

Rebuilding Social Democracy

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1 – Abstract ^[1]

This article proposes an alternative to existing socialist and social-democratic currents. It argues that the key to a renewed social democracy is to *socialize democracy* and *democratize the economy* simultaneously, but through gradual steps. To socialize democracy, the article advances an Associative Democratic Model (**ADM**) ^[2]. In this model, membership in Associations is grounded in each person's stable and temporary identities. Voluntary participation in such Associations expands the *Effective Number of Decision Makers (ENDM)* across all domains of social life, while guarding against corporatist capture by ensuring that Associations remain plural, overlapping, and freely chosen. To democratize the economy, it introduces the concept of the *Effective Number of Economic Actors (ENEA)* at both sectoral and systemic levels, defining economic health as the maintenance of a sufficiently large **ENEA** to prevent monopoly, oligopoly, and cartelization. Together, **ADM** and **ENEA** form a unified framework—statistical and institutional—for dispersing power, sustaining pluralism, and rebuilding social democracy on more durable foundations.

2 - Introduction

Throughout modern history, democratic systems have been marked by recurring waves of anti-establishment protest voting. The persistence of this pattern across the twentieth and twenty-first centuries points to a deeper problem: many citizens feel that their votes no longer carry the power to bring about meaningful change. This is not merely a momentary discontent but a structural feature of how political and economic institutions concentrate influence.

The traditions that have shaped modern politics each offer only partial answers. Liberal democracy emphasizes individual rights but reduces citizens to atomized voters, offering only thin equality at the ballot box. Marxism developed a more systematic critique, but grounded it in a dialectical framework that oversimplified social life into a binary of capital and labor. Social democracy, though historically the most enduring compromise, inherited limitations from both traditions. It now struggles to meet the challenges of the twenty-first century, persistent inequality, concentrated corporate power, populist backlash, and the erosion of pluralism.

My point of view is internal to social democracy. I do not write as an outsider or a critic from the socialist or Marxist left, but as someone who still regards social democracy as

¹ The first draft of this article was reviewed by three friends (PS, AB, AH), who provided me with many useful comments. One of them (AB) was kind enough to draft a few paragraphs for a new section. I remain indebted to them for their constructive views; any remaining shortcomings are, of course, my own.

² Later in this article, the terms *Associative* and *Association* are used in a specific technical sense, referring to the proposed framework of the *Associative Democratic Model (ADM)*. Throughout the text, both words are capitalized whenever employed in this technical meaning.

one of the most valuable political and moral traditions of the modern age. Over time, however, social democracy has drifted too far toward the political center and lost much of its transformative energy. It has learned to manage the capitalist economy efficiently, but not to reform it in line with its founding principles of equality, participation, and collective responsibility. My purpose, therefore, is to examine social democracy from within—critically but constructively—to understand how it reached this point and what it would mean for it to renew itself under today’s global and post-industrial conditions.

This article seeks to uncover the roots of political and economic inequality (**Section 3-10**) and to reconstruct social democracy from first principles (**Section 11-16**). To this end, it re-examines the ideas of Adam Smith and Karl Marx from both philosophical and scientific perspectives, aiming to reconcile their enduring insights while avoiding their limitations.

Building on this analytical foundation, the article introduces two new concepts, the Associative Democratic Model (**ADM**) and the Effective Number of Economic Actors (**ENEA**). Together, these concepts provide the institutional and statistical basis for dispersing power, sustaining pluralism, and rebuilding democracy on more durable grounds ^[3].

3 - Early socialists

In the early decades of industrial society, thinkers such as Saint-Simon, Fourier, and Owen mounted wide-ranging critiques of the prevailing regime of competition, property ^[4], and liberal individualism. They did not yet speak of “capitalism,” but diagnosed what they saw as the moral, social, and economic pathologies of their age. Their interventions, later labeled “utopian socialism” by their opponents, formed the first sustained challenge to liberal political economy.

3.1 - Moral critique of commerce and competition

Robert Owen first mounted a moral critique of commerce in *Observations on the Manufacturing System* (1815). There, he laments that “all are sedulously trained to buy cheap and to sell dear” and warns that this principle breeds deception and corrodes moral character. Later, in works such as *The Future of the Human Race* (1854), he extends the critique to the entire commercial order, treating it as incompatible with human solidarity and welfare. Charles Fourier developed a parallel critique of “Civilization” across his major writings, beginning with *Théorie des quatre mouvements* (1808) and

³ Throughout this work, I have tried to avoid terminology laden with paradigmatic assumptions—a task that has proved more difficult than it might appear.

⁴ Here ‘property’ refers not only to land but also to workshops, machinery, and other means of production. The debates of the early industrial era targeted property as an institution, whereas the narrower term ‘ownership’ refers to the relation of individuals or groups to property.

culminating in texts written between 1816 and 1821. He denounced the atomizing logic of competitive commerce and, in *La Fausse Industrie* (1835), explicitly attacked the “morcelée, répugnante, mensongère” (fragmented, repugnant, lying) industrial order as a deformation of the human spirit.

3.2 - Critique of property and inequality

Henri Saint-Simon (1760–1825) launched one of the earliest systematic assaults on hereditary property and unearned privilege in his industrialist writings. In *L’Industrie* (1816–17), he already begins to distinguish between an “industrial class” ^[5], and a “idling class” (oisifs). In subsequent works, especially *Du système industriel* (1822) and *Catéchisme des industriels* (1823–24), he deepens this critique, condemning those who live off rents and inheritance without contributing to production. These ideas influenced Fourier and Owen, who similarly saw concentrated property as a source of division and injustice rather than merely inefficiency (See also Stedman Jones, 2012).

3.3 - Critique of political liberalism

Owen (1813–1820) argued that freedom was meaningless when individuals remained trapped by ignorance, poor environments, and a lack of education. He developed this theme in *A New View of Society* (1813–14) and his *Report to the County of Lanark* (1820). Fourier ridiculed the abstract “rights of man” as hollow unless re-embedded in cooperative ^[6] institutions that could make human development real. Early socialists such as Owen and Fourier thus reached beyond economics into a challenge to liberal political philosophy itself (Manuel, 1966).

3.4 - Religious and ethical dimensions

Finally, many early socialists presented their projects in explicitly moral or spiritual terms. Saint-Simon expressed this vision most clearly in his late works, *Du système industriel* (1822), *Catéchisme des industriels* (1823–24), and especially *Nouveau Christianisme* (1825). In these writings, he portrayed society as a moral organism and proposed a quasi-religious authority of scientists and industrial leaders to guide collective life. Owen advocated moral reform through education and community, while Fourier advanced a vision of natural harmony, treating social organization as a moral

⁵ For Saint-Simon and his contemporaries, the term “class” (e.g., *classe industrielle*, *classe oisive*) denoted broad and heterogeneous social groupings. This differs from Marx’s later use of “class,” which referred to structurally antagonistic positions within the relations of production.

⁶ In this article, reference is made to “cooperatives” by several authors. I believe the idea of “cooperatives” alone, as a substitute for all other forms of ownership and coordination—whether private, public, or mixed—was probably not feasible in the 1850s and is certainly not feasible in our time. For some explanations about the implausibility of providing food for a large city by small producers or small-scale cooperatives, see Jorjani (2025c) “On Dialectic (3) Alternatives to dialectics.

science. In this sense, their critiques of liberalism and political economy were inseparable from calls for moral regeneration (Taylor, 1982).

It is widely held that these arguments laid the groundwork for later socialism. They exposed the moral limits of competition, property injustices, the hollowness of purely formal liberty, and the need for ethical reconstruction of society. Yet, as critics pointed out, these visions remained fragmentary and lacked the systematic rigor Marx would later claim to provide.

These critiques did not go unanswered. Liberal thinkers and classical economists quickly mobilized counterarguments to defend property, markets, and individual liberty.

4 - The liberal/classical-economic responses

From the political-philosophical side, defenders of the prevailing order responded by reasserting the primacy of individual liberty, property, and limited government.

Benjamin Constant (1819) delivered his famous lecture, *The Liberty of the Ancients Compared with That of the Moderns*, at the Athénée Royal in Paris. Later, he republished it in *Political Writings* ([1819] 1988) and argued that the participatory politics of the ancient republics could not be transplanted into modern commercial society. He insisted that Modern liberty was not collective immersion in politics but protection from arbitrary power, independence in private life, and the free exercise of individual choice. Constant warned that imposing communal or collectivist ideals would risk over-politicization and the dominance of the few over the many (Constant, [1819] 1988). His critique directly opposed the early cooperative visions of early socialists, casting them as threats to individual rights.

From the political economy side, Jean-Baptiste Say and his followers countered the critique of commerce with an optimistic account of production and exchange. Say's *Traité d'économie politique* (1803) advanced the principle later known as "Say's Law," claiming that production itself created demand, and thus markets were essentially self-regulating and beneficial. Say's writings, as Richard Whatmore (1998) has shown, also carried a republican dimension. He argued that commerce required virtuous manners, industriousness, and moderation, and could coexist with civic virtue rather than be destructive. In this way, Say defended markets not as crude laissez-faire dogma, but as institutions reconcilable with social stability and public morality.

Finally, the legacy of Adam Smith was repeatedly invoked against socialist reformers. Say had already cast himself as Smith's successor in *Traité d'économie politique* (first ed. 1803; fifth ed. 1826). He presented his work as a systematic continuation of Smith's principles of natural liberty and free exchange. In Britain, critics of Owen's cooperative schemes drew on Smith's famous account of the division of labor and argued that self-interest and competition were the true drivers of productivity. They claimed that Owenite cooperative experiments, by contrast, risked inefficiency and dependency

(Whatmore, 1998; Claeys, 1987). Thus, Smith's ideas were mobilized as intellectual armor against early socialist experiments, reinforcing the defense of markets as natural and beneficial ^[7].

It may be concluded that these responses underscored the liberal conviction that individual freedom and self-regulating commerce were sufficient foundations for a just society. Yet, like the early socialists they opposed, I maintain that these arguments were often more reactive than systematic. They served primarily to defend the status quo rather than to articulate a comprehensive social philosophy.

5 - More socialist currents

Marx's intellectual development can be divided into phases. It is my general understanding that in his early years (1841–1848), he was deeply engaged in rhetorical and polemical debates. His main interlocutors included Young Hegelians, utopian socialists, and Proudhon. These years were marked by sharp exchanges: *The German Ideology* (1846) against Stirner and "true socialists," and *The Poverty of Philosophy* (1847) against Proudhon. After the failed revolutions of 1848, Marx gradually shifted from polemics toward analysis of concrete politics and began working out the foundations of a systematic critique of political economy. By the time he published *Capital, Volume I* (1867) ^[8], Marx had moved mainly beyond direct polemical

⁷ I will critically examine mathematical interpretations of Smith's ideas in **Section 15**, where an alternative statistical interpretation is developed. This reinterpretation reshapes the understanding of Smith's concepts of the "invisible hand" and the "free market." The analytical framework and supporting information are presented in **Section 15** and **APPENDIX 4**.

⁸ The stylistic and methodological contrast between *Capital, Volume I*, and the later volumes is substantial. *Volume I* is the only text of *Capital* that Marx completed and published himself; it blends theoretical abstraction with a persistent "numerical view" of economic life — short calculations, ratios, and empirical examples drawn from factory reports and official statistics. *Volumes II* and *III*, edited by Engels from unfinished drafts, are far more schematic: their numerical material is largely formal or model-like, and the vivid empirical grounding that characterizes *Volume I* almost disappears. My understanding of this shift, supported by scholars such as Michael Heinrich, is that Engels's editorial systematization reinforced a deductive and quasi-mechanical interpretation of Marx's unfinished notes, giving them a degree of coherence Marx himself had not achieved. *Volume IV (Theories of Surplus Value)*, edited later by Karl Kautsky, occupies a different position altogether: it consists of Marx's 1861–1863 notebooks and serves as a historical-critical study of classical political economy. It is possible that Marx's turn toward a more quantitative and mathematical mode of reasoning — evident in his late notebooks on algebra and differential calculus — began during this same period, when he was moving from historical critique toward systematic formalization.

engagement and dedicated himself to constructing a comprehensive theoretical model [9] [10].

During this same period, other contemporary voices were attacking liberalism and political economy from different angles. Conservative moral critics, such as Thomas Carlyle and John Ruskin, condemned the reduction of human life to profit and calculation. They warned that laissez-faire society would destroy morality, culture, and community (Carlyle, [1849] 1999; Ruskin, [1860] 2007). Christian-social thinkers denounced unregulated markets as violations of ethical duties of justice and solidarity. They emerged primarily from Catholic and Protestant traditions, and in different forms from Orthodox moral thought. They advocated a “paternal” (or, more precisely, moral-protective) responsibility of employers and selective state intervention to protect the vulnerable, anticipating later Catholic social teaching (von Ketteler, [1864] 2015). Meanwhile, anarchist and mutualist critics, most notably Pierre-Joseph Proudhon, rejected both liberal competition and state socialism, envisioning instead a federation of cooperatives and systems of mutual credit (Proudhon, [1840] 1994; Vincent, 1984).

