

Taking the “Social” in Socialism Seriously

**Erik Olin Wright
University of Wisconsin - Madison**

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Throughout most of the 20th century, socialism constituted the central ideological matrix for thinking about alternatives to capitalism. Even in settings where socialism as such was not an immediately feasible political goal, the idea of socialism helped to give political direction to struggles against capitalism.

Things have changed. Now, at the beginning of the 21st century, the socialist project no longer has much political credibility. This is not because people have universally come to view capitalism as a benign social order within which humanity would flourish. Rather, it is because the particular institutional arrangements that had come to be associated with socialism are seen as incapable of delivering on their promises. Triumphant Capitalism declares “There is No Alternative”. Denouncing capitalism seems to many people a bit like criticizing the weather. Perhaps we can patch the roof to keep out the rain, but there is not much point in railing against the storm itself. Instead of being viewed as a threat to capitalism, talk of socialism now seems more like archaic utopian dreaming, or perhaps even worse: a distraction from the dealing with tractable problems in the real world.

Yet, ironically, we also live in a period in which many of the traditional socialist criticisms of capitalism seem more appropriate than ever: inequality, economic polarization and job insecurity in many developed societies has been deepening; capital has become increasingly footloose, moving across the globe and deeply constraining the activities of states and communities; giant corporations dominate the media and cultural production; the market appears like a law of nature uncontrollable by human device; politics in many capitalist democracies are ever-more dominated by money and unresponsive to the concerns and worries of ordinary people. The need for a vibrant alternative to capitalism is as great as ever.

In this paper I want to propose a general way of thinking about socialism as an alternative to capitalism. It works off of the observation that both social democracy and socialism contain the word “social”¹. Generally this term is invoked in a loose and ill-defined way. The suggestion is a political program committed to the broad welfare of society rather than the narrow interests of particular elites. Sometimes, especially in more radical versions of socialist discourse, “social ownership” is invoked as a contrast to “private ownership,” but in practice this has generally been collapsed into state ownership, and the term social itself ends up doing relatively little analytical work in the elaboration of the political program. What I will argue is that the social in social democracy and socialism can be used to identify a cluster of principles and visions of change that differentiate socialism and social democracy both from the capitalist project of institutional development and from what could be called a purely statist response to capitalism. These principles revolve around what I will call “social empowerment.” This, in turn, will suggest a way of thinking about a range of future possibilities for socialism that have generally not been given a central place within radical challenges.

¹ In conventional political language “social democracy” refers to a reformist project inspired by socialist ideals which accepts the constraints of accommodating to capitalism, whereas “socialism” refers to an project social transformation beyond capitalism. In practice, the labels do not have such a clear demarcation: many socialist parties pursue strictly social democratic agendas, and some leftwing social democrats remain firmly committed to a more anticapitalist transformative vision. In the present context I will treat both social democracy and socialism as occupying a position within a broad-spectrum of democratic egalitarian challenges to capitalism. Social democracy embodies socialist principles, even if it attempted to deploy those principles in much more pragmatic ways than some parties that have called themselves socialist.

We will begin in Part I by locating the problem of understanding socialism within a broader agenda of emancipatory social theory. Part II presents a synoptic critique of capitalism which identifies the problems for which socialism is a purported solution. Part III explores the general problem of elaborating credible institutional alternatives to existing structures of power and privilege. Here I will elaborate the idea of social empowerment and explain what a socialism based on social empowerment means. Part IV will then propose a map of pathways to social empowerment that embody the principles of a “social” socialism.

I. THE TASKS OF EMANCIPATORY SOCIAL SCIENCE

Emancipatory social science, in its broadest terms, seeks to generate scientific knowledge relevant to the collective project of challenging various forms of human oppression and creating the conditions in which people can live flourishing lives. To call it a form of social *science*, rather than simply social criticism or social philosophy, implies that it recognizes the importance of systematic scientific knowledge about how the world works for this task.² To call it *emancipatory* is to identify a central moral purpose in the production of knowledge – the elimination of oppression and the creation of the conditions for human flourishing. And to call it *social* implies the belief that human emancipation depends upon the transformation of the social world, not just the inner self.

To fulfill this mission, any emancipatory social science faces three basic tasks: elaborating a systematic diagnosis and critique of the world as it exists; envisioning viable alternatives; and, understanding the obstacles, possibilities, and dilemmas of transformation. In different historical moments one or another of these may be more pressing than others, but all are necessary for a comprehensive emancipatory theory.

1. *Diagnosis & Critique*

The starting point for building an emancipatory social science is identifying the ways in which existing social institutions and social structures systematically impose harms on people. It is not enough to show that people suffer in the world in which we live or that there are enormous inequalities in the extent to which people live flourishing lives. A scientific emancipatory theory must show that the explanation for this suffering and inequality lies in specific properties of institutions and social structures. The first task of emancipatory social science, therefore, is the diagnosis and critique of the causal processes that generate these harms.

Diagnosis and critique is the aspect of emancipatory social science that is often the most systematic and developed. Consider Feminism, for example. A great deal of feminist writing centers on the diagnosis of existing social relations and institutions in terms of the ways in which they generate various forms of oppression of women. The central point of such research is to show that gender inequality and forms of oppression are not the result of “nature”, but are generated by social processes. Studies of labor

² Many people who support emancipatory ideals are quite suspicious of the term “science,” seeing it as implying a privileged access to truth by experts who are willing to impose their truth on ordinary people. While it is true that sometimes claims to “science” are used in this way, I see science as a deeply democratic principle of knowledge-seeking since it rejects all claims to absolute certainty and insists on open, undominated dialogue as the basis for correcting errors and advancing knowledge.

markets have emphasized such things as sex-segregation of jobs, job evaluation systems which denigrate job attributes associated with culturally-defined feminine traits, promotion discrimination, institutional arrangements which place mothers at a disadvantage in employment, and so on. Feminist studies of culture demonstrate the ways in which a wide range of cultural practices in the media, education, literature, and so on, have traditionally reinforced gender identities and stereotypes in ways that oppress women. Feminist studies of the state have examined the way in which state structures and policies have, at least until recently, systematically reinforced the subordination of women and various forms of gender inequality. A similar set of observations could be made about empirical research inspired by the Marxist tradition of emancipatory theory, by theories of racial oppression, and by radical environmentalism. In each of these traditions much of the research that is done consists in documenting the harms generated by existing social structures and institutions, and attempting to identify the causal processes which generate those harms.

Diagnosis and critique are closely connected to questions of social justice and normative theory. To describe a social arrangement as generating “harms” is to infuse the analysis with a moral judgment. Behind every emancipatory theory, therefore, there is an implicit theory of justice, some conception of what conditions would have to be met before the institutions of a society could be deemed just. It is beyond the scope of this paper to defend the normative theory that underlies the critique of capitalism, but it will clarify some of the motivation for the analysis which follows to make the central claims of this normative stance explicit. The analysis of this paper is animated by what can be called a *radical democratic egalitarian* understanding of justice. This rests on two broad normative claims, one concerning the conditions for social justice and the other for political justice.

1. Social justice: *In a just society, all people would have broadly equal access to the necessary material and social means to live flourishing lives.* This is a fairly complex formulation, but the key idea is egalitarianism with respect to a fairly comprehensive understanding of the conditions which foster human flourishing.
2. Political justice: *In a politically just society, people should be equally empowered to contribute to the collective control of the conditions and decisions which affect their common fate.* This is a principle of both political equality and collective democratic empowerment.

Taken together these two claims call for a society that deepens the quality of democracy and enlarges its scope of action under conditions of radical social and material equality. The problem, of course, is to show that another world is possible within which these principles could be significantly advanced relative to the world as we know it.

2. Alternatives

The second task of emancipatory social science is to develop a coherent, credible theory of alternatives to existing institutions and social structures that would eliminate, or at least significantly reduce, these harms. Social alternatives can be elaborated and evaluated by three different criteria: *desirability*, *viability*, and *achievability*. These are

nested in a kind of hierarchy: not all desirable alternatives are viable, and not all viable alternatives are achievable (figure 1).

-- Figure 1 --

The exploration of *desirable* alternatives, without the constraints of viability or achievability, is the domain of utopian social theory and much normative political philosophy. Typically such discussions are institutionally very thin, the emphasis being on the enunciation of abstract principles rather than actual institutional designs. Thus, for example, the Marxist aphorism to describe communism as a classless society governed by the principle “to each according to need, from each according to ability,” is almost silent on the actual institutional arrangements which would make this principle operative. Liberal theories of justice similarly elaborate and defend the principles that should be embodied in the institutions of a just society without systematically exploring the problem of whether sustainable, robust institutions could actually be designed to carry out those principles in the pure form in which they are formulated.³ These kinds of discussions are important, for they contribute much to clarifying our values and strengthening our moral commitment to the arduous business of social change. But purely utopian thinking about alternatives may do little to inform the practical task of institution building or add credibility to challenge to existing institutions.

The study of *viable* alternatives asks of proposals for transforming existing social structures and institutions whether, if implemented, they would actually generate in a sustainable, robust manner, the emancipatory consequences that motivated proposal. A common objection to radical egalitarian proposals is “sounds good on paper, but it will never work.” Perhaps the best known example of this problem is central planning, the classic form which attempted to realize socialist principles. Socialists had sharp criticisms of the anarchy of the Market and its destructive effects on society and believed that a rationally planned economy would improve the lives of people. The institutional design that seemed to make this possible was centralized comprehensive planning. As it turned out, there are a range of “perverse” unintended consequences of comprehensive central planning which subvert its intended goals. As a result, few people today believe that comprehensive central planning of complex societies is a viable alternative to capitalism for realizing emancipatory objectives.

The viability of a specific institutional design for realizing emancipatory goals, of course, may not be an all-or-nothing affair. Viability may crucially depend upon various kinds of side conditions. For example, a generous unconditional basic income may be viable in a country in which there is a strong culturally-rooted work ethic and sense of collective obligation, because in such a society there would be relatively few people who decide to consume the basic income without any reciprocal contribution, but not viable in a highly atomistic consumerist society. Or, a basic income could be viable in a society

³ Moral philosophers generally argue that *ought* implies *can* – that there is no moral imperative to do the impossible – and thus, at least implicitly, arguments about what would constitute a “just society” – a desirable alternative to the present world – require that viable institutions could in principle be constructed to actualize those principles. In practice, however, very little attention is given to these issues in political philosophy. John Rawls, for example, argues that his “liberty principle” is lexically prior to his “difference principle” without every asking if this is possible in real institutions.

that already had developed over a long period a generous redistributive welfare state based on a patchwork of targeted programs, but not in a society with a miserly limited welfare state. Discussions of viability, therefore, also include discussions of the contextual conditions-of-possibility for particular designs to work well.

The exploration of viable alternatives brackets the question of their practical achievability under existing social conditions. Some people might argue, what's the point of talking about some theoretically viable alternative to the world in which we live if it is not strategically achievable? The response to the skeptic is this: there are so many uncertainties and contingencies about the future, that we cannot possibly know now what really are the limits of achievable alternatives in the future. Perhaps we can say something about what sorts of changes we can struggle for right now, what kinds of coalitions are formable and which are unformable, what sorts of political strategies are likely to be effective and ineffective in the present. But the further we look into the future, the less certain we can be about the limits on what is achievable.

Given this uncertainty about the future, there are two reasons why it is important to have clear-headed understandings of the range of viable alternatives to the world in which we live, alternatives which, if implemented, would stand a chance of being sustainable. First, developing such understandings now makes it more likely that if in the future historical conditions expand the limits of achievable possibility, social forces committed to emancipatory social change will be in a position to formulate practical strategies to implement the alternative. Viable alternatives are more likely to eventually become achievable alternatives if they are well thought out and understood. Second, the actual limits of what is achievable depend in part on the beliefs people hold about what sorts of alternatives are viable. This is a crucial point and fundamental to sociological understandings of the very idea of there being "limits of possibility" for social change: social limits of possibility are not independent of beliefs about limits. When a physicist argues that there is a limit to the maximum speed at which things can travel, this is meant as an objective constraint operating independently of our beliefs about speed. Similarly, when a biologist argues that in the absence of certain conditions, life is impossible, this is a claim about objective constraints. Of course both the physicist and the biologist could be wrong, but the claims themselves are about real, untransgressable limits of possibility. Claims about social limits of possibility are different from these claims about physical and biological limits, for in the social case the beliefs people hold about limits systematically affect what is possible. Developing systematic, compelling accounts of viable alternatives to existing social structures and institutions of power and privilege, therefore, is one component of the social process through which the social limits on achievable alternatives can themselves be changed.

