

Chapter 4

The Socialist Compass

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In the absence of a comprehensive institutional design for a radical democratic egalitarian alternative to capitalism what we need are principles of institutional innovation and change which will tell us we are at least moving in the right direction. In this chapter we will explore one way of doing this. We will begin by interrogating the meaning of the word “social” in socialism. This will enable us to define an abstract ideal-type contrast between three ways of organizing power over the economy: capitalism, statism, and socialism. On the basis of this contrast we will then specify the navigational principles of the socialist compass.

I. Taking the “Social” in Socialism Seriously

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.

What I will argue in this chapter is that the idea of the “social” in socialism can usefully be used to identify a cluster of principles and visions of change that help differentiate socialism more precisely both from capitalism and what could be called a purely statist response to capitalism. This, in turn, will suggest a way of thinking about the principles of transformation that can direct challenges to capitalism.

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 a distinctive type of “mode of production” or “economic structure”: an economic structure within which the means of production are privately owned, 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, and production is oriented towards profit maximization through exchange on the market. 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: *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. To explain what this means I will first need to clarify a number of key concepts: power; ownership; and the state, the economy, and civil society as three broad domains of social interaction and power. Second, I will develop an ideal-type conceptual map of capitalism, statism, and socialism as types of economic structures based on different the configurations of ownership and power linked to these three domains. And third, I will explain how this ideal-type typology of economic structures helps inform a conceptual map of empirical variability of the macro-structures of economic systems. This will provide us with the conceptual vocabulary we need to elaborate our socialist compass of pathways to social empowerment.

Clarifications of a Conceptual Vocabulary

Power

Power is one of the most perpetually contested concepts in social theory. Here I want to stress the simple idea of power as the *capacity* of actors to accomplish things in the world, to generate effects in the world.¹ This definition has both an *instrumental* and a *structural* dimension: it is instrumental in that it focuses on the capacities actors use to accomplish things in the world; it is structural in that the effectiveness of these capacities depends upon the social structural conditions under which people act.² The power of capitalists, for example, depends both upon their wealth and also upon a social structure within which this wealth can be deployed in particular ways. Owning a factory is only a source of power if it is also the case that there is a labor force that is separated from the means of subsistence and must rely on a labor market in order to earn a living, and if there is a set of state institutions that enforce contracts and protect property rights. The simple ownership of this economic resource only becomes a source of real power under appropriate social conditions.

Understood in this way, power need not be a zero-sum phenomenon: increasing the capacity of one person or group to accomplish things need not necessarily imply reducing the capacity of others. Nor does this concept of power inherently imply “domination” in the sense of one actor being able to control the actions of other actors even over their objections: a group of people

¹ The expression “things in the world” is a very general, encompassing idea. It is meant to capture the idea of producing effects in the world without specifying in advance any particular kind of effects: to be powerful is to be able to produce large effects with respect to some kind of goal or purpose. This formulation is broader, for example, than saying that power is the capacity to realize one’s *interests*.

² [Need to elaborate: Sometimes in social theory a sharp contrast is drawn between instrumental and structural notions of power. For example, Steven Luke, in his justly celebrated book *Power: a radical view*, defines three faces of power, the third of which is the power to have one’s interests secured by the social organization of the society without conscious action. This suggests

Alex Callinicos has emphasized the interconnection between instrumental and structural definitions of power: structures are a dimension of power insofar as they enable actors to wield power resources in various ways. See Alex Callinicos, *reference*.]

effectively cooperating to accomplish some task can be said to be exercising power with respect to this task even if no coercion is involved in forging the cooperation. A well-organized smoothly cooperating group is more powerful than a fractious, disorganized group: it has greater capacity to accomplish things. Still, given the character of social relations and conflicting interests in many settings, effective power in many social contexts does involve domination. Power *to* often depends upon power *over*.

With this definition of power, one of the ways in which forms of power can be differentiated is in terms of the underlying social basis for the capacity to generate effects in the world. In the present context we will distinguish three important forms of power: *economic power*, based on the control over economic resources; *state power*, based on control over rule making and rule enforcing capacity over territory; and what I will call *social power*, based on the capacity to mobilize people for voluntary collective actions of various sorts. As we shall see, these are closely linked to the distinction between capitalism, statism, and socialism.

Ownership

“Ownership” is a multidimensional idea involving a bundle of different kinds of enforceable rights (i.e. effective powers) over things. Ownership varies along three dimensions:

1. The *agents* of ownership: who is the holder of the ownership rights. There are many possible kinds of social agents that can be owners – individuals, families, organizations, states, and perhaps some more abstract entity such as “society” or even “humanity.”
2. The *objects* of ownership: what sorts of things can be owned and what sorts cannot be owned. There was a time in the United States, for example, when people could be owned by other people in the form of slaves. This is no longer the case. Some kinds of things may be owned by certain kinds of agents but not others. For example, in some economies land is owned in common by all people, whereas in others it can be owned by individuals. In the United States today, certain kinds of weapons can be owned by the state but not by individuals or other organizations.
3. The *rights* of ownership: what sorts of rights are entailed by ownership. Ownership rights include things like the right to use something in different sorts of ways, the right to destroy it, the right to sell it or give it away, the right to let other people use it, the right to the income generated by its use, etc.

