

**Taking the Social in Socialism Seriously**

Erik Olin Wright  
University of Wisconsin

July 2004

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

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

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

In this paper I want to propose a general way of thinking about socialism as an alternative to capitalism. We will begin with a very brief characterization of the core of the socialist critique of capitalism. This will be followed by an extended elaboration of a conceptual menu of “forms of society” rooted in an account of the macro-structural organization of power. This typology will facilitate giving precision to what is distinctively social about socialism. The final section of the paper will then use this typology to explore a range of proposal for institutional change within capitalism that can be viewed as moving power relations in a socialist direction.

## **I. The continuing relevance of a socialist critique of capitalism**

At the core of the traditional socialist critique of capitalism are five main claims:

1. *Capitalist class relations perpetuate eliminable forms of human suffering.* While capitalism is an engine of economic growth, it also inherently generates marginalization, poverty, deprivation. In principle, of course, the fruits of growth could be distributed in ways which improve everyone’s material welfare, a point continually made by defenders

of capitalism under the slogan “a rising tide lifts all boats”. However, there is no mechanism *internal to capitalism* to generate the redistribution needed to produce these effects. Furthermore, even apart from abject poverty and material deprivations, the strong competitive pressures of capitalism -- especially when they generate “winner-take-all” competition that results in inequalities vastly in excess of effort and “merit” -- generate pervasive, unnecessary deficits in human flourishing (understood as the realization of human potentials) for a large segment of the population.<sup>1</sup>

2. *Capitalism perpetuates eliminable deficits in individual freedom and autonomy.* If there is one value that capitalism claims to achieve to the highest possible extent it is individual freedom and autonomy. “Freedom to choose”, rooted in strong individual property rights is, as Milton Friedman has argued, the central moral virtue claimed by defenders of capitalism.<sup>2</sup> There are two principal reasons, however, why capitalism inherently fails to live up to this ideal: First, the relations of domination within capitalist workplaces constitute pervasive restrictions on individual autonomy and self-direction. The apparent freedom of individuals to quit their jobs provides only an illusory escape from such domination since without ownership of means of production, workers must seek work in capitalist firms.<sup>3</sup> Second, the large inequalities of wealth which capitalism generates constitute, as Philippe van Parijs has argued, a significant inequality in “real freedom”, since it implies that some people have a much greater capacity to act on their life plans than others.<sup>4</sup> While it is certainly true that relative to previous forms of society capitalism enhances individual autonomy and freedom, it also erects barriers to the full realization of this value.

3. *Capitalism violates liberal egalitarian principles of social justice.* The private accumulation of wealth gives some people inherent, unfair advantages over others. Particularly with respect to children this violates principles of equality of opportunity. But even beyond issues of intergenerational transmission of advantages, since the private profit-maximizing logic of capitalism means that capitalist firms have an inherent tendency to try to displace costs on others, capitalism imposes unchosen burdens on many people in the form of negative externalities. Negative externalities are not simply a problem of inefficiency – although they are that as well – but of injustice.

4. *Capitalism under-produces public goods.* For well-understood reasons, acknowledged by defenders of capitalism as well as its critics, capitalism inherently generates significant deficits in the production of public goods and in this respect it is inefficient (i.e. the lack of adequate public goods is efficiency reducing).

---

<sup>1</sup> The claim that capitalism systematically generates a gap between the potential for human flourishing and the realization of human flourishing is similar to G.A Cohen’s critique of capitalism in terms of fettering the rational use of the forces of production. (cite to Cohen KMTOH).

<sup>2</sup> ref. Milton Friedman, *Free to Choose*.

<sup>3</sup> cite Marx quote on freedom, property, Bentham, etc. Also comment on the relationship between the traditional concept of “alienation” and this notion of deficits in autonomy.

<sup>4</sup> cite *Real Freedom for All*. Also reference to Ackerman and Alstott, *Stakeholder Society*.

5. *Capitalism limits democracy.* There are two principle mechanisms at work here. First, the high concentrations of wealth and economic power generated by capitalist dynamics subvert principles of democratic political equality. People with money have a disproportionate influence on political outcomes through a variety of mechanisms: ability to contribute to political campaigns, influence on the media, capacity to lobby political officials, and so on. Second, the inability of democratic bodies to control the movement of capital undermines the ability of democracy to set collective priorities.

In short: capitalism imposes eliminable harms on many people; it limits individual autonomy; it is unjust; in crucial respects it is inefficient; and it constrains democracy. None of these criticisms implies, necessarily, that the only effective remedy is the wholesale destruction of capitalism and its replacement by a comprehensive alternative. It is possible that institutional devices could be constructed within capitalist societies to neutralize these problems to a significant degree. This has certainly been the traditional belief of social democrats. But whether the solution is ruptural anticapitalism or reformist anticapitalism, the effect of institutions which neutralize these negative effects of capitalism is to introduce counter-capitalist mechanisms into the operation of capitalist societies.

Even if one accepts these criticisms, they really only have radical bite if they are combined with an account of a credible alternative which could reduce or eliminate these harms. Marx brilliantly finessed this problem by proposing a theory of capitalist dynamics in which the pivotal idea was that in the long run capitalism destroys its own conditions-of-possibility and thus becomes an unsustainable form of society. If it can be convincingly demonstrated that capitalism is necessarily doomed, then at a minimum one has proven that *some* alternative to capitalism will eventually come to pass. When you add to this Marx's thesis that in the course of capitalist development a powerful collective actor emerges (the working class) whose members would benefit from an alternative in which they controlled the system of production (if such an alternative were feasible), then perhaps it isn't too far-fetched to rely on a theory of "where there is a will there is a way" with a pragmatist experimentalist program of trial-and-error as way of defending the feasibility of this alternative. If, however, the core argument of Marx's theory of the history of capitalism's future is rejected – that is, if one rejects the thesis that capitalist contradictions ultimately destroy the very possibility of capitalism – then it is necessary to build a more positive conceptualization of a socialist alternative if it is to have credibility as a normative vision and goal of political struggle.

## II. Reformulating socialism

Most discussions of socialism build the concept in terms of a binary contrast with capitalism. The standard strategy is to begin with a discussion of different ways of organizing production, and from this to define capitalism as a distinctive type of "mode of production" or "economic structure": an economic structure within which production is oriented towards profit maximization through exchange on the market, the means of production are privately owned, and workers do not own their means of production and

thus must sell their labor power on a labor market in order to obtain their livelihoods. Socialism is then defined in terms of the negation of one or more of these conditions. Since the pivot of the concept of capitalism is the *private* ownership of means of production, generally this has meant that socialism is understood as *public* ownership in one form or another, most typically through the institutional device of state ownership.

Here I will elaborate an alternative approach to specifying the concept of socialism in which it is contrasted to two alternative forms of social organization: *capitalism* and *statism*. Capitalism, statism, and socialism can be thought of as alternative ways in which three broad macro-domains of social interaction -- the state, the economy, and civil society -- are interconnected.<sup>5</sup> Our development of this trichotomy will take three steps. First, I will clarify what I mean by these three domains of social interaction. Second, I will define three configurations of macro-structural organization of society on the basis of the relative dominance of economic power, state power, and associational power. I will call these economyism, statism, and associationalism. Third, I will define capitalism as a specific form of economyism and socialism as a specific variant of associationalism.

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

Efforts at formulating rigorous, foundational definitions of the economy, the state, and civil society quickly run into all sorts of difficulties. 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

---

<sup>5</sup> 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 and the economy begins once you enter. Civil society is made up of voluntary associations (including loose associations like 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.

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 territories. Max Weber emphasized the ways in which states are defined by monopolies over the legitimate use of force over territories. I prefer Michael Mann’s alternative emphasis on the state as the organization with an administrative capacity to impose binding rules and regulations over territories.<sup>6</sup> The use of force is one of the ways this is backed up, but it is not necessarily the most important way. The *power* of the state is then defined as its 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 economies, most of this activity involves privately owned firms in which most of the 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 form voluntary associations of different sorts for various purposes. 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.

