Chapter 6
Real Utopias II: Social Empowerment and the Economy
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At the center of a socialist alternative to capitalism, in whatever way socialism is understood, is the problem of economic institutions, specifically the social organization of power over the allocation of resources and control of production and distribution. In statist conceptions of socialism such power and control operates primarily through the state, in the strongest version through the direct state ownership of the principal means of production. In the social empowerment conception of socialism proposed here, the problem of controlling economic processes is less clear cut. There are multiple institutional forms working through multiple pathways through which social power can be exercised over the production and distribution of goods and services.

In all of the specific proposals we will consider here, the institutional designs for social empowerment leave a substantial role for markets, and thus in one sense or another they all envision some sort of "market socialism." This goes against the grain of traditional Marxian conceptions of socialism as the transcendence not only of capitalist class relations, but also of the market itself. In traditional Marxism the harms generated by capitalism as a system of production are attributed both to the pernicious effects of the market and to power and exploitation linked to the class relation between capitalists and workers. The vision of a world beyond capitalism thus revolved around both the move towards the egalitarianism expressed in the anti-class aphorism "to each according to need, from each according to ability", and the aspiration for a rationally ordered economy in which the production and distribution of goods and services was organized through some mechanism of collective planning.

Few theorists today hold on to the belief that in a complex, large scale economy, there is a viable alternative to markets – understood as decentralized, voluntary exchanges involving prices that are responsive to supply and demand – playing an important role in economic coordination.[1] This does not imply that a economy must be coordinated by largely unregulated "free markets," or even that most economic needs will be met through market exchanges, but simply that decentralized exchanges involving market-prices will be a significant part of economic organization. Comprehensive planning, whether organized through centralized bureaucratic institutions or through participatory decentralized institutions, no longer seems a viable alternative. This leaves open the extent to which the market operates under tight or weak constraints of democratic priorities through the state and other pathways of social empowerment and the precise mechanisms by which the negative effects of market forces would be neutralized.

In this chapter we will explore a range of proposals for forms of economic structures and institutions that move us in a direction beyond capitalism. They do not constitute a comprehensive inventory of institutional devices for social empowerment over the economy, but

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[1]An exception is Robin Hahnel who argues in his book *Parecon* (a contraction of "participatory economy") that even a complex global economy can be organized and coordinated through bottom-up participatory planning rooted in producer and community cooperatives. See the discussion below for a sketch of this proposal.

rather are intended to illustrate a spectrum of possibilities. Some of these are purely theoretical models; others have existed in at least limited forms in various places. Some of them involve a transformation of the overall structure of capitalist institutions; others have a more partial character and can exist more or less comfortably alongside capitalism. All of these in one way or another attempt to shift the power configurations of capitalism towards an economy animated by social empowerment.

I. Equal-Asset Market Socialism

John Roemer (1994, 1996) has proposed a theoretical model of market socialism that attempts to eliminate capitalist class relations while retaining almost intact market mechanisms of economic coordination. By *socialism* Roemer means a society within which capitalist exploitation has been eliminated and ownership of the means of production is held equally by all citizens. Because socialism is not defined by the specific institutional form within which equal ownership is accomplished, state ownership becomes only one of a variety of possible forms of socialism. In contrast to the traditional statist socialist model, Roemer proposes a mechanism for distributing ownership equally which relies on a stock market and decentralized decision making rather than centralized bureaucratic administration. While the investigation is purely theoretical in the sense that no economy has ever been organized in the way he proposes, it nevertheless attempts to specify the institutional design in a way that is attentive to our understanding of how various mechanisms work in actual market economies.

The institutional design

Imagine an economy with two kinds of money that we will call “dollars” and “coupons.” Dollars are used to purchase commodities, whether for purposes of consumption or production. Coupons are used in only one kind of market: the market for shares of corporations. Shares are therefore denominated in coupons rather than dollars. Dollars cannot be used to buy shares, and dollars and coupons cannot be legally traded. Coupons also cannot be given as gifts (this is, in effect, selling them at zero price in dollars) or inherited. Everyone, upon becoming an adult, is given an amount of coupons equal to his or her per capita portion of the total coupon-value of the shares in the economy. With these coupons, people purchase shares in corporations, either by investing directly in the stock market or by delegating some intermediary – call it a coupon mutual fund – to manage their coupon investments on their behalf. The ownership of shares, then, gives people the usual rights of share owning in a capitalist economy – a right to a flow dividends (which are in dollars and thus can be used to purchase consumption goods) and a right to vote for the board of directors and perhaps other corporate policies. At death, all of one’s coupons revert to the common pool, to be redistributed to the next generation. There is, again, no inheritance of coupons.

In only one circumstance can coupons be exchanged for dollars: Corporations, when they issue new shares and sell them on the stock market for coupons, take the coupons they acquire to the government run Central Bank and exchange these coupons for dollars, thus acquiring the ordinary commodity-buying money they need for new capital investments. The Central Bank determines the exchange rate between coupons and dollars. This becomes a pivotal policy tool for economic planning: if for public policy reasons, there was a desire to encourage investments in some sectors over others, the rates of conversion of coupons for investment dollars could be higher in the preferred sectors.