In my interpretation, these currents shared a rejection of the idea that markets alone could sustain a just order. Still, they diverged sharply in their remedies, moral reform, religious duty, or decentralized self-management. For Marx, they constituted both rivals and foils: he engaged some polemically in his early years, but ultimately sought to surpass them with a more systematic critique framework.

6 - Marx’s Socialism

Against this backdrop, Marx developed a socialism that was more systematic than earlier or contemporary socialists. He judged Saint-Simon, Fourier, and Owen as insightful but “deficient,” lacking the rigorous grounding he claimed for his own “scientific socialism” (*Communist Manifesto*, 1848; Marx, *Capital*, vol. I, 1867; see also Stedman Jones, 2016). Marx tied economics, politics, and history together into a single framework, claiming to show the inner logic of modern society.

At the heart of this framework was the recognition that the modern economic order rested on structural imbalance: a minority owned productive assets, while the majority had nothing to sell but their capacity to work. This relation generated a continuous transfer of wealth from labor to capital, concealed beneath the formal equality of contracts. Beneath this appearance of equality lay a more profound asymmetry that

⁹ References to Marx’s *The German Ideology* (1846), *The Poverty of Philosophy* (1847), and *Capital, Volume I* (1867) indicate the years of original composition or publication. However, citations in this article draw on modern critical editions: the *Marx–Engels Collected Works* (MECW) and the Penguin edition of *Capital* (1976).

¹⁰ I take his two mathematical manuscripts (Marx [1881] 1968) as a sign that he finally realized where his own Achilles’ heel lay and tried to move from rhetorical arguments to theoretical models.

made the transfer of value from labor to capital seem natural rather than coercive, the very illusion that Marx's concept of surplus value would later seek to expose. Marx's concept of surplus value (Marx, [1867] 1976) made exploitation appear not as accidental abuse, but as a necessary feature of capitalist production.

This claim distinguished Marx from other socialists. Where Saint-Simon condemned idle privilege, Owen the logic of profit, and Fourier the fragmentation of labor, Marx sought to show that the entire system of accumulation depended on exploitation. His socialism, therefore, presented itself not merely as a moral protest or a utopian vision but as a comprehensive theory of society's dynamics (Stedman Jones, 2016; See also Hobsbawm, 2011).

7 - Marx's competitors

While Marx was elaborating his framework, rival socialist thinkers advanced alternative paths. In Germany, Ferdinand Lassalle argued that competition condemned workers to poverty under what he called the "iron law of wages." His solution was to rely on the state to support the creation of cooperatives and to secure workers' rights through legislation and public credit (Lassalle, [1863] 1966). Lassalle presented himself as a socialist, yet his reliance on the state apparatus suggested a half-hearted break with the liberal order. Instead of seeking to supersede the system of accumulation, he hoped to temper its harshest consequences through "paternal" intervention from above.

In France and Belgium, Pierre-Joseph Proudhon and his followers maintained that property relations enabled owners to profit without labor. They denounced rent and interest as unjust and exploitative. Their solution was a federation of cooperatives and mutual credit institutions, designed as decentralized alternatives to capitalist banks and enterprise (Proudhon, [1840] 1994; Vincent, 1984). Yet despite his famous declaration that "property is theft," Proudhon remained ambivalent: he accepted market exchange itself, but sought to reconfigure it into networks of exchange freed from parasitism. In my interpretation, compared with Marx, Proudhon's vision of mutualism lacked coherence as a comprehensive alternative and remained vulnerable to charges of utopian vagueness.

At the same time, Mikhail Bakunin and other anarchist collectivists charged that free-market society reduced human beings to commodities in a system of wage slavery. They insisted that genuine freedom could only arise in decentralized collectives where workers themselves managed production and exchange (Bakunin, [1873] 1971; Eckhardt, 2016). Bakunin's radicalism was uncompromising. Yet his rejection of any form of central authority left him unable to explain how large-scale coordination of production could be achieved. His polemics with Marx within the First International (1864-1876) highlighted this weakness. Marx sought to build a structured movement and theory, whereas Bakunin relied on revolutionary fervor and anti-state sentiment without institutional grounding.

Despite their differences, all three currents (Lassalle, Proudhon, and Bakunin) converged on several points. They rejected the liberal faith in self-regulating markets. They also condemned economic classes ^[11] that lived off rent, interest, or capital without productive labor. In their view, individual competition should be replaced by collective organization (Vincent, 1984; Eckhardt, 2016; Draper, 1978). Yet their similarities to Marx were outweighed by their limitations. Lassalle trusted the state rather than the working class itself. Proudhon clung to a decentralized vision of exchange that evaded the question of exploitation. Bakunin's anarchism dissolved into abstraction. None produced a systematic critique of political economy comparable to Marx's analysis of surplus value, nor did they generate a coherent institutional strategy. In my interpretation, Marx's competitors appeared as "half-hearted" socialists, critical of liberalism, but unable to offer enduring alternatives.

While anarchist collectivists like Bakunin remained influential in certain circles, the broader socialist movement after the 1870s, increasingly coalesced around Marxism. This was due less to the defeat of rivals in debate than to shifting political and organizational conditions.

8 - Dominance of Marxism

The predominance of Marx's ideas in the late nineteenth and early twentieth centuries was not due solely to the content of his theoretical analysis. The systematic scope of *Capital* and his conception of history as "class struggle" offered a powerful framework for collective action (Stedman Jones, 2016). Just as crucial were the organizational and political circumstances that followed his death. The German Social Democratic Party (SPD), by far the strongest socialist party in Europe, never fully embraced Marxism. However, through Karl Kautsky's interpretations, Marx's doctrine was transformed into a codified orthodoxy. By adopting his terminology, the SPD helped disseminate Marx's ideas throughout the Second International (1889–1916) (see also Sheehan, 1993; Steenson, 1978). Industrialization and the growth of the mass working class in Germany, France, and Britain further reinforced the appeal of a class-centered analysis, giving Marxism practical resonance beyond intellectual circles. Later, the prestige of the Russian Revolution of 1917, carried out in Marx's name, elevated his thought to the status of a global ideology and marginalized rival socialist traditions (See also Fitzpatrick, 2008). In this way, Marxism achieved dominance less because it silenced all objections in theory, and more because its coherence, institutional adoption, and reputation for political success gave it unmatched authority among socialists.

¹¹ The term "*social class*" is theoretically misleading. It conflates two distinct dimensions—the *economic* and the *sociological*. For analytical clarity, it is preferable to speak of *economic class* when referring to relations of production and income, and *sociological class* when referring to patterns of status, education, and lifestyle. Further, neither of these categories, nor the more ambiguous term "*social class*", corresponds to the Marxian concept of *class*, which denotes the structural polarity of a mode of production and, in principle, allows no more than two classes to exist simultaneously.

By 1950, nearly all major European social democratic parties could trace their ideological phylogeny back to Marxism. Among them were the German SPD, Swedish SAP, British Labour Party, French SFIO, and Austrian SPÖ. These parties had long since abandoned revolutionary politics. However, their structures, class orientation, and alliances with trade unions continued to reflect the traditions of the Second International, where Marxism had been the dominant framework (Bernstein [1899] 1993; Sassoon, 1996). By contrast, other nineteenth-century socialist critiques of liberal society and the free market economy had left no significant heirs among social democratic parties. Proudhonian mutualism survived only in cooperative movements, not as independent party traditions. Bakuninist anarchism persisted in Spain until the Civil War but was decisively defeated by Franco in 1939 and never regained mass influence. Christian socialism endured, but its legacy flowed into Christian Democratic parties, which positioned themselves at the political center or right rather than within social democracy (See also Eley, 2002) ^[12]. Thus, by mid-century, social democracy's inheritance was drawn almost exclusively from Marxist socialism, heavily revised and moderated, while rival socialist traditions had effectively disappeared from the party-political landscape.

9 - Critique of Marx and Marxism

Marx distinguished himself from other socialist thinkers by turning from surface phenomena ^[13], the visible symptoms of poverty, unemployment, inequality, to what he saw as the underlying contradictions of society. Drawing on the Hegelian dialectic, he sought to identify in the structure of production itself the thesis and antithesis that he assumed would propel history forward. In the mid-nineteenth-century European economy, especially that of England, he saw this contradiction as a clash between owners of production and the workers who sold their labor. I argue that there is a decisive confusion. Marx conflated two distinct questions: the ownership of productive assets and the management of surplus once production has occurred. Ownership does not necessarily entail control over how resources are used, nor does management necessarily belong to the owners. By identifying these as a single polarity, capital versus labor, he forced complex economic and institutional arrangements into a binary schema. The result was a theory that was elegant in form but flawed in substance, since it mistook overlapping and negotiable relationships of ownership and management for an unbridgeable contradiction (private ownership) that was destined to explode.

I argue that Marx's central error was to extend Hegel's dialectic from the realm of thought to the workings of the economy. In doing so, he blurred the dual meanings that

¹² An exception to this general pattern was Sweden, where Christian socialism remained within the labor movement rather than branching into Christian Democracy. The *Broderskapsrörelsen* (Brotherhood Movement), founded in 1929 as the Federation of Christian Social Democrats of Sweden, organized religious socialists inside the Social Democratic Party (SAP). In 2011, it was renamed *Socialdemokrater för tro och solidaritet* (Social Democrats for Faith and Solidarity) to broaden its interfaith reach.

¹³ The term "*surface*", in Marx's usage, derives from his broader distinction between *appearance* and *essence* — a conceptual opposition with deep philosophical roots and consequences. These are discussed briefly in **APPENDIX 1: From Essence to History**.

“idea” held for Hegel—as both the structure of reality and the movement of thought—and transferred this ambiguity to the “material,” which for him meant both real conditions of life and the economic order. For Hegel, contradiction was a logical category that generated movement within the system of concepts, producing new syntheses in philosophy (Jorjani, 2025a). Marx claimed to have “turned Hegel upside down,” but in practice, he imported the same generative logic into material life. In *Capital*, the apparent equality of exchange and the hidden inequality of production are treated not simply as descriptions but as a contradiction that necessarily produces surplus value and drives history forward (Marx, [1867] 1976). This is a categorical mistake: the economy does not operate by logical contradiction, but by institutional arrangements, power relations, and knowledge structures. In this sense, both thinkers applied a generative dialectic to systems of theory—Hegel to the idea of history, Marx to the idea of economy—mistaking the evolution of conceptual forms for the movement of material reality. By treating contradiction as ontologically productive, Marx gave his analysis a semblance of inevitability, but at the cost of precision. The result is a rhetorical structure modeled on Hegel’s dialectic yet misapplied to a sphere where empirical analysis should have replaced philosophical speculation (Stedman Jones, 2016; Elster, 1985; Kolakowski, 1978; Popper [1945] 2013; See also Jorjani, 2025b).

I maintain that Marx’s extension of Hegel’s dialectic into the economy is not only philosophically misplaced but scientifically untenable. Hegel’s logic of contradiction was meant as a movement of concepts, not as a law of material change, and its transposition to society has no empirical warrant.

The claim that quantitative accumulation inevitably produces qualitative leaps was directly imported into Marx’s framework from Hegel. Engels later reinforced this idea by extending it to the natural sciences. Hegel had already cited two examples from nature, the phase change between ice, water, and steam, and the incandescence of heated metals. In *Anti-Dühring* and *Dialectics of Nature*, Engels added four more: the reversal of magnetic polarity, allotropy, hydrocarbon chains, and the periodic table. These examples were not supported by the scientific evidence available in the nineteenth century; a closer attention by Hegel and Engels to the mechanisms of the phenomena in question might have revealed this. They are now understood as threshold effects shaped by external conditions rather than as immanent contradictions (see Jorjani, 2025b).

By insisting that change must arise from within, Marx reduced the diversity of causal mechanisms to a single metaphysical template. In doing so, he obscured the complex interplay of institutions, knowledge, and power that actually shape economic life. His dialectical scheme also lent a false sense of inevitability to revolutionary rupture. Social systems, like biological or chemical ones, evolve through interdependent adjustments rather than through the automatic unfolding of internal contradictions. In this way, Marx’s theoretical foundation in the Hegelian dialectic gave *Capital* rhetorical power but undermined its claim to scientific analysis (Kolakowski, 1978; Popper [1945] 2013).