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*. Power, of course, is another social science concept that is perpetually contested. Here I want to stress the idea of power as the capacity of actors to achieve their purposes. This does not inherently imply “domination” in the sense of one actor being able to control the actions of others actors over their objections, but given the nature of

---

<sup>6</sup> Citations to Weber and to Mann.

social relations and conflicting interests, effective power typically does involve domination. Actors within the economy have power through their ownership and control over economically relevant resources. Actors in the state have power through their control over administrative capacity over territory, including coercive capacity. And actors in civil society have power through their ability to mobilize people for voluntary collective actions of various sorts. Of course, the power actors can deploy within a given domain of social interaction can be used to affect what happens in other domains. Most strikingly, perhaps, in contemporary capitalism the economic power of actors in the economy can be deployed to influence actions of the state. But parallel effects occur in all of the relationships among these domains.

This is not an exhaustive inventory of domains of social interaction. The family and kinship structures, for example, could be considered a distinct domain of social interaction, governed by processes quite distinct from civil society, the state or the economy (although, of course, interacting with each of these). For some purposes – especially the analysis of gender relations and their conditions of reproduction and transformation – the family as a domain of interaction would be of fundamental importance. For the problem of defining a coherent concept of *socialism*, however, it does not play a constitutive role. This does not imply, it must be stressed, that gender relations play no role in the critique of capitalism and the analysis of the conditions for its transformation. I am making a much narrower point here: that gender relations and the family do not figure in the *definition* of socialism as a specific kind of macro-structural configuration of power relations.

State power, economic power, and associational power are also not the only forms of power which actors deploy to achieve their ends. In particular, as Michael Mann has stressed, *ideological power* and *military power* are significant sources of power in all complex societies. Ideological power is the capacity to affect action through the invocation of symbols, beliefs, and commitments. Military power is the capacity to affect action through the deployment of coercion and threats of coercion. Both of these are obviously of considerable importance, and in certain times and places may become the central organizing form of power within a society. A fully elaborated typology of forms of society based on the nature of power relations would need to include these forms of power as well; and, of course, an empirical investigation of capitalist societies and the possibilities for socialist transformation would have to include investigations of ideological power and military power among other things. However, for present purposes – specifying the concept of socialism – state power, economic power, and associational power are the crucial elements we need.

### *Economyism, Statism, and Associationalism*

One way of thinking about the variations in the types of societies that exist in the world or could exist in the future is to think about variations in the relationships among these three domains.<sup>7</sup> Here I will focus on the ways in which *power rooted in each sphere*

---

<sup>7</sup> The kind of exercise in concept formation being pursued here can be termed “combinatorial structuralism.” In this strategy a number of fundamental structural elements are postulated, and then more

*shapes the overall allocation and use of human and material resources.* More specifically, I will define three ideal-type configurations of power relations which differ in the relative dominance of power rooted in one or another of the three spheres of social interaction. “Dominance”, for the purposes of this typology of macro-social structures, refers to both the *direct* effects of power and the *indirect* effects:

(1) *Direct Dominance.* Each of the forms of power can be used to directly influence the allocation and use of human and material resources: capital owners deploy economic power which directly affects the use of resources when they make investments; states deploy state power for the allocation and use of resources when they extract and spend taxes; and unions directly affect the allocation of resources when they use their collective capacity to regulate labor markets. A sphere of social interaction is dominant to the extent that power rooted in that sphere has greater direct impact on the allocation and use of resources than power in other spheres.

(2) *Indirect dominance.* Power can be used not simply to directly affect the allocation and use of resources, but also to influence the ways in which power located in other spheres affects the allocation and use of resources. The economic power of capitalists is not only used to directly allocate investments, but is also to influence the way state power is deployed with respect to the allocation and use of resources. State power does not simply appropriate taxes and use them for various purposes, but also regulates capitalist firms and labor markets. And civil society associations do not only influence the allocation of material and human resources when they are directly engaged in regulating various kinds of economic activities (as in the case of unions), but also indirectly affect resource allocations when they organize consumer boycotts and other kinds of campaigns to pressure corporations to behave in particular ways. A sphere of social power has greater *autonomy* to the extent that the deployment of its power resources is not affected by the exercise of power from other domains. It has greater indirect dominance to the extent that it can penetrate other spheres and shape the use of other forms of power.

With this understanding of relative power dominance in the interconnections of the state, the economy, and civil society, we can, in a stylized way distinguish three ideal-type configurations: *economyism*, *statism*, and *associationalism*.<sup>8</sup>

---

complex forms are analyzed as specific forms-of-combination of these root elements. The archetype of this kind of strategy, of course, is chemistry, which its extraordinary periodic table of elements and the analysis of compounds as complex forms of combination of these elements. What is being proposed here is vastly more primitive than a periodic table of elements, perhaps more akin to alchemy with the four elements of earth, air, fire, and water than scientific chemistry. I am postulating only three basic elements – state, economy, and civil society – and a few limited ways in which these internally vary and are interconnected with each other.

<sup>8</sup> These are not standard terms for differentiating broad macro-structural forms of society, and it is with some reluctance that I am using them since neologisms usually seem quite contrived, they often confuse more than they clarify and they frequently amount to little more than applying new words to well-established ideas. Nevertheless, I think new terms are needed for our purposes here. In the initial public presentations I gave on the ideas in this paper, in discussing these three configurations of power relations I used the term capitalism for economyism, and socialism for associationalism. Almost invariably someone

*Economyism*<sup>9</sup> is a social order within which the allocation and use of resources for different social purposes is most strongly shaped by the exercise of economic power (that is, the economy is dominant with respect to the state and civil society).

*Statism* is a social order within which the allocation and use of resources for different social purposes is most strongly shaped by the exercise of state power (that is, the state is dominant with respect to the economy and civil society).

*Associationalism* is a social order within which the allocation and use of resources for different social purposes is most strongly shaped by the exercise of civil society rooted power (that is, the civil society is dominant with respect to the economy and the state).

Power dominance in each of these ideal-type configurations is based on some combination of direct and indirect dominance.<sup>10</sup> These three configurations are schematically illustrated in Figure 1.

For each of these three ideal types, one can imagine an extreme form in which the dominant domain does not simply exercise superior power relative to the other two spheres, but completely obliterates their autonomy. In these terms, *totalitarianism* can be viewed as a form of hyper-statism in which the state does not just dominate civil society and the economy, but fully penetrates and controls both of these domains. Voluntary associations and autonomous social networks virtually disappear, and nearly all economic activity is directly organized through and by the state. Pure *libertarian capitalism* is a form of economyism in which 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 society in which the state has withered away and the

---

would object to one or the other of these usages, accusing me of a category-mistake. It therefore seems best to introduce distinct terms to identify the general configurations of power relations and then treat capitalism as a specific form of economyism, and socialism as a specific form of associationalism.

<sup>9</sup> “Economyism” is a linguistically awkward expression, but “economism” already has a specific set of meanings in social and political theory (the tendency for political parties and unions to make only narrow economic demands, and the tendency for theorists to try to explain everything with economic variables) and thus I thought it might be confusing to appropriate the word for the present conceptual purposes.

<sup>10</sup> The different weights of direct and indirect dominance of a form of power is one of the crucial sources of variation *within* a particular macro-configuration. Thus, one dimension of the “varieties of capitalism” is the variation of the relative importance of direct power of capital to allocate resources and its indirect power via its impact on state power. What is sometimes called “organized capitalism” is a form of capitalism in which such indirect power has much greater importance than in capitalism in which the state plays a more peripheral role.

economy is absorbed into civil society as the free, cooperative activity of associated individuals.

None of these extreme forms could exist as a stable, reproducible form of social organization. Totalitarianism never completely eliminated informal social networks as a basis for cooperative social interaction outside of the direct control of the state, and the practical functioning of economic institutions was never fully subordinated to centralized command-and-control planning. Capitalism, as a form of economyism, would be an unreproducible and chaotic social order if the state played the minimalist role specified in the libertarian fantasy, but it would also, as Polanyi argued, function much more erratically if civil society was absorbed into the economy as a fully commodified and atomized arena of social life. Pure communism is also a utopian fantasy, since it is hard to imagine a complex society without some sort of authoritative means of making and enforcing binding rules (a “state”). Feasible, sustainable forms of large-scale social organization, therefore, always involve some kind of reciprocal relations among these three domains of social interaction in which one domain may in some sense or other be “dominant”, but in which the other domains have some level of real differentiation and autonomy.

