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Chapter 41. Democratic Innovations and Critical Political Economy: Towards Transformative Governance

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Introduction

Much of the rationale for the development of democratic innovation (DI) lies in the identification of a crisis of democracy (Martinez-Palacios, 2021). For example, the second paragraph of the introduction to the first edition of the present volume (Elstub and Escobar, 2019) makes reference to "democratic deficits", a "democratic malaise" and "democratic recession". The introduction then goes onto outline worrying scores along a range of indices of democracy. This concern has a long history in the broader field of participatory governance. Here, the depiction of this crisis bears the stamp of democratic concerns to do with legitimacy along the lines observed above, as well as bureaucratic or governance concerns, to do with efficiency. Thus, at the turn of the century, around the time that the field became consolidated (Smith, 2009), much ink was spilt on declining levels of citizen engagement and trust in representative institutions (Norris, 1999) as well as the deficiencies of these to handle increased social complexity (Hajer and Wagenaar, 2003).

DIs are a direct response to this crisis and promise to reconnect citizens with politics and in the process revive representative democracy as well as deliver better policy by bringing in a broader range of epistemic inputs, ranging from the local knowledge of affected citizens to stakeholder expertise. However, evidence that these new institutions or processes deliver on this promise is mixed (Progrebinschi and Ryan, 2018). Nevertheless, the urgency of realising the ambitions of participatory governance has sharpened contemporarily. The rise of authoritarian populism has set in motion processes that challenge liberal democracy in far deeper ways than one could observe during the turn of the century (Fraser, 2015).

Scholars and practitioners of DI have developed an impressive array of knowledge as to how to improve citizen engagement. However, we think that the potential to deliver on democratising aspirations requires thorough analyses of the structural dynamics of capitalism into which DIs are inserted (Vlahos et al, 2024). For this reason, we situate DI and its democratising ambitions within the broader political economy. This approach was pioneered by Dryzek (1996) but has been dropped in the field since then (Pateman, 2012; Vlahos et al, 2024). Our contribution draws on critical political economy (CPE), a discipline that places capitalism at the centre and seeks to understand the power dynamics and agency that operate within it and across the state, economy and civil society.

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Based on CPE, we will argue that DIs have the potential to transform and further democratise capitalism to the degree that they de-commodify social wellbeing, expand the regulatory scope of democracy and lower the costs of collective action. An important source of tension to be considered is the tendency for transformative aspirations to become affirmative of capitalism (Fraser, 1995). DIs must avoid reproducing capitalist power relations and aim instead to transform these. CPE can help in this respect by outlining structural dynamics, thus providing a compass that orients democratising energies towards socially consequential institutions (Fraser et al, 2024).

The chapter is structured in four sections. First, we introduce CPE and explain the contribution it can make to DI. Second, we draw on CPE to identify three key forms of power in capitalist societies. From our analysis of structural, state and people power we derive three strategic orientations for DI: de-commodification, expanding the regulatory scope of democracy and increasing collective action capacity. This provides a framework to discuss the potential of DI to deliver democratically transformative governance. We then discuss each of these orientations, in reference to examples of DI that are especially promising: community land trusts, radical municipalism and participatory budgeting. We wrap up in a conclusion.

What is critical political economy and how can it help democratic innovation?

Adam Smith (1776) described “political economy” as “a branch of science of the statesman” concerned with “enriching both the people and the sovereign”. Using the metaphor of the “invisible hand”, Smith argued that wealth and wellbeing was maximised through institutions that allowed the individual pursuit of peoples’ commercial self-interest. *Critical* political economy is rooted in the critique of this approach developed by Marx. He argued that the focus on individual exchange was incapable of appreciating the deeper structural separation of society into classes with unequal ownership of the means of production. Marx's methodological approach and emancipatory orientation would prove foundational to an array of social science disciplines, including the 20th century critical theory and Habermas’ pioneering of deliberative democracy. Marx’s insistence on the importance of class continues to be crucial to critical political economy. However, developments in the field since developed fuller accounts of oppression based on gender, race and nature (Fraser, 2022).

