The Challenge of the “Social” in Social Democracy

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Both social democracy and socialism contain the word “social”. Generally it 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.

I would like to argue that the social in social democracy and socialism -- I won’t sharply differentiate these terms here\(^1\) -- can usefully be used to identify a cluster of principles and visions of change that would differentiate socialism and social democracy both from the capitalist project of institutional development and what could be called a purely statist response to capitalism. This, in turn, will suggest a way of thinking about a range of future possibilities for social democracy that have generally not been given a central place within social democratic discussions.

I will begin by a very brief, stylized inventory of what I see as the core elements of the socialist tradition of criticism of capitalism. I will then propose a general way of thinking about socialism as an imagined alternative to capitalism and how this might inform our understanding of new directions for social democracy.

\(^1\) I will not make a sharp distinction between socialism and social democracy in this discussion since there is not a stable contrast in the use of these labels by political parties and social movements. I will instead treat these as both occupying a position within a broad-spectrum of 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.
I. The core socialist critique of capitalism

At the core of the critique of capitalism in the socialist tradition are six basic propositions:

1. **Capitalist class relations perpetuate eliminable forms of human suffering.** 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 growth 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* to generate the redistribution needed to produce these effects. These issues underlie the harshest rhetoric denouncing capitalism as a system of oppression and exploitation.

2. **Capitalism blocks the universalization of conditions for human flourishing.** Even apart from abject poverty and material deprivations, the inequalities of material conditions of life combined with the strong competitive pressures of capitalism generate pervasive, *unnecessary deficits in human flourishing* (understood as the realization of human potentials) for a large segment of the population. The high levels of productivity and wealth generated by capitalism open up the prospects for universalizing of the conditions for human flourishing, but the inequalities also generated by capitalism block the realization of that potential.

3. **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. There are two principal reasons, however, why capitalism inherently fails to live up to this ideal: First, the relations of domination within capitalist workplaces constitute pervasive restrictions on individual autonomy and self-direction. The apparent freedom of individuals to quit their jobs provides only an illusory escape from such domination since without ownership of means of production, workers must seek work in capitalist firms or state organizations. Second, the large
inequalities of wealth which capitalism generates constitute, as Philippe van Parijs has argued, a significant inequality in “real freedom”, since it implies that some people have a much greater capacity to act on their life plans 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.

4. **Capitalism violates liberal egalitarian principles of social justice.** The private accumulation of wealth gives some people inherent, unfair advantages over others. Particularly with respect to children this violates principles of equality of opportunity. But even beyond issues of intergenerational transmission of advantages, the private profit-maximizing logic of capitalism means that capitalist firms have an inherent tendency to try to displace costs on others in the form of negative externalities and this means that capitalism imposes unchosen burdens on many people. Negative externalities are not simply a problem of inefficiency – although they are that as well – but of injustice. The injustice of negative externalities is especially sharp when costs are imposed on future generations. This of course is an inherent problem in any system production which produces long-term effects, since future generations cannot participate in weighing long term trade-offs. But because of the ways in which capitalism promotes narrow self-interest and shortens time horizons, such problems of intergenerational negative externalities are intensified.

5. **Capitalism under-produces 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 and in this respect it is inefficient (i.e. the lack of adequate public goods is efficiency reducing).

6. **Capitalism limits democracy.** There are three principle mechanisms at work here. 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. 

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2 Philippe van Parijs, *Real Freedom for All.*
making. While the boundaries between what dimensions of property rights are private and which are subjected to public control is periodically contested, the fact of the matter is that 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. Second, the high concentrations of wealth and economic power generated by capitalist dynamics subvert principles of democratic political equality. People with money have a disproportionate influence on political outcomes through a variety of mechanisms: ability to contribute to political campaigns, influence on the media, capacity to lobby political officials, and so on. Third, beyond the fact that private ownership directly excludes a range of decisions from public deliberation, the inability of democratic bodies to control the movement of capital weakens the ability of democracy to set collective priorities over the use of social resources.