It is no easy matter to make a credible argument that "another world is possible". People are born into societies that are always already made. The rules of social life which they learn and internalize as they grow up seem natural. People are preoccupied with the tasks of daily life, with making a living, with coping with life's pains and enjoying life's pleasures. The idea that the social world could be deliberately changed in some fundamental way that would make life significantly better for most people seems pretty far-fetched, both because it is hard to imagine some dramatically better workable alternative and because it is hard to imagine how to successfully challenge existing

institutions of power and privilege in order to create the alternative. Thus even if one accepts the diagnosis and critique of existing institutions, the most natural response for most people is probably a fatalistic sense that there is not much that could be done to really change things.

Such fatalism poses a serious problem for people committed to challenging the injustices and harms of the existing social world. One strategy, of course, is to just not worry too much about having a scientifically credible argument about the possibilities for radical social change, but instead try to create an inspiring vision of a desirable alternative, grounded in anger at the injustices of the world in which we live and infused with hope and passion about human possibilities. At times, such charismatic wishful thinking has been a powerful force, contributing to the mobilization of people for struggle and sacrifice. But charismatic wishful thinking is unlikely to form an adequate basis for transforming the world in ways that actually produce a sustainable emancipatory alternative. The history of the human struggles for radical social change is filled with heroic victories over existing structures of oppression followed by the tragic construction of new forms of domination and inequality. The second task of emancipatory social science, therefore, is to develop in as systematic a way as possible a scientifically grounded conception of viable alternative institutions.

Developing coherent theories of *achievable* alternatives is the central task for the practical work of strategies for social change. This turns out to be a very difficult undertaking, both because views about achievability are also vulnerable to wishful thinking, and because of the high levels of contingency of conditions in the future which will affect the prospects of success of any long-term strategy.

As in the case of viability, achievability is not really a simple dichotomy: different projects of institutional transformation have different prospects for ever being implemented. The probability that any given viable alternative to existing social structures and institutions could be implemented some time in the future depends upon two kinds of processes: First, it depends upon the consciously pursued strategies and relative power of social actors who support and oppose the alternative in question. Strategy matters because emancipatory alternatives are very unlikely to just “happen”; they can only come about because people work to implement them, and are able to overcome various forms of opposition. Second, this probability depends upon the trajectory over time of a wide range of social structural conditions that affect the possibilities of success of these strategies.⁴ This trajectory of conditions is itself partially

⁴ To quote (out of context) Marx’s famous aphorism: “[people] make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.” Marx (1852 [1968]: 96), *The Eighteenth Brumaire of Louis Bonaparte*. The quote is usually taken to mean that social structures impose constraints on human agency, but the actual context of the quote is about the mental conditions of action. The full quote continues: “The tradition of all the dead generations weighs like a nightmare on the brain of the living. And just when they seem engaged in revolutionizing themselves and things, in creating something that has never yet existed, precisely in such periods of revolutionary crisis they anxiously conjure up the spirits from the past to their service and borrow from them names, battle cries and costumes in order to present the new scene of world history in this time-honored disguise and this borrowed language.” (p.97)

the result of the cumulative unintended effects of human action, but it is also the result of the conscious strategies of actors to transform the conditions of their own actions. The achievability of an alternative, thus, depends upon the extent to which it is possible to formulate coherent, compelling strategies which both help create the conditions for implementing alternatives in the future and have the potential to mobilize the necessary social forces to support the alternative when those conditions occur. Developing an understanding of these issues is the objective of the third general task of emancipatory social science: the theory of transformation.

3. Transformation

We can think of emancipatory social science as an account of a journey from the present to a possible future: the critique of society tells us why we want to leave the world in which we live; the theory of alternatives tells us where we want to go; and the theory of transformation tells us how to get from here to there. This involves a number of difficult, interconnected problems: a theory of the mechanisms of social reproduction which sustain existing structures of power and privilege; a theory of the contradictions in such systems of reproduction, contradictions which open up a space of strategies of social transformation; a theory of the developmental dynamics of the system which change the conditions for such strategies over time; and, crucially, a theory of the formation of collective actors engaging in struggles over these conditions of transformation.

The central concern of this paper is the second of the three core tasks of emancipatory social science: the problem of elaborating viable emancipatory alternatives to capitalism. To set the stage for this discussion it will be helpful to first sketch the central elements on the critique of capitalism, laying out the central harms generated by capitalist processes that animate the search for an alternative.

II. THE CORE CRITIQUE OF CAPITALISM

Capitalism is a particular way of socially organizing the economic activities of a society. It is characterized by two fundamental properties: first, a *class structure* characterized by private ownership of the means of production in which most people earn their living by selling their labor on a labor market, and second, *economic coordination* organized through decentralized market exchanges. Capitalism is not simply a “free market economy;” it is a market economy with a particular form of class relations. The world has not always been dominated by capitalist economic relations, but it is now and has been for the past couple of centuries. In many ways this system works pretty well. It has certainly proven to be fairly durable, surviving periodic calamities. And there is no question that it has been the most powerful economic system in human history so far for generating technological change and a certain kind of economic growth. Nevertheless, serious criticisms can be leveled against capitalism which, if correct, constitute the basis for the search for an alternative.

Ten criticisms are especially salient:

1. *Capitalist class relations perpetuate eliminable forms of human suffering.*
2. *Capitalism blocks the universalization of conditions for expansive human flourishing.*

3. *Capitalism violates liberal egalitarian principles of social justice.*
4. *Capitalism perpetuates eliminable deficits in individual freedom and autonomy.*
5. *Capitalism is inefficient in certain crucial respects.*
6. *Capitalism has a systematic bias towards consumerism.*
7. *Capitalism is environmentally destructive.*
8. *The ever-expanding reach of the market threatens important values.*
9. *Capitalism corrodes community.*
10. *Capitalism limits democracy.*

It is important to be clear about the character of these criticisms. The central claim in each of them is that the harms they describe are generated by mechanisms that are intrinsic to capitalism as such. This does not mean that in a capitalist *society* – a society with a capitalist economic structure – there is nothing that can be done to counteract these harms. But it does imply that in order for this to happen, non-capitalist mechanisms must be introduced to counteract the effects of capitalism itself. This leaves open the question of how far one can go in mitigating these harms without cumulatively introducing so many counter-capitalism mechanisms as to transform the capitalist character of the economic structure itself. This, as we shall see in part III, is a central issue in the problem of envisioning alternatives to capitalism.

It is beyond the scope of this paper to provide the evidence and analysis behind each of these criticisms. Most of them are quite controversial and they all require considerable elaboration. What I will do, briefly, is explain the basic argument behind each.

1. Capitalist class relations perpetuate eliminable forms of human suffering.

Let us begin with a simple, indisputable observation: The world in which we live involves a juxtaposition of extraordinary productivity, affluence and enhanced opportunities for human creativity and fulfillment along with continuing human misery and thwarted lives. This is true whether we look at the world as a whole, or we look at the conditions of life of people within most developed capitalist countries. Now, there are many possible explanations for these facts. It is possible that poverty in the midst of plenty constitutes simply a sad fact of life: “the poor will always be with us.” Or, perhaps this might simply be a temporary state of affairs which further economic development will eradicate: capitalism, if given enough time, especially if it is unfettered from the harmful effects of state regulations, will eradicate poverty. Or, perhaps, suffering and unfulfilling lives are simply the fault of the individuals whose lives go badly: contemporary capitalism generates an abundance of opportunities, but some people squander their lives because are too lazy or irresponsible or impulsive to take advantage of them. But it is also possible that poverty in the midst of plenty is a symptom of certain fundamental properties of the socioeconomic system. This is the central claim of the socialist moral critique of capitalism: *capitalism systematically generates unnecessary human suffering* – “unnecessary” in the specific sense that with an appropriate change in socioeconomic relations these deficits could be eliminated. While capitalism is an engine of economic growth, it also inherently generates marginalization, poverty, deprivation, and, what is perhaps even worse, it obstructs the elimination of these forms of human suffering. In principle, of course, the fruits of economic growth generated by capitalism could be distributed in ways that improve everyone’s material welfare, a point

continually made by defenders of capitalism under the slogan “a rising tide lifts all boats”. However, there is no mechanism *internal to capitalism* itself to generate the redistribution needed to eliminate poverty and marginalization. For this to occur, noncapitalist institutions must be created to counteract the inequalitarian effects of capitalism.

2. Capitalism blocks the universalization of conditions for expansive human flourishing.

When Socialists, especially those speaking from the Marxist tradition, indict capitalism, a litany of harms is usually invoked: poverty, blighted lives, unnecessary toil, blocked opportunities, oppression, and perhaps more theoretically-dense ideas like alienation and exploitation. However, when the vision of an alternative to capitalism is sketched, the image is not simply a consumer paradise without poverty and material deprivations, but rather a social order in which individuals thrive, where their talents and creative potentials are realized and freely exercised to the fullest extent. The elimination of material deprivation and poverty are, of course, essential conditions for the full realization and exercise of human potentials, but it is the realization of such potentials that is core of the emancipatory ideal for socialists. This, then, is what I mean by the expansive sense of “human flourishing”: the realization and exercise of the talents and potentials of individuals.

The second criticism asserts that while capitalism may have significantly contributed to enlarging the *potential* for human flourishing, especially through the enormous advances in human productivity which capitalism has generated, and it certainly has created conditions under which a segment of the population has access to the conditions to live flourishing lives, it blocks the extension of those conditions to all people even within developed capitalist countries, let alone the entire world. Three issues are especially salient here: first, the large inequalities generated by capitalism in access to the material conditions for living flourishing lives; second, inequalities in access to interesting and challenging work; and third, the destructive effects on the possibilities of flourishing generated by hyper-competition.

3. Capitalism violates liberal egalitarian principles of social justice.

Liberal egalitarian conceptions of justice revolve around the idea of *equality of opportunity*.⁵ Basically the idea is that a system of distribution is just if it is the case all inequalities are the result of a combination of individual choice and what is called “option luck”. Option luck is like a freely chosen lottery – a person knows the risks and probabilities of success in advance and then decides to gamble. If they win, they are rich. If they lose, they have nothing to complain about. This is contrasted with “brute luck”. These are risks over which one has no control, and therefore over which one bears no moral responsibility. The “genetic lottery” which determines a person’s underlying genetic endowments is the most often discussed example, but most illnesses and

⁵ Liberal egalitarians share with liberals an emphasis on individual choice and liberty in their conceptions of justice, but they differ in how demanding they are in specifying the conditions under which individual choices can be seen as generating just outcomes.

accidents would also have this character. For the liberal egalitarian, people must be compensated for any deficits in their welfare that occur because of bad brute luck, but not option luck. Once this has been done, then everyone effectively has the same opportunity, and all remaining inequalities are the result of choices.

Capitalism is fundamentally incompatible with this strong notion of equality of opportunity. The private accumulation of wealth and large disparities in earnings in capitalism give some people inherent, unfair advantages over others. Particularly with respect to children, the huge inequalities in the material conditions under which children grow up violates principles of equality of opportunity, both because it gives some children large advantages in the acquisition of human capital and because it give some adults access to large amounts of family owned capital and others none. Thus, even apart from the complex problem of compensating people for “bad brute luck” in the genetic lottery, so long as there is inheritance of private wealth, and so long as investment in children’s human capital is strongly linked to inequalities in parental resources, equality of opportunity will be a fiction. Capitalism, since it necessarily generates such inequalities in the conditions of life for children, is thus incompatible with equality of opportunity.

4. Capitalism perpetuates eliminable deficits in individual freedom and autonomy.

If there is one value that capitalism claims to achieve to the highest possible extent, it is individual freedom and autonomy. “Freedom to choose”, rooted in strong individual property rights is, as Milton Friedman has argued, the central moral virtue claimed by defenders of capitalism.⁶ Capitalism generates stores filled with countless varieties of products, and consumers are free to buy whatever they want subject only to their budget constraint. Investors are free to choose where to invest. Workers are free to quit jobs. All exchanges in the market are voluntary. Individual freedom of choice certainly seems to be at the very heart of how capitalism works.

This market and property based freedom of choice is not an illusion, but it is not a complete account of the relationship of individual freedom and autonomy to capitalism. There are two reasons why capitalism significantly obstructs, rather than fully realizes, this ideal. First, the relations of domination within capitalist workplaces constitute pervasive restrictions on individual autonomy and self-direction. At the core of the institution of private property is the power of owners to decide how their property is to be used. In the context of capitalist firms this is the basis for conferring authority on owners to direct the actions of their employees. An essential part of the employment contract is the agreement of employees to follow orders, to do what they are told. This may, of course, still allow for some degree of self-direction within work, both because as a practical matter employers may be unable to effectively monitor the details of employee behavior, and because in some labor processes the employer may grant the employee considerable autonomy. Nevertheless, in most capitalist workplaces for most workers, individual freedom and self-direction are quite curtailed. This lack of autonomy and

⁶ Milton and Rose Freidman, *Free to Choose* (San Diego : Harcourt Brace Jovanovich, 1990)

freedom within the world of work is an important part of what has been called “alienation” in the critique of capitalism.

