THE RELATIONSHIP BETWEEN CAPITALISM AND DEMOCRACY

By

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Abstract

This paper examines the very complex relationship between capitalism and democracy. While it appears that capitalism provides some necessary element for a democracy, a problem of political inequality and a possible violation of liberty can be observed in many democratic countries. I argue that this political inequality and threat to liberty are fueled by capitalism. I will analyze the ways in which capitalism works against democratic aims. This is done through first illustrating what my accepted conception of democracy is. I then continue to depict how the various problems with capitalism that I describe violate this conception of democracy. This leads me to my conclusion that while capitalism is necessary for a democracy to reach a certain needed level of independence from the state, capitalism simultaneously limits a democracy from reaching its full potential. If anything can be done to mitigate these limitations on democracy that capitalism creates can be further explored.
Introduction

There exists a complex relationship between capitalism and democracy that creates a puzzling dilemma. While capitalism provides the minimal steps necessary for democracy to carry out its functions, capitalism also limits democracy from reaching its full potential. Historically, capitalism appears to be connected with democracy. Through the combination of economic and political freedom, it seems that the overall well-being of individuals has greatly ameliorated. “Historical evidence speaks with a single voice on the relation between political freedom and a free market. I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity” (Friedman 1962, 9). Throughout history, while capitalist states may exist without democracy, there is no example of the reverse. “No democratic nation state has ever arisen anywhere in the world except in conjunction with a market” (Lindblom 2003, 281). So then, there is evidence to suggest that there is some quality to capitalism that is necessary for a democratic state.

Before this quality that capitalism provides to democracy can be examined, a conception of democracy must first be established. A goal of a democracy is to come to a decision that is in the common good. However, there exists a problem with this. Every individual’s conception of the common good is different. We are all limited in our knowledge and experiences. So, naturally our own interests and experiences bias us in defining how we think about the common good for the whole of society. To remedy this, a democracy is a back-and-forth deliberative process between numerous interest groups with the ultimate decision-making mechanism being majority rule. This notion of
popular control is the foundation of a democracy, but is checked by the aims of a
democratic state. While there are other essential aims to a democratic society, the two I
will discuss are the principle of political equality and the principle of liberty. Due to our
biases in our conception of the common good, it is crucial that citizens are provided
equal opportunity for influence so that all interests may be advanced. Ensuring this, the
principle of political equality is equal opportunity for influence over the political process.
Necessary for political equality is one person one vote. In this it is meant that “votes
must be allocated equally among citizens” (Dahl 1985, 59). However, this is not a
sufficient condition for political equality. A further necessary condition is that the degree
of influence is not determined by wealth, social background, race, gender, and so on.
“Each citizen must have an adequate and equal opportunity for expressing a preference
as to the final outcome” (Dahl 1985, 59). None of these characteristics should take part
in one’s opportunity for influence. If we look at differences in wealth, for example, this
reflects different kinds of capacities. It could be a representation of one’s ability to make
something that others like. It could also be a measure of how lucky one has been
throughout his or her life. These arbitrary capacities should not determine the
opportunity for influence in politics one is given. The same reasoning can be applied to
race, social background, gender, and so forth. The principle of liberty, generally, is each
adult person is entitled to be the judge of his or her own interests (Dahl 1985, 57). One
does not need to prove entitlement to this liberty (Dahl 1985, 57). Instead, “the burden
of proof must always lie with anyone who wishes to establish exceptions to the
principle” (Dahl 1985, 57). A degree of independence from the state and from other
institutions is needed to carry out one’s free will. Essential to obtaining this degree of
independence is freedom of thought, an important component to the principle of liberty. Freedom of thought is also needed to fuel open public debate, a necessary feature of political equality. In order to reach a full level of democracy, these aims of political equality and liberty must be reached.

The minimal step needed that capitalism provides for a democracy can now be explored. Why is capitalism necessary to democracy? Perhaps capitalism has a functional relationship to democracy. The independence of persons is crucial to a system of voting. This independence is preserved by private property. Capitalism provides independence of persons from the state in a way that is necessary to a democratic society. This necessity can be shown through an attempt to have democracy while at the same time having state socialism with all property in control by the state. Socialism could limit rights essential to a democratic society like freedom of expression. If people’s jobs are dependent on the state and if they criticize the state, they could lose their jobs. How substantial this threat is can be questioned. Under our current system, individuals are employed by the state who do not necessarily fear for their jobs when criticizing the government. It seems, however, that when independence from the state is weakened, as through socialism, there is a greater fear for democracy. There is a fear that it would be a short-lived phenomenon before corruption turned it into an anti-democratic state. Examples such as the Soviet Union come to mind of workers losing their jobs if they were to criticize the government. So then, while these threats to freedom of expression are not a necessary component to state socialism, there is a trepidation here. If instead individuals are independent from the state with their jobs and private property, as provided by capitalism, the state cannot threaten the people to this
degree. If there is a system of private property in place, then the people have a greater
degree of independence from the state. It is this degree of independence from the state
that is achieved through capitalism that is the needed condition for a democracy.