The problem of ownership is especially complex since different kinds of ownership rights may be distributed across different kinds of agents in different ways for different objects of ownership. Consider, for example, the common notion that in capitalism the means of production are privately owned. The means of production are a particular object of ownership. To say that they are privately owned means that individuals and organizations outside of the state (such as corporations and nonprofit organizations) have the right to make various kinds of decisions about the means of production without interference by the state and other nonowners. In practice, however, the actual ownership relations over the means of production in all capitalist economies are more complex than this since the effective power over many aspects of the use of the

machines, buildings, land, raw materials, and so forth have been removed from the private owners and are held by the state. Owners of firms, for example, are restricted in how they can use their means of production because of health and safety requirements. They cannot freely contract with a worker to ignore these requirements, and thus in this specific respect they are not full owners of the machine; some of the rights of ownership have been taken over by the state.

Because of this complexity of the allocation of specific property rights within the bundle we call “ownership,” it is not always a simple task to identify who “owns” the means of production – different rights are assigned to different actors. The issue is further complicated by the well-known distinction between “ownership” and “control” in many economic contexts. Large capitalist corporations are owned by shareowners, but the actual control over the operation of the firms is in the hands of managers and executives. Formally these managers are hired by the owners, typically through the intermediary of a board of directors, and thus managers are officially simply the agents of the “real” owners. In practice it may be quite difficult for the owners to effectively monitor and control the actions of these managerial agents. This poses potentially serious problems for owners since the business strategies which may be optimal for interests of managers may not always be the same as for the owners (thus the famous “principal/agent problem” of economic theory). To overcome this problem a range of institutional mechanisms have been devised in the attempt to more tightly link the interests of managers and shareowners: career ladders are a way of potentially increasing the loyalty and identification of managers with the firm, and stock options for executives are often seen as a way of increasing the coordination of interests of top managers and owners. In any case, it cannot be taken for granted that the formal owners of the means of production have effective power over production itself.

In the present context we are concerned with the problem of ownership primarily because of the ways in which it bears on understanding how different kinds of economic systems work. For this purpose, of particular importance are ownership rights to *transfer property rights* (which in the case of private ownership means the right to sell or give away what one owns and buy what other people own) and rights to *control the use and allocation of the surplus* generated with the use of the means of production (i.e. the net income generated by the use of the means of production).³ Even in highly regulated capitalist economies in which many of the powers of private ownership have been taken away from individuals and firms, private owners retain the right to buy and sell property for which they have rights to the net income generated by use of the property. This is a crucial dimension of ownership because it determines the allocation of the social surplus to alternative forms of investment, and thus the directions of economic change over time.

³ The right to control the surplus generated through the use of means of production is very close to what economists refer to as “residual claimancy” – i.e. the right to all of the income generated in some economic process that remains after all expenses are paid. I prefer to use the term “surplus” rather than “residual claimancy” since the “earnings” of many executives in corporations appear as “costs” to the corporation but really represent allocations of surplus.

Throughout this book I will use the term “ownership” mainly in this narrower sense of the right to transfer property and the rights over the surplus, and use the terms “power” and “control” to describe the effective capacity to direct the use of the means of production. In these terms we will distinguish capitalism, statism, and socialism both in terms of the kind of power that is deployed over economic activities (economic power, state power, and social power) and in terms of the nature of ownership of the means of production (private ownership, state ownership, and social ownership).

The ideas of private ownership and state ownership of the means of production are familiar: private ownership means that individuals and groups of individuals have legally enforceable rights to buy and sell income-generating property; state ownership means that the state directly retains rights over the disposition of means of production and the net income which it generates. But what does “social ownership” mean? This is both less familiar and less clear. Social ownership of the means of production means that income-generating property is owned in common by everyone in a “society”, and thus everyone has the collective right to the net income generated by the use of those means of production and the collective right to dispose of the property which generates this income. This need not imply that this net income is simply divided up equally among everyone, although that could be one expression of the principle of common ownership. Common ownership means that people collectively have the right to decide on the purposes to which the means of production are put and on the allocation of the social surplus – the net income generated by the use of means of production – and this is consistent with a wide range of actual allocations.