A detailed rebuttal of (1) Marx's theory of value, (2) his underestimation of the role of technological and scientific innovation, (3) his account of class structure, (4) his conception of historical development, and (5) his vision of emancipation is unnecessary once the methodological flaw at the heart of his system is exposed. Nevertheless, it is worth briefly indicating how later empirical and theoretical developments have challenged each of these elements.

(1) On the labor theory of value: Economists from Böhm-Bawerk to Samuelson, and later heterodox critics, have shown that value formation in modern economies cannot be reduced to embodied labor time. Böhm-Bawerk's critique ([1896] 1949) emphasized internal inconsistencies in Marx's value theory, while Samuelson (1971) reformulated these objections in the language of neoclassical equilibrium. Later institutional and information-based theories of price formation extended this line of argument. They showed that prices emerge through complex organizational and informational processes, rather than through direct labor inputs. Even sympathetic interpreters like Piketty (2013, 2019) have drawn a similar conclusion. They argue that inequality today results less from labor exploitation in production than from the accumulation and transmission of wealth through capital ownership and asset returns.

(2) On the role of technological and scientific innovation: Marx recognized machinery as a force multiplier of labor but ultimately subordinated it to his theory of value and class struggle. He regarded technology as a derivative expression of capital's drive to extract relative surplus value, instead of recognizing it as an autonomous and cumulative driver of productivity and structural transformation. Later economists and sociologists, from Schumpeter ([1911] 1934) to Nelson and Winter (1982) and Perez (2002), have demonstrated that innovation systems generate surplus and growth through creative recombination, institutional learning, and technological diffusion, not merely through labor exploitation. The dynamics of knowledge, invention, and technological networks thus disrupt Marx's framework, revealing capitalism's capacity for endogenous adaptation and renewal.

(3) On class structure: Sociological research since the late twentieth century, notably by Olin Wright (1985, 1997) and Goldthorpe (1980), has revealed a far more differentiated social landscape. These studies show that status, education, and organizational position shape social power as much as property ownership does. They also demonstrate that contemporary societies exhibit multidimensional forms of stratification beyond the simple binary of capital and labor.

(4) On historical development: Modernization theory and world-systems analysis have both challenged Marx's internalist dialectic. Rostow (1960) presented development as a

sequence of institutional choices shaped by policy and culture, while Wallerstein (1974) reframed economic history as an unequal network of global linkages. Together, these approaches emphasize contingency and interdependence over historical necessity.

(5) On emancipation: Critical theorists and democratic socialists alike, including Habermas, Giddens, and Piketty, have redefined human freedom in procedural and distributive terms. Habermas (1996) grounds emancipation in communicative rationality and the legitimacy of democratic law. Giddens (1998) conceives it as empowerment through reflexive institutions. Finally, Piketty's analyses (2013, 2019) stress participatory equality and fair access to capital. In each case, emancipation is understood as an ongoing process of institutional reform rather than a revolutionary rupture.

These reinterpretations—and the recognition of technological innovation as an autonomous driver of social and economic change—do not merely correct Marx's errors; they show how economic and social analysis can evolve without the metaphysical scaffolding of dialectic. Indeed, Marx himself appeared to sense this toward the end of his life, turning to mathematical studies as if to ground his critique in formal and empirical analysis rather than dialectical speculation (Marx, [1881] 1968) ^[14].

I believe each of these components, despite their subsequent reinterpretations, still traces back to Marx's original transposition of the Hegelian dialectic into the analysis of society. The labor theory of value rests on the presumed contradiction between equal exchange and unequal production. The class schema compresses the complexity of social life into a binary opposition because dialectic demands polarity. The vision of collapse follows from the dialectical expectation that quantitative accumulation must culminate in qualitative rupture. Once the dialectical foundation is removed, these arguments lose their claim to necessity and can be treated instead as historically situated hypotheses—open to empirical revision and alternative explanation. In this sense, rather than rebutting each element separately, it is enough to show that Marx's dependence on the dialectical method undermines the coherence of the system as a whole ^[15].

10 - Marx's humanism

Marx's early writings make clear that his deepest concern was not exploitation in a narrow economic sense, but the alienation of workers from their own activity. In his

¹⁴ What amazes me is that the vast majority of Marx's followers did not follow this trajectory. They preserved his early agitational idiom but abandoned his late aspiration to scientific method; they talk, whereas he was trying, however imperfectly, to calculate.

¹⁵ For a full-length critique of the Hegel–Marx–Engels dialectic, including its philosophical origins, methodological limitations, and possible alternatives, see Jorjani (2025a), On Dialectic (1): What is Dialectic; Jorjani (2025b), On Dialectic (2): Re-visiting Dialectic; and Jorjani (2025c), On Dialectic (3): Alternatives to Dialectics.

analysis, industrial labor separated the worker from the product, from the process of production, from other workers, and ultimately from their own human essence. Yet the solution he proposed, the abolition of private ownership of the means of production ^[16], did not logically follow from this diagnosis. Alienation does not arise primarily from the legal fact of ownership, but from the worker's exclusion from decision-making and from knowledge of the production process itself. In factories of his time, owners and managers were indeed often the same, which may explain why Marx fused the two roles. Following the humanist Marxist tradition, particularly Fromm and Ollman, I suggest that distinguishing ownership from management redefines the problem of alienation: workers may remain formally non-owners while still overcoming alienation if they are integrated into processes of knowledge, planning, and decision-making. In other words, the core challenge is not the redistribution of titles of ownership, but the democratization of management. Marx's fixation on property led him to overlook this alternative path (Fromm, 1961; Ollman, 1971).

In contemporary knowledge-intensive and platform-based production, this alternative path gains renewed relevance: as control over decision-making, data, and design increasingly outweighs formal ownership in shaping workers' lived experience. This distinction between control and ownership, already implicit in Marx's analysis, becomes crucial in the digital economy, where knowledge and decision-making outweigh material assets.

In *Capital*, Marx carefully distinguishes between the independent craftsman and the factory worker. The craftsman, even if economically exploited, retained mastery over tools and knowledge of the production process. Such a figure could be underpaid or subordinated, but not alienated in Marx's sense, because the act of labor still carried meaning and coherence. By contrast, the factory "worker" was defined precisely by dependence on machinery. In mass production, tasks were broken into fragments, coordinated by mechanisms beyond the worker's understanding or control. For Marx, alienation was therefore not reducible to low wages or material deprivation. A worker could receive a high salary and still be alienated if cut off from the knowledge and decision-making that shaped production. Ignorance of the process, rather than the level of remuneration, was the decisive factor. This distinction reveals that Marx's enduring insight lay less in the concept of exploitation than in the recognition that human dignity depends on active participation in the shaping of one's labor (Fromm, 1961; Ollman, 1971).

¹⁶ Marx consistently used the phrase "*means of production*" (*Produktionsmittel*) to designate factories, machines, tools, raw materials, and land — the full range of productive assets. The later expression "means of mass production" belongs to a 20th-century context, shaped by Taylorist scientific management (Taylor, 1911; Braverman, 1974) and Fordist assembly-line production (Ford, 1922; Gramsci [1929-1935] 1971; Piore & Sabel, 1984), and is not Marx's own terminology. Importantly, Marx also distinguished between *tools*, which remain under the control of an individual craftsman, and *machines*, which organize and subordinate many workers at once. In his analysis, alienation arises most sharply where machines coordinate fragmented tasks beyond the worker's knowledge or decision-making power. Thus, the issue is not simply property in the legal sense but the structural separation of workers from control over the process of production itself.

Yet questions of production and property cannot be separated from those of political life. If Marx located the core of alienation in the organization of labor, the challenge for a renewed social democracy is to extend the democratizing impulse to the very foundations of political life itself.

11 - Rise of Social Democracy

To understand what social democracy has become—and what it might again become—we need to return to the moment when it first defined itself as a distinct moral and political project. Its rise did not mark a reformist retreat from socialism, but the formation of an independent moral and political tradition that reclaimed democracy as socialism’s essential meaning and gave it its most enduring expression in the twentieth century.

Social democracy emerged from the late nineteenth-century debates inside European socialism. Within the German SPD, Karl Kautsky systematized Marxist theory into an orthodoxy that emphasized historical materialism and workers’ class struggle as the principal forces of change. Eduard Bernstein, reacting to both Kautsky and Engels, broke with this orthodoxy in *Evolutionary Socialism* (1899), arguing that capitalism could be gradually humanized through democratic reform. His emphasis on ethical socialism and institutional evolution established the intellectual foundation for a *non-revolutionary socialism* that would later define the social-democratic tradition.

I believe this was not merely a tactical adjustment but a moral redefinition of socialism—the conviction that equality and freedom could be reconciled within democracy itself. Later theorists such as Bauer ([1907] 2000) and Hilferding ([1910] 1981) elaborated these ideas into comprehensive programs of parliamentary reform, universal suffrage, and welfare legislation. In the inter-war years, John Maynard Keynes provided the missing economic logic, showing that active fiscal and monetary policy could reconcile market efficiency with full employment ^[17]. His *General Theory* (1936) became a cornerstone of post-war social-democratic policy. It was through this intellectual evolution that social democracy discovered its distinct identity as the political economy of democratic reform rather than revolutionary transformation.

This moral and institutional redefinition of socialism laid the groundwork for a politics that sought not the abolition of the capitalist economy, but its democratization, a theme that would become decisive in the later development of social democracy.

¹⁷ Keynes’s central insight was that markets are not self-correcting in the short run: when demand collapses, the national government can and should intervene to stabilize employment and investment until confidence returns. In this sense, the state assumes a metaphorical role similar to the stabilizing agency that Adam Smith once ascribed to Jupiter — a secular “restorer of order” within an otherwise self-regulating cosmos. (See further discussion in [Section 15, *Rebuilding Socialism*](#).)

The post-1945 era witnessed social democracy's practical consolidation. Across Western Europe, parties such as the Swedish Social Democratic Party (**SAP**), the British Labour Party, and the German **SPD** built welfare states that combined market economies with universal social protection.

- **Sweden:** Under Per Albin Hansson and later Tage Erlander and Olof Palme, the *Folkhemmet* ("People's Home") articulated a vision of equality, security, and civic belonging that turned welfare into a moral institution of citizenship (Esping-Andersen, 1990).
- **Britain:** Clement Attlee's Labour government (1945–1951) established the National Health Service, expanded education, and nationalized key industries in line with William Beveridge's report on social insurance (1942).
- **Germany:** Willy Brandt's reforms and the SPD's Godesberg Program (1959) explicitly renounced Marxism and accepted the market economy, defining social democracy as a "movement for freedom, justice, and solidarity."

These achievements were neither accidental nor technocratic. They represented a deliberate attempt to fuse economic efficiency with social justice within democratic institutions. In retrospect, this synthesis stands as one of the most coherent efforts of the twentieth century to organize the capitalist economy around moral purpose.

The theoretical innovations that accompanied this success were equally significant. Social democracy reconceived equality not as uniformity of outcomes but as "equality of opportunity and status" (Crosland, 1956). It accepted private property and market exchange but sought to embed them in a dense network of collective bargaining, progressive taxation, and public services. The welfare state, as later analyzed by T. H. Marshall (1950) and Richard Titmuss (1968), institutionalized *social citizenship*—rights to education, health, and security that made freedom substantive rather than merely formal. This "embedded liberalism" (Ruggie, 1982) produced unprecedented growth, high employment, and declining inequality during the post-war decades, forming what many scholars call the "Golden Age of Capitalism." Yet behind this prosperity lay an unspoken assumption: that social harmony could be maintained through continual economic expansion—a belief that would be tested by the structural shocks of the 1970s.

By the 1960s and 1970s, social democracy had become not just a set of policies but a moral and cultural project. It affirmed the dignity of labor, the legitimacy of collective action, and the necessity of state responsibility for human welfare. Its institutions—welfare programs, public housing, social insurance, and codetermination in workplaces—embodied the belief that democracy could extend beyond the ballot box into economic and social life. For nearly three decades, this model offered a stable and humane alternative to both laissez-faire capitalism and authoritarian socialism. Yet its very success created expectations that were increasingly difficult to sustain, as the global economy began to shift beyond the industrial order on which the social-democratic compromise had rested.

12 - Fall of Social Democracy

External shocks and Global Disruption: The decline of social democracy after the 1970s has generated a vast literature, yet most explanations converge around a single motif: external shocks ^[18]; and global disruptions. According to this narrative, the post-war equilibrium of growth, employment, and redistribution collapsed under the combined impact of stagflation, oil crises, and financial liberalization. The “golden age” of the trente glorieuses was sustained by stable exchange rates, expanding productivity, and cheap energy—conditions that dissolved in the turbulence of the 1970s. When the Bretton Woods system disintegrated and oil prices quadrupled, governments confronted a new constellation of problems: slowing growth, rising inflation, and fiscal strain (Eichengreen, 2007; Hall, 1986; Yergin, 2009). The Keynesian trade-off between inflation and unemployment, once formalized in the Phillips curve, ceased to hold (Friedman, 1977). What appeared to be an external shock exposed the dependence of post-war prosperity on an exceptional alignment of monetary, industrial, and geopolitical factors.

