
THE SOCIALIST COMPASS

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

TAKING THE “SOCIAL” IN SOCIALISM SERIOUSLY

Both social democracy and socialism contain the word “social.” Generally, the notion of the social is invoked in a loose and ill-defined way, often used to suggest a political program committed to the broad welfare of society rather than the narrow interests of particular elites. Sometimes, especially in more radical versions of socialist discourse, “social ownership” is invoked as a contrast to “private ownership,” but in practice this has generally been collapsed into state ownership, so that the term “social” itself ends up doing relatively little analytical work in the elaboration of the political program.

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

Most discussions of socialism develop the concept in terms

of a binary contrast with capitalism. The standard strategy is to begin with a discussion of different ways of organizing production and from this to define capitalism as a distinctive type of “mode of production” or “economic structure”—an economic structure within which the means of production are privately owned, workers must thus sell their labor power in order to obtain their livelihoods, and production is oriented towards profit-maximization through exchange on the market. Socialism is then defined in terms of the negation of one or more of these conditions. Since the pivot of the concept of capitalism is the *private* ownership of the means of production, this has generally meant that socialism is understood as requiring *public* ownership of one form or another, most typically through the institutional device of state ownership.

Here I will elaborate an alternative approach to specifying the concept of socialism in which it is contrasted with two alternative forms of economic structure: *capitalism* and *statism*. Capitalism, statism, and socialism can be thought of as alternative ways of organizing the power relations through which economic resources are allocated, controlled, and used. To explain what this means I will first need to clarify a number of key concepts: 1) power; 2) ownership; and 3) the state, the economy, and civil society understood as three broad domains of social interaction and power. Second, I will develop a conceptual typology of capitalism, statism, and socialism as types of economic structures based on different configurations of ownership and power linked to these three domains. Third, I will explain how this typology of economic structures helps us draw a conceptual map of the empirical variability of the macro-structures of economic systems. This will provide us with the conceptual vocabulary required to elaborate our socialist compass of pathways to social empowerment.

CLARIFICATIONS OF A CONCEPTUAL VOCABULARY

Power

Power is one of the most perpetually contested concepts in social theory. Here I want to stress the simple idea of power as the *capacity* of actors to accomplish things in the world. The expression “accomplish things in the world” is a very general, all-encompassing idea. It is meant to capture the idea of producing

effects in the world without specifying in advance any particular kind of effects: to be powerful is to be able to produce significant effects with respect to some kind of goal or purpose. This formulation is broader, for example, than saying that power is the capacity to realize one's *interests*. This definition has both an *instrumental* and a *structural* dimension: it is instrumental in that it focuses on the capacities people use to accomplish things in the world; it is structural in that the effectiveness of these capacities depends upon the social structural conditions under which people act.¹ The power of capitalists, for example, depends both upon their wealth and upon a social structure within which this wealth can be deployed in particular ways. Owning a factory is a source of power only if there also exists a labor force separated from the means of subsistence which must rely on a labor market in order to earn a living, and a set of state institutions that enforce contracts and protect property rights. The simple ownership of this economic resource only becomes a source of real power under appropriate social conditions.

Understood in this way, power need not be a zero-sum phenomenon: increasing the capacity of one person or group to accomplish things need not necessarily imply reducing the capacity of others. Nor does this concept of power inherently imply "domination" in the sense of one actor being able to control the actions of other actors even over their objections: a group of people effectively cooperating to accomplish some task can be said to be exercising power with respect to this task even if no coercion is involved in forging the cooperation. A well-organized smoothly cooperating group is more powerful than a fractious, disorganized group: it has greater capacity to accomplish things. Still, given the character of social relations and conflicting interests, effective

1 Sometimes in social theory a sharp contrast is drawn between *instrumental* and *structural* notions of power. For example, Steven Lukes, in his justly celebrated book *Power: A Radical View* (Basingstoke: Palgrave Macmillan, 2005) defines three faces of power, the third of which is the power to have one's interests secured by the social organization of society without one's conscious action. This suggests a meaning of power that generates effects independently of the agency of people. Nicos Poulantzas, following Louis Althusser, goes further in rejecting entirely the instrumental notion of power, arguing that it is just an effect of structural conditions. Here I am adopting a use of the distinction between structural and instrumental power that emphasizes their interaction. This is similar to the treatment of power by Alex Callinicos, in his *Making History* (Leiden: Brill, 2004), in which he argues that structures are a dimension of power insofar as they enable actors to wield power resources in various ways.

power in many social contexts does involve domination. Power *to* often depends upon power *over*.

With this definition of power, one of the ways in which its forms can be differentiated is in terms of the underlying social basis for the capacity to generate effects in the world. In the present context we will distinguish three important forms of power: *economic power*, based on the control over economic resources; *state power*, based on control over rule making and rule enforcing capacity over territory; and what I will call *social power*, based on the capacity to mobilize people for voluntary collective actions of various sorts. Using slogans, we can say that there are three ways of getting people to do things: you can *bribe* them; you can *force* them; you can *convince* them. These correspond to the exercise of economic power, state power, and social power.² And as we shall see, these are closely linked to the distinctions between capitalism, statism, and socialism.

Ownership

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

1. The *agents* of ownership: who is the holder of the ownership rights. There are many possible kinds of social agents that can be owners—individuals, families, organizations, states, and perhaps some more abstract entity such as "society" or even "humanity."

2. The *objects* of ownership: what sorts of things can be owned and what sorts cannot be owned. There was a time in the United States, for example, when people could be owned by other people in the form of slaves. This is no longer the case. Some kinds of things may be owned by certain kinds of agents but not others. For example, in some economies land is owned in common by all people, whereas in others it can be owned by individuals. In the United States today certain kinds of weapons can be owned by the state but not by individuals or other organizations.

3. The *rights* of ownership: what sorts of rights are entailed by ownership. Ownership rights include things like the right to use something in different sorts of ways, the right to destroy it, the

2 Because social power is rooted in voluntary association, and voluntary association is intimately connected to persuasion and communication, social power is also closely linked to what might be termed ideological or cultural power.

right to sell it or give it away, the right to let other people use it, and the right to the income generated by its use.

The problem of ownership is especially complex since different kinds of ownership rights may be distributed across different kinds of agents in different ways for different objects of ownership. Consider, for example, the common notion that in capitalism the means of production are *privately* owned. The means of production are a particular object of ownership. To say that they are privately owned means that individuals and organizations outside of the state (such as corporations and nonprofit organizations) have the right to make various kinds of decisions about the means of production without interference by the state and other non-owners. In practice, however, the actual ownership relations over the means of production in all capitalist economies are more complex than this since the effective power over many aspects of the use of machines, buildings, land, raw materials, and so forth have been removed from the private owners and are held by the state. Owners of firms, for example, are restricted in how they can use their means of production because of health and safety requirements. They cannot freely contract with a worker to ignore these requirements, and thus in this specific respect they are not full owners of the machine; some of the rights of ownership have been taken over by the state. Capitalists do not even have full property rights in the flow of net income (profits) generated by the use of their means of production since the state imposes various forms of taxation on that income. In effect, the profits that are generated by the use of means of production are divided between a public entity—the state—and the private owners.³

Because of this complexity of the allocation of specific property rights within the bundle we call “ownership,” it is not always a simple task to identify who “owns” the means of production—different rights are assigned to different actors. The issue is further complicated by the well-known distinction between “ownership” and “control” in many economic contexts. Large capitalist corporations are owned by shareowners, but the actual control over the operation of the firms is in the hands of managers and executives. Formally the top executives are hired by the owners, typically through the intermediary of a board of directors, and

³ This, of course, is why libertarians say “taxation is theft”: in their view, since private ownership should entail full property rights, the state’s appropriation of part of the profits is simply a form of stealing.

thus executives and the managers below them whom they hire are officially simply the agents of the “real” owners. In practice it may be quite difficult for the owners to effectively monitor and control the actions of these managerial agents. This poses potentially serious problems for owners since the business strategies which may be optimal for the managers may not always be the same as for the owners (thus the famous “principal/agent problem” of economic theory). To overcome this problem a range of institutional mechanisms have been devised in an attempt to align more tightly the interests of managers and shareowners: career ladders are a way of potentially increasing the loyalty of managers to the firm, and stock options for executives are often seen as a way of increasing the coordination of interests of top managers and owners. In any case, it cannot be taken for granted that the formal owners of the means of production have effective power over production itself.

