

If these arguments are correct, then a meaningful, sustainable deepening of democracy within capitalism is just not possible. Empowered participatory governance may be a reasonable design for citizen participation in direct democracy, but within capitalism this will be confined to marginal niches. A robustly egalitarian system of representative democracy in which the people control the process of representation more profoundly may enhance the democratic quality of that representation, but again, within capitalism such devices would have little effect on the extent to which the state could actually empower civil society over capital. And while associational democracy may be an important ingredient in a radical democracy, within a capitalist economy the asymmetries of power across associations means that associational democracy will always engage in problem solving on terms favorable to capitalism.

These are important criticisms of the possibilities of social empowerment and the state within capitalism. They depend centrally on the idea that societies are coherent, integrated systems in which the parts must fit together fairly well in order for the system to function tolerably. The alternative perspective is that societies are loosely coupled systems rather than tightly integrated totalities. They are more like an *ecology* than an *organism*: quite hostile elements can coexist in shifting uneven equilibria without the system exploding. We have already encountered this idea in the notion of hybrid economic structures in which capitalist, statist, and socialist economic structures coexist in complex ways. The same kind of argument concerns forms of the state. This means that although it does make sense to elaborate the theoretical concept of a capitalist-type of state, actual state institutions can combine capitalist and non-capitalist forms. The state can contain internally contradictory elements pushing it to act in contradictory ways. States, like economic structures, are structural hybrids. So, while it is indeed the case that the state in capitalist society is a capitalist state, it is not *merely* a capitalist state: it is a hybrid structure within which capitalist forms are dominant.

This leaves open the question of how contradictory these elements within the state might become without the state becoming a chaotic institution incapable of reproducing existing class relations. There are undoubtedly limits. The nature of those limits and their implications for emancipatory transformation will be a central concern in Part III of this book.

REAL UTOPIAS II: SOCIAL EMPOWERMENT AND THE ECONOMY

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 and comprehensive central planning. In the social empowerment conception of socialism proposed here, the problem of controlling economic processes is less clear-cut. There are multiple, heterogeneous institutional forms along the various pathways through which social power can be exercised over the production and distribution of goods and services.

In most 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 tend to 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 revolves 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 is organized through some mechanism of collective planning.

Few theorists today hold on to the belief that a complex, large-scale economy could be viable without some role for

markets—understood as a system of decentralized, voluntary exchanges involving prices that are responsive to supply and demand—in economic coordination.¹ This does not imply that an economy must be coordinated by largely unregulated “free” markets, or even that the vast majority of economic needs will be met through market exchanges, but simply that decentralized exchanges involving market-generated prices will play a significant role in economic organization. To most contemporary critics of capitalism, 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 markets should operate under tight or weak constraints in relation to democratic priorities established 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 by enhancing the scope and penetration of social power in economic activities. This set of proposals does not constitute a complete inventory of policy initiatives for the left. Many worthy progressive policies which would enhance the quality of life of people and contribute to solving a range of concrete problems around healthcare, inequality, poverty, energy, environmental protection, and so on, are not specifically *policies of social empowerment*. Egalitarian taxation and transfer policies that reduce inequality might further egalitarian ideals of justice, but they do not themselves shift the economic structure towards a hybrid within which social power has greater weight. Increased government environmental regulation and vigorous energy policies to develop renewable energies would be desirable and should be part of a left political program, but again, they might not do much directly to strengthen the institutions of economic democracy.

Our concern in this chapter, then, is to explore a variety of

1 There are some anti-capitalists who believe that a decentralized, democratically planned economy in which there is no role at all for markets is feasible. One of the more influential statements of this position is offered by Michael Albert, who argues in his book *Parecon* (a contraction of “participatory economy”) (London: Verso, 2003) that even a complex global economy can be organized and coordinated through participatory planning rooted in producer and consumer councils. See the discussion at the end of this chapter for a sketch of this proposal.

institutional designs and proposals that could constitute some of the key components of a socialism of social empowerment. 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. Some of them could be instituted in limited and partial ways and then grow over time; others have more of an all-or-nothing quality and would only work if instituted in fairly developed forms. All of these designs in one way or another attempt to shift the power configurations of capitalism towards an economy animated by social empowerment.

THE 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 cooperative enterprises even if they produce for markets and compete with capitalist firms. Sometimes the social economy is defined in strictly negative terms as including non-state and non-market enterprises. Some writers, like the Quebec social economy activist Nancy Neamtan, 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.²

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 is power 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

2 Nancy Neamtan, “The Social Economy: Finding a Way Between the Market and the State,” *Policy Options*, July–August 2005, pp. 71–6.

distribution of goods and services—economic activity—organized directly through the use of such social power.

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 voluntary associations formed in civil society. Others have large endowments of capital which provide them with the resources needed to engage in their productive activities, and are directed in the manner of a hierarchical corporation. Their control over economic activity is therefore based more on their use of economic power derived from 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.³

In this section we will examine two very different examples of social economy activity: Wikipedia, and the social economy of childcare and eldercare provision in the province of Quebec.

*Wikipedia*⁴

Institutional design

Wikipedia is perhaps the best-known example of the anti-capitalist potential of information technology in general and of the internet in particular.⁵ Many active participants in Wikipedia might be

3 The argument that many organizations engaged in the production of goods and services “in” civil society have a hybrid character is analogous to the claim in chapter 4 that economic structures as a whole typically have a hybrid character, combining capitalist, statist, and socialist elements.

4 This section is jointly written with Edo Navot and based in part on an unpublished paper, “Wikipedia as a Real Utopia,” presented at the 2008 Wikimania conference, Alexandria, Egypt.

5 The other well-known example would be open-source software development, most notably the Linux computer operating system begun by the Finnish computer programmer Linus Torvalds in 1991. As “open-source” software, the source code for the program was made freely available to anyone interested in working on improving the system. Over the years thousands of

surprised to see it as characterized as a fundamentally anti-capitalist organization. Indeed, the co-founder of Wikipedia, Jimmy Wales,⁶ is reported to be a great fan of Ayn Rand, the iconic defender of the moral standing of pure individualistic self-interest and the virtues of capitalism.⁷ What is more, at least some prominent commentators on Wikipedia see it as a paradigm of work organization for the new global capitalist economy. Don Tapscott and Anthony Williams, in their book *Wikinomics*, see the principles underlying Wikipedia, which they distill under the rubric “mass collaboration,” as providing the key to new forms of business competitiveness. “For large companies,” they write, “mass collaboration provide(s) myriad ways to harness external knowledge, resources and talent for greater competitiveness and growth.”⁸ The trick for capitalism is to harness these new, open, non-hierarchical, collaborative network processes in ways that enhance competitiveness and profitability.

Yet, Wikipedia’s fundamental principles of organization are not simply *non-capitalist*; they are thoroughly *anti-capitalist*:

1. *Non-market relations: voluntary, unpaid contributions and free access.* No one is paid to write entries in Wikipedia and even much technical work on its software infrastructure is done on a volunteer basis. No one is charged to gain access to its millions of entries: it is free to anyone in the world who can get access to an internet connection. There are no advertisements on the pages of Wikipedia. No one makes a profit directly from its activities.

programmers around the world have worked on developing Linux, suggesting new features, adding code, identifying and correcting bugs.

6 There is some controversy among close followers of the history of Wikipedia over the precise contributions of Jimmy Wales and his early collaborator, Larry Sanger, to the idea and design of the project, but regardless of whose ideas played the bigger role in shaping the endeavor, Jimmy Wales is deeply associated with its founding and development. For a discussion of these issues see Marshall Poe, “The Hive,” *The Atlantic Monthly*, September 2006.

7 See “The Free-Knowledge Fundamentalist,” *The Economist*, June 5, 2008, for a discussion of Wales’s attachment to Ayn Rand. While this article does not discuss in a deep way the underlying basis for Wales’s views of Ayn Rand, I suspect that they have more to do with a libertarian/anarchist hostility to centralized state regulation than they do to beliefs about capitalism as such.

8 Don Tapscott and Anthony D. Williams, *Wikinomics: How Mass Collaboration Changes Everything* (New York: Penguin, 2006), p. 33. It is possible, of course, for the design of Wikipedia to be fundamentally anti-capitalist and yet for certain principles of non-hierarchical collaboration within that design to be useful for capitalist firms as well.

The financial resources needed to underwrite the hardware of the system and pay the limited staff required for some technical functions is provided by the Wikimedia Foundation, which is largely funded by contributions from the wiki community.⁹

2. *Full, open, egalitarian participation.* Wikipedia gives full editing rights to anyone who wishes to join in the production and modification of content. Anyone can be an editor and no editors have special privileges over others in the production of content. A PhD and a well-read high school student are on formally equal footing. The editorial process thus functions in a dramatically different way to conventional editorial processes that rely heavily on experts with professional credentials. While it is impossible from the available Wikipedia statistics to know how many different people have contributed to the editing process, in December 2008 there were 157,360 “active accounts,” meaning accounts which had done at least one edit in the previous month.

3. *Direct and deliberative interactions among contributors.* Wikipedia contributions and decisions are generally made directly by editors in a deliberative process with other editors without mediation by any body that has editorial or managerial control. Wikipedia articles tend to display a certain life cycle, beginning as a “stub” (the wiki-term for a minimalist entry that has not yet “matured” into the normal structure of a Wikipedia article), then expanding into a proper article with an increasing rate of edits which eventually converge on some equilibrium. The “final” result is an article that either remains largely static and “complete” or undergoes only minor editing. This process is often accompanied by considerable back and forth discussion among editors, which is recorded in a discussion page linked to a given entry. It is thus possible to review the entire history of the editing process for each Wikipedia entry. The mass collaborative effort of article authorship is a slow process of *consensus formation*. On average, entries in the English Wikipedia have nearly 90 saved revisions per article.¹⁰

9 The foundation was initially established with resources from Jimmy Wales who was a successful investment banker before starting Wikipedia. Subsequently the foundation has relied mainly on contributions from individuals who use Wikipedia.

10 http://en.wikipedia.org/wiki/History_of_Wikipedia (for all references to Wikipedia web pages, content accurate as of mid 2008).

4. *Democratic governance and adjudication.* At its inception, all Wikipedians were essentially editorial administrators (called “sysops”) but as vandalism and other mischief intensified with the growing notoriety of the encyclopedia, a kind of quasi-administrative structure was instituted which enabled users to acquire different levels of organizational responsibility and roles in adjudicating conflicts. This is one of the most interesting aspects of the development of Wikipedia as a real utopian institutional design: the emergence and evolution of mechanisms of social control and adjudication suitable for such a freewheeling network structure.

There are currently four basic administrative levels of users: editors, administrators, bureaucrats, and stewards. As of mid 2008 there were about 1,600 administrators, 31 bureaucrats and 36 stewards. The administrative privileges associated with these designations, however, remain focused on facilitating “cleaning” the encyclopedia; they do not confer privileges in the production of Wikipedia content. Here is how Wikipedia describes *administrators*, the basic level of this administrative structure above ordinary editors: “Administrators, commonly known as *admins* and also called *sysops* (system operators), are Wikipedia editors who have access to technical features that help with maintenance.” As described in the Wikipedia website that discusses administrative procedures:

English Wikipedia practice is to grant administrator status to anyone who has been an active and regular Wikipedia contributor for at least a few months, is familiar with and respects Wikipedia policy, and who has gained the trust of the community, as demonstrated through the Requests for adminship process. Among other technical abilities, administrators can protect and delete pages, block other editors, and undo these actions as well. These privileges are granted indefinitely, and are only removed upon request or under circumstances involving high-level intervention (see administrator abuse below). Administrators undertake additional responsibilities on a voluntary basis, and are not employees of the Wikimedia Foundation.¹¹

Access to these administrative roles is gained through democratic means. The process, as described on the page in Wikipedia discussing “Requests for Adminship,” stresses the open, consensus-seeking character of the process:

Any user may nominate another user with an account. Self-nominations are permitted. If you are unsure about nominating yourself for adminship, you may wish to consult *admin coaching*

11 <http://en.wikipedia.org/wiki/Wikipedia:Administrators>.

first, so as to get an idea of what the community might think of your request. Also, you might explore adoption by a more experienced user to gain experience. Nominations remain posted for seven days from the time the nomination is posted on this page, during which time users give their opinions, ask questions, and make comments. This discussion process is not a vote (it is sometimes referred to as a *lvote* using the computer science negation symbol). At the end of that period, a *bureaucrat* will review the discussion to see whether there is a consensus for promotion. This is sometimes difficult to ascertain, and is not a numerical measurement, but as a general descriptive rule of thumb most of those above ~80% approval pass, most of those below ~70% fail, and the area between is subject to bureaucratic discretion. . . . Any Wikipedian with an account is welcome to comment in the Support, Oppose, and Neutral sections. The candidate may respond to the comments of others. Certain comments may be discounted if there are suspicions of fraud; these may be the contributions of very new editors, sockpuppets, and meatpuppets.¹² Please explain your opinion by including a short explanation of your reasoning. Your input will carry more weight if it is accompanied by supporting evidence.¹³

Selection procedures to other levels of the hierarchy have somewhat different rules, but they all involve open democratic processes.¹⁴

One of the key roles for these different levels of administrators is resolving conflicts. There are, of course, topics in which there is considerable disagreement among editors over content. Sometimes this makes it difficult for an entry to converge on a consensus text. There are also instances of malicious vandalism of Wikipedia entries. Wikipedia urges the resolution of disagreement between editors on the basis of open communication and users have written numerous guides and essays offering instruction and advice to this end.¹⁵ Most evidence indicates that warring between

12 As explained on Wikipedia, *sockpuppet* is a wiki expression referring to “an online identity used for purposes of deception within an Internet community,” while *meatpuppet* is “commonly used to deprecate contributions from a new community member if the new member was (allegedly) recruited by an existing member only to back up the recruiting member’s position.”

13 <http://en.wikipedia.org/wiki/Wikipedia:RFA>.

14 One cautionary note about this description: Edo Novat presented the analysis presented here as a paper, “Wikipedia as a Real Utopia,” at the 2008 Wikimania conference. Afterwards in discussions with long-time participants in Wikipedia, some people expressed skepticism that the actual processes by which people gained access to levels of the hierarchy were as straightforward as the procedures described in Wikipedia.

15 The “See Also” links at the bottom of the “dispute resolution process” page in Wikipedia gives several sources, though there are many more.

editors is rare, relative to the total number of editors and the vast amount of content over which disagreement may arise. Yet, disputes do arise and when the editors fail to resolve the issues themselves, a neutral administrator may be called in to manage the conflict through negotiation, mediation, and arbitration—all processes that emphasize the empowerment of aggrieved parties, consensus, and mutually beneficial outcomes. If disputes remain unresolved, then a series of escalating interventions become available. A dispute may be referred to formal mediation and finally to arbitration. The Arbitration Committee, which was formed in early 2004, is the mechanism of last resort for dispute resolution and is the only body that can impose a decision, including sanctions, against users.¹⁶ The members of the Arbitration Committee are appointed by Jimmy Wales on the basis of advisory elections by the broader Wikipedia community. At this ultimate level of control, the Wikipedia process contains a residual, if nevertheless important, element of undemocratic power.¹⁷

Taken together these four characteristics of Wikipedia—non-market relations, egalitarian participation, deliberative interactions among contributors, democratic governance and adjudication—conform closely to the normative ideals of radical democratic egalitarianism. What is remarkable is that these principles have underwritten the collaboration of tens of thousands of people across the world in the *production* of a massive global resource. The statistics are stunning. According to the numbers provided by Wikipedia, by mid 2009 there were over 2.9 million English-language entries, and a total of almost 7 million in over 200 other language versions of Wikipedia. By 2007, the daily number of English articles accessed in Wikipedia surpassed 2 million. Whatever else may be the case, Wikipedia shows that productive non-market egalitarian collaboration on a very wide scale is possible.

16 See http://en.wikipedia.org/wiki/Wikipedia:Arbitration_Committee.

17 Jimmy Wales continues to hold “ultimate authority” within the Wikipedia organization. He appoints the members of the Arbitration Committee from a list of candidates voted on by the broader wiki community, and has reserved the right to impose new rules and policies in special circumstances, although he has thus far refrained from using this power. Wales has argued that retaining this power is a necessary protection against takeover of the project by the concerted efforts of mischievous or ill-intentioned users. As it stands, Wikipedia remains a largely democratic institution with unexercised autocratic authority.