In terms of this conceptual typology, capitalism is a specific form of economyism, what is confusingly called “Communism” (i.e. the centrally-planned systems of state-bureaucratic ownership ruled by authoritarian Communist Parties) is a specific form of statism, and socialism is a form of associationalism:

*Capitalism* is a form of economyism in which the means of production are privately owned, workers obtain their livelihoods through the sale of their labor power on labor markets, and economic activity is organized through markets. Other kinds of economyist societies are possible. For example, a society in which the economy is organized through large slave plantations, in which economic power is derived from the ownership of land and people, could be understood as an economyist society without labor markets.<sup>11</sup>

*The communist states* of the 20<sup>th</sup> century are a specific form of statism in which a centralized bureaucratic state directly plans and organizes most large-scale economic activity and, through the apparatus of a political party, penetrates the associations of civil society. One can imagine other forms of statism in which state power is dominant without central planning or one party rule. “Tributary empires” in pre-modern Asia would be an example.

*Socialism* can be thought of as one form of associationalism (i.e. a power configuration within which power rooted in civil society is dominant) in which economic power is distributed in an egalitarian manner and associational power is

---

<sup>11</sup> There are, of course, ways of defining the use of the word “capitalism” in which slave economies could become simply a variant form of capitalism. Particularly if the term “capitalism” is simply elided with “markets”, slavery could be a form of market society and thus capitalism.

organized democratically. *Egalitarian democratic associationalism* might, therefore, be another term for “socialism”.<sup>12</sup> Other kinds of associationalism are also possible. A society within which exclusionary associations based on various forms of status hierarchy in civil society exercised predominant power over the state and economy would be a variant of associationalism, but would not be socialist.

The configurations in Figure 1 are ideal types. We can also think of these configurations as variables. The more the decisions made by actors exercising economic power determine the allocation and use of resources relative to the decisions by actors exercising power in the other spheres and the more economic power penetrates the state and civil society, the more that society can be considered “economyist”. The more power exercised through the state is dominant and penetrates the economy and civil society, the more the society is statist. The more power rooted in civil society is dominant and penetrates the state and economy, the more the society is associationalist. This implies that even if it is difficult to unequivocally establish a methodological criterion for dominance, it is still possible to talk about the increasing or decreasing the economyist, statist, or associationalist character of a society. This also opens the possibility of complex mixed cases – cases in which in certain respects, for example, a society is capitalist and in others statist, or even socialist. *Statist capitalism*, for example, would be a society in which the use of state power to determine the allocation and use of human and material resources significantly modifies the effects of capitalist economic power; *capitalist statism* would be a case where capitalist economic power significantly modifies the effects of state allocations. Not every logically possible combination and permutation, of course, may be socio-logically possible: some configurations may be highly unstable if they happened to occur, and others could never be constructed. “Capitalist socialism”, for example, may not be a stable equilibrium: the presence of capitalist power sufficient to significantly modify the effects of power rooted in civil society may have an inherent tendency to erode that civil society power to the point that capitalism becomes unequivocally dominant.<sup>13</sup> It is important, however, not to feel too confident that one knows in advance everything that is possible “under heaven and earth,” for there are always things that happen that are not, in advance, “dreamt of in our philosophy.”

---

<sup>12</sup> This is a deliberately thin specification of socialism. In particular, I have not stipulated that working class associations – unions or working class parties – be the pivotal form of association that exercises civil society power in a socialist society. Now, I in fact think that in order for associational power to be dominant relative to state and economy, and economic power to be sustainably distributed in an egalitarian manner, it probably is necessary for working class associations to be central to an empowered civil society. This, however, is a hypothesis about the institutional design for a robust socialism rather than part of the definition of socialism itself.

<sup>13</sup> A market economy in which all firms were producer-owned coops *might* be a type of hybrid of capitalism and socialism if this ownership structure diluted economic power to the point that working-class based associational power in civil society could become dominant. In any event, worker-owned firms would be a move in the direction of socialism to the extent that they constituted a significantly more egalitarian distribution of economic power.

*Clarifying the concept of Dominance*

The pivotal criterion for differentiating the configurations in figure 1 is dominance of the power of one sphere relative to others in explaining the allocation and use of human and material resources in a society. Two points of clarification are needed to avoid inflating this idea. First, while allocation and use of resources is quite a broad scope for the exercise of power, it does not imply some completely open-ended claim about the scope of the effects of any given form of power. Thus, for example, the claim that the economy is dominant relative to civil society and the state in capitalism does not imply that power rooted in the economy is the primary determinant of gender identities or sexual norms or religious practices or ethnic conflict. Of course, economic power may have significant impacts on these as well, but the claim about economic dominance does not attempt to specify the degree of such effects.

Second, even within the issue of allocation and use of resources, “dominant” does *not* mean “completely determines”. Thus, in capitalist societies, to say that the economy is dominant in the specified sense does not imply that power within the state and civil society have no effects on the allocation of resources. In all developed capitalist societies somewhere between 25% and 50% of the value of the total social product is taxed by the state and allocated for various purposes through the exercise of state power. Even if a considerable part of the spending is shaped by the indirect power of capital and is directed towards purposes which make capitalism function more effectively – building certain kinds of infrastructure, for example – the allocation and use of resources is not being organized in a directly capitalistic manner and significant allocations are not indirectly subordinated to capitalist economic power.

The claim for dominance of a particular form power is probably least contentious in what we have called statism, for we have historical examples like the Soviet Union in which the dominant role of the state in structuring civil society and the economy is unequivocal. Indeed, the hyperbolic description of the Soviet Union as truly totalitarian suggests that the state completely obliterated any autonomy to civil society and the economy, fully regulating and controlling all activities within both of these domains. But even if we reject the totalitarian description, the dominance of the state in social systems like the Soviet Union is relatively transparent.

The idea of the dominance of power rooted in the economy in capitalism is more difficult to establish. Contemporary capitalist societies have states that are institutionally differentiated from the economy and have significant forms of power distinct from economic power, and capitalist societies characteristically have reasonably robust civil societies in which a great deal of associational activity occurs that is not directly subordinated to economic imperatives or state control. Furthermore, both the state and civil society in contemporary capitalisms do not simply have significant levels of autonomy, but they also have significant effects on the economy. Nevertheless, there are three strong tendencies in capitalist societies that underwrite the claim for the dominance of economic power: first, the large majority of investments are made by private owners of capital or their agents; second, the bulk of the revenues of the state are acquired by taxing

one form or another of income that is generated through these capitalist investments thus rendering the state relatively dependent on capitalist production; and, third owners of capitalist wealth have enormous capacity to influence political power in a variety of indirect ways.

While these arguments may not be sufficient to demonstrate the unequivocal dominance of capitalist economic power in the sense we are using this expression, no one would doubt that the economy in capitalism exerts significant constraints on the state and civil society, or that economic power has considerable clout in conflicts over the allocation and use of material and human resources. Capitalism is thus, at a minimum, a relatively “economist” social order, even if it is more ambiguous that economic power is the dominant form of power in capitalism. The case of socialism is more problematic, since it is less clear what it even means for civil society to be dominant, let alone what institutional arrangements might make this possible.

### *How Can Civil Society be Dominant?*

For capitalism and statism, because of the rich examples of historically existing societies, we have a pretty good idea of the institutional arrangements which underwrite the configurations in Figure 1. An economic structure built around private ownership of the means of production combined with relatively comprehensive markets is one which confers considerable power on capitalists and supports a configuration of economy/state/civil society in which the economy is dominant. 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 a good design for statism. But what about socialism? What sorts of institutional designs would enable power rooted in voluntary associations in civil society to be effectively dominant relative to the state and the economy?

While traditionally socialists did not think of socialism in precisely these terms, it is possible to interpret certain ideas in the socialist tradition as sketching an answer to this question. One view of socialism saw the crucial organizational agency for a socialist transformation being a political party. 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.<sup>14</sup> 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 therefore could represent the working class – or some broader coalition – politically, then if the socialist party controlled the state and the state controlled the economy, one might argue on a principle of transitivity-of-control, that civil society dominated the economy. This vision is

---

<sup>14</sup> The perspective on associational power being advanced here owes much to an influential paper by Claus Offe and Helmut Wiesel (197x), “Two Logics of collective action” which explores the ways in which working class power depends upon the formation of solidaristic association.

diagramed in Figure 2 and might be termed the model of *statist socialism* (a kind of hybrid of statism and associationalism).

