

1 Toward a New Moral Political Economy

Economies – and the government institutions that support them – reflect a moral and political choice, a choice we can make and remake. Since the dawn of industrialization and democratization in the late eighteenth century, there has been a succession of political economic frameworks, reflecting changes in technology, knowledge, trade, global connections, political power, and the expansion of citizenship.

The challenges of today reveal the need for a new moral political economy. COVID-19 and the Black Lives Matter movement are reshaping our model of the world and creating new opportunities to reform laws and policies. The global pandemic exposed how poorly some of our most basic structures are serving us. The reignited racial justice movement calls out the biases and prejudices enshrined within our agencies, our practices, and ourselves.

Democracy itself is embattled due to the combination of polarization, disinformation, gridlock, poor leadership, and outmoded design principles. The belief is waning that the market can solve all problems. The temporary reduction in pollution resulting from shelter-in-place rules is making even more apparent the human contribution to the existential crisis of climate change. Inequality of agency and power is rising with inequality of income. In principle, our societies have the capacity to feed, house, and provide health care to all, yet far too many are hungry, homeless, or suffering from preventable illness and death.

Indicators of the fraying of the current political economic framework, popularly called neoliberalism,¹ began to emerge well before 2020. In part, neoliberalism is floundering because of the transformations in the economy and technologies on which it was based. In part, it is floundering because of its failures.

For decades, manufacturing has been declining as the engine of the economy in many industrialized countries. This has led to a relocation of jobs and new educational and training requirements for the jobs that are available. One additional consequence is the undermining of unions, an important mechanism of worker voice and power. The cumulative effects are new anxieties among the populace, new demands on the social insurance system, and new political coalitions (Collier 2018).

¹ This term has been adopted widely. It is a contested term that fails to convey the full complexity of the ideas and practices embodied in the current political economic framework. Supply-side economics, the Chicago School, many varieties of post-Keynes Keynesianism, and almost all of neoclassical economics seem to be covered by the term. We adopt it here because of its general usage and familiarity.

Simultaneously, digital technology magnifies our capacity to communicate, but it also changes how we think, how we read, how we view the world. While extending access to information and knowledge, it poses new challenges to our conceptions of privacy, attention, good information, corporate power, state capacity, and our sense of self and others. Machine learning and more sophisticated algorithms raise concerns about fairness, human autonomy, and the future of work.

The Great Recession of 2008 and how governments dealt with blameworthy financial institutions and failed to deal adequately with peoples' distress was for many a turning point. The subsequent resurgence of populism led to protests on the street and votes for significant changes in leadership and policy. The palpable and general discontent with the liberal consensus on how globalization has evolved is one source of the unraveling of support for the status quo, but equally important is citizen dissatisfaction with public education, social insurance, retraining, health care, and other expected government services. Contestation of values and fears about the disappearance of cherished ways of life (Cramer 2016; Hochschild 2016) further contribute to polarization and the unraveling of the social cohesion and social compacts that helped sustain the system.

Yet, dissatisfaction with the status quo has for long coexisted with a widespread belief in its immutability. Today, as in the past, economic and political structures are perceived as given, natural, and stable. Indeed, the major achievement of neoliberalism – and all political economic frameworks before it – is to make normative prescriptions seem like descriptive statements of the natural behavior of people, governments, and organizations. A set of structures, crafted by some humans to fit one era, become understood as timeless and universal.

This is a parlor trick. Since at least the end of the eighteenth century, capitalist political economic frameworks – which are the focus of this Element – have evolved, acquiring new organizational and ownership forms for production and finance, as technologies and exploitative opportunities changed. Capitalist democracies extended the franchise and altered their institutional arrangements and practices many times over the last two centuries. Revised governmental and economic structures for social insurance, financial stabilization, health and welfare protections, and infrastructure development arose in the twentieth century in the wake of the World Wars and the Great Depression.

As we discuss in Section 2, neoliberalism hasn't always been the dominant political economic framework. However, the obliteration of the illusion that neoliberalism represents ultimately depends on its failure to meet contemporary needs and demands. The same happened with previous frameworks: stagflation helped bring down Keynesianism; government and corporate incapacity in the

face of the pandemic, unemployment, hunger, climate change, and racial injustice will likely topple its successor. The world has altered, and we must adapt. We are now living in a “white water world,” where change is constant and new forms of flexible learning and action are increasingly necessary (Pendleton-Jullian and Brown 2018). The question is where we go next.