Social-democratic parties initially responded with the familiar Keynesian repertoire of demand stimulation and incomes policy. When these failed, they divided between adaptation and resistance. Leaders such as Helmut Schmidt, James Callaghan, and later François Mitterrand accepted the monetarist emphasis on price stability and fiscal restraint, redefining social democracy as a form of technocratic economic management. Others, notably in Scandinavia, sought to preserve the corporatist compromise through wage coordination and active labor-market policies. Both approaches, however, confronted the same structural dilemma: without high growth, the material basis of the social-democratic settlement eroded (Przeworski, 1985; Esping-Andersen, 1990; Sassoon, 1996). By the 1980s, the neoliberal turn ^[19] of Thatcher and Reagan—

¹⁸ The distinction between internal and external explanations carries deep significance for Marxist analysis. A true Marxist analysis locates systemic change in the *internal contradictions* of capital—between use-value and exchange-value, labor and capital, forces and relations of production. The external world—politics, technology, environment, geopolitics—appears only as a stage on which these contradictions unfold, not as an independent cause. To grant external shocks such as Bretton Woods’ collapse or the 1973 oil crisis autonomous explanatory power is already to step outside the dialectical framework. Once this step is taken, history ceases to be a closed system of necessity and becomes an open field of contingent interactions—institutions, resources, states, and knowledge—that co-shape outcomes. Recognizing external conditions, therefore, is not a minor deviation from Marx but the first stride out of his shadow, toward an institutional and plural understanding of economy and democracy.

¹⁹ The course of what is generally called “neoliberalism” has varied across countries, yet it typically unfolded in two stages. In the first, governments privatized or sold off state-owned assets under the banner of efficiency and competition. In the second, they gradually withdrew from welfare responsibilities, outsourcing or commodifying public services once considered part of social citizenship. After right-wing parties initiated these reforms, most social-democratic parties did little to reverse them. The reason was partly political: both waves of neoliberal reform carried a hidden social logic—expanding the middle strata through asset ownership and instilling in them a fear of “losing” their savings. This quiet transformation of class psychology helped entrench neoliberalism far beyond its economic doctrines.

deregulation, privatization, and fiscal austerity—had reshaped the ideological landscape. Even where social democrats remained electorally competitive, they governed within a new paradigm of market discipline and state restraint (Harvey, 2005; Gamble, 1988).

Thomas Piketty's recent synthesis (2020) refines but ultimately extends this externalist view. He documents how, after 1980, rising inequality and the realignment of left-wing constituencies transformed social democracy into what he calls a "Brahmin Left," representing the educated middle classes rather than the wage-dependent majority. The ideological center of gravity shifted from redistribution to meritocratic opportunity, from solidarity to competitiveness. For Piketty, this reflects a moral and cognitive failure: the inability of social-democratic elites to articulate a renewed narrative of equality under globalization. Yet his diagnosis remains incomplete. It underplays the structural transformations that weakened labor's bargaining power and the institutional constraints that trapped policymakers within neoliberal orthodoxy. The crisis was not merely ideological drift; it was also material erosion.

Underlying processes: It is my understanding that an alternative explanation locates the fall of social democracy not in external shocks but in long-term internal transformations of production, labor, and occupational structure. From the late 1960s onward, automation and the mechanization of industrial processes reduced demand for low-skilled labor while expanding the ranks of highly educated professionals and service workers. This gradual shift altered the social composition of advanced economies: the proportion of manual industrial workers shrank, while knowledge-based and service employment grew (Esping-Andersen, 1990; Autor, 2019). The political consequences were profound. Social-democratic parties, historically anchored in the industrial working class, failed to redefine their base as a coalition of all wage and salary earners. As new middle-income groups emerged—teachers, technicians, public employees, and service

Yet the neoliberal model itself suffered a profound theoretical collapse after the 2008 financial crisis, when financial conglomerates that had long preached market discipline turned to the state for survival—demanding massive public bailouts financed by taxpayers. What survived was not the ideal of self-regulating markets, but a hybrid regime of **privatized gains** and **socialized losses**, exposing the moral and intellectual bankruptcy of neoliberal orthodoxy.

professionals—the old rhetoric of “class struggle” lost resonance, and organizational links through trade unions weakened ^[20] ^[21].

Parallel to these domestic changes, globalization restructured the geography of production. As decolonization produced new educated workforces and stable governments in the Global South, multinational firms transferred manufacturing to low-wage regions. Advances in transport, containerization, and information technology made global value chains possible (Gereffi & Korzeniewicz, 1994; Dicken, 2015). The result was not an abrupt shock but a continuous relocation of productive capacity that hollowed out the industrial core of Western economies. Deindustrialization, capital mobility, and financial liberalization jointly undermined the fiscal and social base of the welfare state (Rodrik, 1997; Frieden, 2006). These were cumulative, self-reinforcing trends—internal transformations of the global economic order, not exogenous accidents.

The combination of automation and globalization thus dissolved the social foundations that had sustained the post-war compromise. In countries such as Sweden, the relative weight of export manufacturing declined, and the political leverage of organized labor diminished. Social-democratic parties confronted a dual task: to protect low-skilled workers threatened by automation and to integrate the growing class of salaried professionals into a renewed egalitarian coalition. This would have required reorienting from a *workers’* party to a *wage-earners’* party, redefining equality through policies such

²⁰ A telling example of how this erosion unfolded can be traced to Sweden’s 1938 Saltsjöbaden Agreement—a landmark tripartite pact between employers, unions, and the state that once embodied labor solidarity but whose institutional legacy began to erode in the late 1970s. In that accord, the trade-union confederation (LO) accepted major layoffs in exchange for strengthening export industries, assuming that rising competitiveness would secure employment. By the 1980s, however, many unions—especially in the public and service sectors—were no longer tied to export industries such as *Metall*, and solidarity across unions weakened. A parallel development unfolded in the United Kingdom, where divisions within the National Union of Mineworkers under Arthur Scargill’s leadership deepened the fracture of organized labor during the miners’ strikes of the early 1980s. In the United States, the 1981 air-traffic-controllers’ strike (PATCO) ended with President Reagan’s mass dismissal of strikers and the decertification of their union, marking a decisive turn against organized labor and emboldening employers nationwide (McCartin, 2011). While the specific trajectories differed, comparative research shows that similar patterns of fragmentation and declining solidarity affected nearly all advanced industrial democracies after the 1970s (Visser, 2006; Western, 1997). Together, these cases illustrate how structural differentiation within labor eroded the collective basis of social-democratic politics.

²¹ By the late 1970s, a growing body of commentary—ranging from policy reports by the OECD and IMF to works such as *The Crisis of Democracy* (Crozier, Huntington, & Watanuki, 1975)—portrayed trade unions as excessively powerful actors whose wage demands were driving inflation and paralyzing governance. This discourse of “union overreach” gained traction among centrist policymakers and helped legitimize the neoliberal turn of the 1980s. Later scholarship, however, has questioned this diagnosis, showing that it overstated labor’s strength and obscured deeper structural problems in productivity, investment, and global competition (Harvey, 2005; Blyth, 2002; Streeck, 2014; Baccaro & Howell, 2017). As will be discussed in **Section 14**, the proposed Associative Democratic Model (**ADM**) identifies the absence of direct political influence for Associations—such as trade unions—as a key institutional flaw that contributed to this perceived tension between democracy and organized labor.

as reduced working hours, shorter workweeks, and expanded social participation. It also demanded international solidarity with workers in developing economies, to limit the downward spiral of wage competition. Yet social democrats, preoccupied with domestic governance, failed to pursue these strategies. The right instead seized the initiative, converting privatization into a populist program of property ownership. Margaret Thatcher boasted that her privatizations had created six million new shareholders—“six million people who will never again vote Labour.” The result was a durable realignment of class loyalties and the erosion of the social-democratic electorate ^[22].

It is my contention that the contrast between these two explanations—the externalist and the internalist—reveals more than a difference of emphasis. It marks a deeper divergence in how social change is understood. The conventional narrative treats crises as exogenous ruptures that overthrow equilibria; the alternative view sees them as the surface expression of slow internal evolution. As in Charles Lyell’s principle of uniformitarianism in geology, what appears as sudden catastrophe is often the cumulative outcome of imperceptible shifts beneath the surface (Lyell [1830] 1990). This is also a common observation in quantitative genetics. Phenomena that seem abrupt—such as the transition from health to illness—usually reflect an underlying continuous distribution. When a critical threshold is crossed, that continuous variation appears as a sharp dichotomy (Falconer & Mackay, 1996). The oil shocks and fiscal crises of the 1970s, from this perspective, did not cause the decline of social democracy; they revealed transformations that had been unfolding for decades ^[23].

Both dynamics, of course, interacted. External shocks accelerated internal trends, and internal vulnerabilities amplified the effects of shocks. Yet the decisive factor was the long-term reorganization of production and labor that social democrats failed to recognize or address. Their institutions—rooted in the industrial nation-state—proved

²² A revealing example comes from Sweden’s *jobbskatteavdrag* (“earned income tax credit”), introduced by the Moderate-led government under Fredrik Reinfeldt in 2007. The program provided tax relief to employed individuals on the rationale that increased disposable income would stimulate consumption and job creation. Empirical evaluations by the Swedish Fiscal Policy Council (*Finanspolitiska rådet*, 2008–2014) and independent economists such as Domeij and Flodén (2010) found no measurable effects on employment or output. Nevertheless, the policy was maintained throughout the Social Democratic administration (2014–2022), which refrained from reversing it despite its regressive effects. When the Moderates returned to power in 2022, they reintroduced and expanded the same measure. The episode demonstrates how the political logic of middle-class appeasement—using tax relief as a substitute for structural reform—has persisted across partisan lines, reinforcing the very realignment of loyalties that undermined social democracy’s electoral base.

²³ Charles Darwin read all three volumes of Charles Lyell’s *Principles of Geology* (1830–1833) while aboard H.M.S. *Beagle*. He carried the first volume with him at the outset of the voyage and received the subsequent ones by post at South American ports as they were published. Darwin later credited Lyell’s work with transforming his understanding of gradual change. He interpreted Lyell’s argument as showing that even dramatic events—volcanic eruptions, earthquakes, or meteorite impacts—had relatively limited effects on the deeper evolutionary processes governed by slow, continuous variation and selection. In this sense, Darwin extended Lyell’s geological gradualism into the biological realm, laying the conceptual groundwork for modern evolutionary theory.

ill-suited to an economy increasingly transnational, automated, and knowledge-based. Rebuilding the project therefore requires more than nostalgia for the post-war welfare state. It calls for institutional innovation capable of sustaining equality and active participation under twenty-first-century conditions. The next section introduces two such frameworks—the Associative Democratic Model (**ADM**) and the Effective Number of Economic Actors (**ENEA**)—as foundations for a renewed social-democratic order.

13 - Starting to Rebuild Social Democracy ^[24]

The preceding analysis has traced the historical arc through which social democracy rose, flourished, and faltered under the changing conditions of post-war social-democratic settlement ^[25]. Its decline was not a sudden collapse but a cumulative erosion—of its material foundations, policy instruments, and social base. Yet the legacy of social democracy remains vital: it demonstrated that equality, democracy, and growth need not be antagonistic. I believe the task today is to recover that insight under new historical conditions. If the post-war model was built for an industrial and nationally contained economy, the challenge of the twenty-first century is to design a social democracy suited to a globalized, digital, and ecologically constrained world. The next section turns to this task: identifying the normative principles, institutional designs, and global solidarities that could renew the social-democratic project for our own era.

Democratic socialism: Among the forces that can help correct the course of contemporary social democracy are those who still identify as *democratic socialists*—a current that includes figures such as Eduard Bernstein, Anthony Crosland, Michael Harrington, Olof Palme, and in more recent decades, Bernie Sanders and Jeremy Corbyn. They do not reject parliamentary democracy or market mechanisms, but have insisted that democracy must also extend to the economic sphere. Their focus is on ownership, participation, and collective bargaining as instruments for realizing equality in practice rather than leaving it as a moral aspiration. In doing so, they revive the still-unfulfilled idea of *economic democracy*: a system in which all citizens share genuine decision-making power over investment, production, and distribution. By reasserting these principles, democratic socialists challenge the contemporary social-democratic tendency to manage the capitalist economy rather than reshape it.