The term “society” in this definition does not mean a nation-state or country. Rather, it refers to any social unit within which people engage in interdependent economic activity which uses means of production and generates some kind of product. In Israel the traditional kibbutzim would constitute an example of social ownership: all of the means of production in the kibbutz were owned in common by all members of the community and they collectively controlled the use of the surplus generated by the use of those means of production. Worker cooperatives also can constitute examples of social ownership, depending upon the specific ways in which the property rights of the coop are organized. It is thus possible for an economic structure to consist of units characterized by social ownership as well as private ownership and state ownership.⁴

The lines of demarcation among these three forms of ownership are not always clear. If the state is controlled in a deeply democratic manner, then state ownership may become very much like a specific form of social ownership. In a democratic society does the state own the national parks or do “the people” own the parks? If individual members of a producer co-op are assigned individual shares in the cooperative which they can sell and which give them individually differentiated claims on the net income of the economic activity, than the social ownership of the

⁴ This way of thinking about social ownership also means that we can talk both about the *depth* and *breadth* of social ownership: The depth of social ownership refers to the extent to which particular means of production are effectively under social control rather than private or state control; the breadth of social ownership refers to the range of economic activities that are characterized by social ownership.

cooperative may begin to look much more like a form of private ownership. If in an otherwise capitalist economy the state imposes restrictions on the transfer of property rights (eg. export controls over flows of capital) and regulates the allocations surplus for different kinds of investments, then private ownership can begin to look more like state ownership.

Three domains of power and interaction: the state, economy, and civil society

Efforts at formulating rigorous, foundational definitions of the economy, the state, and civil society as domains of social interaction and power quickly run into all sorts of conceptual difficulties.⁵ Should the “economy”, for example, include all activities in which in any sense goods and services are produced, or only those that are mediated by the market? Should preparing a meal in the home be considered part of the “economy”? Should taking care of one’s own children be viewed as part of the economy, or only childcare services produced outside the home? Should the economy be defined by the *functions* it fulfills within a “social system” (e.g. “adaptation” as in Talcott Parson’s schema), by the *motives* of actors engaged in various activities (e.g. utility maximization under conditions of scarcity, as in neoclassical economics), by the *means* that actors use to pursue their goals (e.g. the use of money and other resources to satisfy interests), or what? Perhaps we should distinguish “economic activity” from “the economy” – the former can take place within any domain of social life, the latter refers to a more specialized arena of activity within which economic activities are dominant. But then, what does “dominant” really mean?

To really nail down all of these kinds of issues is an arduous matter and would, I believe, deflect us from our main task here. So, for present purposes I will define these three domains of social interaction in relatively conventional ways, bracketing these deeper problems of conceptualization:

The State is the cluster of institutions, more or less coherently organized, which imposes binding rules and regulations over a territory. Max Weber defined the state as an organization which effectively monopolizes the legitimate use of force over a territory. I prefer Michael Mann’s alternative emphasis on the state as the organization with an

⁵ Most attempts at formulating broad frameworks for building macro-sociological theory invoke elusive categories like “domains” or “spheres” or “arenas” or “levels” or “subsystems” of social interaction. None of these terms is entirely satisfactory. They mostly evoke spatial metaphors that are misleading. In talking about the economy and civil society as spheres of social interaction I do not mean to suggest that civil society stops at the factory gate or workplace and the economy begins once you enter. Civil society is made up of voluntary associations (including loose associations like social networks) and these occur within the organizations of the economy as well as those in “society”. All such terms are based on the loose idea that societies can, in some sense, be thought of as “systems” with distinguishable “parts” or “dimensions”, and that a central task of social analysis is to figure out what are the salient parts and how are they connected. These three domains of social interaction on which we are focusing here – state, economy, and civil society – are certainly not exhaustive. One could add, for example, the family and intimate interpersonal relations as a distinctive arena of social interaction. I am not trying to develop a comprehensive framework capable of addressing all problems of interest to sociologists, but rather a framework for recasting the project of an emancipatory critique of capitalism, and for this I think the key domains of social interaction are the state, economy and civil society.

administrative capacity to impose binding rules and regulations over territories.⁶ The legitimate use of force is one of the key ways this is accomplished, but it is not necessarily the most important way. *State power* is then defined as the effective capacity to impose rules and regulate social relations over territory, a capacity which depends on such things as information and communications infrastructure, the ideological commitments of citizens to obey rules and commands, the level of discipline of administrative officials, the practical effectiveness of the regulations to solve problems, as well as coercion.

The Economy is the sphere of social activity in which people interact to produce and distribute goods and services. In capitalist societies, most of this activity involves privately owned firms in which most production and distribution is mediated by market exchange. *Economic power* is based on the kinds of economically-relevant resources different categories of social actors control and deploy within these interactions of production and distribution.

Civil Society is the sphere of social interaction in which people voluntarily form associations of different sorts for various purposes.⁷ Some of these associations have the character of formal organizations with well-defined membership and objectives. Clubs, political parties, labor unions, churches, neighborhood associations would be examples. Others are looser associations, in the limiting case more like social networks than bounded organizations. The idea of a “community”, when it means something more than simply the aggregation of individuals living in a place, can also be viewed as a kind informal association within civil society. *Power in civil society* depends on capacities for collective action through such voluntary association, and can accordingly be referred to as “associational power” or “social power.”⁸

The state, the economy and civil society are all domains for extended social interaction, cooperation, and conflict among people and each of them involves distinct sources of *power*. Actors within the economy have power by virtue of their ownership and control of economically relevant resources. Actors in the state have power by virtue of their control of rule making and rule enforcing capacity over territory, including coercive capacity. And actors in civil society have power by virtue of their ability to mobilize people for voluntary collective actions of various sorts.