We have the opportunity now to remake our political economies to promote more equitable and general well-being for humans and the environment. We need to move beyond economic growth as a societal end and as a metric. We need to improve the capacity of democratic government to respond to the losers of neoliberalism, while checking the powerful and mitigating the harms they created. This means strengthening our embattled democracies by reaffirming fundamental democratic values, including voice and political equality. And it requires us to provide a new basis for social cohesion and inclusiveness.

Our argument for building a new political economy is rooted in the notion of “expanded communities of fate” (Ahlquist and Levi 2013; Levi 2020).² An expanded community of fate extends beyond the groups to which one most naturally belongs. The recognition of belonging to a larger and inclusive community of fate can motivate us to act in solidarity with strangers and with peoples who can never directly reciprocate. Its members are willing to make sacrifices on behalf of those with whom they believe their destinies, and their descendants’ destinies, are entwined.

The notion of community of fate echoes similar concepts used throughout the twentieth century by those seeking social justice. So, for Martin Luther King, Jr., “we are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly” (King 1964). Similarly, the labor movement – the Knights of Labor, International Workers of the World (IWW), and the International Longshore and Warehouse Workers (ILWU) – adopted as their motto “An injury to one is an injury to all.” A related but distinctive concept is “linked fate” in which one’s life chances are entwined with a group (Dawson 1994; Simien 2005).³

² Ahlquist and Levi were not the first to use the term “community of fate.” It has several lineages, but a disturbing variant was the Nazi usage of *Schicksalsgemeinschaft* to evoke an exclusive, racist, nationalist community. When President Obama and his speechwriter discovered this historical usage, they decided to take it out of a speech Obama was soon to deliver (Rhodes 2019; Obama 2020). Levi’s experience in Germany is that the term can be used to denote an inclusive or exclusive community (see, e.g., Kundanini 2018), as Ahlquist and Levi make clear (2013, 277). It is one of the reasons that they – and we in this book – emphasize an *expanded* and *inclusive* community of fate.

³ Generally, this concept refers only to those in one’s ethnic or racial group but can embrace those in other racial and ethnic groups perceived as undergoing similar discrimination (Craig and Richeson 2012; Cox 2019).

In this Element, we articulate how we can begin to design an expanded community of fate as a base for a new, more inclusive, moral political economy.

The Components of a New Moral Political Economic Framework

Political economy refers to the frameworks that have always organized human societies. The word “framework” stresses the importance of the rules and institutions that govern and guide our choices and actions. Our focus in this Element is on the rules and institutions that have evolved since the late eighteenth-century emergence of capitalist democracies. As we will elaborate in Section 2, the early frameworks were grounded in a comprehensive understanding of economies, governments, societies, and their moral foundations. By the twentieth century it was economics alone that dominated analysis.

This Element aims to rescue the politics in *political* economy and to make explicit the underlying *moral* dimension of any political economy. “Politics” here refers to both the means by which a society determines its policies and laws and the configuration of power, that is, who has the capacity to effect or block change. “Moral” refers to the values that inform the framework itself as well as the actions undertaken by governments, economic actors, and citizens in keeping with the framework. The term “moral political economy” accentuates how economies are a moral and political choice and how their definitions of fairness structure both policy and citizen responses to their situation.

Moral economy (Polanyi 1957; for a history of the concept see Rogan 2017) has roots in the extra-market reciprocal rights and obligations between landlords and peasants. During the industrial era, the term referred to the obligations of society to provide for the welfare of the population, particularly those displaced or impoverished. A moral economy also entitles citizens to resist when they believe that there are violations of their rights or due. Sometimes they mobilize and sometimes they engage in forms of noncompliance that are the weapons of the weak (Scott 1985). Catalysts to resistance are not only material changes in peoples’ status quo but also – and sometimes in contradistinction to their narrow interests – changes to what they perceive as violations of norms of fairness and justice, of wounds to their dignity, and of failure to recognize the worth of their cultures.

All political economies are moral in our sense. However, liberal political economies tolerate multiple conceptions and contestations over what constitutes the good; there is no single moral code (Rawls 1993; Anderson 1999, 329–31). What values receive preeminence vary over time and place. Neoliberalism, the moral political economy that we hope to replace, emphasizes freedom and liberty in the form of noninterference, particularly by government

on business and, to a lesser extent, on individuals. But there are other conceptions of freedom and liberty and other values that also deserve consideration, as we shall soon see.