Most people, being risk-averse, will invest in mutual funds with relatively balanced portfolios, but some will invest directly in the stock market. Over the course of a lifetime, therefore, some people will become relatively coupon-rich and others coupon-poor. Nevertheless, inequalities in coupon wealth will be fairly muted because no intergenerational transfers are allowed, and because the dollar-poor cannot act on the temptation to liquidate their coupon holdings for cash. The proposal thus differs significantly from the share distribution schemes adopted in the 1990s to privatize former state socialist economies, in which there were no constraints on the right of people to sell their shares for cash; thus very quickly most people ended up with no shares and some with high concentrations.

The state plays an absolutely central role in this model, even though the state does not own the means of production. The state is necessary to enforce the "missing market" (i.e. to prevent the exchange of coupons for dollars), to organize the continual redistribution of coupons to each new generation, and to govern the conversion rate of corporate-owned coupons for dollars through the central bank. These interventions are essential to reproducing the egalitarian quality of the model and allocating capital efficiently, but they all involve articulating state activity to market mechanisms rather than supplanting markets by the state.

A full elaboration of a model of coupon-based market socialism would require a range of additional institutional details. For example, there needs to be some mechanism for dealing with small shops and firms that would remain privately owned, and some mechanism for converting private venture capital start-up firms into coupon-share public corporations. There would also need to be an elaboration of how the banking system would work, since people with high labor market earnings would presumably save part of their income in banks and banks would make loans to firms. The banking system thus could become a backdoor mechanism for unequal claims on corporate profits via interest rates on loans linked to savings assets. Obviously if a coupon-based form of market socialism were ever to be instituted in practice, such details would be important, and conceivably the viability of the institutional design might hinge on how well these practical considerations were dealt with. For our present purposes, however, we will bracket these complexities and examine the rationale of the central institutional device.

Rationale

Market socialism as modeled by Roemer has two fundamental rationales. First, coupon-based market socialism directly eliminates one of the central sources of inequality in capitalism, because inequalities in incomes derived from inequalities in investments would be greatly attenuated.[2] Even if this left unaltered inequalities in labor market earnings, there would no longer be a strong tendency for inequalities in labor market earnings to be reinforced by inequalities in unearned income from investments out of high earnings. But there would also be reasons to believe that a radically egalitarian distribution of capital wealth would have an indirect impact on the inequalities linked to labor markets as well. While there is much debate on the determinants of inequality in labor market earnings, there is considerable evidence that this is significantly shaped by power relations, not simply the spontaneous forces of competition over

[2] In a Marxian framework this also implies the elimination of most forms of capitalist exploitation, since capitalist exploitation rests on the exclusion of direct producers from ownership of the means of production.

skills in the market. One of the reasons that labor market inequality rose so dramatically in the US in the last quarter of the 20^{th} century was due to the decline in unions and the weakening of constraints on corporations to push down some wages and increase the salaries of executives. If capital ownership was equally distributed in the entire population, the social forces arrayed against unions and other mechanisms of egalitarian labor market regulation are likely to be weakened. The equalization of capital ownership does not in and of itself change the distribution of labor market earnings, but dynamically it seems likely that inequalities in labor markets would be significantly reduced as well.

The second principal rationale for coupon-based market socialism centers on democracy. By eliminating high concentrations of wealth, market socialism enhances democratic equality in three ways. First, and most obviously, high concentrations of capitalist wealth constitute a resource that can be deployed politically. The potential for social empowerment over the state and the economy is enhanced when concentrations of economic power are eliminated. Second, and perhaps less obviously, dispersing share ownership so widely in the general population should make it much easier to balance priorities that people have as equal citizens in a polity with priorities they have as owners of means of production. In a conventional capitalist economy, democratic decision making is highly constrained by the problems of capital flight and disinvestment when public policy measures have adverse effects on private capitalist interests. If ownership is fully and sustainably dispersed among workers and citizens, and if the mutual funds in which most people place their coupons are themselves democratically controlled by their members, then the threat of disinvestment and capital flight would greatly reduced. Market socialism would not completely eliminate economic constraints on democracy, at least not if competition on a global scale remains a feature of market economies. But it would reduce the pressures, because there would be such a close correspondence between the distribution of political votes over public decisions and "ownership" votes of investment decisions. Third, for an important range of public policies designed to reduce "public *bads*" (the opposite of "public goods") like pollution, concentrations of ownership create actors with both a concentrated interest in producing the public bad and a concentrated capacity to act on that interest. A wealthy owner of a polluting industry has an interest in and capacity for using that wealth as a political investment to block anti-pollution policies. Coupon market socialism, therefore, should increase democratic capacity to reduce these kinds of public bads.

This scheme can be considered a variety of "market *socialism*" – rather than simply a peculiar variety of capitalism – for two principal reasons. First, the state has a relatively high capacity for planning, albeit planning that works through market mechanisms. Democratically determined priorities for directions of economic development would thus have much greater play in coupon-based market socialism than in capitalism. Second, the exclusion of direct producers from ownership of the means of production – a central feature of capitalist class structures – has been largely overcome.