These six 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 all of these harms, then the impulse to articulate the parameters of a socialist 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? How should we specify the principles of the socialist compass?

II. The idea of a “social-ist” challenge to capitalism

The very idea of socialism has lost much of its intellectual and political appeal in recent years. The idea that there is a feasible systemic alternative to capitalism, either in the sense of a workable design for alternative economic institutions, or in the sense of a politically achievable
goal, seems very far-fetched to many people who still share the traditional socialist criticisms of capitalism.

I feel that it is still meaningful to talk about a socialist challenge to capitalism even in the absence of a clear, well-articulated model of the design of socialist institutions. What we can try to do is articulate a set of anti-capitalist socialist principles and use these to indicate movements away from capitalism in a socialist direction even if we lack a clear understanding of our destination. It is like going on a journey with a compass that tells us the direction we are moving 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. But it may also be the case that if we want to leave the social world characterized by the criticisms above we have no better device than principles of direction rather than known-in-advance destinations.

This way of thinking about socialism is very much in the social democratic tradition, since it rejects the simple dichotomous view of capitalism vs socialism. This leaves open the question of how far these principles can be pushed, how narrow are the limits of possibilities imposed by capitalism, and whether or not at some point a sharper rupture with capitalist institutions would be necessary – and perhaps even achievable – for further advance. If you agree that this is a good way to think about the idea of a socialist challenge to capitalism, the question, then becomes what are the principles which tell us if we are moving in the right direction, and what the implications of this are for future directions for social democracy.

*Three principles of a Socialist Challenge to Capitalism*

There are many possible principles defining the socialist compass. Here I will focus on three:
1. **Strengthening the power of labor relative to capital.** This is, of course, one of the central themes of socialist thought, especially in its Marxist incarnation: socialism is a system of production within which the working class is the dominant class; capitalism is a system within which the capitalist class is the dominant class. Within capitalism, then, social changes which strengthen the power of labor can be thought of as having a socialism-enhancing character.

2. **Decommodifying labor power.** This is also a familiar theme in discussions of socialism. One of the hallmarks of capitalism is that people who do not own means of production must sell their labor power on a labor market to an employer in order to acquire their means of subsistence. This is sometimes referred to as the commodification of labor (or perhaps, more precisely, of labor power) since people’s capacity to work is being treated as if it were a commodity. To the extent that workers are able to have their needs met outside of the market through some process of social provision, their labor power is decommodified. Commodification is thus a variable and one can speak of the degree of commodification and decommodification of labor power. If socialism is an economy directly oriented to the satisfaction of needs rather than the maximization of profit, then such decommodification of labor power can be thought of as a movement in the direction of socialism.

3. **Strengthening the importance of social power in shaping the priorities for the use of the social surplus and the organization of economic activity.** This third point is less familiar, and perhaps more controversial. It implies a contrast between what I would call Statism and Socialism. Both are forms of non-capitalist economic organization. In Statism, state power plays the primary role in allocating the social surplus to alternative priorities and directing the process of production. The clearest example would be the highly centralized bureaucratic systems of command economy in places like the Soviet Union. In contrast, in socialism what might be termed “social power” plays this role. “Social power” is rooted in the capacity to mobilize people for cooperative, voluntary collective actions of various sorts in civil society. It 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.