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

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

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

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

This way of thinking about social ownership means that we can talk about the *depth*, *breadth*, and *inclusiveness* of social ownership. The *depth* of social ownership refers to the extent to which particular means of production are effectively under social control rather than private or state control. Just as private ownership varies in the array of rights linked to particular means of production that are exercised privately, so too social ownership can vary in the range of rights under effective social control.

The *breadth* of social ownership refers to the range of economic activities that are characterized by social ownership. At one extreme is the kibbutz in the period in which it was organized most profoundly along egalitarian, communal lines, in which there was virtually no private property. *Inclusiveness* refers to the range of people included under the idea of “people engaged in interdependent economic activities.” This can be understood quite restrictively as those persons directly using particular means of production, or much more broadly as all people whose lives are affected by the use of those means of production, or what are sometimes called the “stakeholders” in the means of production.⁴

The lines of demarcation among these three forms of ownership are not always clear. If the state is controlled in a deeply democratic manner, then state ownership may become very much like a specific form of social ownership. In a democratic society does the state own the national parks or do “the people” own the parks? If individual members of a producer co-op are assigned individual shares in the cooperative—which they can sell and which give them individually differentiated claims on the net income of the economic activity—then the social ownership of the cooperative may begin to look much more like a form of private ownership. If in an otherwise capitalist economy the state imposes restrictions on the transfer of property rights (for example, export controls over flows of capital) and regulates the allocations surplus for different kinds of investments, then private ownership can begin to look more like state ownership.

4 The term “stakeholders” is used in contrast with the term “shareowners.” Shareowners are the set of people with private property rights in the means of production. Stakeholders are all those with a “stake” in the means of production because their lives are affected by how those means of production are used. The idea that social ownership of specific means of production should extend to all stakeholders is the principle most consistent with the normative ideals of radical democratic egalitarianism discussed in chapter 1. Recall that the democratic egalitarian principle of political justice is that all people should have equal access to the means necessary to participate in decisions which affect their lives as individuals and as members as communities. This corresponds to the expansive notion of social ownership in which all “stakeholders” have ownership rights. This leaves open the question of how those rights should be allocated across different categories of stakeholders (since different people have different stakes) and how the principle of stakeholder rights should be balanced with pragmatic questions concerning the effective exercise of those rights.

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

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

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

The state is the cluster of institutions, more or less coherently organized, which imposes binding rules and regulations over a

5 Most attempts at formulating broad frameworks for building macro-sociological theory invoke elusive categories like "domains" or "spheres" or "arenas" or "levels" or "subsystems" of social interaction. None of these terms is entirely satisfactory. They mostly evoke spatial metaphors that are misleading. In talking about the economy and civil society as spheres of social interaction I do not mean to suggest that civil society stops at the workplace and the economy begins once you enter. Civil society is made up of voluntary associations (including loose associations like social networks) and these occur within the organizations of the economy as well as those of "society." All such terms are based on the loose idea that societies can, in some sense, be thought of as "systems" with distinguishable "parts" or "dimensions," and that a central task of social analysis is to figure out what the salient parts are and how are they connected.

territory. Max Weber defined the state as an organization which effectively monopolizes the legitimate use of force over a territory.⁶ I prefer Michael Mann's alternative emphasis on the state as the organization with an administrative capacity to impose binding rules and regulations over territories.⁷ The legitimate use of force is one of the key ways this is accomplished, but it is not necessarily the most important way. *State power* is then defined as the effective capacity to impose rules and regulate social relations over territory, a capacity which depends on such things as information and communications infrastructure, the ideological commitments of citizens to obey rules and commands, the level of discipline of administrative officials, the practical effectiveness of the regulations to solve problems, as well as the monopoly over the legitimate use of coercion.

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

Civil society is the sphere of social interaction in which people voluntarily form associations of different sorts for various purposes.⁸ Some of these associations have the character of formal organizations with well-defined memberships and objectives. Clubs, political parties, labor unions, churches, and neighborhood associations would be examples. Others are looser associations, in the limiting case more like social networks than bounded organizations. The idea of a "community," when it means something more than simply the aggregation of individuals

6 Max Weber, "Politics as a Vocation," in Hans Gerth and C. Wright Mills (eds), *From Max Weber* (New York: Oxford University Press, 1946).

7 Michael Mann, *The Sources of Social Power*, Volume I (Cambridge: Cambridge University Press, 1986).

8 The term "voluntary" in this formulation is, like many of the concepts used in this discussion, fraught with difficulties. It is meant to highlight a contrast with what can be called "compulsory" associations, especially the state. In many contexts there are all sorts of social pressures and constraints which shape the desire and ability of people to participate in associational life, and thus the strictly "voluntary" quality of such associations may be problematic. Churches often have this character, particularly in social settings where there are significant sanctions for not belonging to a church. The voluntariness of participation in associations is thus a variable.

living in a place, can also be viewed as a kind informal association within civil society. *Power in civil society* depends on capacities for collective action through such voluntary association, and can accordingly be referred to as “associational power” or “social power.”

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

A typology of economic structures: capitalism, statism, and socialism

We can now turn to the key problem: differentiating capitalism, statism, and socialism. One way of thinking about the variations in the types of economic structures that currently exist or could exist in the future is to think about *variations in the ways power rooted in the economy, the state, and civil society shapes the way economic resources are allocated, controlled and used*. Capitalism, statism, and socialism are differentiated, in these terms, on the basis of the form of ownership over means of production and the type of power that determines economic activities:

Capitalism is an economic structure within which the means of production are privately owned and the allocation and use of resources for different social purposes is accomplished through the exercise of economic power. Investments and the control of production are the result of the exercise of economic power by owners of capital.

Statism is an economic structure within which the means of production are owned by the state and the allocation and use of resources for different social purposes is accomplished through the exercise of state power. State officials control the investment process and production through some sort of state-administrative mechanism.

Socialism is an economic structure within which the means of production are socially owned and the allocation and use of resources for different social purposes is accomplished through the exercise of what can be termed “social power.” “Social power” is power rooted in the capacity to mobilize people for cooperative, voluntary collective actions of various sorts in civil society. This implies that civil society should not be viewed simply as an arena of activity, sociability, and communication, but also of real power. Social power is contrasted with *economic power*, based on the ownership and control of economic resources, and *state power*, based on the control of rule making and rule enforcing capacity over territory. The idea of “democracy,” in these terms, can be thought of as a specific way of linking social power and state power: in the ideal of democracy, state power is fully subordinated to and accountable to social power. The expression “rule by the people” does not really mean, “rule by the atomized aggregation of the separate individuals of the society taken as isolated persons,” but rather, rule by the people collectively organized into associations in various ways: parties, communities, unions, etc. Democracy is thus, inherently, a deeply socialist principle. If “democracy” is the label for the subordination of state power to social power, “socialism” is the term for the subordination of economic power to social power.

It is important to be clear about the conceptual field being mapped here: these are all types of economic structures, but only in capitalism is it the case that economically based power plays the predominant role in determining the use of economic resources.⁹ In statism and socialism a form of power distinct from the economy itself plays the dominant role in allocating economic resources for alternative uses. It is still the case, of course, that in capitalism state power and social power exist, but they do not play the central role in the direct allocation, control, and use of economic resources.

9 This special property of capitalism is something much remarked upon by Max Weber. He saw the decisive shift from pre-capitalist to capitalist society as lying in the institutional insulation of economic activity from non-economic forms of power and interference which was the essential organizational condition for the full “rationalization” of economic life. For a discussion of Weber’s concept of rationalization as it bears on the class analysis of capitalism, see Erik Olin Wright, “The Shadow of Exploitation in Weber’s Class Analysis,” *American Sociological Review* 67 (2002), pp. 832–53.

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

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

To say that socialism is an economic structure within which the allocation and use of resources for different social purposes is accomplished through the exercise of "social power," defined as power rooted in civil society, leaves open the question of which sorts of associations in civil society are central to social empowerment and which are not. Traditionally socialists, especially those firmly anchored in the Marxist tradition, have understood this problem almost entirely in class terms, focusing especially on the importance of working-class associations for socialism. While it is the case that working-class organization is crucial for social empowerment over the economy, since class is so deeply linked to the ways people are

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

engaged in the process of production, social empowerment is a broader idea than simply working-class empowerment and includes a wide range of associations and collective actors not simply defined by their relationship to class structure. Socialism, understood in the way proposed here, is thus not equivalent to the working class controlling the means of production through its collective associations.¹¹ Rather, social empowerment over the economy means broad-based encompassing economic democracy.