²⁴ The analyses provided in each of **Sections 13-16**, proceed as neutrally as possible, reconstructing competing interpretations of democracy and social order before offering a normative assessment. This sequence is deliberate: clarity of understanding must precede judgment—just as a skilled reasoner should be able to argue either side of a question convincingly before deciding where their allegiance lies.

²⁵ Contemporary political theory often treats democracy as a set of models for governing society efficiently. Yet the history of social democracy reminds us that democracy is not merely a technique of management but a field of moral and material conflict over the meaning of equality itself.

Radical democracy: A different yet complementary influence comes from those who describe themselves as *radical democrats*—theorists such as Chantal Mouffe, Ernesto Laclau, Iris Marion Young, and Nancy Fraser. Their central concern is to deepen and pluralize democracy itself. They challenge the technocratic consensus that has long shaped mainstream social democracy and call for a renewed emphasis on active participation and diversity. They regard deliberation and public involvement as essential to democratic vitality. Drawing inspiration from social movements—feminist, ecological, anti-racist, and postcolonial—they seek to reconnect politics with society’s living and conflictual energies. Radical democracy reminds social democracy that democracy is not a settled institutional form but a continuous process of struggle, inclusion, and renewal.

Taken together, these two perspectives supply the missing dimensions that could make social democracy relevant again. *Democratic socialists* restore the question of power—who owns, decides, and benefits—while *radical democrats* restore the question of voice—who participates, speaks, and is recognized. A reconstructed social democracy must combine both: economic democratization to secure substantive equality and participatory pluralism to keep democracy responsive and alive. Only through such a synthesis can social democracy recover its transformative purpose under the complex conditions of the twenty-first century.

I would like to add my own voice to this ongoing conversation and advocate a few ideas that may complement those of the democratic socialists and radical democrats. My intention is not to stand apart from them, but to extend their insights toward a broader synthesis. The purpose is to give *democracy a deeper footing*—rooted in participation, responsibility, and shared power—and to give *socialism a wider form*, one that can respond to the moral, ecological, and global dimensions of our age.

14 - Rebuilding Democracy

The central limitation of liberal society is not only its protection of property and markets, but its reduction of human beings to single, atomized individuals whose needs are expressed in abstract equality at the ballot box. In the mid-nineteenth century, liberal society proclaimed the universality of the individual citizen, equal before the law and represented through the ballot. This ideal was expressed in Tocqueville’s *Democracy in America* (1835–1840) and Mill’s *Representative Government* (1861), as well as in constitutional landmarks such as the French Second Republic’s adoption of universal male suffrage in 1848. Yet in practice, individuals were not free-floating atoms but were born into tightly bounded circumstances. Gender roles, social position, access to education, income levels, family reputation, and even neighborhood of residence acted as fixed determinants of life chances. Social mobility was rare, and for most, impossible. The novels of Charles Dickens and other great writers of the period vividly testify to this rigidity: characters are trapped in inherited poverty, confined by the stigma of illegitimacy, or condemned to the monotony of industrial labor, with little realistic

prospect of altering their fates. Far from the liberal ideal of autonomous choice, identity in such a society was overwhelmingly assigned rather than chosen.

Even in Marx's framework, the alternative to liberal atomism offered little greater versatility. His class analysis reduced the diversity of social existence to a stark binary: the proletariat, defined as the oppressed sellers of labor power, and the bourgeoisie, the owners of capital and therefore oppressors. Other groups, peasants, artisans, intellectuals, or emerging middle strata ^[26], were acknowledged only in passing, treated as transitional or subordinate "appendages" to the two primary classes. This schema allowed for analytical clarity but at the cost of flattening the complexity of lived identities. Much like liberalism, Marxism failed to recognize the plurality of affiliations and roles through which individuals actually lived their lives.

In reality, every person embodies multiple identities and affiliations:

- **Biological and demographic:** age, gender, ethnicity.
- **Social and relational:** family and community roles.
- **Economic and institutional:** worker, student, professional.
- **Cultural or ideological:** beliefs, intellectual pursuits.
- **And others.**

Each of these identities carries distinct needs and claims.

I believe that a modern critique of liberalism, whether directed at its nineteenth-century form or its twenty-first-century mutations, must begin by acknowledging the plurality of both stable and temporary identities that shape every human life. Individuals are not only bearers of rights in the abstract, but members of overlapping communities whose needs and perspectives emerge from these multiple identities. A democratic order must therefore not merely tolerate, but actively encourage and persuade individuals to organize around each of their identities, occupational, cultural, generational, territorial, or otherwise. Only by fostering such structured forms of participatory association can society remain sufficiently organized to register and respond to the full range of human needs. Without them, citizens risk being reduced either to the thin equality of isolated voters in liberalism or to the narrow role of party activists in Marxist and other ideological movements. Genuine democracy requires recognition of identities and voices

²⁶ Marx did not present a systematic taxonomy of these groups in *Capital*, but he and Engels referred to them in scattered writings. The peasants appear most vividly in *The 18th Brumaire of Louis Bonaparte* (1852), where Marx describes them as isolated and politically fragmented. Artisans and the petty bourgeoisie are discussed in *The Communist Manifesto* (1848) as transitional strata "sinking into the proletariat" or aligning with bourgeois interests. Intellectuals are treated less as an independent class than as ideological representatives of other classes, though later Marxists (e.g., Gramsci) developed the concept further. The emerging middle strata — clerks, white-collar employees, and functionaries — became a major topic only in later Marxist analysis of the late 19th and early 20th centuries (e.g., Kautsky, Lenin). This paragraph therefore reflects a composite interpretation of groups Marx acknowledged only in passing, rather than a single list drawn from *Capital*.

wherever they exist, not their compression into abstract citizenship or partisan allegiance.

A democratic society must therefore move beyond the narrow formula of “one person, one vote” and extend active participation to the full spectrum of identities through which people live their lives. Biological and demographic positions, such as age or gender, require collective voice in matters of care, health, and generational policy. Social and relational identities, family roles, or community membership call for active participation in the institutions that shape everyday life. Economic and institutional positions, as participants in workplaces, schools, or professions ^[27], demand a say in the governance of the institutions that shape their daily lives. Cultural and ideological identities, formed through beliefs, affiliations, and intellectual pursuits, likewise deserve organized channels of expression. In this way, democracy is redefined not as a single act of voting, but as a continuous process of engagement across the multiple planes of human existence.

To give this plurality institutional shape, individuals should be enabled—and civically encouraged—to form and join participatory associations ^[28] corresponding to their stable or temporary identities. On the basis of registered membership ^[29], these participatory associations should enjoy standing participatory and consultative rights within the domains they affect and at the relevant scales of social life, ensuring that decision-making remains open and continuously responsive. In this way, plurality becomes not just a social fact but a constitutional principle: participatory associations give organized voice to diverse interests while linking them to broader processes of public deliberation and decision.

²⁷ The ordering here should not be read as a sign of “residual Marxism” or “Marxism’s sediment,” in which the *worker* is reflexively placed first. If that were the case, the phrasing would have been “workers, students, or professionals.” The priority given to the *workplace* reflects one thematic focus of this article: the economy and its management. The emphasis is therefore on the institutional site of participation, not on privileging the worker as a class category. The term *residual* also resonates with Raymond Williams’s influential distinction between the *dominant*, *residual*, and *emergent* in cultural analysis (*Marxism and Literature*, 1977).

²⁸ We use *associations* as the general term for organized, membership-based bodies formed around stable or temporary identities (occupational, cultural, generational, territorial, ideological) through which individuals exercise voice and co-decision. The term avoids the overbreadth of *organization* and the historical baggage of *corporatism*. Later in the article, *Associations* (capitalized) will denote the technical institutional units of the proposed *Associative Democratic Model (ADM)*. See: Hirst, P. (1994); Cohen, J., & Rogers, J. (1995); Tocqueville, A. de. ([1835–1840] 2000); Ostrom, E. (2010).

²⁹ Membership in Associations is understood as registered rather than merely informal affiliation, so that both individual and collective weights can be calculated for purposes of the Associative Democratic Model (ADM). Registration provides the administrative basis for allocating influence fairly and avoiding double counting. In practice, Associations are assumed to finance their administrative and participatory activities through modest membership fees. These fees are not intended to restrict access but to ensure sustainability; they should therefore be regulated so that cost does not become an obstacle to participation.

Doing so addresses two problems at once. It reconciles democratic rules with electoral systems. Elections select representatives, while participatory associations provide a continuous channel of voice and co-determination within the domains they affect. This arrangement prevents the mechanics of voting from crowding out active participation. Theoretically, it disarms Arrow's paradox by structuring decision-making through domain-specific participatory associations. These participatory associations deliberate, set agendas, and negotiate compromises before preferences are aggregated. In this way, the model reduces cycling without resorting to dictatorial fixes.

This theoretical distinction carries practical implications. Democratic rules establish the procedures that guarantee voice and co-decision across identities. Among them are the freedoms of association and organization; the rights to consultation and co-determination in relevant institutions; and the duties of transparency, reason-giving, minority protection, and review and recall. Election systems, by contrast, are the mechanics of choosing representatives (districting, ballots, thresholds, formulas). Well-designed elections cannot substitute for missing rules of participation; conversely, robust rules can pluralize power even under different electoral formulas.

In my view, the history of representative government reveals a persistent tension between democratic ideals and institutional realities. While democracy aspires to give every citizen's voice equal weight, voting systems have repeatedly undermined that aspiration. Even when suffrage is formally universal, electoral rules can distort representation. Winner-take-all districts, electoral colleges, and high thresholds for parliamentary entry often produce outcomes in which the distribution of seats diverges sharply from the distribution of votes. In some cases, the candidate or party preferred by a majority of voters fails to win power; in others, large segments of the population find their votes "wasted" because they support smaller parties or reside in heavily one-sided districts. The result is a conflict at the very heart of modern democracy. Citizens are promised equality at the ballot box, yet the mechanisms of aggregation often yield outcomes that are biased, unstable, or unrepresentative. In that tension, the distance between democratic aspiration and institutional practice is laid bare.

Beyond practical distortions, the unfairness of many voting systems is also revealed in the logical paradoxes and impossibility theorems that govern collective decision-making. These results show that the problem is not merely poor design in one country or another, but a deeper mathematical limit on how preferences can be aggregated fairly. Whenever societies must choose among three or more options, the search for a perfectly democratic method—one that is consistent, impartial, and immune to manipulation—runs into inherent contradictions.

- **Arrow's Impossibility Theorem (1951):** No voting rule can simultaneously satisfy basic fairness conditions (respect for unanimous preferences, non-dictatorship, independence of irrelevant alternatives) when there are three or more choices.

- **Condorcet’s Paradox (1785):** Even if each voter’s preferences are consistent, majority rule can produce cycles ($A > B$, $B > C$, $C > A$), leaving the collective choice indeterminate.
- **Gibbard–Satterthwaite Theorem (1973):** With three or more options, any non-dictatorial voting system can be manipulated if voters misrepresent their preferences strategically.
- **Sen’s Liberal Paradox (1970)** ^[30]: Granting even minimal individual rights (e.g., each person controls one decision) can conflict with collective rationality, making liberty and consistency mutually incompatible.
- **Ostrogorski’s Paradox (1902):** When voters organize around issue bundles (e.g., parties), the resulting majority may contradict the majority’s will on every individual issue.

Together, these findings demonstrate that the challenge of designing fair electoral systems is not just political but structural: no single method can fully reconcile the values of fairness, rationality, and collective choice.

Associative Democratic Model (ADM)

Building on the above, I propose the “Associative Democratic Model (**ADM**)”, which shifts attention from one-off ballot casting to ongoing active participation through the Associations that shape people’s lives. In this framework, representation is no longer tied exclusively to territorial districts or party lists but also to organized identities—professional, cultural, generational, territorial, or ideological—that citizens actively join. Each Association’s weight in parliament corresponds not to abstract equality on election day but to the number of verified members who sustain it, adjusted for overlap and redundancy to prevent double counting ^[31]. In this way, the principle of fairness is redefined: each person holds an approximate equal “unit” of political weight, but distributes it across the Associations they consider most reflective of their roles and commitments. The result is a more faithful measure of social diversity, where political influence is proportional to effective participation across Associations rather than distorted by the mechanics of electoral districts or the accidents of party thresholds. For a suggestion on how to measure Effective Number of Active Participants (**ENAP**), see **APPENDIX 3**.

³⁰ The term “*liberal*” in Sen’s *Liberal Paradox* refers to the liberal principle of individual rights—the respect for personal autonomy central to liberal political philosophy, rather than to any partisan or economic usage. The paradox arises from the tension between granting such individual rights and maintaining collective rationality in social choice.