⁶ Citations to Weber and to Mann.

⁷ The term “voluntary” in this formulation is, like many of the concepts used in this discussion, fraught with difficulties. It is meant to highlight a contrast with what can be called “compulsory” associations, especially the state. In many contexts there are all sorts of social pressures and constraints which shape the desire and ability of people to participate in associational life, and thus the strictly “voluntary” quality of such associations may be problematic. Churches often have this character, particularly in social settings where there are significant sanctions for not belonging to a church. [perhaps add further clarification about the distinction between obligatory membership that is the result of formal sanctions, and membership which results from norms and values.]

⁸ For further clarification of the idea of social power rooted civil society, see the appendix to this chapter.

A typology of economic structures: Capitalism, Statism, and Socialism

We can now turn to the key problem: defining capitalism, statism, and socialism. One way of thinking about the variations in the types of economic structures that exist in the world or could exist in the future is to think about variations in the *ways power rooted in the economy, the state, and civil society shapes the way economic resources are allocated, controlled and used.*

Capitalism, statism, and socialism are differentiated, in these terms, on the basis of the form of ownership over means of production and the type of power that determines economic activities:

Capitalism is an economic structure within which the means of production are privately owned and the allocation and use of resources for different social purposes is thus 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 the allocation and use of resources for different social purposes is thus 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 socially owned and 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 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. The expression “rule by the people” does not really mean, “rule by the atomized aggregation of the separate individuals of the society taken as isolated persons,” but rather, rule by the people collectively organized into associations in various ways: parties, communities, unions, etc. 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.

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.⁹ In Statism and Socialism a form

⁹ 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.

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 the central role in the direct allocation, control and use of economic resources.

This idea of a socialism rooted in social power is not the conventional way of understanding socialism. It differs from standard definitions in two principle ways. First, most definitions closely identify socialism with what I am calling statism. As Geoff Hodgson has forcefully argued, while Marx was generally quite vague about the institutional design of a socialist alternative to capitalism, in the few places where he discusses socialism it is clear that he envisioned a system of production and distribution controlled by the state.¹⁰ Since Marx's time, state-centered socialism has been most strongly linked to the programs of Communist Parties, but until the end of the 20th century most socialist parties also linked the vision of socialism to state control over economic processes. The concept of socialism being proposed here is grounded in a contrast between state power and social power, state ownership and social ownership.

The second way the proposed conceptualization of socialism differs from conventional understandings is that does not say anything explicitly about markets. Particularly in the Marxist tradition, socialism has usually been treated as a nonmarket form of economic organization: socialism is a rationally planned economy contrasted to the anarchic character of the capitalist market economy. While from time to time there have been advocates of what is sometimes called "market socialism", in general socialism has been identified with planning (usually understood as centralized state planning) rather than markets. The definition of socialism offered here in terms of social ownership and social power does not preclude the possibility that markets could play a substantial role in coordinating the activities of socially owned and controlled enterprises.

To say that socialism is an economic structure within which the allocation and use of resources for different social purposes is accomplished through the exercise of "social power", defined as power rooted in civil society, leaves open the question of what sorts of associations in civil society are central to social empowerment and which are not. Traditionally socialists, especially those firmly anchored in the Marxist tradition, have understood this problem largely in class terms, focusing especially on the importance of working class associations for socialism. While it is the case that class organization is crucial for social empowerment over the economy since class is so deeply linked to the ways people are engaged in the process of production, social empowerment is a broader idea than simply working class empowerment and includes a wide range of associations and collective actors not simply defined by their relationship to class structure. Socialism, understood in the way proposed here, is thus not equivalent to the working class controlling the means of production through its collective associations.¹¹ Rather social empowerment over the economy means broad-based encompassing economic democracy.

¹⁰ See Geoff Hodgson, *Economics & Utopia* (London: Routledge, 1999)

¹¹ See the appendix to this chapter for further discussion of the relationship of class organization to civil society and social empowerment.

In terms of these definitions, no actual living economy has ever been purely capitalist or statist or socialist, since it is never the case that the allocation, control and use of economic resources is determined by a single form of power. Such pure cases live only in the fantasies (or nightmares) of theorists. *Totalitarianism* is a form of imaginary hyper-statism in which state power, unaccountable to civil society, comprehensively determines all aspects of both production and distribution. 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 stable, reproducible forms of social organization. Totalitarianism never completely eliminated informal social networks as a basis for cooperative social interaction which had real effects on economic activity 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 a complex society could not function 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 domains of social interaction and power.

In practice, therefore, the concepts of 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 determine the allocation and use of 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. The more power rooted in civil society determines such allocations and uses, the more the society is socialist.

Treating these concepts as varying in degree opens the possibility of complex mixed cases – hybrids in which in certain respects a society is capitalist and in others statist or socialist.¹² 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 holders of private property rights, for example when capitalist

¹² **Add reference to JK Gibson-Graham and the idea of complex multi-form economies, with other types of economic organization as well: the gift economy, the household economy, etc.**

states impose rules on capitalist firms that regulate labels, product quality, or pollution. State power, rather than economic power, controls those specific aspects of production, and in these ways the economy is statist. 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.”¹³

II. The Socialist Compass: 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 ownership, use and control of economic resources and activities, 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?

