housing crisis. In response to anticipated reduction in profit, Amazon halted its expansion plans in Seattle. The bill was criticized as destroying jobs and businesses. It was shortly repealed.[[1]](#footnote-1)

Cases like this, familiar in capitalist democracies, seem troubling from the democratic point of view. Firms appear to exercise problematic power that threatens democracy. Yet, the nature of this apparent threat to democracy is not immediately clear. These firms are not breaking any law. Nor do they have to intervene in the political process by campaign financing or lobbying. All they have to do is to exercise their standard economic rights—to hire and fire, to invest and divest—in response to changing business environments. Political economists have studied these phenomena in terms of “structural power” of business as distinguished from “instrumental power.”[[2]](#footnote-2) Instrumental power derives from the use of resources in political channels outside the production process, such as lobbying, campaign contributions, and networks with political elites. By contrast, structural power derives from the standard discretionary rights over employment and investment in the run-of-the-mill economic activity, which the capitalist economic structure confers on private businesses, and ultimately, managers and owners of capital.

This structural power puts businesses in a “privileged position” in politics in a capitalist democracy, as the government depends on their cooperation for the health of the economy—indeed, for the success of any large-scale public project such as the green energy transition (Section II).[[3]](#footnote-3) This phenomenon is famously described as “the structural dependence of the state on capital” as the dependence derives from the design of the capitalist economic structure itself rather than who the identity or ideological orientations of the political officeholders.[[4]](#footnote-4)

The structural dependence raises two questions for democratic theory. First, the question of *diagnosis*: How do we explain the nature of the seeming democratic defect created by the structural power of capitalist firms? Second, the question of *solution*: How do we resolve the tension between democracy and the power of capitalist firms, if at all? At first sight, these questions may seem to have a straightforward answer. The democratic defect lies in the fault of greedy, unconscientious firms, who are evincing *insubordination* to the sovereign democratic will. Given this diagnosis of insubordination, the solution accordingly lies in *subordinating* firms back to the democratic will. Call this “the subordination solution” to the problem of the structural dependence on capital. Given the availability of a straightforward account, the structural dependence is rarely thought to raise a problem of *principle* for democratic theory, however worrisome it is for real-world politics.

In this paper, I will argue that the subordination solution fails to diagnose or resolve the democratic defect in the structural dependence on capital. And the failure is not simply because the duty of subordination will often be violated and unenforced. Even conscientious exercises of structural power—without collusion, deception, coercion, or any intent to influence policymaking—can undermine realization of the democratically chosen social aims (Section II). Indeed, the justification of private property rights requires firms to choose profit over democratic aims (Sections III-IV). Then, even when citizens view firms as ethical economic agents, they may reasonably expect that firms would undermine policies that hurt their bottom line. They may as well form their political judgment accordingly, in light of this expectation. This reveals the blind spot of the subordination solution: the very *formation* of the democratic will is constrained by private property rights (Section V). The subordination solution turns out to presuppose an implausible vision of democracy, where decision-making is independent of the institutional landscape in which it is embedded (Section VI). To understand the democratic implications of structural dependence, we must ask not *whether* political decision-making is dependent on economic powers or *whether* it can be made “free” from them by subordinating them. We must ask *how* economic powers constrain political decision-making. The upshot is a paradigm shift, where the democratic political order is reconceived as a democratic form of state-economy interdependence (Section VII).

To clarify, I use “economic structure” to refer to the ways in which economic rights and duties are assigned and fit together into one system of economic cooperation. An economic structure is *capitalist* when and because (a) productive assets (i.e., capital) are mostly privately owned (b) by a proper subset of the population, not all of whom are direct producers, where (c) productive resources including labor power are allocated through the market. Importantly, (a), the ownership condition entails *core capitalist property rights*. These are discretionary rights of capital owners and their hired (corporate or asset) managers to dispose of capital as they see fit and to claim financial benefits from their use in the form of profit. In particular, they are permitted to increase or reduce investment in response to the expected rate of return.

Two points must be noted to avoid misunderstanding. First, any existing capitalism is a mixed economy, and property rights are subject to some form of regulation and taxation.[[5]](#footnote-5) Yet, for the economy to count as capitalist, there is a limit to state regulation and taxation. For example, it would be a stretch to call an economy “capitalist” if the state taxed 95 percent of all capital income and used the tax revenue to run extensive public projects, or if the state banned private investment in all but three designated industries. This leads to the second clarification: a society’s economic structure is best understood as lying *on a spectrum.* Even within structures that broadly count as capitalist, some are more capitalist than others, depending on the specification of property rights, other laws of the economy, and cultural norms.[[6]](#footnote-6) Naturally, the structural power of business varies across national economies.[[7]](#footnote-7) Nonetheless, as the structural power derives from a constitutive feature of capitalism, its analysis will play an important role in the normative evaluation of politico-economic dynamics of any capitalist society, albeit to a different extent.

1. **The Problem of Structural Dependence: The Case of the (Un)Just Green Transition**

The following routine scenarios in capitalist democracies have a parallel structure to the Seattle case. A government tries to implement popular demands such as protection of the environment, promotion of the welfare of precarious workers, or egalitarian division of parenting between genders. Achieving these goals while securing a reasonably stable, functioning economy is neither physically impossible nor morally impermissible nor constitutionally illegitimate. Yet, governments frequently run into an obstacle in pursuit of these demands. Their pursuit tends to hurt the bottom line of businesses. Environmentally clean production facility, higher wages, paid parental leave are all costly. Accordingly, firms often respond to policy by slowing down production and investment. For example, the government legislates stronger protection for trade unions, and firms automate the production process and lay off workers. Emission caps are introduced, and factories are relocated to a different jurisdiction. Parental leave is more stringently enforced, and employers stop hiring women. In these cases, firms seem to frustrate social aims that the electorate democratically chose to pursue.

This course of events is no surprise to government officials in a capitalist democracy. Not infrequently, they anticipate the responses from businesses even before they act. Then, to secure their cooperation, government officials preemptively adjust the policy so as to mitigate the impact on the bottom line of businesses, with offsetting benefits such as tax breaks, subsidies, or relaxing of regulation in one of their desired areas. Yet, such incentives can undermine the point of a policy when it was partly intended to have private businesses share the burdens of achieving a social goal, as in the Seattle’s attempt to raise corporate tax for their housing crisis.