Criticisms of Wikipedia

The most serious criticisms of Wikipedia center on the reliability of its entries. Three issues are in play here. First there is the simple problem of inaccuracy in entries written by amateurs, and the problem that the loudest voice—not necessarily the most reasoned and well-informed—may win out in debates. Even though a number of studies have shown that the error rate of Wikipedia entries compares favorably to more established sources, nevertheless many people remain skeptical. Second, there are instances marked by genuine, deep disagreements over particular topics. The general editorial policy of Wikipedia is for articles to be written with a “neutral point of view” (NPOV), but for some topics—like Israel and Palestine—this is virtually impossible. This creates significant problems for the Wikipedia model. One solution could be creating multiple entries reflecting different stances, but there is as yet no consensus among Wikipedians that this is the best way to resolve such problems. Third, there is the problem of deliberate distortion. Sometimes this is simply mischief, as when the entry for Aardvark was deleted and replaced with “A very ugly animal.” But sometimes deliberate distortions are introduced in an effort to shape a person’s or institution’s reputation by adding false information to an entry or deleting unflattering material. The Wikipedia page on controversies in the history of Wikipedia contains many examples. One of the best known instances, which occurred in 2006, is the congressional aides scandal, “in which several political aides are caught trying to influence the Wikipedia biographies of several politicians to remove undesirable information (including pejorative statements quoted, or broken campaign promises), add favorable information or ‘glowing’ tributes, or replace the article in part or whole by staff authored biographies.”¹⁸ Corporations have engaged in similar strategies, hiring people to write favorable entries and in other ways attempting to use Wikipedia entries as part of a marketing strategy to leverage legitimacy for their products. While many deliberate falsifications have been discovered, it is impossible to know how many go unnoticed, and this adds to the skepticism about the reliability of entries.

In response to these problems, a number of other internet encyclopedia projects have been launched. Two of these are particularly interesting: Larry Sanger’s Citizendium project and

18 http://en.wikipedia.org/wiki/History_of_Wikipedia.

Google’s rival to Wikipedia, Knol. The first of these retains many of the social economy aspects of Wikipedia, but tries to correct the problem of reliability by giving a more authoritative role to certified experts. The second rejects the social economy model altogether, and tries to enlist the profit motive into the development of the information compendium.

Citizendium was founded by the co-founder of Wikipedia, Larry Sanger, who left Wikipedia in 2002 after recurring conflicts with the editor community.¹⁹ He was disappointed by the often less-than-civilized contentiousness of the project and was convinced that Wikipedia’s rejection of privileged expertise and lack of discipline were weaknesses that undermined the credibility and accuracy of the encyclopedia. When Sanger left Wikipedia he started his own online encyclopedia, which he called Citizendium.

Citizendium remains a “beta” project and so may evolve, but it bills itself as “a ‘citizens’ compendium of everything’ . . . an open wiki project aimed at creating an enormous, free, and *reliable* encyclopedia.”²⁰ Citizendium hopes to achieve credibility by using “gentle expert oversight,” requiring contributors to use their real names, and creating a parallel hierarchy within its contributors and its articles. Anyone can create a Citizendium account and begin *authoring* articles but in order to become an *editor*, a person must first open an account then apply for editorship by submitting a CV as well as proof of expertise that verifies the claims of the CV, like links to online conference proceedings or an academic department home page. All applications for authorships as well as editorships must include verifiable personal information, especially your real name, a biography, and specification of areas of expertise. “Constables” review all applications:

19 There is some controversy over whether Sanger was actually a co-founder of Wikipedia, or simply a collaborative employee of Jimmy Wales. When they worked together they both referred to Sanger as a co-founder, but after 2004 Wales insisted that he alone founded Wikipedia. For a journalistic account of the history of Wikipedia, their collaboration and eventual falling out, see Poe, “The Hive.” There are many accounts of Sanger’s role in Nupedia (the forerunner to Wikipedia), and his subsequent departure from the project. For Sanger’s own narrative and critique see his article “The Early History of Nupedia and Wikipedia: A Memoir” posted on *Slashdot* on April 18, 2005, available at <http://features.slashdot.org>.

20 The “About” page of Citizendium (italics in original), <http://en.citizendium.org/wiki/CZ:About>.

Citizendium's "community managers" or "moderators," [who] oversee adherence to basic policies, resolve behavioral—not editorial—disputes, and rein in troublemakers. . . . They operate within a "separation of powers" and are held to a strict conflict of interest policy. All Citizendium constables hold at least a bachelor's degree and are at least 25 years old.²¹

Since the project is a wiki, anyone can create an article, edit it, etc. The privileges of editorship include all the responsibilities of authors and include the ability to officially "approve" articles, guide content creation by authors, and participate in governance.²² Citizendium distinguishes between articles that are works in progress, or "live," and those that have been "approved" by the community of editors within a certain specialty working group in what is essentially a peer-review process.²³ As of May 1, 2008, there were 61 approved articles and slightly fewer than 7,000 total articles as of January 1, 2008.²⁴

Sanger's hope for Citizendium is that it will synthesize the work of the general public, and exploit the fervor for participation in projects like Wikipedia, with the informed approval of accredited experts. In this institutional framework, experts supply discipline and inform the public's contributions. Thus Citizendium has a collegial institutional structure that is a sort of hybrid of the openness of Wikipedia with a paternal role for academic experts. It remains an exemplar of social economy production—production based on the mobilization of voluntary cooperation for the provision of needs—even though it adopts a less strictly egalitarian model in the process of production itself.

Knol is Google's attempt to compete directly with Wikipedia. In the summer of 2008, Knol was officially launched as an active site. Knol is Google's short-hand for knowledge, as well as the word they use to signify a "unit of knowledge," or a single web page on a given topic. Google intends to provide free, easy-to-use software that will let authors produce articles, or knols, on a topic in which they have some expertise. Anybody will be

21 Citizendium's explanation page of its "Constabulary": <http://en.citizendium.org/wiki/CZ:Constabulary>.

22 For more details about the roles of editors, see http://en.citizendium.org/wiki/CZ:The_Editor_Role.

23 For more on the approval process, see http://en.citizendium.org/wiki/CZ:Approval_Process.

24 <http://en.citizendium.org/wiki/CZ:Statistics>.

able to produce an article and Google will host it for free (much like Google's blogging software). Udi Manber, a Google VP of Engineering who first announced the intention to launch Knol, writes that "Knols will include strong community tools. People will be able to submit comments, questions, edits, additional content, and so on. Anyone will be able to rate a knol or write a review of it. Knols will also include references and links to additional information." However, editing is the sole responsibility of the author. Finally, at an author's discretion, Google will place advertisements relevant to each knol and "Google will provide the author with substantial revenue share from the proceeds of those ads." The purpose of these articles is "to be the first thing someone who searches for this topic for the first time will want to read. The goal is for knols to cover all topics, from scientific concepts, to medical information, from geographical and historical, to entertainment, from product information, to how-to-fix-it instructions."²⁵

Google expects people to write competing knols on the same subject and welcomes that competition. The purpose is to create a competitive marketplace of knowledge in the general mold of Google's brand of velvet-glove capitalism. Google hopes to siphon off the enthusiasm with which people contribute to Wikipedia by offering them remuneration, while undermining Wikipedia's ranking prominence in Google searches. Google's strategy for signaling the legitimacy of knols is to prominently showcase authors and their credentials. Thus the system will favor knols created by accredited experts.

It is unclear whether or not either of these alternatives to Wikipedia will constitute serious rivals. It is also unclear, of course, how Wikipedia will develop into the future, both in response to projects like Citizendium and Knol, and in response to its own internal dynamics. Will the level of energetic participation that has occurred in the first years of Wikipedia be sustained into the future? What will the process look like after twenty years? Will the kind of broad-based editorial diligence, commitment, and enthusiasm that has been crucial both to the rapid expansion of the number of entries and to the relatively effective monitoring of quality be indefinitely sustainable on a voluntary basis?

25 Udi Manber, "Encouraging people to contribute knowledge," *The Official Google Blog*, posted 12/31/2007, <http://googleblog.blogspot.com/2007/12/encouraging-people-to-contribute.html>.

The Quebec social economy

One of the most vibrant examples of an emerging social economy is to be found in the Canadian province of Quebec.²⁶ While Quebec has a long history of cooperatives in various sectors, and other 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. The pivotal event, noted in chapter 6, was a "Summit on Employment and the Economy" convened by the provincial government in 1996 to deal with long-term problems of unemployment and economic development in Quebec. 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 office within

26 This discussion draws from personal discussions with Marguerite Mendell, a Montreal economist who studies the social economy, and Nancy Neamtan, director of the *Chantier de l'économie sociale*, and from the following works: Marguerite Mendell, Benoit Levesque, and Ralph Rouzier, "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 "The Social Economy in Québec: Discourses and Strategies," in Abigail Bakan and Eleanor MacDonald (eds), *Critical Political Studies: Debates From the Left* (Kingston: Queen's University Press, 2002), pp. 319-43; Neamtan, "The Social Economy"; Nancy Neamtan and Rupert Downing, "Social Economy and Community Economic Development in Canada: Next Steps for Public Policy," *Chantier de l'économie sociale* issues paper, September 19, 2005; Marguerite Mendell, "L'empowerment au Canada et au Québec: enjeux et opportunités," in *Economie, géographie et société* 8: 1 (janvier-mars 2006), pp. 63-86; Marguerite Mendell, J-L. Laville, and B. Levesque, "The Social Economy: Diverse Approaches and Practices in Europe and Canada," in A. Noya and E. Clarence (eds), *The Social Economy: Building Inclusive Economies* (France: OECD Publications, 2007), pp. 155-87.

the provincial government; and the consolidation of an umbrella organization in civil society, the *Chantier de l'économie sociale*, to coordinate strategies for enlarging and deepening the role of the social economy.²⁷ 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. Such services can be organized in four basic ways. First, they can be organized within personal networks of family, kinship, and friends. This is certainly the most common way that childcare is traditionally provided, motivated by private concerns and regulated primarily by moral norms of care and concern for the well-being of others. Second, childcare 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: people have the right to set up businesses to provide services, and parents have the right to sign contracts for these services. This is the primary way in which non-family childcare services are provided in the United States. Third, the state can directly provide childcare services, as in France. The motivations for provision involve some conception of the common good, and the norms regulating the provision generally include 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 for caregiving. This is the Quebec solution. These four possibilities are mapped in Figure 7.1.

In Quebec, the provincial government guarantees universal

27 An earlier organization, the *Conseil de la coopération du Québec* (recently renamed the *Conseil québécois de la Coopération et de la Mutualité*), played an important role in one aspect of the social economy, the cooperative movement, since the 1940s. The *Chantier* differs from the *Conseil* in trying to represent the full gambit of social economy organizations and activities—collective enterprises, non-profit organizations, and cooperatives—and in its governance structure which includes old and new social movements. The *Conseil* continues to exist alongside the *Chantier*, and at times there have been tensions between these two organizations.

FIGURE 7.1 *Four Ways of Providing Childcare*

		Central Norms Regulating Provisions of Childcare	
		Rights	Caring
Primary Interests Motivating Provision of Childcare	Collective	State-provided childcare	Social economy childcare
	Private	Capitalist market childcare	Family childcare

childcare at a charge (in 2008) of seven Canadian dollars per day, but it does not directly run daycare centers. Rather, it provides subsidies to non-profit daycare centers run jointly by daycare workers and parent volunteers so that the combination of the parent charges and the state subsidies provides a solid living wage for the childcare providers. By 2008 there were over 40,000 childcare workers in this subsidized social economy sector.²⁸ As originally designed, the rules governing the subsidies made them available only to childcare service providers organized as non-profit associations or worker cooperatives, thus blocking the entry of capitalist firms into this market. Capitalist childcare services were not prohibited from operating in Quebec, but they did not receive the social economy subsidy that underwrites the financial viability of the co-ops. Needless to say, for-profit daycare providers strenuously objected to this policy, saying that it created “unfair competition.” More recently, under the initiative of a more conservative government with a more neoliberal ideology, private firms have been allowed to receive the subsidy as well, although the sector is still overwhelmingly dominated by non-profit associations.

The second example is that of non-medical homecare services for the elderly. This innovation was launched in 1997 based on a proposal by the *Chantier de l'économie sociale* in its action

28 Personal communication from Nancy Neamtan.

plan at the summit in October 1996. 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 aging 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 ongoing practical support that makes it possible for the elderly to stay in their own homes. This would include things like house-cleaning, meal preparation, shopping assistance, and odd jobs. Such services are beginning to be provided on a fairly wide scale in Quebec through the social economy. As described by Nancy Neamtan, the director of the *Chantier*, ten years after this initiative was launched, the network of non-profit and cooperative homecare businesses across Quebec

employs almost 8,000 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.²⁹

The clients pay a sliding scale of \$4–18 (Canadian dollars) per hour depending on household income for the service. The provincial government provides subsidies to bring the wages of service providers to a level slightly above the legal minimum wage.³⁰

These eldercare home services providers are organized as various types of cooperatives and non-profit organizations. Nancy Neamtan reports that the ideal model for this sector is what has come to be known as a “solidarity cooperative.”³¹ This is a kind of hybrid model between a pure producer-owned cooperative,

29 Neamtan, “The Social Economy,” p. 74.

30 The homecare services sector of the social economy has received much lower subsidies than the childcare sector, and thus wages (as of 2009) are much lower for service providers.

31 Personal interview.

in which the ownership and control of the firm is entirely in the hands of the service providers, and a non-profit organization, in which the ownership and control of the firm is in the hands of a community non-profit association. In a solidarity cooperative the board of directors includes representatives of all of the key stakeholders in the activities of the cooperative: the workers, the users of the service, and the broader community. The community involvement helps root the cooperative territorially; the user involvement enhances its responsiveness to the needs of the elderly; and the worker involvement ensures that the direct providers of the service have significant control over their conditions of work. The solidarity cooperative model more fully embodies the principle of social empowerment than the simpler cooperative model or community non-profit model of social economy provision.

The development and vitality of both of these examples of social economy care-giving services—childcare services and homecare services for the elderly—depend significantly on the existence of the *Chantier de l'économie social*, the association responsible for coordinating and promoting the social economy in Quebec.³² The *Chantier* characterizes itself as a “network of networks,” a forum in which all of the elements of the social economy can meet, discuss problems, formulate new initiatives, and generate synergies. It includes a wide range of categories of members: networks of social economy enterprises including such things as daycare and housing cooperatives; regional associations in the social economy; community development centers; technical resource centers that support social economy activities; social movements including labor unions, the environmental movement, the women’s movement, and various kinds of community movements. Recently a network of First Nations has been added to the *Chantier*. Each of these categories of membership elects people to sit on the board of directors of the *Chantier*. Various categories of non-voting members also have seats on the board. The board is responsible for strategic decisions and new initiatives, especially those involving financial instruments created by and under the control of the *Chantier*. The *Chantier* constitutes the pivotal associational mechanism through which the diverse activities in the Quebec social economy contribute to a collective process of social empowerment.

³² The following description of the *Chantier* comes from personal discussions with Nancy Neamtan.

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 homecare 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. Healthcare services are another arena where social economy organizations play an important, if usually secondary, role in the form of healthcare cooperatives and community clinics of various sorts. 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.³³

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.* There are a number of difficult issues bound up with alternative mechanisms for providing financial resources for social economy activities and enterprises. One source of funding is private donations from individuals and private foundations. Many NGOs receive their funding from these sources, and sometimes this works well. Wikipedia was initially bankrolled by a combination of funds from private foundations and the personal wealth of Jimmy Wales, and has subsequently been substantially funded by contributions from participants. But for many social economy initiatives, such private funding will be inadequate for two reasons. First, for many projects, private donations and foundations are unlikely to provide adequate levels of funding. It is hard to imagine the Quebec social economy of

³³ These examples from the US indicate, of course, that social economy initiatives may not always be progressive. School vouchers in particular are often a strategy for de-funding public education rather than advancing a general process of radical democratic egalitarian social empowerment, and charter schools are often a strategy for getting around teacher unions.

childcare and eldercare services reaching the scale it has on the basis of private donations. Secondly, private foundations typically have their own agendas derived from the priorities of their founders and boards of directors. Sometimes these can be quite progressive, rooted in democratic egalitarian ideals, but more often wealthy foundations have close ties to elites and corporations and their priorities are firmly rooted in existing structures of power and inequality. For social economy initiatives to be dependent on such foundations for financial resources, therefore, almost inevitably constrains their radical potential.