Potential problems

Coupon-based market socialism faces many potential problems of unanticipated incentive effects. How will risk-taking around innovations be managed? How will principal/agent problems between equal-owner stockholders and corporate managers be solved, given the extremely high levels of diffusion of ownership? To contend with such problems, coupon-based market socialism will need to develop an elaborate array of institutional devices for the system to function well, with the potential for many unintended consequences, incentive failures, principal/agent problems, and so on. To give just one example, as people age they will want to shift their coupon-based investments from shares in firms with strong growth potential to firms that pay out high dividends. This creates the potential for some firms to become "cash cows," where people invest their coupons in the firm in exchange for such high-dividend payouts that the firms drain their assets until the coupon value of the shares drops to zero. In effect, this would amount to an indirect device by which people would be able to exchange their coupons for dollars, in violation of the basic logic of the model. Preventing this would require complex regulations and apparatuses for monitoring firm behavior. The administrative structure of coupon-based market socialism may carry many fewer burdens than was required of classical centralized state socialism, but nevertheless involves considerable complexity. Because of such complexity it is hard to anticipate what the broader ramifications and unintended consequences of these arrangements might be.

II. Participatory Planning [still to be written]

This section will discuss Adaman and Devine's model of investment planning through negotiated coordination, stakeholders councils and social ownership and Michael Albert's model of "Parecon". [In his book he spends considerable time talking about how such planning discussions could take place in neighborhoods and workplaces and then aggregated into more coordinated decisions at higher levels of social organization. He dismisses objections based on the historical record of attempts at comprehensive economic planning on the grounds that these all took place under authoritarian, top-down systems, not participatory processes, and thus the evidence is not compelling. Other objections – that complexity would overwhelm the information capacities of such planning bodies, that planning generates perverse incentives, that without meaningful prices generated by markets it would be impossible to figure out the real opportunity costs of alternative uses of resources – are also basically dismissed on the grounds that under egalitarian, participatory conditions the actors would be able to deal with each of these problems. My prediction is that if such a system were ever to be put in place, the actors in a participatory planning process would deal these complex problems by reintroducing market-like processes and market-like prices, so that in the end the "planning" would not replace markets but rather would take place in continual interaction with markets.]

III. Social Economy

The term "social economy" has been used to cover a wide range of economic forms. Sometimes it is simply identified with the "non-profit sector"; other times it includes co-operative enterprises even if they produce for markets and compete with capitalist firms. Sometimes it is defined in strictly negative terms as non-state and non-market enterprises. Some writers, like the Quebec social economy activist Nancy Neamtam, include a specific set of internal organizational properties in the definition. A social economy enterprise, she writes, is one that:

> aims to serve its members or the community, rather than simply striving for profit; is independent of the State; establishes a democratic decision-making process in its statutes and code of conduct, requiring that users and workers participate; prioritizes people and

> work over capital in the distribution of revenue and surplus; bases its activities on principles of participation, empowerment, and individual and collective responsibility.[3]

I will define the social economy quite broadly as economic activity that is directly organized and controlled through the exercise of some form of social power. Social power, recall, is powered rooted in the voluntary association of people in civil society and is based on the capacity to organize people for collective action of various sorts. The social economy involves the production and distribution of goods and services – economic activity – organized through the use of such social power.[4]

This definition does not imply that every organization or enterprise in the "non-profit sector" is fully part of the social economy. Some non-profit organizations are basically arms of capitalist corporations or the state, rather than associations formed in civil society. Others have large endowments of capital which provide them with the resources needed to engage in their productive activities. Their control over economic activity is therefore based more on their use of economic power based in their endowments than in their deployment of social power (i.e. power rooted in collective association in civil society.) What this suggests is that many organizations will have a mixed or hybrid character: they are examples of social economy activities to the extent that they are rooted in the associational life of civil society; they are statist or capitalist organizations to the extent that their power to engage in the production and distribution of goods and services is based on state power or economic power.[5]

The Quebec Social Economy

One of the most vibrant examples of an emerging social economy is in the Canadian Province of Quebec.[6] While Quebec has a long history of producer cooperatives in various sectors and other

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[3] Neamtan, Nancy. "The Social Economy: finding a way between the market and the state", *Policy Options*, July/August 2005, pages 71-76.

[4] This definition does not require that the internal organization of a social economy activity be necessarily democratic and participatory, although for the social economy to serve as a pathway for a general process of enhancing social empowerment this would be important.

[5] This acknowledgement that many organizations engaged in the production of goods and services "in" civil society have a hybrid character is analogous to the problem discussed in chapter 4 that economic structures as a whole typically have a hybrid character, combining capitalist, statist, and socialist elements. This of course makes the analysis of the social economy more difficult since much social economy activity requires direct state subsidy or capitalist subsidy to function well.

[6] This discussion draws heavily from the following works: Mendell, Marguerite, Levesque, Benoit, and Rouzier, Ralph (2000) "The role of the non-profit sector in local development: new trends", Paper presented at OECD/LEED Forum on Social Innovation, August 31, 2000; Marguerite Mendell (2002) "The Social Economy in Québec: Discourses and Strategies" in Bakan, Abigail, and Macdonal, Eleanor (eds), Critical Political Studies: Debates From the Left. Kingston: Queen's University Press, pages 319-343; Mendell, Marguerite (2002) "The Social Economy in Québec: Discourses and Strategies" *in Bakan, Abigail, and Macdonal, Eleanor (eds), Critical Political Studies: Debates From the Left.* Kingston: Queen's University Press, pages 319-343; Neamtan, Nancy (2005) "The Social Economy: finding a way between the market and the state", *Policy Options*, July/August 2005, pages 71-76.; Jean-Louis Laville, Benoît Lévesque and Marguerite Mendell (2005) The social economy. Diverse approaches and practices in Europe and Canada; Neamtan, Nancy, and Downing, Rupert, 2005. "Social economy and community economic development in Canada: Next steps for public policy", Chantier de l'économie sociale issues paper, September 19, 2005.; Mendell, Marguerite (2005) Empowerment: What's in a Word? Reflections on Empowerment

economic activities which could be broadly considered part of a social economy, the term only became part of public discourse over economic alternatives in the mid-1990s [check this date].The pivotal event was a "Social Summit" meeting convened by the Provincial Government in1996 to deal with long term problems of unemployment and economic development in Quebec. At this summit a wide variety of organizations from civil society and the economy were invited to participate. Such corporatist policy forums are a familiar thing in many countries with strong social democratic or catholic-corporatist traditions. What was rather special about the 1996 summit in Quebec, however, was the inclusion of social movement organizations, community organizations, and other grass-roots civil society associations in the dialogue.