Hybrids

In terms of these definitions, no actual living economy has ever been purely capitalist or statist or socialist, since it is never the case that the allocation, control, and use of economic resources is determined by a single form of power. Such pure cases live only in the fantasies (or nightmares) of theorists. *Totalitarianism* is a form of imaginary hyper-statism in which state power, unaccountable to civil society and unconstrained by economic power, comprehensively determines all aspects of both production and distribution. In a pure *libertarian capitalism* the state atrophies to a mere "night watchman state," serving only the purpose of enforcing property rights, and commercial activities penetrate into all corners of civil society, commodifying everything. The exercise of economic power would almost fully explain the allocation and use of resources. Citizens are atomized consumers who make individual choices in a market but exercise no collective power over the economy through association in civil society. *Communism*, as classically understood in Marxism, is a form of society in which the state has withered away and the economy is absorbed into civil society as the free, cooperative activity of associated individuals.

11 Even though I do not reduce socialism to working-class empowerment over the economy, working-class associations are still at the center of the conception of socialism proposed here for two reasons. First, as defined earlier, *social ownership* means ownership by "the set of people engaged in interdependent economic activity which uses the means of production and generates some kind of product." This means that associations representing workers will always be part of the exercise of ownership rights. Second, because they are directly engaged in production, the active cooperation of workers is essential for the effective exercise of social power over economic activity. If, in the future, socialism based on pervasive economic democracy actually occurs, there is likely to be considerable variability in the array of specific *non-class* associations that would play a central role in the realization of social power over the economy, but any possible socialism would have to include a central role for empowered working-class associations.

None of these pure forms could exist as stable, reproducible forms of social organization. The statist command economies, even in their most authoritarian forms, never completely eliminated informal social networks as a basis for cooperative social interaction which had real effects on economic activity outside of the direct control of the state, and the practical functioning of economic institutions was never fully subordinated to centralized command-and-control planning. Capitalism would be an unsustainable and chaotic social order if the state played the minimalist role specified in the libertarian fantasy, but it would also, as Polanyi argued, function much more erratically if civil society was absorbed into the economy as a fully commodified and atomized arena of social life.¹² Pure communism is also a utopian fantasy, since a complex society could not function without some sort of authoritative means of making and enforcing binding rules (a “state”). Feasible, sustainable forms of large-scale social organization, therefore, always involve some kind of reciprocal relations among these three domains of social interaction and power.

In practice, therefore, the concepts of capitalism, statism, and socialism should be thought of not simply as *all-or-nothing ideal types* of economic structures, but also as *variables*. The more the decisions made by actors exercising economic power determine the allocation and use of resources, the more capitalist an economic structure will be. The more power exercised through the state determines the allocation and use of resources, the more the society is statist. The more power rooted in civil society determines such allocations and uses, the more the society will be socialist.

Treating these concepts as varying in degree opens the possibility of complex mixed cases—*hybrids* in which an economy is capitalist in certain respects and in others statist or socialist.¹³

12 See Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2001 [1944]) for the classic discussion of the necessity for markets to be embedded and constrained by society.

13 For a somewhat different conception of the hybrid nature of economic systems, see J. K. Gibson-Graham, *A Postcapitalist Politics* (Minneapolis: University of Minnesota Press, 2006). Gibson-Graham argues that all capitalist economies are really complex multi-form economies which include in addition to the capitalist economy and the state economy a wide range of other economic forms: the gift economy, the household economy, the informal economy, among others. Another interesting formulation of the problem of hybrids can be found in the writing of Colin Ward, the prominent English anarchist. Stuart White describes Ward's approach this way: “For Ward, society inevitably embodies a plurality of basic organizing techniques, including market, state and the anarchist

All existing capitalist societies contain significant elements of statism since states everywhere allocate part of the social surplus for various kinds of investments, especially in things like public infrastructure, defense and education. Furthermore, in all capitalist societies the state removes certain powers from holders of private property rights, for example when capitalist states impose rules on capitalist firms that regulate labels, product quality, or pollution. State power, rather than economic power, controls those specific aspects of production, and in these ways the economy is statist. Capitalist societies also always contain at least some socialist elements, at least through the ways collective actors in civil society influence the allocation of economic resources indirectly through their efforts to influence the state and capitalist corporations. The use of the simple, unmodified expression “capitalism” to describe an empirical case is thus shorthand for something like “a hybrid economic structure within which capitalism is the predominant way of organizing economic activity.”¹⁴

This conception of hybrid economic structures opens up a very difficult set of questions about the nature of economic systems

technique of mutual aid: ‘Every human society, except the most totalitarian of utopias or anti-utopias, is a plural society with large areas that are not in conformity with the officially imposed or declared values.’ See Stuart White, “Making Anarchism Respectable? The Social Philosophy of Colin Ward,” *Journal of Political Ideologies* 12: 1 (2007), p. 14, quoting from Colin Ward, *Anarchy in Action* (second edition, London: Freedom Press, 1982).

14 The concept of a *hybrid* economic structure is a specific instance of a style of social theory which can be called “combinatorial structuralism.” The general idea is this: For a given domain of social inquiry one can propose a series of elementary structural forms. These are the building blocks of complexity: all concrete societies can then be analyzed in terms of different patterns of combination of these forms. These elementary structures are thus somewhat analogous to the elements in the periodic table of chemistry: all compounds are simply forms of combination of these ingredients. In analyzing economic structures I have proposed here a very simple “social chemistry”: there are three elementary forms—capitalism, statism, and socialism. Actual societies, then, are formed through different ways of combining these. There may, of course, also be something akin to isotopes—different forms of each of the elements. There is capitalism consisting of small competitive firms and capitalism of large mega-corporations; capitalism in which capital accumulation is most dynamic in agriculture or in industry or in a variety of service sectors; capitalism with low capital intensity and high capital intensity; and so on. A fully developed combinatorial structuralism of economic forms would explore the diverse ways in which different kinds of elements as well as their variants can form configurations. Of particular importance would be identifying the ways in which some hybrids would be quite stable in the sense that the configuration could be reproduced over time, while others would be unstable and tend to break apart.

and how different principles and power relations get combined. In particular, there is the question of what precisely is meant by the claim that capitalism is “dominant” within a hybrid configuration.¹⁵ The problem here is that there is no simple metric in terms of which we can measure and compare the relative weight of different forms of power. Thus while it may seem intuitively clear that in the United States today capitalism is “dominant”—and thus we can reasonably call the US economy “capitalist”—it is also the case that state power has a significant impact on the allocation of resources and the control over production and distribution in the US economy through the myriad ways in which it regulates economic activities and orders certain kinds of production (e.g., education, defense, and a significant amount of healthcare). If the state were to cease these economic activities, the American economy would collapse, and therefore the system “needs” its statist elements. The US economy is clearly an amalgam of capitalism and statism (and also, less clearly, of socialism), and while I believe that within this amalgam capitalism is dominant, it is not so clear how to measure such dominance.

I do not have a rigorous solution to this problem of precisely how to specify the dominance of one form of power within a configuration of power relations. The working solution I adopt involves a variety of the “functionalist” understanding of the problem: in the economies conventionally described as “capitalist” today, statist elements and socialist elements occupy spaces within functional limits established by capitalism. Attempts to move beyond those limits trigger a variety of negative consequences which tend to undermine the attempts themselves. This is a *functionalist* understanding of “dominance” since within the complex hybrid system of capitalist, statist, and socialist forms it is capitalism which establishes the principles of functional compatibility among the elements of the system and the conditions of system-disruption.