Aspects of statist socialism might be a reasonable way of characterizing some episodes in the history of social democratic politics in capitalist democracies. That is, social democratic parties were membership organizations that clearly functioned as voluntary associations in civil society. They were generally quite closely linked to the labor unions, which further embedded them in civil society. And in certain times and places, they held governmental power and were able to shape state policies in significant ways that modified the dominance of the capitalist economy. Significant social services were decommmodified (i.e. removed from the market), labor markets were heavily regulated, and in various other ways power rooted in the capitalist economy was countered by an affirmative state. This by no means implies that the social democratic state was fully freed from the dominant constraints of the capitalist economy, but those constraints were weakened and in this sense the power configuration in places like Sweden in the heyday of social democracy was less capitalistic than elsewhere. To the extent, then, that the social democratic party remained rooted in civil society one could say that civil society gained some measure of indirect power over the economy via the social democratic affirmative state.<sup>15</sup>

The Soviet Union poses a very different example in these terms. The pre-revolutionary vision of how the revolutionary party would relate to civil society, the state, and the economy, can be viewed as embodying in a very general way some version of the model of statist socialism in figure 2. The vision – at least on paper – was that the party would be organically connected to the working class and that it would be ultimately accountable to associated workers, and thus its control over the state would be a mechanism for civil society to control the state. Furthermore, the ideology stipulated a radical reorganization of the institutions of the state and economy -- through organizational forms of participatory councils that 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 a relatively autonomous civil society, could be thought of as a mechanism for institutionalizing the forms of dominance envisioned for socialism in Figure 1. Again, the party was seen as pivotal to this process, since it would provide the leadership (the “vanguard” role of the party) for such associational translation of civil society into effective power.

This is not, however, 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 civil society

---

<sup>15</sup> Following the usage proposed by Joel Rogers (cite) I prefer the term “affirmative state” to “welfare state” to describe this cluster of state interventions since this includes a wide range of regulatory and redistributive actions that go beyond the set of policies often subsumed under the label “welfare”.

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 statism under the ideological banner of socialism, but not of socialism itself. Subsequent successful revolutionary socialist parties, for all of their differences, followed a broadly similar path, creating various forms of statism, but never a socialism of empowered civil society.

So, the question remains: What social structural and institutional arrangements would be needed to empower civil society in such a way that it could dominate both the state and the economy? To say that civil society is “dominant” is to say that the basic direction of economic activity and of state policies are determined by collective actions organized through such associations within civil society. Another way of saying this is that socialism involves the radical extension and deepening of democracy. “Democracy” is a system of governance in which the state is held accountable to “the people” – i.e. the people in some meaningful sense control the state. This is equivalent to saying that the state is subordinated to civil society, since the mechanisms of accountability, if they are to be robust and effective, necessarily involve forms of collective association and collective action. When it turns out that a great deal of state power is insulated from such accountability to civil society, we say that the state is less democratic. Socialism, then, means extending democracy in this sense to the governance of economic activities, and deepening democracy in ways that render both the state and the economy accountable to citizens associated in civil society.

This conception of socialism, it must be stressed, does not imply that civil society simply replaces the state as the site within which power is effectively exercised. The vision here is not anarchist; the state would continue to play a crucial role. In ideal-type capitalism even though the economy is dominant it is still the case that the state is essential for enforcing the rules of the game, protecting property rights, and providing a variety of complex regulatory frameworks within which capitalist power is exercised. Similarly, any feasible socialism (assuming socialism is feasible) would require a state to enforce rules of the game and regulate the conditions for the exercise of power rooted in civil society.

*Why should socialism defined as the empowerment of civil society be desirable?*

The reason for proposing a reformulated concept of socialism is because I believe that socialism has the potential for significantly remedying the failings of capitalism. The fundamental thesis of a socialist critique of capitalism is this: the five normative failures of capitalism outlined earlier – capitalist class relations perpetuate eliminable forms of human suffering, capitalism perpetuates deficits in individual freedom and autonomy, capitalism violates liberal egalitarian principles of social justice, capitalism under-produces public goods, and capitalism limits democracy – have a much greater chance of being significantly ameliorated under socialist conditions than under capitalist conditions. Or, to state the claim in a slightly different way: institutional changes that push capitalism

in a socialist direction make it easier for social struggles to ameliorate these normative deficits. This does not imply that socialism automatically improves things. What is claimed is that the power relations within socialism are more conducive to reducing these normative deficits than the power relations of capitalism.

There are, of course, good reasons to be somewhat skeptical of this claim given the thinness of the definition of socialism as the democratic egalitarian associationalism and the absence of any systematic specification of its institutional mechanisms. Two issues are particularly salient: first, the fear that empowering civil society could generate new forms of oppression rooted in the dark side of civil society, and second, the possibility that the efficiency losses generated by an empowered civil society would be so great as to overwhelm any positive effects of such empowerment.

The issue of new forms of oppression emanating from civil society should not be dismissed out of hand. "Civil society" is not constituted simply by benign associations rooted in solidaristic communities. Secondary associations can be oppressive and exclusionary and their collective actions directed towards domination. Empowering civil society therefore can mean empowering the Ku Klux Klan or fundamentalist religious associations and not simply the labor movement or environmental associations or other relatively universalistic civic associations. One reading of the Iranian Islamic revolution, for example, is that it involved the empowerment of religious associations in civil society over the state and economy. The empowerment of civil society relative to the economy and the state, therefore, could potentially be quite nasty.

These concerns are essentially the same as those conservatives have always raised against the threats of democracy to individual liberty. Radical democracy, the argument goes, poses the potential of "tyranny of the majority". To avoid this, democracy must be heavily curtailed by various constitutional protections of individual rights, especially – in the eyes of conservatives – those rights that protect private property from majoritarian appropriation, since in this view private property is the anchor for all other individual liberties.

There are two responses to this fear. First, socialism, understood as a specific variant of associationalism -- democratic egalitarian associationalism -- would also be governed by rights-protecting rules. Of course, just as in representative democracy in capitalism, there is no guarantee that formal rules to prevent the tyranny of the majority would be effectively implemented, but there is no reason to believe that this task would be more difficult in a context in which the voluntary associations of civil society were more rather than less empowered. Second, because an empowered civil society would involve a much broader spectrum of active citizen involvement in political life and public deliberation through participation in associations, the processes of consensus formation are likely to be more robust than in capitalist democracy, and this too would constitute a brake on the potential for more exclusionary empowerment.

The second source of skepticism about socialism as a form of empowered civil society is that it would lead to huge efficiency losses through self-defeating forms of

interference with the functioning of the market and processes of “rational” capital investment. The arguments here are familiar: whether socialism is understood as state-centered bureaucratic planning of the economy or as the democratic empowerment of civil society over the economy and the state, such displacement of power from actors with personal economic incentives in the results of their choices to broader collectivities will inevitably generate all sorts of perverse unintended consequences: rent-seeking, motivational failures, suboptimal technological choices, NIMBYism, dampened innovation, informational overloads, and so on. The result will be stagnation and inferior economic performance at best, and, more likely, serious economic decline at worst.

While the empirical evidence that backs these predictions is mixed, these concerns also should not be dismissed out of hand. In addition to “where there is a will there is a way” we have “the road to hell is paved with good intentions.”<sup>16</sup> It should thus be of considerable concern to radical critics of capitalism of whatever sort that their institutional proposals give actors a learning capacity to understand negative unintended effects, and an adaptive capacity to counteract such effects. It is certainly not sufficient to point out the many ways in which capitalism itself fails on efficiency criteria (which is easy enough to do when the broad array of negative externalities on human lives are included in the efficiency calculus), for however bad capitalism might be in these respects it is always possible for an alternative to be worse.

I have two responses to this source of skepticism. First, most of the standard criticisms of socialism revolve around the identification of socialism with central, bureaucratic planning and the belief that socialism and markets are incompatible. Nothing in the concept of socialism proposed here implies the disappearance of markets. The pivotal issue is the equalization of economic power and its subordination to other sources of social power. While this does imply the regulation of markets through collective agencies of one sort or another, there is plenty of scope for market mechanisms in socialism understood as democratic egalitarian associationalism. Second, while I do believe, broadly, that a vibrant egalitarian, democratically empowered civil society could fare better than capitalism even on the criteria for which capitalism appears most robust – narrowly defined economic efficiency – this can only be demonstrated in practice. I do not believe that any existing social science models are sufficiently powerful and compelling to tell us in advance the balance between efficiency losses from the curtailment of capitalist power and new efficiency gains from the democratic empowerment of civil society.