Out of this meeting came a set of concrete policy proposals for the state and action plans for civil society to enhance the vitality of the social economy in Quebec. Some of these proposals have subsequently been adopted. They involve, among other things, making it much easier for non-profit associations engaged in social economy activities to acquire the necessary financial resources, through government grants, indirect subsidies, or access to credit; the creation of a social economy agency within the provincial government; the consolidation of an umbrella organization in civil society, the c*hantier de l'économie sociale (*Social Economy Workshop), to coordinate strategies for coordinating and deepening the role of the social economy. While the social economy in Quebec is still only a small part of the total Quebec economy, it is firmly rooted institutionally, growing in importance, and broadly accepted as desirable.

Two examples illustrate different ways in which the social economy in Quebec functions. The first example is childcare services. Childcare services can be organized through four basic ways. First, it can be organized within personal networks of family kinship and friends. This is certainly the most common way traditionally that childcare is provided. Here childcare is motivated by private concerns and it is regulated primarily by moral norms of care and benevolence. Second, chilcare can be organized through markets, either by for-profit capitalist daycare centers, or by self-employed individual childcare service providers. The central motivation for the provision of childcare through markets is private profit, and the norms regulating the provision are anchored in property rights. This is the primary way nonfamily childcare services are provided in the United States. Third, the state can directly provide childcare services, as in France. The motivations for provision are some conception of the common good, and the norms regulating the provision are generally some notion of citizenship rights. Finally, the services can be provided by civil society associations of one form or another. As in the state provision, the motivations here are rooted in collective interests, but the norms are more directly grounded in moral concerns. This is the Quebec solution. These four possibilities are mapped in Figure 6.1

in Canada with Particular Emphasis on Quebec.; Neamtam, Nancy (2005) Building The Social Economy: The Quebec Experience Presentation at Seminar organised by Euresa Institute Stockholm, Sweden March 29-30, 2005.

Figure 6.1 Four Ways of Providing Childcare

Primary interests motivating provision of childcare		*Central Norm regulating provision of childcare*	
		rights	**benevolence**
	collective	State provided childcare	Social economy Childcare
	private	Capitalist market childcare	family childcare

In Quebec, the Provincial government guarantees universal childcare at a charge of seven Canadian dollars per day, but it does not directly run daycare centers. Rather, it provides subsidies to daycare co-ops run jointly by daycare workers and parents, so that (in principle) the combination of the parent charges and the state subsidies provide a living wage for the childcare providers. Crucially, the rules governing these subsidies make them available only to childcare service providers organized as nonprofit cooperatives, thus blocking the entry of capitalist firms into this market. Capitalist childcare services are not prohibited from operating in Quebec, but they do not receive the social economy subsidy that underwrites the financial viability of the coops. [note: *get further details on the structure*]

A second example is non-medical homecare services for the elderly. This is a more recent innovation, launched in 2001 [check date]. Quebec, like most economically developed places, faces a series of difficult issues around the care of the elderly which are seen as increasingly pressing with the ageing of the population and increased life expectancy. As elderly persons become less able to take care of themselves one option is for them to move into retirement communities and nursing homes. Depending upon the location of such facilities, such moves can be extremely disruptive of social networks and, in any case, are generally very expensive (even when they are of low quality). An alternative is for various kinds of services to be created to provide the kind of on-going support that make it possible for the elderly to stay in their homes. This would include things like housecleaning, meal preparation, shopping assistance, and odd jobs. Such services are provided on a fairly wide scale in Quebec through the social economy. As described by Nancy Neamtam, four years after this initiative was launched, the network of nonprofit and co-operative home care businesses across Quebec

> employs 6,000 people, half of whom were previously unskilled welfare recipients. By offering over 5.6 million hours of home care services to over 76,000 clients, the majority of whom are over 75 years old, these organizations have created jobs, taken pressure off public sector services, delayed institutionalization for many elderly people, reduced the welfare rolls and assured access to home care services in record time to all communities across the province.[7]

[7] Neamtan, Nancy. "The Social Economy: finding a way between the market and the state", *Policy Options*, July/August 2005, p74

The clients of this service pay a sliding scale depending on household income from nothing to thirty Canadian dollars for the service [get details of what this entails]. As in the childcare case, the Provincial government provides subsidies to these social economy cooperatives but not to capitalist firms that want to enter the market.