A moral political economic framework, then, combines the rules that structure economic and political behavior, as well as the norms, values, and goals on which the structure is built. The rules determine the reciprocal rights and obligations that link populations, governments, corporations, and all the other various organizations that make up the society. Its norms, values, and goals regulate what constitutes legitimate behavior (Levi 2019).

Theory of Change

Before we delve deeper into the rules and institutions of a new moral political economy, we must first lay out our theory of change. What makes us think this is an opportune moment? And how do we get from here to where we want to go?

Capitalist political economies hold out the promise of economic growth and innovation that will improve the standard of living and the well-being of the general population. They evolve with changes in technology, demography, and economic organization and in response to depressions and wars. But these factors, important as they are, are not solely responsible for shifts in political economic frameworks. Perhaps even more fundamental is the contestation over power. When the status quo is robust, vested interests shape policy to benefit them and those on whom the maintenance of their power depends. If the system begins to ossify and inhibit economic growth, competition arises.

With the emergence of each set of powerful economic elites comes demands on the political economy to ensure it serves their interests better. If there is also a deterioration of general well-being, accompanied by public outcries and mass mobilization, the window is opened wide to new policies, practices, and even alternative whole political economic frameworks. The moment may also be ripe for revisions of the social contract and to reconsideration of the values that should undergird the system.

Contestation over policy has always existed, but it now encompasses a far wider and varied set of actors. The evolution of democracy in the nineteenth and twentieth centuries has given more competitors voice and clout. Powerful economic interests, vying to become or remain the capitalist mandarins, realized that their ability to protect themselves required enhancing the well-being of a significant proportion of the population (Boix 2003; Acemoglu and Robinson 2006; Ansell and Samuels 2010; Iversen and Soskice 2019). Expression of pent-up demand and frustration through elections and popular mobilization are often the precipitants to this realization.

While public and publicized traumas make people sit up and take notice that the system is badly awry, it is the development of a widespread movement for change that can affect the balance of power in a political economy. The murder of George Floyd, captured on video and circulated worldwide, is a recent instance of popular mobilization in response to injustice. But the past abounds with other examples, among them the Triangle Shirt Waist Factory Fire in New York City in 1911 or the Rana Plaza collapse in Bangladesh in 2013. Suddenly, the horrific and devalued lives of sweatshop workers became a rallying cry for reform of their working conditions by consumers, unions, and NGOs. Governments took up the cry, increasing the pressure on the international corporations who employed the workers in their supply chains (Berliner, Greenleaf, Lake, Levi, and Noveck 2015). Similarly, the tuberculosis epidemic, the Spanish flu, polio, and other diseases were catalysts for changes in public health, public education, and, indeed, in societies (Diamond 2020). Natural disasters – fires, floods, and earthquakes – can also lead to better policies and practices. So, too, can the threat of widespread social disorder or revolution (Weingast 1997; Levi, Melo, Weingast, and Zlotnick 2017). And nothing precipitates transformations of society as much as catastrophic, life-destroying wars (Olson 1982; Scheidel 2017). Physical and social infrastructure need rebuilding and rethinking in the wake of catastrophe, and so does our moral code.

Crisis and popular motivation may provide an opportunity, but actual change depends on more than a public awakening to the plight of others. Lasting reconstruction requires new ideas, effective political leadership, and structural change.

Ideas come first. Frances Perkins, the first woman to join a presidential cabinet, had well-formulated designs for new forms of social insurance and labor protections in the wake of the Great Depression. She played a pivotal role in the enactment of both Social Security and the National Labor Relations Act. Partially informed by the thinking of economist John Maynard Keynes and other leading social scientists, her ideas equally reflected experiences as a social activist and a government policy advisor.

Similarly, Nobel laureate Milton Friedman, a key progenitor of the current neoliberal framework, was among a group of economists and others who formed the Mont Pelerin Society to combat Keynesianism (Phillips-Fein 2009; Burgin 2012). An important part of their project was to come up with sound economic theories that could be translated into policies. They promoted monetarism and small and stingy government. Friedman, in particular, argued for vouchers and a negative income tax (a 1970s forerunner of universal basic income).

What Perkins and Friedman did, in their very distinctive ways, was to link their ideas to moral codes. For Perkins, it was the priority of an encompassing society that paid attention to the needy. For Friedman, it was the focus on the individual who followed the path Adam Smith prescribed: somehow, some way, the invisible hand will inevitably lead to prosperity for all.