It is widely, although not unanimously, claimed in the United States that
economic liberty is just as valid a claim as political liberty (Dahl 1985, 56). Economic
liberty necessarily implies a right to private property (Dahl 1985, 56). A right to private
property includes the rights of owners to control or to delegate control over their firms
more or less as they see fit. Consequently, the corporate structure of modern American
capitalism is seen as an ‘inalienable right’ (Dahl 1985, 56). It may even be the case that
economic freedom leads to political freedom, or enhances political freedom, as Milton
Friedman argued. It seems that democracy is dependent on a capitalist institution – it
provides a freedom from the state necessary for a democratic society.

However, a certain level of inequality can be observed in democracies that is a
troubling phenomenon. While we may have escaped the apocalypse that Marx
bestowed upon capitalist societies, “the existence of sizable inequalities in political
resources among the citizens of a democratic country should be disturbing to anyone
who places a high value on political equality” (Dahl 1985, 53). These inequalities may
limit a democracy in various ways.

Capitalism allows for a degree of liberty essential to a democracy. However, with
the current institution of capitalism, we have now created a state too dependent on
capital. This threatens the fundamental ideals for a democratic society. I argue that
capitalism undercuts criteria for a democracy of political equality and liberty at two
levels. First, there exists an unequal distribution of political power that favors
businessmen and corporations. Secondly, at a deeper level, in a capitalist system the majority’s conceptions are constrained to reflect the aims of the capitalist. Due to these two limitations on a democracy, while on one hand capitalism is needed for a democracy, it also limits it from reaching its full potential. In this paper, I will delve further into these two limitations capitalism imposes, explaining corporate influence on a democracy both in a direct and indirect manner. I will do this by first describing the direct influence corporations hold in our political system through campaign finance. Secondly, I will explain the indirect influence corporations have through the privileged position. Lastly, I will explore the deeper level at which capitalism undercuts democracy through restricting freedom of thought, and thus constraining open public debate and the principle of liberty.

I.

A founding principle of democracy is equal opportunity for influence in politics. Given that the prevailing norm is to view individual persons as equals, there should exist equal opportunity for influence. However, when money plays such a crucial role in the current political system as it does, this notion of political equality is lost. Business holds a disproportionately large amount of political power compared to other interest groups. “One prominent account of the value of democracy is that it publicly treats citizens as equals by giving them an equal say in the process of collective decision making through which extensive and significant disagreements about substantive law and policy are resolved” (Dahl 1989; Cohen 2001; Christiano 2008). Yet, individuals are not recognized as equals when there exists inequality of opportunity for influencing the political agenda (Christiano 2012, 245). In a democracy, economic position is not a
relevant formal qualification for voting or any other form of political influence (Cohen 2009, 273). However, under the current political system, “greater opportunity comes with greater resources” (Cohen 2009, 273). The current political economic system is favoring the interests of corporations over other interests by allowing money to hold such a dominant role in the political arena. This can be observed through both direct and indirect political influence from corporations.

**Money in Politics**

In any advanced society, money plays a pivotal role. One role it takes is money has a large influence in campaign elections. Directly, corporations hold a disproportionate amount of political power through funding campaign finance. This problem stems from what Thomas Christiano calls money as a gatekeeper. This means that “those who are able to raise a great deal of money are more likely to run viable campaigns, whereas those who cannot generate funds for their campaigns often drop out of the competition” (Christiano 2012, 244-245). Because of this mechanism, there is a necessity of funding when running a campaign.

Throughout history, there has been evidence to show that money matters in political campaigns. In order to get a campaign going at all, one has to have a great deal of funding, especially in the primary stages. It comes up time and time again that candidates have to drop out of a political race because they do not have enough money. While those who had more money to spend were more successful in the political races. “In 1996, the candidate who outspent his or her opponent won 92 percent of the House races and 88 percent of the Senate races” (Cohen 2009, 281). It should be discussed that it could be that these candidates received more money
because they seemed most likely to win. There is evidence that those who seem most likely to win receive a flood of money prior to the election. So then, instead of money determining politics, politics determines money. However, even if this were the case, this does not undermine the initial need for money and the problems to democracy this poses. Because of this need, political candidates must find the adequate funds to be successful in a political campaign.