We see these dynamics play out on an unprecedented scale in the urgent task of decarbonizing the economy, or in short, the green energy transition. The transition requires annual investment expenditure of 4-5 trillion dollars to development of green technologies and their implementation in production processes. This financial mobilization goes beyond the capacity of public investment and urgently requires the cooperation of private capital. Yet, many of the much-needed green projects are irrational from a business perspective.[[8]](#footnote-8) The costs are high and overwhelmingly frontloaded, while the benefits are uncertain and, even if successful, hard to monetize. Accordingly, the CEO of BlackRock, one of the “Big Three” asset management companies that together account for 88 percent of the total stock of S&P 500 firms, have called on the governments to “de-risk” the green transition—that is, ensure private investors against potential losses on green investments, while they reap the benefits from successful investments.[[9]](#footnote-9)

Notice how the call for “de-risking” frustrates one of the popular demands—often called “the just green transition”—to decarbonize the economy in a way that empowers or at minimum does not impose unfair burdens on the vulnerable low-income population. Global investors would reap the upsides of the investment risk-free, while any losses would be backed by public funds of governments. But if governments refuse to de-risk, investment would not be mobilized at the required scale, and the world will not see *a* green transition, let alone a *just* green transition. Again, simply by exercising their investment rights in pursuit of profit, capital owners and managers can undermine the realization of a popular aim, steering policy in favor of their interests.

In all these cases, capital owners and managers seem to exercise problematic power over democratic politics without breaking any law, but simply by exercising their standard economic rights. These cases strike many as flawed or problematic from the democratic point of view. Yet, it turns out to be surprisingly difficult to put a finger on what exactly makes them undemocratic. While there are several features that may seem to explain the undemocratic character, none of them is necessary for firms to have the same effect on policymaking.

*Concentration and collusion*. Some may think the democratic defect derives from the extreme concentration of wealth and power. The defect, then, can be resolved by anti-trust principles or prohibition against extreme concentration of economic power. However, the state’s dependence on capital does not require a mono- or oligopolistic organization such as the Big Three asset management companies or multi-billionaire capital owners. All it takes is for a policy to reduce the rate of return—lowering “business confidence”—to which investors and employers predictably respond by withdrawing investment and slowing down production. Even if there were no giant asset management firms but smaller firms in competition against each other, this does not change the financial structure of decarbonization projects itself. Green portfolios that finance long-term decarbonization projects would still have lower rates of return, attract less capital, necessitate the state’s “de-risking” intervention, and frustrate the just green transition.

In fact, dispersion and disorganization can increase the structural power of capitalist firms, as Cornelia Woll argues in her comparative study of the post-financial crisis bank bailouts.[[10]](#footnote-10) While the organized financial sectors of France and Denmark actively participated in negotiation and burden-sharing arrangements, the German and Irish banks remained disorganized and inactive, which prompted their government to take action and foot the bill.

*Bypassing of reason-giving*. One might think that the democratic defect of structural dependence inheres in the fact that firms can exercise their power without having to participate in reason-giving. However, even if they did communicate their reasons by announcing to the public or the government how the policy under consideration impacts their bottom line, it does not seem to render their power less problematic. In fact, explicit communication might bring it closer to a threat or coercion (see (iv)).

*Manipulative deception (“bluffing”).* Perhaps the problem is that the content of their professed reasons often involve exaggeration or deception. For example, firms might say that they must cut jobs when they do not need to or that they need to cut *more* jobs than the balance sheet forces them to. If so, firms offer “fake” or “created” reasons, thereby distorting democratic reason-giving—or so argue Athmeya Jayaram and Vishnu Sridharan.[[11]](#footnote-11) However, this account only explains power exercise in the margins. It leaves unexplained the vast range of cases where firms engage in *economically justified* disinvestment or dismissal in response to policy that do impact profit such as higher corporate and capital taxation, higher wages, provision of paid parental leave, instituting workplace safety measures, and burden-sharing for decarbonization or other costly social projects.[[12]](#footnote-12)

*Coercion*. Even if firms’ economic needs are real, one might think that firms are coercing the government in the following sense: firms communicate to the government that if the government adopts the policy, then they will bring about economic damage, with the intention to deter the government from choosing the policy. Sometimes, firms do engage in coercion in this sense, when they explicitly demand a policy change to the government in exchange for investment, making it conditional on the government’s cooperation.[[13]](#footnote-13) However, coercion is not necessary for exercise of structural power; firms need not make any announcement or communicate with the government at all. All that is necessary in principle is the expectation among government officials that profit-undermining policies will lead to a roll back in business operations, causing economic damage.

*Political intention*. Perhaps it is problematic that owners and managers use their economic power *with the intention* to affect policymaking even if they do not explicitly communicate it to the government. However, they need not have any intention to influence policymaking. They need not even be aware of how their decisions would affect policymaking. By focusing myopically on profit maximization and minding their own business, their decisions generate consequences that policymakers cannot ignore.

*Intrusion into the political process.* Nor do they have to intervene in the formal political processes outside the economy by using their instrumental power. They do not have to engage in, for example, private financing of elections, corporate lobbying of lawmakers, or elite networks between bureaucrats and businesspeople. They can simply cast their votes as individual citizens in a fair election, wait for the result of the election and the announcement of new policies, and then call board meetings and make decisions of dismissal, relocation, or disinvestment.

*Corruption*. Nor can the democratic worry be simply attributed to “corruption” of the public officials who seek to reduce the adverse impacts on businesses. They may well be conscientiously exercising their judgment to craft policies in view of their expected consequence on the general welfare of the electorate. This is partly the point of periodic elections and democratic accountability; this is what they are supposed to do. If the elected government insisted on, say, labor and environment protection even in the face of a severe economic depression, the electorate would rather perceive it as a failure of governance rather than as a sincere commitment to the popular demand.

To be clear, this is not to deny that some or all of these features are often present in particular exercises of structural power. However, none of these features explain what makes structural power *as such* problematic. In fact, the absence of these contingent features can intensify structural dependence. Consider firms that operate in a fiercely competitive market, driven solely by the profit motive without any regard for politics. These firms can be all the more ruthless in their pursuit of profit, leaving no room for persuasion by policymakers, compared to politically savvy corporate giants with established networks with policymakers and industrial competitors.

We can now understand better what Charles Lindblom means with his famous claim that the market is “a mechanism of automatic punishing recoil.” It is not that firms or policymakers are acting “mechanically” without any deliberate exercise of judgment or agency. It is that they need not engage in any additional politicized judgment, communication, or organization to have the effect of constraining policymaking. “Punishment is not dependent on conspiracy or intention to punish.”[[14]](#footnote-14) However, this observation alone does not explain why, as Lindblom believes, this character of the market prevents society from being fully democratic, or how this tension is to be resolved. For that, we need to turn to a more complex account of the democratic norms for businesses in relation to the state.