### III. Socializing Capitalism

So, my proposal is this: socialism should be thought of as a form of society in which power emanating from the capacity of people for associational collective action becomes

---

<sup>16</sup> Marx, of course, tried to pre-empt this problem by arguing that capitalism in the long-run destroys its own conditions of possibility, and thus some kind of comprehensive alternative would have to be constructed. While this doesn't immediately demonstrate the feasibility of socialism (however defined), it nevertheless means that the problem of unintended consequences did not have to be posed against a model of presumed capitalist efficiency.

the dominant form of social power. This means that an empowered civil society provides the basic direction for the allocation and use of human and material resources in society and significantly penetrates both state and economy.

There are two broad ways in which we could approach the problem of understanding how to translate this abstract ideal into practice. The first, and most ambitious, would be to try to specify in advance the most salient institutional features of the destination – developing, in effect, a comprehensive institutional blueprint for socialism – and then to chart the steps of transition from capitalism to this destination. The second is to establish principles of transformation of capitalist arrangements which move in the direction of empowering civil society without specifying, in advance, the institutional design of the destination itself (or even knowing if a destination in which civil society would be fully dominant is really possible). This approach is like leaving for a voyage without a map of the journey or a description of the destination, but simply a navigation rule that tells us if we are going in the right direction and how far we have traveled. This is obviously less satisfying than a comprehensive roadmap, but it is better than a map whose destinations are constructed through wishful thinking and which give a false sense of certainty about where we are headed. In the absence of such a comprehensive theory of socialist institutional design, therefore, the second strategy is probably the best we can do.

If we accept these arguments and the characterization of socialism in Figure 1, then in order to move from the capitalist configuration to the socialist configuration, four kinds of changes are needed, as illustrated in Figure 3:

1. *Increasing the autonomy of civil society with respect to the economy* – that is, reducing the extent to which capitalist markets and capitalist power penetrate civil society.
2. *Increasing the autonomy of the state with respect to the economy* – that is, reducing the extent to which economic power gets translated into political power.
3. *Increasing the power of civil society over the state* – that is, deepening the democratic accountability of state policies to civic association.
4. *Increasing the power of civil society over the economy* – that, increasing the ways in which civic based collective action can set the priorities for economic activity.

Reform proposals within capitalism can be considered socialist to the extent that they embody one or more of these logics of transformation. I will illustrate this idea with four proposals for radical institutional change<sup>17</sup>: unconditional basic income; John Roemer's model of market socialism; empowered participatory governance; socialist pension funds.

---

<sup>17</sup> Each of these proposals have been explored in *the Real Utopias Project*. 1. Basic income is one of the proposals in Bruce Ackerman, Anne Allstott, and Philippe van Parijs, *Redesigning Distribution: basic income and stakeholder grants as cornerstones of a more egalitarian capitalism* (Volume V of the Real Utopias Project, Verso: 2005). A pre-publication version of the manuscript is available at:

### *Unconditional Basic Income*

The core idea of unconditional basic income (UBI) is simple: all citizens receive a monthly stipend, unconditional on the performance of any labor or other social contribution, sufficient to live above the socially-defined poverty line. The grant is universal, given to rich and poor alike; it is unconditional; and it provides for an adequate no-frills standard of living.

Most of the arguments defending UBI revolve around normative issues, such as the potential for UBI to move us closer to liberal egalitarian conceptions of justice, or around practical questions, such as the prospects for UBI to solve a range of social problems that plague contemporary capitalist societies, such as poverty traps. Much less discussion has focused on the potential impact of UBI on the power relations that characterize the underlying macro-institutional configuration of capitalism and which might constitute transformations in a socialist direction.

In terms of the typology of socialist transformations in Figure 3, unconditional basic income has potential effects on the first and fourth type of transformation. The first transformation centers on changes that increase the autonomy of civil society with respect to the economy. One of the central issues here is the extent to which the market penetrates civil society and commodifies all aspects of social life. UBI can be considered, in part, a mechanism for transferring part of the social surplus from market-centered capital accumulation to what might be called “social accumulation”. Much of what it takes for actors in civil society to organize decommodified activities of various sorts is labor time.<sup>18</sup> This is particularly salient for a wide range of care-giving activities, but also for much social production in the arts and also for political and community activism. By unconditionally guaranteeing everyone an adequate, if minimal, standard of living, UBI frees up labor time from the necessity of being exchanged for wages on a labor market. Labor power is itself thus partially decommodified, and this increases the autonomy of actors in civil society to enlarge the scope of civic activity.

UBI also has likely effects on the empowerment of civil society with respect to the economy and perhaps the state. With respect to the economy, by partially decommodifying labor power, labor unions are likely to have greater bargaining power

---

<http://www.ssc.wisc.edu/~wright/Redesigning%20Distribution%20v1.pdf>. 2. Market socialism is the focus of John Roemer, *Equal Shares: making market socialism work (volume II in the Real Utopias Project, Verso, 1995)*. 3. Empowered participatory governance is the subject of Archon Fung and Erik Olin Wright, *Deepening Democracy: institutional innovations in empowered participatory governance* (Volume IV in the *Real Utopias Project, Verso 2003*). 4. The use of pension funds as a basis for social control of capital is discussed in *Socializing Capital: using pension funds for the social control of capital* (unpublished manuscript. Publication anticipated as volume VI in the Real Utopias Project, 2006). Initial papers for this discussion are available at [http://www.havenscenter.org/real\\_utopias/rup2004.htm#papers](http://www.havenscenter.org/real_utopias/rup2004.htm#papers).

<sup>18</sup> “Decommodified activities” refers to activities that are not oriented towards the production of goods or services for exchange on a market and are thus not subordinated to the requirements of profit-making.

with respect to capitalist firms. UBI, in effect, functions like an inexhaustible strike fund. Of course, this enhancement of union power could potentially unravel the sustainability of UBI, if unions used the increased bargaining power primarily to increase labor market wages. But if unions realize that the sustainability of UBI – and of the power this confers on unions – depends upon wage restraint, then it is possible that this enhanced power could be used to create new forms of class compromise in which unions agreed to wage moderation in exchange for more active participation regulatory control over production and capital accumulation. In this way UBI might contribute to the fourth type of socialist transformation in Figure 2.<sup>19</sup> UBI also could have effects on empowering civil society with respect to the state, at least insofar the partial decommodification of labor power allows for higher levels of citizen political activism in all its forms. If the core source of power in civil society is power derived from capacities for collective action by civic associations, and if this capacity depends in part on the capacity of individuals to devote time and energy to the activities needed to forge such collective action, then UBI has the potential of enhancing this capacity.

### *Market Socialism*

John Roemer has proposed an institutional design for what he calls “market socialism” which bears directly on transformations of power figurations in Figure 3. Here are the basic ingredients of the proposal:

Imagine a market economy in which there are two kinds of money – ordinary money that is used to purchase commodities, and a second kind of special-purpose money used only to purchase property rights in corporations. Let’s call the former dollars and the latter coupons. It is illegal to exchange coupons for dollars or to use dollars directly to buy shares in corporation. It is also illegal to give shares away (this, in effect, is like selling them for zero dollars to someone). Firms issue shares on the coupon-stock market and receive coupons from investors. They can then take these coupons to a public bank and exchange them for dollars at some specified exchange rate in order to buy capital goods.<sup>20</sup> (Only firms are able to exchange coupons for dollars). Firms therefore care about the coupon value of their shares because it affects their ability to raise capital for various purposes.

---

<sup>19</sup> For a discussion of the potential impact of UBI on working class power, see Erik Olin Wright, “Basic Income, Stakeholder Grants, and Class Analysis,” in Bruce Ackerman, Anne Allstott, and Philippe van Parijs, *Redesigning Distribution: basic income and stakeholder grants as cornerstones of a more egalitarian capitalism* (Verso: 2005). For a discussion of the possibility for new forms of class compromise rooted in enhanced working class power, see Erik Olin Wright, “Working Class Power, Capitalist Class Interests, and Class Compromise,” *American Journal of Sociology* Volume 105, Number 4 (January 2000): 957-1002

<sup>20</sup> The determination of the exchange rate between coupons and dollars gives the central bank a specific kind of planning capacity, for these rates could be set at different levels for different sectors as a way of channeling investment in particular directions.