Of course, it is also true that the dependence of the social economy on the state for financial resources imposes constraints. Capitalist states are also deeply connected to elites and corporations and their priorities are also firmly rooted in existing structures of power and inequality. But at least the state is a terrain for democratic struggle and contestation, and this can increase the prospects of acquiring stable funding which allow for relatively high levels of autonomy.

In any case, for better or worse, private funding is unlikely to be sufficient for a vibrant, dynamic social economy and thus it is important for the state to underwrite social economy enterprises and activities through subsidies of various sorts. 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. As noted above, this objection was raised in Quebec against the targeted subsidies to non-profit organizations and cooperatives which facilitated the rapid growth of social economy eldercare home services and childcare services. The appropriate response to this is to point out that state subsidy is a way of recognizing the positive social externalities that come from the cooperative, non-profit 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.³⁴ The capitalist logic of meeting needs is that it is only worth doing when you can make a profit from it: I help you because it's good for me. The social economy logic of meeting

34 For a discussion of the tension between care-giving and the market, see Nancy Folbre, *The Invisible Heart: Economics and Family Values* (New York: The New Press, 2001).

needs is other-directed: I help you because it is good for you.³⁵ The widespread existence of cooperative needs-oriented production of such services contributes positively to supporting a sociocultural context that affirms these values. If this is indeed a positive social and 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. To the extent that the social economy manages to gain such funds, its capacity for autonomous growth would increase. In Quebec in a limited way, the *Chantier* has helped develop and coordinate venture capitalist funds for social economy enterprises. 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. *Governance through associational democracy.* At the dynamic center of the development of the Quebec social economy is the *Chantier de l'économie sociale*—the kind of encompassing association that enables the heterogeneous set of projects and organizations in the social economy to coalesce into an enhanced form of social empowerment. This is a difficult task because of the conflicting interests and identities that mark civil society. Quebec, in many ways, was a highly favorable social environment for the development of this kind of associational solution, for prior to the creation of the *Chantier* there were already in place various networks of social movements, cooperatives, and civic associations. The status of Quebec as a French-speaking province

35 This formulation of the contrast comes from G. A. Cohen's essay, "Back to Socialist Basics," *New Left Review* 207, September–October 1994. See also the discussion in chapter 3 above on the way commodification threatens certain important broadly held values.

in an English-speaking country also contributed to a strong sense of solidarity that facilitated the elaboration of thick associational solutions to coordination problems. These factors help to explain why the social economy has developed the way it has in Quebec.

In places where civil society is less associationally rich and the social bases of solidarity are weaker, building such encompassing associations poses a greater challenge. The key task of institutional design is to foster associations that are deeply connected to social economy activities within civil society and create a coordinating body that democratically represents key networks of these associations.

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 are enhanced and a broad notion of the collective good is practiced. This is one of the main reasons why cooperatives play such a central role in social economy activities: cooperatives affirm the emancipatory values of egalitarianism. More generally, a social economy organized along participatory democratic forms of governance at both the micro- and macro-levels of organization is likely to contribute more consistently to the wider agenda of social empowerment.

Potential problems

The social economy has clearly demonstrated that it can occupy a niche within capitalist economies, especially when specific sectors of social economy activity are subsidized by the state, as in Quebec. But can it expand in ways that would significantly encroach upon capitalism itself? Two central problems face such an expansion as a pathway to increasing social empowerment: the problem of involvement in the social economy of inegalitarian, exclusionary associations in civil society, and the problem of the potential distortion of the social economy by capitalist market relations.

Exclusionary associations

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 associationally organized economic activities that satisfy the general criteria for the social economy and yet have at best an ambiguous relation to the emancipatory project of social empowerment. Many of the proposals that go under the rubric "faith-based initiatives" consist of social economy activities for the provision of needs: the state provides religious groups with funding for various kinds of social services which were previously run directly by the state. Churches are civil society associations that in addition to providing religious services often also provide a wide range of needs-oriented services: educational services, summer and after-school programs for children, food pantries for the indigent, counseling services, and much more. In faith-based initiatives these services are funded through tax money, but organized by churches. Sometimes the subsidies do contribute to a broad process of social empowerment, organized in an egalitarian, participatory way, giving communities greater control over the provision of certain kinds of services, but they can also become a vehicle for advancing the sectarian religious agenda of the church.

School vouchers are another good example of the problem of potentially inegalitarian, exclusionary processes within the social economy.³⁶ In a fully developed school voucher system, all parents are given a voucher worth a certain amount of money which they then 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

³⁶ The existing publicly funded voucher programs in the US 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 who 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 to establish and normalize the principle in the hope of drastically expanding it in the future.

students and thrive; poor schools will either improve under pressure or disappear. The competition of the market will work its magic and schooling will improve. Insofar as the private schools are organized by voluntary associations in civil society—which is often the case—a voucher system for funding education can be viewed as a way of channeling resources into the social economy.

In the political and social context in the US of the early twenty-first century, while the small existing voucher programs may help a few poor children exit disastrous public 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 tax funds from public schools to privately run schools through the choices of parents. Since these proposals generally allow private schools to charge tuition fees on top of the voucher payments, this could ultimately become a state subsidy to high-priced private education. Also, since a majority of private schools are organized by religious associations, a voucher-based system organized through the social economy in the US would be supporting associations which often have extremely conservative social values. A fully developed voucher system to replace direct government-run schools with social economy schools organized by associations could easily end up supporting highly inegalitarian schools run on the basis of exclusionary, sectarian principles.

There is no automatic way that a growth of state transfers, incentives, and subsidies to underwrite the social economy can avoid these kinds of pernicious effects. It is crucial, then, that specific rules are instituted in the state support of social economy projects that ensure its universalistic, egalitarian, and democratic character. This is one of the critical functions played by the *Chantier* in Quebec: it is explicitly committed to democratic, universalistic, and egalitarian values, and this systematically affects the way it coordinates the elaboration of the Quebec social economy. In terms of schools, Sam Bowles and Herb Gintis—in their book in the Real Utopias Project, *Recasting Egalitarianism*—propose rules for a radical egalitarian design for school vouchers that would mitigate their inegalitarian and exclusionary potential.³⁷ Their proposal would institute a 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

37 Samuel Bowles and Herb Gintis, *Recasting Egalitarianism* (London: Verso, 1999).

a subsidy for expensive private schools for the rich. They also propose a system in which vouchers would 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. A poor child's voucher, for example, will be worth more to a school with lots of middle-class students than to a school with mainly poor children. This creates incentives for schools to have a diverse student body. Finally, Bowles and Gintis propose a fairly strong licensing and monitoring procedure to ensure that schools receiving vouchers adopt certain broad curricular standards. The schools in such a system would retain a genuinely public character in the sense of maintaining 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.

Capitalism and the social economy

The second general problem faced by attempts to significantly expand and deepen the social economy concerns its articulation to capitalist markets. Two issues are especially important: the problem of competition with the capitalist economy, and the dependency of the social economy on capitalism for financial resources.

According to prevailing views, competition keeps individuals and firms on their toes, putting pressure on them to innovate and improve the quality and efficiency of what they do. Why should the social economy worry about competition from capitalist firms if in fact the social economy is a better way of providing certain kinds of services? Especially salient here are three issues that make it difficult for the social economy to enter sectors which are potentially profitable to capitalist firms. First, capitalist corporations are in a position to poach talented leadership from the social economy. Leaders in social economy enterprises often face challenging organizational tasks and develop highly valuable people skills. Where capitalist corporations can identify this talent, they are able to offer vastly higher salaries and drain off at least some of the most talented labor from the social economy. This may not pose a serious threat to some aspects of the social economy, such as childcare services, which are generally not especially profitable for capitalist firms, but it could constrain the advance of the social economy into new arenas. Second, capitalist firms can engage

in forms of competition which undermine the social economy. Capitalist firms have greater access to credit than non-profit social economy enterprises and are therefore generally more capitalized. They can offer more lavish, if also expensive, services and thus siphon off the more affluent potential consumers of social economy services, leaving the social economy to provide services for those least able to pay. Third, capitalist firms do not have to worry about generating positive social externalities of their market activities and thus they do not need to devote any resources to this objective, whereas such positive externalities are part of the core motivation for much social economy activity. This gives capitalist firms a competitive advantage over social economy enterprises within ordinary markets. Unless there are strong rules protecting the markets for social economy enterprises by providing financial subsidies to the social economy that reflect these positive externalities, capitalist competition will tend to erode their commitment to social economy principles.

Beyond the issue of direct competition with capitalist markets, the social economy is potentially distorted by its need to acquire financial input from capitalist sources. If social economy enterprises take out loans from banks, they then have to generate sufficient income to pay the interest and eventually pay back the principal. If they seek capital investment from individuals and associations, they then need to offer a reasonable "rate of return." Both loans and investments mean that social economy enterprises have to behave more like capitalist firms, making decisions on the basis of expected rates of profit. The alternative, of course, is to seek subsidies, rather than investments, in the form of donations from private individuals and foundations and grants from the state. Such grants potentially do offer greater autonomy for social economy firms, but they also depend upon the willingness of political authorities and (usually) wealthy individuals to make these grants and donations and this leaves the social economy vulnerable to shifts in the political balance of power and the spending priorities of elites.

What the social economy really needs, then, is some way for a significant part of its core funding to become unconditional and non-contingent. One institutional device for this would be an *unconditional basic income*.

UNCONDITIONAL BASIC INCOME

The basic mechanism

Though the idea of an unconditional basic income (UBI) has a long pedigree, it has only recently been revived, particularly in European discussions.³⁸ The proposal has appeared under a variety of names: universal basic income; demogrant; citizen dividend; negative income tax.³⁹ While the details may vary, the basic idea, as already described in chapter 1, is quite simple: Every legal resident of a country receives a monthly living stipend sufficient to live at a culturally defined respectable 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. Usually basic income is treated as a national policy in which taxes within a country are used to provide a basic income to all citizens or legal residents, but some discussions explore the desirability and feasibility of a global basic income, using some kind of global tax mechanism to provide all people on earth at least a minimal basic income.⁴⁰

38 Basic income was the central concern of volume V in the Real Utopia Project: Bruce Ackerman, Anne Alstott, and Philippe Van Parijs, *Redesigning Distribution: Basic Income and Stakeholder Grants as Cornerstones of an Egalitarian Capitalism* (London: Verso, 2006). For earlier discussions, see Robert Van der Veen and Philippe Van Parijs, "A Capitalist Road to Communism," *Theory and Society* 15: 5 (1986), pp. 635–55; David Purdy, "Citizenship, Basic Income and the State," *New Left Review* 208, November–December 1994, pp. 30–48; Philippe Van Parijs, "The Second Marriage of Justice and Efficiency," in Philippe Van Parijs (ed.), *Arguing for Basic Income* (London: Verso, 1992), pp. 215–34.

39 There are technical details which differentiate some of the proposals under these various rubrics, but basically they all envision a mechanism for giving everyone an income without conditions attached.

40 One proposal for a global basic income argues that the natural resources of the world should be treated as "owned" by all of humanity, and thus the economic rents that are derived from the private ownership of those resources should be taxed and treated as income for all people in the world. Because of the uneven spatial distribution of those resources, a global tax and redistribution of the rents would involve substantial global redistribution as well. For a discussion of this stance towards a globally redistributive basic income, see Hillel Steiner, "Three Just Taxes," in Van Parijs (ed.), *Arguing for Basic Income*.

The rationale

Universal basic income has several very attractive features from the point of view of radical egalitarianism.⁴¹ 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 also 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 (they are not themselves owners), but they are no longer separated from the means of subsistence (this is provided through the basic income grant). The decision to work for a wage, therefore, becomes much more voluntary. Capitalism between freely consenting adults is much less objectionable than capitalism between employers and workers who have little choice but to work for wages. By increasing workers' capacity to refuse employment, basic income generates a much more egalitarian distribution of real freedom than ordinary capitalism, and this directly contributes to reducing inequalities in access to the means to live a flourishing life.⁴²

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 and organizational innovations that eliminate unpleasant work. Technical change would therefore have not just a labor-saving bias, but a labor-humanizing bias.

41 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 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 Jon Elster, "Comment on Van der Veen and Van Parijs," *Theory and Society* 15: 5 (1986), pp. 709-21.

42 The call for "real freedom for all" is the central justification for basic income proposed by Philippe Van Parijs, *Real Freedom for All* (Oxford: Oxford University Press, 1997).

Third, universal basic income directly and massively eliminates poverty without creating the pathologies of means-tested anti-poverty 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.⁴³ 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 some of the inegalitarian consequences of the fact that such unpaid labor is characteristically 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.⁴⁴

Fifth, a secure, unconditional basic income would potentially increase the collective power of organized labor, not just the freedom of exit of individual workers, 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

43 In standard income transfer programs designed to reduce poverty, recipients receive a cash benefit if their income falls below some threshold. This means that they lose their benefit when their income rises above this level. They are thus likely to end up economically worse off if their earnings rise to just above the threshold. This disincentive to increase earnings is called a "poverty trap."

44 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.

the sustainability of 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 capitalists. If workers treated the basic income as an unconditional strike fund and used it to relentlessly raise wages, this would undermine the economic viability of the basic income itself by triggering disinvestment. However the increased working-class power underwritten by a basic income need not be used merely for short-term economic gain; as we will discuss in detail in chapter 11, it can also be used to forge what can be termed *positive class compromise*, which creates the conditions for a sustainable shift in the balance of class power.

Finally, and of particular importance in the present context, universal basic income can be viewed as a massive subsidy to the social economy and the cooperative market 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 social economy services. This is, of course, a chronic problem in the arts, but it also affects efforts by communities to organize effective social economy services for various kinds of caring activities—childcare, eldercare, home healthcare, respite care. The problem of providing an adequate standard of living to members is also a chronic problem for worker-owned cooperatives, especially in the early stages in which a cooperative is being established and members are learning how to function, work out organizational details, and develop productive capacity. A basic income would make it much easier for a cooperative to survive this learning phase and reproduce itself as an ongoing 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 and cooperative accumulation—the accumulation of the capacity of society for self-organization of needs-oriented economic activity and cooperatively based market 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 non-coercive, voluntary act, and probably not reduce poverty dramatically.⁴⁵ 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 would depend upon the distribution of work preferences and productivity in an economy.⁴⁶ A generous basic income is likely to be more sustainable in countries that already have very generous redistributive welfare states, since the additional taxes would in such cases be relatively small, and in societies with strong work ethics and cultural norms of work participation, since in such cases a smaller proportion of the labor force is likely to opt out of labor market work entirely. Ironically perhaps, a basic income is also likely to be more sustainable in a society with a strong consumerist culture, since people in such a society are likely to have strong preferences for discretionary income.

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

45 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.

46 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.

bargaining power of labor, 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 the 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 traditionally argued that a real deproletarianization of 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.⁴⁷

As in the labor supply problem, it is very difficult to make meaningful projections in order to determine how serious a problem capital flight would be under different levels of a universal basic income. What we do know is that a well-functioning, sustainable capitalist economy is possible in a country like Sweden in which taxation amounts to over half of the gross domestic product and over 75 percent of the labor force is unionized. If, in the early twentieth century before the rise of Swedish social democracy, someone had asked whether a capitalist economy would be sustainable with such high levels of taxation and working-class organization, the answer would undoubtedly have been no.

SOCIAL CAPITALISM

The expression “social capitalism” refers to a wide range of institutional mechanisms and social processes 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.⁴⁸ When unions are heavily regulated by the state

47 I argued in an earlier analysis of basic income that socialism was a necessary condition for a sustainable universal basic income. I no longer think that my arguments in that essay are entirely compelling. See Erik Olin Wright, “Why Something like Socialism is Necessary for the Transition to Something like Communism,” *Theory and Society* 15: 5 (1986).