1. **The Subordination Solution**

In “The Uneasy Relationship between Democracy and Capital,” Thomas Christiano makes a much-needed contribution to the normative analysis of structural dependence on capital.[[15]](#footnote-15) While he distances himself from the “extreme claim” of some Marxists that capitalism and democracy are incompatible, he argues that the tension between democracy and capitalist property rights is “a serious source of concern.”[[16]](#footnote-16) Christiano’s analysis is situated in his general theory of democratic governance of society, which according to him consists in roughly two stages: decision-making and implementation. In the decision-making stage, we secure political equality by a careful division of labor between policymakers and ordinary citizens. Citizens are tasked with “choosing the aims of the society” while policymakers such as politicians, interest groups, and administrators are tasked with “selecting the means by which these aims are to be achieved” (199-200).[[17]](#footnote-17) Then, in the post-decision stage of implementation, every social actor preserves political equality by cooperating with the democratic assembly in the pursuit of the democratically chosen aims. Thus “each person has duties within the society to carry out the policy and to cooperate in the pursuit of the aim to the best of his or her ability” such as the duty of citizens to obey the law and that of officials to exercise their discretion and powers to best realize the aims (207).

On Christiano’s account, capitalist firms undermine democracy by failing to discharge their “informal moral duty” at the implementation stage. They are obliged to cooperate with the democratic assembly by avoiding using their power to undermine the government’s pursuit of the democratically chosen aims. “The thought is that once the aims have been chosen and the legislation is properly designed in pursuit of those aims, those who can interfere with the pursuit of the aims, by affecting the conditions of feasibility, have duties not to interfere, as long as they have reasonable alternatives to interfere” (207). Unless what he calls ‘mitigating circumstances’ obtain, the failure to cooperate with the democratic assembly amounts to a “public affirmation of the superior importance of the interests of the capitalist over those of others” (205).

Christiano’s proposal exemplifies what I call “the subordination solution” to the problem of structural dependence on capital, where the power of capitalist firms seemingly undermines the democratic character of society. The democratic defect is diagnosed in terms of capitalist firms’ *insubordination* to, or *failure to* *obey*, the democratic assembly. This seems to be in line with the spirit of his argument too, exemplified in the claim that “[the capitalist response] suggests a failure of adequate respect for the democratic process” (205). On this account, the complaint is directed against insubordinate firms with respect to their wrongful exercise of prerogatives. We resolve this complaint by requiring the firms to *subordinate* themselves *back* to the democratic assembly. I now turn to the closer examination of what this duty of subordination entails.

1. **The First Critique: The Informal Moral Duty and Justification of Private Property**

Christiano argues that the duty of capitalist firms to serve the democratic aims chosen by the assembly is an “informal moral duty,” and he likens this duty to G. A. Cohen’s duties of “egalitarian ethos” that individuals must observe in their personal lives. The duty is doubly informal. First, it is informal in the sense that it is not legally specified or enforced. Second, determining the content of the duty—such as whether a particular managerial decision violates that duty—requires the exercise of discretion by capitalists. The element of discretion introduces unavoidable “haziness” (214) such that “we must rely on the judgments of owners of capital” (209).

One may be tempted to reject his account on the grounds that the duty would be routinely violated and its informality would be easily exploited. I agree that this is an important concern. However, I do not think the possibility of violation *as such* is the most important objection to the subordination solution. I agree with Christiano that it is impossible to design institutions such that they are immune to exploitation by rigorously self-interested agents. Thus, we should not evaluate social institutions against the assumption that persons would be ready to exploit unenforced norms wherever possible.[[18]](#footnote-18) Moreover, since productive decisions involve real-time responses to dynamically changing local circumstances, it is unreasonable to reject a norm just because it is not legally specified or enforced.

I raise a distinct objection: there is no principled way to ground the capitalist’s duty to prioritize democratic aims over profit, consistent with the justification of capitalist property rights. That is, to exercise capitalist property rights as required by their justification, capitalist firms must choose profit over democratic aims. Therefore, I will argue, Christiano’s informal duty fails to resolve the tension between capitalist property rights and democracy.

There are broadly two types of justification for capitalist property rights. The libertarian right-based justification appeals to the primitive or natural right to private ownership of capital through some idea of self-ownership. This line of justification faces well-known problems such as vindicating the “naturalness” of the right.[[19]](#footnote-19) In particular, it is questionable whether capitalist property rights—private ownership of *capital* or *productive assets*, as opposed to private ownership of resources for personal use—can be given any primitive justificatory status.[[20]](#footnote-20) Accordingly, the justification of capitalist property rights is widely taken to rest on its instrumental benefits of allocative efficiency as a social coordination mechanism.

How is efficiency achieved? According to the standard thought, it is achieved through the price mechanism. As Friedrich Hayek famously argued, in a competitive market, prices communicate information about the opportunity costs of a given resource to different actors across the economy in a highly condensed form. For example, an increase in the price of a productive input such as a certain raw material communicates the fact that the input is in high demand and therefore you, a producer, should economize on it so that other producers elsewhere can make better use of it. This informativeness of the price is what enables economic agents to achieve efficiency by taking advantage of their localized information while simultaneously overcoming the formidable informational problem of coordination across the economy.[[21]](#footnote-21)

The problem is that in competitive markets, the duty to prioritize democratic aims over profit is marginal, if not empty. (Christiano does not distinguish competitive and non-competitive markets, but I address non-competitive markets separately below.[[22]](#footnote-22)) Firms in competitive markets make very little accounting profit—"the bottom line”—in the long term.[[23]](#footnote-23) They are left with little leeway to prioritize democratic aims over profit. In such cases, Christiano argues, firms are allowed to pursue profit at the expense of democratic aims. For example, it would “defeat the purpose of the legislation” (213) to drive them out of business in the pursuit of democratic aims. This gives reason to think that in the approximately perfectly competitive markets, the duty is only marginally applicable and many of the firms would be permitted to make profit-oriented decisions at the expense of democratic aims. In other words, insofar as markets work as they should, the moral duty to choose democratic aims over profit is empty*.*