Two points of clarification are needed here. First, the limits in question are limits of functional *compatibility* in the sense that within these limits the statist and socialist elements of the hybrid are consistent with the reproduction of capitalism. This does not imply, however, that these non-capitalist elements always *positively*

15 This is very similar to the problem of “causal primacy”: what does it mean to say that one cause is “more important” than another in a multi-causal system? For a discussion of this problem see Erik Olin Wright, Andrew Levine, and Elliott Sober, *Reconstructing Marxism: Essays on Explanation and the Theory of History* (London: Verso, 1992), chapter 7, “Causal Asymmetries.”

contribute to the reproduction of capitalism. All that is being claimed here is that they are not systematically disruptive of capitalism, for if they were, this would trigger corrective measures. These limits of functional compatibility can sometimes be quite large, allowing for all sorts of variation and autonomy in statist and socialist elements, but they may also sometimes be quite narrow. Hybrids are, in these terms, *loosely coupled* systems rather than tightly integrated organic systems in which all parts must be finely articulated to all others in order for the system to function well. Second, the limits of functional compatibility operate within structures *in the present*; these limits are not oriented towards future states of the system. So long as existing practices of statist and socialist elements in the hybrid do not disrupt capital accumulation now, they are “functionally compatible.” The system as such does not anticipate its own future states. This is one of the sources of “contradictions” in a system: practices which are perfectly compatible at one point in time (i.e. they do not disrupt capitalism) may generate cumulative effects which eventually are disruptive.

While this kind of functional reasoning about social systems is quite common, it turns out to be extremely difficult to provide clear theoretical criteria and empirical evidence about the limits of functional compatibility of the parts within a system. Indeed, the difficulty of specifying the limits of functional compatibility is at the center of many political struggles within capitalism: *claims* of incompatibility are one of the weapons pro-capitalist forces use to resist efforts to expand socialist and statist elements within the hybrid. The complexity of these structural configurations is such that there is always a great deal of ambiguity and uncertainty about functional interdependencies, and this opens up considerable space for ideologically driven battles over what is and is not compatible with a healthy capitalism. For the purposes of this book, however, I do not think it is necessary to resolve these issues. It is possible to analyze processes which strengthen and expand the socialist element in a hybrid structure and which thus move in the direction of socialism without being able to give criteria for the dominance of socialism or capitalism or statism. It is sufficient, for now, to be able to say that an economic structure is socialist to the extent that the economy is governed by the exercise of social power.

Although not framed in precisely the language of the present discussion, Marxists have traditionally assumed that within such hybrid forms, one type of economic structure (or “mode of production”) would have to be unequivocally dominant in order for

the society to be stable. The basic intuition here is that capitalism and socialism are incompatible since they serve opposing class interests, and thus a stable, balanced hybrid would be impossible. A society, in this view, requires some unifying principle rooted in a particular mode of production for social reproduction to effectively contain social contradictions and struggles. A capitalism-socialism hybrid in which both sources of power played a substantial role thus could not be a stable equilibrium: if such a balanced hybrid were to occur, then capitalist power over significant levels of economic resources would have an inherent tendency to erode the associational power of civil society over the economy to the point that capitalism would again become unequivocally dominant. It is important, however, not to feel too confident that one knows in advance everything that is possible "under heaven and earth," for there are always things that happen that are not, in advance, "dreamt of in our philosophy." In any case, in the discussion in this book I am not making any general assumptions about what sorts of hybrids would be stable or even possible.

THE SOCIALIST COMPASS: PATHWAYS TO SOCIAL EMPOWERMENT

To recapitulate the conceptual proposal: socialism can be contrasted to capitalism and statism in terms of the principal form of power that shapes economic activity—the production and distribution of goods and services. Specifically, the greater the degree of social empowerment over the ownership, use and control of economic resources and activities, the more we can describe an economy as socialist.

What does this actually mean in terms of institutional designs? For capitalism and statism, because of the rich examples of historically existing societies, we have a pretty good idea of the institutional arrangements which make these forms of economic structure possible. An economic structure built around private ownership of the means of production combined with relatively comprehensive markets is one in which economic power—the power of capital—plays the primary role in organizing production and allocating the social surplus to different investments. A centralized bureaucratic state that directly plans and organizes most large-scale economic activity, and which, through the apparatus of a political party, penetrates the associations of civil

society, is an effective design for statism. But what about socialism? What sorts of institutional designs would enable power rooted in voluntary association in civil society to effectively control the production and distribution of goods and services? What does it mean to move in the direction of a society within which social empowerment is the central organizing principle of the economy?

As discussed in the previous chapter, our task here is not so much to propose blueprints for realizing the ideal of social empowerment over economic activity as to elaborate a set of principles which may tell us when we are moving in the right direction. This is the problem of specifying a socialist compass. The socialist compass has three principle directions anchored in each of the three forms of power discussed above:

1. Social empowerment over the way state power affects economic activity.
2. Social empowerment over the way economic power shapes economic activity.
3. Social empowerment directly over economic activity.

These three directions of social empowerment are connected to an array of linkages among the forms of power and the economy. These are illustrated in Figure 5.1.¹⁶ The six arrows in this diagram represent the effects of power from one social domain on another and the effects of power directly on economic activities in the economy. These linkages can then be combined into a variety of different configurations through which social power—power rooted in civil society—affects the allocation of resources and the control of production and distribution in the economy. I will refer to these configurations as "pathways to social empowerment." In the rest of this chapter we will briefly discuss the character of seven of these pathways: statist socialism; social democratic statist regulation; associational democracy; social capitalism; cooperative market economy; social economy; and participatory socialism. In the next

¹⁶ This figure illustrates only the pathways through which social power operates; it is not meant to be a comprehensive map of all power relations over economic activity. A similar sort of map could be drawn for the pathways to statism, and the pathways of capitalist economic power.

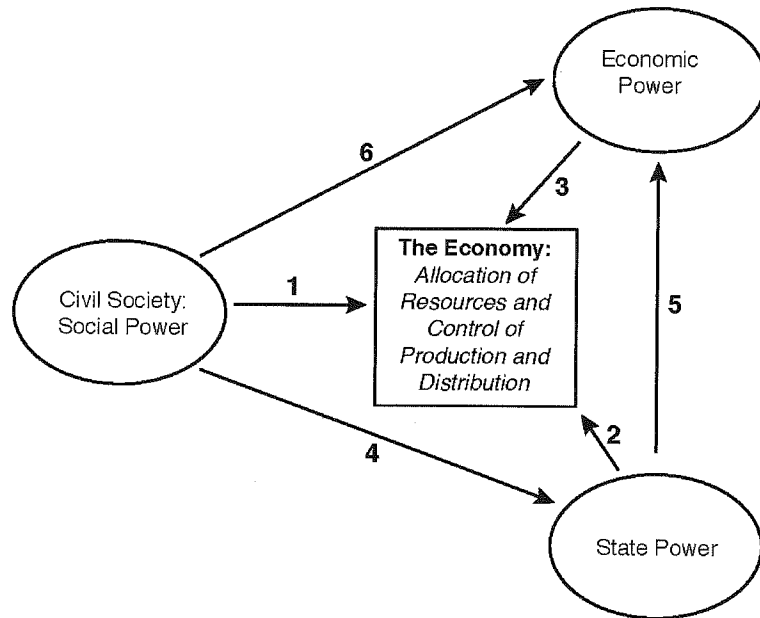
FIGURE 5.1 *Linkings in the Pathways to Social Empowerment*

FIGURE OF THE INDIVIDUAL LINKAGES

1. Social economy: social provision of needs
2. State economy: state produced goods and services
3. Capitalist market economy
4. Democratic control over state power
5. State regulation of capitalist firms
6. Social participation in controlling economic power

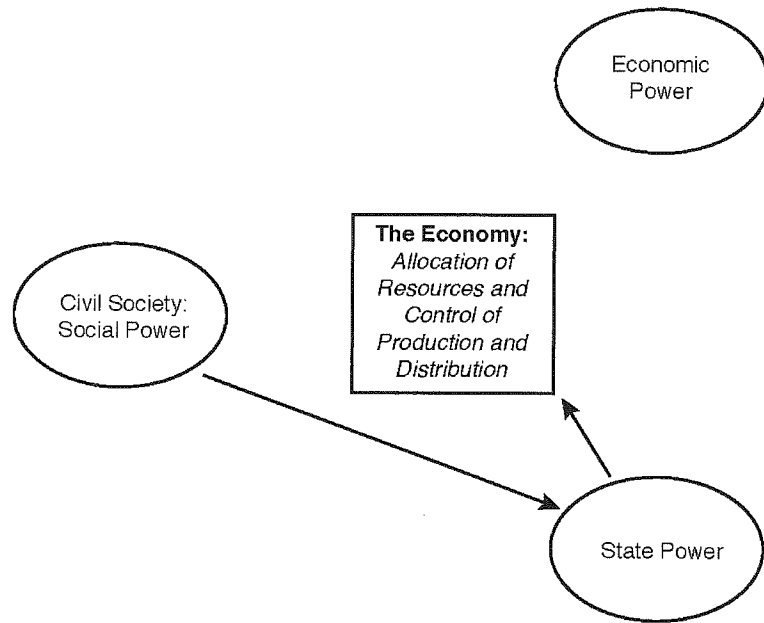
two chapters we will examine a variety of specific proposals for real utopian institutional designs and see how they might contribute to social empowerment along these pathways.