What both Perkins and Friedman succeeded in doing was to provide the story line that enabled political leaders to become “architects of change” (Schofield 2006). Franklin Delano Roosevelt for Perkins, and Margaret Thatcher and Ronald Reagan for Friedman, engaged in what William Riker labeled *heres-thetics* (Riker 1984), that is they reframed the issues in a way that overcame preexisting mental models and core beliefs and introduced an alternative perspective and suite of choices.

This model of transformative institutional change relies on ideas that change our understanding of the world.⁴ But to be successful, this strategy “must do two things: (a) communicate a model of the world in which there are specific outcomes associated with differing courses of action and (b) convincingly advocate a specific outcome” (Ahlquist and Levi 2011, 8). What converted Perkins’s and Friedman’s ideas into practice was that their vision appealed to those with the power to effect change, whom they personally advised. But ultimately their ideas had to gain traction and legitimacy among the political and economic leadership and then with a wider audience.

FDR seized the opportunity created by the mobilization and urgent demands of the citizenry to introduce the New Deal. Prime Minister Thatcher and President Reagan, coming from a different perspective and operating in a very different era, appealed to a growing popular dissatisfaction with government bureaucracy and regulation of the economy to put forward a neoliberal agenda of deregulation and smaller government. All three heads of state were effective communicators who helped spread the ideas to a wider audience, including the general public.

The generalized acceptance of these new ideas allowed the political leadership not only to enact new policies but also to transform the very structures of government. FDR’s administration expanded the reach of government to provide greater social protections and services to citizens and to create a whole new administrative apparatus and regulatory regime. The Thatcher and Reagan administrations acted to restrict federal authority over social services and protections, reduced regulations on business, and reformed government agencies, often by outsourcing their work or reducing their staff.

⁴ There are a number of arguments that make this case. For example, see: North 1981; Denzau and North 1994; and Weingast 2005; but also, from a different perspective, Hall 1989, Weir 1989, and Blyth 2002.

The crises we are facing now provide an opportunity for the next transformation of our structures and institutions, our policies and practices, and who we include in our community of fate. We have real choices about where to go next.

Ideas

So, let us turn to our responsibility in the division of labor for effecting change. We are neither political leaders nor policymakers, so our focus will be on ideas. Our first task is to interrogate the assumptions on which the current political economic framework is built and to provide better assumptions for the next. We know far more now than we did in the past about behavior – that is, what induces people to act one way or another. Previous scientific understanding of behavior informed previous political economic frameworks, and current scientific understanding must inform the next.

Economics, the academic discipline that has dominated the construction of past political economies, has, particularly since its mathematization in the nineteenth century (see discussion in Section 2), preferred a simplified model of humans: *homo economicus*. *Homo economicus* is at the heart of neoliberalism. The rational individual is decision-maker and centerpiece, and choices are defined narrowly in terms of personal costs and benefits. From this model follow prescriptions about the expected behavior of individuals: free riding is the norm, and economic failure generally reflects personal, not structural, problems. From this model also follow prescriptions about the expected behavior of firms, governments, and the economic system itself: firms should single-mindedly maximize profit, governments are primarily to protect property rights and provide the infrastructure that the market will not, and relatively unfettered capitalism will ultimately benefit all who work and strive.

However, the premises on which such claims are based are problematic. They present a very narrow conception of human nature, motivation, and behavior. Simple aggregation of choices and actions tell us little about what people really think or will do, given the opportunity, a change in context, and a new understanding of what others believe is possible (Kuran 1995). Not only do people display systematic biases and thus make mistakes, they are also influenced by emotions, by those with whom they interact, and by societally generated norms. Narrow self-interest is an important but certainly not the only driver of action.

Any new framework must be based on the fact that humans are social beings. As Susan Fiske argues, humans are motivated to belong to a group that gives them identity and may help with survival, to create shared values and understandings, to feel that their actions have effect, to develop bases for self-esteem and self-enhancement, and to feel benevolence or trust toward others (Fiske

2003, 2010). And they are networked in complex ways that have implications for how they behave as well as consequences for the structure of influence and power in politics, economics, and social life (Jackson 2008; Ward, Stovel, and Sacks 2011; Slaughter 2017; Jackson 2019).