Even in these competitive markets, during short periods, some firms may make big enough profit to choose democratic aims over profit. However, in making such choice, the firms would be choosing to *go against* *price signals*. Yet, we saw that economic agents in competitive markets achieve efficiency by following price signals. We have no reason to believe that a market economy will generate similarly efficient outcomes when firms base their decisions on a totally different type of information such as the expected contribution to the promotion of democratic aims, or its combination with the price information. As Amartya Sen notes, we know little about the impact of “mixed motivation” on the efficiency of market allocation.[[24]](#footnote-24) It is rather plausible to think that efficiency would be lost when firms ignore price signals whenever they have a chance to promote the democratic chosen aims, considering the inevitable limits on the information that each firm can have in a large-scale, complex, and dynamic economy. Accordingly, when firms in competitive markets choose to ignore price signals, they are *acting against the norm consistent with the justification of their property rights.*

Some industries are not competitive even in the long term. For example, the pharmaceutical, software, technology, media, finance, and banking industries are perennially dominated by a few big businesses. In these industries, price signals are not so informative, and price-based efficiency does not justify capitalist property rights in these industries. Then, even if Christiano is right that these companies make big enough profit to be capable of promoting democratic aims without risking insolvency, this very capacity suggests that the justification of their property rights is already compromised. They are “above” competition and thus able to prioritize democracy over profit *because* their business is decoupled from competition, the justifying rationale of their property rights. Thus, the capitalist duty is not empty in non-competitive markets, but at the expense of the justification of capitalist property rights. Then, the informal moral duty fails to resolve the tension between capitalism and democracy.

But, one might object, the informativeness of price is not the only way that markets achieve efficiency. It is not price, but rather "creative destruction"—the pressure for technological innovation—that ensures long-term efficiency. This forms the basis for justifying capitalist property rights, according to Joseph Schumpeter, in contrast to Hayek's epistemic justification. Even oligopolistic firms are subject to this force of capitalism, which “incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.”[[25]](#footnote-25)

The pressure to innovate could be an alternative justification for capitalist property rights. However, this justification is *also* inconsistent with the duty to prioritize democratic aims over profit. The force of “creative destruction” achieves efficiency by disciplining big businesses by motivating the businessman by “an ever-present threat” that may not be realized. The businessman “feels himself to be in a competitive situation even if he is alone in his field” since, at any point, another big business or a newcomer can come up with a revolutionary technology.[[26]](#footnote-26) When firms operate according to this reasoning, even record-high profit is not a source of relief. Innovation requires continuous investment of enormous amount of resources, which requires accumulation of profit. Wages must be saved if the artificial intelligence (AI) department is to get enough funding, for example. Thus, the innovation-based justification comes in conflict with the duty to prioritize democratic aims over profit, just like the price-based justification. The duty to exercise their rights consistent with their very justification *and* to prioritize democratic aims over profit impose inconsistent demands on capitalist firms, resulting in a form of moral schizophrenia.

This inconsistency helps to explain why the concern about chronic violation and exploitation of the duty strikes many as critical. For contrast, consider the threat of manipulative speech against democratic politics. There will likely be no clear-cut norm that could be legislated and coercively enforced to ensure that democratic politics is immune to the harms of manipulative speech. But this is not necessarily an objection to locating the wrong in the violation of “informal moral duty” for politicians to refrain from such speech. An important difference, I believe, is that politicians would not be required to violate any norm on which justified functioning of democratic politics rests. There is no structural reason to be worried about the chronic violation of the duty, apart from unconscientiousness of individual politicians. By contrast, the subordination solution subjects capitalist firms in competitive markets to conflicting duties.

To be clear, the claim is *not* that capitalist firms in existing societies *lack* the duty to prioritize democratic aims or other social goals over profit. The claim is this duty is inconsistent with the justification of their prerogatives, and therefore, cannot resolve the tension between capitalist prerogatives and democracy. Consider an analogy: in an oligarchy, the rulers do have the duty to use their powers to promote freedom and welfare of their subjects. But this duty, however successfully they discharge it, cannot resolve the threat their oligarchic prerogatives pose to the democratic character of the society.

1. **The Second Critique: The Constraint Formation of the Democratic Will**

One upshot of the first critique is this. When capitalist firms undermine democratic decisions in pursuit of profit, it is not an aberration but a constitutive feature of the institutional landscape of capitalist democracies. Even if citizens did not see capitalist firms as money-mad sociopaths but as conscientious economic agents, insofar as citizens understand the justifying rationale of capitalist property rights, they have reason to expect the typical capitalist responses. Then, it would be reasonable for them to make this information part of basis for their political judgment. This leads to my second critique: the formation of the democratic will itself is constrained by the structural power of capital.

Thus far, I have followed Christiano’s assumption: citizens have already chosen the aims; capitalist firms “do not influence the choice of aims or even of policies directly” (201); and the government is left with a choice as to how to implement those aims. Then the question was thought to be how to rein in the power of capitalist firms to make it serve democratic aims that have been already formed and expressed in the electoral process. Now, let us relax the assumption and imagine that citizens are in the process of choosing democratic aims. Out of awareness of the power of capital and concerned about an economic downturn, they may well choose not to vote for the anti-capital politicians in the first place. This is not a mere theoretical possibility. We see ordinary citizens who live from paycheck to paycheck and yet oppose progressive policies in good faith. They need jobs, and jobs depend on the success of the economy and ultimately the investment decisions of capital owners and managers. For example, in the Seattle case in the introduction, a city council member, who reversed his support for the tax hike bill, says that “it has become more and more clear that the people of Seattle seem to agree with Amazon.”[[27]](#footnote-27) For this reason, Joshua Cohen and Joel Rogers formulate the problem of structural dependence as the *“*demand constraint,” or “structuring of political demand” under capitalist democracy where exercise of political rights tends to be directed towards satisfaction of the interests of capital.[[28]](#footnote-28)

Then, *pace* Christiano, the structural dependence on capital does not only consist in the constraint on the government’s implementation of the democratic will but also the constraint on the formation of the democratic will itself.[[29]](#footnote-29) In other words, the problem is not the structural dependence of *the state* on capital, as political economists have called it. The problem is the structural dependence of *democratic politics* on capital. Indeed, the reason why the government is reluctant to implement anti-capital policy is due to the prospects of reelection. Reelection requires that they satisfy the electorate’s interests, which, in virtue of the way production is organized under capitalism, are structurally dependent on the interests of capital. Hence Adam Przeworski and Michael Wallerstein’s claim: “vote-seeking politicians are dependent on owners of capital *because voters are*.”[[30]](#footnote-30)

Now, we must explain the democratic defect in the capitalist constraint on the formation, not just implementation, of the democratic will. But how? We once again encounter a puzzle.