The idea of a socialism rooted in social power is a less clear idea than statism, and indeed many people use the term “socialism” to describe what I am here calling socialism. It involves two crucial notions. First, the idea that social power shapes economic activity means that at the macro-level investment priorities are set through a process of vigorous public, participatory democratic deliberation rather than either through the exercise of private economic power in the market or the exercise of authoritative bureaucratic command through the state. This is sometimes referred to as “economic democracy.” Second, at the more micro-level, collective associations in civil society are directly engaged in economic activity to satisfy needs. Such needs-oriented production is not organized through markets or by state bureaucracies, but through the self-organization of collective actors in society. This corresponds to what, in some discussions, is referred to as the “social economy”. This would include things like childcare, eldercare and home healthcare services, recreational services, and a wide array of cultural and arts activities. But it might also be expanded to a much wider inventory of economic activities including such things as housing, public transportation, and perhaps some forms of material production as well. The production of these services in the social economy, it must be emphasized, is social, not private: the issue here is not moving childcare or eldercare services from market or state provision back to the family. Rather, the social economy is built around the public provision of such services by collective association rather than by the state or market. Socialism, then, combines democratic deliberation over broad investment allocations with self-organized voluntary associational organization of economic activity. As in the other two principles, the strength of social power
over the economy is a variable and thus we can speak of moving in a socialist direction when such power increases.

III. Strengthening the social in Social Democracy

Social Democracy in the twentieth century was primarily concerned with the first two of these principles of the socialist modification of capitalism. Strengthening the power of labor in various ways has been, of course, at the heart of social democratic strategies. This includes constructing a labor law regime which facilitates union formation and union stability; creating bargaining contexts, especially of a relatively centralized sort, which enhances the macro power of unions; and, in some contexts, strengthening the involvement of unions and other forms of labor organization in more micro-level forms of governance within firms. Social democracy has also traditionally pushed for significant forms of decommodification of labor. The wide array of social democratic welfare state programs designed to deal with the risks faced by people in the capitalist economy – including such things as the risks of ill-health, the risks of job loss and skill erosion, and income insecurity – have the effect of making significant aspects of people’s basic needs no longer contingent on their success in labor markets. In so doing this partially decommodifies labor.

Social democracy has generally done much less to enhance social power over the economy, either by deepening forms of participatory democracy over economic decisions or by nurturing robust forms of social economy. Social Democracy has been, in many respects a statist political project, emphasizing the direct state provision of services and relatively bureaucratic-technocratic forms of state action. While it would incorrect to say that enhancing social power has not figured at all in social democracy – after all, neo-corporatism does embody social power to the extent that union federations are expressions of social power, and various forms of workplace worker empowerment also express the ideal of social power over economic activity –
nevertheless, the problem of social power has not been at the center of the social democratic policies.

Let me sketch, very briefly, a few examples of what kinds of things would fall under a project of enhancing social power:

1. *Participatory budgeting in the city of Porto Alegre, Brazil.* The participatory budgeting process was an invention of the Workers Party during the 15 years in which it controlled the city government of this city. The basic idea was for the city budget, especially those items in the city budget that involve capital investments – building day care centers, paving streets, renovating parks, building publicly subsidized housing, etc. – to be the result of a broad based process of direct participation of citizens in neighborhood and regional assemblies throughout the city. Through an elaborate process, the city budget is debated in these direct participatory assemblies, priorities are set, specific projects specified, and then the budget plans from all of these assemblies are aggregated and integrated in a city-wide budget council of delegates from the assemblies. In these assembles all sorts of secondary associations from civil society play a very active role. The end result has been a massive shift in spending priorities to the neediest parts of the city.

2. *Social economy provision of day care, eldercare, and housekeeping services in Quebec.* The province of Quebec has developed a vigorous system of state supported social economy over a range of services. The structure of the system has developed over time through “social summits” involving social movement organizations and various other collective actors in civil society along with the state and unions. While such forms of concertation always contain a tension between being settings for popular participation and devices for manipulated cooptation, they have significantly contributed to building a public infrastructure for a fairly vibrant social

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economy. The core of the system is the provision of services by producer coops – childcare coops, eldercare coops, housecleaning coops oriented to the elderly and infirm, among others -- with significant levels of state subsidy to insure low cost to users. The state financial contribution to these activities is crucial, but the actual organization of the services is not under direct state provision. The elaboration of these kinds of social economy services is an alternative to privatization of state services through subcontracting to private firms that has occurred in many countries in recent years.