CPE is concerned with understanding the relation between social context and human agency. It departs from the insistence that capitalism is an objective reality and the main structuring force in society (Fraser, 2022). A general overview of the Marxian thesis underpinning CPE is that the competitive compulsion for capital owners to hunt for profit to survive, drives capitalism to extend its influence beyond existing boundaries into areas, be they geographical or cultural, that were previously outside of capitals’ circulations (Harvey, 2017; Mau, 2023). Thus, capitalism possesses a historically unique expansive dynamic that drives it to colonise spheres outside commercial exchange by turning common goods into commercial products. Herein lies the driver of imperialism and the deepening commodification of social life.

As Fraser (2022) explains, commodification advances in disregard for the reproductive necessities of political, natural, and social systems. These are background conditions necessary for the functioning of an economy, which are turned into a free source of inputs that are not replenished. Capital needs

labour, public goods, human reciprocity and free gifts of nature. However, it also depletes them.[2] The dependency and depletion of background conditions is a central contradiction from which derives capitalism's destructive character (Wood, 2002). The result is a contradictory and crisis prone social formation that is sustained by the development of temporary and imperfect institutional fixes, such as the social democratic compromise or neoliberalism, that restore the bases for growth (Streeck, 2013). These contain contradictions for a time, but they eventually break-out into systemic crises of different magnitudes, giving capitalist development its characteristic form of periods of stability that are punctuated by crises and re-generated by institutional transformation (Boyer, 2018). At the same time, the intensification of commodification and marketisation also involves critical junctures animated by diverse struggles for collective autonomy. Hope and scope for democratic action lies in capitalisms´ deficitarian and crisis prone nature, which generates needs for alternative ways of living. One important example is the dialectical relation between capitalism and 'commoning', which is the process of reshaping communal spaces, relations and imaginations by transforming symbolic and material activities and power structures (Sevilla-Buitrago, 2022). Here, de-commodified forms of self-governance arise as contested spaces against market and state control, enabling new forms of life on the margins of the capitalist system, forging new systemic boundaries to serve the community (see Chapter 40 in this Handbook). Capitalism never fully seals off the possibilities for change, alternative ways of producing and living are always latent within it.

How does this relate to the field of DI? The broad point is that DIs are embedded within capitalist systems and their associated constraint and opportunity structures. Ambitions for democratisation that take place without being conscious of how they interact with capitalist dynamics are more likely to miss-fire. We specifically need to outline the socio-spatial relations, struggles and transformations involved in a longer than neoliberal history of capitalist democracy, and this requires detailed expositions of the various instantiations of political-economic authority, how these overlap with power and inequality and then new possibilities for inclusive decision-making (Vlahos, 2022). However, whilst participatory democracy was originally more sensitive to questions of economic organisation (Pateman, 1970), the main drive in the field is to accept capitalism as an immutable, or unquestioned, background condition (Pateman, 2012). From a CPE view, as long as capitalism is not bought into the research agenda the field will remain wrong footed by political developments that are often driven, or at least strongly influenced, by capitalist dynamics. Democratic theorists need to go beyond pointing out that capitalism is a problem for democracy and make the search for solutions central to the research agenda (Vlahos et al, 2024).

Structural, state and people power

A necessary first step in bringing capitalism centre stage is an adequate understanding of different forms of power. The way in which the capitalist system has evolved permits the identification of three *analytically* distinct fields of power. First, foundational to capitalism is a separation of the political and economic sphere (Wood, 1995). The latter appears as a self-regulating entity with internal dynamics but is, in reality, co-dependent with political power exercised by the state (Boyer, 2018), our second field. Finally, capitalist development generates a working class and, through urbanisation, a denser civil society form which springs much agency. By accounting for how power

[2] For example, nature is a source of free inputs, in the form of raw materials, and a sink for waste. Human labour produces value, but competing capitals are compelled to find ways to shed it to increase profits. Human reciprocity and care are constrained by the need to spend time on salaried work. State provided goods can provide useful inputs to production (e.g. transport infrastructure, law enforcement, skilled, healthy workers) but the hunt for profit disincentivises capital to contribute to these through tax.

operates within and across these fields, we provide a rudimentary theory of capitalist stability and change which can orient the reforming energies of DI.