Candidates must turn to the wealthy class when looking for campaign finance. Those who pay for the campaigns choose which candidates to support, and so in effect, select which candidate wins. They will choose candidates who represent their ideals best. Therefore, the system is somewhat biased towards the wealthy’s views and interests. “If there are significant commonalities of opinion and interests among the broad mass of the affluent that distinguish them from the less well-off groups, then the interests and points of view of the affluent sectors of society will be better represented in political campaigns than those of the less well off” (Christiano 2012, 245). It is due to this that business becomes in a sense an “agenda setter for collective decision making” (Christiano 2012, 244). Dissenting views among the affluent may occur, but outside “dissenting views, no matter how prominent in the population at large, will tend to be marginalized” (Christiano 2012, 245). Due to increasing costs in campaigns, candidates are “increasingly attentive to the interests and the concerns of the relatively small and unrepresentative group of citizens who spend money on politics and thus provide essential resources for running a modern campaign” – namely businessmen (Cohen 2009, 283). The result is that we are left with a society that is more responsive to the
needs and wants of the affluent, but not as responsive to the nonaffluent (Christiano 2012, 245).

Business spending in political campaigns dwarfs the funding of other interest groups. In 1996, business outspent labor by a factor of 11:1 and ideological groups by 19:1 (Center for Responsive Politics quoted in Cohen 2009, 279-280). Looking solely at contributions to candidates, business gave nine times as much money as organized labor, and fifteen times as much as ideological donors (Center for Responsive Politics quoted in Cohen 2009, 279-280). This leads to a relatively small pool of citizens who participate in campaign finance, but who are making enormous contributions (Cohen 2009, 280). This poses a problem because this small pool of citizens tends to be unrepresentative of the population as a whole – contributors tend to be more conservative on economic issues (Verba, Schlozman, Brady 1995). Almost all of the private financing of United States’ elections comes from the upper 10% of the income bracket. There is a fundamental gap between the interests of voters and the interests of contributors (Lessig 2010, 13). Because of these opposing interests, responsiveness to one group limits how responsive public policy can be to another group (Lessig 2010, 13). Further, responsiveness to businesses may even work against the interests of other voters.

Money serving as a gatekeeper violates equal opportunity for influence in the political sphere in that it more greatly favors the needs and desires of the affluent. This violates one of the necessary criteria for a full level of democracy under the principle of political equality. With the need for money in campaigns, two problems occur that violate this principle. First, wealthier individuals are more likely to win campaigns
because they may have on their own the needed funds to run a political campaign. The problem with this is economic standing shapes if an individual will win a political campaign. As earlier discussed, wealth is not a characteristic that should determine one’s opportunity for influence in the political sphere. Second, candidates may be selected by wealthy individuals, providing them the funding they need to succeed in a campaign. Individuals will fund candidates who align with their own political beliefs. This leaves individuals who do not align with these political beliefs at a large disadvantage when running a political campaign.

It is important to discuss that money as a gatekeeper can hold without those in politics being bad individuals. It is from the dependency on money in campaign finance that “distracts members from their good intentions, directing their focus more and more toward the challenge of raising money” (Lessig 2010, 12). Candidates must focus their attention on raising money so that they are able to run a viable campaign. By no means do these individuals need to have poor intentions or be selfish individuals.

A separate and not as prevalent a problem undermining political equality is quid pro quo. When corporations fund political campaigns, corporations expect political preference or favors in exchange for the funding. The problem with this is that it hinders the democratic decision-making process from working in the best-interest of the common good. “… if legislators must often vote for policies in exchange for campaign donations from particular interests, policies will not be chosen on the basis of the best reasons but rather on strategic considerations concerning how to advance the special interests or concerns of these groups (Christiano 2012, 243). Representatives were intended to be dependent on voters, but instead, representatives are dependent upon
contributors (Lessig 2010, 13). However, there is debate concerning how prevalent an issue this type of influence is. How serious of a threat quid pro quo poses must be explored further.

**The Privileged Position**

Indirectly, businessmen are disproportionally influencing the political system through acting as an independent constraint on the process of collective decision making (Christiano 2012, 250). In a democracy, substantial decisions are made from a back-and-forth deliberative process comprised of competing interest groups who negotiate and compromise with one another. Due to corporations' disproportional influence, however, corporations are not just another competing interest group. Instead, corporations act as one system of authority, the other system being government.

This disproportionate influence arises from the nature of the firm. Businesses work through a system of inducements. Firms are assumed to act in such a way that profit will be maximized. Any attempt at change that would cause the firm to not maximize profit will incentivize the firm to respond in a possibly harmful way for society. This thesis of maximization of profits is said to be the preference of a firm. Firms acting in accordance with this profit maximization will have negative effects on the overall well-being of the democratic state. Business is an economic institution that is highly resistant to change. “Conflict between reform and its adverse effects on business that punish us through unemployment is a long-standing and real repressor of change” (Lindblom 2003, 276). This resistance to change is the result of businesses having what Charles Lindblom calls an automatic punishing mechanism. This resistance poses threats to democracy.
Business acting through a system of inducements is what leads Lindblom to depict the market as a prison. The market as a prison means that there is less freedom in society because new policies cannot be adopted, and this limitation with capitalism cannot be escaped through democracy. “For a broad category of political/economic affairs, it imprisons policy making, and imprisons our attempts to improve our institutions. It greatly cripples our attempts to improve the social world because it afflicts us with sluggish economic performance and unemployment simply because we begin to debate or undertake reform” (Lindblom 2003, 279).