1. *Statist socialism*

In traditional socialist theories, the essential route by which popular power—power rooted in associational activity of civil society—was translated into control over the economy was through the state. It is for this reason that those theories can reasonably be described as models of statist socialism. The basic idea was this: Political parties are associations formed in civil society with the goal of influencing and potentially controlling state power. People join parties in pursuit of certain objectives, and their power depends in significant ways upon their capacity to mobilize such participation for collective action of various sorts. So, if a socialist party is 1) deeply embedded in working-class social networks and communities and democratically accountable through an open process by which it politically represents the working class (or some broader coalition), and 2) controls the state, which in turn controls the economy, then one can argue—on a principle of transitivity-of-control—that in this situation an empowered civil society controls the economic system of production and distribution. This vision, diagramed in Figure 5.2, can be termed the classic model of *statist socialism*. Here, economic power as such is marginalized: it is not by virtue of the direct economic ownership and control over assets that people have power to organize production; it is by virtue of their collective political organization in civil society and their exercise of state power.

Statist socialism of this sort was at the heart of traditional Marxist ideas of revolutionary socialism. The idea—at least on paper—was that the party would be organically connected to the working class and effectively accountable to associated workers, and thus its control over the state would be a mechanism for civil society (understood in class terms) to control the state. Furthermore, revolutionary socialism envisioned a radical reorganization of the institutions of the state and economy—through organizational forms of participatory councils that in the case of the Russian Revolution came to be called “soviets”—in ways that would directly involve workers’ associations in the exercise of power in both the state and production. These councils, if fully empowered in democratic ways and rooted in an autonomous civil society,

FIGURE 5.2 *Statist Socialism*



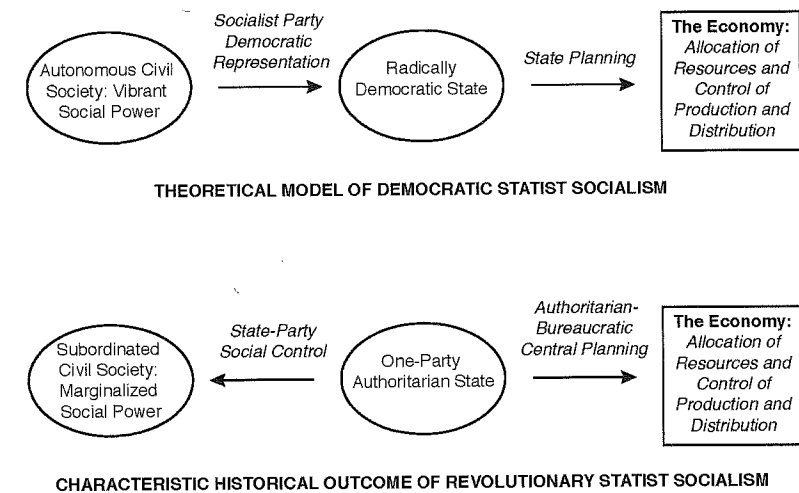
could be thought of as a mechanism for institutionalizing the ascendancy of social power. Again, the party was seen as pivotal to this process, since it would provide the leadership (play the “vanguard” role) for such a translation of associations in civil society into effective social power.

This is not, of course, how things turned out. Whether because of the inherent tendency of revolutionary party organizations to concentrate power at the top, or because of the terrible constraints of the historical circumstances of the Russian Revolution and its aftermath, whatever potential there was for the Communist Party to be subordinated to an autonomous civil society was destroyed in the course of the Russian Civil War and the early years of the revolution. By the time the new Soviet state had consolidated power and launched its concerted efforts at transforming the economy, the Party had become a mechanism of state domination, a vehicle for penetrating civil society and controlling economic

organizations. The Soviet Union, therefore, became the archetype of *authoritarian statism* under the ideological banner of socialism, but not of a socialism rooted in democratic social empowerment. Subsequent successful revolutionary socialist parties, for all their differences, followed a broadly similar path, creating various forms of statism. The contrast between this reality and the theoretical model of a democratic statist socialism is illustrated in Figure 5.3.

Today, few socialists believe that comprehensive statist central planning is a viable structure for realizing socialist goals. Nevertheless, statist socialism remains an important component of any likely process of social empowerment. The state will remain central to the provision of a wide range of public goods, from health to education to public transportation. The central question for socialists, then, is the extent to which these aspects of state provision can effectively be brought under the control of a democratically empowered civil society. In capitalist societies, typically, these aspects of the provision of public goods by the state are only weakly subordinated to social power through the institutions of representative democracy. Because of the enormous influence of capitalist economic power on state policies, such public goods are often more geared to the needs of capital accumulation

FIGURE 5.3 *Theoretical Model and Historical Experience of Revolutionary Statist Socialism*

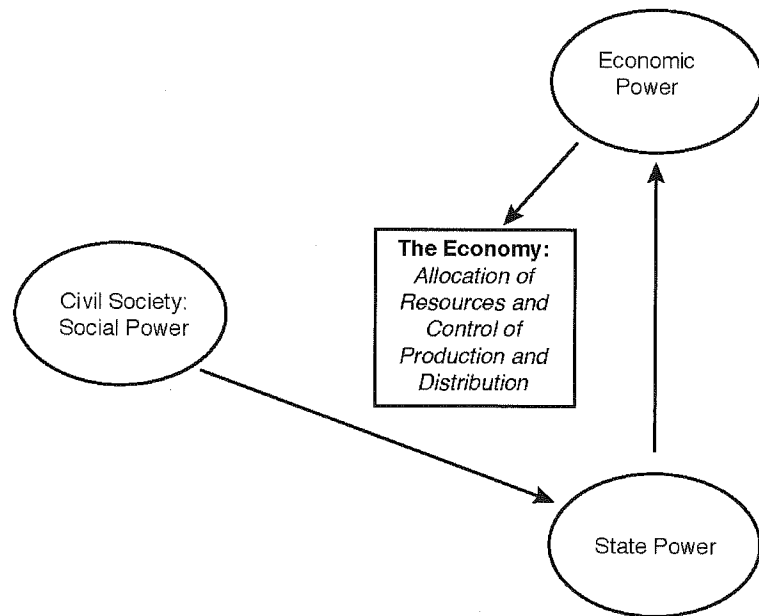


than to social needs. Deepening the democratic quality of the state—linkage 4 in Figure 5.1—is thus the pivotal problem in relation to direct state provision of goods and services becoming a genuine pathway to social empowerment. In chapter 6 we will examine forms of participatory democracy that attempt to accomplish this.

2. Social democratic statist economic regulation

The second pathway for potential social empowerment centers on the ways in which the state constrains and regulates economic power (Figure 5.4). Even in the period of economic deregulation and the triumph of ideologies of the free market at the end of the twentieth century, the state remained deeply implicated in the regulation of production and distribution in ways that impinge on capitalist economic power. This includes a wide range of interventions: pollution control, workplace health and safety rules, product safety standards, skill credentialing in labor markets, minimum wages, and other labor market regulations. Any serious proposal

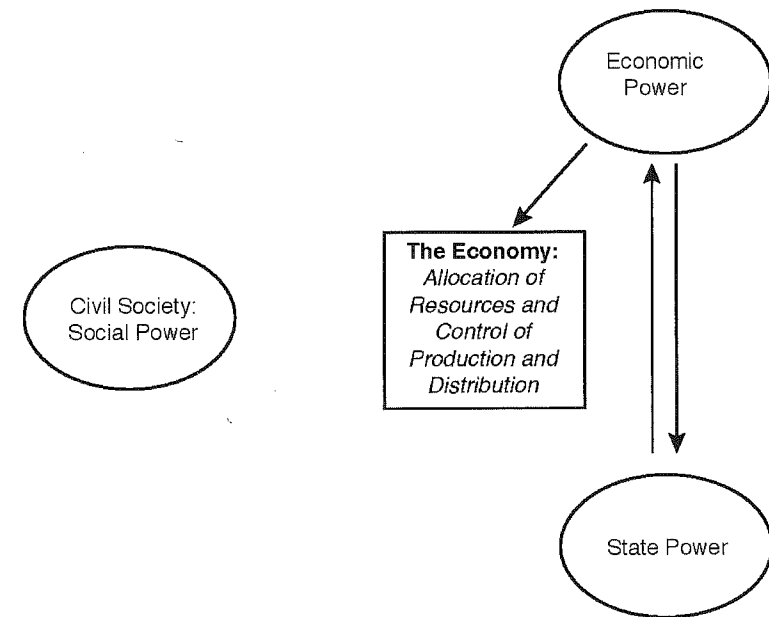
FIGURE 5.4 *Social Democratic Statist Economic Regulation*



to contend with global warming would have to intensify such statist regulation of the use of economic power. All of these involve state power restricting certain powers of the owners of capital, and thereby affecting economic activities. To the extent that these forms of affirmative state intervention are themselves effectively subordinated to social power through democratic political processes, then this becomes a pathway to social empowerment.