We begin by explaining “structural power”, derived from the organisation of production and social reproduction. We then move onto “state power”, derived ultimately from law and the legitimate use of force, and finally, to “people power”, based on collective action.

Structural power

Structural power refers to the idea that power is not just held by individuals or groups but is maintained through the organisation of society. In capitalist societies, much power emanates from the private control of production and investment. This leads to an unequal distribution of resources amongst social groups, shaping their strategic possibilities. Soren Mau (2023) roots capitalist structural power in its ability to shape the material conditions of social reproduction. Simply put, people become dependent on selling their labour in markets in order to access the means of subsistence through wages. As capitalism expands and consolidates, people’s reliance on labour and commodity markets for sustenance deepens. For their part, capitalists are also materially compelled by the need to survive in competitive environments to act in ways that ensure profitability, often by sharpening exploitation or investing in productivity enhancing technology.

In essence, structural power means that agents must, whether directly or indirectly, take part in the circulations of capital to satisfy their needs and wants. This has some important consequences. Most obviously, and as we will elaborate upon below, DIs are often aimed at influencing state policy, but the states’ structural dependence on private investment constrains the viability of recommendations arising from participatory processes, especially if they are of concern to markets (Dryzek, 1996). However, structural power also limits scope for change in more nuanced ways.

Many organisations that promote DIs, and the individuals working for them, also depend on capitalism for investment. This constrains and shapes the field of DI. For example, a “participation market” (Behrer et al, 2014; see also Chapter 13 in this Handbook) has grown within the field, which essentially designs and sells forms of professional facilitation and state-civil society arbitrage (Martin, 2015). It is composed of consultancies that operate within capitalist markets or NGOs sustained by state and philanthropic funding and essentially entails the commodification of participation (Martinez-Palacios, 2021). Radical organisations are often especially constrained by a lack of finance. This means that they come to rely on voluntary activity and collective action to an often unsustainable extent. Second, many such organisations find themselves competing with others to raise resources from competitive funds, which professionalises their practice and pits them against each other. To be sure, despite these limits, such actors have often developed a politics that successfully entered state institutions (Bua and Bussu, 2023) but they come to face complications related to capitalist structural power once in government (Bua and Davies, 2022).

Finally, a clear manifestation of structural power is the asymmetric distribution of resources for political agency and influence that it generates. Given the dependence of state, organisations and people on private investment, capital holders are endowed with greater and more direct opportunities for influence. Those at the lower end of the income and wealth distribution depend to a greater extent on collective action or state support to achieve objectives. This privileges capital holders because the ability to grant or withhold investment can be mobilised with greater ease and speed, is easily transferable between agents and has an immediate and wide-ranging impact. Collective action capacity through, for example, trades unions or other interest groups, has potentially greater impact but is not as easily transferable and faces higher barriers to mobilisation, meaning agents must continually renew organisational capacity (Korpi, 1983). Moreover, income and

wealth also shape status asymmetries, feeding through into unequal endowments of non-economic forms of capital, such as free time to engage in political activity and access to social networks with capacity for influence. Wealthier individuals also have greater opportunities for developing cultural capital, through education, for example. These factors shape DI through asymmetric endowments in capacity for incidence, complicating equality in participatory processes (Garcia-Espin, 2021).

Structural power turns our minds to an important strategic orientation: DIs should seek the de-commodification of social life. De-commodification essentially means reducing reliance on privately held resources. This promises, as we later show, to generate greater opportunities for more equal participation in ways that democratises the distribution of political capabilities.

State power

Above we have explained the structural sources of capitalist power, but capitalist markets are also dependent on states (Boyer, 2018). Simply put, whilst capitalist states do depend on taxes from private accumulation for resources, capital, at minimum, needs the provision and enforcement of a legal and monetary system in order to operate, which has historically been provided by states. The capital-state relation is therefore one of interdependence (Culpepper, 2015). States possess a monopoly over the legitimate use of coercion, endowing state institutions with a unique capacity to shape capitalism, making the state a critical centre of power and field of struggle (Jessop, 2016). Thus, a sound understanding of states is important for DI (Dean, 2023).