Elements of Institutional design for a vibrant Social economy

The range of economic activities that can potentially be organized through the social economy in an effective manner is quite broad. In Quebec, aside from childcare and home care services, the social economy already plays a significant role in recycling activities, sheltered workshops for people with intellectual and physical disabilities, and housing. In many places in the world, much of the performing arts is organized in ways that have a significant social economy component. Health care services are another arena where social economy organizations play an important, if secondary, role in many places. In the United States, charter schools and some forms of school voucher programs can also be viewed as instances of a social economy: the state pays for these educational services, but they are actually produced by associations in civil society.[8]

The Quebec experience suggests four elements of institutional design to facilitate the expansion and deepening of these kinds of initiatives in ways that would contribute to the broader agenda of social empowerment:

1. *State subsidies targeted to the social economy.* It is important that the state play an active role in facilitating the growth and stability of social economy enterprises through subsidies. This means more than simply removing obstacles for cooperatives that result from imperfections in conventional credit markets that make it more difficult in general for worker co-ops than for small capitalist firms to get loans.[9] Given the not-for-profit norms of social economy organizations, for social economy co-ops to get access to adequate sources of capital requires subsidies of one sort or another.

Furthermore, the rules of the game for such subsidies should block access to them by capitalist firms. A reasonable objection by capitalist firms is that this gives social economy cooperatives an “unfair” competitive advantage in certain markets. This objection was raised in Quebec, for example, for the targeted subsidies which facilitated the rapid growth of social economy home care services. The response to this is that the subsidy is a way of recognizing the positive social externalities that come from the cooperative, nonprofit organization of production in the social economy. This is especially crucial in care-giving services in which the profit-motive is in inherent tension with the values of nurturance and care.[10] The capitalist logic of meeting needs is that it is only worth doing when you can make a profit from doing so: I help

[8] These examples from the United States, of course, indicate that social economy initiatives may not always be progressive. School vouchers in particular are generally a strategy for defunding public education rather than advancing a general process of radical democratic egalitarian social empowerment.

[9] The typical problem faced by worker coops is the lack of collateral for bank loans. The result is that coops have to pay higher interest rates even when they have a good business plan. Bank loans also force coops to orient their activities more towards profit-motives than they would otherwise do, which distorts the social economy character of the enterprise.

[10] Reference to Nancy Folbre’s analysis of carework.

you because its good for me. The social economy logic of meeting needs is other directed: I help you because it is good for you.[11] The widespread existence of cooperative needs-oriented production of such services contributes positively to supporting a socio-cultural context that affirms these values. If this is indeed a positive cultural externality of needs-oriented production, then in the absence of a subsidy less of this public good will be produced. This provides a justification *even within the economic logic of a capitalist market economy* for a tax-based state subsidy to the social economy form of cooperative needs-oriented production.

2. *Development of Social Economy Investment Funds.* While state subsidies are crucial for the social economy, in the long term it is also important for the social economy itself to develop internal mechanisms for raising funds and directing them to innovative social economy projects. In Quebec in a limited way unions have contributed resources to create a social investment fund for this purpose. If the social economy is to expand to become a major source of employment and economic activity, then new financial instruments for social economy savings and investment need to be devised.

3. *Network of networks.* At the dynamic center of the elaboration of the Quebec social economy is an organization, the c*hantier de l'économie sociale*, that describes itself as a network of networks. The membership of the board of directors of the Chantier includes representatives from networks of different kinds of cooperatives and nonprofit organizations, community development groups and a variety of the larger social movements. The *Chantier* is basically a deliberative forum for problem-solving over social economy issues and has played a crucial role in new innovations in the social economy. It is precisely the kind of institution that enables the heterogeneous set of projects and organizations in the social economy to coalesce into an enhanced form of social empowerment.

4. *Participatory Democratic forms of organization*. The goal of enlarging the social economy is not simply that in and of itself this is a good thing because it contributes to improving the lives of people. The social economy is also one of the important pathways in the broader project of social empowerment in which the ultimate goal is broad social control over the economy. For this to occur, the social economy needs to be a setting within which solidarity and social cohesion is enhanced and broader notions of the collective good is practiced. This is one of the main reasons why cooperatives are such a central form of production in social economy activities: cooperatives affirm the emancipatory values of egalitarianism. More generally, a social economy organized along participatory democratic forms of governance is likely to contribute more consistently to the wider agenda of social empowerment.

Potential Problems

Two central problems face the expansion of the social economy as a pathway to increasing social empowerment: the problem of the involvement in the social economy of inegalitarian, exclusionary associations in civil society, and the problem of the distortion of the social economy by capitalist market relations.

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[11] This formulation of the contrast comes from G.A. Cohen's essay, "Back to Socialist Basics", *New Left Review*, XXXX

Inherent in the construction of a social economy is the problem of potentially exclusionary and inegalitarian associations in civil society. Engaging in needs-oriented social production within the associational context of civil society is no guarantee of embodying the central emancipatory values of democratic egalitarianism.

In the United States there is a range of initiatives that satisfy the general conditions for the social economy and yet have at best an ambiguous relation to the emancipatory project of social empowerment. School vouchers are probably the best example.[12] In a fully developed school voucher system, all parents are given a voucher worth a certain amount of money which they give to whatever school, public or private, their child attends. School choices function like a market where the money follows the students. Schools compete with each other for students. Good schools – the argument goes – will attract many students and thrive; poor schools will either improve under pressure or disappear. The competition of the market will do its magic and schooling will improve. In so far as the private schools are organized by associations in civil society – which is generally the case – a voucher system for funding education can be viewed as a way of channeling resources into the social economy.