The second way in which capitalism undermines the ideal of individual freedom and autonomy centers on the massive inequalities of wealth and income which capitalism generates. Such inequality implies, as Philippe van Parijs has argued, that there is a significant inequality in “real freedom” across persons. “Real Freedom” consists in the effective capacity of people to act on their life plans, to be in a position to actually make the choices which matter to them.⁷ Large inequalities of wealth and income mean some people have a much greater freedom in this sense than others. While it is certainly true that relative to previous forms of society capitalism enhances individual autonomy and freedom, it also erects barriers to the full realization of this value.

5. Capitalism is inefficient in certain crucial respects.

If the ideals of freedom and autonomy are thought to be the central moral virtues of capitalism, efficiency is generally thought to be its core practical virtue. Whatever one might think about the enduring inequalities of capitalism and its injustices, at least it promotes efficiency. The market and competition, the argument goes, impose a severe discipline on firms in ways which promote both static efficiency and dynamic efficiency. Static efficiency (sometimes also called “allocative efficiency”) refers to the efficiency in the allocations of resources to produce different sorts of things. Capitalism promotes allocative efficiency through the standard mechanism of supply and demand in markets where prices are determined through competition and decentralized decision-making. Dynamic efficiency refers to technological and organizational innovation that increases productivity over time.

These are indeed sources of efficiency in capitalism. In these respects, compared to earlier forms of economic organization as well as to centralized authoritarian state-organized production, capitalism seems generally to be more efficient. This does not mean, however, that capitalism does not itself contain certain important sources of inefficiency. Whether or not on balance capitalism is more or less efficient than alternatives thus becomes a difficult empirical question, since all of these forms of efficiency and inefficiency would have to be included in the equation, not just efficiency defined within the narrow metric of the market.

Four sources of inefficiency in capitalism are especially important: 1. the underproduction of public goods; 2. the underpricing of natural resources; 3. negative externalities; 4. monitoring and enforcing market contracts.

1. Public Goods

For well-understood reasons, acknowledged by defenders of capitalism as well as its critics, capitalism inherently generates significant deficits in the production of public goods. Public goods are a wide range of things which satisfy two conditions: it is very difficult to exclude anyone from consuming them when they are produced, and one

⁷ See Philippe Van Parijs, *Real Freedom for All: what (if anything) can justify capitalism?* (Oxford : Clarendon Press ; New York : Oxford University Press, 1995)

person's consumption of the good does not reduce another person's consumption. Clean air and national defense are conventional examples. Knowledge is another example: one person's consumption of knowledge does not reduce the stock of knowledge, and once knowledge is produced it is pretty hard to prevent people from consuming it. Capitalist markets do not do well in providing for public goods, since it is hard to capture profits when you cannot easily exclude people from consuming the thing you have produced. And, since many public goods are important for the quality of life and for economic productivity, it is inefficient to rely on markets to produce them.

At first glance it might seem that public goods are a fairly narrow category of things. In fact they are quite broad. One way of thinking of the broad category of public goods is with the idea of "positive externalities". A positive externality is some positive side-effect of producing something. Consider public transportation. There are many positive externalities of public transportation, for example energy conservation, reduced traffic congestion, and lower pollution. These are all valuable positive side-effects that can be viewed as public goods. But these effects are nonmarketable: an urban transit company cannot charge people for the reduced health care costs or the less frequent repainting of houses resulting from the lower pollution generated by public transportation. These are benefits experienced by a much broader group of people than those who buy tickets to ride public transportation. If a public transportation company is organized in a capitalist manner, it will have to charge ticket prices that enable it to cover all of the direct costs of producing the service. If it received payment for all of the positive externalities generated by its service, then the ticket price for individual rides could be vastly lowered (since those prices would not have to cover the full cost of the transportation), but there is no possible mechanism within markets for public transportation to charge people for these positive externalities. As a result, if market forces determine ticket prices, then the ticket prices for individual rides have to be much higher than they should be, and as a result of the higher price of the tickets, there will be lower demand for public transportation, less will be provided, and the positive externalities will be reduced.⁸ This is economically inefficient.

The same kind of argument about positive externalities can be made about education, public health services, and even things like the arts and sports. In each of these cases there are positive externalities for the society in general that reach beyond the people who are directly consuming the service: it is better to live in a society of educated people than uneducated people; it is better to live in a society in which vaccinations are freely available, even if one is not vaccinated; it is better to live in a society with lots of arts activities, even if one does not directly consume them. If this is correct, then it is economically inefficient to rely on capitalism and the market to produce these things.

⁸ These positive externalities of public transportation are one of the main justifications for public subsidies for public transit systems, but typically these subsidies are relatively small and transit systems are expected to cover nearly all of the direct operating costs of producing the service through user fees. This is economically irrational. It could easily be the case that if all of the positive externalities of public transportation were taken into consideration, including positive externalities for future generations, then full subsidization with free public transportation for the riders would be the most efficient way of pricing the service.

2. Under-pricing and over-consumption of natural resources

In standard economic theory, in a competitive market the price of things closely reflects the costs of producing them. This is seen as efficient because it means that the prices are sending the right signals to producers. If the prices are significantly above the costs of producing something, this means that those producers will be earning extra profits, and this will signal to producers to increase production; if the prices are below the costs of producing, then this means that people are losing money, and this sends a signal that less should be produced.

This standard argument of efficient market signals generated by the costs of production interacting with supply and demand breaks down in a crucial way with respect to the extraction and processing of nonrenewable natural resources. The problem is basically the time horizons in which people experience the “costs of production” and therefore interpret the signals of generated by prices. We know that sometime in the future the costs of production of fossil fuels will be vastly higher than they are today because of the depletion of the resource. If these future higher costs of production were part of the calculation of profitability today, then it would be clear that current prices are not covering these costs. Production would accordingly be reduced until prices rose sufficiently to cover these future higher costs. The market, however, is incapable imposing these long-term future costs on present production. The result is under-pricing of nonrenewable natural resources and thus their overexploitation. This is an inefficient use of these resources.⁹

In some cases this same mechanism also affects renewable resources. This happens when the short-term costs of production are such that a resource is exploited at a faster rate than it can be renewed. The classic example here is the rapid depletion of large fishing stocks.¹⁰ Again, this leads to a grossly inefficient allocation of resources.

3. Negative externalities

Negative externalities are also an uncontroversial source of inefficiency in market economies; all economists acknowledge this is a problem. Again, an efficient allocation of resources in a market only occurs when producers experience monetary costs that reflect the true costs of production, because only in this situation will the demand for these products send the right signal to producers. The problem in capitalist economies is that capitalist firms have a strong incentive to displace as much of their costs on other people as possible, since this increases their ability to compete in the market. Pollution is the classic example: from a strictly profit-maximizing point of view it would be irrational for capitalist firms not to dump waste material into the environment if they can get away with it. The same can be said about expensive safety and health measures that might affect the workers in the firm in the long-term. Unless unhealthy conditions have an

⁹ This under-pricing of natural resources is also a source of intergenerational injustice: future generations will face various deprivations because we over-consume these resources today.

¹⁰ This, of course, does not mean that there is no solution to the depletion of fisheries, but simply that the solution require a violation of market principles and capitalist competition, although not necessarily the complete abolition of market processes. When an aggregate quota is set for fishing, for example, one could still have capitalist firms bidding competitively over the right to particular quotas.

effect on costs of production, there is an incentive for profit-maximizing firms to ignore these costs.

Capitalism itself cannot solve such problems of negative externalities; it is an intrinsic consequence of private profit-driven economic decisions. This does not mean, of course, that in capitalist societies nothing can be done about negative externalities. The widespread proliferation of state regulation of capitalist production is precisely a way of counteracting negative externalities by preventing firms from displacing costs onto others. The state-regulatory mechanisms, however, always have the character of eroding the strictly private property rights associated with capitalism: some of those rights, such as the right to decide how much waste from production to dump into the environment, become public, rather than private.¹¹

4. Monitoring and enforcing market contracts and private property

A final source of inefficiency in capitalism centers on the costs associated with enforcing market-based contracts. At the center of market exchanges is the problem of contracts – the voluntary agreements to exchange property rights of various sorts. Contracts are not self-enforcing, and there are a range of costs associated with the monitoring and enforcement of these agreements. The more resources that have to be devoted to this task, the less are available to actually produce the goods and services that are exchanged in the market.

The massive amount of money spent on lawyers and litigation over such things as contract disputes, civil suits, enforcement of intellectual property rights, and challenges to government regulations of corporations are obvious examples of ways in which capitalist property rights generate efficiency losses. Such expenditures of resources may be entirely rational given the stakes in the disputes, and they may be necessary for production to take place under capitalist conditions, but nevertheless they deflect resources from directly productive activities.

The efficiency problems generated by contract enforcement, however, go beyond issues of litigation. They also affect the mundane operation of contractual relations, for example through the costs associated with supervising employees within the labor process, and the enormous paperwork costs of paying for medical care through systems of decentralized private insurance.

These various problems of economic inefficiency are not unique to capitalism. In any developed, complex industrial economy with high levels of interdependency, there will be a problem of potential negative externalities and temptations to overexploit natural resources. Shirking and other forms of opportunistic behavior are issues in any form of

¹¹ There are a range of regulatory devices – such as the buying and selling of “pollution rights” – which at first glance might seem to work through principles of private property and the market. This is largely an illusion, for political authority is needed to set the threshold values for these pollution rights and monitor compliance with the level of pollution rights a firm has purchased. Pollution rights and pollution credits may be a good way of regulating pollution insofar as it gives firms more flexibility in accommodating to anti-pollution requirements, but they are nevertheless a form of state imposed reduction of private property rights.

economic organization. So, the criticism of capitalism in terms of these sources of inefficiency is not that they are unique to capitalism, but rather they are likely to be especially intense in capitalism by virtue of the centrality of private, profit-seeking motivations in the operation of the capitalist market and the conflictual character of capitalist class relations. The socialist critique is that in an economic structure governed by more egalitarian democratic mechanisms, these sources of inefficiency are likely to be reduced.

6. Capitalism has a systematic bias towards consumerism¹²

One of the virtues of capitalism is that it contains a core dynamic which tends to increase productivity over time. When productivity increases, there are two sorts of things that in principle can happen: we could produce the same amount of things with fewer inputs, or we could produce more things with the same amount of inputs. The criticism of capitalism is that it contains a systematic bias towards turning increasing productivity into increased consumption rather than increasing “free time”. There are times, of course, when the best way of improving the conditions of life of people is to increase output. When an economy does not produce enough to provide adequate nutrition, housing and other amenities for people economic growth in total output would generally be a good thing. But when a society is already extremely rich there is no longer any intrinsic reason why growth in aggregate consumption is desirable.

The dynamics of capitalist profit-driven market competition imposes a strong pressure on capitalist economies to grow in total output, not just in productivity. Profits are made from selling goods and services. All other things being equal, the more a capitalist firm sells, the higher the profits. Even monopoly firms, whose profit-maximizing strategy is to restrict output (relative to a purely competitive market) in order to raise prices, try to expand the market for their products by increasing the demand in various ways. Capitalist firms are therefore constantly attempting to increase their production and their sales. Enormous resources are devoted to this specific task, most clearly in the form of advertising and marketing strategies, but also in terms of government policies that systematically facilitate expansion of output. In the aggregate, this creates a strong dynamic towards a trajectory of growth biased towards increased production. Since this implies a dynamic ever-increasing consumption supported by cultural forms which emphasize the ways in which increased consumption brings individual satisfaction, this bias is appropriately called “consumerism.”

A defender of capitalism might reply to the criticism of consumerism by arguing that the basic reason capitalism generates growth in output instead of growth in leisure is because this is what people want. Consumerism simply reflects the real preferences of people for more stuff. It is arrogant for leftwing intellectuals to disparage the consumption references of ordinary people. If people really preferred leisure to more consumption, then they would work less hard.

¹² The discussion of this proposition draws heavily from two books by Juliet Schor, *The Overworked American* (New York, N.Y. : Basic Books, 1991) and *The Overspent American* (New York : Basic Books, 1998).