CPE classically analyses the *capitalist* state through the categories of accumulation and legitimation (O'Connor, 1973; Offe, 1984). Accumulation refers to the process by which capitalists extract surplus. A necessary condition for this is the states' creation and protection of private property rights. The private economy that springs from this became an important source of economic growth and tax revenue, motivating state officials to expand and protect a sphere of private property rights (Tilly, 2004). Herein lies the historical foundation of the states' accumulation imperative, which also produced a material basis for the expansion of political rights to the rising investor class. As capitalist social relations grow, ensuring good conditions for private accumulation increases in importance not only to expand fiscal capacity but also, as more people become dependent on the labour market for wages and sustenance, to ensure the economic wellbeing of the population through private investment in the economy.

Legitimation refers to the processes through which capitalism is justified to those at the lower end of the income and wealth distribution. Private accumulation depends on the existence of a labour force which depends on wages for sustenance. This produces insecurity as people's livelihoods become dependent on fluctuations in wages (the price of labour). Thus, alongside capitalism grow demands for social protection (Polanyi, 2001) that can legitimate capitalism to non-capital holders and provide political stability.

Much of the institutional dynamism of capitalist societies is rooted in this interaction between accumulation and legitimation. We can distinguish between material concessions that grant economic security, and procedural concessions that increase political influence. For example, in the 19th and 20th century Europe, material changes began to form the welfare state, which provided universal access to goods and services outside of capitalist markets. Procedural concessions placated material demands with institutional reforms, such as suffrage expansions or institutionalised bargaining between capital and labour, that promised higher levels of influence in the future. The development of universal suffrage and representative forms of democracy can be explained in these terms (Rueschmeyer et al, 1992). Moreover, in the global north, the interplay between material and

procedural concessions generated much of the driving force behind the development of social democracy and its expansion of material security through social citizenship rights.

The social democratic settlement was acceptable to capital as long as productivity gains through technological investment could offset wage increases and tax burdens to finance welfare. For reasons that are beyond the scope of this chapter, the 1970's was a turning point in this regard. Suffice it to say that increased competition between capitalist enterprises, a drying up of prospects for technology driven productivity improvements and rising costs of energy in the 1970s depleted the will of investors to meet these demands, resulting in economic stagnation. The so-called "neoliberal revolution" comprised the use of state power to roll back welfare institutions. Profits were boosted by privatising public enterprises and re-commodifying many areas of social life. States were disciplined to adopt business friendly policies by de-regulating finance, decreasing the ability of *national* states to tax increasingly *transnational* capital flows (Glyn 1994; Streeck, 2013). This ushered in a new, so-called "neoliberal, accumulation regime", based on financialisation (Fraser, 2015). It produced rising levels of wealth concentration and inequality at the same time as it undermined the welfare institutions which had provided legitimacy to democratic capitalism in social democracy. Critical DI scholars have argued that the field has grown to plug these legitimacy gaps (Holdo, 2024). The upshot is that DIs run the risk of legitimising rising inequality and processes of de-democratisation (Lee et al, 2015). In response to this apparent paradox, scholars of DI have argued that to deliver on its democratising ambitions DI must seek to *expand the regulatory scope of democracy* beyond neoliberal confines (Bua and Bussu, 2021). This is the second strategic orientation we derive from CPE for DI. Crucial to this is the harnessing of "people power" to radicalise DI towards socially transformative aspirations (Bua and Bussu, 2023), as we cover below.

People power

So far, we have described different sources of power underpinning the capacity for capital and the state to shape social structure. "People power" is derived from collective action and organisation. Comparative democratisation scholars have argued that alongside geopolitics and capitalist dynamics, social mobilisation is a key determinant of democracy (Rueschmeyer et al, 1992). The result of collective mobilisation (whether by intention or accident) is often to influence state institutions. For this reason, CPE scholars conceptualise the state as reflecting the social balance of power in society (Jessop, 2016).