³¹ The Associative Democratic Model (**ADM**) should be understood as a framework for *gradual integration* into existing parliamentary systems, not as a wholesale overnight replacement. In practice, Associative representation would initially complement territorial and party-based structures, with pilot mechanisms tested and adjusted over time. The aim is evolutionary adaptation rather than sudden institutional rupture, ensuring that democratic stability and continuity are preserved while the Effective Number of Decision Makers (**ENDM**) expands step by step.

In my opinion, in contemporary society, the “Effective Number of Decision Makers (**ENDM**)” ^[32] is strikingly small. Vast corporate boards and a handful of political leaders take decisions that shape the lives of millions or even billions, while most citizens remain confined to the role of occasional voters or passive recipients of the consequences of others’ decisions. The challenge, therefore, is not to abolish influence. Some individuals or Associations will always carry greater weight by virtue of their role, expertise, or scale. What matters is to expand the Effective Number of Decision Makers (**ENDM**) so that the spirit of democracy permeates everyday life. This means designing institutions in which decision-making authority is continuously distributed across the multiple Associations people belong to, ensuring that the plurality of social roles and identities finds structured expression in political outcomes. In such a model, democracy ceases to be a rare event tied to election day and becomes a living process woven into workplaces, communities, cultural life, and professional domains. For a technical framing of the Associative Democratic Model see **Appendix 2**.

Practical consequences of Associative Democratic Model

- A person with only one membership still has one full vote.
- A person with many memberships may have more than one vote, but never as many as the raw number of memberships.
- Associations that share many overlapping members don’t simply add power, because the diminishing returns and splitting functions reduce double counting.
- The Effective Number of Decision Makers (**ENDM**) expands, because citizens distribute real influence across multiple domains, while still preventing domination by professional “association collectors.”

It must be emphasized that I am not suggesting that the Associative Democratic Model should be regarded as a revolutionary prescription. Just as in complex biological or social systems, sudden one-dimensional upheavals rarely lead to stability, but more often to collapse, the transition toward the Associative Democracy Model must be gradual, cautious, and adaptive. Institutions, identities, and patterns of cooperation are deeply interdependent, and attempting to transform them all at once risks undermining the very cohesion required for democracy to flourish. The aim is therefore not rupture but slow rebalancing: a steady expansion of the Effective Number of Decision Makers (**ENDM**), tested and consolidated step by step, so that the spirit of democracy can permeate everyday life without destabilizing the system as a whole ^[33].

³² The expression “Effective Number of Decision Makers (**ENDM**)” parallels concepts in statistical genetics, such as effective population size and effective founder number. In both cases, the raw count of individuals (citizens or founders) overstates the degree of independent influence, because power or genetic contribution is unevenly distributed. The challenge is to enlarge the effective number rather than the formal count.

³³ The pace of implementation must remain deliberately slow. The trajectory of liberal political philosophy and economy has unfolded over more than two centuries, and its structural effects cannot be reversed in

15 - Rebuilding Socialism

I believe that both Smith and Marx stand as foundational thinkers who pushed human understanding to the very edge of what was possible in their age. Yet their insights were necessarily framed by the scientific and philosophical horizons then available. Smith grasped the self-organizing potential of dispersed decision-making, yet couched it in moral and metaphorical terms. Marx intuited the structural concentration of power that distorts markets, but expressed it through the dialectical language of contradiction. The challenge today is neither to reject one nor to canonize the other, but to translate their complementary intuitions into empirical, measurable, and institutional terms.

Both thinkers worked within horizons that reflected the intellectual and moral boundaries of their time. Smith's moral sympathy stopped short of confronting structural inequality and British colonial practices. Marx's emancipatory vision underestimated the institutional diversity of modern societies and the moral agency of individuals. Each mistook a part of social life for its totality, Smith universalized market rationality, Marx absolutized productive conflict. Their enduring value lies not in their infallibility but in the problems they revealed: how to reconcile freedom with justice, and individual action with collective welfare.

In my critique of Marx's ideas, I argued that two interrelated factors led him into error. First, by extending Hegel's dialectic from the realm of concepts to the material and economic world, he felt compelled to identify an internal contradiction at the heart of society, the opposition between capital and labor. Second, in order to supply an immanent motor of change, he identified this contradiction with the very mechanism of surplus value, which he treated as the driving force of history. This framework allowed him to reproduce the dialectical sequence of thesis, antithesis, and synthesis, culminating in the abolition of private property in the machinery of mass production. Yet Marx did not need to import Hegel's dialectic to reach his political conclusions: a more parsimonious critique of Adam Smith's political economy could have served his purposes without recourse to metaphysical contradiction ^[34].

the span of one or two electoral cycles. A sustainable transition requires patience: incremental adjustments, careful monitoring, and institutional learning at each stage. Only through such gradualism can the Associative Democratic Model avoid destabilization and achieve durable legitimacy.

³⁴ Adam Smith himself left room for a critique of capitalist society without invoking dialectical contradiction. In *The Wealth of Nations* ([1776] 1976, Book I, ch. 8–10), he acknowledged that wages were often held down by the combined power of employers, that inherited inequality was entrenched by property institutions, and that the division of labor could stunt human development by reducing workers to “as stupid and ignorant as it is possible for a human creature to become.” These tensions within Smith's own analysis could have provided Marx with a basis for criticism grounded in empirical observation and institutional analysis, rather than in the transposition of Hegelian logic onto material life.

Adam Smith's metaphor of the "invisible hand" was meant to capture the stabilizing effect of countless individual decisions in a large, open market. The idea has been celebrated as a self-correcting mechanism of economic life, guiding individual self-interest toward collective benefit. Yet this metaphor was never more than an analogy, vulnerable to both misinterpretation and overextension ^[35]. Moreover, Smith's reliance on moral sentiments to discipline self-interest presupposed a social world of small producers and face-to-face exchange. It could not anticipate the scale, abstraction, and power asymmetries of the industrial capitalist economy or colonial trade. The invisible hand, once severed from its moral context, became an alibi for inequality rather than a mechanism of balance (Sen, 1987; Hirschman, 1977).

In my view, Smith's formulation concealed a methodological problem. By describing the market actor as though he were a single rational agent, Smith gave his metaphor a universal force it could not sustain ^[36]. This rhetorical device allowed him to present outcomes as if they applied equally to all. In practice, however, market results are aggregates of heterogeneous individuals with diverging interests, unequal resources, and variable capacities. Later economists, from Ricardo to Walras and Arrow–Debreu, gave this metaphor a mathematical form. What endured, however, was the same abstraction: an economy imagined as perfectly rational agents trading in equilibrium.

I would insist that a more realistic alternative is to interpret Smith's "single rational agent" not as an abstract individual but as a population with a measurable distribution. In statistical terms, the market is not an invisible harmony of rational actors but a probabilistic ensemble where outcomes depend on the diversity and number of participants. This reinterpretation avoids the metaphysical appeal to an invisible hand and instead grounds economic stability in observable features: the size of the actor pool, the variance of their contributions, and the systemic resilience that follows from plural participation.

From this perspective, one that seeks to recover Smith's moral insight without his methodological naivety, the key to a functioning and fair market is not mystical equilibrium. It lies instead in maintaining the Effective Number of Economic Actors (ENEA) above a certain threshold. If the number of independent decision-makers falls too low, whether through monopoly, oligopoly, or cartelization, the statistical properties

³⁵ Smith himself likened the stabilizing role of natural order to that of Jupiter, who restores balance when the cosmos falls into disorder. The analogy is not without merit, though its economic application requires caution. Later in this work I return to the idea that public ownership at different levels — from the communal to the state — may provide a stabilizing effect in markets, provided such ownership is treated like any other sector within a pluralistic system.

³⁶ Smith's discussion of self-interest in *The Wealth of Nations* implicitly assumes a male market actor, as in his famous example: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." (WN I.ii.2). While the pronoun "he" is not used here, the grammatical and social context presumes the male subject as representative of rational economic behavior.

of the market collapse. Concentrated actors can dictate outcomes, and the stabilizing effect of distributed decisions disappears. A statistical reinterpretation of Smith therefore leads to a different normative conclusion. The central task of political economy is not to trust the invisible hand, but to guarantee sufficient diversity and independence among actors so that no concentration of power undermines the collective outcome ^[37].

Seen in this light, the Associative Democratic Model provides the institutional means of keeping the Effective Number of Economic Actors (**ENEA**) above the critical threshold. By distributing decision-making power across multiple Associations, professional, cultural, territorial, generational, or ideological, it ensures that no single bloc or oligopoly can monopolize influence. Each Association adds to the diversity of decision-makers, while the weighting rules prevent double-counting or artificial inflation of influence. The result is a political economy where stability does not rely on the mythical harmony of self-interest, but on the verifiable resilience of large, plural ensembles. Just as in a statistical system, the reliability of results depends on sample size and variance, so too does a democratic society gain stability by guaranteeing a sufficiently broad and varied base of Effective Number of Decision Makers (**ENDM**) ^[38].

Technical framing of the market model

Classical political economy after Smith gradually moved from metaphor to mathematics (Smith, [1776] 1976). Ricardo sought to give rigor to Smith's insights by reducing them to abstract laws of distribution and comparative advantage (Ricardo, 1817; Hollander, 1979). Walras carried the process further, introducing the notion of general equilibrium, in which all markets clear simultaneously through a system of equations (Walras, [1874] 1954). This Walrasian model treated individuals as perfectly rational agents and reduced the economy to a set of deterministic relationships (Mirowski, 1989; Ingrao & Israel, 1990). In the twentieth century, Samuelson first gave this framework its mathematical form (Samuelson, 1947, 1948), while Arrow and Debreu later provided its most rigorous

³⁷ The concept of an Effective Number of Economic Actors (**ENEA**) generalizes measures developed in political science and economics. In political science, Laakso & Taagepera (1979) defined the "effective number of parties" as a size-adjusted measure of pluralism. In economics, similar indices of concentration—such as the Herfindahl–Hirschman Index (Herfindahl, 1950; Hirschman, 1945)—capture market power by weighting firms according to relative size, while industrial-organization theory uses comparable methods to diagnose oligopoly (Bain, 1956; Stigler, 1964; Bresnahan & Schmalensee, 1987). Parallel approaches in econophysics model markets as probabilistic ensembles rather than equilibrium systems (Yakovenko & Rosser, 2009). Piketty's historical data (2014, 2020) likewise illustrate how wealth concentration reduces the effective diversity of decision-makers. The original inspiration for proposing the ENEA, however, comes from population genetics, where the concept of an "effective population size" (N_e) captures how diversity and stability depend on the number of independently reproducing entities (Wright, 1931; Kimura & Crow, 1963). The **ENEA** thus treats plural participation as a measurable condition of systemic stability—economic, social, and political.

³⁸ On the "effective number of parties," see Laakso & Taagepera (1979) and discussion in the previous Footnote. The Associative Democratic Model applies the same principle beyond electoral competition, extending it to the diversity of Associations and roles within society-wide decision-making.

formalization, proving that under highly restrictive assumptions a general equilibrium not only exists but can be shown to be efficient (Arrow & Debreu, 1954; Debreu, 1959). Decades afterward, Samuelson retrospectively interpreted this formalism as a vindication of Adam Smith's invisible-hand intuition (Samuelson, 1977), thereby completing the transformation of economics into a self-contained equilibrium system seemingly governed by natural laws rather than by historical contingency or social institutions (Blaug, 1997).

The strength of this tradition lay in its analytic elegance; its weakness, in its detachment from the complexity, conflict, and contingency of real economies. By treating uncertainty, heterogeneity, and power as anomalies to be assumed away, twentieth-century mathematical economics converted the heuristic metaphor of Smith's invisible hand into a doctrine of necessity. What had been a moral and empirical hypothesis about coordination became a deterministic cosmology: the market reimaged as a self-correcting universe governed by immutable mathematical laws rather than by human institutions and historical change.

Statistical reinterpretation of Smith's market model

Instead of treating the market as a system of perfectly rational actors converging on equilibrium, it can be understood as a population whose stability depends on the Effective Number of Economic Actors (**ENEA**). When many actors of comparable size interact, their individual fluctuations cancel out and the overall outcome is stable, much as the aggregate effects of small independent factors generate a normal distribution.

When only a few actors dominate, however, each carries disproportionate weight. Outcomes become fragile, skewed, and subject to abrupt shifts. Monopoly and oligopoly are therefore not accidental distortions but statistical collapses in the Effective Number of Economic Actors (**ENEA**). Economic health can be monitored by tracking the Effective Number of Economic Actors (**ENEA**) in each sector and in the economy as a whole. Falling below threshold values signals fragility, even when formal competition rules are observed. In this light, stability arises not from an "invisible hand," but from measurable plural participation.