This reply rests on the incorrect assumption that the preferences of people for consumption and leisure are formed in an autonomous manner, unaffected by the strategies of capitalist firms. What people feel they need in order to live well is heavily shaped by cultural messages and socially diffused expectations. To imagine that preferences for consumption are formed autonomously is to claim that advertising, marketing and the promotion of consumerist life styles in the mass media have no effects on people. Furthermore, if somehow it were to come to pass that large numbers of people in a capitalist society were able to resist the preferences shaped by consumerist culture and opt for “voluntary simplicity” with lower consumption and much more leisure, this would precipitate severe economic crisis, for if demand in the market were to significantly decline, the profits of many capitalist firms would collapse. In the absence of an expanding market, competition among firms would become much more intense since any firm’s gain would be another firm’s loss, and because of intensified competitive pressures social conflicts would intensify. For these reasons, the state in capitalist economies is likely to adopt policies to counteract anti-consumerist movements if they were to gain sufficient strength to significantly impact on the market.¹³

This bias towards consumerism is a problem, of course, only if there are negative consequences of ever-increasing consumption. Four issues are especially important here: First, consumerism is environmentally damaging. Second, many people in highly productive societies feel enormous “time binds” in their lives. Time scarcity is a continual source of stress, but the cultural pressures and institutional arrangements that accompany consumerism make it difficult for people individually to solve these problems. Third, a good case can be made that capitalist consumerism leads to less fulfilling and meaningful lives than do less manically consumption-oriented ways of life. Certainly research on happiness indicates that once a person has a comfortable standard of living, increased income and consumption does not lead to increased life satisfaction and happiness.¹⁴ People find meaning and happiness through their connections with other people, through their engagement in interesting work and activities, and their participation in communities much more than through lavish consumption. Finally, even if one takes a culturally relativist stance on the good life and argues that consumerism is just as good a way of life as less consumerist alternatives, it is still the case that capitalism is not neutral with respect to this choice, but erects systematic obstacles to less consumption-oriented ways of life. It is this bias, rather than consumerism per se, that is the central problem.

7. Capitalism is environmentally destructive

Capitalism significantly contributes to environmental problems. There are three principle problems. Each of these has been discussed under other propositions above, but the issue

¹³ There are significant obstacles other than consumerist preferences which prevent people from freely choosing the balance between work, consumption and “free time” in their lives. In many work settings capitalist firms prefer to hire fewer workers for longer hours rather than to hire more workers for fewer hours since in many jobs there are fixed overhead costs of employment per worker (for example, in things like fringe benefits and costs of training), and thus it is cheaper to hire one worker for 40 hours than two for 20 hours.

¹⁴ See Richard Layard, *Happiness* (London: Penguin Press, 2005)

of environmental destruction is sufficiently important that it is worth re-iterating them. First, the systematic pressure on profit-maximizing firms to generate negative externalities means that in the absence of some strong countervailing pressure, capitalist firms will ignore environmental costs. Second, as already noted, non-renewable natural resources are systematically under-priced in the market since their value to people in the future is not registered in the dynamics of supply and demand in the present. The result is that actors in capitalist markets massively over-consume these resources. Finally, the strong bias towards consumerism in the dynamics of capitalist markets has dire long-term ecological consequences.

8. Capitalist commodification threatens important values

Commodification refers to the process by which new spheres of human activity become organized through markets. Historically this mainly concerns the shift in production from the household, where goods and services were produced for the direct consumption of family members, to production by capitalist firms for the market, but in the contemporary period commodification can also refer to the shift of production from the state to the market.¹⁵ The classic example of the commodification of household production is food: there was a time in which most people grew most of their own food, processed it for storage, and transformed it into meals. By the 20th century most people in developed capitalist societies purchased all food ingredients in the market, but still transformed it into meals within the home. Increasingly by the end of the twentieth century, the food purchased in the market became closer and closer to a final meal – frozen pizzas, microwave meals, etc. – and fully commodified meals in restaurants became an increasingly important part of food consumption for most people.

Markets may be an economically efficient way of organizing the production and distribution of many things, yet most people feel that there are certain aspects of human activity which should not be organized by markets even if it would be “efficient” in a technical economic sense to do so. Virtually everyone, except for a few extreme libertarians, believes that it would be a wrong to create a capitalist market for the adoption of babies.¹⁶ Even if it were the case that the exchanges on such a market were entirely voluntary, the idea of turning a baby into a commodity with a market price and selling the baby to the highest bidder is seen by most people as a monstrous violation of the moral value of human beings. Most people also object to a market in voluntary slaves – that is, a market in which adults are allowed to sell themselves voluntarily into slavery. And most people object to markets in most body parts and organs, whether the organs come from live donors as in the case of things like kidneys and corneas, or from deceased donors, as in the case of hearts. Partially this is because of the belief that such markets

¹⁵ The extensive “privatization” of state services – including such things as public utilities like water and electricity, public transportation, health services, and even such core state services as welfare agencies, prisons, and public education -- are examples of partial commodification, since in these cases the provision of the services remain fairly heavily regulated by public power.

¹⁶ Some libertarians argue that a market for the adoption of babies would improve the lives of everyone involved: poor women would have their income substantially raised; prospective adoptive couples would find it easier to get babies; the babies would live better lives; and there would be fewer abortions. Since everyone would gain from the exchange, the argument goes, why prohibit it?

would inevitably prey on the vulnerabilities of the poor and lead to many types of abuse, but also it is because of wariness in reducing the human body to the status of a commodity with a market price attached to it. So, even in highly commodified capitalist societies, most people believe that there are moral limits to the domains in which markets should be allowed to organize our activities. Human beings should not be treated like commodities.

If commodification threatened important moral values only in a few special cases, then the critique of capitalism in these terms would be relatively limited. This is not, however, the case. On closer inspection there is a fairly broad range of activities for which commodification raises salient normative issues. Important examples include child care, elder care, the arts, spirituality and religion, and healthcare. These are all important human activities in which central values of nurturance, expression, and meaning are threatened when they become organized through profit-maximizing markets. Capitalism, because of its aggressive drive to expand into new markets generates continual pressures for incursion into these domains of human activity.

9. Capitalism corrodes community

“Community” is one of those flexible terms in social and political discussion which is used in a wide variety of ways for different purposes. Here I will define the idea of community quite broadly as any social unit within which people are concerned for the well being of other people and feel solidarity and obligations towards others. A “community” need not be a small geographical locale like a neighborhood, but often communities are geographically rooted, since such deep attachments and commitments are frequently built on direct, face-to-face interactions. One can also talk about the *degree* of community in a particular social setting, since reciprocity, solidarity, mutual concern and caring, and so on, can vary in intensity and durability. A strong community is one in which these mutual obligations run very deep; a weak community is one in which they are less demanding and more easily disrupted.

Community as a moral ideal refers to the value of such solidarity, reciprocity, mutual concern and mutual caring. But community is not just a moral question of what defines a good society; it is also an instrumental question of how best to solve an inherent practical problem for human beings: we can only survive, and above all, thrive, if we cooperate with each other. Cooperation can be built on a foundation of pure self-interest, but such cooperation is more fragile and requires more sanctions and monitoring than cooperation that grows out of a sense of reciprocity, obligation and solidarity. So, even if one does not especially value mutual caring and concern as a moral ideal, one can still acknowledge that community is instrumentally valuable in lowering the costs of social cooperation.¹⁷ Community, in this sense, is a source of economic efficiency as well as a moral concern.

¹⁷ The claim that a sense of community lowers the cost of cooperation can be clarified through the familiar story of the “free rider” problem in collective action. A free rider problem occurs when it is possible to personally benefit from some collective action without incurring the costs that come from participating in the collective action. For example, all workers may benefit from a wage increase after a successful strike even if they did not go on strike, and thus continued to draw their wages during the period of the strike. If everyone is motivated exclusively by self-interest, with no sense of collective obligation or mutual concern, then any collective action faces a serious problem of preventing people from defecting from the costs of the

Capitalism, as a system of organizing economic activity, has an intensely contradictory relation to community as a way of organizing social cooperation. On the one hand, capitalism presupposes at least weak forms of community, since some degree of mutual obligation is essential for market exchanges and contracts to be possible. Emile Durkheim referred to this as the “noncontractual basis of contract”. Polanyi emphasizes the ways in which markets, if they were unconstrained by communal institutions, would destroy society, and thus the very possibility of markets themselves. On the other hand, capitalism undermines community. Two considerations are especially important here: first, the ways in which markets foster motivations antithetical to community, and second, the way capitalism generates inequalities that undermine broad social solidarity.

The central motivations that are built into capitalist markets are deeply antagonistic to the principles of community. G.A. Cohen explains this antagonism brilliantly in his essay “Back to Socialist Basics”:

I mean here by ‘community’ the anti-market principle according to which I serve you not because of what I can get out of doing so but because you need my service. This is anti-market because the market motivates productive contribution not on the basis of commitment to one’s fellow human beings and a desire serve them while being served *by* them, but on the basis of impersonal cash reward. The immediate motive to productive activity in a market society is typically some mixture of greed and fear....In greed, other people are seen as possible sources of enrichment, and in fear they are seen as threats. These are horrible ways of seeing other people, however much we have become habituated and inured to them, as a result of centuries of capitalist development.¹⁸

The market cultivates dispositions in people that sharply contradict the kinds of motivations needed for strong community. This does not mean, of course, that community and market cannot coexist: there is no sociological law that states that societies cannot exist with deeply contradictory principles at work. But it does mean that in capitalism a large domain of important social interaction is dominated by motives antithetical to community and thus in order to strengthen community one has to continually struggle against the pervasive effects of markets and market thinking. The scope of community, therefore, tends to be narrowed to the level of personal relations and local settings rather than extended to broader circles of social interaction.

Capitalism also undermines community through the ways in which it fosters economic inequality, particularly given the underlying mechanisms of exploitation within capitalist class relations. In an exploitative relation, the exploiting category has active interests in maintaining the vulnerability and deprivations of the exploited category. This generates antagonisms of interests that undermine the sense of shared fate and mutual generosity.

collective action and free-riding on the efforts of others. In a world in which people are exclusively motivated by self-interest it is usually fairly costly to block such free riding, since it requires a fair amount of coercion or special incentives. When people are motivated by a sense of community – shared obligations, reciprocity, mutual caring, etc. – then free riding becomes a less pressing issue.

¹⁸ G.A. Cohen, “Back to Socialist Basics,” *New Left Review*, #207, September-October, 1994, p.9

10. *Capitalism limits democracy*

Defenders of capitalism often argue that capitalism is an essential condition for democracy. The best known statement of this thesis comes from Milton Friedman's capitalist manifesto, *Capitalism and Freedom*.¹⁹ The great virtue of capitalism, Friedman argues, is that it prevents a unitary concentration of power by institutionally separating economic power from state power. Capitalism thus underwrites a social order with competing elites, and this facilitates both individual freedom and democratic political competition. To be sure, capitalism does not guarantee democracy; there are many examples of authoritarian states in capitalist societies. Capitalism is thus a necessary, but not sufficient condition, for democracy. But it is a crucial necessary condition, and when combined with economic development (which capitalism also generates), eventually makes democracy almost inevitable.

Even if one rejects the strong version of Friedman's argument – that without capitalism, democracy is impossible – there is no doubt that capitalism under conditions of high levels of economic development is strongly associated with robust democratic forms of the state. As Adam Przeworski has shown, there has never been an instance of a transition from democracy to dictatorship in a capitalist society with per capita income above about \$6000 (in 1975 dollars).²⁰ Nevertheless, if we take the idea of democracy seriously as “rule by the people”, there are three important ways in which capitalism limits democracy.

First, by definition, “private” ownership of means of production means that significant domains of decisions that have broad collective effects are simply removed from collective decision-making. While the boundaries between the dimensions of property rights that are considered private and the dimensions that are subjected to public control is periodically contested, in capitalist society the presumption is that decisions over property are private matters and only in special circumstances can public bodies legitimately encroach on them. The idea of democracy is that people should collectively make decisions over those matters which affect their collective fate, not that all allocations of resources in a society should be made through collective-democratic processes. The private decisions of owners of capitalist firms often have massive collective consequences, both for the workers inside of the firm and for people not directly employed in the firm, and thus the exclusion of such decisions from public deliberation and control reduces democracy. A society in which there is meaningful workers democratic control within firms and external democratic public control over firms is a more democratic society than one which lacks these institutional arrangements.²¹

¹⁹ Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962, 1982)

²⁰ Adam Przeworski, “Democracy and Economic Development,” in Edward D. Mansfield and Richard Sisson (eds.), *The Evolution of Political Knowledge*. (Columbus: Ohio State University Press, 2004).

²¹ Of course, there may be good reasons for the exclusion of workers and citizens from such decisions on the grounds of economic efficiency or, if one subscribes to libertarian doctrines, on the moral grounds that people have the right to dispose of “their” property as they see fit even if this has large consequences for others, but these considerations do not change the fact that capitalist property rights reduce democracy.