To illustrate this automatic punishment mechanism, society may recognize, for instance, that there are some who are worse off, and we collectively want to help them. To do this, policy-makers decide to raise minimum wage. However, firms see the costs that this will impose on them in lowering their profit. Instead of taking this hit in profit, they push the costs off to the one’s with less power in the firm: the workers. They do this through firing workers, increasing unemployment. A firm’s decision such as this can have a detrimental impact on a society. Negative economic distresses can arise, like depression and inflation. Out of fear of this and in anticipation of this adverse effect, policy-makers will not try to change or improve society. Therefore, imprisoning those who are supposed to bring about positive changes.

Recognizing the consequences these economic distresses can pose for the public, government officials understand business’ interests to be their own. This means many topics are taken off the public agenda completely, and thus, businessmen become a kind of public official and exercise public functions (Lindblom 1977, 172). “In the eyes of government officials, therefore, businessmen do not appear simply as the
representatives of a special interest, as representatives of interest groups do. They appear as functionaries performing functions that government officials regard as indispensable” (Lindblom 1977, 175). This encapsulates the privileged position that businesses hold.

Due to the privileged position, government must offer inducements in the form of market and political benefits to businessmen needed to stimulate their performance (Lindblom 1977, 173). For example, if businesses say that tax offsets are necessary to induce investment, which could positively impact the public, government officials will consider very seriously the necessity of tax concessions (Lindblom 1977, 174). Government officials explicitly acknowledge the need for adapting public policy to the needs of businesses whenever they make an argument in favor of using taxes to stimulate business (Lindblom 1977, 180). When this is the case, businesses’ privileged position has been cemented (Lindblom 1977, 185). This leaves us with the haunting image of democracy imprisoned by a capitalist system.

Lindblom does recognize that this metaphor he has created is not a perfect one. There are jailbreaks that come about. When society is in such a bad state and change is attempted, at times businesses do not respond (Lindblom 2003, 280). While rare, examples of this would be Roosevelt’s New Deal during the Great Depression and the resulting effects seen throughout Europe post World War II.

Responses by businessmen and other people in society are quite different. Other people’s reactions do not, as it were, have this enormous effect on employment and other issues. The dissatisfaction of other groups “does not result in disincentives and reduced performance that impose broad, severe, and obvious penalty throughout
the society, which is what unemployment does” (Lindblom 2003, 278). Because of this automatic punishment mechanism, substantial decisions which impact society as a whole are left to businessmen (Lindblom 1977, 172). From this it follows that “jobs, prices, production, growth, the standard of living, and the economic security” of the public rests in the hands of businessmen (Lindblom 1977, 172).

The automatic punishment mechanism characteristic of the firm puts corporations in a privileged position over other institutions. Democracy is depicted as a back-and-forth deliberative process between various interest groups. However, due to the privileged position, the firm no longer acts as another interest group. Instead, the firm acts as a command in politics. Corporations are granted a larger proportion of influence in democratic decision-making. This gives business a greater opportunity for influence over politics. The problem with this is the type of institution should not determine the amount of opportunity for political influence. Thus, due to the privileged position of the firm, political inequality is further increased.

The need for inducements is not through the malicious intent of businessmen. Given that businesses are motivated by corporate profit, incentives are needed to align with this profit-maximization. “If, anticipating new regulations, a businessman decides not to go through with a planned output expansion, he has in effect punished us without the intention of doing so” (Lindblom 2003, 277). Likewise, it is not necessary that government officials who incentivize corporations are themselves pro-capitalists. A government official may simply understand “that public affairs in market-oriented systems are in the hands of two groups of leaders, government and business, who must
collaborate and that to make the system work, government leadership must often defer to business leadership” (Lindblom 1977, 175).

II.

Businesses’ disproportionate influence on politics can be evaluated at a deeper level. In this section, I will analyze business influence at this deeper level by first proposing that the majority interest is actually aligned with business. Secondly, I will explain how it is this could have occurred. I argue that if this is the case, political equality is in a worse position than explored in the first section. Lastly, if this circularity is a violation of freedom of thought will be explored. If it is a violation of freedom of thought, then the principle of liberty is threatened and the principle of political equality worsened.

Circularity

There is another possible breach to democracy that has yet to be discussed. Charles Lindblom brings to surface the ominous possibility that popular control in both market and government is circular (Lindblom 1977, 202). Circularity in this sense is the idea that perhaps citizens’ volitions are nothing other than what those in the privileged position were already disposed to grant them (Lindblom 1977, 202). “The volitions that are supposed to guide leaders are formed by the same leaders” (Lindblom 1977, 202). It should be considered that citizens have been persuaded to demand, to buy, and to vote for what is in the corporations’ best-interest (Lindblom 1977, 202). This would mean that citizens are actually allies of big business (Lindblom 1977, 202). There need not be any great struggle in electoral politics because citizens’ wishes already serve not their own interests, but the interests of corporations (Lindblom 1977, 202). This raises
the possibility that business influence over politics strikes even deeper than considered in the privileged position (Lindblom 1977, 202).