Statist regulation of capitalist economic power, however, need not imply significant social empowerment. Again, the issue here is the extent and depth to which the regulatory activities of the state are genuine expressions of the democratic empowerment of civil society. In actual capitalist societies, much economic regulation is in fact more responsive to the needs and power of capital than to the needs and power generated within civil society. The result is a power configuration more like Figure 5.5 than 5.4: state power regulates capital but in ways that are systematically responsive to the power of capital itself.¹⁷ The question, then, is the extent to which it is possible within

FIGURE 5.5 *Capitalist Statist Economic Regulation*

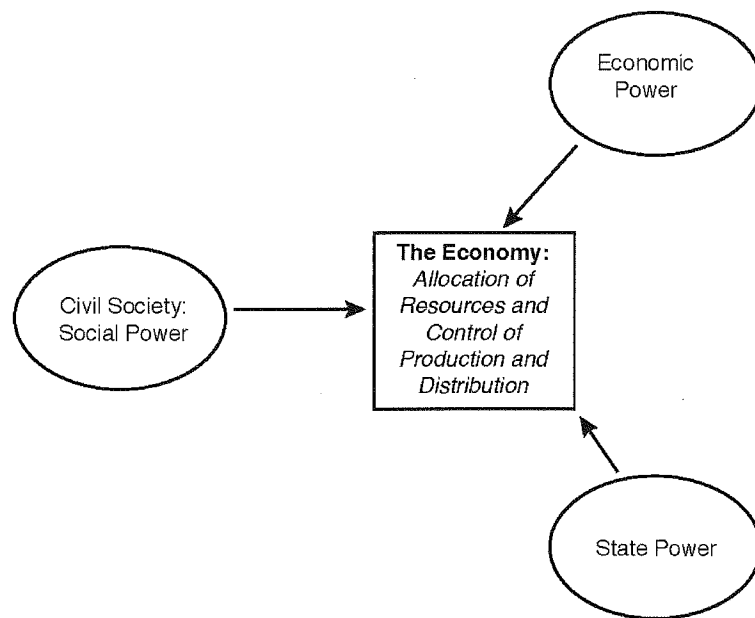


capitalist society to democratize state regulatory processes in ways which undercut the power of capital and enhance social power. One way of doing this is through what is sometimes called “associational democracy.”

3. Associational democracy

Associational democracy encompasses a wide range of institutional devices through which collective associations in civil society directly participate in various kinds of governance activities, characteristically along with state agencies and business associations (Figure 5.6).¹⁸ The most familiar is probably the tripartite neo-corporatist arrangements in some social democratic societies in which organized labor, associations of employers, and the state meet together to bargain over

FIGURE 5.6 *Associational Democracy*



¹⁸ For an extended discussion of associative democracy as part of the Real Utopias Project, see Joshua Cohen and Joel Rogers, *Associations and Democracy* (London: Verso, 1995).

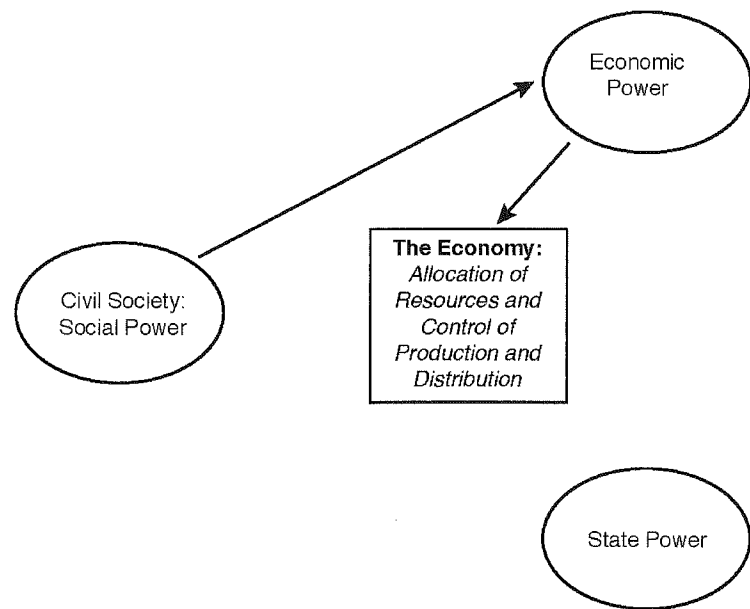
various kinds of economic regulations, especially those involved in labor market and employment relations. Associational democracy could be extended to many other domains, for example watershed councils which bring together civic associations, environmental groups, developers, and state agencies to regulate ecosystems, or health councils involving medical associations, community organizations, and public health officials to plan various aspects of healthcare. To the extent that the associations involved are internally democratic and representative of interests in civil society, and the decision-making process in which they are engaged is open and deliberative rather than heavily manipulated by elites and the state, then associative democracy constitutes a pathway to social empowerment.

4. Social capitalism

Economic power is power rooted in the direct control over the allocation, organization, and use of capital of various sorts. Secondary associations of civil society can, through a variety of mechanisms, directly affect the way such economic power is used (Figure 5.7). For example, unions often control large pension funds. These are generally governed by rules of fiduciary responsibility which severely limit the potential use of those funds for purposes other than providing secure pensions for the beneficiaries. But those rules could be changed, and unions could potentially exert power over corporations through the management of such funds. More ambitiously, as we will see in chapter 7, Robin Blackburn has proposed a new kind of pension fund, funded by a share-levy on corporations, which would enable a broader array of secondary associations in civil society to exert significant influence on the patterns of capital accumulation.¹⁹ In Canada today, the union movement has created venture capital funds, controlled by labor, to provide equity to start-up firms that satisfy certain social criteria.

Historically one of the most important forms of social

¹⁹ Blackburn’s proposal, as elaborated in “The Global Pension Crisis: from Gray Capitalism to Responsible Accumulation” (*Politics and Society* 34: 2 [2006], pp. 135–86), is modeled after the proposal by Rudolf Meidner in Sweden in the 1970s to introduce what were then called “wage earner funds” as a way of increasing union control over accumulation. The key idea is that corporations pay newly issued shares into these funds, not cash. This has the effect of gradually diluting private shareowner control over the total stock of corporations and enhancing the capacity of the associations (such as unions) which control these funds to shape corporate policy.

FIGURE 5.7 *Social Capitalism*

capitalism concerns the ways in which associations of workers mobilize power in various ways to constrain the exercise of economic power. This can occur in the form of ordinary labor unions engaged in bargaining over pay and working conditions—such bargaining constitutes a form of social power which, if only in limited ways, affects the operation of economic power. The co-determination rules in Germany, which mandate worker representation on boards of directors of firms over a certain size, modestly extends social power into the direct governance of firms. Proposals to replace shareholder councils with stakeholder councils for the control of corporate boards of directors would be a more radical version. Or consider, for example, the regulation of workplace health and safety. One approach is for there to be a government regulatory agency which sends inspectors to workplaces to monitor compliance with the rules. Another is to empower workers' councils within the workplace to monitor and enforce health and safety

conditions. The latter is an example of enhancing social power over economic power.

Social movements engaged in consumer-oriented pressure on corporations also represent a form of civil society empowerment directed at economic power. These would include, for example, the anti-sweatshop and labor standards movements centered on university campuses, and organized boycotts of corporations for selling products that do not conform to some socially salient standard.²⁰ Likewise, fair trade and equal exchange movements connecting consumers in the North with producers in the South who adopt fair labor and good environmental practices represent a form of social capitalism in their attempt to build alternative global economic networks free from the economic power of multinational corporations.