Second, apart from the direct effects of the exclusion of democratic bodies from control over the behavior of capitalist firms, the inability of democratic bodies to control the movement of capital undermines the ability of democracy to set collective priorities even over those activities which capitalist firms themselves do not directly organize. The ability of communities to decide how best to provide public education or police and fire services, for example, is reduced by the fact that the tax base depends upon private investment, and the amount of that investment is under private control. Democratic collectivities in capitalist economies have very limited power to ask the question: how should we allocate the aggregate social surplus to different priorities – economic growth, individual consumption, public amenities, publicly supported care-giving, the arts, the police, etc. The issue here is not simply that many of these decisions are made outside of democratic deliberation, but that because investments are made privately, the threat of disinvestment heavily constrains all other allocative decisions within democratic bodies, even over those things in which capitalists do not make investments.

Third, the high concentrations of wealth and economic power generated by capitalist dynamics subvert principles of democratic political equality. Political equality means that there are no morally-irrelevant attributes that generate inequalities in the opportunity of people to participate effectively in democratic politics and influence political decisions. This does not mean that every person in fact has an equal influence on outcomes. A person who is seen as trustworthy and honest and capable of expressing ideas clearly and persuasively may have factually more influence on a political process than a person who lacks these attributes. These, however, are morally relevant attributes to public deliberation over collective decisions. The key to political equality is that morally irrelevant attributes such as race, gender, religious affiliation, wealth, income, and so on, do not generate inequalities in political power. Capitalism violates this condition. While this violation of political equality may be more severe in the United States than most other developed capitalist countries, people with money and who occupy powerful positions in the economy invariably have a disproportionate influence on political outcomes in all capitalist societies. While one-person-one-vote in electoral competition is a critical form of political equality, its efficacy in insuring comprehensive political equality in capitalist democracies is severely undercut by deep interconnections between political and economic power within capitalism.

These ten propositions define what is wrong with capitalism from a radical egalitarian, democratic normative standpoint. If it could be shown that these propositions are false in the sense that capitalism, if left to its own devices, would in time remedy these harms, then the impulse to articulate the parameters of an alternative to capitalism would be significantly undercut. But given our current state of knowledge about the inherent dynamics of capitalism, this seems quite implausible. The question then becomes: what are the principles of deliberate institutional transformation towards a progressive, egalitarian, democratic alternative?

III. THINKING ABOUT ALTERNATIVES

The historically most influential and important approach to thinking about alternatives to capitalism is that initially developed by Karl Marx in the middle of the 19th century. In order to set the stage for the approach I will pursue in this paper, it will be helpful to first review the core elements of Marx's strategy of analysis.

Marx's Approach

Marx proposed an intellectually brilliant, if ultimately unsatisfactory, solution to the problem of specifying the alternative to capitalism in a credible way. Rather than develop a systematic theoretical model which could demonstrate the possibility of a viable emancipatory alternative to capitalism, he proposed a theory of the long-term *impossibility of capitalism*. His arguments are, I think, familiar: because of its inner dynamics and contradictions, capitalism destroys its own conditions of possibility. This is a deterministic theory: in the long-run capitalism will become an impossible social order, so some alternative will of necessity have to occur. The trick is then to make a credible case that a democratic egalitarian organization of economy and society is a plausible form of such an alternative. Here is where Marx's theory gets especially elegant, for the contradictions which propel capitalism along its trajectory of self-erosion also create historical agents – the working class – with both an interest in a democratic egalitarian society and with an increasing capacity to translate their interests into action. Given all of these elements, Marx's actual theory of socialism itself is a kind of pragmatist theory of “necessity is the parent of invention” and “where there is a will there is a way” centering on the problem-solving capacity of creative solidaristic workers: as capitalism moves towards long term crisis intensification and decline, the working class develops the collective political organization needed to seize state power, create a rupture with capitalism, and experimentally construct a socialist alternative. In a sense, then, Marx combines a highly deterministic theory of the demise of capitalism – the laws of motion of capitalism will ultimately make capitalism unsustainable – with a largely voluntaristic theory of the construction of the alternative.²²

That theory was an extraordinary intellectual achievement, and as we know it helped animate social and political movements for radical social change for over a century. However, in certain crucial respects it is flawed and I believe cannot serve as the basis for the on-going egalitarian project of challenging capitalism. I won't go through the criticisms in detail here, but only note four central problems: First, the classical Marxist arguments for the pivotal thesis of the theory – that capitalism necessarily destroys itself and therefore it will necessarily be replaced by some alternative – are unsatisfactory. This

²² Many people object to characterizing Marx's theory of the demise of capitalism as deterministic since Marx placed such emphasis on human agency. Determinism and agency are not, however, incompatible: Marx predicts the demise of capitalism precisely because of his insights into the character of human agency under capitalist conditions and the aggregate consequences of that agency for the sustainability of capitalism. For Marx, capitalism follows a self-destructive trajectory precisely because of the rationality and consciousness of human agents. G.A. Cohen develops this point at length in his essay “Historical Inevitability and Revolutionary Agency,” in G.A. Cohen, *History, Labour and Freedom: themes from Marx* (Oxford : Clarendon Press, 1988.)

prediction depends on the claim that the capitalism is not simply prone to periodic crises, but that there is a systematic tendency for crises to intensify over time. The theoretical arguments of classical Marxism for this claim are flawed.

Second, the classical Marxist prediction about the transformations of the capitalist class structure towards increasingly homogeneous proletarianization is unsatisfactory. While it is certainly true that the course of capitalist development has incorporated an increasing proportion of the labor force into capitalist employment relations, at least in the developed capitalist world this has not resulted in a process of intensified proletarianization and class homogenization but rather a trajectory of increasing complexity of class structures: contradictory locations within class relations have proliferated, self-employment has steadily increased in most developed capitalist countries since the mid-1970s, significant proportions of the working class own some stock through ESOPs and pension funds, households have become more heterogeneous in class terms as married women have entered the labor force, and career trajectories create temporal uncertainty in class locations.²³ None of these forms of complexity in class relations mean that class is of declining importance in people's lives, or that class structures are becoming less capitalist in any fundamental way. It simply means that the structural transformations of capitalism have undermined the thesis that the working class has an increasingly homogeneous relationship to capitalism.

Third, collective class capacities of potential challengers to capitalism do not systematically strengthen with capitalist development. In part this is because of the heterogeneity of interests within the broadly defined working class, but it is also because of the robustness of various forms of class compromise which undermine the capacity for system challenge.

Finally, the theory of ruptural transformation is not a plausible theory for constructing a democratic egalitarian transcendence of capitalism. While there have been revolutionary challenges to capitalism, the historical examples of ruptural transformation have never been able to sustain an extended process of democratic experimentalist institution-building. The "where-there-is-a-will-there-is-a-way" theory of constructing alternative, emancipatory institutions depends upon the active, creative empowered participation of ordinary people in a process of democratic deliberation and decisionmaking. While there have been brief episodes of such egalitarian democratic participation within attempts at the revolutionary transformations of capitalism, such episodes have always been short-lived and relatively isolated. It is, of course, a complex matter to diagnose the reasons for these failures, but it is likely that the concentrated forms of political power and organization needed to successfully produce a revolutionary rupture with capitalist institutions are themselves incompatible with the forms of participatory practice needed for democratic experimentalism in the construction of new emancipatory alternatives. Revolutionary parties may be effective "organizational weapons" to topple capitalist states in certain circumstances, but they appear to be extremely ineffective means for constructing a democratic egalitarian alternative. As a result, the empirical cases we have of ruptures with capitalism have resulted in state-

²³ For an extended discussion of these complexities in class structures, see Erik Olin Wright, *Class Counts: comparative studies in class analysis* (Cambridge University Press, 1997).

bureaucratic forms of economic organization rather than anything approaching a democratic-egalitarian alternative to capitalism.

An alternative approach to alternatives

The classical Marxist theory of alternatives to capitalism is deeply anchored in a deterministic theory of key properties of the trajectory capitalism: by predicting the basic contours of the future of capitalism Marx hoped to contribute to the realization of an emancipatory alternative to capitalism. In the absence of such a theory of the self-destructive trajectory of capitalism, the task of making a credible case that there is a viable emancipatory alternative to capitalism is more difficult. One strategy, of course, would be to try to develop a comprehensive blue print of socialist institutions, demonstrate that these institutions would function effectively, and then elaborate a road map telling us the possible routes from the world as we know it to this known-in-advance destination. With a road map in hand, our main task would be devising the right kind of vehicle for making the trip.

No existing social theory is sufficiently powerful to even begin to construct such a comprehensive road map of possible social destinations beyond capitalism. It may well be that such a theory is impossible even in principle – the process of social change is too complex and too deeply affected by contingent concatenations of causal processes to be represented in the form of detailed road maps for change. In any case, we don't have a map available. And yet we want to leave the place where we are because of its harms and injustices. What is to be done?

Instead of the metaphor of a road map guiding us to a known destination, the best we can probably do is to think of the project of emancipatory social change as more like a voyage of exploration. We leave the well known world with navigational devices that tell us the direction we are moving and how far from our point of departure we have traveled, but without a road map which lays out the entire route from the point of departure to the final destination. This has perils, of course: we may encounter chasms which we cannot cross, unforeseen obstacles which force us to move in a direction we had not planned. We may have to backtrack and try a new route. There will be moments when we reach high ground, with clear views towards the horizon, and this will greatly facilitate our navigation for a while. But other times we must pick our way through confusing terrain and dense forests with little ability to see where we are going. Perhaps with technologies we invent along the way we can create some artificial high ground and see somewhat into the distance. And, in the end, we may discover that there are absolute limits to how far we can move in the hoped-for direction. While we cannot know in advance how far we can go, we can know if we are moving in the right direction.

This approach to thinking about emancipatory alternatives retains a strong normative vision of life beyond capitalism, but acknowledges the limitations of our scientific knowledge of the real possibilities of transcending capitalism. But note: this is not the same as embracing the false certainty that there exist untransgressable limits for constructing a radical democratic egalitarian alternative. The absence of solid scientific knowledge of limits of possibility applies both to the prospects of radical alternatives and to the duability of capitalism.

The key to embarking on a journey of exploration and discovery is the usefulness of our navigational device. We need to construct what might be called a *socialist compass*: the principles which tell us if we are moving in the right direction. Clarifying this problem is the task of the rest of this paper.

Towards a new conception of socialism

Most discussions of socialism build the concept in terms of a binary contrast with capitalism. The standard strategy is to begin with a discussion of different ways of organizing production, and from this to define capitalism as an economic structure within which production is oriented towards profit maximization through exchange on the market, the means of production are privately owned, and workers do not own their means of production and thus must sell their labor power on a labor market in order to obtain their livelihoods. Socialism is then defined in terms of the negation of one or more of these conditions. Since the pivot of the concept of capitalism is the *private* ownership of means of production, generally this has meant that socialism is understood as *public* ownership in one form or another, most typically through the institutional device of state ownership. Here I will elaborate an alternative approach to specifying the concept of socialism in which it is contrasted to two alternative forms of economic structure, not just one: *capitalism* and *statism*.

Capitalism, statism, and socialism can be thought of as alternative ways of organizing the power relations through which economic resources are allocated, controlled, and used. As a first approximation we can define the power dimension of these concepts as follows:

Capitalism is an economic structure within which the means of production are privately owned²⁴ and thus the allocation and use of resources for different social purposes is accomplished through the exercise of economic power. Investments and the control of production are the result of the exercise of economic power by owners of capital.

Statism is an economic structure within which the means of production are owned by the state and thus the allocation and use of resources for different social purposes is accomplished through the exercise of state power. State officials control the investment process and production through some sort of state-administrative mechanism.

Socialism is an economic structure within which the means of production are owned collectively by the entire society and thus the allocation and use of resources for different social purposes is accomplished through the exercise of what can be termed “social power.” “Social power” is power rooted in the capacity to mobilize people for cooperative, voluntary collective actions of various sorts in civil society. This implies that civil society should not be viewed

²⁴ “Ownership” of the means of production is a complex, multidimensional idea, involving a bundle of different kinds of powers. In particular it includes what is called residual claimancy on the economic value generated by the use of the means of production (i.e. the income generated after all expenses are paid) and the power to determine the allocation and use of those means of production.

simply as an arena of activity, sociability, and communication, but also of real power. Social power is contrasted to *economic power*, based on the ownership and control of economic resources, and *state power*, based on the control of rule making and rule enforcing capacity over territory. The idea of democracy, in these terms, can be thought of as a specific way of linking social power and state power: in the ideal of democracy, state power is fully subordinated to and accountable to social power. Democracy is thus, inherently, a deeply socialist principle. If “Democracy” is the label for the subordination of state power to social power, “socialism” is the term for the subordination of economic power to social power. In socialism the control over investment and production is organized through some mechanism of social empowerment.