48 For a discussion of the capacity to mobilize voluntary collective action as the pivotal source of power within unions, see Claus Offe and Helmut

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 limited. But in some times and places unions have a much more expansive role and modify the functioning of capitalism in significant ways. They may have the rights to elect representatives on boards of directors of large corporations, as in the German system of co-determination, or they may participate in various kinds of workplace governance and works councils within firms. Unions may also become deeply involved in community activism and coordinate their efforts with social movements in civil society. Such “social movement unionism” potentially contributes to building solidarities across the diverse interests in civil society thus enhancing the coherence of social empowerment.⁴⁹

In what follows I will not discuss the conventional role of unions even though this is an important aspect of social capitalism. Instead I will focus on less familiar institutional proposals which attempt to create more democratic ways of directly controlling economic power through associational forms of various sorts. There already exist in capitalist societies large pools of capital controlled by public and quasi-public bodies. Endowments of public universities and the pension funds of unions and governmental units are typical examples. Modest efforts occur, from time to time, to make use of these kinds of capital pools to impose social constraints on investment. Perhaps the best-known example was the concerted effort to divest university endowments of investments in South Africa during the apartheid period. Certain kinds of pension funds have also vetted investments on the basis of some criterion of social responsibility. More radically, as we shall see, 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 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

Wiesenthal, “Two Logics of Collective Action: Theoretical Notes on Social Class and Organizational Form,” in Maurice Zeitlin (ed.), *Political Power and Social Theory*, Vol. 1 (Greenwich, CT: JAI Press, 1980), pp. 67–116.

49 For a discussion of the distinctive character of social movement unionism, see Gay Seidman, *Manufacturing Militance: Workers’ Movements in Brazil and South Africa, 1970–1985* (Berkeley: University of California Press, 1994).

of the rules and practices governing the creation and control of such public capital pools would enable them to play a much more significant role in constraining capital, imposing democratic direction and social priorities on accumulation. In particular, pension funds already constitute a vast pool of capital that could be used for these purposes, and the general trend of converting *defined benefit* pensions into *defined contribution* pensions is likely to increase the importance of such capital pools in the future.⁵⁰ Is there a way of organizing and funding such large pension funds, especially when they are run by associations like unions, in such a way that they can be used proactively to discipline corporations and reduce the capacity of capital to escape public regulation?

A variety of strategies have been either adopted or proposed with the goal of enabling people and associations to use capital funds to influence corporate behavior. Some of these have already been well integrated into the capitalist economy. Socially screened mutual funds, for example, establish various kinds of ethical criteria for the purchase of stocks in corporations. Some of these are highly targeted to a particular kind of ethical concern such as excluding military firms, oil companies, or tobacco companies from a portfolio. Others adopt a broader, ethically denser positive social screen by requiring that firms be certified as having high labor or environmental standards. These kinds of socially screened funds certainly make it easier for socially concerned people and associations to invest with a clear conscience, but it is a matter of some debate how much real effect this has on corporate behavior. Skeptics argue that social screening might have virtually no impact on stock values of non-screened firms. On the one hand, screening could have negative effect on the stock price of non-screened corporations since the demand for their stock would be slightly less, but on the other hand, this would mean that those stocks would become better bargains

50 A "defined benefit" pension is one in which people know in advance how much income they will receive from their pension when they retire. Traditional social security in the US is like this as were many pension plans in large corporations. A "defined contribution" pension is one in which the amount of pension you receive depends upon the returns on investments derived from the specific contributions you make. Typically in such schemes there is a choice over different kinds of mutual funds and other investment instruments, and the amount of income generated in the pensions depends both on the amount of contribution and upon how well these funds do in the market. The proposal for the "privatization" of social security consists of converting it from a defined benefit pension to a defined contribution pension.

for investors who don't care about social screening, and this would increase the demand for such stocks. The net effect, the skeptics insist, is likely to be minimal, and thus social screening would not put much real pressure on "bad" firms. Defenders of social screening argue that even if the direct effect of ethical investing on stock prices is small, it does contribute to a changed set of cultural expectations about corporate behavior, and over time this could have a larger effect. Corporate practices are never simply driven by the ruthless, single-minded pursuit of maximum profits; they are also governed to some degree by social norms, and the existence of visible socially screened investment funds contributes to strengthening the moral climate of capitalist behavior.

Here we will explore two strategies for democratic control over pools of capital that go considerably beyond social screening of stock portfolios. One of these—labor-controlled venture capital funds—exists in limited form in a few places, and the other—share-levy wage-earner funds—has been proposed but not adopted. Both strategies, if adopted on a wide scale, would offer significant prospects for a direct impact of social power on the exercise of economic power.

Labor-controlled solidarity funds

The Quebec Federation of Labour (QFL) Solidarity Fund was begun in 1983 as a capital investment pension fund designed to provide direct investments in small and medium-sized firms in Quebec.⁵¹ It has subsequently grown to be one of the most important sources of equity capital in the province. The Fund has a number of distinctive characteristics:

1. *The role of the labor movement.* The Quebec Federation of Labour directly manages and controls this Fund and organizes the recruitment of individuals to contribute to it. Through the Solidarity Fund, the labor movement begins to play a role in the allocation of capital to different purposes. This is a critical aspect of the design of the Solidarity Fund as an instrument for social empowerment. While other kinds of associations in civil society could also, potentially, organize equity capital funds to serve the

51 The fund is primarily used not to buy stock on the stock market, but to directly invest in firms in the form of venture capital investments for new firms and what are called "private equity investments" in established "privately held" firms.

interests of their members, unions are in a unique position to place working conditions and capital-labor relations at the center of the social agenda of such investments.

2. *Social criteria for investment.* Before any investments are made, a "social assessment" of the workplace is conducted which involves "a meticulous examination of the operation of the enterprise with regard to: its employees, its style of management, the employees' profile, the working conditions, the working relationships, the production, competition and respect for the principal policies of the Federation of Labour, in particular as regards health and safety at work, and environmental laws."⁵² Investments are made only in firms that satisfy this social audit.

3. *Working-class investors.* The majority of individuals investing in the Fund—58 percent—are union members. Part of the official Mission Statement of the Fund is to "Make workers aware of the need to save for retirement and encourage them to do so, as well as encourage them to participate in the development of the economy by purchasing Fund shares."

4. *Volunteer worker representatives.* The process of enrolling people into the Fund is undertaken largely by voluntary workers, referred to as *Responsables Locaux* (local representatives) who enroll fellow employees in their own workplaces. The Fund provides extensive education and training for these volunteer local representatives of the Fund: "It is these [*Responsables Locaux*] who form the spine of the Solidarity Fund. Under the Fund over 2,000 volunteers [as of 2004] have received training, attended courses, taken part in the public actions of the Fund (i.e. meetings) and have become, in their work environment, the experts, the people who have a good knowledge of the operation of the Fund."⁵³

5. *Long-term perspective on profitability.* Profit-making continues to be a priority in decisions about the use of solidarity funds. The funds are treated as a source of investment savings for retirement of workers, and the Fund thus takes seriously the need to generate a reasonable rate of return. But the Fund is also committed to the

52 ILO Department of Communication, "Solidarity Fund: Labour-sponsored Solidarity Funds in Quebec are Generating Jobs," *World of Work* 50 (2004), p. 22.

53 ILO, "Solidarity Fund," p. 22.

idea that a secure retirement for its contributors depends on the health of the Quebec economy, and this depends upon a long-term perspective on economic development, job retention and creation, and support for strategic sectors. The focus of investment on small and medium enterprises is especially important. These are firms that are much more locally rooted and geographically immobile than large corporations. In the aggregate, they also provide more jobs than large firms. In the context of globalized capitalism, then, the vitality of small and medium enterprises is pivotal to a robust economic environment.

6. *Patient capital.* The Fund places great emphasis on what it terms "patient capital" designed to give small and medium enterprises long time-horizons in which to develop their market capacities. The 2007 Annual Report of the Fund states:

Our success is based on expertise and patient capital. To help our partner companies meet the numerous challenges they face, we provide patient capital—capital that will truly allow them to carry out modernization or expansion projects and to boost their competitiveness . . . [B]ecause of our mission and size, we can stand by our partners through tough times when they need the most support to carve out a competitive position or to grow.⁵⁴

Henri Masé, the chairman of the board of directors of the Fund, explains this priority:

For us, investing is part of an approach to create collective wealth by focusing on quality jobs: those we can create and those we must preserve. . . . It certainly is no secret that I am against purely speculative investments, particularly those made by U.S. private funds. There is no medium- and long-term vision behind these strategies; the investors are not at all concerned with the survival of the companies in which they invest. Their sole interest is to turn a quick profit. To be sure, we have nothing against seeking out attractive returns to increase wealth, but not to the detriment of our social values or mission to create and protect jobs and help grow the economy.⁵⁵

7. *Government support.* The Fund is indirectly (and was in its early years directly) subsidized by the government. Contributions to the Fund receive very favorable tax treatment in the form of tax credits from both the provincial government and the federal

54 QFL, *Annual Report of the Solidarity Fund 2007*, p. 13.

55 QFL, *Annual Report of the Solidarity Fund 2007*, p. 3.

government. When it was first set up it received direct seed grants from the government to augment the amount of investment the Funds were able to undertake.

8. *Active involvement with "company partners."* The Fund is actively involved with the companies in which it invests, which it refers to as its company partners, providing various kinds of training and education for employees, and technical and marketing consultation for management. It functions in part as a development agency and not simply a source of capital. This close involvement in the partner companies reduces the risks that might otherwise accompany the priority of the Fund in providing firms with "patient" capital.

9. *Education functions.* One of the purposes of the employee education programs is to educate employees in its company partners in the basics of financial and economic processes so that they better understand the nature of the problems their employer faces. As stated in the 2007 Annual Report:

The economic training provided by the Fund is geared toward all the employees of its partner companies, and springs from the Fund's desire to contribute to their growth. By counting on transparency and good communication practices between management and employees of the companies receiving training, the economic training program seeks, among other things, to establish a common understanding, from a financial perspective, of the issues and challenges the companies face. In this way, everyone 'speaks the same language' and is better equipped and mobilized to make suggestions that may help secure the company's future while maintaining and creating quality jobs.⁵⁶

When combined with the emphasis on the social assessment of firms, this is designed to increase the level of collaboration within firms between employers and employees in solving problems.

In 1985, two years after it was founded, the Fund had assets of 14.3 million Canadian dollars, just over 5,000 member shareholders, and investments in four partner companies. In 2007 this had grown to assets of 7.2 billion Canadian dollars, 574,794 members, and investments in 1,696 companies, making it a significant player in providing capital for small and medium enterprises, accounting for nearly one third of all venture capital in Quebec.⁵⁷ Because of this success,

⁵⁶ QFL, *Annual Report of the Solidarity Fund 2007*, p. 11.

⁵⁷ QFL, *Annual Report of the Solidarity Fund 2008*, p. 3.

beginning in the early 1990s, solidarity funds along the lines of the QFL fund were started in other Canadian provinces.⁵⁸

These funds are prime examples of social capitalism as a pathway of social empowerment. They do not challenge capitalism as such. Mostly they invest in ordinary capitalist firms, although they also provide equity investments for worker-owned cooperatives. Their investment strategy is to strengthen the competitiveness of firms within the Quebec economy, not to weaken Quebec capitalism, and to foster more collaborative relations between employers and workers through financial education and other devices, not to increase class antagonism. Social capitalism is thus a hybrid form within which capitalism remains an essential element. But it is a hybrid within which social power has greater weight than within ordinary capitalist structures because of the pivotal role of the labor movement in running the funds and setting the priorities.

So far, even in Canada where solidarity funds are a significant institution, they constitute a relatively small part of total investment. There is no fundamental reason, however, why such funds could not be dramatically expanded. One strategy for doing this would be for the state to provide direct subsidies to such funds rather than simply the current indirect subsidies in the form of tax expenditures.⁵⁹ This is what the Canadian government did when the QFL Solidarity Fund was initially established, but such direct subsidies could be an ongoing feature of state economic intervention. The rationale for the state providing seed money to the QFL Solidarity Fund was that in order to make it an attractive place for individual workers to place their savings it needed to be large enough to have credibility, and seed capital allowed the Fund to cross this threshold. The rationale for ongoing direct subsidies is that this increases the capacity of the people of Quebec to control the long-term development of the local economy by underwriting

⁵⁸ Other labor-sponsored funds include the Working Opportunity Fund in British Columbia, Crocus Investment Fund in Manitoba, and the First Ontario Fund in Ontario.

⁵⁹ The tax deductions people receive for contributing to solidarity funds constitute what is called a "tax expenditure" on the part of the government. If the marginal income tax rate on a person contributing to the fund is 20 percent and the person contributes \$1,000 to the fund, the person only pays \$800, so, in effect, the additional \$200 is an expenditure by the state. Tax expenditures have the special feature of not being visible forms of state subsidy, since they appear in the form of lowered tax revenues rather than explicit state allocations, and thus tend to be less vulnerable to political attack. They also have the property of allowing citizens to decide individually where some of their tax money goes rather than having this organized entirely by the state itself.

more systematically geographically rooted small and medium enterprises as well as worker-owned cooperatives while at the same time enhancing the role of social power in the regulation of capital accumulation. This is an objective which could be supported by a coalition of small-business owners and organized labor.

Share-levy wage-earner funds

Solidarity funds, as just described, are primarily a device for social power to influence the direction of development of small and medium enterprises and worker-owned cooperatives. Share-levy wage-earner funds are a device for labor unions (and potentially other civil society associations) to gain substantial control over the operation of large corporations. The institution was originally proposed in the 1970s by Rudolf Meidner, the prominent Swedish social democratic economist who was one of the key architects of the Swedish welfare state.⁶⁰

A share-levy system is based on a particular way of taxing corporations. In an ordinary corporate tax, corporations pay to the state some percentage of their profits in taxes, say 20 percent (the proposed rate in the Meidner plan for a share-levy). The remainder of the profits can be used for reinvestment or distributed to shareholders as dividends. Such taxes are relatively standard in capitalist economies. A share-levy works quite differently:

1. *Payment of corporate taxes as new shares.* In a share-levy system, rather than pay corporate taxes in cash, corporations pay profit taxes in the form of *new issues of shares in the corporation* equal in value to the profit tax. This means that the tax has no effect on the immediate stream of income available to a corporation: the corporation retains control over its entire monetary profits. Instead, the profit tax takes the form of a tax on the wealth of the shareowners of the corporation calibrated on the basis of the corporation's profitability.

2. *Wage-earner fund.* These shares are paid into a "wage-earner fund" representing all employees in the economy and controlled through some democratic process. In Sweden the proposal was for the fund to be organized through a network of local and

⁶⁰ For a comprehensive discussion of the Meidner plan for wage-earner funds, see Jonas Pontusson, *The Limits of Social Democracy* (Ithaca, NY: Cornell University Press, 1992).

workplace funds largely controlled by the unions, but the fundamental principle is that the wage-earner fund is controlled by democratically accountable popular associations, and other associational arrangements besides unions would be possible.

3. *Status of shares in the fund.* The shares in the wage-earner fund confer all of the usual share rights—rights to dividends, rights to vote for the board of directors, and in some circumstances the right to vote on company policies. These shares cannot, however, be sold; they become, in effect, inalienable ownership rights of the collective of wage-earners as represented by the wage-earner fund organization. The effect of the annual issue of new shares by corporations in order to pay the share-levy is to dilute the value of individual shares (i.e. because the number of shares increases, each share represents a smaller fraction of the total ownership rights in the firm). In effect, therefore, the share-levy constitutes a modest wealth tax on private shareowners.⁶¹

4. *Dynamic trajectory of ownership.* Over time the accumulation of shares in the wage-earner funds would gradually shift control rights over firms from private shareowners to these collective entities. Initially this would enable the wage-earner funds to elect some of the members of the board of directors, but over a period of several decades this would result in majority ownership of the shares by the wage-earner funds, thus conferring on these funds effective control over the corporations. Since the funds represent the broad population and are under democratic control, this trajectory constitutes an increasing socialization of the ownership rights in corporations. This need not mean that corporations would ever become entirely socially owned, for corporations could continue to sell shares on the open stock market which private investors could purchase. The fact that private investors would face a wealth tax on their share holdings does not necessarily mean that their share purchase would be a bad investment, any more than the fact that there is a property tax on real estate means that real estate becomes a bad investment. What the share-levy does mean is that over time the power relations over

⁶¹ The share-levy is a wealth tax in the sense that the dilution of share value that results from issuing the new shares is the equivalent of forcing wealth holders to give some of the shares they own to the wage-earner fund. It is, however, a special kind of wealth tax: a wealth tax that requires an asset transfer, not a wealth tax like a property tax on home owners that can be paid for with money.

corporations will shift heavily towards social power. This is accomplished without reducing the financial profits of corporations and their capacity to invest those profits; what changes gradually over time is the balance of ownership rights over the use of those profits and over the policies of the management of the corporation.