*The design of electoral institutions*. The constrained formation of the democratic will does not violate any democratic norm internal to the electoral process. The “demand constraint” is not a result of a particular way of designing electoral institutions. In fact, as we can see from the voter, dependence on capital as the ultimate source of the government dependence, the problem partly arises from a reasonable design of electoral-legislative democracy, namely periodic elections and democratic accountability that enable citizens to take down the government that fails to promote their interests. We are not facing an unreasonable design of electoral processes but a *distortion* of what could and should be a reasonable design. Indeed, even if we replaced representative institutions with referenda, the formation of the democratic will would still be constrained. The design of electoral institutions is not the issue here.

*Epistemic pitfalls*. Nor can we simply attribute the democratic deficit to ideology or false consciousness of citizens who are reluctant to vote for anti-capital politicians. It is objectively true that capital owners, in virtue of their property rights, have the power to disinvest and generate economic downturn. Citizens can reasonably expect an economic downturn to threaten important interests of many. These citizens are, in a sense, discerning citizens with an accurate understanding of the power structure of their society, forming their political opinion on that basis. Compare ignorant citizens who vote for anti-capital politicians, mistakenly thinking that their political choice would have no consequence on the economy. We would not say that the latter group of citizens are more epistemically virtuous than the former group.

*Political vices and duties*. Some might claim that those citizens who vote for pro-capital politicians out of fear of economic downturn are evincing a political vice of prioritizing their short-term material interests over important moral concerns. This may be true of some voters. However, I do not think this charge can be generalized. Nor can it explain what is undemocratic about the structural dependence. When some citizens vote against an anti-capital platform out of a reasonable concern for economic downturns, they need not be in a single-minded pursuit of their selfish interests. After all, you need material resources to discharge your moral duties: feeding your dependents, educating children, providing care for the sick, and so on. This is true of states as well as families. To finance social welfare, states must look after its revenue, which is also dependent on how many firms thrive within their jurisdiction. Citizens may well be conscientiously exercising their judgment about how best to fulfill their individual and collective duties in view of the constraints posed by the economic institutions of the society they live in.

One might object that my argument problematically neglects the option to change the economic structure itself. Citizens need not hold capitalism fixed. It is within their right to transition out of it so as to free their democratic deliberation from its constraints. I agree. Indeed, if we conclude at the end of this inquiry that the tension between capitalism and democracy cannot be resolved, citizens may have the duty to collectively transform their economic structure. However, notice two things. First, the option of transitioning out of capitalism does not help the subordination solution. Again, our task is to diagnose and resolve the tension between the power of capitalist firms and democracy. If the only way to resolve the threat is to overthrow capitalism, this is in effect to say that the tension is irresolvable. In other words, if citizens must change the economic structure in order to make their political institutions fully democratic, no “subordination” of capitalist firms to the democratic process would resolve the tension.

Second, even if citizens have the duty to transition out of capitalism, this duty does not *explain* what exactly makes the structural dependence on capital undemocratic. Consider a parallel case under feudalism: political agents in a feudal society may also have had a duty to transition out of it, but this duty is distinct from, and does not explain, what makes the feudal political order itself undemocratic. Presumably, the undemocratic nature of feudalism is explained by its violation of institutional principles of democracy—principles that, comparatively speaking, are satisfied by a modern liberal-democratic state. These principles for institutions are categorically different from the ethical duties for individuals under conditions of injustice. The former cannot be understood simply by appealing to the latter.

1. **Why the Subordination Solution is Meant to Fail**

Nowhere among the following could we locate the democratic defect in the structural dependence on capital: the norms for capitalist firms, the design of electoral institutions, the epistemic pitfalls of voters, or their political vices and duties under injustice. Even as electoral institutions function impeccably and citizens conscientiously form their political judgment, the political process is constrained by the power of capitalist firms from the early stage of *formation* of political judgments.

Once we see how deep the constraint cuts, we find the subordination solution unequipped to explain the democratic defect at issue. To be sure, it may capture the additional wrong committed by capitalist firms when they effectively undermine already-publicly-chosen-and-announced democratic aims. However, the subordination solution fails to offer a principled explanation as to the nature of democratic defect. In fact, once we see the constraint on will formation, the subordination solution almost appears unintelligible: to *what* should capitalist firms subordinate themselves? There is no democratic will with a fixed content, but only decision-making processes. But what does it mean for firms to subordinate themselves to decision-making processes? Christiano’s version of the subordination solution maintains intelligibility because it takes the democratic will (“democratic aims”) *as given* and *then* demands capitalist to serve *this given will*. Once we relax the assumption that the democratic will is already given, then we can hardly make sense of the subordination solution.

This unintelligibility points towards a deeper problem of the subordination solution: it presupposes an implausible idea of democratic decision-making. Recall that the point of the subordination solution is to *resolve* the complaint that capitalist firms exercise problematic power over politics, assuring citizens that capitalist firms have “adequate respect for the democratic process.”[[31]](#footnote-31) For the subordination solution to achieve this purpose, it is not enough that capitalist firms serve the given democratic will. The democratic will must be independent of or “free” from the power of capitalist firms. Consider an analogy of a master-slave relationship. Suppose the slave manages the living environment of the master—which news he hears, which cuisine he tries, which luxuries he comes across—and thereby has the power to constrain what the master comes to want. In this relationship, even if the slave dutifully obeyed all the formed-and-expressed wishes of the master, this obedience would fail to resolve the worry that the master’s sovereignty over the slave is deeply compromised. For the relationship to be genuinely one of a sovereign and a subordinate, the process by which the master’s wishes are formed must be independent of the slave’s power. In a similar manner, for the subordination solution to resolve the worry that the power of capitalist firms compromises the sovereignty of the democratic decision-making process, the process itself must maintain independence from their power.

However, this is an implausible conception of the democratic decision-making process. Citizens do not form their preferences in a vacuum but in a certain institutional landscape. Once we structure economic cooperation by assigning capitalist property rights, then the rights inevitably constrain the conditions under which citizens pursue their interests and vision of just society, and thereby constrain the formation of political preferences. Since the decisions of public officials in a democracy are meant to be a function of citizens’ preferences and interests, their decisions are also constrained by the property rights. Importantly, citizens and public officials do not simply happen to take capitalist property rights seriously. It is *reasonable* for them to do so. The constraint is a result of *justified responsiveness* to the institutional landscape of the society within which political decisions are made.