We also understand the level of democratisation in a given polity in these terms. In social movement studies (Tarrow, 1994), democracy progresses or regresses in dynamic processes composed of cycles of (de)mobilisation and socio-political compromise. Students of democratisation cohere on this point. Stasavage (2020) argues that the development of power sharing institutions throughout history results from concessions made by elites to ensure governability. Wood (1995) explains the development of representation as the result of class conflict between feudal lords an emergent class of rentier landowners and burgher merchants, that opened up the absolutist state to include capitalist elites. Rueschmeyer et al (1992) do so in terms of democratic concessions granted by elites to stave off working class radicalism. The development of social democracy can be understood as the struggle for social rights following winning political rights (Marshall, 1950). Relative material security provided by the social democratic settlement then provided a condition of possibility for the expression of post-material identities. These entered the terrain of political contention in a way that shaped democratic struggle towards greater recognition of socio-cultural identities.

It would be wrong to interpret this as an inexorable process towards full democratisation. History shows us that the process is much more complicated. Democratisation can also stall, be reversed and

even removed. Depending on the strength and effectiveness of popular mobilisation, powerful groups can assent to, co-opt or obstruct pro-democratic pressures. For example, large landowners have often obstructed and reversed democratisation (Moore, 1966). Where pro-democratic social movements are more powerful, elites can assent to democratisation. Moreover, regimes of political and civil society groups coalesce across historical cleavages and differ in how they prioritise and operationalise certain forms of collective rights and protections (Esping-Andersen, 1990). But as popular mobilisations wane, elites can adapt to dilute and re-signify democratisation demands (Crouch, 2004). For example, the cultural revolutions led by the 1960's new left intertwined with neoliberalism, which came to co-opt the new lefts' yearning for autonomy with responsibilisation (Boltanski and Chiapello, 2015), rolling back the collective welfare institutions developed during the social democratic era (Gerstle, 2021). Democratic advances in cultural recognition occurred in tandem with democratic regression in economic distribution (Fraser, 1995). Arguably, this has contemporarily led to popular yearnings to reaffirm democratic control over markets, in democratically progressive and regressive ways. The former seek the expansion of socio-political rights to new constituencies, the latter to protect existing rights by limiting expansion to new claimants, often distinguished on ethno-nationalist lines (Hopkin, 2020).

Thus, the exercise of "people power" is an important determinant of democratisation in capitalist societies, but it is not motherhood and apple pie. People can mobilise towards undemocratic ends. It is important to take heed of Frasers' (2014) distinction between "protective" and "emancipatory" social movements. As the name suggests, "protective" movements seek to protect social relations from commodification. However, they might end up protecting social hierarchies that can often be more oppressive than those based on market relations, such as those based on social status, race and gender. For this reason, these movements can stall or regress democracy. Emancipatory movements seek to eradicate all forms of domination and pursue full democracy.

Our account of "people power" points to both a political and normative implication for DI. Politically, DIs should be understood as forming part of terrains of contention (Bua and Bussu, 2023). Scholars of DI have highlighted the importance of contention and countervailing power (Fung and Wright, 2003; Wampler, 2008) in avoiding co-optation and increasing empowerment. However, capitalist political economy generates an unequal distribution of capacities for political influence amongst communities, skewed against those most in need of emancipation. Thus, normatively, DIs should seek to enhance emancipatory politics by maximising inclusion and broadening both the scope of democratic regulation as well as the boundaries of the demos (see Chapter 42 in this Handbook). The upshot is that DIs should be analysed in terms of the degree to which they increase the capacity for collective mobilisation and political coalition building, especially amongst the structurally disadvantaged.

Democratic innovation as transformative governance

The overarching lesson so far is that structural, state and people power shape political dynamics in capitalist societies in ways that are (re)productive of a tenuous legitimation of capitalism. How does this apply to DI? We argue that a sort of functionalism pervades the field where the need for innovation is largely to solve problems of legitimacy through inclusion. Perhaps one of the most enduring narratives of DIs is that they are a supplement to existing political institutions (Chambers, 2009). This is problematic because of the ongoing historical tension between capitalism and democracy, rooted in capitalisms' asymmetric endowment of power resources amongst social groups.

If they are to deliver on transformative ambitions, DIs cannot only be supplementary, or “affirmative” (Fraser, 1995), of existing power structures, they must seek to transform them. According to Fraser, (1995) “affirmative” remedies correct inequitable outcomes of social arrangements without disturbing the underlying framework that generates them”. Transformative remedies are “aimed at correcting inequitable outcomes … by restructuring the underlying generative framework”.