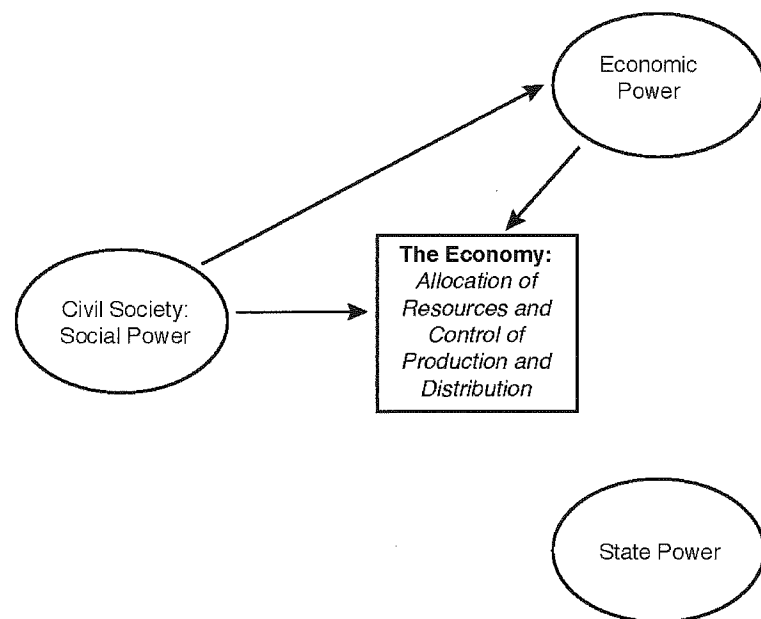
5. Cooperative market economy

A stand-alone fully worker-owned cooperative firm in a capitalist economy is a form of social capitalism: the egalitarian principle of one-person-one-vote of all members of the business means that the power relations within the firm are based on voluntary cooperation and persuasion, not the relative economic power of different people. Jointly the workers control through democratic means the economic power represented by the capital in the firm.

Most worker-owned cooperatives in the world today operate within markets organized along capitalist principles. This means that they face significant credit constraints in financial markets because of the reluctance of banks to lend to them, and they are vulnerable to market shocks and disruptions, just like ordinary capitalist firms. They are pretty much on their own.

The situation could potentially be quite different if worker-owned cooperatives were embedded within what might be called a cooperative market economy. A cooperative market economy (Figure 5.8) is one in which individual cooperative firms join together in larger associations of cooperatives—what might be termed a cooperative of cooperatives—which collectively

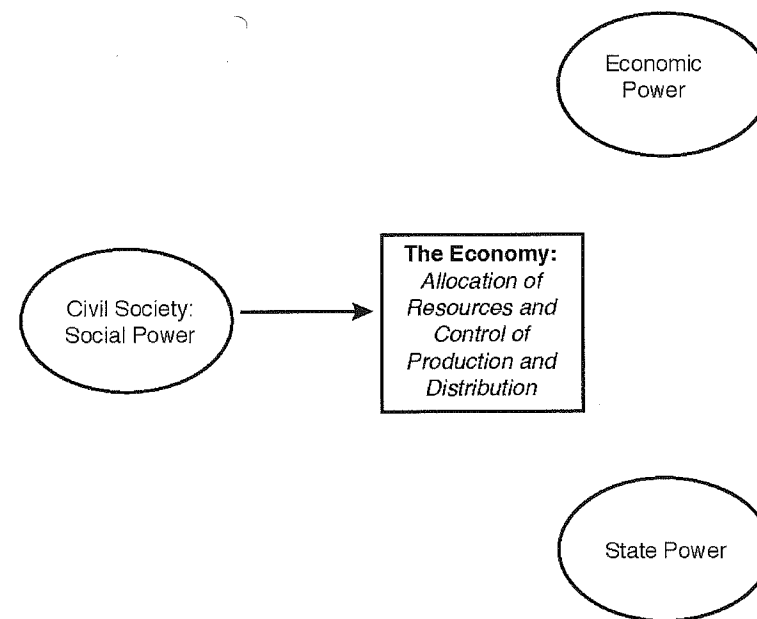
20 For a discussion of the limitations of civil-society-based movements for labor standards and the importance of such standards being backed by state power, see Gay Seidman, *Beyond the Boycott: Labor Rights, Human Rights and Transnational Activism* (New York: Russell Sage Foundation, 2008).

FIGURE 5.8 *Cooperative Market Economy*

provide finance, training, problem-solving services, and other kinds of support for each other. The overarching cooperative in such a market stretches the social character of ownership within individual cooperative enterprises and moves it more towards a stakeholder model. In effect, the role of social power in directly organizing economic activity through this extended cooperative environment gains weight alongside the social capitalist pathway within the individual cooperative enterprises.

6. *The social economy*

The social economy is the pathway of social empowerment in which voluntary associations in civil society directly organize various aspects of economic activity, rather than simply shape the deployment of economic power (Figure 5.9). The “social economy” constitutes an alternative way of directly organizing economic activity that is distinct from capitalist market production, state organized production, and household production. Its hallmark is

FIGURE 5.9 *Social Economy*

production organized by collectivities directly to satisfy human needs not subject to the discipline of profit-maximization or state-technocratic rationality.

This use of the term social economy is more restrictive than the definition generally adopted by self-described social economy activists. In Quebec, for example, where there is a strong social economy movement supporting the expansion of non-capitalist forms of economic activity, the term “social economy” is used as an encompassing idea that includes what I have called social capitalism and cooperative market economy and sometimes even capitalist firms that self-consciously adopt social objectives alongside conventional profit-seeking. This makes sense in the Quebec context where the word is used to foster broad coalitions and solidarities across the full spectrum of activities that fall outside of ordinary capitalist practices. In other places the term “social economy” is used to include all non-profit organizations, NGOs, and what is sometimes called the “third sector.” In any case, all of these different uses of

the term contain the specific pathway of social empowerment illustrated in Figure 5.9.²¹

A striking example of almost pure social economy production, discussed briefly in chapter 1, is Wikipedia. Wikipedia produces knowledge and disseminates information outside of markets and without state support. The funding of the infrastructure comes largely from donations from participants and supporters of the Wiki foundation. Technology-mediated social networks are the underlying form of this voluntary association, but stronger forms of association have also emerged in the course of development of Wikipedia. These will be discussed in chapter 7.

In capitalist societies the primary way that production in the social economy is financed is through charitable donations. This is one of the reasons that such activities are often organized by churches, but a variety of different kinds of NGOs also engage in a great deal of social economy activity. Habitat for Humanity would be an example: Using funds from a variety of sources—private donations, support from foundations, civic associations and government grants—the houses built by Habitat for Humanity depend heavily on community-based organization and volunteer activity.

The potential scope for the social economy could be enhanced if the state, through its capacity to tax, provided funding for socially organized non-market production. One way of doing this, as we will see in chapter 7, is through the institution of an unconditional basic income. By partially delinking income from employment earnings, an unconditional basic income would enable voluntary associations of all sorts to create new forms of meaningful and productive work in the social economy. But more targeted forms of government funding could also underwrite the social economy. This is already common in relation to the arts in many places in the world. Quebec has an extensive system of eldercare home services organized through nonprofit firms, and childcare services

21 When I presented this schema to a circle of academics and practitioners actively engaged in social economy projects in Quebec, they objected that the pathway in Figure 5.9 was too limited a specification of the social economy. Their practical work certainly includes many projects that would fall under what I have called social capitalism and the cooperative market economy. Their concern was that my more restrictive use of the term would create boundaries that might denigrate activities that were excluded from the social economy moniker. Labelling always has this danger. However, I do not think this is a real issue in the present context since the multiple pathways of social empowerment are viewed as complementary and synergetic rather than inherently antagonistic.

organized through parent-provider co-ops, which are partially subsidized through taxes in this way.