Persuasion is a part of a democratic system. As stated, democracy is a back-and-forth deliberative process where opposing sides can come to agree. However, the persuasion relevant to this discussion is not “the mutual persuasion of liberal democratic aspiration,” but instead, “a lopsided, sometimes nearly unilateral persuasion by business, governmental, and political leadership directed at ordinary citizens who do not themselves easily command, as leaders do, the services of printing and broadcasting” (Lindblom 1977, 202). It is a curved influence, meaning it is through a heavy bias which is much more greatly favoring one group. While businesses disagree on smaller, secondary issues, especially large corporations and small businesses, there are a number of issues businesses tend to agree on. These larger issues businesses tend to agree on are “private enterprise, a high degree of corporate autonomy, protection of the status quo on distribution of income and wealth, close consultation between business and government, and restriction of union demands to those consistent with business profitability” (Lindblom 1977, 205). With the issues where there is disagreement, this curved influence does not exist, but instead a healthy competition of ideas is circulating. With the latter, the possibility of a certain level of bias in influence to favor the ideas of the wealthy class should be explored.

The legitimacy of the privileged position can serve as proof of this bias (Lindblom 1977, 203). Citizens are persuaded to believe that business’ control is part of or inherent in a democracy. From this persuasion, citizens are influenced to overlook the privileged position. The privileged position is legitimized through aligning economic
freedom with political freedom. Today it is viewed as common sense that capitalism in the current form is the best and only alternative for an economic system. It is in businesses’ interest that debate regarding this topic be removed from politics. Citizens view private enterprise and democracy as two intertwined entities (Lindblom 1977, 203). Further, Americans see a threat to private enterprise as a threat to democracy itself (Lindblom 1977, 203). Can this common sense that capitalism is the only viable alternative for an economic system be used to show that this biased persuasion has actually occurred? It is hard to say, but something interesting to think about further.

A further example of this circularity is that the terms of debate are dominated by employers looking at the short-term. Corporations make many decisions looking at the short-term cost or benefit. Because an increase in minimum wage will decrease profit, firms are generally against this. This dominates the train of thought concerning unemployment. Instead of looking at the long-term benefit that people are less poor and this could stimulate the economy, the opposite result is advanced in media and academics. Newspapers begin printing this, and so the average person genuinely believes that a raise in minimum wage will increase unemployment, which would cause serious problems for the country. So, the individual will vote as such.

In exploring this possibility of biased persuasion, how this influence would have occurred must be answered. To examine this possibility, Anthony Downs’ theory in An Economic Theory of Democracy can be applied. In this, Downs characterizes information as an economic problem. In life we must make numerous important decisions, one of which is how informed we want to be and how much time we should spend on becoming informed. In order to achieve one’s aims, one must make a good
decision. For this, the right information is needed. In obtaining this information, people must become informed while living in a world with limited time. Obtaining this information, then, is a costly phenomenon. With work, family, time for leisure, and so on, it seems there is little time for individuals to stay up to date on politics.

Downs explains that humans must be rationally ignorant on many things, politics at times being one of them. Often, the marginal cost of acquiring information is greater than the marginal benefit of knowing this information, and so it is rational for individuals to be ignorant. For individuals where time is more precious because it must be filled with laboring to receive enough money to put food on the table, this ignorance towards politics is even more understandable. Anthony Downs then explains this process of becoming informed in a world of scarce time with a vast amount of information.

Given scarce time, how to select the most relevant information from all that is available is difficult. “Immediately there arises the crucial question of how to decide which data to select and which to reject” (Downs 1957, 211). This question is crucial because it determines what type of information is used in making decisions (Downs 1957, 211). These decisions could sway which way an individual decides to vote. To increase efficiency in a society, individuals each specialize in specific tasks. This is known as the division of labor and is a key element to the cause of biased influence. Due to society’s division of labor, citizens are not in a position to sift through all this information themselves. Citizens work throughout the day on a specific task and are left with little time for much else. Because of this, individuals depend on acquiring information very quickly from main newspapers, magazines, and broadcast stations (Christiano 2012, 249). Most of what we know about politics, then, is secondhand and
superficial information. This leaves the very important role to these companies who own sources of media of selecting the information to present to us. Whoever selects this information has a potentially enormous influence on political decisions (Downs 1957, 211).

Information is fathered by principles of selection or “rules employed to determine what to make use of and what not to” (Downs 1957, 212). They are principles by which one selects certain features of events by means of which to interpret those events. For every political event, which has an infinite complexity to it, each group is looking for certain facts. Different people use different rules to select these facts. One’s method of selecting facts depends upon the objectives one has in making the report (Downs 1957, 213). We receive our information from individuals who have used these selection principles, at times selecting certain information with an objective in mind. Therefore, all information is inherently and necessarily biased because it is a certain selection of data taken from the vast amount available (Downs 1957, 212).