5. *Variations.* There are many possible variations on this basic institutional design that could be adopted. For example, rules could be put in place specifying that the wage-earner funds can own no more than 51 percent of the shares in a company, giving the wage-earner funds control over corporations but still allowing individual private investors to own a substantial part of the total shares. This would imply a hybrid ownership structure in which social ownership predominated, but capitalist ownership was still allowed. The organizational structure of the funds could also vary from the proposed Swedish model. In Sweden the wage-earner funds were to be organized as a network of regional funds and workplace funds. As described by Robin Blackburn: "A portion of these funds would go to an enterprise-level body run by the employees, who would thereby acquire a growing stake in their employer. But the bulk of the funds would be channeled to the regional network, representing local communities and trade unions."⁶² There are many other possibilities. There could be national-level funds, regional funds, local funds, perhaps sectoral funds. The funds could be controlled by unions and labor federations, as in the Meidner plan, or by civic associations or specially elected public boards. The key principle is that socially empowered associations rooted in civil society have democratic control over corporations via their control over these funds.

A general plan along these lines was endorsed by the Swedish labor federation in 1976. It triggered a massive, hostile reaction by the Swedish capitalist class which launched a successful campaign to discredit it.⁶³ There were dire warnings about how the plan would lead to capital flight, disinvestment, and the collapse of the Swedish economy. While the union leadership supported the plan, the Swedish Social Democratic Party, lead by Olaf Palme, was at best

62 Robin Blackburn, "Economic Democracy: Meaningful, Desirable, Feasible?," *Daedalus* 136: 3 (2007), p. 42.

63 For a good discussion of the political battle over the Swedish share-levy proposal, see Jonas Pontusson, "Sweden: After the Golden Age," in Perry Anderson and Patrick Camiller (eds), *Mapping the West European Left* (London: Verso, 1994), pp. 23–54.

ambivalent. The result was that the Social Democratic Party lost an election for the first time in over forty years. Eventually in the 1980s a modified version of the wage-earner fund plan was introduced, but it specifically blocked the possibility of effective control of corporations shifting to these funds. In 1992, when the Swedish Conservative Party came to power, even this modified version of the system was dismantled.

The idea of a share-levy has recently been revived in discussions of pension reform, particularly in the work of Robin Blackburn.⁶⁴ Blackburn argues that all developed capitalist economies face a future crisis in the delivery of adequate pensions for an aging population. As the dependency ratio increases—the ratio of people outside of the labor force supported by active workers—it will be harder and harder to fund adequate pensions on a pay-as-you-go basis through payroll taxes and income taxes on current workers. It would be better, Blackburn argues, to effectively pre-fund pensions through some kind of share-levy scheme. The central obstacle to this is the steadfast reluctance of governments to tax shareholding wealth: "It is a striking fact that while most governments are happy to tax the homes people live in, they all refuse to have any direct levy on share-holding wealth or to allow—as Meidner boldly imagined—social funds to exercise control over the large corporations."⁶⁵

64 Robin Blackburn's proposal to use a share-levy system to fund pensions was the centerpiece of a conference in the Real Utopias Project held in 2003. Two of the conference papers were subsequently published in the journal *Politics and Society*: Robin Blackburn, "The Global Pension Crisis: From Gray Capitalism to Responsible Accumulation," *Politics and Society* 34: 2 (2006), pp. 135–86, and Ewald Engelen, "Resocializing Capital: Putting Pension Savings in the Service of 'Financial Pluralism'?", *Politics and Society* 34: 2 (2006), pp. 187–218. See also Robin Blackburn, *Banking on Death, or, Investing in Life: The History and Future of Pensions* (London: Verso, 2002), and "Capital and Social Europe," *New Left Review* 34, July–August 2005, pp. 87–114.

65 Robin Blackburn, "Rudolf Meidner, 1914–2005: A Visionary Pragmatist," *Counterpunch*, December 22, 2005. Blackburn likens the reluctance of capitalist states to tax share-wealth to the unwillingness of the *ancien régime* in France to tax the nobility prior to the French Revolution: "Increasingly, it seems, we live in a society like the French Ancien Régime before 1789. Then the wealth of the feudal aristocracy was largely exempt from tax; now it is the holdings of the corporate millionaires and billionaires that escape taxation. Other signs reminiscent of the age of Louis XVI include the spirit of 'après nous le deluge', the reliance on lotteries, and the emergence of modern variants of 'tax farming'—for example, laws which oblige citizens to pay their taxes (pension contributions) to commercial fund managers rather than to an accountable public body. But the taboo on effective taxation of corporate wealth is the most crucial sign of the reign of privilege."

Solidarity funds and share-levy funds constitute forms of social capitalism that attempt to modify core features of property relations within capitalism in ways that push it towards a structural hybrid within which social power has greater weight. Of these two proposals, the solidarity funds are more easily integrated into capitalism, since they can be instituted in piecemeal fashion on a small scale, and at least on such a scale they do not immediately threaten the power of corporate capitalism. The share-levy mechanism is inherently more threatening. If a share-levy mechanism were established and stably backed by the state, this would create a new institutional equilibrium within which capitalist power would be diminished in the overall configuration of a capitalist economy. Depending upon the details of the design and its trajectory over time, this could even signal an equilibrium in which social power—democratic control over economic power—became dominant. This, of course, is why it was so stridently opposed by the Swedish capitalist class, which recognized that the share-levy proposal was a long-term threat to its class interests and class power. In the end, therefore, it was not politically achievable in the historical conditions in which it was proposed, and wherever it might be proposed in the future it will certainly encounter sharp opposition. But the inevitability of sharp opposition does not necessarily mean that the proposal is inherently unachievable. There may be unexpected circumstances in the future when this institutional strategy could become possible.

COOPERATIVE MARKET ECONOMY

The oldest vision for an emancipatory alternative to capitalism is the worker-owned firm. Capitalism began by dispossessing workers of their means of production and then employing them as wage-laborers in capitalist firms. The most straightforward undoing of that dispossession is its reversal through worker-owned firms. In the nineteenth century the cooperative movement was animated by a strongly anti-capitalist ideology and constituted a central idea of the currents that Marx derided as “utopian socialism” and which subsequently became loosely identified with some versions of anarchism. Proudhon, one of the principal targets of Marx’s attack, saw workers’ cooperatives both as the cellular units of a socialist alternative and as the centerpiece of the struggle against capitalism. In 1853 he described the cooperative principle thus:

Mutuality, reciprocity exists when all the workers in an industry, instead of working for an *entrepreneur* who pays them and keeps their products, work for one another and thus collaborate in the making of a common product whose profits they share amongst themselves. Extend the principle of reciprocity as uniting the work of every group, to the Workers’ Societies as units, and you have created a form of civilization which from all points of view—political, economic and aesthetic—is radically different from all earlier civilizations.⁶⁶

Such mutualist worker co-ops would cooperate with each other through a kind of voluntary federal structure which would facilitate coordination and joint action. Mutualism within production and voluntary federalism among productive units would form the basis of a new society, initially within capitalism itself but eventually replacing capitalism altogether.

Marx had a quite ambivalent attitude towards this strategic vision.⁶⁷ In the *Communist Manifesto* he derisively dismissed the likes of producer-owned cooperatives as “little experiments, inevitably abortive.” In the *Eighteenth Brumaire of Louis Bonaparte* he sharply criticized the French working class for engaging in “doctrinaire experiments, exchange banks, and workers’ associations,” which in his eyes constituted a “movement which, having given up the struggle to overthrow the old world despite all the means at its disposal, prefers to seek its own salvation behind society’s back, privately, inside the narrow framework of its existence, and which will thus necessarily come to grief.”⁶⁸ On the other hand, in 1864 in his Inaugural Address to the International Working Men’s Association, Marx heralded the cooperative movement as a major achievement of the working class, of even greater significance than the passage of the ten-hour law:

But there was in store a still greater victory of the political economy of labor over the political economy of property. We speak of the co-operative movement, especially the co-operative factories raised by the unassisted efforts of a few bold “hands.” The value of these great social experiments cannot be overrated. By deed instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters employing a class of hands; that to

66 Pierre-Joseph Proudhon, *The Stockjobber’s Handbook*, quoted in Martin Buber, *Paths in Utopia* (Boston: Beacon Press, 1958 [1949]), pp. 29–30.

67 This account of Marx’s views of worker co-ops comes from Buber, *Paths in Utopia*, chapter VIII.

68 Quoted by Buber, *Paths in Utopia*, p. 84.

bear fruit, the means of labor need not be monopolized as a means of dominion over, and of extortion against, the laboring man himself; and that, like slave labor, like serf labor, hired labor is but a transitory and inferior form, destined to disappear before associated labor plying its toil with a willing hand, a ready mind, and a joyous heart.⁶⁹

Building workers' cooperatives, therefore, became for Marx a legitimate element of socialist strategy, although he continued to believe that they would be contained within relatively narrow limits so long as capitalist power remained intact:

To save the industrious masses, co-operative labor ought to be developed to national dimensions, and, consequently, to be fostered by national means. Yet the lords of the land and the lords of capital will always use their political privileges for the defense and perpetuation of their economic monopolies. So far from promoting, they will continue to lay every possible impediment in the way of the emancipation of labor . . . To conquer political power has, therefore, become the great duty of the working classes.⁷⁰

Workers co-ops have continued throughout the subsequent history of capitalist development, although today, with a few notable exceptions, they are mostly relatively small, local operations. When they are successful, they often tend to evolve in the direction of more conventional capitalist firms, hiring non-member employees as a way of expanding production rather than enlarging the full membership of the producer co-op itself.⁷¹ While many, perhaps most, people who work as members in cooperatives continue to see them as an alternative way of life to working in a conventional capitalist firm, for most participants they are no longer part of a broad strategy for building an alternative to capitalism and are certainly not part of an organized anti-system strategy as was the case with the nineteenth-century cooperative movement. Nevertheless, worker-owned cooperatives remain one of the central expressions of a democratic egalitarian vision of an alternative way of organizing economic activity.

69 Karl Marx, "The Inaugural Address to the International Working Men's Associations" (1864) in Karl Marx and Frederick Engels, *Selected Works in Two Volumes* (Moscow: Foreign Languages Publishing House, 1962), volume I, p. 383.

70 Marx, "Inaugural Address," pp. 383-4.

71 Buber notes that Marx saw that the tendency for cooperatives to become ordinary firms was a significant problem: "[Marx] clearly recognizes the danger of the Co-operatives degenerating into ordinary bourgeois joint-stock companies, and even recommends the right remedy: that all the workers employed should receive the same share" (Buber, *Paths in Utopia*, p. 85).

The basic properties of worker-owned cooperatives

There are many different institutional designs that in one way or another embody the idea that producers should "own" their means of production. These vary in the extent to which they depart from ordinary capitalist principles. At one end of the spectrum are *employee stock ownership plans* (ESOPs) in which workers share in the profits of a firm by owning varying amounts of stock which confer on them the rights of any other stockowner. As described on the website of the National Center for Employee Ownership:

An ESOP is a kind of employee benefit plan, similar in some ways to a profit-sharing plan. In an ESOP, a company sets up a trust fund, into which it contributes new shares of its own stock or cash to buy existing shares . . . Shares in the trust are allocated to individual employee accounts. Although there are some exceptions, generally all full-time employees over 21 participate in the plan. Allocations are made either on the basis of relative pay or some more equal formula. As employees accumulate seniority with the company, they acquire an increasing right to the shares in their account, a process known as vesting . . . When employees leave the company, they receive their stock, which the company must buy back from them at its fair market value (unless there is a public market for the shares). Private companies must have an annual outside valuation to determine the price of their shares. In private companies, employees must be able to vote their allocated shares on major issues, such as closing or relocating, but the company can choose whether to pass through voting rights (such as for the board of directors) on other issues. In public companies, employees must be able to vote all issues.⁷²

ESOPs depart from strictly capitalist relations since workers share in the profits and have some voting rights in the governance of the firm. However, since the power of workers within an ESOP firm is proportional to the amount of stock they own and since in most ESOPs this is a very small proportion of the total stock of the company, the real power relations within firms with ESOPs are not dramatically different from ordinary capitalist firms.⁷³

72 <http://www.nceo.org>.

73 Still, it is worth noting that the economic performance of capitalist firms with ESOPs appears to be somewhat better than firms without ESOPs. The National Center on Employee Ownership reports that "In the largest and most significant study to date [2005] of the performance of employee stock ownership plans (ESOPs) in closely held companies, Douglas Kruse and Joseph Blasi of Rutgers have found that ESOPs appear to increase sales, employment, and sales

At the other end of the spectrum are firms characterized by two principles: they are *fully owned by their employees* and they are *democratically governed by their members* on a one-person-one-vote basis. Such firms are called worker cooperatives.⁷⁴ The precise details of how these principles are realized vary considerably. In terms of ownership, in some cooperatives all workers in the firm are full members, while in others some of the workers are non-member employees without voting rights in the governance of the firm. In some cooperatives all worker-owners have an equal capital-stake in the firm; in others, while all members must have a minimum capital-stake, these stakes can vary considerably. The governance structures of cooperatives also vary. Some cooperatives are governed through direct democracy in which important decisions are made by assemblies of all workers; in others there is an elected board of directors. While in principle in all worker-owned cooperatives managers are accountable to workers through democratic processes, in some co-ops the work of management is rotated among members, while in others there is a distinct managerial structure with professionally and technically trained managers.

These variations in institutional forms reflect adaptations to the practical complexities of realizing the principles of worker ownership and democratic governance under different conditions. The optimal organization for a small bakery cooperative will be different from that of a large industrial cooperative. No one organizational form could function equally well under such different conditions of technology, skill and training requirements, scale of production, and other factors.

There is no question that worker-owned cooperatives, *in some settings*, constitute a viable alternative to capitalist firms. It is much less clear how important an element they could be in an alternative to capitalism itself. According to the US Federation of Worker Cooperatives, in the United States today there are probably only about 300 democratic workplaces with a total employment of

per employee by about 2.3% to 2.4% per year over what would have been expected absent an ESOP. ESOP companies are also somewhat more likely to still be in business several years later." See <http://www.nceo.org>.

74 There are many other kinds of cooperatives: consumer cooperatives, such as grocery stores; marketing cooperatives; housing cooperatives; purchasing cooperatives (as when small farmers join together in a cooperative to purchase inputs together). Each of these may embody some principles of social empowerment, but they do not pose as sharp a contrast—and perhaps challenge—to capitalism as worker-owned cooperatives.

only about 3,500 people generating around \$400 million in annual revenues.⁷⁵ This obviously represents a minuscule section of the US economy. Skeptics of cooperatives argue that this reflects the fact that in a competitive market economy, worker-owned cooperatives can only effectively survive in small niches in which there is a relatively homogeneous workforce in stable markets with low capital requirements. Once a cooperative increases in size, complexity and, above all, worker-heterogeneity, democratic decision-making simply becomes too cumbersome and conflictual to allow for effective business practices. In short, the reason cooperatives are a marginal part of a capitalist economy is because they are less efficient than capitalist firms.⁷⁶

Defenders of cooperatives counter that this marginalization of cooperatives reflects the lack of a supportive social and economic infrastructure for cooperative activity in contemporary capitalist economies, and particularly the deep imperfections in credit markets which make it difficult for cooperatives to acquire adequate capitalization. Cooperatives characteristically face significant credit constraints because worker-owners lack the collateral of established capitalist firms and are thus seen as higher risk by banks. It may be true that in certain respects the governance structures of democratically run firms are more cumbersome than those of hierarchical, bureaucratically organized capitalist firms, but it is also the case that there are other ways in which cooperatives are potentially more efficient and productive than capitalist firms: the collaborative processes within a cooperative can enhance its problem-solving capacities; the commitment of its worker-owners to the success of the enterprise can increase their willingness to work diligently and productively; the closer alignment of interests of workers and managers can reduce the "transaction costs" of monitoring work effort.⁷⁷ How these opposing forces play out,

75 See <http://www.usworker.coop>. These figures are reported as conservative estimates since, according to the US Federation of Worker Cooperatives, "we lack comprehensive data on the nature and scope of worker cooperatives in the U.S." Still, even if this estimate was doubled, democratic firms would remain a tiny proportion of the American economy.