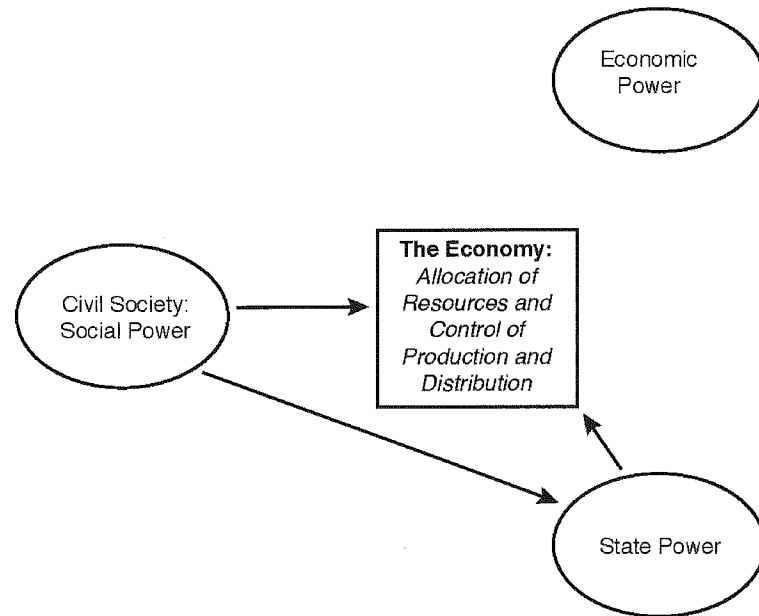
7. Participatory socialism: statist socialism with empowered participation

The final pathway to social empowerment combines the direct social participation characteristic of the social economy and statist socialism: the state and civil society jointly organize and control various kinds of production of goods and services. In participatory socialism the role of the state is more pervasive and direct than in the social economy. The state does not simply provide funding and set the parameters; it is also, in various ways, directly involved in the organization and production of the economic activity. On the other hand, participatory socialism is also different from statist socialism, for here social power plays a role not simply through the ordinary channels of democratic control of state policies, but directly inside the productive activities themselves.

The participatory budget process in Porto Alegre, Brazil, discussed briefly in chapter 1, is an instance of participatory socialism: citizens and associations in civil society not only hold the local state democratically accountable, but are also directly involved in the control of infrastructure projects formed through the municipal budget. Systems of workplace democracy and workers' co-management within state enterprises would also be a form of participatory socialism. So would public education when civil society is actively engaged in school governance.

One site where this already occurs in some places is in education. In Barcelona, Spain, some public elementary schools have been turned into what are called "learning communities" in which the governance of the school is substantially shifted to parents, teachers, and members of the community, and the function of the school shifts from narrowly teaching children to providing a broader range of learning activities for the community as a whole.²² In the United States there is a long tradition of involvement of civic associations

22 For an analysis of the way the Spanish learning community schools can be viewed as a hybrid structure linking the state and civil society in the joint production of education, see Ramon Flecha, *Sharing Words* (Lanham, MD: Rowman and Littlefield, 2000). For a good ethnographic study of a specific learning community school see Montse Sánchez Aroca, "La Verneda-Sant Martí: A School Where People Dare to Dream," *Harvard Educational Review* 69: 3 (1999), pp. 320–57.

FIGURE 5.10 *Participatory Socialism*

and parent-teacher associations in schools, although usually this falls far short of playing a decisive role in school governance.

CONCLUSION: THREE SKEPTICAL NOTES

Each of these seven pathways has, at its core, the idea of extensive and robust economic democracy through creating conditions in which social power, organized through the active participation and empowerment of ordinary people in civil society, exerts both direct and indirect democratic control over the economy. Taken individually, movement along one or another of these pathways might not pose much of a challenge to capitalism, but substantial movement along all of them taken together would constitute a fundamental transformation of capitalism's class relations and the structures of power and privilege rooted in them. Capitalism might still remain a component in the hybrid configuration of power relations governing economic activity, but it would be a subordinated capitalism heavily constrained within limits set by the deepened democratization of

both state and economy. This would not automatically ensure that the radical democratic egalitarian ideals of social and political justice would be accomplished, but if we were somehow to successfully move along these pathways to such a hybrid form of social organization, we would be in a much better position to struggle for a radical democratic egalitarian vision of social and political justice.

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

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

Civil society and social power

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

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

with a multitude of heterogeneous associations, networks, and communities, built around different goals, with different kinds of members based on different sorts of solidarities. While this pluralistic heterogeneity may provide a context for a public sphere of debate and sociability, it does not seem like a promising basis for the kind of coherent power needed to effectively control the state or the economy. Second, the voluntary associations that comprise civil society include many nasty associations, based on exclusion, narrow interests, and the preservation of privilege. Voluntary associations include the Ku Klux Klan as well as the National Association for the Advancement of Colored People, associations to protect the exclusiveness of neighborhoods along racial and class lines as well as associations to promote community development and openness. Why should we believe that empowering such associations would contribute anything positive to ameliorating the harms of capitalism, let alone a broader vision of human emancipation?

The first of these two objections is one of the reasons why the conception of socialism proposed here is not the same as anarchism. An anarchist conception of transcending capitalism imagines a world in which the voluntarily coordinated collective action of people in civil society can spontaneously achieve sufficient coherence as to provide for social order and social reproduction without the necessity of a state. Socialism, in contrast, requires a state, a state with real power to institute and enforce the rules of the game and mechanisms of coordination without which the collective power from civil society would be unable to achieve the necessary integration to control either state or economy.

The second objection—that civil society contains many associations inconsistent with radical democratic egalitarian emancipatory ideals—is more troubling, for it opens the specter of a socialism rooted in exclusion and oppression. It is tempting to deal with this concern by somehow defining civil society as only consisting of benign associations that are consistent with socialist ideals of democratic egalitarianism; social empowerment would then be the empowerment of popular associations that were at least compatible with emancipatory goals.²³ Nasty socialism

23 There are some treatments of the concept of civil society that come close to defining it in terms of associations and social practices animated by universalistic, “civil” concerns. Exclusionary associations that are “anti-civil” are the enemies of civil society rather than components of it. See, for example, Jeffrey Alexander, *The Civil Sphere* (New York: Oxford University Press, 2006).

would be eliminated by fiat. I think this is an undesirable response. It is a bit like developing an argument for capitalism on the basis of theoretical arguments concerning incentives, risk-taking, and efficient markets and then responding to criticisms of the inevitable emergence of monopoly power by declaring “capitalism consists only of competitive firms incapable of dominating the market.” If market-dominating powerful corporations emerge, then this is no longer “really capitalism.” A better response is to admit that capitalism may indeed have a tendency to generate such concentrated forms of market power. If monopoly corporations seriously erode the alleged virtues of capitalism, then the response should be to propose institutional mechanisms, typically in the form of state regulations, which would counteract these effects. While these institutional devices have a contradictory character, since they violate some of the principles of capitalism (such as the sanctity of private property), a hybrid mix of capitalism and statism may be necessary in order to gain the virtues latent within a capitalist organization of economic structures.²⁴

The issue of the existence of exclusionary associations in civil society poses, I think, an analogous challenge for an empowered civil society view of socialism. There is no guarantee that a society within which power rooted in civil society predominates would be one that upholds democratic egalitarian ideals. This, however, is not some unique problem for socialism; it is a characteristic of democratic institutions in general. As conservatives often point out, inherent in democracy is the potential for the tyranny of the majority, and yet in practice liberal democracies have been fairly successful at creating institutions that protect both individual rights and the interests of minorities. A socialist democracy rooted in social empowerment through associations in civil society would face similar challenges: how to devise institutional rules for the game of democratic deepening and associational empowerment which would foster the radical democratic egalitarian conception of emancipation. My assumption here is not that a socialism of social empowerment will inevitably successfully meet this challenge, but that moving along the pathways of social empowerment will provide a more

24 This is the standard way of arguing for the virtues of various forms of state-regulated capitalism: by countering the self-destructive aspects of capitalism, state regulation enables capitalism itself to contribute to human well-being, even if in so doing it makes capitalism less purely capitalistic.

favorable terrain on which to struggle for these ideals than does either capitalism or statism.

Institutional elaboration

The second source of skepticism centers on the problem of institutional mechanisms. It may be true that if we magically had the necessary institutions to translate power rooted in civil society into control over the state and economy then this would advance egalitarian and democratic values. But why should we believe that such institutions are possible? The arguments against such a possibility are familiar: Most people are too passive to care about any form of real empowerment. We need experts to make decisions about complex technical matters. Capitalist firms driven by the profit motive are needed for innovation and efficient investment. Only centralized, professionalized state apparatuses, relatively insulated from popular pressures and special interests, can properly regulate the economy in a technically efficient manner.

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

Achievability

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

such institutions within a society in which capitalism remains the dominant form of social organization of economic power.

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