Because there is not a lot of time to spend on keeping up to date with politics, it is costly to gather information. To minimize costs, many citizens start with free information and then economize on any further information gathering. Free information is information that one can receive without having to pay any transferable costs. Transferable costs are any costs that can be transferred to another person. So then, the only cost one is paying for this free information is opportunity cost, or the time one could use towards completing something else. However, there is something lost with using this “free” information.
Money plays an important role for the wide transmission and broadcast of opinions to the public (Christiano 2012, 247). Sources of free or subsidized information can be from the government, political parties, political campaigns, think tanks, interest groups, newspapers, media, and so on. “Those with a great deal of money can finance the production of ideas and arguments while those with little cannot” (Christiano 2012, 247). This information is subsidized by a wealthier class. It is going to be information that is selected in accordance with this wealthier class’ own selection principles. Because of this scarcity of time for devotion to politics, spaces for political information “can be dominated by wealthy groups that can afford to buy or fund large parts of it” (Christiano 2012, 249). Therefore, the information that is subsidized is subtly determined by the particular aims they hold.

For Downs, different principles of selection can be evaluated in terms of how well they help one pursue his or her aim. Principles of selection are good ones for a person to the extent that it helps them pursue their aims or their interests. There are two problems that arise with this. First, businessmen who are dominating media have different selection principles than those who are reading and receiving the information. While one is still receiving information from this media and that is worth something, this media has not been selected in a way that helps promote one’s own aims and interests. “Since the mass media of communication in many democracies are owned or dominated more by high-income interests than low-income ones, low-income citizens are more likely to receive data selected by principles conflicting with their own than are upper income groups” (Downs 1957, 235). They are conflicting in that each group’s own
principles of selection are going to be those which are most suited to promoting their own interests.

If subsidized information is used, then all costs but opportunity costs can be eliminated. However, the issue with this is “by doing so the citizen may lose some control over the selection principles behind the information” (Downs 1957, 237). This means that the true cost of using this information could be that selection principles have been used which are very different from one’s own. Those who are subsidizing information are part of a particular wealthy class, and so you have a portion of the population that is receiving free information from sources that are not using the selection principles which are natural for them to use. Because of this, there is not only a bias that exists, but this information is also working against a significant portion of the population.

If this circularity does occur, this can pose large consequences for the democratic process and threaten democratic ideals. This violates the principle of political equality and possibly the principle of liberty. If individuals have a decided bias favoring the ideas of the wealthy, then that is not granting other interest groups the same opportunity for influence. “If a certain sector of the society has a much greater influence on the process of opinion creation, modification and dissemination than any other sector, the likelihood is that that sector will determine the conception of justice and its importance, the common good, and individual interests that are available for discussion and adoption in the society” (Christiano 2012, 247). Important to democracy is open public debate among varying interest groups. However, if the thought is controlled in this manner, the political debate is dominated predominately by one
group’s interests. As Karl Marx put it, “In every epoch the ideas of the ruling class are the ruling ideas, that is, the class that is the ruling material power of society is at the same time its ruling intellectual power” (Marx, Engels 1994, 129). Once again, the opportunity for influence in politics has been determined by wealth. If this circularity also violates the principle of liberty will be discussed.

It is important to make clear that it does not have to be argued that these elites are trying to control and influence public opinion. They do not even have to be acting in their own self-interest, but rather could be promoting what they believe to be the common good. The information they are subsiding simply reflects their own conception of how society should be organized.

**Freedom of Thought**

If this circularity has been created, this biased influence may violate the principle of liberty. The principle of liberty states that each individual is the judge of his or her own interests. This very curved influence leading to a decided bias in favor of the wealthier class brings into question if freedom of thought has been corrupted. What exactly constitutes freedom of thought is not easily established. There are normative standards in a democracy that constitute what are acceptable ways people come to hold beliefs. While it can be easily stated that a democratic society does not want citizens to be brainwashed or for information to be forced upon citizens as if they were children, there exists a more subtle mechanism that follows capitalism. This distorted form of persuasion that has occurred is the more subtle effect.

A crucial feature of this very curved influence is socioeconomic class. Class is both a cause of and is further cemented by the biased persuasion. Class greatly affects
the political and economic system in place. There is an inequality in the competition of ideas fueled by class that contributes to political inequality. “Many of the unifying beliefs of the society are those beliefs communicated by a favored class to all other classes, with enormous advantage in a grossly unequal competition of ideas” (Lindblom 1977, 230). In this case, the favored class can be seen as those in business who are in the privileged position. There is a complication with the biased persuasion discussed. On one hand, these beliefs are what citizens genuinely hold, but on the other, they are beliefs that are in some sense inherently biased towards favoring others and working against the interests of ordinary citizens.