In this section, we focus on the transformative potential of DIs. While we focus on transformation, it is important to recognise that all progressive interventions at some point struggle with the affirmation/transformation dichotomy. DIs can have transformative potential, but they also grapple with being affirmative because they are situated within the capitalist system. We argue that their transformative potential lies in the extent to which they de-commodify life, expand democratic regulation, and build political coalitions amongst structurally disadvantaged groups. DIs might not need to completely emancipate people from capitalism to be transformative, but they should minimally strive to elevate quality of life and wellbeing through collaborative decision-making (Vlahos, 2023a). While some DIs end up being more affirmative (either from the outset or over time) this does not mean they have failed, but that radical politics are now missing from their agenda. It is not to suggest that these no longer have any substantive contribution to make, as that would be a misrepresentation of what they achieve and provide. Nonetheless, we feel that, given the dire situation faced politically, socially and environmentally (Fraser, 2022), DIs need to strive towards greater transformation. We argue that this can be achieved following the three strategic orientations derived from CPE: de-commodifying the economy, expanding democratic regulation and facilitating collective action.

De-commodifying the economy

The point of decommodification is to limit, lessen and even prevent public goods, labour, and life from becoming commodified, privately controlled, and appropriated away from direct public benefit. An important effect of de-commodification is to reduce the dependence of people upon market provision for access to the means of subsistence and wellbeing. DIs de-commodify social life to the extent that they reduce peoples’ reliance on private markets in labour, goods, and services. Thus, de-commodifying innovations strive to create public spaces that reclaim and reappropriate social goods that have become privatised. In so doing, resources are mobilised and redistributed in ways that better serve communities and the public. The result is a decline in the structural power of capital and thus greater freedom.

An example of this is a community land trust (CLT). CLTs operate as non-profit organisations that obtain land, often created by mobilised members of a community with the intent on holding it in perpetuity. Here, removing land and housing from the private market alters the profit motive. This allows communities to de-commodify commercial property by locally setting rates and rent for dwellings that are more affordable and often to the benefit of lower income and under-represented residents in a community. What makes CLTs democratic and innovative is that in principle anyone that uses the land or resides in the surrounding area has a stake in the control of its operations. While CLTs are a progressive DI with radical ambitions they are not on their own sufficient to entirely democratise the housing market nor are they always rooted in participatory governance and community control (Durose et al., 2021). CLTs can struggle with funding to purchase land and property at market rates. Some CLTs have become less radical the larger and more established they become, because they often must rely on external actors for support (DeFillipis et al. 2019). Moreover, the more properties a CLT acquires, the larger their housing provider responsibilities become for more people. More infrastructure is needed to focus on the maintenance of units, in addition to their community governance of the trust. CLTs therefore face a bureaucratisation of

participation problem (Papadopoulos and Warin, 2007). That said, there are many examples of CLTs that retain their radical orientation and have strong bases in social justice that are reflected in their democratic governance.

In the context of a democratically expansive regulatory environment (see below), state support could help CLTs to provide affordable housing at scale, democratically tailored to community needs. This would be enabled by DIs that also seek to facilitate collective action by housing activists.

Expanding democratic regulation

In a contribution that stands out for its engagement with critical political economy, Dryzek (1996) argues that capitalism has constrained away the possibility of a further democratisation of the state. He argues instead for focussing on the development of experimentation in civil society. We recognise this challenge, but also feel that, given the importance of the state as a centre of power in capitalist society, civil society cannot be the only base for addressing power imbalance in capitalist democracies. Moreover, as we have noted, capitalist structures are not immutable, but dynamic and re-shaped by state and people power. Expanding the scope of democratic regulation therefore remains an important objective for DI.

If DIs are to enhance connections to state institutions, there needs to be a way to circumvent the legitimation challenges that come with embedding them in processes that are designed to support capitalist logics. A further challenge with DIs that are dis-embedded from the state is that they can produce (often radical) recommendations that are at odds with public policy agendas, resulting in the watering down, sidelining or cherry-picking of proposals (Jacquet et al, 2023). There is “strategic selectivity” (Jessop, 2001), in the types of policies that become designed, passed, and implemented by governments. These are shaped by a variety of factors including institutional path dependencies, the ideological and social composition of governments, as well as different configurations of interests and power across different parts of the complex, multi-layered institutional ensemble that is the state.