3. Associational Democracy and economic regulation. There are a wide range of problems of economic regulation which can potentially be more effectively organized through the mobilization of forms of social power identified with what is often called “associational” or “associative democracy.” Some of these have an honored place in the social democratic tradition. For example, social democracy has often elaborated institutions of skill formation containing strong elements of associational democracy through the involvement of unions in various kinds of meso-corporatist arrangements. This basic idea can be extended to, for example, environmental regulation through the creation of different kinds of stakeholder councils organized in particular ecological settings. Watershed councils in certain parts of the United States are emerging examples.

4. Unconditional Basic Income. Basic income -- the proposal to provide all citizens, unconditionally, with a steady income sufficient to live at a respectable no-frills standard of living -- may not, at first glance, seem to have much to do with the socialist principle of enhancing social power over economic activity. After all, basic income is an individually targeted transfer, and no constraints are placed on what the individual does with this grant. In such terms it seems like a purely individualistic reform.

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4 For a seminal and penetrating treatment of Associational Democracy relevant to the present discussion, see Joshua Cohen and Joel Rogers, Associations and Democracy (Verso: 1995)
I think this is a very limited way of understanding the implications of basic income. Basic income, I would argue, has the potential of creating the conditions for a greatly expanded and deepened social economy. The social economy is an alternative way of organizing economic activity that is distinct both from capitalist market provision and state provision. Its hallmark is production organized by collectivities directly to satisfy needs not subject to the discipline of profit-maximization or state-technocratic rationality. A significant segment of such activity involves the provision of various kinds of services, many of which are quite labor intensive. One of the main problems that collective actors face in the social economy is generating a decent standard of living for the providers of these services. This is, of course, a chronic problem in the arts, but it also affects efforts by communities to organize effective social economy services for various kinds of caring activities. Basic income substantially solves this problem. Basic income can be viewed as potentially a massive transfer of social surplus from the capitalist market sector to the social economy, from capital accumulation to what might be termed social accumulation – the accumulation of the capacity of society for self-organization of needs-oriented economic activity.

All of these reforms have, at their core, the idea of creating conditions in which the active participation and empowerment of people in solving collective problems is enhanced. Why, especially under current social and economic conditions, is this a desirable goal? I would emphasize three issues:

First, there is strong pressure in all developed capitalist economies for economic deregulation and bureaucratic decentralization. Often these calls are simply expressions of capitalist anti-statism whose real agenda is privatization and marketization, but in part such pressures are also a response to real inadequacies of overly centralized command-and-control state bureaucracies. If one accepts the central propositions of the socialist critique of capitalism,
such marketization and privatization will ultimately intensify the harms generic to capitalist relations. Increasing popular involvement in collective problem-solving through strengthening of institutional settings for social power is one alternative to such marketization pressures. As defenders of associational democracy such as Joel Rogers and Joshua Cohen among others have argued, the capacity for effective, creative problem-solving of such institutions may, in many instances, exceed that of both centralized state bureaucracies and decentralized market institutions.

Second, broad-based social solidarity is under threat in all developed capitalist countries, both because of tendencies for increasing inequality, but also because of various forms of increasing cultural and social heterogeneity due to immigration. Such erosion of solidarity is a real threat to the egalitarian-redistributive project of social democracy, for ultimately redistribution depends on the willingness of people who are not immediate direct beneficiaries of such policies being part of a coalition which supports them. Institutions which allow for greater exercise of social power have the potential of enhancing the scope and vitality of active public deliberation over collective problems which, in turn may be a way of enhancing new forms of public solidarity. Rather than seeing solidarity as something spontaneously generated by the interdependencies among people with relatively homogeneous interests determined directly by their material conditions of life, solidarity may be constructed through the cooperative practices of involvement in the exercise of social power.

Finally, democracy is itself a value. Social democracy, after all, contains the word democracy as well as the word social. Enhancing the role of social power in the governance of the economy is a way of deepening democracy against the exercise of capitalist economic power.