Raymond Geuss argues that a form of consciousness can be ideologically false dependent on the origin of the belief (Geuss 1981, 36). Examining the origin of the belief to determine if it is false means examining if it typically or characteristically arose from a society dominated by a specific class or if the original proponent of the belief were themselves members of that class (Geuss 1981, 37). It is not from their origin alone that forms of consciousness can be false, but it is also in their false representation of social reality. In this it is meant that an ideology is presented to be representative of all of society, but is truly reflective of only a particular socioeconomic class. When pro-business and pro-capitalism ideals are promoted, these are idealized as what are best for society as a whole. As we have explored throughout this paper, however, some of these policies are contributing to political inequality. Therefore, they are not working in the best interest of the majority. “A form of consciousness is ideologically false if it contains a false belief to the effect that the particular interest of some subgroup is the general interest of the group as a whole” (Geuss 1981, 14). As Downs explains,
selection principles are what guides us as we select certain information, and they vary person to person, class to class. Similarly, if an ideology arises from one class of society, then it will represent the views of that class. “…If a form of consciousness characteristically arises in a society dominated by a particular social class, it will be an ‘expression’ of the class-position, or standpoint, or viewpoint of that dominant class” (Geuss 1981, 37). So then, when members of a different class are selecting the information to present the masses with from an endless pool of information, this information holds an expression of their views, and is therefore false.

An important point is that the ideas from any class are false, not just the ideas formed from the privileged class. A consciousness that comes out of a class is false in its biasness. This biasness exists because there is an expectation that people and their conception of the common good will be tendentious in various ways towards their own interests. Individuals are all limited in their information and experiences. So then, when one tries to think about what is best for the whole society, there is an inherent bias because one can only base this conception off of one’s limited knowledge and one’s personal experiences. Due to this, our belief about what is best for society is inherently biased towards ourselves.

It can be asked what is wrong with formulating a class interest? What is wrong in this case is that this particular class interest dominates over others. A society has been created where just one view tends to predominate over the others and there is not enough of a check on it. While in some circumstances a particular class interest will mirror the general interest of the society, more often this is not the case (Geuss 1981, 38). For our case at hand, in general, it can be argued that the interests of the most
affluent and the interests of business owners do not mirror the interests of the whole of society. If an equal voice exists amongst interest groups then there tends to be much more discussion and open thought about the interests and concerns of all groups. Whereas if you have one class that tends to predominate much more than the others, then these other important points of view are pushed out and neglected.

If this circularity exists then both the principle of political equality and the principle of liberty are violated. Individuals are no longer the judges of their own interests, but rather are heavily biased in such a way that business’ interests are promoted as their own. This violates the principle of liberty. This view has become dominant in a way that contrasting views are lost. There is something lost here to society in that society can no longer reach the common good because these minority views are no longer heard.

**Objections**

A first objection to the arguments presented in this paper could be that possibly I am asking too much of democracy. Perhaps instead of incorporating aims of political equality and liberty, democracy in its core is just a decision-making process by the method of majority rule. Democracy could be merely as Joseph Schumpeter characterizes it, “the democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote” (Schumpeter 1950, 269). It is just a way of making decisions and having a smooth transition of power. Perhaps in a democracy, individuals are entitled to an equal vote, but not an equal voice. If this is the case, then some of the problems that were discussed in this paper may still be serious problems, but do not actually threaten democracy or limit it from reaching its full potential.
In response to this, if, however, a more ambitious conception of democracy is made, then the problems I have explored are serious threats and limitations to a democracy. A few assumptions comprise this more ambitious conception. First, it can be assumed that democracy has the goal of reaching the common good for society. Second, it can be assumed that this is done through a back-and-forth open debate process between various interest groups. Lastly, it can be assumed that the principles of political equality and liberty must be protected in a democracy. If we assume it to be the case that democracy was founded on more than just a decision-making procedure, as I have laid out, then these problems do pose serious threats to democracy.

A second objection is that perhaps business’ interests are not aligned enough to create the large political impact that I am claiming. It could be the case that corporate interests are competing enough with one another that they really act as separate special interest groups. There is not some overarching “business interest.” If this is so, then the effects in opportunity for influence and the effects of biased persuasion leading to a violation of freedom of thought are not as large.

To respond, I argue that while corporate interests do compete with one another on some issues, there are a set of larger issues that they do not compete with one another on. One issue could be a love of private property, for instance. Lindblom makes the point that “business tends to speak in one voice” (Lindblom 1977, 205). This voice is not much challenged by any other (Lindblom 1977, 205). Medium-sized and large corporations approach a consensus on the “grand issues of politico-economic organization” (Lindblom 1977, 205). These issues could be corporate autonomy, distribution of wealth, restriction of union demands, and so on (Lindblom 1977, 205).
is important to note that this does not have to be the result of businesses conspiring together to agree on these issues. Instead, it could be that taking a particular stance on these issues will maximize profit, the preference of a firm. Therefore, I argue that there is an agreement amongst businesses on many large issues.