We are now in a position to see how the subordination solution implicitly relies on an incoherent vision of democratic decision-making. The solution presupposes some sovereign democratic will that is distorted and undermined by insubordinate capitalists. Once we put them back into the subordinate place they belong, the democratic will be made intact, free of capitalist influence. We can *then* demand capitalists to obey this capital-free will. At the same time, we would not regard a political process that ignores its own institutional conditions as functioning well. Just as we cannot say that citizens who take the power of capital seriously exhibit lack of democratic virtues, we do not have a coherent idea of the political process that is responsive to the institutional landscape of a capitalist democracy and simultaneously free from the power of capital. Put differently, the structural dependence on capital is neither a distortion of political democracy nor a violation of it. Rather, it is an inevitable implication of *political* democracy understood as democracy within formal political institutions, abstracted from the social conditions of production in which it operates.

1. **Democracy as Democratic State-Economy Interdependence**

Let us take stock here. The subordination solution, I argued, fails to diagnose or resolve the democratic defect created by the structural dependence of politics on capital. The defect is not explained by the moral failure of “insubordinate” firms to prioritize democratic aims over profit because firms must pursue profit if they are to act consistent with the justification of their property rights (the first critique). As it would be reasonable for citizens to form their political judgment in view of profit-maximizing capitalist firms, the democratic decision-making itself, not just the implementation of its outcomes, is constrained by capitalist property rights (the second critique). Upon reflection, the subordination solution relies on a vision of democratic decision-making that is independent of its own institutional conditions—an implausible idea.

At this point, the following thought suggests itself. Every politico-economic system would suffer from some structural dependence. For example, under a market socialist system led by worker-owned cooperatives, the formal political process would be constrained by the hiring and investment decisions of the cooperatives. Even bureaucratic managers in a state-controlled economy would have to withdraw a decision if it is expected to greatly hurt the economy. If so, how can capitalism be criticized based on structural dependence? Is the conclusion that there is nothing undemocratic about the structural dependence on capital?

I agree that no society can avoid the dependence of formal politics on its economic structure. However, it does not entail that there is no basis for a democratic critique of capitalism. The question is not *whether* formal politics is dependent on its economic structure but *how*. Across different politico-economic systems, economic rights constrain formal political processes *in different forms*. For example, the following questions would have different answers.

1. What kind of rights, accorded to whom, constrain politics?
2. What kind of coordination and contestation is encouraged? What kind of cleavages and coalitions tend to form, and how?
3. How do the burdens and benefits tend to be distributed?

Understanding varieties of structural dependence and normatively evaluating them require institutional comparison between different politico-economic systems. And even within the same type, the exact form of dependence will depend on the cultural and historical circumstances of each society. The full investigation of this subject calls for a research program. But allow me to illustrate the idea with prototypical systems, with the example of how they each organize investment.

Under capitalism, investment is organized as *private prerogatives in the market*: investment rights are accorded to a minority of wealthy individuals and their hired (asset and corporate) managers. Coordination takes place through price mechanisms. An electoral majority’s authoritative control only reaches public investment, although they can nudge and incentivize private investors. Accordingly, the electoral majority is likely to confront a mix of disorganized market powers of wealthy investors and organized business interests. This explains the common framing of cleavages in capitalist democracies in terms of “the people” against “the corporations” or “the Wall Street.”

Under property-owning democracy (POD) proposed by Meade and Rawls, investment rights are *equal rights in the market*: every adult citizen receives their share of capital ownership without having to earn or inherit them, and roughly equal distribution of capital ownership is deliberatively maintained by the state. Here, every citizen simultaneously occupies the office of general investor. They have an equal influence *qua* citizen in the formal political institutions, and an equal influence *qua* investor in the capital market. Thus, POD is less likely than capitalism to suffer a systematic conflict between “the people” and “the corporations” (or their counterpart of the Wall Street). But two channels of influence differ in their mechanism of coordination: centralized and decentralized. Thus, the government (or the *electoral* majority) does not control investment in POD either, and will be constrained by decentralized decisions in the market. For example, the risk and low profit of green projects can hinder a swift green transition in POD as well.

Finally, imagine democratic socialism, where investment is publicly controlled by the government. Here, investment is organized in the way political power is standardly organized in a democracy:  *prerogatives of public offices*, whose exercise is in principle accountable to the electorate. Incumbents of these offices would be either directly elected or indirectly appointed via the elected government. To the extent the accountability mechanisms work well, democratic socialism ultimately organizes investment into *equal rights in formal political institutions.* Under democratic socialism, investment politics does not take the form of silent market contestation as it does in capitalism or POD. Instead, it will take the familiar form of electoral-legislative contestation that results in a centralized decision. The government of democratic socialism is least constrained by decentralized market decisions. This wide-scope control can enable a swift decarbonization of the economy unlike the two other regime types with a broadly private economy. Yet, it raises distinct worries from the democratic standpoint, such as democratic accountability of investment officials and concentration of power in the state.

As we can see, the question is not *whether* formal politics is constrained by economic rights. It is rather *how* it is constrained: by whom, through which right and which mechanism, against whom. There is no “perfect” or completely harmonious system. It is misguided to expect one when the issue is the design of a political order—that is, *institutional organization of contestation and conflict*. Yet, not all forms of constraint are equal from the democratic standpoint. The task is to evaluate different considerations speaking in favor of one form over another and make a comprehensive judgment. Here, notice how central questions of democratic theory arise, but in a different context. What is the legitimate scope of the power of electoral majority? Should it be able to control social investment? Or, by concentrating investment power in the elected government, would we unjustifiably restrict the power of dissenting minorities by depriving it of the freedom to “speak” or influence society through investment?[[32]](#footnote-32) If so, should we ensure separation of powers between electoral power and investment power at the level of the constitution?[[33]](#footnote-33) And so on. Arguably, these questions pertain to the *normative principles of democratic politics*, which cannot be reduced to descriptive political sociology (as some liberal philosophers think) or strategies of transition (as some Marxists think).[[34]](#footnote-34)