A statistical reinterpretation of Smith offers a different technical path. Instead of treating "the market" as the outcome of perfectly rational individuals converging on equilibrium, we can model it differently. The market can be seen as a distribution of heterogeneous actors. Its stability depends on maintaining a sufficient Effective Number of Economic Actors (**ENEA**).

Formally, the focus shifts from solving for unique equilibria to estimating the variance, resilience, and robustness of outcomes under different levels of concentration. Monopoly and oligopoly are thus not aberrations to be corrected after the fact, but statistical collapses in the Effective Number of Economic Actors (**ENEA**) that can be

detected and prevented by institutional design. For a technical framing of the statistical reinterpretation of Smith's market model, see **APPENDIX 4**.

When the effects of many small, independent factors are combined—whether across repeated instances or within a large ensemble—the overall outcome tends to be stable and predictable, as individual fluctuations average out in the aggregate. Statisticians call this the Central Limit Theorem (**CLT**). The more contributors there are, the more stable the result; the fewer contributors, the greater the risk of instability.

Sectors differ greatly in how many independent actors sustain them. In industries such as bread production, a classic example already used by Adam Smith, thousands of small bakeries coexist alongside regional suppliers and national chains. Even if a handful of firms operate on a larger scale, the sheer number of independent contributors ensures that the Effective Number of Economic Actors (**ENEA**) remains high. Prices and availability in such a sector are stable, and the outcome resembles the smooth behavior predicted by the central limit theorem (**CLT**): no single contributor can impose instability on the whole.

By contrast, in industries such as automobile manufacturing, the global market is dominated by only a dozen or so firms. Despite the technical diversity of models and brands, the low Effective Number of Economic Actors (**ENEA**) makes this sector structurally oligopolistic. Fluctuations in demand or strategic decisions by a single firm can affect the market as a whole, and the statistical stabilizing effect of plural participation is absent.

This contrast illustrates why some markets, even when being formally “free,” function smoothly and competitively, while others display concentration and fragility: the difference lies in the Effective Number of Economic Actors (**ENEA**), not in the nominal presence of market freedom ^[39].

Practical consequences of the statistical reinterpretation

- **Antitrust as stability safeguard:** Preventing monopoly or oligopoly is not only a matter of fairness but of systemic resilience. A concentrated actor pool reduces the Effective Number of Decision Makers (**ENDM**) and undermines the stabilizing properties of distributed participation.

³⁹ The Effective Number of Economic Actors (**ENEA**) is not intended merely as a descriptive index but as a guiding standard for policy. As with benchmarks such as inflation or unemployment, **ENEA** provides a diagnostic of systemic health, yet its normative force lies in the requirement that political economy maintain **ENEA** above critical thresholds. This implies active measures — antitrust enforcement, pluralist institutional design, and, where necessary, stabilizing roles for public or communal ownership — to prevent concentration and to preserve the resilience that broad participation ensures. The primary institutional force for enforcing this standard is the Associative Democratic Model (**ADM**), which disperses decision-making power across Associations and thereby sustains the diversity of actors required for high **ENEA**.

- **Threshold monitoring:** Just as economists track inflation or unemployment, democratic institutions should track the Effective Number of Economic Actors (**ENEA**). Falling below a critical threshold signals vulnerability to manipulation and loss of resilience.
- **Pluralist institutional design:** Stability is maintained not by assuming equilibrium, but by ensuring that decision-making power is dispersed across participatory Associations, firms, and sectors. Institutional rules must continually reinforce pluralism.
- **Public ownership as stabilizer:** When necessary, communal or state ownership can act as a stabilizing force, analogous to an external planetary body, like Jupiter, exerting gravitational balance. Such ownership, however, must be treated like any other sector, subject to the same transparency and accountability requirements.
- **Adaptive regulation:** Because market stability depends on the statistical properties of participation, regulation should be flexible and evidence-based. Rules must adapt to changes in concentration, diversity, and Effective Number of Economic Actors (**ENEA**), rather than resting on static equilibrium assumptions.
- **Integration with Associative Democratic Model:** By extending the principle of Effective Number of Active Participants (**ENAP**) from politics to markets, the statistical reinterpretation closes the gap between democratic ideals and economic practice. Both spheres are stabilized by the same logic: maintaining a broad and diverse ensemble of decision makers.

16 - Continuing to Rebuild Social Democracy

Existing ailments: Many democracies today fall short of being “full democracies” because they suffer from recurring ailments. These symptoms include:

- (1) weak rule of law,
- (2) flawed representation,
- (3) low effective pluralism (pluralism deficiency),
- (4) chronic polarization and gridlock,
- (5) short-term/periodic populism, and
- (6) a distorted public sphere.

Each weakens the body of democracy in its own way, but taken together they create a pattern of fragility that leaves political systems vulnerable to regression.

Roots of ailments: At the root of these ailments lie three master causes. **First**, deficient and biased information deprives citizens of the impartial knowledge required to judge policies and leaders. **Second**, poverty erodes both institutional resilience and civic independence, pushing populations toward short-term survival strategies and populist appeals. **Third**, lobbying concentrates influence in the hands of organized elites, distorting representation and blocking pluralism. These causes interact: poverty magnifies lobbying, lobbying thrives where information is scarce or biased, and deficient information makes both harder to correct.

The six symptoms can thus be understood as expressions of these three root causes. Weak rule of law and short-term populism often flow from poverty. Flawed representation and pluralism deficiency are aggravated by lobbying. Polarization and a distorted public sphere emerge where information is deficient and biased. No single cause explains them all, but the interaction of the three master causes systematically produces the entire syndrome of non-full democracy.

The cure: The Associative Democratic Model (**ADM**) is designed to prevent these outcomes. By increasing the Effective Number of Decision Makers (**ENDM**), it blocks the distortions of lobbying and supplies citizens with balanced, contextualized information. This removes the most dangerous root causes and immunizes the system against the six symptoms. Further, by increasing the Effective Number of Economic Actors (**ENEA**), fair operation of the economic systems is safeguarded. Over time, by widening active participation and democratizing access to opportunities, the model also undermines poverty itself. In this way, the Associative Democratic Model does not merely manage the symptoms of democracy's ailments, it addresses their sources, offering a more durable and resilient path to full democracy ^[40].

17 - Conclusion

If the twentieth century was the age of social democracy's rise and retreat, the twenty-first will test whether its core values—freedom, equality, and solidarity—can again take institutional form in a changed world.

This article has argued that both liberal and Marxist traditions contain enduring insights but also decisive limitations. Liberal democracy has preserved individual rights but reduced citizens to isolated voters; Marxism offered a systemic critique but relied on a flawed dialectical logic. Social democracy, though historically resilient, has inherited weaknesses from both and now struggles to meet the demands of globalized, digital, and ecologically fragile societies.

By reinterpreting Adam Smith and Karl Marx through a statistical and institutional lens, and by introducing the concepts of the Associative Democratic Model (**ADM**) and the Effective Number of Economic Actors (**ENEA**), a new framework has been outlined for dispersing power and sustaining pluralism.

⁴⁰ This article has remained deliberately silent on specific issues such as gender equality, minority rights, environmental protection, or adversarial foreign relations. The omission is not due to lack of importance but to the underlying assumption that the Associative Democratic Model (**ADM**) functions as a general self-correcting mechanism — analogous to the “invisible hand” in Adam Smith or natural selection in Darwin. By continuously dispersing decision-making and expanding the Effective Number of Decision Makers (**ENDM**), **ADM** is designed to address all such domains under the broader category of democratic rights, ensuring that no issue is excluded from deliberation and correction over time.

The central task ahead is to **socialize democracy and democratize the economy**—to extend active participation and accountability into the institutions where decisions about life and labor are made. If this renewal succeeds, social democracy will not merely survive its past but transform its promise into the organizing principle of a more plural, just, and sustainable order.

APPENDIX 1: From Essence to History

1. Marx's distinction between appearance and essence: Marx's analytical method rests on the claim that social reality does not present itself transparently. The visible order of exchange, wages, and prices conceals the real mechanisms of production and exploitation beneath it. In *Capital*, he writes that "all science would be superfluous if the outward appearance and the essence of things directly coincided" (Marx, [1894] 1991, p. 956). For Marx, science begins when thought penetrates beyond the "surface" of economic phenomena to uncover the relations that generate them. His distinction between appearance and essence thus served as a methodological tool, a way of explaining why bourgeois economics mistook the circulation of commodities for the whole of economic life. What he sought was not the metaphysical essence of society, but the hidden causal structure of capitalism itself.

2. Hegelian origin: This distinction was inherited from Hegel's philosophy, where "appearance" (*Erscheinung*) and "essence" (*Wesen*) are moments in the self-development of thought. For Hegel, contradiction drives the movement of concepts: each form of understanding contains its own negation and is transcended in a higher synthesis. Reality itself is rational because it expresses this dialectical logic. The world is Spirit (*Geist*) coming to know itself (Hegel, [1812–1816] 2010). Marx retained this dialectical framework but inverted its direction, from the ideal to the material. In his hands, history became the self-development of productive forces and relations of production, not of Spirit. Yet the pattern remained the same: each stage of history carries the contradiction that will generate its successor.

3. Dynamism and teleology: Hegel's system rejected static essentialism, replacing it with a vision of reality as process, being as becoming. But this dynamism was not open-ended. The dialectic advanced by necessity toward a predetermined goal: the self-knowledge of Spirit. Marx secularized this movement, turning it into a logic of economic transformation culminating in the abolition of class society. Both thinkers replaced immobility with motion, but in both the motion obeyed an inner law. Their dynamism was deterministic, a teleology of self-realization, whether spiritual or material. What disappeared was not destiny but its metaphysical form (Popper [1945] 2013; Kolakowski, 1978).

4. The break with essentialism: The definitive rupture with essentialism came not from philosophy but from biology. Darwin's *On the Origin of Species* (1859) dissolved the ancient belief in fixed kinds. Species, long regarded as natural essences, became populations in flux, shaped by variation and selection. With this, the old typological view of nature gave way to what Ernst Mayr later called population thinking: no unchanging essence, only historical continuity and difference (Mayr, 1982). In the wake of Darwin, thinkers such as Nietzsche and Popper extended this anti-essentialist revolution to

history itself, envisioning human development as an open, experimental process rather than an inevitable march toward an end (Nietzsche, [1887] 1994; Popper [1945] 2013).

5. From necessity to contingency: This intellectual shift, from essence to evolution, from necessity to contingency, marks a deeper transition in modern thought. It is the same movement that separates Marxism from social democracy. Where Marx saw history as the necessary unfolding of contradictions, social democracy treats progress as a cumulative, revisable achievement. Its confidence lies not in destiny but in learning: institutions can be reformed, knowledge expanded, injustice reduced, but never once and for all resolved.

APPENDIX 2: Associative Democratic Model (ADM)

Technical framing of the Associative Democratic Model

Let there be N individuals and M Associations. Each person i may be a member of several Associations, indexed by a . The raw membership matrix is $x_{i,a} = 1$ if person i belongs to the Association a , and 0 otherwise.

1. **Base unit of influence:** Every person begins with at least one full vote, reflecting their minimal political voice (e.g., membership in a political party or territorial constituency).
2. **Additional Associative influence:** If a person i belongs to multiple Associations, their influence can increase beyond one vote, but we introduce a **diminishing returns rule** so that extra memberships add less than linearly.
 - For example, effective influence for individual i could be defined as:

$$v_i = 1 + \alpha \cdot (\sqrt{k_i} - 1) \quad [41]$$

where $k_i = \sum_a x_{i,a}$ is the number of Associations a person i belongs to, and $0 < \alpha \leq 10$ controls how much extra influence multiple memberships add. The square root acts here as a **discounting factor**, reducing the effect of double-counting when one person belongs to several Associations ^[42].

- If $\alpha = 1$, a person with 4 memberships gets $1 + 1 \cdot (\sqrt{4} - 1) = 2$ effective votes (not 4).
 - If $\alpha < 1$, the increase is smaller, making the system more cautious about rewarding multiple memberships.
3. **Association weight:** The effective vote weight of the Association a is then:

$$w_a = \sum_i f_{i,a} \cdot v_i$$

where $f_{i,a}$ is the fraction of i 's influence allocated to the Association a . The simplest rule is equal split:

$$f_{i,a} = \frac{1}{k_i} \quad \text{if } x_{i,a} = 1$$

⁴¹ There is nothing sacrosanct about this equation. It is just a suggestion. For example, it can easily be written as $V_i = 1 + \alpha \cdot \sqrt{k_i}$.