Indeed, the desire to connect and be part of a more integrated whole often overrides self-interest. It promotes a sense of mutualism and belonging and, therefore, trust and reciprocity. This understanding of human motivation is the basis of what Samuel Bowles and Herbert Gintis label *homo reciprocans* (Bowles and Gintis 2002) and Anne-Marie Slaughter and Hilary Cottam conceptualize as *sapiens integra* (Slaughter 2017; Cottam 2020; Cottam and Slaughter 2020). In Cottam and Slaughter's view, what people really seek is to grow their personal capabilities and that of their networks.

Substituting this more realistic and scientifically based version of human motivation for *homo economicus* is a fundamental building block for restructuring our political, economic, and social arrangements. Institutional designs based on this version must then evoke and reward caring behavior not only of the vulnerable in need of our help but also selfless actions that promote a better society. There is an evolutionary basis to this argument. Reciprocity has deep roots in our human makeup (Bowles and Gintis 2002, 2011). Care for the young and for the old is an essential process in developing the skills and the knowledge transference that ensures adults have the skills necessary to achieve their role as productive food providers (Gopnik 2020).

The claim that humans are social by nature, however, does not necessarily mean that they are always cooperative or kind to each other. Indeed, cooperation and reciprocity require institutional arrangements that can generate and sustain a commitment to act in the interest of others.

The moral vision advocated here emphasizes freedom and liberty as much as neoliberalism does. Whereas neoliberalism was largely based on negative freedom (Berlin 1970) in the form of freedom from interference, we are advocating a framework based on the freedoms essential for people to flourish within a democratic system. Freedom from want, freedom of speech, freedom from fear, and freedom to worship – the four freedoms of FDR – are necessary but not sufficient. Of equal import is the freedom to develop the capabilities that ensure people can function well within the society (Sen 1989, 1999; Nussbaum 2011). Capabilities within a democratic context demand an additional freedom, the freedom from domination (Allen 2013; Pettit 2014; Allen 2020). Democratic capabilities thus include far more than the means for survival and self-improvement. Also important are capabilities to be citizens in politics, work, and society generally. This means developing the tools needed to

participate, express effective voice, mobilize, and take advantage of educational, informational, and economic opportunities.

Participation, expression, voice, and mobilization facilitate relational equality, a state of affairs in which people treat each other with respect, listen to each other, and tolerate no domination of one by another (Anderson 1993, 1999; also, see Satz and White forthcoming; Allen forthcoming). The achievement of relational equality requires that all have adequate resources so they can develop capabilities but also avoid the dependencies that produce unequal power and influence.⁵

Connectedness, cooperation, and freedom from domination are created and sustained by institutional arrangements that enable people to engage in reciprocal and prosocial behavior and to resist domination. Contemporary political philosophers recognize the need for structural supports for freedom. Elizabeth Anderson's notion of private government that is relationally equal depends on laws and rules that give workers power and dignity within corporations (Anderson 2017). Danielle Allen has long emphasized the role of law and institutions, especially education, that promote a more just polity and create bridging and bonding among citizens (Allen and Reich 2013; Allen 2016, 2020). Her argument is extended, elaborated, and made concrete in the six strategies and specific proposals in *Our Common Purpose*, the American Academy report she cochaired (Commission 2020). Other philosophers provide justifications for a range of institutional reforms and policies – from limits on the influence of money and status in politics to changes in tax, labor, and educational practices – that would promote political and economic fairness, particularly in democracies (e.g., Cohen 2001; Satz 2010; Sandel 2012; Pettit 2014; Scanlon 2018; Sandel 2020). Several argue for a more participatory politics, creating spaces for deliberation and for a wider plurality of voices (Cohen and Rogers 1995; Pettit 2014; Cohen and Fung 2021)

In Section 3, we contribute to this body of philosophical work with some practical ideas about how to create participatory spaces in today's capitalist democracies. We review a wide variety of forms of human organizations that foster cooperation and self-governance. Our account shows that such institutional arrangements exist at all scales and for many different purposes. These

⁵ While relational equality obviously requires allocation of additional resources to build democratic capabilities, it does not necessarily imply wholesale redistribution. There is a debate among philosophers about the form of equality to pursue. We emphasize those who advocate relational equality. Anderson (2010) provides a useful summary of the debate from her perspective. The alternative is distributional equality to reduce the effects of disparities in initial fortune (e.g., Parijs 1995; Cohen 2008; Parijs and Vanderborght 2017). While all parties to the debate refer to the seminal work of John Rawls (1971, 1993), they then use him to justify different paths to justice.