**What can be done?**

The question can be asked of if these limitations are inherent or if they can be mitigated in some way? If they can be stifled, this would move society closer to a full level of democracy. Necessary conditions for a full level of democracy are when political equality has reached a level where there is equality in opportunity for influence and the principle of liberty is such that there is freedom of thought. The duality of business and government is just as delicate as that of church and state, and so to come closer to reaching a fuller level of democracy, a greater separation must exist between the two. In order to do this, business influence must be curbed in some way.

One possibility for limiting the disproportionate amount of influence favoring corporations and business is through reforming campaign finance. As of now, a limit is placed on contributions only. In *Buckley v. Valeo*, the Supreme Court ruled that expenditure limits are impermissible on the grounds that it would violate the First Amendment. To argue that a restriction violates the First Amendment, expenditures could seem like an expression of “one’s approval of a candidate or party and the ideas and policies they advocate” (Christiano 2012, 254). The Supreme Court provided two different types of reasons for campaign finance restrictions. The first is restrictions in order to equalize voice in some way. The second restriction is to undermine corruption. The Court’s decision was with the hope that quid pro quo would be stopped in restricting
contributions. However, as discussed throughout this paper, a more serious problem seems to be an unequal voice in politics favoring business’ interests.

There is a heated debate on whether campaign finance limitations violate freedom of expression. Some argue that both limitations on expenditures in elections and contributions to candidates violate the principle of freedom of expression (Anderson 2000). Others argue that only limits on expenditures violate freedom of expression (Christiano 2012, 254). While others believe that neither limitations violate the principle of freedom of expression (Dworkin 1999). However, if it is assumed that limitations in an attempt to equalize voice is a violation of the First Amendment, then a dilemma arises. There seems there must be a tradeoff between two aims of democracy: freedom of expression and equal opportunity for influence. Thomas Christiano argues that a balance must be found between the two. “…These limitations can be justified only by balancing the interest in freedom of expression against the democratic purposes” (Christiano 2012, 254-255). Once this balance is found, it seems both democratic aims can be protected.

A second possibility to approach a more full level of democracy is that the incentive structure of corporations could be altered. As of now, corporations are working against democratic aims when they act against the majority will and instead, in favor of what will maximize their own profit. A change in corporate structure could occur to go beyond profit maximization to include a notion of fairness in businesses’ decision-making. To say that a firm’s goal is to alone maximize profits is to say that only the shareholders matter. There are other kinds of corporate structure that can make this not so. In Germany, for example, the boards of directors are composed of representatives
of shareholders and representatives of workers and unions, who then together select CEOs. Accordingly, the aim of a CEO is not just to maximize profit, but also to help the needs of workers. This gives a preference towards the common good. What co-determination does is makes in some sense the interests of workers or the community at large more central to corporate decision-making. Due to this different corporate structure, firms in Germany do not make the same types of decisions like firms in America do. Under this different corporate structure, capitalism still exists, but there is just a different way of organizing it. If the objective of the firm is altered to not just encompass maximizing profit, this could lead society to approach a fuller democracy.

Both of these solutions are limited, however, in a way that must be discussed. The larger problem that remains is that there is a society which is heavily biased towards the wealthier class. One thought is that overtime if these two solutions were implemented, then the discussion in politics could change to more greatly incorporate all class’ interests. Debates that had once been removed from the political agenda could now be openly discussed.

**Conclusion**

If more is to be expected from democracy than just a decision-making mechanism, then like a separation of church and state, a separation of firm and state must exist to move towards a fuller level of democracy. Gabriel Kolko asked the important lingering question, “Do a small group of very wealth men have the power to guide industry, and thereby much of the total economy, towards ends that they decide upon as compatible with their own interests?” From what has been explored in this paper, I answer that question with a resounding yes. Currently, capitalism both
contributes a certain necessity of freedom to democracy and simultaneously limits it from reaching a full level of democracy. I argue this on the grounds that criteria for a full level of democracy, the principles of political equality and liberty, have been violated. The principle of political equality is violated both directly through corporate money flooding campaign finance and indirectly through the firm’s privileged position. These create an inequality in opportunity for influence that is greatly favoring business. Due to this, open public debate is subdued. Secondly, the principle of liberty is threatened in that there has been a breach on freedom of thought. The principle of liberty states that individuals are in a position to decide his or her own interests. However, through the process of acquiring information, the system is heavily biased to influence the public to accept business’ interests as their own. This also furthers political inequality because due to this false consciousness created, many issues are removed from public debate. I do not want to argue that capitalism should be left behind and some other economic system take its place, but instead, that institutional changes could restructure the system to create outcomes that are more well-aligned with democratic aims. We have lost our checks and balance for separating economic power from political power. These different breaches on democracy build off of and contribute to one another, creating a snowball effect. Whether the current system is the best case we can have or if something can be done to assuage these effects must be explored further.
References