The concept and practice of democracy-driven governance (DDG) can help capture how DIs become embedded within the dynamics of the capitalist political economy, *and* how they strive to expand the regulatory scope of democracy beyond neoliberal confines (Bua and Bussu, 2023). DIs that are democracy-driven can embed participatory regimes and make them harder to dislodge (Bussu et al, 2022;) because they are in alliance with progressive grassroots, and/or social movements in ways that provide an institutional basis for their influence beyond periods of heightened pro-democracy mobilisation. DDG thus incorporates radical democratic calls to deliver progressive structural changes towards the democratisation of politics, economy, and society.

One example of the development of DDG is provided by the Spanish radical municipalism (RM) (Roth et al, 2019). RM gained momentum with the wave of anti-austerity protests following the global financial crash (Flescher-Forminaya, 2014) and aimed to transform the state through institutionalising citizen participation (Russel, 2019). To this end, RM administrations attempted to expand the scope of democratic regulation in a variety of ways, including participatory budgeting, commons-based production initiatives, the re-municipalisation of goods and service provision, and digitally implemented forms of citizen participation (Roth et al, 2019). However, as detailed by Bua and Davies (2023), they faced significant challenges as pro-status quo agents organised against its agenda and also operated within a context of hostility from higher state scales. RM administrations further faced the challenge of building new participatory apparatuses from a position of relative political weakness, exacerbated by re-centralising austerity measures imposed by central government. The administrative apparatus was ill-prepared to handle the overflow of citizen

demands arising from participatory processes. These state-driven obstacles limited the potential for deeper transformation.

Facilitating collective action

DI contains radical ambitions to redistribute political power. However, the critical undercurrents of the field have been undermined by the overwhelming objective of being a supplement to liberal constitutionalism (Hammond, 2019). A gravitation to communicative power while failing to reconfigure structural power through popular sovereignty is part of this loss of critical alignment (Baiocchi and Ganuza, 2016). To correct this, we suggest that DIs need to be re-embedded in society and the state to reduce structural dependence, leverage public control over the economy and curtail co-optation tendencies. A necessary condition for this is to connect DI with social movements so that they may build, and harness, collective action capacity towards deepened democracy (Della Porta, 2013; see also Chapter 39 in this Handbook).

There is a substantial tradition connecting DI to collective agency. Fung and Wright (2003) identify the need for countervailing power to keep elites in check and ensure empowerment. Analysts of the micro-politics of participation highlight how participants can contest the roles assigned to them by institutional designers (Barnes et al 2007; Holdo, 2024). At a higher level of analysis, Bua and Bussu (2021) show how alliances between social movements and state actors can change participation regimes. Common to these literatures is the role of DI in generating spaces for agency and mobilisation. The case of participatory budgeting is instructive here (Baiocchi, 2005). As pioneered by the Brazilian Workers' Party (Partido dos Trabalhadores or PT), which came to power in Porto Alegre in 1989, the core idea behind PB is to involve residents in determining how a substantial portion of the city's budget should be allocated to various capital projects and programs. Importantly, PB increased associational density and collective action (upwards of 16,000 people would attend plenary meetings), particularly among poorer communities. The process incentivised residents to participate in neighbourhood assemblies and delegate meetings through the promise of delivering material improvements in neighbourhoods. PB allowed residents to propose projects that addressed deficiencies in essential infrastructure, such as the construction of schools, health clinics, and sanitation facilities. As these projects were implemented, community members experienced tangible improvements in their living conditions, reinforcing the benefits of collective action. Overall, participatory budgeting in Porto Alegre not only allowed residents to influence budget allocation but also had broader social and community-building effects (Cabannes, 2004). It promoted a culture of active citizenship particularly in marginalised and lower-income neighbourhoods for decades. This generated positive feedback loops. It created electoral capital for the PT that was rooted in autonomous, rather than co-opted, civil society activity (Holdo, 2024).