This idea of a socialism rooted in social power is not the conventional way of understanding socialism. Indeed many people use the term “socialism” to describe what I am here calling statism. This reconceptualization, however, does capture a central moral idea about socialism: socialism is an economy organized in such a way as to serve the needs and aspirations of ordinary people, not elites, and to do this the economy must in some way or another be controlled by ordinary people – that is, subordinated to social power.

It is important to be clear about the conceptual field being mapped here: these are all types of economic structures, but only in capitalism is it the case that economically-based power plays the predominant role in determining the use of economic resources.²⁵ In Statism and Socialism a form of power distinct from the economy itself plays the dominant role in allocating economic resources for alternative uses. It is still the case, of course, that in capitalism state power and social power exist, but they do not play a central role in the direct allocation of economic resources.

For each of these three ideal types, one can imagine an extreme form in which only one form of power is involved in allocating economic resources. In these terms, *totalitarianism* can be viewed as a form of hyper-statism in which state power is not simply the primary form of power over economic allocations, but in which economic power and associational power largely disappear. In a pure *libertarian capitalism* the state atrophies to a mere “night watchman state” serving only the purpose of enforcing property rights, and commercial activities penetrate into all corners of civil society, commodifying everything. The exercise of economic power would almost fully explain the allocation and use of resources. Citizens are atomized consumers who make individual choices in a market but exercise no collective power over the economy through association in civil society. *Communism*, as classically understood in Marxism, is a form of society in which the state has withered away and the economy is absorbed into civil society as the free, cooperative activity of associated individuals.

None of these extreme forms could exist as a stable, reproducible form of social organization. Totalitarianism never completely eliminated informal social networks as a

²⁵ This special property of capitalism is something much remarked upon by Max Weber. He saw the decisive shift from pre-capitalist to capitalist society as lying in the institutional insulation of economic activity from noneconomic forms of power and interference which was the essential organizational condition for the full “rationalization” of economic life.

basis for cooperative social interaction outside of the direct control of the state, and the practical functioning of economic institutions was never fully subordinated to centralized command-and-control planning. Capitalism would be an unreproducible and chaotic social order if the state played the minimalist role specified in the libertarian fantasy, but it would also, as Polanyi argued, function much more erratically if civil society was absorbed into the economy as a fully commodified and atomized arena of social life. Pure communism is also a utopian fantasy, since it is hard to imagine a complex society without some sort of authoritative means of making and enforcing binding rules (a “state”). Feasible, sustainable forms of large-scale social organization, therefore, always involve some kind of reciprocal relations among these three forms of power within economic relations.

Within this general conceptualization capitalism, statism and socialism should be thought of not simply as *discrete ideal types* of economic structures, but also as *variables*. The more the decisions made by actors exercising economic power based in private ownership determine the allocation and use of productive resources, the more capitalist is an economic structure. The more power exercised through the state determines the allocation and use of resources, the more the society is statist. And the more power rooted in civil society determines such allocations and use, the more the society is socialist. There are thus all sorts of complex mixed cases and hybrids – cases in which in certain respects, for example, a society is capitalist and in others statist or socialist.

The idea of economic structures being hybrids of different power relations is fundamental to the idea transforming these structures. All existing capitalist societies contain significant elements of statism since states everywhere allocate part of the social surplus for various kinds of investments, especially in things like public infrastructure, defense and education. Furthermore, in all capitalist societies the state removes certain powers from private ownership of the means of production, for example when capitalist states impose regulations on capitalist firms that require health and safety standards in production. Such rules tell owners that even though they “own” the means of production, they cannot legally use them in certain ways. State power, rather than economic power, controls those specific aspects of production, and in these ways that aspect of ownership has been transferred to the state. Capitalist societies also always contain at least some socialist elements, at least through the ways collective actors in civil society influence the allocation of economic resources indirectly through their efforts to influence the state and capitalist corporations. The use of the simple, unmodified expression “capitalism” to describe an empirical case is thus a shorthand for something like “an economic structure within which capitalism is the predominant way of organizing economic activity.”²⁶

IV. Pathways to social empowerment

To recapitulate the conceptual proposal: Socialism can be contrasted to capitalism and statism in terms of the principal form of power that shapes economic activity – the production and distribution of goods and services. Specifically, the greater the degree and forms of social empowerment over use and control of economic resources and activities,

²⁶ This, of course, leaves open precisely what one means by “predominant”. This is a complex and contentious matter which I will not pursue here.

the more we can describe an economy as socialist. What does this actually mean in terms of institutional designs? For capitalism and statism, because of the rich examples of historically existing societies, we have a pretty good idea of the institutional arrangements which make these forms of economic structure possible. An economic structure built around private ownership of the means of production combined with relatively comprehensive markets is one in which economic power – the power of capital – plays the primary role in organizing production and allocating the social surplus to different investments. A centralized bureaucratic state that directly plans and organizes most large-scale economic activity and which, through the apparatus of a political party, penetrates the associations of civil society is an effective design for statism. But what about socialism? What sorts of institutional designs would enable power rooted in voluntary association in civil society to effectively control the production and distribution of goods and services? What does it mean to move in the direction of a society within which social empowerment is the central organizing principle of the economy? What does it mean institutionally to say that the means of production are collectively owned by the everyone in a society but not by the state?

There are certainly good reasons to be skeptical that power rooted in civil society could ever be organized in such a way as to effectively control the basic allocation of resources and control over production and distribution. Two problems are especially troubling. First, a vibrant civil society is precisely one with a multitude of heterogeneous associations, networks and communities, built around different goals, with different kinds of members based on different sorts of solidarities. While this pluralistic heterogeneity may provide a context for a lovely public sphere of debate and sociability, it does not seem like a promising basis for the kind of coherent power needed to effectively control the system of production and distribution. Second, the voluntary associations that comprise civil society include many nasty associations, associations based on exclusion, narrow interests, and the preservation of privilege. Voluntary associations include the KKK as well as the NAACP, associations to protect racial and class exclusiveness of neighborhoods as well as associations to promote community development and openness. Why should we believe that empowering such associations would contribute anything positive to ameliorating the harms of capitalism, let alone a broader vision of human emancipation?

Our task here is not so much to propose blueprints for the full realization of the idea of social empowerment over economic activity, but rather to elaborate a set of principles which tell us when we are moving in the right direction. This is the problem of specifying a socialist compass.

The socialist compass has three principle directions anchored in each of the three forms of power we have been discussing:

1. Social empowerment over the way state power affects economic activity;
2. Social empowerment over the way economic power shapes economic activity; and
3. Social empowerment directly over economic activity.

These three directions of social empowerment yield an array of pathways through which social power can be translated into power over the allocation of resources and the

control of production and distribution, as illustrated in Figure 2.²⁷ The arrows in this diagram represent the effects of power from one social domain on another. Thus, for example, the arrow from social power to state power means that power rooted in civil society directly shapes the exercise of state power.

Five pathways are especially important. Within each of these pathways we can think of an array of specific institutional proposals which would move us in the direction of greater social empowerment. I call the formulation of such institutional proposals “envisioning real utopias”: utopias because of the way they embody emancipatory ideals; real because of the attempt to formulate viable institutional designs.

-- Figure 2 --

In the rest of this paper we will briefly discuss the character of each of these five pathways to social empowerment.

1. *Statist Socialism: Social empowerment over the way state power is directly exercised over the economy.*

In traditional socialist theory, the essential route by which popular power – power rooted in associational activity of civil society – was translated into control over production and distribution was through the state. It is for this reason that those visions can be described as models of statist-socialism. The basic idea was this: Political parties are associations formed in civil society with the goal of influencing states. People join them in pursuit of certain objectives, and their power depends in significant ways upon their capacities to mobilize such participation for collective actions of various sorts. So, if it were the case that a socialist party was deeply connected to the working class through the party’s embeddedness in working class social networks and communities and democratically accountable through an open political process through which it politically represented the working class (or some broader coalition), then if the socialist party controlled the state and the state controlled the economy, one could argue on a principle of transitivity-of-control, that an empowered civil society controlled the economic system of production and distribution. This vision is diagramed in Figure 3 and might be termed the classic model of *statist socialism*. In this vision, economic power as such is marginalized: it is not by virtue of actors direct ownership of assets that they have power to organize production; it is by virtue of their collective political organization in civil society and their exercise of state power.

-- Figure 3 --

Statist socialism of this sort was at the heart of traditional Marxist ideas of revolutionary socialism. The vision – at least on paper – was that the party would be organically connected to the working class and effectively accountable to associated workers, and thus its control over the state would be a mechanism for civil society

²⁷ This figure only illustrates the pathways through which social power operates; it is not meant to be a comprehensive map of all power relations over economic activity. A similar sort of map could be drawn for the pathways to statism, and the pathways of capitalist economic power.

(understood in class terms) to control the state. Furthermore, revolutionary socialism envisioned a radical reorganization of the institutions of the state and economy – through organizational forms of participatory councils that in the case of the Russian Revolution came to be called “soviets” – in ways that would directly involve workers associations in the exercise of power in both the state and production. These councils, if fully empowered in democratic ways and rooted in an autonomous civil society, could be thought of as a mechanism for institutionalizing the ascendancy of associational power. Again, the party was seen as pivotal to this process, since it would provide the leadership (the “vanguard” role) for such an associational translation of civil society into effective social power.

This is not, of course, how things turned out (see Figure 4). Whether because of inherent tendencies of revolutionary party organizations to concentrate power at the top or because of the terrible constraints of the historical circumstances of the Russian Revolution and its aftermath, whatever potential for the Communist Party to be subordinated to an autonomous civil society was destroyed in the course of the decade after the revolution. By the time the new Soviet State had fully consolidated power and launched its concerted efforts at transforming the economy, the party had become a mechanism of state domination, a vehicle for penetrating civil society and controlling economic organizations. The Soviet Union, therefore, eventually became the archetype of authoritarian statism under the ideological banner of socialism, but not of socialism itself. While certain socialist elements may have remained in the hybrid character of this economic structure, its core principle of organization was statist, not social empowerment. Subsequent successful revolutionary socialist parties, for all of their differences, followed a broadly similar path, creating various forms of statism, but never a socialism based on an empowered civil society.

-- Figure 4 --

Today, few socialists believe that comprehensive statist central planning is a viable structure for realizing socialist goals. Nevertheless, statist socialism remains a component of any likely process of social empowerment. The state will remain central to the provision of a wide range of public goods, from health to education to public transportation, and in spite of the record of central planning in the authoritarian command economies, it could also be the case that efficient and democratic forms of central planning over certain kinds of goods production may also be viable at some point in the future under altered historical conditions. The central question for socialists, then, is the extent to which these aspects of state provision can be effectively under the control of a democratically empowered civil society. In capitalist societies, typically, public goods provision by the state are only weakly subordinated to social power through the institutions of representative democracy. Because of the enormous influence of capitalist economic power on state policies, often such public goods are more geared to the needs of capital accumulation than social needs. Deepening the democratic quality of the state is thus the pivotal problem for direct state provision of goods and services to become a genuine pathway to social empowerment.

Many people will be skeptical about the possibility of significantly enhancing the democratic character of state involvement in the production and distributions of goods,

services and infrastructure. The failure of command-and-control bureaucracies in both the former state socialist economies and in capitalist economies have fueled calls for the privatization and marketization of state services, not for their democratization. Archon Fung and I have argued in our book *Deepening Democracy*, that a range of innovative designs in democratic institutions provide reason to believe that more energetically participatory forms of democratic governance are in fact possible, especially at the local and regional level, and that these can significantly enhance both the effectiveness of public goods provision and their accountability to civil society²⁸. To cite just one example, in the city of Porto Alegre, Brazil, a system of participatory budgeting has developed since the early 1990s which directly involves large numbers of ordinary citizens and secondary associations in real decision-making power over the formulation of city budgets especially over state production of local public goods. The participatory budget has contributed to a significant redirection of infrastructure investment by the local state towards the needs of the poor and working class.

2. Social Democratic Statist Economic Regulation

The second pathway for potential social empowerment centers on the ways in which the state constrains and regulates economic power (Figure 5). Even in the present period of economic deregulation and the triumph of ideologies of the free market, the state is deeply implicated in the regulation of production and distribution in ways that impinge on capitalist economic power. This includes a wide range of interventions: pollution control, workplace health and safety rules, product safety standards, skill credentialing in labor markets, minimum wages, and so on. All of these involve state power restricting certain powers of owners of capital, and thereby affecting economic activities. *To the extent that these forms of affirmative state intervention are themselves effectively subordinated to social power*, then this becomes a pathway to social empowerment.