We should evaluate political orders in terms of the democratic character of the *form of interdependence* between formal politics and economic production. While this investigation is beyond what a single article can offer, the perspective of state-economy interdependence already offers weighty reasons to think that capitalist democracy is far from the most democratic one among the alternatives. While POD enfranchises every citizen as an investor and thereby disperses capital-based decision-making power, capitalist democracy makes investment decisions the prerogative of a wealthy minority, resulting in asymmetrical distribution of economic power. The normative difference between the two regimes becomes clear when considering the following scenario: suppose the electorate votes in favor of a green transition, yet investors undermine it by refusing to finance decarbonization projects. The failure of the green transition would occasion complaints of a different nature in the two societies. In POD, the electoral majority evinces the political vice of *self-inconsistency* between their decisions *qua* electoral voters and *qua* investors.[[35]](#footnote-35) By contrast, in capitalist democracy, the failure involves an *interpersonal conflict* between different groups of citizens with asymmetrical power. While citizens of POD enjoy the dual institutional avenues of influence, for ordinary citizens of a capitalist democracy, formal political institutions are their only institutional avenue. When even the policy they overwhelmingly support can be undermined by a minority of investors and managers thanks to their prerogatives, the complaint is not so much about self-consistency but about *hierarchy*—or so one may argue.[[36]](#footnote-36)

Capitalist democracy also fares worse than democratic socialism. Investment is organized as prerogatives in both systems. However, in capitalist democracy, these prerogatives belong to private offices. In democratic socialism, they belong to public offices, where the exercise of prerogatives is democratically accountable and guided by public interests. Of course, there is no guarantee against abuse of power by public officeholders; for example, public investor-officials may use their prerogatives in a way that conflicts with the direction of the elected government or the democratic mandate. The difference is that in democratic socialism, we can recognize it *as abuse* and hold them accountable. By contrast, in capitalism, when profit-driven private investors undermine the policies of a democratically elected government, this does not constitute an abuse of power, as it is an exercise of prerogatives consistent with their underlying justification as we saw. Capitalist prerogatives of investment are *unaccountable* prerogatives in this deeper sense, not simply in the sense that they can get away with it due to lack of enforcement. Then, the constraining power of investment under capitalism is neither accountable (unlike democratic socialism) nor equally shared (unlike POD). Thus, we have reason to regard capitalism as less democratic than both systems, insofar as the constraint of investment is concerned. Here lies a democratic critique of capitalism from the standpoint of state-economy interdependence.

Taking a step back, we can now see why the subordination solution could not diagnose or resolve the democratic defect of the structural dependence under capitalism. The subordination solution considers economic institutions as a merely sub-political realm, which can either obey or disobey the democratic will. Economic institutions are to be subordinated to formal political institutions, which are regarded as the essential realm of politics proper. Any economic constraint is perceived as a violation of this hierarchy between economics and formal politics. By embracing the interdependence between political and economic institutions can we start to theorize democratic virtues and defects in their reciprocal relationship.

**VII. Conclusion**

If you are one of those citizens in a capitalist democracy, who believe big corporations and investors need to be restrained, you may find yourself continuously losing in the game of politics. You may ask if this is a legitimate defeat that any participant of politics must know to patiently accept. Many argue to the contrary, that the game itself is “rigged” and that the political order is defective. In this paper, I argued that it is more difficult than commonly thought to explain or vindicate this pervasive idea that the power of capitalist firms poses a threat to democracy. The same kind of power is at work even when formal political institutions work impeccably, without the garden-variety defects of corruption, private donations, or corporate lobbying. Importantly, when capitalist firms undermine democratic decisions by pursuing profit, they cannot be said to abuse their power or exploit the rules, considering the justification of their prerogatives. Nor can we say that citizens or public officials evince a political or epistemic vice when they take their dependence on their business decisions seriously.

The upshot, I argued, is that we need a paradigm shift in how we conceive of “the rules of the game” of politics. Contrary to the standard picture, the rules do not consist in formal political institutions, with economic institutions merely shaping the “environment” of the game. Economic institutions are themselves constitutive rules of the game. We must evaluate whether economic and formal political institutions *together* live up to the democratic principles, understood as the democratic form of interdependence.