As discussed in the previous chapter, our task here is not so much to propose blueprints for realizing 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 directions. 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.

¹³ This, of course, leaves open precisely what one means by “predominant”. This is a complex and contentious matter. See the appendix to this chapter for a discussion of this problem.

These three directions of social empowerment yield an array 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 4.1.¹⁴ 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 of these pathways are especially important. In the rest of this chapter we will briefly discuss the character of each of these pathways. In the next two chapters we will examine a variety of specific proposals for real utopian institutional designs and see how they might contribute to social empowerment along these pathways.

Figure 4.1 about here

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 the economy was through the state. It is for this reason that those visions can reasonably 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 its 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 4.2 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 and control over 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 4.2 about here --

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

¹⁴ 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.

state would be a mechanism for civil society (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. 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 early years of the revolution. By the time the new Soviet State had 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, became the archetype of authoritarian statism under the ideological banner of socialism, but not of a socialism rooted in social empowerment. Subsequent successful revolutionary socialist parties, for all of their differences, followed a broadly similar path, creating various forms of statism. The contrast between this reality and the theoretical model of a democratic statist socialism is illustrated in Figure 4.3.

Figure 4.3 about here

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 transformation. 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, these aspects of 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. In chapter 5 we will examine a variety of forms of more participatory democracy that attempt to accomplish this.

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 4.4). 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 other labor market regulations. 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 4.4 about here

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 within civil society. The result is a power configuration more like Figure 4.5 than 4.4: state power regulates capital but in ways that is 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 4.5 about here

3. Associational Democracy: coordinated joint effects of social power and state power on economic power

Associational democracy encompasses a wide range of institutional devices through which collective associations in civil society directly participate in various kinds of governance activities, characteristically along with state agencies.¹⁵ The most familiar 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 constitutes a pathway to social empowerment.

¹⁵ For an extended discussion of Associative Democracy, see Joshua Cohen and Joel Rogers, *Associations & Democracy*, volume I in the Real Utopias Project (London: Verso, 1995).

Figure 4.6 about here

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 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 4.7). 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, as we will see in chapter 5, 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.¹⁶ 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.

Other proposals which potentially would enhance the role of secondary associations in civil society influencing 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 power 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.

Figure 4.7 about here

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 4.8). The “social economy” constitutes an

¹⁶ Blackburn’s proposal (Blackburn 2005) is modeled after the proposal by Rudolf Meidner in Sweden in the 1970s to introduce what were then called “wage earner funds” as a way of increasing union control over accumulation. The key idea is that Corporations pay shares into these funds, 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.

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.

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.¹⁷ This is already common the arts in many places in the world. In Quebec there is an extensive system of eldercare home services organized through producer coops and childcare coops organized through parent-provider coops and partially subsidized through taxes in this way. 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.

Conclusion: Three Skeptical notes

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.

Whether or not this potential can be actualized depends on three kinds of conditions. First, it depends upon the extent to which civil society itself is a vibrant domain of collective association and action, and further, upon the extent to which such collective action has sufficient coherence to effectively shape state power and economic power. The idea that social power emanates out from civil society presupposes that there is a power potential in civil society to be translated into other domains of action. Second, effective social empowerment depends upon the presence of institutional mechanisms which facilitate the mobilization and deployment of social power along these routes. Social mobilization without institutional consolidation is unlikely to have durable effects on the overall configurations of power. And third, it depends upon the capacity to counter the deployment of power opposed to social empowerment. Above all, in the context of capitalist

¹⁷ In Figure 4.8 there is no arrow from the state to production and distribution since the state itself is not involved in directly organizing these activities. The state is, of course, still important for social economy in setting up the legal parameters within which it functions.

society, this means countering the power of capital as well as those aspects of state power opposed to initiatives and action from civil society.

There are good reasons to be skeptical about the prospects for each of these conditions.

Civil society and social power

To recapitulate the core idea of this chapter: Civil society is the site of a form of power with emancipatory potential – “social power” rooted in the capacity of people to form associations to advance their collective goals. Socialism can then be defined as an economic structure in which social power plays the dominant role in organizing economic activity, both directly, and indirectly through the ways social power shapes the exercise of both state power and economic power. This is the equivalent of arguing for the radical democratization of both state and economy, and this in turn requires an associationally rich civil society.

A skeptic can, with justification, reply: there is no reason to believe that the associations formed in civil society will be of the sort suitable for a pervasive democratization of the control over the economy. There are two problems here. 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 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 state or the economy. 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?

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.