-- Figure 5 --

Statist regulation of capitalist economic power, however, need not imply significant social empowerment. Again, the issue here is the extent and depth to which the regulatory activities of the state are genuine expressions of democratic empowerment of civil society. In actual capitalist societies, much economic regulation is in fact much more responsive to the needs and power of capital than to the needs and power of civil society. The result is a power configuration more like Figure 6 than Figure 5: state power regulates capital but in ways that are systematically responsive to the power of capital itself. The question, then, is the extent to which it is possible within capitalist society to democratize state regulatory processes in ways which undercut the power of capital and enhance social power. One way of doing this is through what is sometimes called “associative democracy.”

-- Figure 6 --

3. Associative Democracy

²⁸ Archon Fung and Erik Olin Wright, *Deepening Democracy: institutional innovations in empowered participatory governance* (London: Verso, 2003).

Associative democracy encompasses a wide range of institutional devices through which collective associations in civil society directly participate in various kinds of governance activities, usually along with state agencies.²⁹ Associative democracy can be interpreted as a pathway of social empowerment involving the joint effects of social power and state power on economic power (see Figure 7). The most familiar form of this is probably the tripartite neo-corporatist arrangements in some social democratic societies in which organized labor, associations of employers, and the state meet together to bargain over various kinds of economic regulations, especially those involved in the labor market and employment relations. Associative democracy could be extended to many other domains, for example watershed councils which bring together civic associations, environmental groups, developers and state agencies to regulate ecosystems, or health councils involving medical associations, community organizations and public health officials to plan various aspects of health care. To the extent that the associations involved are internally democratic and representative of interests in civil society, and the decision-making process in which they are engaged is open and deliberative, rather than heavily manipulated by elites and the state, then associative democracy can contribute to social empowerment.

-- Figure 7 --

4. Social Capitalism: Social empowerment over the way the economic power of capital is exercised over the economy.

Economic power is power rooted in the direct ownership and control over the allocation, organization, and use of capital of various sorts. Secondary associations of civil society can, through a variety of mechanisms, directly affect the way such economic power is used (Figure 8). For example, unions often control large pension funds. These are generally governed by rules of fiduciary responsibility which severely limit the potential use of those funds for purposes other than providing secure pensions for the beneficiaries. But those rules could be changed, and unions could potentially exert power over corporations through the management of such funds. More ambitiously, Robin Blackburn has proposed a new kind of pension fund, funded by a share-levy on corporations, which would enable a broader array of secondary associations in civil society to exert significant influence on the patterns of capital accumulation.³⁰ In Canada today, the union movement has created a venture capital fund, controlled by labor, to provide equity to start-up firms that satisfy certain social criteria.

-- Figure 8 --

²⁹ For an extended discussion of Associative Democracy and its role in social empowerment, see Joshua Cohen and Joel Rogers, *Associations and Democracy*, volume I of the Real Utopias project (London: Verso: 1995)

³⁰ See Robin Blackburn, "The Global Pension Crisis: From Grey Capitalism to Responsible Accumulation", *Politics & Society*, June 2006. This proposal is modeled after the proposal by Rudolf Meidner in Sweden to introduce what were then called "wage earner funds" as a way of increasing union control over accumulation. The key idea of Blackburn's proposal is that corporations pay a tax into these funds in the form of shares, not cash, and the funds are forced to hold these shares for extended period of time. This has the effect of gradually diluting private shareowner control over the total stock of corporations and enhancing the control of these funds.

Social capitalism is not limited to direct invest of capital funds controlled by associations in civil society. Other proposals which potentially would enhance the power of secondary associations in civil society to constrain economic power center on a variety of ways in which workers are collectively involved in various aspects of workplace management. The co-determination rules in Germany, which mandate worker representation on boards of directors of firms over a certain size is a limited example of this. Proposals to replace shareholder councils with stakeholder councils for the control of corporate boards of directors would be a more radical version. Or consider things like the regulation of workplace health and safety. One way of regulating the workplace is for there to be a government regulatory agency which sends inspectors to workplaces to monitor compliance with rules. Another way is to empower workers councils within the workplace to monitor and enforce health and safety conditions. The latter is an example of enhancing social empower over economic power. Social movements engaged in consumer oriented pressure on corporations would also be a form of civil society empowerment directed at economic power. This would include such things as the anti-sweatshop and labor standards movements centered on university campuses and organized boycotts of corporations for selling products that do not conform to some socially-salient standard.

5. The Social Economy: direct social empowerment over production and distribution.

The final route to empowering civil society involves the direct involvement in secondary associations in civil society in organizing various aspects of economic activity, not simply shaping the deployment of economic power (Figure 9). The “social economy” constitutes an alternative way of directly organizing economic activity that is distinct from capitalist market production, state organized production, and household production. Its hallmark is production organized by collectivities directly to satisfy human needs not subject to the discipline of profit-maximization or state-technocratic rationality.³¹ It includes such things as community organized healthcare clinics and daycare providers, but also things like NGOs that facilitate global fair trade in coffee and other products from the global south by eliminating exploitative middlemen, and community land trusts that remove land from the market in order to create sustainable affordable housing.

-- Figure 9 --

In capitalist societies the primary way that production in the social economy is financed is through charitable donations. This is one of the reasons that such activities are often primarily organized by churches. An alternative would be for the state, through its capacity to tax, to provide funding for a wide range of socially-organized non-market production. This is already common the performing arts in many places in the world: many performing arts organizations are run on a nonprofit basis, are organized for the task of satisfying a particular kind of human need, and receive significant state financed subsidies in order to be insulated from the pressures of the market. In Quebec there is an extensive system of eldercare home services organized through producer coops and

³¹ In Figure 9 there is no arrow from the state to production and distribution since the state itself is not directly involved in these activities. The state is, of course, still important for social economy in setting up the legal parameters within which it functions.

childcare coops organized through parent-provider coops in this way. The Provincial Government heavily subsidizes these co-ops and establishes rules that essentially block the entry of for-profit firms into the subsidized social economy sector. These social economy cooperatives grew out of a social movement for the social economy and are coordinated by a civil society association, the *Chantier de l'économie sociale*.³² The Canadian single-payer health care system also has an important element of social economy: the Canadian state funds virtually all health care and regulates the standards of health care, but it generally does not directly organize its provision, as in the British National Health Service. Rather, hospitals, clinics and medical practices are organized by all sorts of entities in civil society, including community-based organizations. This creates a space within which a social economy in health care, organized through community-based participatory cooperatives could potentially play a large role. In a sense, then, the Canadian Healthcare system has potentially a more socialist character than the highly statist, bureaucratically centralized British system.

One of the major obstacles to a dramatic expansion of the social economy is the problem of providing an adequate standard of living for people who work within it. One way of overcoming this obstacle would be the implementation of an unconditional basic income. Unconditional basic income is generally defended on the grounds of egalitarian principles of social justice. But it can also be seen as a strategy for transferring part of the social surplus from capital accumulation to what might be called social accumulation, by reducing the pressure on collective associations in the social economy to provide for the entire standard of living of producers. In this way social empowerment along the pathway of the social economy would be accelerated.

IV. CONCLUSION

These five pathways constitute the principal ways that social power can theoretically be translated into effective control over economic production and distribution. To the extent that social empowerment along these pathways increases, then we are moving in the direction of socialism.

There are certainly good reasons to be skeptical that power rooted in civil society could ever be organized in such a way as to effectively control the basic allocation of resources and control over production and distribution. Two problems are especially salient. First, a vibrant civil society is precisely one with a multitude of heterogeneous associations, networks and communities, built around different goals, with different kinds of members based on different sorts of solidarities. While this pluralistic heterogeneity may provide a context for a lovely public sphere of debate and sociability, it does not seem like a promising basis for the kind of coherent power needed to effectively control the system of production and distribution. Second, the voluntary associations that comprise civil society include many nasty associations, associations based on exclusion, narrow interests, and the preservation of privilege. Voluntary

³² An excellent discussion of innovative initiatives in the Quebec social economy can be found in Marguerite Mendell, "The Social Economy in Québec: Discourses and Strategies" in Bakan, Abigail, and Macdonal, Eleanor (eds), *Critical Political Studies: Debates From the Left*. (Kingston: Queen's University Press, 2002) pp. 319-343 and Nancy Neamtan, "The Social Economy: finding a way between the market and the state", *Policy Options*, July/August 2005, pages 71-76.

associations include the KKK as well as the NAACP, associations to protect racial and class exclusiveness of neighborhoods as well as associations to promote community development and openness. Why should we believe that empowering such associations would contribute anything positive to ameliorating the harms of capitalism, let alone a broader vision of human emancipation?

The first of these two objections is one of the reasons why the conception of socialism proposed here is not the same as anarchism. An anarchist conception of transcending capitalism imagines a world in which voluntarily coordinated collective action of people in civil society spontaneously can achieve sufficient coherence to provide for social order and social reproduction without the necessity of a state. Socialism, in contrast, requires a state, a state with real power to create rules of the game and mechanisms of coordination without which the collective power from civil society would be unable to achieve the necessary integration to control either state or economy. Just as a capitalist economy requires a capitalist state to ensure the conditions for the sustainable exercise of capitalist economic power, and a statist economy requires a “statist state” to ensure its minimal coherence, so any sustainable process of social empowerment over the economy would require a socialist state.

The second objection – that civil society contains many associations inconsistent with radical egalitarian emancipatory ideals – is more troubling, for it opens the specter of a socialism rooted in exclusion and oppression. There is no guarantee that a society within which power rooted in civil society predominates would be one that would uphold radical democratic egalitarian ideals. This, however, is not some unique problem for socialism; it is a characteristic of democratic institutions in general. As conservatives often point out, inherent in democracy is the potential for the tyranny of the majority, and yet in practice liberal democracies have been fairly successful in creating institutions that protect both individual rights and the interests of minorities. A socialist democracy rooted in social empowerment though associations in civil society would face similar challenges: how to devise institutional rules of the game of democratic deepening and associational empowerment which would foster the radical democratic egalitarian conception of emancipation. My assumption here is not that a socialism of social empowerment inevitably will successfully meet this challenge, but that moving along the pathways of social empowerment will provide a more favorable terrain on which to struggle for these ideals than either capitalism or statism.

The set of real utopian proposals along these five pathways of social empowerment do not constitute a comprehensive blueprint for a society beyond capitalism. Many other institutional transformations would be necessary for the construction of a robust, socialist economy fully embodying the ideal of collective ownership by everyone of the means of production, let alone for a society within which radical democratic egalitarian emancipatory ideals could be realized outside of economic structures as well. Nevertheless, if the full array of institutional proposals we have examined were implemented in a serious and pervasive way, capitalism would be profoundly transformed. While some of the proposals, taken individually, might be considered only modest movements along a particular pathway of social empowerment, taken collectively they would constitute a fundamental transformation of the class relations of capitalism

and the structures of power and privilege rooted in those relations. Capitalism might still remain a component in the hybrid configuration of power relations governing economic activity, but it would be a subordinated capitalism heavily constrained within limits set by the deepened democratization of both state and economy.

This entire inventory of real utopia designs is not achievable under existing social and political conditions. They constitute desirable and viable alternatives, but not, as a package, currently achievable alternatives. Nevertheless, there are reasons to retain the vision they embody:

First, around the world in different places, elements of many of these proposals are being tried. Experiments exist, new institutions are continually being built (and alas destroyed) in the interstices of capitalist societies, and from time to time political victories occur in which the state can be enlisted in the process of social innovation. So it is not pie in the sky to struggle for new forms of social empowerment. It continually happens. We don't know what the limits of such partial and piecemeal experimentation and innovation are within capitalism: they may be severe and so social empowerment may ultimately be restricted to niches on the margins, or there may be much more room to maneuver. But what we do know is that we have not reached those limits yet.

Second, no one knows what will be achievable in the future, even in the United States where the obstacles to serious movement towards a radical egalitarian democratic future are so severe now. In 1980 no one in Porto Alegre, Brazil, would have dreamed that a participatory budget process based on empowered citizens assemblies would have been possible and effectively functioning within 15 years. And to use a darker example, in 1980 in the Soviet Union no one would have believed that capitalism would be restored, even if badly functioning, within 15 years either. The surprises and contingencies of history in the past offer grounds for hope for the future.

And finally, thinking systematically about emancipatory alternatives to existing institutions is one element in the process by which limits of the possible can expand in the future, so what now only provides us with visions for viable change can someday potentially become coherent political projects for actual social emancipation. And so, by embarking on the journey of social empowerment within capitalism we may reach a world of social empowerment over capitalism and possibly, eventually, a destiny of social empowerment beyond capitalism.