In the American political and social context of the early 21st century, while the small existing voucher programs may help a few poor children exit disastrous schools, the broader proposal to universalize vouchers is supported primarily by anti-state conservatives who see vouchers as a way of undermining state run education by transferring public funds from public schools to privately run schools through the choices of parents. Particularly since these proposals generally allow private schools to charge tuition on top of the voucher payments, this in effect becomes a state subsidy to high priced private education.

There is no automatic way that a growth state transfers, incentives and subsidies to underwrite the social economy can avoid these kinds of pernicious policies. It is crucial, then, that specific rules are instituted in the state support of social economy projects that ensure its universalistic and egalitarian character. Whether or not this would happen, of course, would depend upon the strength of progressive political forces in shaping the rules under which such state support would operate. Sam Bowles and Herb Gintis, in their book in the *Real Utopias Project,* propose a radical egalitarian design for school vouchers, for example, that would mitigate some of these problems.[13] Their proposal would institute a quite generous voucher system, but prohibit schools from "topping up" the voucher funds with any other source of funding – from tuitions, gifts, endowments, etc. This means that the vouchers cannot become a subsidy for expensive private schools for the rich. They also propose a system for having vouchers be worth differing amounts to schools depending upon the existing demographic characteristics of the students already in the school and the characteristics of the child with the voucher. The voucher of a poor child, for example, will be worth more to a school with lots of

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[12] The existing publicly funded voucher programs in the U.S. are quite limited, being heavily targeted to poor minority children who otherwise would go to extremely bad public schools, and are therefore supported by some progressives within minority communities. The strongest political support for vouchers, however, comes from right-wing social forces that see it as a way of ultimately shifting public funding from state run schools to religious schools and private schools. The special voucher programs for the poor are a kind of Trojan horse strategy top establish and normalize the principle in the hope of drastically expanding it in the future.

[13] Samuel Bowles and Herb Gintis, *Recasting Egalitarianism* (real utopias project, volume III, London: Verso: 1998).

middle class students than to a school with mainly poor children. This creates incentives to schools to have a diverse student body. And finally, they propose a fairly strong licensing and monitoring procedure to insure schools receiving vouchers adopt certain broad curricular standards. The schools in such a system would retain a genuinely public character in the sense of publicly regulated standards and educational content, but would nevertheless be run in diverse and flexible ways by associations rooted in civil society. These rules would not eliminate all of the potential problems in a voucher system, but they would avoid its inegalitarian and exclusionary potentials.[14]

The second general problem faced by attempts to significantly expand and deepen the social economy concerns its articulation to capitalist markets. As is well known, when producer co-ops are successful there is a strong tendency for them to evolve into firms that look increasingly like capitalist firms. For example, when expansion is needed by a producer co-op, longstanding members in successful co-ops often tend to support hiring new employees as wage-earners rather than increasing co-op membership since they do not want to dilute their ownership stake in the business. Furthermore, the common need to acquire loans from banks to deal with various contingencies puts pressure on co-ops to act more like profit-maximizing firms. More generally, operating in a market context where the rhythm and pressure of the market are generated by capitalist dynamics makes it difficult for social economy firms to reproduce themselves as egalitarian, needs-oriented enterprises.

Again, these are reasons why strong rules by the state are needed to protect the economic space for the social economy to flourish. This will inevitably be politically difficult. Whenever the development of this space is successful and social economy enterprises thrive, then capitalist firms will want to enter the market and fight the rules which exclude them from the subsidies and other supports. The needs-oriented character of production and the social and egalitarian priorities of the participants will also, almost inevitably, expose them to criticism for not being efficient, for operating under "soft budget constraints". This means that a successful social economy in a capitalist system will always face corrosive pressures both from the market and from the political framework within which it operates.

IV. Unconditional Basic Income

The basic mechanism

The idea of unconditional basic income has a long pedigree, but has recently been revived, particularly in European discussions (Van der Veen and Van Parijs 1986; Purdy 1994; Van Parijs 1992; Standing, 1999). The proposal has come under a variety of names: universal basic income; demogrant; citizen dividend. While the details may vary, the basic idea is quite simple: Every citizen receives a monthly living stipend sufficient to live at a culturally defined respectable

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[14] Bowles and Gintis are mainly concerned with reconciling equality and efficiency in their institutional designs. They believe that a certain amount of competition – in this case among schools for vouchers – does enhance efficiency since it puts pressure on schools with poor performance to change. They are less concerned with the implications of alternative institutional designs for questions of collective power. In my judgment they underestimate the potentially destructive aspects of competition among schools and neglect alternative mechanisms for improving school "efficiency" (educational quality) through stronger forms of democratic participation in school governance. For a discussion of these points, see Erik Olin Wright, chapter in *Recasting Egalitarianism*.

standard of living, say 125 percent of the "poverty line." The grant is *unconditional* on the performance of any labor or other form of contribution, and it is *universal* – everyone receives the grant as a matter of citizenship right, rich and poor alike. Grants go to individuals, not families. Parents are the custodians of minority children's grants.

With universal basic income in place, most other redistributive transfers are eliminated – general welfare, family allowances, unemployment insurance, tax-based old age pensions – since the basic income grant is sufficient to provide everyone a decent subsistence.[15] This means that in welfare systems that already provide generous antipoverty income support through a patchwork of specialized programs, the net increase in costs represented by universal unconditional basic income would not be extraordinary, particularly since administrative overhead costs would be so reduced (since a universal basic income system does not require significant information gathering and close monitoring of recipients' behavior). Special needs subsidies of various sorts would continue – for example, for people with disabilities – but they are likely to be smaller than under current arrangements. Minimum wage rules would be relaxed or eliminated: There would be little need to legally prohibit below-subsistence wages if all earnings, in effect, generated discretionary income.