⁴² The square root is only one way of implementing discounting. Other concave functions could be used with similar effect, such as logarithmic discounting (based on $\ln k$) or general power-law discounting (e.g., k^β with $0 < \beta < 1$). The choice of function determines how sharply the influence of additional memberships diminishes.

but other splits (self-chosen weights, or capped weights) are also possible.

4. **Seat allocation:** Parliamentary seats are then assigned proportionally using the vector \mathbf{W}_a , with the usual adjustment rules (thresholds, divisors like Sainte-Laguë ^[43], etc.).

⁴³ For a general account of proportional representation and divisor methods such as Sainte-Laguë, see Gallagher & Mitchell (2005), Lijphart (1994), and Balinski & Young (2001).

APPENDIX 3: Democratic Participation (ENAP)

1. Effective Number of Active Participants (ENAP)

Goal: capture the *effective* size of civic participation between elections when participation fluctuates.

Per period (e.g., month/quarter) $t = 1, \dots, T$:

- M_t : registered members
- r_t : active rate (share who actually participate)
- U_t : *unique* active persons (deduped across Associations). If you don't have U_t , use $U_t \approx \delta_t \sum_a m_{a,t} r_{a,t}$.
- $\delta_t \in (0,1]$: **de-dup factor** for overlap across Associations. This can be estimated from samples, capture–recapture, or a duplication ratio:

$$\delta_t \approx \frac{U_t^{\text{sample}}}{\sum_a u_{a,t}^{\text{sample}}}.$$

Per-period effective participation: $N_t^{\text{eff}} = U_t$.

ENAP over T periods (harmonic mean):

$$\text{ENAP} = \frac{T}{\sum_{t=1}^T \frac{1}{N_t^{\text{eff}}}}.$$

This makes low-participation troughs “bite,” exactly like bottlenecks in N_e in population genetics.

Minimal-data variant (no overlap info):

$$\text{ENAP} \approx \frac{T}{\sum_{t=1}^T \frac{1}{M_t r_t}}.$$

With overlap correction by Association:

$$\text{ENAP}^* = \frac{T}{\sum_{t=1}^T \frac{1}{\delta_t \sum_a m_{a,t} r_{a,t}}}.$$

Optional quality/intensity weight: multiply U_t by κ_t (e.g., quorum met, deliberation depth): $N_t^{\text{eff}} = \kappa_t U_t$.

2. “Effective Sympathizers” between elections (polls)

Aim: an N_e -style aggregate for fluctuating poll support.

Per period t :

- E : eligible electorate size
- s_t : polling share for party/option
- p_t : mobilization/turnout propensity (from panel data or likely-voter screens)
- w_t : recency/reliability weight (optional; higher for recent, high-quality polls)

Effective sympathizers that matter:

$$N_t^{\text{sym}} = E s_t p_t.$$

Harmonic (optionally weighted) aggregate:

$$\text{ENS} = \frac{\sum_t w_t}{\sum_t \frac{w_t}{N_t^{\text{sym}}}}.$$

(If no w_t , set $w_t = 1$.)

3. Tiny toy example (ENAP)

Four quarters; estimated unique actives $U_t = \{12,000, 8,000, 20,000, 10,000\}$.

$$\begin{aligned} \text{ENAP} &= \frac{4}{\frac{1}{12k} + \frac{1}{8k} + \frac{1}{20k} + \frac{1}{10k}} = \frac{4}{0.0000833 + 0.000125 + 0.00005 + 0.0001} \\ &\approx \frac{4}{0.0003583} \approx 11,170. \end{aligned}$$

Note how the low quarter (8,000) drags the effective size down—exactly the N_e logic.

APPENDIX 4: Statistical Reinterpretation of Smith (ENEA)

Technical framing of the statistical reinterpretation of Smith's market model

4.1 - Setup

- Sectors indexed by $j = 1, 2, \dots, M$.
- In sector j , firms indexed by k have market shares s_{jk} , with $\sum_k s_{jk} = 1$.
- Sectoral weight in the economy: q_j (e.g., share of **GDP**, revenue, or employment), with $\sum_i (q_i) = 1$.

4.2 - Statistical interpretation of Smith's market model

Classical equilibrium models (Walras, Arrow–Debreu, Samuelson) treat market outcomes as unique solutions to simultaneous equations. In these frameworks, stability is assumed rather than derived, and the inherent variability of economic life is largely ignored.

A statistical reinterpretation takes a different path, focusing on variance and aggregation. This approach is analogous to Fisher's (1918) treatment of genetic inheritance, which emphasized stochastic fluctuations and their cumulative effects.

Variance and aggregation

If there are many independent actors in a market, for example, bakers, the Central Limit Theorem (**CLT**) implies that aggregate outcomes (such as price or volume) approximate a normal distribution. Variance shrinks as the Effective Number of Economic Actors (**ENEA**) increases:

$$\text{Var} \propto \frac{1}{N_{\text{eff}}}.$$

Formally,

$$\lim_{N \rightarrow \infty} \text{Var}(\bar{x}) \rightarrow 0.$$

But real markets are finite and often skewed. A practical condition for stability is that the Effective Number of Economic Actors (**ENEA**) remains above a threshold:

$$N_{\text{eff}} \geq T,$$

where, for example, $N_{\text{eff}} \geq 10$ ^[44] indicates healthy competition, while $N_{\text{eff}} < 4$ signals oligopoly.

⁴⁴ The threshold $N_{\text{eff}} > 10$ corresponds approximately to the lower bound of “healthy competition” under the U.S. Department of Justice and Federal Trade Commission (DOJ/FTC) antitrust guidelines, where an HHI of 1,000 is taken as indicative of an unconcentrated market. This reference should be understood only as an *illustrative baseline*, not as a normative guideline. Within the present framework, such values represent a **minimum** threshold for market pluralism rather than a sufficient condition for democratic

Distributional diagnostics

When one or a few actors dominate (e.g., contributing more than 20% of total variance), the Lindeberg condition ^[45] of the **CLT** fails. Outcomes then deviate from normality, producing skewed or bimodal distributions and heavy tails.

The Effective Number of Economic Actors (**ENEA**) can be measured as:

$$N_{\text{eff}} = \frac{1}{H}, \quad H = \sum_j s_j^2$$

where s_j are market shares.

- If all actors are equal, $N_{\text{eff}} = N$ (the raw number of firms).
- If one dominates, $N_{\text{eff}} \approx 1$.

Thus N_{eff} captures the *effective independence* of economic actors, not merely their count.

Analogy to Fisher (1918)

By analogy with genetics:

- With high $N_{\text{eff},j}$, aggregate outcomes approximate normality, shocks are absorbed, and variance shrinks as $1/N_{\text{eff},j}$.
- If one or a few dominate, the outcome is no longer normal but resembles a finite mixture distribution (often bimodal).
- Across sectors, the joint distribution approximates a multivariate normal (**MVN**) if each sector maintains high $N_{\text{eff},j}$. Departures from this pattern are statistical warning signs of systemic fragility.

dispersion of power. Under competitive conditions involving real risk of bankruptcy and long-term adjustment, the effective number of independent actors required for a genuinely healthy and fair economic exchange is likely to be much larger—probably on the order of 30–100 or more, depending on sectoral dynamics and capital intensity. As in our bakery and car manufacturing examples, it seems that the bakery sector is competitively healthy, while the car manufacturing sector is not.

⁴⁵ The Lindeberg condition is a refinement of the Central Limit Theorem introduced by Jarl Waldemar Lindeberg (1922). It specifies the circumstances under which a sequence of independent random variables with unequal variances will still yield a normal distribution in the limit. Informally, it requires that no single variable contributes disproportionately to the total variance: large outliers must become negligible as the number of terms grows. If this condition fails, the aggregate distribution may deviate from normality, producing skewness, heavy tails, or multimodality.

4.3 - Practical monitoring

Once the statistical framework is in place, the question becomes how to monitor markets in practice. The key is to treat each sector as a population whose health can be assessed by the Effective Number of Economic Actors (**ENEA**) and the shape of its outcome distributions.

- **Sectoral monitoring.**
 - For each sector, compute $N_{\text{eff},j}$.
 - If $N_{\text{eff},j}$ falls below its threshold, the sector should be flagged as at risk of oligopoly or monopoly.
 - Complement this with distributional checks: if outcomes show persistent departures from normality, such as bimodality, heavy tails, or skewness, this is a statistical warning signal of fragility, even if $N_{\text{eff},j}$ remains moderate.
- **System-wide monitoring.**
 - Aggregate across sectors to compute the overall effective number, $N_{\text{eff}}^{\text{econ}}$.
 - A sharp fall in this measure indicates not just localized concentration but systemic fragility, as a few actors or conglomerates begin to dominate multiple sectors simultaneously.
- **Stabilizing mechanisms.**
 - Public, cooperative, or mixed ownership structures can sometimes act as stabilizing forces by ensuring diversity of participation.
 - This role may be likened to a “Jupiter effect”: just as Jupiter’s gravitational pull stabilizes the solar system, institutional actors can buffer volatility, but only if they are regulated and treated like any other participant, not given unchecked dominance.

In this way, monitoring combines quantitative thresholds (effective numbers) with qualitative distributional diagnostics. The aim is not to eliminate inequality of size altogether but to prevent markets from collapsing into statistical monocultures where variance is dominated by a handful of actors.

4.4 - Sectoral and economy-wide Effective Number of Economic Actors (ENEA)

- **Sectoral level:** The Herfindahl index ^[46] for sector j is defined as:

$$H_j = \sum_k s_{jk}^2,$$

where s_{jk} is the share of the firm k in sector j .

The Effective Number of Economic Actors (**ENEA**) in the sector j is then:

⁴⁶ Sometimes called Herfindahl–Hirschman Index (HHI).

$$N_{\text{eff},j} = \frac{1}{H_j}.$$

Interpretation:

- If all firms are equal, $N_{\text{eff},j}$ equals the raw number of firms.
- If one firm dominates, $N_{\text{eff},j} \approx 1$.

This captures the idea that what matters is not the count of firms but the *effective independence* of their contributions.

- **Economy-wide level (no cross-ownership):** Let sectors carry weights q_j (e.g., GDP share, employment, or output), with

$$\sum_j q_j = 1.$$

Define the economy-wide Effective Number of Economic Actors as:

$$N_{\text{eff}}^{\text{econ}} = \frac{1}{\sum_j \frac{q_j^2}{N_{\text{eff},j}}}$$

This formulation penalizes large, concentrated sectors more heavily, since a dominant sector with low $N_{\text{eff},j}$ pulls down the overall measure.

- **Economy-wide level (with conglomerates)**
If conglomerates span multiple sectors, compute the **economy-wide share** of conglomerate i as:

$$G_i = \sum_j q_j w_{ij},$$

where w_{ij} is conglomerate i 's share of the sector j .

Then the Effective Number of Economy-Wide Actors is:

$$N_{\text{eff}}^{\text{econ}} = \frac{1}{\sum_i G_i^2}.$$

4.5 – system-wide monitoring

- **Thresholds for sectoral health:** Empirically, competition policy uses Herfindahl thresholds; in N_{eff} terms these are:
 - $N_{\text{eff},j} \geq 10$: competitive (healthy).
 - $6.7 \leq N_{\text{eff},j} < 10$: moderately concentrated (watch zone).

- $4 \leq N_{eff,j} < 6.7$: concentrated (risk).
- $N_{eff,j} < 4$: highly concentrated (unhealthy).

These are approximate inverses of the U.S. DOJ/FTC HHI guidelines (1500, 2500). More democratic values for N_{eff} should be higher (or much higher, depending on the sector) than the ones used by the U.S. DOJ/FTC. For example, for systemic sectors (banking, energy, telecom), stricter thresholds may be required.

Many other countries also maintain explicit rules, regulations, or laws against monopolies, cartels, and other forms of market concentration. In Sweden, for example, banking and industrial sectors have long been monitored using concentration indices such as HHI, while in Switzerland, both telecommunications and media markets are subject to competition oversight. These examples illustrate that concerns about excessive concentration are part of a broader international effort to preserve plural participation in economic life.

4.6 – Summary

Smith’s “invisible hand” can be reinterpreted statistically. Market stability arises not from deterministic equilibrium equations but from maintaining a sufficiently high **Effective Number of Economic Actors (ENEA)**.

- With high N_{eff} , outcomes approximate normality and remain stable.
- With low N_{eff} , variance increases, distributions become skewed, and fragility spreads.
- Monitoring N_{eff} at both sectoral and systemic levels, thus providing an operational diagnostic of economic health.

This framing originates in the logic of effective population size and variance in statistical genetics, but has parallels in existing policy instruments such as the Herfindahl–Hirschman Index (**HHI**), widely used in antitrust regulation. Here, however, the emphasis is on a broader theoretical grounding: understanding markets as statistical populations whose stability depends on plural participation.

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