76 For an excellent treatment of the problems faced by worker-owned cooperatives within the framework of "transaction cost" analysis and neoclassical economics, see Henry Hansmann, *The Ownership of Enterprise* (Cambridge, MA: Harvard University Press, 1996).

77 For the view that worker-owned firms reduce transaction costs by more closely aligning the interests of workers and managers and are thus in this respect more efficient than capitalist firms, see Bowles and Gintis (eds), *Recasting Egalitarianism*.

defenders of cooperatives would argue, will be highly dependent upon both the details of how cooperative firms are organized and on the socioeconomic contexts in which they operate. In any case, the empirical reality of the limited presence of cooperative firms in capitalist economies is not evidence of their inherent inefficiency relative to capitalist firms, but only of their lower profitability under these unfavorable socioeconomic conditions.

It is, of course, very difficult to adjudicate between these contending diagnoses, and it is beyond the scope of the present analysis to provide a thorough review of the empirical research on cooperatives and their dilemmas. What we can do is look at what is generally regarded as the world's most successful group of worker-owned cooperatives: Mondragón in the Basque region of Spain. Examining the factors that have contributed to its success and some of the dilemmas it faces may help clarify the real utopian potentials of cooperatives as a pathway to social empowerment.

Mondragón

What has come to be known as the Mondragón cooperatives began as a single cooperative firm, Ulgor, in the Basque city of Mondragón in 1956, producing paraffin heaters and gas stoves with 24 workers.⁷⁸ In the years that followed, under the direction and inspiration of a Spanish priest, José María Arizmendiarieta, a series of new cooperatives were created. Crucially, in 1959, Arizmendiarieta helped found a cooperative bank, the *Caja Laboral Popular*, which functioned both as a savings bank and a credit union for its members, but also as a coordinating institution for the producer cooperatives in the area. The *Caja Laboral Popular* was formally linked to all of the other cooperatives and supported them by providing critical investment funds and other services. As this complex of cooperatives grew they created additional cooperative organizations to provide a range of services and support on such things as

78 This account of the development of Mondragón comes from personal interviews with Mondragón officials and from a number of published sources: George Cheney, *Values at Work: Employee Participation Meets Market Pressures at Mondragón* (Ithaca: ILR Press, 1999); the official website of Mondragón: <http://www.mcc.es>; and Baleren Bakaikoa, Anjel Errasti, and Agurtzane Begiristain, "Governance of the Mondragón Corporacion Cooperativa," *Annals of Public and Cooperative Economics* 75: 1 (2004), pp. 61–87.

legal matters and accounting, research and development, insurance and social security, and training and educational services. Various governance structures were elaborated in tandem with the expansion of this network of cooperative institutions. Some of the governance structures were rooted in the geographical proximity of specific cooperatives within particular valleys in the Basque region, and others concerned cooperative institutions such as the *Caja Laboral*.

In 1991 the overall institutional matrix was reconfigured into what is now known as the Mondragón Cooperative Corporation (MCC). This reorganization was an attempt at creating a more efficient system of governance and coordination that would enable the complex of cooperatives to compete more effectively in markets outside of the Basque region itself. Now, instead of the governance structure being mainly based on geographical proximity, it is based on functional specialization organized into three primary sectoral groups—industrial, distribution, and financial. Individual cooperative enterprises, the units that are directly owned by the worker-members, constitute the most fundamental level of this organizational structure. They retain what the members of the MCC refer to as "sovereign power." These individual cooperatives are then represented at more comprehensive levels of organization of the MCC as a whole.

The individual cooperatives within the MCC contribute a portion of their profits to various collective functions of the corporation as a whole. In particular they contribute to a kind of solidarity investment fund which enables the MCC to provide some redistribution from those firms with the highest rates of profit to firms that are having difficulties. The network of cooperatives also provides mechanisms through which workers from one cooperative can be temporarily transferred to another to smooth out variations in production needs especially during economic downturns. While individual cooperatives can in principle go bankrupt, this has never happened because of these solidaristic processes within the Mondragón network of cooperatives. This is the sense in which the Mondragón Cooperative Corporation constitutes an emergent form of a *cooperative market economy* rather than simply a cooperative firm within a capitalist market economy. The MCC constitutes a social infrastructure for the reproduction and expansion of cooperative ownership which partially insulates each cooperative firm from

the full force of the competitive, profit-maximizing pressures of capitalist markets.⁷⁹

The details of the governance structure of the MCC as a whole are quite complex. The critical points are these:

1. *Dual Structure of Governance* The individual cooperatives are internally governed by democratic procedures, although mostly this takes the form of democratic elections to various kinds of councils and boards rather than a direct democracy of worker assemblies.

Within the individual cooperatives there are two governance structures, one referred to as the sociopolitical structure and the other as the techno-structure. The former involves direct democratic election by worker-owners. The techno-structure, which is basically responsible for the managerial and technical functions of the cooperative, is formally under the control of the sociopolitical structure. In practice the techno-structure has quite a bit of autonomy. Some critics of Mondragón argue that in many cooperatives the techno-structure effectively dominates the governance procedures and operates only under very thin constraints of democratic accountability.

2. *General Assemblies* There are also periodic General Assemblies of worker-members within individual cooperatives. The General Assembly is formally the sovereign body of the cooperative. It is responsible for appointing the managing director and, in principle, has the power to determine the broad strategies of the cooperative. The General Assemblies are required to meet on an annual basis, but they can also be convened on an ad hoc basis to deal with specific policy issues that concern basic strategies of the cooperative. Attendance varies a lot across cooperatives, but is generally relatively modest.

3. *Representative Councils* The individual cooperatives choose representatives to sit on various councils and standing committees at higher organizational levels of the MCC. These governing bodies of the MCC both coordinate activities across individual cooperatives, encouraging synergies of various sorts, and formulate long-term strategic plans for Mondragón as a whole.

⁷⁹ As described in chapter 5, a cooperative market economy combines the pathways to social empowerment of the social economy with social capitalism. It is a form of social capitalism insofar as social power controls economic power in the production of goods and services; it is a form of social economy insofar as the voluntary association of cooperatives involves the direct production of collective goods needed for the flourishing of cooperation.

4. *Withdrawal Rights* The individual cooperatives are voluntary members of the MCC conglomerate structure and retain the right to withdraw if they want to. In 2008 two quite profitable cooperatives left the MCC, much to the dismay of the corporation as a whole.⁸⁰ The ostensible reason was disagreement on the direction of the MCC, but many people at Mondragón believe that the exit was mainly based on the economic self-interest of the breakaway cooperatives not wanting to participate in the redistributive practices of the MCC.

Taken together, this governance structure constitutes a mixture of representative democracy and direct democracy within a confederation of sovereign organizational units. It is predictably fraught with contradictions and tensions: between democratic accountability from below and managerial autonomy; between decentralized decision making and more centralized coordination; between solidaristic principles across cooperatives and the economic interests of individual cooperatives; between a commitment to wider social solidarity with the welfare of surrounding communities and the corporate welfare of inside members of cooperatives. Left critics of Mondragón argue that within each of these antinomies, the MCC looks more and more like an ordinary capitalist corporation. Defenders of the MCC argue that in spite of these tensions, the worker-owners of the cooperatives retain meaningful democratic control over the broad strategies of the individual firms and the larger corporation, and in this respect function very differently from capitalist corporations.

Concerns about the long-term trajectory of development of the cooperatives within the MCC have intensified in recent years. Since the mid 1990s, the MCC has adopted an aggressive strategy of expansion beyond its historical home in the Basque country. This has, above all, taken the form of buying up capitalist firms and turning them into subsidiaries of the cooperatives within the

⁸⁰ The two cooperatives which quit Mondragón were Irizar and Ampo. In the early 1990s both had encountered severe economic difficulties and were close to bankruptcy but were rescued through the economic solidarity of the MCC. This was underwritten especially by the strong economic performance of Fagor at the time. Now Fagor is in economic trouble, perhaps even in a crisis, and had expected to receive support from enterprises that are going well, like Irizar and Ampo. The leadership of the cooperatives that left MCC argue that they left because of disagreements over the management model, particularly over the issue of the need for a new generation of directors, but people in Mondragón with whom I discussed the issues believe that they left because it was economically advantageous to do so, thus violating the core principles of economic solidarity in the MCC.

corporation. The most striking example is the massive expansion of the Mondragón grocery chain, Eroski, through the purchase of other large grocery chains in Spain. By 2008 Eroski had become the largest chain of grocery stores in the country. Other MCC cooperatives have purchased capitalist firms in other countries. For example, the Fagor cooperative that manufactures high-quality dishwashers and refrigerators purchased a kitchen furniture firm in France, hoping that synergies between these two lines of production would improve its market position. Fagor Elian, a cooperative that manufactures various kinds of auto-parts, created a new wholly owned parts subsidiary in Brazil, to manufacture parts for the Brazilian arm of Volkswagen. The director of the MCC explained to me that although the Fagor Brazilian plant loses money, the Volkswagen Corporation insisted that Fagor Elian provide parts to its Brazilian operation if it wanted to continue to supply parts to Volkswagen in the EU. Setting up a Brazilian operation was therefore a defensive move to protect the standing of the Fagor Elian cooperative in the Basque country as a parts supplier.

The leadership of MCC believes that, given market pressures linked to globalization, this strategy of national and global expansion is necessary for the survival of the Mondragón cooperatives in the twenty-first century. Whether or not this diagnosis is correct is a matter of considerable controversy, but in any case the result of this expansion has been to intensify the capitalist dimension of the Mondragón economic hybrid. In 2007, of the roughly 100,000 workers in the various cooperative firms of the MCC, somewhat less than 40 percent were owner-members of the cooperatives. The rest were ordinary employees. Some of these were temporary employees working directly within the cooperatives in the Basque region who had some prospect of eventually becoming owner-members of the cooperative.⁸¹ But the vast majority were employees of the subsidiaries of the MCC cooperatives. In effect, therefore, the owner-members of the cooperatives within the MCC have become, collectively, capitalist employers of the workers within the

81 Traditionally between 10 percent and 20 percent of the workers in a Mondragón cooperative were non-member employees. In the past the expectation was that most of these employees would have the opportunity to eventually become members of the cooperative after a probationary period of one or two temporary employment contracts. In more recent years, however, the rate at which temporary employees become permanent members of cooperatives has declined. The employment structure within the cooperatives, therefore, has more of a dualistic character than in the past.

subsidiary firms. This global configuration of economic and class relations within the conglomerate structure of the Mondragón cooperatives is in deep tension with its cooperativist principles.

The future of Mondragón as an embryonic model of a cooperative market economy will depend, in significant ways, on how the cooperatives handle this global melding of capitalist and cooperativist principles. There are a number of possible solutions. The first would be to create a mechanism through which substantial numbers of these new employees could themselves become full owner-members within the parent Mondragón cooperative. In my discussions in Mondragón, no one felt this would be a broadly feasible strategy, given that the effective functioning of a cooperative depends heavily on trust and solidarity. Even in the case of subsidiaries within Spain such expansion of cooperative members is a challenge. After considerable debate, the Eroski cooperative that now has grocery stores throughout Spain has decided to allow its employees in stores outside of the Basque region to become worker-owners. This was a difficult and contentious decision because of serious concerns that the character and democratic potential of the vastly enlarged cooperative would dramatically change with the dilution of solidarity resulting from the inclusion of so many worker-members from outside the region. The problem of incorporating the workers in the Brazilian Fagor subsidiaries in the governance structure of a Basque cooperative like Fagor Elian would be even greater.

Another solution would be to create mechanisms to turn foreign subsidiary firms into separate self-managed cooperatives owned and governed by the local workers. These newly cooperativized firms would then form some kind of long-term strategic alliance with the parent cooperative. This has been done successfully, on occasion, within the Basque region itself. Mondragón cooperatives have sometimes purchased failing capitalist firms within the region, restructured them, and then helped the workers within the firm gradually turn the subsidiary into a separate cooperative. This has always been a difficult and protracted process, however, and at least in the conditions faced by the MCC cooperatives in 2008, no one I spoke with felt that such a process of "cooperativization" was likely to be feasible for foreign subsidiaries of MCC.⁸²

82 An additional problem, revealed in my interviews with Mondragón members, was a high level of distrust and prejudice about the Brazilian workers in these subsidiaries. Several people remarked that they were pretty unreliable and lazy, and lacked the motivation needed to run a successful cooperative.

A final solution would be to actively encourage the formation of strong unions and other forms of worker empowerment within the subsidiary firms, including such things as works councils and worker co-determination. This solution recognizes the deeply hybrid quality of a global cooperative firm under capitalist market conditions and the difficulty of pushing this hybrid in the direction of greater social empowerment through a simple, unitary organizational form. The globalization of cooperative firms could still contribute to expanding the potential for social power if the parent cooperatives facilitate empowering workers within their capitalist subsidiaries through various mechanisms of social capitalism. At least so far, Mondragón has not pursued this strategy either, adopting a rather hostile attitude to unions within its subsidiaries. For the time being, therefore, the foreign subsidiaries of the MCC are run pretty much like conventional capitalist firms.

TWO MODELS OF COMPREHENSIVE SYSTEM ALTERNATIVES

All of the examples of social empowerment over the economy discussed so far focus on partial aspects of the overall relationship between social power and the economy. Taken together they might amount to a system-level transformation, but each example on its own only constitutes movements along a particular pathway of social empowerment. This is in keeping with the general framework for envisioning real utopias proposed earlier: rather than attempting to specify the design for the final destination, the strategy is to examine specific mechanisms which move in the right direction.

This is not the only way to approach the problem of moving beyond capitalism. Much of the twentieth century was dominated by a model of a comprehensive system alternative to capitalism: statist socialism with central planning. Few people give much credibility to that model any longer. Here we will look at two alternative system designs that are responses to the inadequacy of centrally planned statist socialism. The first sees the absence of markets as the pivotal problem with centrally planned socialism, and thus proposes a model of market socialism as the alternative. The second identifies the bureaucratic centralism of planning as the core problem, and thus proposes a decentralized form of democratic participatory planning as the alternative. I think both of these models contain suggestive elements relevant to building a

socialism of social empowerment, but neither constitutes a satisfactory stand-alone model of an alternative to capitalism.

Market socialism

John Roemer has proposed a theoretical model of market socialism that attempts to eliminate capitalist class relations while retaining market mechanisms of economic coordination almost intact.⁸³ 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*. His central idea for socialism is thus different from the one I have proposed: whereas I define socialism in terms of broad democratic control over the economy, Roemer defines it in terms of equal ownership of means of production. Nevertheless, his arguments are of relevance to the present discussion for two reasons. First, the equal ownership principle, if it were achieved, would be a significant advance in social justice as defined in chapter 2. Second, while equal ownership is not itself a democratic principle since it does not mandate any process of democratic control over the economy, nevertheless by eliminating concentrations of private economic power it considerably enlarges the space of such democratic control in the political sphere. Roemer's proposal, therefore, represents a quite different approach to the problem of democratizing the economy: rather than directly designing institutional mechanisms for enhanced social empowerment he proposes a mechanism for undermining the exercise of concentrated economic power, and thereby removing a critical impediment to the functioning of democracy.

In contrast to the traditional statist model of socialism, Roemer proposes a mechanism for distributing ownership equally which relies on a stock market and decentralized decision making rather than centralized bureaucratic administration. While his investigation is purely theoretical in the sense that no economy has ever been organized even partially 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.

⁸³ John Roemer, *A Future for Socialism* (Cambridge, MA: Harvard University Press, 1994) and *Equal Shares: Making Market Socialism Work* (London: Verso, 1996).