The coupon value of the economy is initially divided up equally among all adults – everyone gets their per capita share.<sup>21</sup> Subsequently, everyone, at reaching the age of majority, is given a grant of coupons equal to the per capita coupon value of all shares in the economy. People use these coupons to buy shares, and such ownership gives them a claim to a stream of income – dividends – out of the profits of the firms in which they are owners and voting rights over boards of directors. Mostly people will invest their coupons via mutual funds, but they can also invest them in individual firms if they so choose. Over the life course some accumulation of coupon values will occur, since some corporations will do better than others, but since shares cannot be inherited, given away, or sold for dollars – and therefore people who are poor in terms of labor market earnings are blocked from selling off their shares for cash and people who are rich from labor market earnings are blocked from buying shares with their earnings – the inequality of wealth ownership will muted. The radical egalitarianism in the distribution of capital ownership, therefore, will be reproduced over time.

There are, of course, many potential problems with this model of market socialism. For example, there is the “cash cow” problem in which some corporations specialize in offering unsustainably high dividends as a way of enabling people to effectively convert their coupons into dollars. This would be a way for poor people to divest themselves of their capital ownership – which might be personally desirable but would have the undesirable social effect of contributing to inequalities of wealth. Also, elderly people might also prefer cash to shares, especially since they cannot pass those shares on to their children, and thus might shift investments to cash-cows. Such schemes would have to be countered with appropriate regulations and monitoring. There are also complex issues about how start-up companies would function and the mechanisms through which successful small private businesses would be converted to the coupon based social-ownership when they reached a certain size without creating all sorts of perverse incentives.

Assuming that such problems are solvable, a coupon based market socialism would massively impact on several of the transformations in Figure 3. Two are like to be especially important. First, the egalitarian distribution of share ownership would reduce the kinds of concentrations of economic power that underwrite indirect dominance of the economy over the state. This is an issue stressed by Roemer in his analysis. In capitalism, he argues, large wealth holders have a positive, concentrated interest in many public bads such as pollution – i.e. they directly benefit in a large way from the negative externality – and, crucially, they also have the power because of their wealth to significantly influence state policies with respect to those public bads. The egalitarian distribution of capital

---

<sup>21</sup> There are a variety of ways one can imagine a transition from inegalitarian dollar-denominated share ownership in capitalism to coupon denominated share ownership in market socialism. Roemer originally proposed his model in the context of the transition from state ownership in the former communist countries to a market economy, so it was in effect a proposal for the creation of a coupon-market in shares. It would obviously be more difficult to construct a smooth transitional mechanism in well-functioning capitalist economies, not just because of the power of capital owners to block such a transition, but also because of the potential pathologies of the mixed form of ownership in a transitional process.

assets in market socialism will reduce the production of “public bads” since there will no longer be concentrations of wealth able to block effective regulation. The state will become more autonomous from the intrusion of economic power.

Second, the egalitarianism of share ownership has the potential of enabling civil society to exert concentrated power over the economy. Roemer does not explore this issue, but the rules of a coupon socialism could give voluntary associations in civil society an active role in organizing the mutual funds that act as intermediaries between individual coupon holders and share investing. Unions, for example, might provide an associational basis for such funds and therefore could use the funds not simply as a way of orchestrating the flow of dividends to individuals but as a way of increasing associational power over the economy.

### *Empowered participatory governance*

The abstract definition of democracy as “rule by the people” covers a very wide range of institutional possibilities. Three of these are especially important: representative democracy, associational democracy, and direct democracy.

*Representative Democracy.* The first of these is the most familiar. In representative democracy the people rule through elected representatives, typically elected within territorial districts. In most democratic countries, this is by far the most important way by which ordinary people play some role in the exercise of political power.

*Associational Democracy.* The second general form of democratic governance, associational democracy, is much less familiar to most people, but still important. In associational democracy, various kinds of collective organizations – like labor unions or business associations – are directly engaged in various aspects of political decision-making. This can occur in many ways – through involvement in government commissions, through what is sometimes called “corporatism”, through organizational representation on various kinds of regulatory agencies.<sup>22</sup>

*Direct democracy.* In direct democracy, ordinary citizens are directly involved in the activities of political governance. One form of this is what is sometimes called “Plebiscitary democracy” in which citizens directly vote on various laws and policies. Another form would be the many ways in which citizens participate in public hearings and testimony over legislation in cities, or, more rarely, directly make decisions in town meetings. An extremely interesting example of direct democracy is the process through which the Canadian Province of British Columbia is changing its election system. Almost 200 citizens have been randomly selected to participate in a Citizen’s Assembly to deliberate about this problem and come up with a specific proposal for a new electoral law. That proposal will then be submitted to a province-wide vote of all citizens.

---

<sup>22</sup> Associative democracy is discussed in detail in Joshua Cohen and Joel Rogers, *Associations and Democracy*, volume I in the Real Utopias Project (Verso, 1995).

Each of these forms of democratic governance can be organized in ways that deepen the quality of popular empowerment or which undercut “rule by the people”. For example, when electoral democracy relies mainly on private financing of electoral campaigns, particularly when there is a two-party system, this gives enormous influence to rich and powerful actors who are able to strongly influence the selection of viable candidates. On the other hand, certain kinds of public financing of elections, combined with systems of proportional representation, open up electoral competition to broader popular initiatives. In terms of associational democracy, when the organizations involved in democratic governance are themselves internally hierarchical and bureaucratic, and when they are subordinated in various ways to elite interests, centralized corporatism can act in very undemocratic ways. On the other hand, when the associations are robustly democratic, and when their participation in governance involves empowered forms of bargaining and problem-solving, then associative democracy can deepen the democratic accountability of the process of governance. Finally, direct democracy can be very thin, as when citizens are simply given a yes/no vote in referenda on policy choices dictated by elites, or it can become a form of significant popular empowerment when it involves the devolution of real decision-making authority and resources to popular councils of various sorts.

The third socialist transformation in Figure 2 – empowering civil society with respect to the state – revolves around the various ways in which all three of these forms of democracy can be deepened, since a deeper democracy is one in which the state is more effectively subordinated to civil society. There is a sense therefore in which a vibrant, effective, empowering democracy has an inherently socialist quality, since democracy inherently constitutes an exercise of power rooted in collective action in civil society.<sup>23</sup>

Of particular interest for the problem of deepening democracy are instances of what Archon Fung and I have called “empowered participatory governance” (EPG).<sup>24</sup> The hallmark of EPG is an institutional design in which ordinary citizens are directly engaged in the activities of political decision-making, not simply providing advice or selecting representatives. The most interesting example of this is the participatory budget institution in the city of Porto Alegre, Brazil. To simplify what is a fairly complex system, the institutional design is this: The city of Porto Alegre Brazil (population about one and a half million) is divided into 17 regions, each of which has a citizen’s assembly

---

<sup>23</sup> An alternative conception of democracy is that it constitutes a mechanism for aggregating the preferences of separate, atomized individuals. Democracy in that sense would not constitute a real form of collective action, and certainly would not depend upon collective capacities in civil society. It is simply a way of aggregating individualistic choices that bear on collectively binding decisions. It is for this reason that some commentators regard the “free market” ruled by “consumer sovereignty” as itself a kind of “economic democracy”, since outcomes in such a market do constitute aggregations of individual choices. The view of democracy I am proposing sees democracy as a collective activity in which people participate in associations for deliberation over matters of collective concern. Political parties are one crucial vehicle for such collective activity, but many other kinds of civic associations also figure in a democratically empowered civil society.

<sup>24</sup> Archon Fung and Erik Olin Wright, *Deepening Democracy: institutional innovations in empowered participatory governance* (Verso: 2003).

that has the annual task of generating a city budget proposal for that region. Any resident of a region can attend that regional assembly and vote on the proposals. These assemblies choose a standing budget committee which meets regularly throughout the city region over a three month period to formulate this proposal, and at the end of the process the regional popular assembly votes on this proposal and selects delegates to a city-wide budget council to reconcile and integrate all of the proposals from the various regions. The final integrated budget is then submitted to the city council – an ordinary representative institution – which then votes on the budget.

This system of participatory budgeting began in 1989 and has evolved steadily since then. It has generated some quite dramatic results: city spending has been redirected from the wealthy parts of the city to the poorest regions; citizen participation has been generally quite high, involving some 50,000 people a year; corruption has been virtually eliminated from city spending; and tax compliance at the local level appears to have improved.<sup>25</sup> Of particular importance in the present context, the participatory budgeting process has led to a significant increase in civic associations of all sorts and their active involvement in the life of the city. In Gianpaolo Baiocchi's evocative expression, this has stimulated a "thickening of civil society." In a direct way these associations have become actively engaged in the deliberations and activities of the participatory budgeting process itself, but more broadly they have enhanced the capacity for collective action over a wider array of social and political issues. EPG at the local level, then, is an institutional design which moves in the direction of empowering civil society with respect to the state.