The second objection – that civil society contains many associations inconsistent with radical democratic egalitarian emancipatory ideals – is more troubling, for it opens the specter of a socialism rooted in exclusion and oppression. It is tempting to deal with this concern by somehow defining civil society as only consisting of benign associations that are consistent with socialist ideals of democratic egalitarianism; social empowerment would then be the

empowerment of popular associations that were at least compatible with emancipatory goals.¹⁸ Nasty socialism would be eliminated by fiat. I think this is an undesirable response. It is a bit like developing an argument for capitalism on the basis of theoretical arguments concerning incentives, risk-taking, and efficient markets and then responding to criticisms of the inevitable emergence of monopoly power by declaring “capitalism consists only of competitive firms incapable of dominating the market.” If market-dominating powerful corporations emerge, then this is no longer “really capitalism.” A better response is to admit that capitalism may indeed have a tendency to generate such concentrated forms of market power. If monopoly corporations seriously erode the alleged virtues of capitalism, then the response should be to propose institutional mechanisms, typically in the form of state regulations, which would counteract these effects. While these institutional devices have a contradictory character, since they violate some of the principles of capitalism – such as the sanctity of private property – a hybrid mix of capitalism and statism may be necessary in order to gain the virtues latent within a capitalist organization of economic structures.¹⁹

The issue of the existence of exclusionary associations in civil society, I think, poses an analogous challenge for an empowered civil society view of socialism. There is no guarantee that a society within which power rooted in civil society predominates would be one that would uphold 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.

Institutional elaboration

The second source of skepticism about the possibilities of moving significantly along the pathways to social empowerment centers on the problem of institutional mechanisms. It may be true that if we magically had the necessary institutions to translate power rooted in civil society into control over the state and economy, this would advance egalitarian and democratic values. But why should we believe such institutions are possible? The arguments against such possibility

¹⁸ There are some treatments of the concept of Civil Society that come close to defining civil society in terms of associations and social practices animated by universalistic, “civil” concerns. Exclusionary associations that are “anti-civil” are the enemies of civil society rather than components of it. See, for example, Jeffrey Alexander, *The Civil Sphere* (get specific citations).

¹⁹ This is the standard way of arguing for the virtues of various forms of state regulated capitalism: by countering the self-destructive aspects of capitalism, state regulation enabled capitalism itself to contribute to human wellbeing.

are familiar: Most people are too passive to care about any form of real empowerment. We need experts to make decisions over complex technical matters. Capitalist firms driven by the profit motive are needed for innovation and efficient investment. Only centralized, professionalized state apparatuses, relatively insulated from popular pressures and special interests, can properly regulate the economy in a technically efficient manner.

Responding to this sort of skepticism is the central aim of discussions of real utopias: exploring the viability of specific institutional designs that attempt to realize emancipatory values. In the next two chapters we will examine a range of such real utopian proposals to give more credibility to the idea that there are viable institutional arrangements that make movement on the pathways of social empowerment a plausible goal.

Achievability

The final source of skepticism is that even if there are imaginable institutional arrangements that would enhance social empowerment and contribute significantly to realizing democratic egalitarian ideals, it is impossible to create such institutions within capitalist society. Attempts at building such institutions in a serious way will inevitably provoke backlash from elites whose power is rooted in the state and capitalist economy. Social empowerment will only be tolerated so long as it is not a threat to the basic power relations of capitalism. A serious movement along the pathways of social empowerment, therefore, will confront insurmountable obstacles, not because there are no viable institutional designs for a radical egalitarian democratic form of social empowerment, but because such efforts will be defeated by powerful actors whose interests would be threatened by any kind of socialism. You cannot build such institutions within a society in which capitalism remains the dominant form of social organization of economic power.

This is the critique posed by revolutionary socialists. It argues that the power of capital and of the capitalist state has to be decisively broken in a system-level rupture in order for socialism to be possible. It could turn out that this argument is correct. If so, this almost certainly means that for the conceivable future socialism as an alternative to capitalism is simply not possible, either as a destination or as a direction of change. But these predictions may also be unduly pessimistic, reflecting an exaggerated sense of the power of capital and the capitalist class and an under-appreciation of the social spaces available for social innovation. These are issues we will explore in Part III on Transformations.