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 ownership 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 shareowning in a capitalist economy—a right to a flow of 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, and as a result very quickly most people ended up with no shares and some with high concentrations.

The state plays a central role in this model, even though the state does not itself 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. Roemer's model also contains no specification for how the mutual funds that are at the heart of the process—since most people would invest their coupons in such funds rather than directly in firms—would be run and controlled. The fund managers could become a kind of crypto-capitalist class, controlling vast amounts of capital and effectively reconstituting the influence of concentrated economic power. 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 for advancing democratic egalitarian ideals 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.⁸⁴ Even if this left inequalities in labor market earnings unaltered, there would no longer be a strong tendency for those inequalities to be accentuated by inequalities in unearned income derived from investments out of high earnings. However, a radically egalitarian distribution of capital wealth probably would also 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 by the spontaneous forces of competition over skills in the market. One of the reasons labor market inequality rose so dramatically in the US in the last quarter of the twentieth century was that the decline of unions and the weakening of other mechanisms of labor market regulation (especially the minimum wage) undermined constraints on corporations pushing down wages and increasing the salaries of executives. If capital ownership were to be equally distributed in the entire population, the social forces arrayed against unions and other mechanisms of egalitarian labor market regulation would most likely be weakened. The equalization of capital ownership would not in and of itself change the distribution of labor market earnings, but dynamically it seems probable 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

⁸⁴ 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.

should make it much easier to balance priorities that people have as equal citizens in a polity with priorities they have as relatively equal 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 specific 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 be 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 over investment decisions. Third, in existing capitalist economies, for an important range of policies designed to reduce "public *bads*" (the opposite of "public goods"), concentrations of ownership create actors with both a concentrated interest in producing the public bad and a concentrated capacity to act on that interest. For example, a coalition of wealthy owners in a polluting industry will have an interest in and capacity for using their wealth as a political investment to block anti-pollution policies, both through lobbying and through contributions to political parties with weak commitments to environmental protection. Coupon-based market socialism, therefore, should increase democratic capacity to reduce these kinds of public bads.

Roemer's institutional design 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. As already noted, the institutional design in Roemer's account is underspecified, particularly with respect to the precise structure of power relations over banks and the mutual fund investment process. Much rides on how these institutions would actually work and they could certainly develop in ways that would subvert the socialist quality of the system. But even if these problems are adequately solved, there are important potential issues concerning 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 would 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 the behaviour of firms. 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.

Parecon: a non-market participatory democratic economy

Market socialism, as envisioned by John Roemer, retains most of the features of a market economy but attempts to remove its distinctively capitalist character by blocking the private accumulation of capital and thus the private exercise of economic power. The idea, then, is that a market system without capitalist

class relations would advance the egalitarian side of democratic egalitarianism by distributing wealth in a sustainably egalitarian manner and would also advance the democratic side by largely neutralizing the possibility of economic power undermining the democratic control of state power.

Michael Albert proposes a much more radical break with capitalism by completely eliminating both private ownership and market relations. The problem, of course, is how to do this without shifting power over economic activities to the state. Albert's proposal—"participatory economics," or "parecon" for short—is to reorganize economic institutions through a complex array of participatory councils with the power to make all decisions concerning the allocation and use of society's productive resources.

Institutional design

The institutional design of parecon as elaborated by Albert is constructed around five core principles: social ownership understood as equal ownership by all citizens; egalitarian democratic empowerment based on a principle of participation proportional to effects; jobs constructed as "balanced complexes"; remuneration for work according to effort/sacrifice and needs; and economic coordination based on comprehensive participatory planning. Briefly, the central features of each of these principles are as follows:

1. *Social ownership.* Albert endorses a much stronger concept of equal ownership of the means of production than does Roemer. In Roemer's model citizens are given an equal quantity of *coupons* with which to purchase shares in the total corporate assets of the economy, but they retain individualized rights to those shares and to the dividends connected to them, and over a lifetime some inequality in the value of such shares will emerge. In Albert's model "each workplace [is] owned in equal part by all citizens so that ownership conveys no special rights or income advantages . . . We would own it equally, so that ownership would have no bearing on the distribution of income, wealth, or power."⁸⁵

⁸⁵ Michael Albert, *Parecon* (London: Verso, 2003), p. 9. Albert later clarifies this idea of social ownership: "We simply remove ownership of the means of production from the economic picture. We can think of this as deciding that no one owns the means of production. Or we can think of it as deciding everyone owns a fractional share of every single item of the means of production equivalent to what every other person owns of that item. Or we can think of it as deciding

This means that people do not acquire any income directly via their connection to specific economic assets, but via some public mechanism of distribution.

2. *Egalitarian democratic empowerment.* Most visions of democratic equality are rooted in a principle of one-person-one-vote. On the surface this seems like a fine embodiment of egalitarian principles. Albert argues that this is the case only in special circumstances. The more general principle is that people should have decision-making influence proportional to the effects of those decisions on their lives. This is a much more complex idea: "the norm for decisions being that methods of dispersing information and for arriving at and tallying preferences into decisions should convey to each party involved, to the extent possible, *influence over decisions in proportion to the degree he or she will be affected by them.*"⁸⁶ This principle means that for some kinds of decisions each individual would have complete control over the decision since the decision only affects him or herself, whereas in other types of decisions the influence of a given person would be variable. In workplaces this means that some decisions are made by work teams, others by departments, and still others by assemblies of the entire workforce. Of course it would be impossible to precisely calibrate all decision-making venues this way, but the principle would stamp the basic contours of the rights to participate in different democratic arenas.

3. *Job complexes.* In any economy, the great variety of tasks that need to be done gets packaged into "jobs." Mostly, in capitalism, the bundle of tasks that constitute a job is decided by capitalists and managers. The result is a very strong tendency for the division of labor to take the form of some jobs being interesting, challenging, and empowering, while others are boring, routinized, and disempowered. Albert proposes a radical redesign of jobs in which each worker would work in a "balanced job complex, meaning the combination of tasks and responsibilities each worker has would accord them the same empowerment and quality of life benefits as the combination every other worker has."⁸⁷ In the iconic example, a brain surgeon would thus spend part of each day changing bed pans or doing other

that society owns all of the means of production but that it has no say over any of the means of production nor any claim on their output on that account" (p. 90).

86 Albert, *Parecon*, p. 9 (emphasis added).

87 Albert, *Parecon*, p. 10.

menial, tedious work in a hospital. In cases where workplaces as a whole had, relative to the economy-wide average, high or low levels of desirable tasks, then the balance in a job complex would be created through appropriate productive activities outside of the workplace. The net result is that there would be little difference across people in the quality of life experienced within work.

4. *Remuneration according to effort/sacrifice and to need.* Albert formulates two distinct principles through which people acquire their income, one that is linked to work and one that is not. The former states that remuneration for work should reflect

how hard we have worked, how long we have worked, and how great a sacrifice we have made in our work. We shouldn't get more because we use more productive tools, have more skills, or have greater talent, much less should we get more because we have more power or own more property. We should get more only by virtue of how much effort we have expended or how much sacrifice we have endured in our useful work.⁸⁸

This principle of remuneration is in keeping with the strong intuition of many egalitarians that a just system of payment for work rewards "only what we can affect and not what is beyond our control."⁸⁹ The second remuneration principle provides income to people on the basis of special needs that cannot be met through remuneration for effort.⁹⁰ This implies a recognition that the moral issues involved in distributing the income generated in an economy cannot be satisfied entirely through

88 Albert, *Parecon*, p. 10.

89 Albert, *Parecon*, p. 10.

90 This second basis for remuneration Albert describes not as a principle of justice, but as a principle of compassion. Payment according to need "is not really a candidate for a definition of economic justice . . . It is one thing for an economy to be equitable, fair, and just. It is another thing for an economy to be compassionate. A just economy is not the last word in morally desirable economics" (*Parecon*, p. 37). The definition of social justice I offer in chapter 2 combines Albert's norm of compassion into the concept of social justice. In effect I argue that it would be unjust to deprive people of the resources needed to live a flourishing life if they were unable to obtain these through their own efforts. I do not think, however, that a lot rides on whether or not justified compassion is viewed as an aspect of social justice or a stand-alone principle. I agree with Albert that "justice" is not the only relevant value for evaluating social institutions, and functionally the term "equal access" in my "equal access to the necessary means to live a flourishing life" includes both equal access to income-generating work in which effort is the central determinant of income, and equal access to a compassionate distribution of income reflecting special needs.

fair payment for the contributions people make to generating that income.

5. *Economic coordination through participatory planning.* This is, in many ways, the most controversial element in Albert's proposed institutional design for parecon. It provides the mechanisms through which Albert believes markets could be completely eliminated in ways which would actually increase aggregate social efficiency. The core of the proposal is the creation of a nested structure of worker councils and consumer councils which would be responsible for formulating and revising comprehensive plans for production and consumption. Here is how Albert initially describes the overall character of this system:

participatory planning [is] a system in which worker and consumer councils propose their worker activities and consumer preferences in light of true valuations of the full social benefits and costs of their choices. The system utilizes cooperative communication of mutually informed preferences via a variety of simple communicative and organizing principles and means including . . . indicative prices, facilitation boards, and rounds of accommodation to new information.⁹¹

Worker councils are organized at every level of productive activity: work teams, units, divisions, whole workplaces, and industrial sectors. Consumer councils are similarly organized at every scale: families would belong to neighborhood councils, neighborhood councils would belong to federations of councils for larger parts of cities, federations would belong to city consumption councils, city councils would belong to state or regional councils, and these in turn would belong to national consumption councils. "This nested federation of democratic councils would organize consumption," Albert writes, "just as the nested federation of democratic workers councils organizes production."⁹²

How is this supposed to work? The basic idea is that actors within these various worker and consumer planning councils make proposals for the work activities they want to perform in the coming planning period (specified as a year in Albert's formulation) and the consumption they want to have. These plans are first formulated at the most local level of the system and then reviewed by councils at more encompassing scales and either accepted or

91 Albert, *Parecon*, p. 12.

92 Albert, *Parecon*, p. 93.

rejected in light of information from facilitation boards (which provide various kinds of technical information, especially "indicative prices" meant to reflect the true social costs of different choices given the full array of choices being made throughout the economy). In the case of consumption councils, participatory planning would work like this:

In participatory planning every actor (individual or council) at every level will propose its own activities, and, after receiving information regarding other actors' proposals, and the response of other actors to its proposal, each actor makes a new proposal.

Thus, each consumption "actor," from individuals up to large consumer federations, proposes a consumption plan. Individuals make proposals for private goods such as clothing, food, toys, etc. Neighborhood councils make proposals that include approved requests for private goods as well as the neighborhood's collective consumption requests that might include a new pool or local park. Higher-level councils and federations of councils make proposals that include approval requests from member councils as well as the federation's larger collective consumption request.⁹³

This is an iterated process of plans being proposed, passed onward to the more encompassing level, evaluated, and then returned to the proposing council with new information, reevaluated and reconfigured, and passed back for new consideration:

In a first iteration, where consumers propose in part a "wish list" and workers propose substantial improvements in their work lives, while some goods may be in excess supply, for most goods initial proposals taken together will not equal a feasible plan. As the next step, every council receives new information indicating which goods are in excess supply or demand and by how much, and how the council's proposal compares to those of other comparable units. Facilitation boards provide new estimates of indicative prices projected to equilibrate supply and demand.

At this point consumers reassess their requests in light of the new prices and most often "shift" their requests for goods in excess demand toward goods whose indicative prices have fallen because they were in excess supply or at least less in demand than others. Consumers' councils and individuals whose overall requests were higher than average would feel obliged to whittle down their requests in hopes of winning approval for their proposals. Equity and efficiency emerge simultaneously from this negotiation stage.⁹⁴

93 Albert, *Parecon*, p. 28.

94 Albert, *Parecon*, p. 131.

This entire process is aided by a parallel structure of nested "facilitation boards" that provide an array of technical services—computer services, simulations, accounting, etc.—to each level of the councils:

parecon will have various "facilitation boards" or agencies that facilitate information exchange and processing for collective consumption proposals and for large-scale investment projects, workers requests for changing places of employment, and individuals and families seeking to find membership in living units and neighborhoods, among other functions.⁹⁵

Albert acknowledges that this is a complex process and that the quality of the final plan coming out of the process will depend on the quality of the information flowing through the system. This is partially accomplished through the use of quantitative "indicative prices," but it also requires the assimilation of meaningful *qualitative* data:

to both assure accuracy and to foster solidarity we need not only set quantitative prices but also continually socially reset them in light of changing qualitative information about work lives and consumption activity . . . Not only must a participatory economy generate and revise accurate quantitative measures of social costs and benefits in light of changing conditions, it must also communicate substantial qualitative information about the conditions of other people.⁹⁶

Given sufficient iterations and appropriate technical support using powerful computer software, Albert believes that this process will converge on a coherent annual plan for both production and consumption. If it works as forecast, this plan will take into account the full social costs of alternative uses of an economy's available resources and align these with the comprehensive consumption preferences of equal citizens.

The problem of viability

In terms of the general framework of pathways to social empowerment we have been exploring, Michael Albert's model of parecon can be viewed as a vision for moving beyond capitalism that relies on a single pathway, *the social economy*: all production

95 Albert, *Parecon*, p. 127.

96 Albert, *Parecon*, p. 126.

in Albert's parecon is organized around the direct provision for needs on principles of reciprocity and voluntary association. Economic power, as I have defined it, is eliminated completely, and with it, the market. And state power exercises no direct role in organizing the economy; economic activity is entirely governed by the locally grounded process of democratic planning through voluntary participation in worker and consumer councils. This, then, is a model for going beyond capitalism that rejects six of the seven pathways we have been exploring.

As a statement of the *moral vision* for an alternative to capitalism, Albert's five principles of institutional design have much in common with the arguments of this book. While he uses a somewhat different language for discussing these issues, the deeply egalitarian and democratic values that animate the design principles of parecon are close to the normative principles underlying the analysis of this book:

- *Social ownership* is similar to the way I framed the problem of social ownership as a contrast to both state and private ownership in the concept of socialism.
- *Democratic self-management* is closely connected to the concept of political justice as equal access to the necessary means to control the conditions of one's life.⁹⁷
- *Job complexes* are a useful way of deepening the radical egalitarian principle of social justice as equal access to the necessary means to live a flourishing life, since interesting and meaningful work is an important condition for flourishing.
- *Remuneration to effort*, when combined with the additional norm of *remuneration for needs*, is very close to the principle of equal access to the material means to live a flourishing life.

97 The principle that an individual's influence on decisions should be proportional to the effects of those decisions on their lives was not an explicit part of my specification of what political justice entails, but I think it is an appropriate elaboration of the idea that people should have equal access to those decisions which affect their lives.

- *Democratic participatory planning* as an ideal is a further expression of democracy as equal access to participation in decisions that influence one's life.

So, at the level of ideals, parecon and socialism-as-social-empowerment are operating in very much the same moral universe. Nevertheless, they differ substantially in terms of the framework for translating these ideals into a practical institutional structure within which people can live and work. In spite of his efforts to give many concrete details on how participatory planning would work, Albert's model is more like a utopian vision that does not take sufficiently seriously pragmatic problems of complexity, difficult trade-offs, and unintended consequences, than it is a viable design for a real utopian alternative to capitalism.

One way of posing the problem is to ask: How confident can we realistically be, in the world in which we live now, that we understand the likely dynamics of an entirely new kind of social structure? How certain is our scientific understanding of the key problems that would be set in motion in an economic system organized along the lines of parecon? This would include, for example: our theory of how people make decisions under different social conditions and facing different problems of complexity; how solidarity is formed and fractured under different rules of allocation; how information complexity can generate chaotic processes; how preferences are formed under different micro- and macro-processes of cooperation and competition; how variations in selfish and altruistic dispositions and preferences are both generated and reproduced; how accurate information can be generated in complex interactive contexts where there may be advantages to distorting information; and many other things. I think we have sufficient insight into such problems to justify believing that it is possible to move along the pathways of social empowerment from the existing world; but I do not think we have enough of a grasp of the issues to know how a complex economic system organized through decentralized planning councils without any markets would actually function, or even whether such a structure would be even minimally viable. What we have observed and can study are specific workplaces in which democratic-participatory principles are rigorously in place, as well as a variety of more macro-settings where meaningful forms of participatory councils have operated (as in the participatory budget in Porto Alegre). But these

limited settings hardly constitute an empirical basis for making confident claims about how an entire economic system built on these principles would or could function. This, of course, does not imply the converse—that we know enough now to be sure that parecon as envisioned by Michael Albert is impossible—but admitting that parecon *might* be possible (because of our ignorance on a range of problems) is insufficient grounds upon which to propose a transformative project that confidently rejects any role for markets in a democratic egalitarian society.