1. Nick Wingfield, “Amazon Pauses Huge Development Plans in Seattle Over Tax Plan,” *The New York Times* (May 2, 2018) <https://www.nytimes.com/2018/05/02/technology/amazon-development-tax.html>; David Streitfeld and Clarie Ballentine, “Seattle Officials Repeal Tax That Upset Amazon,” *The New York Times* (June 12, 2018). <https://www.nytimes.com/2018/06/12/technology/seattle-tax-amazon.html> [↑](#footnote-ref-1)
2. Claus Offe, “The Capitalist State and the Problem of Policy Formation,” in *Stress and Contradiction in Contemporary Capitalism*, ed. Leon Lindberg (Lexington: D. C. Heath, 1975), 125–44; Pepper D. Culpepper and Raphael Reinke, “Structural Power and Bank Bailouts in the United Kingdom and the United States,” *Politics & Society* 42, no. 4 (December 2014): 427–54; Cornelia Woll, “Politics in the Interest of Capital: A Not-So-Organized Combat,” *Politics & Society* 44, no. 3 (September 2016): 373–91; Benjamin Braun, “Exit, Control, and Politics: The Structural Power of Finance under Asset Manager Capitalism,” preprint (SocArXiv, October 12, 2021). [↑](#footnote-ref-2)
3. Charles E. Lindblom, *Politics and Markets: The World’s Political-Economic Systems* (Basic Books, 1977). [↑](#footnote-ref-3)
4. Adam Przeworski and Michael Wallerstein, “Structural Dependence of the State on Capital,” *The American Political Science Review* 82, no. 1 (1988): 11–29. See also Adam Przeworski, *Capitalism and Social Democracy* (New York: Cambridge University Press, 1985). [↑](#footnote-ref-4)
5. For example, investment in a firm that uses child labor is prohibited, however profitable the business might be. [↑](#footnote-ref-5)
6. For example, we may say that so-called “coordinated market economies (CME)” such as Germany, where discretionary contractual rights of individuals are delimited by collective bargaining institutions, are less capitalist than “liberal market economies (LME)” such as the United States, even as both economies share the basic capitalist character. On the typology of capitalist economies, see Peter A. Hall and David W. Soskice (eds.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001). [↑](#footnote-ref-6)
7. Jacob Hacker and Paul Pierson, “Business Power and Social Policy: Employers and the Formation of the American Welfare State,” *Politics & Society* 30 (2) (2002): 277-325. [↑](#footnote-ref-7)
8. 95 percent of the capital expenditures required for industry are irrational from the perspective of existing businesses; for buildings, 85 percent; for energy and power, 46 percent according to Paolo d’Aprile et al., “How the European Union could achieve net-zero emissions at net-zero cost,” *McKinsey & Company* *Report* (Dec 3, 2020) <https://www.mckinsey.com/capabilities/sustainability/ourinsights/how-the-european-union-could-achieve-net-zero-emissions-at-net-zero-cost> (Last access September 2024) [↑](#footnote-ref-8)
9. Daniel Driscoll and Mark Blyth, “Just Who Gets Paid-Off in a «Just» Transition? – Some Difficult Lessons from BlackRock and French Populists,” in *Making the Great Turnaround Work Economic Policy for a Green and Just Transition*, ed. Institute for Future-Fit Economies Heinrich-Böll-Stiftung and Finanzwende Recherche (2022): 97–103. See also Erik Schatzker, “BlackRock’s Fink Urges World Bank, IMF Overhaul for Green Era,” *Bloomberg News*, July 2021. [↑](#footnote-ref-9)
10. Cornelia Woll, “Politics in the Interest of Capital: A Not-So-Organized Combat.” *Politics & Society* 44 (3) (2016): 373–91. [↑](#footnote-ref-10)
11. Athmeya Jayaram and Vishnu Sridharan, “Here, There, or Delaware? How Corporate Threats Distort Democracy,” *Politics, Philosophy & Economics* 22, no. 1 (February 2023): 55–75. [↑](#footnote-ref-11)
12. Jayaram and Sridharan say that if the firm’s response to the policy is economically justified—for example, “because its revenues would drop so much that it would lack the funds to expand”—then the firm is not giving a “created reason” but a “natural reason.” The firm is “simply reporting its own need to the state,” and does not violate any democratic norm (p. 65). [↑](#footnote-ref-12)
13. Kevin A. Young et al., “Capital Strikes as a Corporate Political Strategy: The Structural Power of Business in the Obama Era.” [↑](#footnote-ref-13)
14. Charles E. Lindblom, “The Market as Prison,” *The Journal of Politics* 44, no. 2 (1982), p. 325. [↑](#footnote-ref-14)
15. Thomas Christiano, “The Uneasy Relationship Between Democracy and Capital,” *Social Philosophy and Policy* 27, no. 1 (January 2010): 195–217. [↑](#footnote-ref-15)
16. Ibid., p. 195. All subsequent quotations from this article will appear in in-text parentheses. [↑](#footnote-ref-16)
17. See also his *Constitution of Equality: Democratic Authority and Its Limits* (Oxford: Oxford University Press, 2008). [↑](#footnote-ref-17)
18. See Christiano, p. 210. See also Rawls’s account of “natural duty of civility,” although Christiano himself does not refer to it. Rawls argues that we have a natural duty of justice “not to invoke the faults of social arrangements as a too ready excuse for not complying with them, nor to exploit inevitable loopholes in the rules to advance our interests.” *A Theory of Justice,* p. 312. [↑](#footnote-ref-18)
19. Liam Murphy and Thomas Nagel, *The Myth of Ownership* (Oxford University Press, 2002). [↑](#footnote-ref-19)
20. This is particularly questionable when we appreciate the financialized nature of contemporary capital ownership, fragmented into stocks, bonds, and derivatives and combined in complex financial instruments. [↑](#footnote-ref-20)
21. Friedrich Hayek, “The Use of Knowledge in Society,” *American Economic Review* 35, no. 4 (1945): 519–30. [↑](#footnote-ref-21)
22. Christiano only notes that “markets as we know them are generally not perfectly competitive” (214). [↑](#footnote-ref-22)
23. Theoretically they make almost zero *economic* profit, which takes into account implicit opportunity costs on top of explicit costs. [↑](#footnote-ref-23)
24. Amartya Sen, “The Profit Motive,” *Resources, Values, and Development* (Cambridge: Harvard University Press, 1984), p. 107. [↑](#footnote-ref-24)
25. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy*, 1st ed (New York: Harper Perennial Modern Thought, 2008), p. 83. [↑](#footnote-ref-25)
26. Ibid., p. 85. [↑](#footnote-ref-26)
27. Jeff Stein, “Seattle council votes to repeal tax to help homeless amid opposition from Amazon, other businesses,” *The Washington Post* (June 12, 2018). <https://www.washingtonpost.com/news/wonk/wp/2018/06/12/seattle-backs-off-tax-to-help-homeless-after-amazon-business-groups-mount-fierce-opposition/> [↑](#footnote-ref-27)
28. Joshua Cohen and Joel Rogers, *On Democracy* (New York: Penguin Books, 1983)*,* p. 53. [↑](#footnote-ref-28)
29. Henceforth, instead of “choice of democratic aims”—a term specific to Christiano’s framework that presupposes a separation between choice of aims and their implementation—I use the more general expression “formation of the democratic will.” Yet, in doing so, I do not mean to assume “the democratic will” as some metaphysical entity, not the least because of the incoherence in the idea of “popular will” well-known in social choice theory. I use “the democratic will” merely as a shorthand for the democratic decision-making process through which citizens and public officials deliberate, form their judgment, and produce decisional outcomes. [↑](#footnote-ref-29)
30. Przeworski and Wallerstein, “The Structural Dependence of the State on Capital,” p. 12, my emphasis. [↑](#footnote-ref-30)
31. Christiano, “The Uneasy Relationship,” p. 205. [↑](#footnote-ref-31)
32. In existing capitalist democracies, investment may be a major channel of political influence for a wealthy political minority. [↑](#footnote-ref-32)
33. Indeed, this was the concern that motivated classical libertarians such as Friedrich Hayek and Milton Friedman, and also the reason why they took the *economic constitution* seriously than others. [↑](#footnote-ref-33)
34. An example of the former view is found in Rawls, *A Theory of Justice*. Meanwhile, in the Marxist tradition, the problem of structural dependence is often treated as a problem of transitioning to socialism, while avoiding theorizing of what ideal democratic society looks like. [↑](#footnote-ref-34)
35. Not all cases in POD where the elected government’s policy is undermined by its decentralized investment decisions exhibit this problem of self-inconsistency. For example, suppose groups A, B, and C, each accounting for one third of the electorate. Party X gains A and B’s support via an electoral alliance across multiple issues, but B and C disagree with Party X’s investment policy in specific. Then Party X, when elected, will have the electoral majority’s support but lack the investor majority’s support. The prevalence of such cases will depend on the salience of investment politics in electoral competition, among other things. [↑](#footnote-ref-35)
36. In “Ownership and Hierarchy” (ms.), I develop an account of the asymmetrical power of capital owners of a capitalist society vis-à-vis non-owning citizens, and use this account to argue against critiques of capitalism that center on anarchy and collective alienation such as Chiara Cordelli’s critique in “On the Radical Republican Critique of Capitalism” (ms.). [↑](#footnote-ref-36)