FIGURES FOR CHAPTER 4

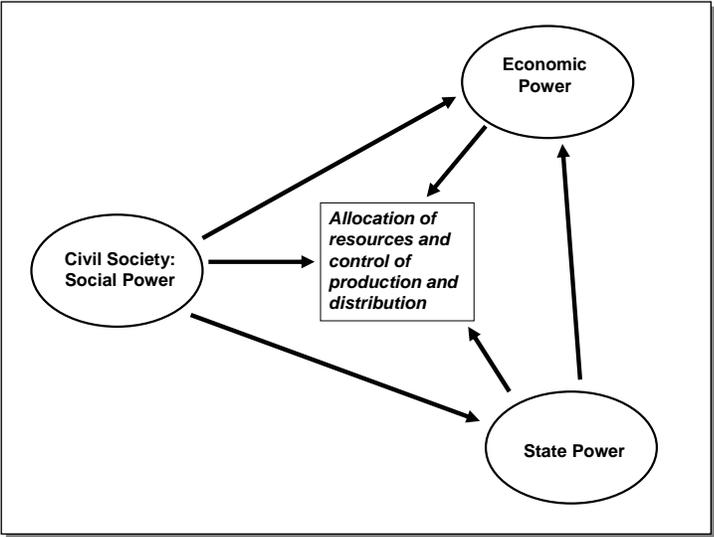


Figure 4.1
Pathways to social empowerment

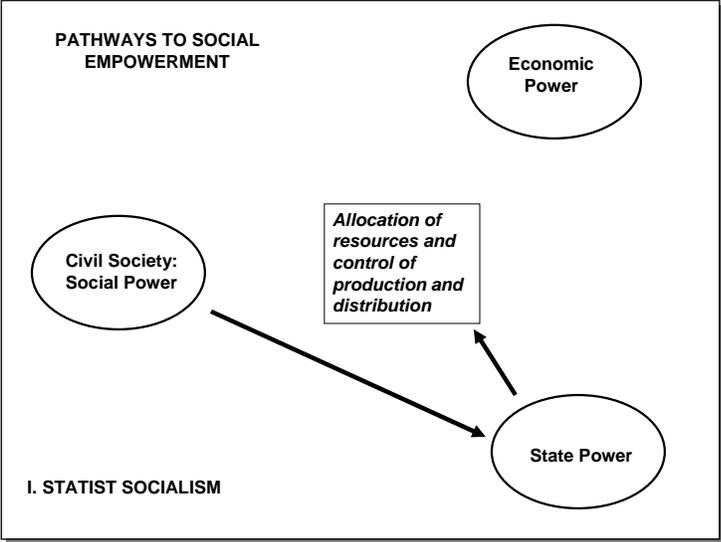
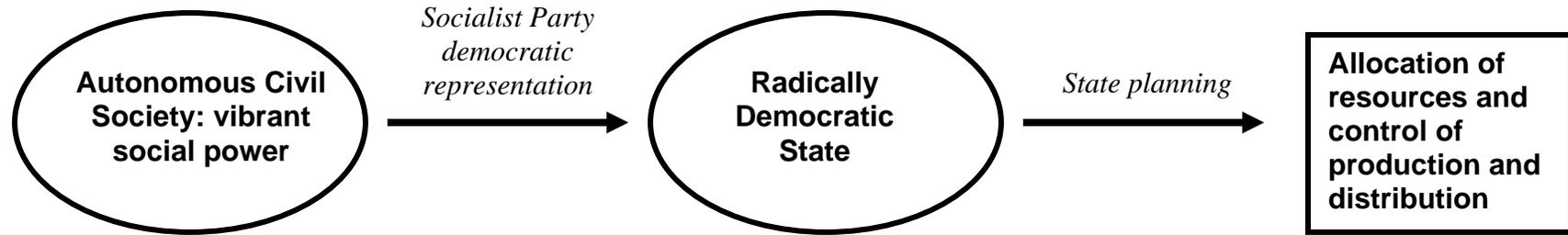


Figure 4.2
Statist Socialism



THEORETICAL MODEL OF DEMOCRATIC STATIST SOCIALISM



CHARACTERISTIC HISTORICAL OUTCOME OF REVOLUTIONARY STATIST SOCIALISM

Figure 4.3
Theoretical Model and Historical Experience of
Revolutionary Socialist Statism