For his part, Albert never flinches in his absolute certainty that parecon will work well enough to constitute an improvement over both capitalism and any possible market socialism. This is not to say that he fails to acknowledge that in practice the institutions of a future parecon economy will only approximate the ideals. He emphasizes that there will be mistakes and failures: job complexes will only approximate perfect balance; democratic self-management will never be able to perfectly calibrate voting and participation rules to the proportionality of effects on the lives of participants; and participatory planning will never be able to perfectly reflect all of the social costs and benefits of alternative allocations of economic resources. And he embraces, appropriately, a pragmatic experimentalist view of how parecon institutions would be instituted and developed: if they don't work, then they will be modified in ways that cannot be anticipated in advance. Nevertheless he insists unequivocally that whatever pragmatic limitations parecon might have it will be superior to even the best-designed form of market socialism, and, however unexpected the direction of its evolution, it will not include markets.

Albert's uncompromisingly extreme position against markets is anchored in two propositions. The first is the claim that the ills associated with capitalism come as much from the fact that capitalism is a type of market economy as from the distinctive class relations of capitalism. It is for this reason that Albert believes that any form of market socialism, even if it completely eliminated capitalist ownership, would be at most a very modest improvement over capitalism:

whatever gains over capitalism have been achieved in attaining market socialism, market socialism is still not an economy that by its intrinsic operations promotes solidarity, equity, diversity, and participatory self-management while also accomplishing economic functions efficiently. Instead *all of the intrinsic ills of markets*—particularly hierarchical workplace divisions, remuneration according to output

and bargaining power, distortion of personality and motives, and mispricing of goods and services, etc.—persist, while *only* the aggravating presence of private capital is transcended.⁹⁸

He therefore sees markets as inherently entailing not simply voluntary, decentralized exchange, but also things like hierarchy and remuneration according to output and bargaining power, whereas I see those as consequences of unregulated markets, not of markets as such.

Albert's second basic proposition is the claim that the presence of even limited markets is destructively corrosive of democratic egalitarian values: "Having a little markets in a parecon is a bit like having a little slavery in a democracy, though even less tenable. The logic of markets invalidates the logic of participatory planning and of the whole parecon, and it is also imperial, once it exists trying to spread as far as wide as it can."⁹⁹ Albert thus fundamentally rejects the concept of reproducible hybrid forms of economic structures that combine opposing logics: the presence of markets within what I have termed a socialist hybrid would, for him, inevitably destroy the socialist elements.

If one accepts these two propositions, then it might make sense to argue for the complete abolition of markets and their replacement by decentralized participatory planning, even if one lacked convincing evidence that a complex economy without any role for markets would in fact work very well. I do not, however, think there are good grounds for this absolutist rejection of markets. Even if they are corrosive of egalitarian and democratic values it does not follow that it is impossible to impose upon markets forms of social and political regulation that would largely neutralize these corrosive effects. Albert insists that we have unequivocal empirical evidence that markets as such generate all of these negative effects, but in fact all that we have unequivocal empirical evidence for

98 Albert, *Parecon*, p. 79 (emphasis added).

99 Albert, *Parecon*, p. 277. I do not find this analogy between slavery and the market compelling. Slavery is inherently morally abhorrent. Markets become abhorrent, if they do, because of their aggregate emergent properties and effects, not their molecular character. A bilateral voluntary exchange between equals is not morally objectionable. If there were a mechanism that sustained that equality, then the regularization of such exchanges would also not be inherently objectionable in the same sense that slavery is. It could be the case that the emergent properties and negative externalities of markets in the aggregate are so powerful that no form of democratic regulation can neutralize them, but this is a much more complex argument than is the case with regard to slavery.

is that markets *combined with capitalist class relations* generate these effects; we don't know what the effects of markets combined with other forms of economic organization would be. Markets can generate inequalities in wages, but after-market income taxes can substantially redistribute income. Firms operating within markets may ignore negative externalities, but democratic regulatory processes can assess those externalities and impose constraints on market decisions, particularly if those regulatory processes are themselves organized through associational democracy rather than as centralized command-and-control regulation. What is more, in a hypothetical context where concentrations of *capitalist* power have been reduced through progress along the multiple pathways of social empowerment, such regulatory processes are likely to be much more effective than in capitalism for reasons we have already discussed. Of course such attempts at regulating markets will themselves always be imperfect. But so will the attempts at system-wide planning within parecon. We cannot know in advance whether the problems generated by such "imperfections" would be greater in a pure participatory economy of the sort Albert proposes or in a hybrid form within which markets continued to play a meaningful role.

Once we drop the assumption that markets are like cancer—so that if you have a little in the mix it will inevitably corrode and destroy social empowerment—then the issue of the optimal balance between participatory planning and unplanned market allocations is not one that can be decided in advance of the pragmatic learning process of social transformation. There is certainly no *a priori* reason to suppose that the balance that would be arrived at through a process of deliberative democracy would be 100 percent planning + 0 percent markets.

There are at least four reasons why the participants in a vigorously democratic participatory process rooted in the democratic egalitarian values of parecon might nevertheless opt for a significant presence of markets.¹⁰⁰ First, participants in a democratic process know that their preferences are formed within social interactions and that people today cannot have a fully rational grasp of possible preferences tomorrow. They might therefore recognize the virtues of having a chaotic unplanned element in the process of creating an economic environment for preference formation: a

100 I am framing the issue here in terms of the balance between markets and participatory planning, but a similar argument could be made concerning the balance between centralized state regulation and participatory planning.

democratically planned participatory economy might be better if it had a significant, if still circumscribed, unplanned component—a little “anarchy of production” *might* function more effectively than a more thoroughly planned economic process, even if this meant that there would be some negative market-effects that would need to be counteracted through regulations.

Second, participants in an economy that is experimenting with various combinations of participatory democratic economic forms and market forms might discover that markets provide some advantages for certain desirable forms of risk taking. It might be good to have a space for risk taking without having to get permission from councils and committees before taking the risks, and this less planned form of risk taking might be most easily facilitated by, again, allowing space for market activities and market incentives. This does not mean that innovation requires markets. But it could still be the case that the optimal level of risk taking with respect to innovations may require having a mix of innovation-inducing social processes, and this could include allowing individuals and collectivities to take risks through markets without prior permission for the specific risk-project.

Third, the information complexity of the iterated planning process described in *Parecon* might in the end simply overwhelm the planning process. Albert is confident that with appropriate computers and software this would not be a problem—and he dismisses people who disagree with him on this. Perhaps he is right. But he may also be utterly wrong. As described in *Parecon* the information process seems hugely burdensome, particularly since it includes workers and consumers writing qualitative accounts of their needs and activities, and councils absorbing such qualitative information and deploying it in evaluating plans. The sketch of the information process provided by Albert is useful in giving a sense of how things could take place, but it does not provide a convincing case that this would actually generate coherent plans that would converge on a set of quantities and prices for all products in a large economy.

Finally, there is the question of how people want to live their lives and whether the amount of time spent on paperwork, in meetings, and at computer terminals in a pure *parecon* system is the amount that participants would democratically choose. Of course, if *parecon* really is an all-or-nothing proposition—either you have a full-blown participatory economy with no markets, or the system will degenerate back to a full-blown market economy—then

democratic egalitarians might opt for *parecon* even if they were generally unhappy about the time required for such participation. Life involves trade-offs, and this could be worth it if the choice was such a stark one. But if economic social empowerment is not an all-or-nothing proposition, if hybrids are possible, then choices can be made over the trade-offs between a participatory economy without markets involving more time devoted to the tasks of participatory decision making and a hybrid which would require less time to be taken up on such tasks. It is impossible to decide what the optimal balance is before the people who will live within these institutions have had a chance to experience different possibilities and figure things out through a process of pragmatic, democratic experimentalism.

CONCLUSION: AN EXPANSIVE AGENDA OF SOCIAL EMPOWERMENT

This chapter has touched on only a selected number of proposals of institutional designs that would increase social empowerment over the economy. There are many other empirical examples and theoretical ideas which could have been discussed. To just give a sense of the wider range of possibilities, here are some of the other forms of social empowerment over the economy:

Community land trusts. These are forms of collective ownership of land—by community groups, social movement organizations, NGOs, or sometimes government organizations—which take land out of the real estate market, place it into a distinctive legal form of property rights called a “land trust” which significantly restricts the subsequent transfer of ownership, and then uses the land for various kinds of social purposes such as low-income housing, nature conservancy, and various projects of community development. The idea is that land should be controlled by socially rooted collective associations rather than by private individuals or capitalist developers.

International labor standards campaigns. It is widely recognized that one of the reasons capital moves production facilities from the developed world to developing countries is because of cheap labor and lower labor standards. One reaction to this by the labor movements in the North is to try to erect trade barriers to imports of industrial products produced in low-wage

countries or in other ways to impede the “export” of jobs through outsourcing. But another response is to attempt to create international labor standards which would be effectively enforced in the developing world. There are a number of difficulties involved in such endeavors: establishing a set of labor standards that are not simply a disguised form of protectionism; creating an effective monitoring apparatus that will provide reliable information about compliance, especially given the complex subcontracting relations that occur in many sectors; and being able to impose meaningful sanctions for noncompliance. As Gay Seidman has forcefully argued, transborder labor standards campaigns are most effective when they involve collaboration between social movements in the North and South along with the participation of the state in the monitoring and enforcement process.¹⁰¹

United Students Against Sweatshops. Universities in the United States control the use of the name of their university and university logos in commercial products like t-shirts and sweatshirts. The United Students Against Sweatshops (USAS) was formed to pressure universities to license their logos only to manufacturers who agree to a strict labor standards code.¹⁰² To this end, in 2000 the USAS formed a monitoring organization, the Workers’ Rights Consortium (WRC), to investigate working conditions in factories that produce apparel with university logos on them. There existed at the time a clothing-industry-backed monitoring organization—which was renamed the Fair Labor Association—which offered universities a much weaker set of standards. As the result of a protracted struggle on university campuses, including sit-ins in administration offices and rallies and demonstrations, many universities ended up adopting the stronger standards. More recently, the USAS has tried to increase the effectiveness of its anti-sweatshop drive by creating a designated supplier program which lists factories that have been positively certified as compliant by the WRC. As of the end of 2008 over forty universities have agreed to restrict contracts for university apparel to factories in the designated supplier program.

101 Gay Seidman, *Beyond the Boycott: Labor Rights, Human Rights and Transnational Activism* (New York: Russell Sage Foundation, 2007). See also Cesar Rodriguez-Garavito, “Global Governance and Labor Rights: Codes of Conduct and Anti-Sweatshop Struggles in Global Apparel Factories in Mexico and Guatemala,” *Politics and Society* 33: 2 (2005).

102 <http://www.studentsagainstsweatshops.org>.

Forestry conservation certification. Social movements have also been involved in struggles over environmental issues in which they use information campaigns, boycotts, and other strategies to try to get multinational corporations to comply with various kinds of good environmental standards. In the early 1990s, one such campaign resulted in the creation of the Forestry Stewardship Council (FSC) in an effort at specifying high ecological standards for forestry management and establishing a mechanism for certifying that specific forests meet these standards. The structure of the FSC embodies many elements of associational democracy. As described by Christine Overdevest:

the FSC scheme is characterized by a deliberative and democratic governance structure. Representatives of traditionally oppositional, formal interest groups make up the FSC’s “balanced,” participatory and deliberative membership-based governance structure. The membership currently is composed of 561 members worldwide, with 79 from the U.S., but voting weight is equally distributed among three chambers—economic, social, and environmental. The economic chamber is constituted by forestry firms, secondary processors and retailers, auditing organizations, and consultants. The social chamber includes civil society groups and individuals who represent community development, poverty, and human and worker rights organizations, and the environmental chamber includes a variety of environmental interests ranging from activist-oriented organizations like Greenpeace and Friends of the Earth to mainstream organizations such as the World Wildlife Fund and the Nature Conservancy. Each chamber has one-third of the vote. Because of the variability in the meaning of conservation, within each FSC chamber one-half of the voting power has been further assigned to “northern hemisphere members” and one-half to the “southern hemisphere members,” to “balance” the interests of developed and developing countries.¹⁰³

This governance body sets certification standards and oversees the monitoring process of forests. The certification of forests, in turn, provides a basis for certifying that wood products from those forests were produced in a way consistent with environmental sustainability.

The complexities of this certification and monitoring process are considerable. Not only is it necessary to closely monitor forestry practices over a very wide area, it is also necessary to keep track of the products derived from these forests to be sure that uncertified products do not mix with them on their way through the

103 Christine Overdevest, “Codes of Conduct and Standard Setting in the Forest Sector: Constructing Markets for Democracy?,” *Relations Industrielles/Industrial Relations* 59: 1 (2004), pp. 179–80.

supply chain. Furthermore, the forestry industry itself has created certification programs, typically with lower standards, which often confuses consumers. Nevertheless, such campaigns have had modest success in getting some large retailers to carry lumber that has been certified by the Forestry Stewardship Council, and pressure from the FSC also appears to have forced the forest industry's own standard-setting and certification organization, the Sustainable Forestry Initiative, to gradually raise its standards.¹⁰⁴ These campaigns, when they become institutionalized as monitoring organizations rooted in social movement associations, constitute a form of social capitalism: social power constrains the exercise of economic power over particular aspects of production and distribution.

The Equal Exchange trade cooperative and the Fair Trade movement. There is a small but growing effort of worker-owned cooperatives in the global North to become involved in the trade of commodities produced by cooperatives in the global South. The best-known example of this is the worker-owned coffee cooperative Equal Exchange, founded in Massachusetts in 1986. Its central objective is to import coffee (and subsequently tea and chocolate) produced within agricultural cooperatives from the global South. In the 1990s Equal Exchange joined with other organizations in what had come to be known as the Fair Trade movement. The idea here is to create global standards for "fair trade" and a reliable organization for certifying that goods have been produced according to those standards. In recent years the integrity of the official fair trade certification process has come into question as the Fair Trade movement has attempted to get large retailers like Starbucks and Whole Foods to include fair trade products. This has led, some people argue, to a dilution of the certification standards as fair trade certification has been extended to commodities grown on large farms and plantations so long as they met certain minimal conditions. For this reason some coffee cooperatives, such as Just Coffee in Madison, Wisconsin, have pulled out of the fair trade certification organization and are attempting to create more direct connections between coffee cooperatives in the global South and roasters and retailers in the global North.¹⁰⁵

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104 See Overdevest, "Codes of Conduct and Standard Setting."

105 Information about Just Coffee can be found on its website: <http://justcoffee.coop>. For a thorough study of fair trade coffee, see Daniel Jaffee, *Brewing Justice: Fair Trade Coffee, Sustainability, and Survival* (Berkeley: University of California Press, 2007).

This array of institutional proposals for moving along the pathways of social empowerment constitutes a rich, diverse menu of possibilities. Some of the institutional designs we have explored can be constructed by a few people single-mindedly working together. This is the case for many worker-owned cooperatives, including those which have a transformative mission. Others require the concentrated effort of social movements and collective associations, as in some of the social capitalism proposals we have examined. And still others can only happen with the strong involvement of the state, as is the case for basic income. While individually each proposal can be seen as contributing to expanding and deepening social empowerment, the real progress in shifting the power configuration of the economic hybrid will come from the interactions and synergies among them: basic income can facilitate the formation of cooperatives and social economy enterprises; various forms of social capitalism can contribute to expanding the cooperative market economy; and all of these can increase the political will for new forms of participatory socialism.

The prospects for such synergies, however, depend upon the possibilities for transformative struggles. And to understand those possibilities, we need a theory of transformation. This is the subject of the next four chapters.