### *Socialist Pension fund*

The most problematic of the transformations chartered in Figure 2 is the fourth, empowering civil society over the economy. This dimension has always provided the most daunting challenges of institutional design for socialists.

Traditionally socialists have sought solutions to the problem of the social control over the economy primarily through the direct exercise state power, either in the form of state ownership of the principle means of production or wide-ranging forms of top-down state-bureaucratic regulations of economic activity. If it were the case that these forms of state control were themselves effectively subordinated to an empowered civil society, and if they effectively controlled the broad use and allocation of economic resources, then these solutions could reasonably be characterized as instances of statist socialism or socialist statism.<sup>26</sup> In the case of the authoritarian communist regimes of the 20<sup>th</sup> century, this was certainly not the case. If anything the state effectively dominated civil society, and the

---

<sup>25</sup> There is a growing and interesting literature on the participatory budget experience. See especially, Boaventura Santos, P&S reference; Gianpaolo Baiocchi, chapter in *Deepening Democracy and Radicals in Power: Experiments in Urban Democracy in Brazil* (Zed Press); Rebecca Abers, *Inventing Local Democracy: Grassroots politics in Brazil* (Boulder, CO: Lynne Rider Publishers, 2001).

<sup>26</sup> *Statist socialism* would be a society within which power rooted in civil society was the most important for determining the allocation and use of human and material resources, but the mechanism of this empowerment worked through the state. *Socialist statism* would be a society in which state power was dominant, but constrained by effective forms of collective action within civil society.

overall configuration of macro-power relations was thus much closer to the statist ideal-type in Figure 1. In the case of social democratic regimes, the problem was not that the state dominated civil society; these societies had robust civil societies with functioning democracies within which encompassing labor unions in particular exercised considerable collective power. Rather the problem was that the capacity of social democratic states to counter the most salient forms of capitalist power was quite limited. In particular, the state had very limited ability to control the overall patterns of investment and accumulation. Thus, while in certain respects social democratic states do contain socialist elements, especially because of the ways in which labor unions have played a meaningful role in economic regulation, these systems fell quite short of statist socialism (let alone socialism proper) since power centered in the economy (power derived from ownership of capital) remained preeminent.

John Roemer's model of market socialism is one way of imagining an end to economic power derived from the concentrated ownership of capital, but it suffers from the difficulty of imagining a transitional process of moving from capitalist ownership to coupon ownership of corporations. An alternative idea is to use some institutional devices already in place in capitalism and modify them in ways which gradually move them in the direction of greater social ownership of capital.

It is in this context that the idea of using pensions as a device for increasing the capacity of civil society to control capital seems attractive. Pension funds are a prime example of a broader category of institutions: large pools of capital assets that are held by public, quasi-public, and civic associations. University endowments would be another example. The question, then, is whether or not pensions and other such pools of capital could play a role in the fourth type of socializing transformations of capitalism -- empowering civil society over the economy?

There are three principal ways that pension funds might impose social constraints on investments. First, following Albert Hirschman's distinction between exit and voice, there is the "exit strategy" of "socially responsible investing." In this strategy, pension funds use the power of market exit to influence corporate behavior through investment choice. The filters used in such decisions can be relatively weak, simply excluding "bad" firms, as when a fund decides to exclude investments in corporations that manufacture arms or tobacco. The divestiture movement in the 1980s to get university endowments to divest of stocks in firms that invested in South Africa would be an example. Or socially responsible funds can adopt quite strong filters, in which case potential investments must satisfy a series of positive criteria that select "good firms." Some green investment funds do this, where investments are directed only at firms that have strong environmental policies in place. In both the strong filter and weak filter case, however, power is exercised strictly through the capacity to enter and exit investment relationships, and in most situations this is likely to generate fairly weak pressures on firms that violate the criteria in question.<sup>27</sup>

---

<sup>27</sup> When the exit strategy is linked to popular mobilizations and publicity, with potential negative reputational effects on firms – especially in the case reputationally-sensitive firms with strong brand names – then the exit strategy may have greater potency.

The “Voice” strategy is much more demanding. Here the idea is to invest sufficient capital in particular corporations so that the pension fund can actively influence corporate policies. In the case of a union pension fund, for example, this would suggest that unions should invest their pension funds in firms that are hostile to unions and in so doing, potentially be able to change those anti-union policies. In the case of environmental pension funds this would imply investing in corporations with poor environmental records. Such proactive investment policies require much greater information and a much more energetic engagement with the actual management practices of corporation than simple filtering forms of socially responsible investment. If the proactive strategy is possible, it would impose a greater degree of social accountability on economic power than would be possible simply through an exit-based strategy.

Robin Blackburn has proposed a particularly powerful device for funding such proactive pension schemes: the share levy. The idea comes from an ambitious proposal by Rudolf Meidner for partially socializing capital in Sweden in the 1970s, called the Wage-Earners Fund. The basic idea is to require all corporations above a certain size to issue a certain number of shares a year – some fraction of the total shares in the company – to this fund. This share levy would function as a kind of wealth tax on corporations. These shares would be owned by the fund but could not be sold for some extended period of time. They would confer on the fund ordinary share-based voting rights and would also generate a flow of dividends like any other shares. The share-levy would have the secondary effect of slowly diluting the share ownership of private capital owners, thus shifting power from private capital owners to the associations (such as unions) that controlled these funds.

The third general strategy of using pension funds for the social control of capital is what Randy Barber has called the Initiative Strategy.<sup>28</sup> Instead of using union pension funds exclusively to invest in established corporations – in either the exit or voice mode – such funds could be used as venture capital and private capital investments in firms that are not publicly traded on stock markets.<sup>29</sup> Such investments could be used in a variety of ways. They could be used to facilitate conversion of small and medium firms to employee-owned firms, or employee self-managed firms. They could provide investments in start-up firms that would agree to pro-union policies or shared governance rules. They could be used in ways that would make the union itself part of the governance structure of the firm in question. More generally, they could be a component of a process by which unions acquired tools for more direct influence on the economy itself.

---

<sup>28</sup> See Randy Barber, “Random Notes for *Real Utopias Conference*: let a thousand constructs bloom: June 2004, available at: [http://www.havenscenter.org/real\\_utopias/2004documents/Barber%20paper.pdf](http://www.havenscenter.org/real_utopias/2004documents/Barber%20paper.pdf).

<sup>29</sup> Venture capital refers primarily to investments in new, start-up companies. Private capital investments refer to investments in established firms that do not issue public stocks. These are usually small or medium sized firms, often closely held family firms.

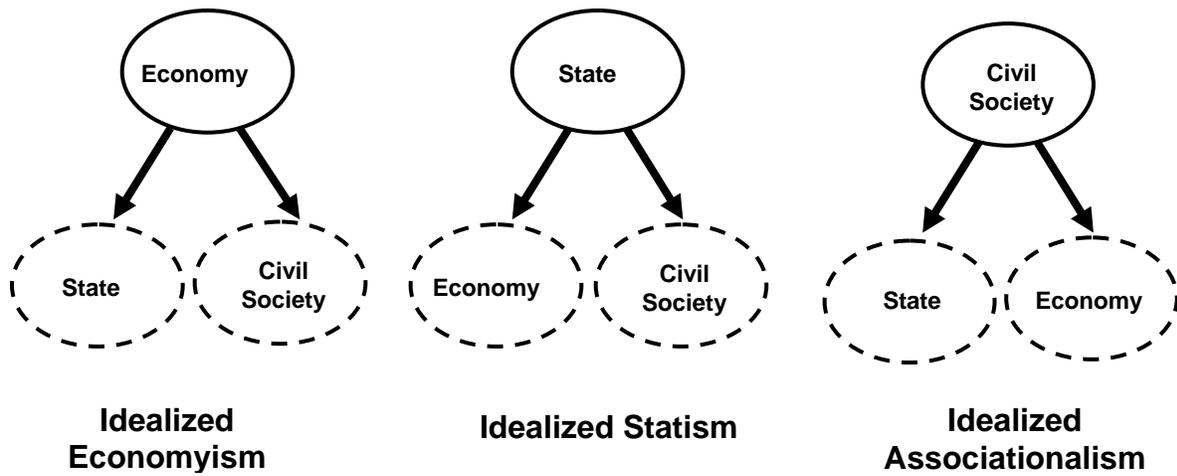
## Conclusion

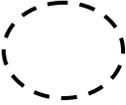
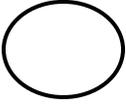
Thinking about socialism as a macro-configuration of power relations between the state, economy and civil society, rather than as a specific kind of economic structure, facilitates thinking of “nonreformist reforms” that move us in the direction of socialism without knowing where we will end up.<sup>30</sup> Of course, it is one thing to sketch institutional changes that both embody emancipatory ideals and contribute to the shift in power relations, and another to figure out the strategies for building the coalitions of forces needed to actually implement such changes. Classical Marxism held that history, in significant ways, would solve this problem: if the dynamic trajectory of capitalism meant that it became more and more crisis ridden and difficult to reproduce, and if the underlying class structure became progressively more polarized as well, then the task of mobilizing collective forces to challenge capitalism would become fundamentally easier over time. Once these assumptions are dropped, then it becomes much less clear that it is really possible to form a stable anticapitalist coalition with any prospects for real power.