The universal basic income is paid for out of general taxation. This means that while everyone receives the grant as an unconditional right, some people will be net contributors since their taxes will rise by more than the basic income, and others net beneficiaries.

The rationale

Universal basic income has several very attractive features from the point of view of radical egalitarianism.[16] First, it significantly reduces one of the central coercive aspects of capitalism. When Marx analyzed the "proletarianization of labor," he emphasized the "double separation" of "free wage labor": Workers were separated from the means of production, and thus were separated from the means of subsistence. The conjoining of these two separations is what forced workers to sell their labor power to obtain subsistence. In this sense, proletarianized labor is fundamentally unfree. Unconditional, universal basic income breaks this identity of separations: Workers remain separated from the means of production (these are still owned by capitalists), but they are no longer separated from the means of subsistence (this is provided through the redistributive basic income grant). The decision to work for a wage, therefore, becomes much more voluntary. Capitalism between consenting adults is much less objectionable than capitalism between employers and workers who have little choice but to work for wages. By increasing

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[15] Other kinds of universalistic programs – like public education and health care – would continue alongside universal basic income. The proposals for basic income do not claim that it would replace all forms of state subsidized consumption, only income redistributive programs.

[16] Some egalitarians have objected to universal basic income on the grounds that it constitutes a form of exploitation of those who produce by those who live entirely off of the grant. Defenders of universal basic income argue that this is a misdescription of the process by which a surplus is produced and distributed in a complex society. For a discussion of this issue, see Elster (1986) and Widerquist (1999).

workers' capacity to refuse employment, basic income generates a much more egalitarian distribution of real freedom than ordinary capitalism.[17]

Second, universal basic income is likely to generate greater egalitarianism within labor markets. If workers are more able to refuse employment, wages for unpleasant work are likely to increase relative to wages for highly enjoyable work. The wage structure in labor markets, therefore, will begin to reflect more systematically the relative disutility of different kinds of labor rather than simply the relative scarcity of different kinds of labor power. This, in turn, will generate an incentive structure for employers to seek technical innovations that eliminate unpleasant work. Technical change would therefore have not just a labor-saving bias, but a labor-humanizing bias.

Third, universal basic income directly and massively eliminates poverty without creating the pathologies of means-tested antipoverty transfers. There is no stigmatization, since everyone gets the grant. There is no well-defined boundary between net beneficiaries and net contributors, since many people and families will move back and forth across this boundary over time. Thus, it is less likely that stable majority coalitions against redistribution will form once basic income has been in place for some length of time. There are also no "poverty traps" caused by threshold effects for eligibility for transfers. Everyone gets the transfers unconditionally. If you work and earn wages, the additional income is taxed, of course; but the tax rate is progressive, so there is no disincentive for a person to enter the labor market to acquire discretionary income.

Fourth, universal basic income is one way of socially recognizing the value of a range of decommodified care-giving activities that are badly provided by markets, particularly care-giving labor within families, but also within broader communities. While universal income would not, by itself, transform the gendered character of such labor, it would counteract the inegalitarian consequences of the fact that such unpaid labor characteristically is performed by women. In effect, universal basic income could be considered an indirect mechanism for achieving the "wages for housework" proposals by some feminists: recognizing that care-giving work is socially valuable and productive and deserving of financial support.[18]

Fifth, a secure, unconditional basic income potentially will increase the collective power of organized labor, and thus contribute to the broader agenda of social empowerment of popular social forces. This increased power of labor, of course, also poses a problem for basic income, for the fear of such increased collective power is one of the reasons why basic income is likely to be strongly opposed by capital.

Finally, universal basic income can be viewed as a massive subsidy to the social economy. 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

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[17] The call for "real freedom for all" is the central justification for basic income proposed by Philippe van Parijs (19xx).

[18] The net effects of universal basic income on gender inequality are ambiguous. On one hand, the grants go to individuals, not households, and this reduces inequality between men and women. The grants also provide income for unpaid care-givers, and this too will disproportionately benefit women. On the other hand, universal basic income could reinforce the gendered division of labor within care-giving, making it harder for women to resist pressures to assume full responsibility for such activities.

various kinds of caring activities – child care, elder care, home health care. The problem of providing an adequate standard of living to members is also a chronic problem for producer co-operatives, especially in the early stages in which a co-op is being established, learning how to function and work out organizational details, and developing its productive capacity. A basic income would make it much easier for a co-op to survive this learning phase and reproduce itself as an on-going economic organization. Basic income can thus be viewed as mechanism to transfer part of the 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.

Problems

Two issues typically are raised by skeptics of unconditional basic income: the problem of *labor supply*, and the problem of *capital flight*.