Nevertheless, PB had certain fragilities which prevented it from being more fully embedded. As the PT gained national electoral success, many leaders left local politics. PB became vulnerable to changes in electoral cycles and would be wound down by a conservative administration entering City Hall in 2005, demonstrating its reliance on Mayoral support (Melgar, 2014). Moreover, the PB was limited to democratising public spending. This can expand the scope of democratic regulation by inserting non-capitalist spending priorities into the state. However, its focus on distribution means it has limited effects on the structural power of capital. In fact, in Porto Alegre, this became enhanced by the City’s reliance on World Bank development loans, and associated conditionalities, following a state fiscal crisis. Moreover, while a testament to the success of PB is that there are over 12000 recorded instances of it being practiced around the globe, its emancipatory potential varies. It has been subjected to strong co-optative pressures. As a result, Baiocchi and Ganuza (2016) argue that in travelling the globe, PB turned from a political campaign for social justice into an a-political policy

instrument, adaptable to different objectives (Baiocchi and Ganuza, (2016). Despite these problems, theorists such as Baiocchi and Ganuza (2016; see also Chapter 5 in this Handbook) and Holdo (2024) argue that participatory budgeting processes can form new political subjectivities, with participants, raising issues, developing new associations and political skills beyond the process.

Conclusion

In this chapter we have used CPE to analyse the requirements for DI to deepen democracy more effectively. We have identified three key strategic orientations of the political economy of public participation: de-commodifying the economy, expanding the regulatory scope of democracy and facilitating collective action. A view of DIs based on CPE involves embedding governance and ownership of economic resources more directly in communities, integrating DIs across different institutional scales of the state, and drawing on grassroots social mobilisation to build political coalitions towards transformative agendas, especially amongst structurally disadvantaged groups. Such an agenda can enhance the transformative capacities of DI. However, if DIs are embedded within the capitalist political economy, they will face important constraints which pull DIs away from systemic transformation and towards affirmation.

To be sure, this issue is a perennial once faced by any intervention with emancipatory objectives. Reflecting on similar issues, Wright (2021) rejects the viability of anti-capitalist master strategies and argues that we should think of emancipatory change as delivered by the distributed agency of a plurality of movements with different strategic orientations, which coalesce to gradually “erode” capitalism, through gradual, piecemeal and unpredictable transformation of capitalist structures. Wright suggests that capitalism could be “eroded” through the combined result of strategies seeking to “tame”, “dismantle” and “escape” it. “Taming” capitalism involves the public provision of goods and services, as in the case of social democracy, and democratic forms of fiscal policy, such as in our case of Participatory Budgeting. “Dismantling” capitalism involves the development of institutions, such as worker-owned cooperatives, or our case of CLTs, operating alongside of, and / or in competition with, capitalist enterprise. “Escaping” capitalism involves the creation of communities and economies that seek to operate as free from exchange value as possible, as in the commons and the example we provided of CLTs. Each of these strategies has clear limitations and advantages. Social democracy is paternalistic and easily co-optable, but can deliver de-commodification at scale, strategies seeking to dismantle and escape capitalism, for their part, can be strongly prefigurative and formative of radical political subjectivities, but face clear problems of sustainability and scalability.

Overall, DI scholarship should seek out ways to influence the state towards the weakening of capitalist structural power. We think this requires a shift in the field toward a more activist scholarship with a stronger role for contentious politics. Arguably, there is a skewed emphasis on the institutionalisation of deliberative minipublics, for example, and this overshadows alternative DIs like CLTs that seek to integrate participation in the economy, or of PB and its effective combination of contention and collaboration. In some cases, we find that ‘liminal’ or ‘interstitial’ intermediaries between the state and civil society utilise spatial forms of civic participation to triage problems arising from capitalism (Vlahos 2023b). However, limited human and financial resources and isolated activity can create unequal opportunities. The field of DI thus requires an understanding of how larger networks and interactions of citizen initiatives might collectively shape ambitious visions. Therefore, a necessary research and action agenda for emancipatory (Fraser, 2013) and transformative (Fraser, 2015) forms of DI is to develop processes, relationships, organisations, or

institutions that help the demos de-commodify the economy, expand democracy's regulatory scope and build political coalitions amongst subaltern groups that can sustain and embed DIs.

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