It may, however, be possible to form coalitions for empowering civil society without envisioning the wholesale metamorphosis of capitalism. A wide range of social interests would be advanced by reducing the power of the economy to penetrate civil society and the state, and increasing the power of civil society with respect to the economy and the state. And the likelihood of such coalitions is enhanced if we have convincing models of nonreformist reforms that shift these power relations and solve practical problems at the same time.

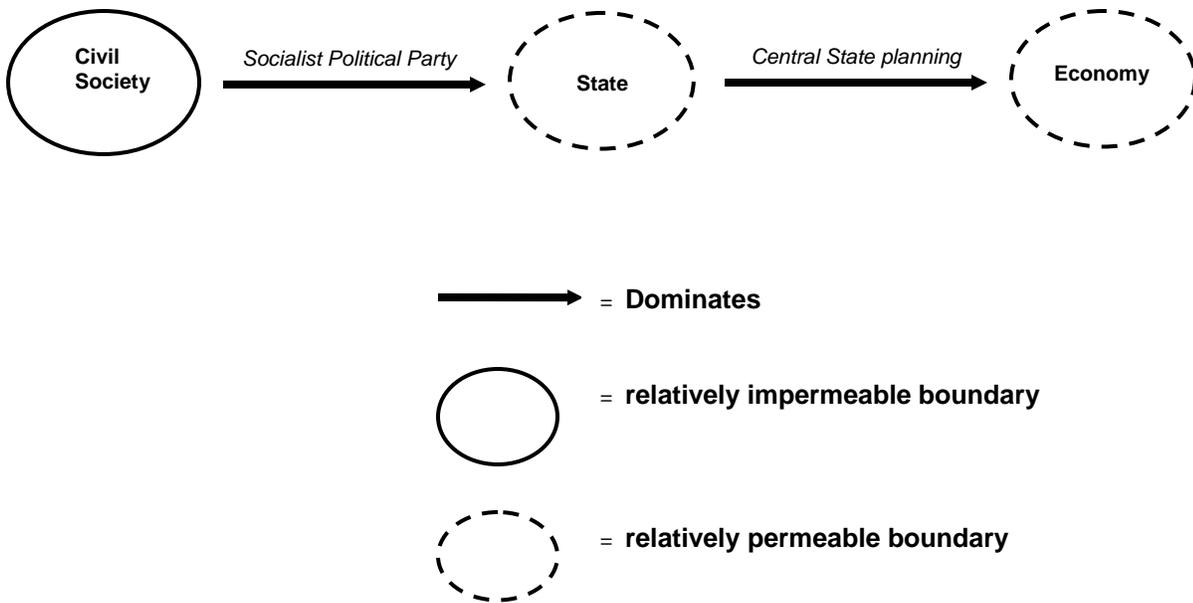
---

<sup>30</sup> The expression “nonreformist reforms” was introduced in the 1970s to describe institutional changes that could be implemented in the existing world and which had the potential of opening up greater space for further reforms in the future. Ordinary social reforms have the effect of stabilizing a social system in ways that reduce the scope for further change; nonreformist reforms may also stabilize social systems by solving certain problems, but they expand the limits of possibility for the future.

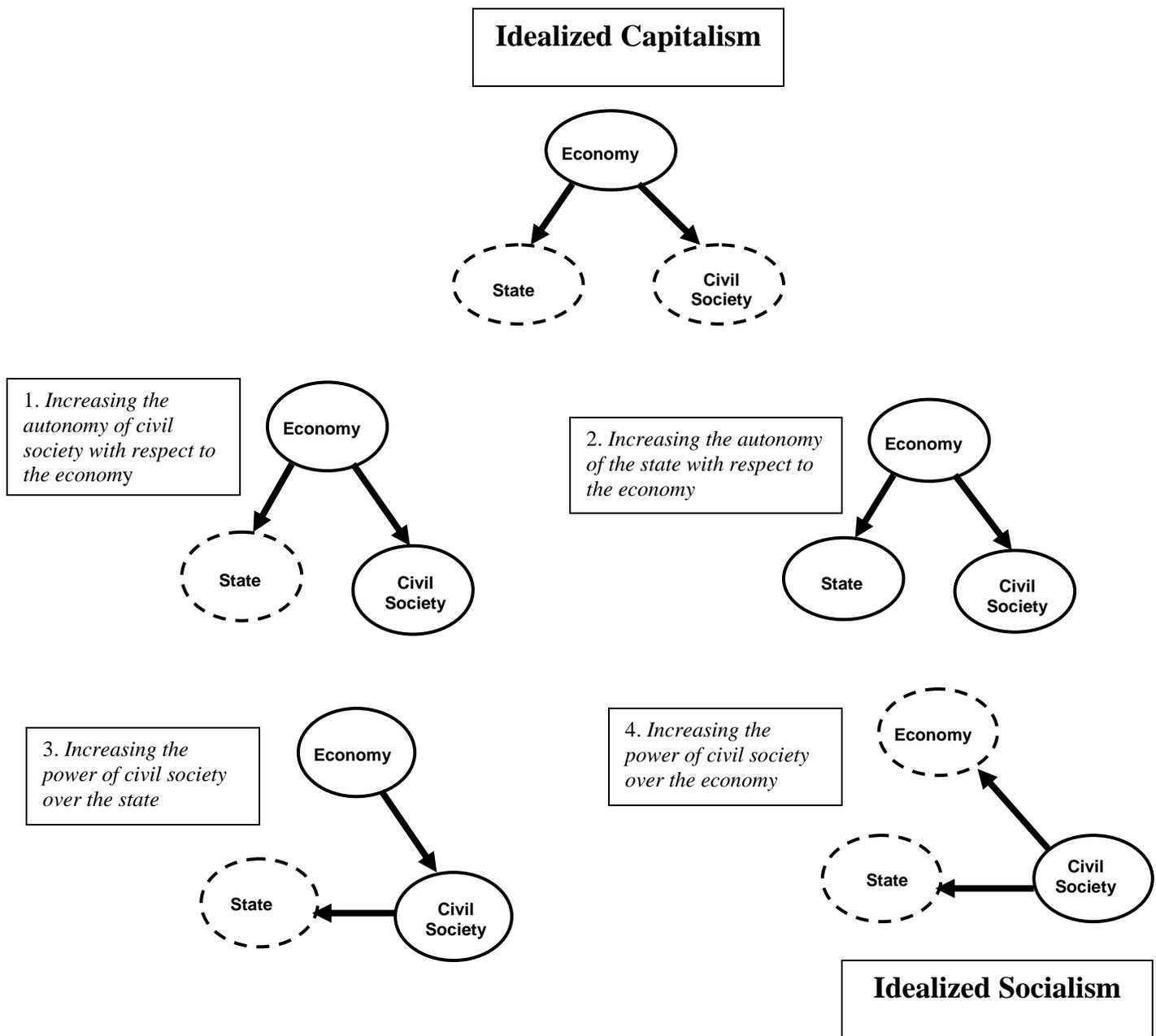


 *Dominates:* relative power over the use and allocation of human and material resources  
 Relatively permeable boundary: power from other spheres has significant impact on exercise of power within the sphere  
 Relatively impermeable boundary: power within the sphere is not heavily influenced by power from other spheres

**Figure 1. Three macro-configurations of power relations**



**Figure 2. Model of Statist Socialism**



**Figure 3. The Complex Logics of Transformation for Social-izing Capitalism**