FIGURES

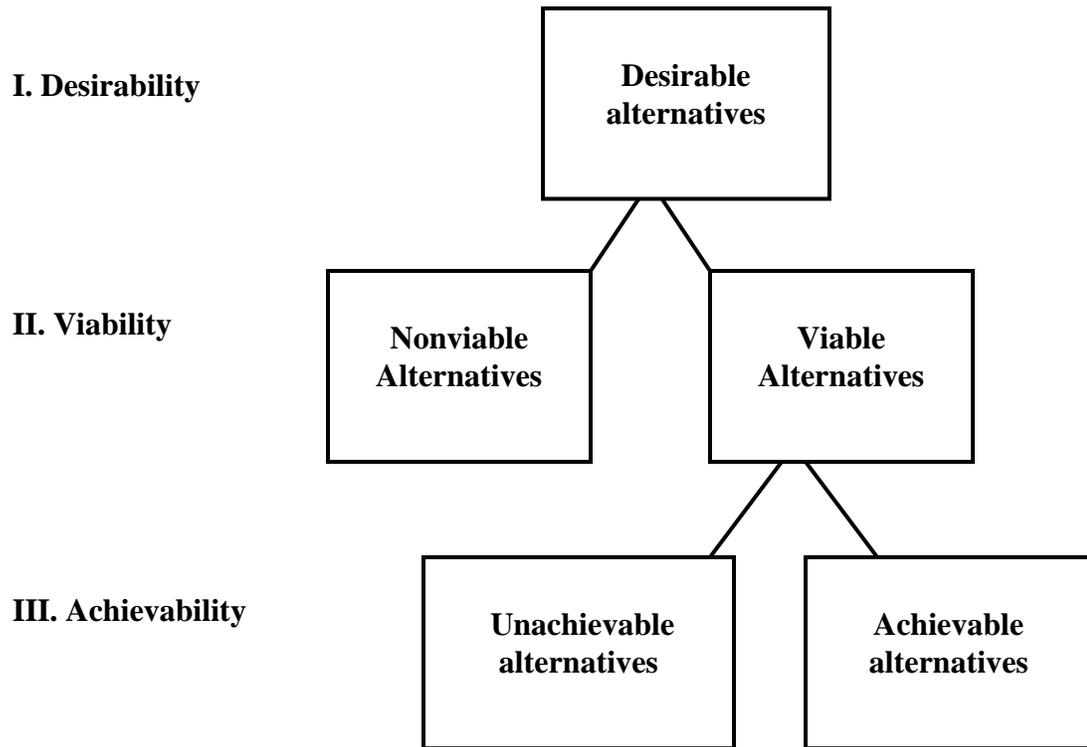


Figure 1. Alternative Criteria for Evaluating Alternatives

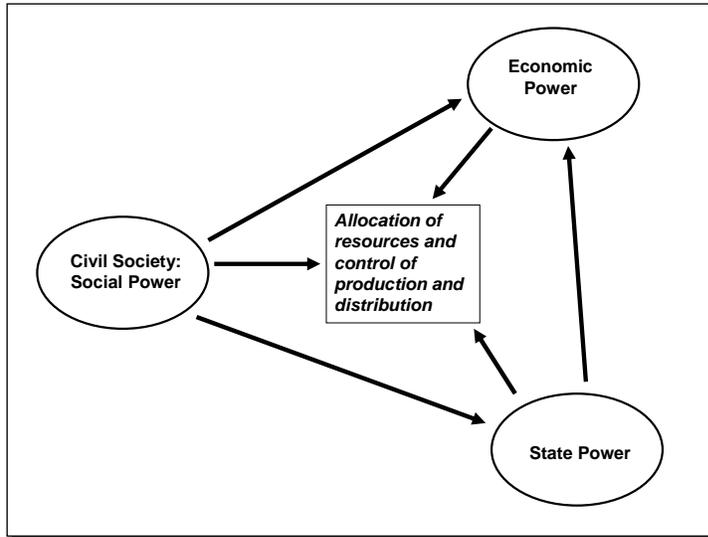


Figure 2
Pathways to social empowerment

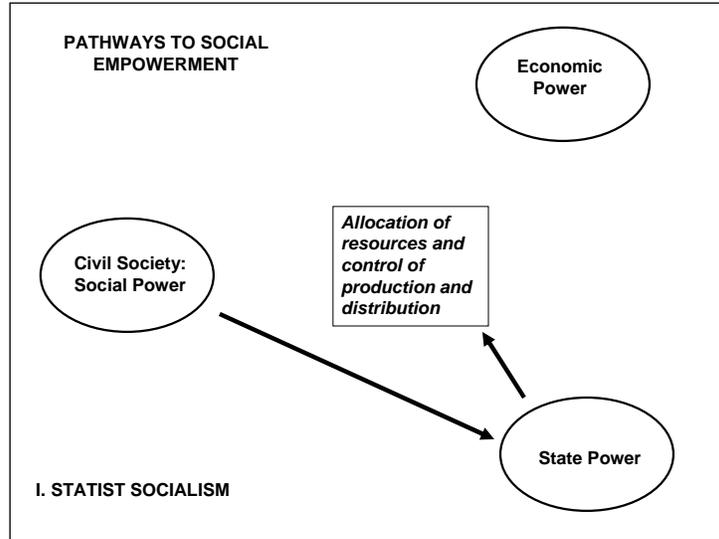
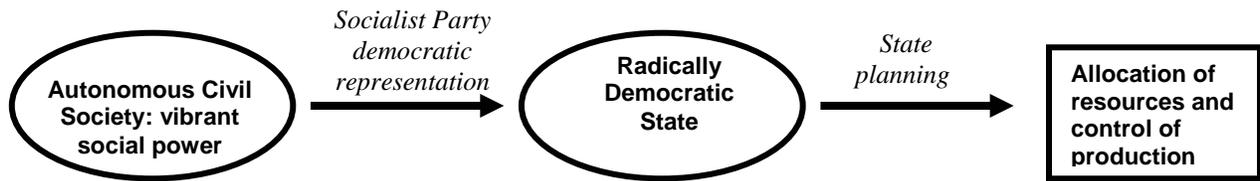


Figure 3
Statist Socialism



THEORETICAL MODEL OF DEMOCRATIC STATIST SOCIALISM



CHARACTERISTIC HISTORICAL OUTCOME OF REVOLUTIONARY STATIST SOCIALISM

Figure 4
Theoretical Model and Historical Experience
of Revolutionary Socialist Statism

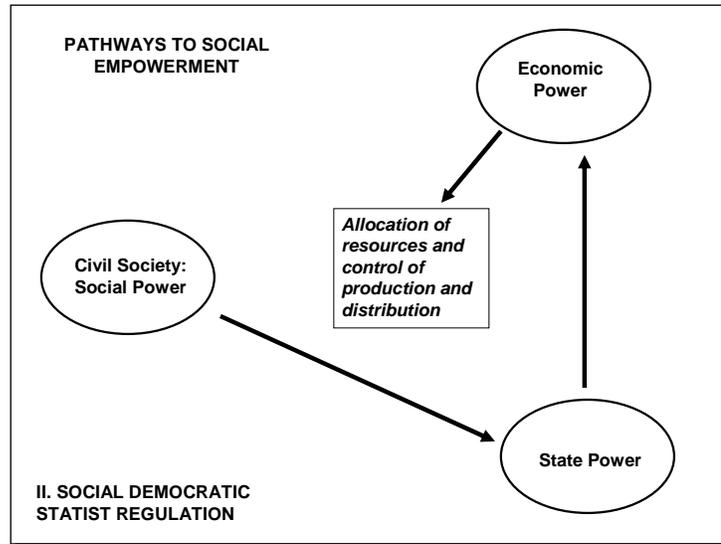


Figure 5
Social Democratic Statist
Economic Regulation

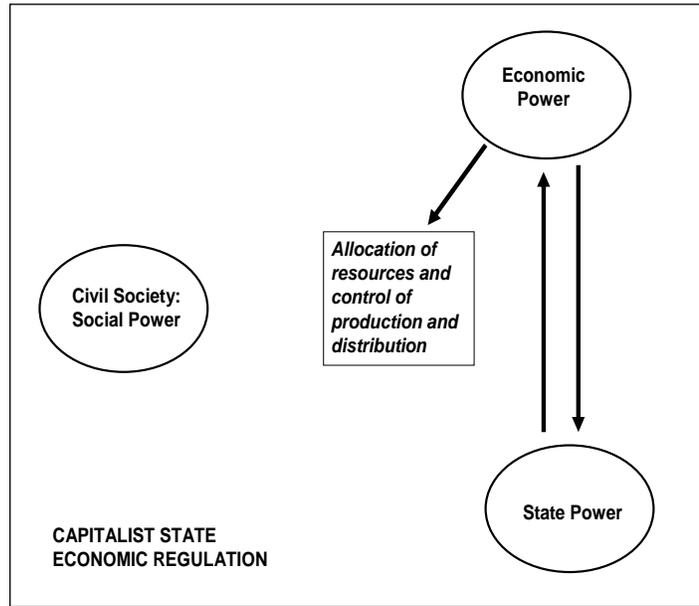


Figure 6
Capitalist State Economic Regulation

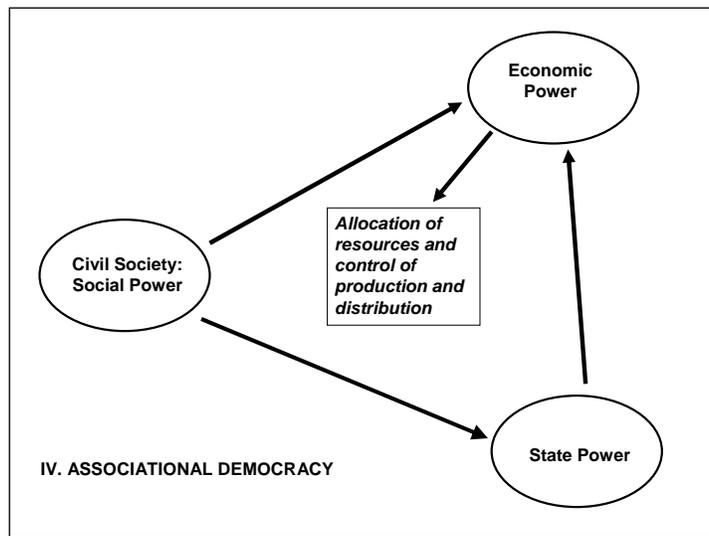


Figure 7
Associational Democracy

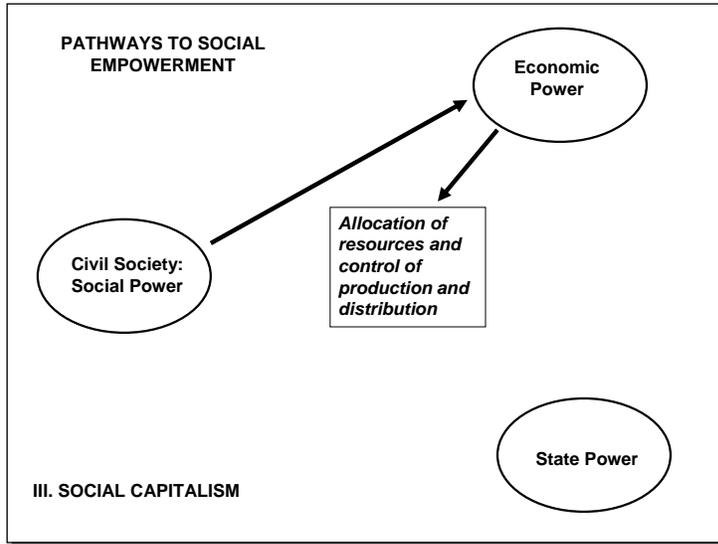


Figure 8
Social Capitalism

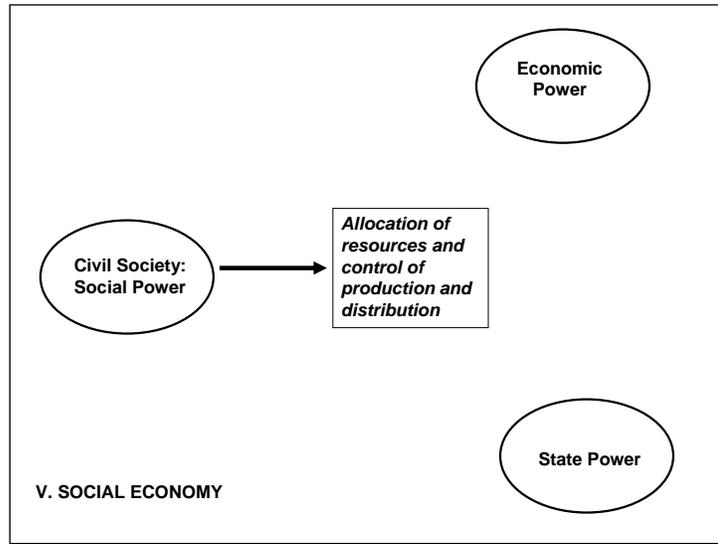


Figure 9
Social Economy