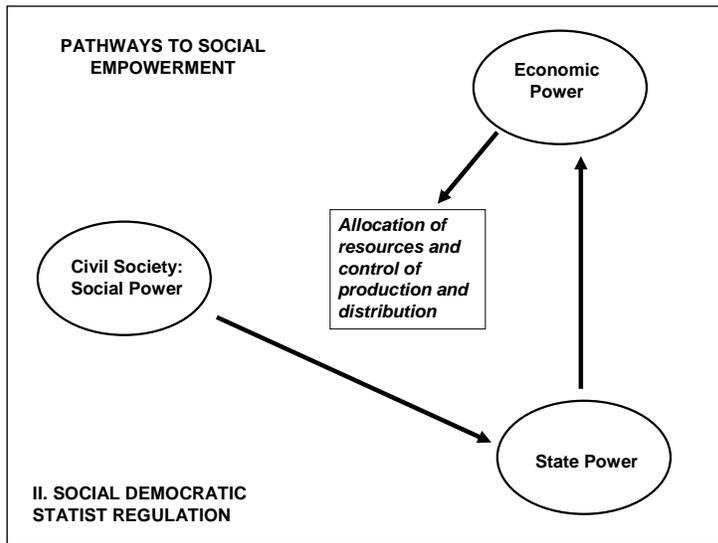


Figure 4.4
Social Democratic Statist
Economic Regulation

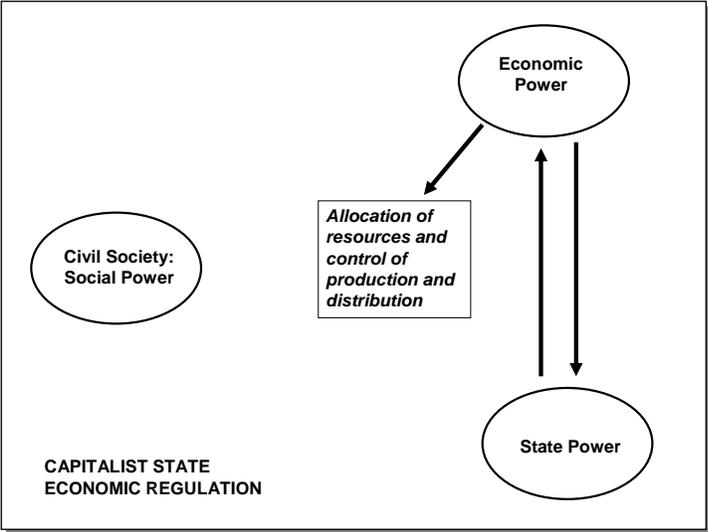


Figure 4.5
Capitalist State
Economic Regulation

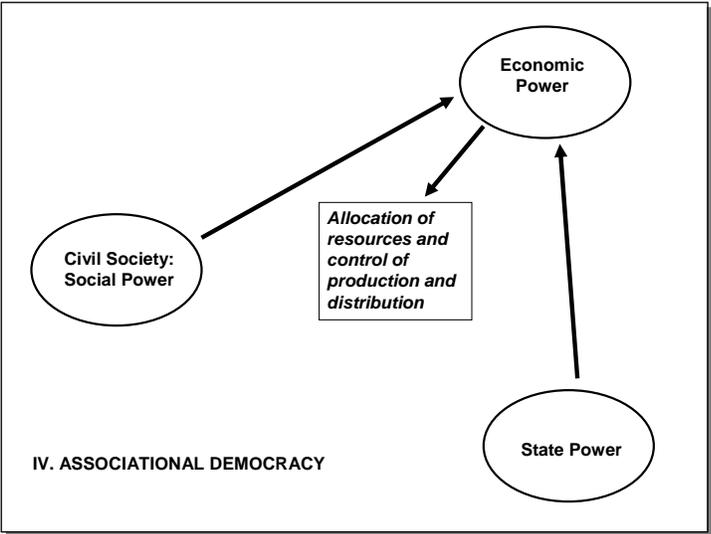


Figure 4.6
Associational
Democracy

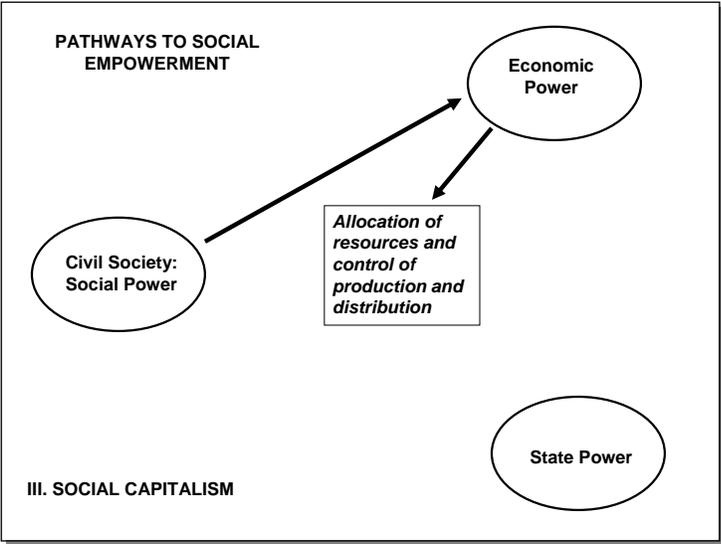


Figure 4.7
Social Capitalism

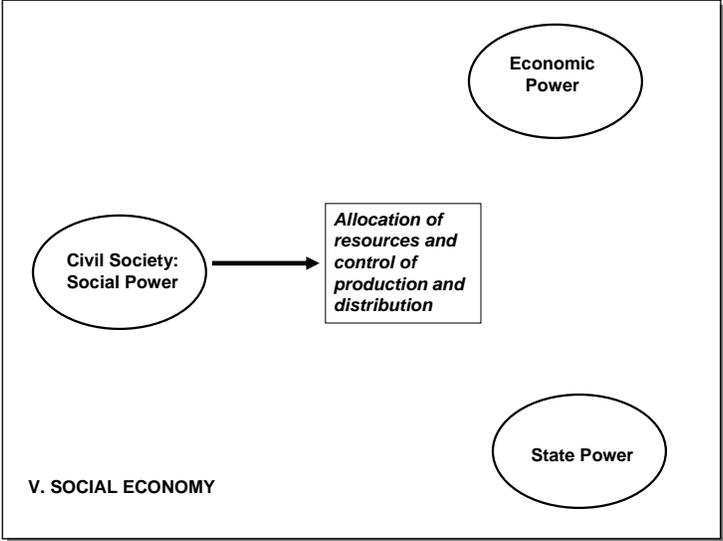


Figure 4.8
Social Economy