A universal basic income is feasible only if a sufficient number of people continue to work for wages with sufficient effort to generate the production and taxes needed to fund the universal grant. If too many people are happy to live just on the grant (either because they long to be couch potatoes or simply because they have a strong preference for non-income-generating activities over discretionary income) or if the necessary marginal tax rates were so high as to seriously dampen incentives to work, then the whole system would collapse. Let us define a "sustainable basic income grant" as a level of the grant that, if it were instituted, would generate a sufficient labor supply to provide the necessary taxes for the grant. The highest level of such grants, therefore, could be called the "maximally sustainable basic income grant." The empirical question, then, is whether this maximally sustainable level is high enough to provide for the virtuous effects listed above. If the maximally sustainable grant was 25 percent of the poverty line, for example, then it would hardly render paid labor a noncoercive, voluntary act, and probably not reduce poverty dramatically.[19] If, on the other hand, the maximally sustainable grant was 150 percent of the poverty level, then a universal basic income would advance the egalitarian normative agenda significantly. Whether or not this would in fact happen is, of course, a difficult empirical question to study and depends upon the distribution of work preferences and productivity in an economy.[20]

Apart from the labor supply problem, universal basic income is also vulnerable to the problem of capital flight and disinvestment. If a high universal basic income grant significantly increases the bargaining power labor, and if capital bears a significant part of the tax burden for funding the grant, and if tight labor markets dramatically drive up wages and thus costs of production without commensurate rises in productivity, then a universal basic income could well precipitate significant disinvestment and capital flight. It is for this reason that socialists have

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[19] Even a miserly grant might have positive anti-poverty effects by constituting a kind of wage subsidy to the low end of the labor market. Such a grant would function something like the earned income tax credit currently in place in the United States, or like a modest negative income tax, as proposed in the early 1970s.

[20] It is very difficult to make credible estimates of these effects because they are likely to involve significant nonlinearities and dynamic interactions. It is thus very difficult to extrapolate from the effects of existing earnings subsidy programs to generous basic income grants, or even from low-level grants to high level grants.

traditionally argued that a real deproletarianization labor power is impossible within capitalism – that the necessary condition for sustainable high-level universal basic income is significant political constraints over capital, especially over the flow of investments.[21]

V. Social Capitalism [THIS SECTION IS INCOMPLETE]

The expression "social capitalism" refers to a wide range of institutional mechanisms through which social power rooted in civil society directly impinges on the exercise of capitalist economic power, especially in capitalist corporations. The most widespread example of this is, of course, labor unions. Unions are secondary associations and while they organize workers in the economy – in firms and labor markets – their main source of power comes from their capacity as an association to mobilize people for collective action, and in this sense they are also part of civil society. When unions are heavily regulated by the state and their roles in governance of economic power are restricted to collective bargaining over wages and limited aspects of working conditions, then the social empowerment enacted through unions is quite weak. But in some times and places unions have a much more expansive role and modify the functioning of capitalism in significant ways.

In what follows I will not discuss the conventional role of unions even though this is an aspect of social capitalism. Instead I will focus on a number of less familiar institutional designs and proposals which have the potential to constitute significant additional pathways to social empowerment.

1. Socially Empowered Pension Funds

There already exist in capitalist societies large pools of capital that are controlled by public and quasi-public bodies. Endowments of public universities and pension funds of unions and governmental units are typical examples. Modest efforts occur, from time to time, for these kinds of capital pools to be used to impose social constraints on investment. Perhaps the best-known example was the concerted effort to divest university endowments from investments in South Africa during the apartheid period. From time to time, certain kinds of pension funds, have also vetted investments on the basis of some criterion of social responsibility. More radically, in the 1970s in Sweden Unions and the Left of the Social Democratic Party proposed that union-run wage-earner funds be used to gradually over time gain significant control over Swedish corporations. The proposal came under concentrated attack and was modified to such an extent that the final version lost these radical features.

The question, then, is whether a broad institutional redesign of the rules and practices governing such public capital pools would enable them to play a much more significant role in constraining capital, of imposing democratic direction and social priorities on accumulation. In particular, pension funds already constitute a vast pool of capital, and under various proposals to

[21] See Wright (1994, Chapter 7) for an extended discussion of the argument that socialist institutions are a necessary condition for a sustainable universal basic income. I no longer think that my arguments in that essay are entirely compelling.

convert existing pay-as-you-go tax-funded public pensions into asset-based pension schemes, this pool is likely to increase significantly in the future. Is there a way of organizing and funding such large, national public pensions in such a way that they can be used proactively to discipline corporations and reduce the capacity of capital to escape public regulation? Should such designs emphasize the power of "exit" by restricting investments to "socially responsible" firms, or should they also use "voice" by investing sufficiently in "bad" firms that the fund could have some real say in the behavior of the firm? Can such political uses of pension funds be reconciled with the dependence of people on revenues from the funds for their retirement? And can such redesigns of the power-relations linked to pensions simultaneously enhance democratic capacity to shape capitalist investment and resolve the fiscal dilemmas of pensions provision in an aging society?

four proposals:

1. socially screened investment
2. shareholder activism: increase the stake
3. share levy system to dilute ordinary shares
4. socially controlled venture capital funds

Robin Blackburn's proposal elaborates an institutional design constructed around what he calls a "share levy" on corporate profits which would channel resources to various kinds of collectively controlled pension funds. A share levy is a kind of tax on profits, but a tax paid through the issue of new shares rather than cash. It therefore does not directly affect the cash flow of a corporation but has the effect of transferring a small part of ownership of the firm to the pension fund in the form of shares. Over time, Blackburn argues, this would lead to a significant increase in the potential control such funds could exert over large corporations.

2. Codetermination

3. Works councils

4. Worker ownership: ESOPS and Cooperatives