

TOWARD A SOCIALISM FOR THE FUTURE,  
IN THE WAKE OF THE DEMISE OF THE SOCIALISM OF THE PAST\*

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### ABSTRACT

In this paper I seek to explore what kind of socialist system can best make good on the socialist commitment to equity, democracy and solidarity -- in the wake of the failure of the political-economic systems of the USSR and Eastern Europe. I identify and explore two alternative models of socialism -- market socialism and participatory socialism -- and conclude by endorsing a form of democratic self-managed market socialism.

## Introduction

What is socialism really all about? The revolutionary events of 1989 in Eastern Europe, and the enormous changes that have been taking place in the Soviet Union since then, have raised this question with renewed acuity.

The idea of socialism developed historically out of opposition to the reality of capitalism. The basic goals of the movement for socialism have thus been formulated in reaction to the perceived ills of capitalism. To condense an enormous literature on the subject of socialist goals, I would suggest that socialism has been committed most fundamentally to the following objectives:

- (1) Equity: as against the capitalist reality of great inequalities of income and wealth, socialism calls for a much more egalitarian distribution of economic outcomes and opportunities by class, race, gender, region, etc.
- (2) Democracy: as against the institutional framework of liberal democracy in the political sphere, which has characterized the most democratic of capitalist societies, socialism calls for a much truer and deeper democracy -- one that enables people more fully to exercise control over their own economic fate.
- (3) Solidarity: as against the celebration of the individual under capitalism, socialism calls for the promotion of solidarity among members of communities extending from the neighborhood to the whole of society -- encouraging people to develop the sense and the reality of themselves as social rather than simply individual beings.

In addition to its commitment to these goals that distinguish it from capitalism, socialism has historically been committed to the improvement of people's material standards of living. Indeed, in earlier days many socialists saw the promotion of improving material living standards

as the primary basis for socialism's claim to superiority over capitalism, for socialism was to overcome the irrationality and inefficiency seen as endemic to a capitalist system of economic organization. In the present time -- at least in the more affluent parts of the world, where capitalism has brought substantial improvements in living standards and where problems of ecological balance loom more important than problems of starvation or malnutrition -- this growth objective has receded in importance for socialists. However, the extent to which any resource-using economic or social objective can be achieved -- whether it be improving the environment or eliminating hunger -- remains dependent on the degree of efficiency with which the system of economic organization operates. I will therefore articulate -- as do most socialists, explicitly or implicitly -- one additional important socialist objective:

- (4) Efficiency: socialism requires that resources be used wisely and non-wastefully in order that resource-using economic and social goals can be more successfully achieved.

In this paper I seek to explore what kind of socialist system can promise to make good on the socialist commitment to these goals, in light of the manifest failure of the political-economic systems of the USSR and Eastern Europe to do so. I will begin in section I by discussing the implications of the events of 1989; this leads me to identify two potentially fruitful models for socialism in the future -- market socialism and participatory socialism. Sections II and III explore in turn each of these two forms of socialism; I pose and seek to answer questions with which critics have challenged the advocates of each. I conclude in section IV by articulating the kind of socialism that seems to me to hold the greatest promise of living up to time-honored socialist ideals.

## I. The implications of 1989

There can be no doubt that 1989 marks a watershed in the history of socialism. Although, as we now know, the disintegration of the political-economic systems of the USSR and Eastern Europe had already been underway for at least a decade, 1989 was the year in which the failure of these systems became visible to one and all. As people took to the streets in Eastern Europe, rulers scrambled to disassociate themselves from the old order. Even in the Soviet Union itself, after the failed coup against Mikhail Gorbachev in August 1991, it has become perfectly clear that there can be no return to the political-economic system of Lenin, Stalin and Brezhnev.

The events of 1989 are clearly the main reason why we (and many others) are now discussing the future of socialism. Of course, the conventional wisdom is that socialism has no future -- only a past. As Robert Heilbroner (1989: p.4) put it: "Less than 75 years after the contest between capitalism and socialism officially began, it is over: capitalism has won." We on the Western Left reject that conventional wisdom, because we argue that where there has been economic failure -- in Eastern Europe, in the Soviet Union, if not in all of the Communist-Party-directed socialist economies -- it has not been a failure of true socialism, but of something very different.

Is there anything, then, for us to learn from 1989? Indeed, I believe there are several important lessons.

First of all, we must recognize that Communist-Party-directed socialism -- the type characteristic of all actually existing socialist systems the world has known<sup>1</sup> -- is a worse economic failure than most of us have previously been willing to admit. In the Soviet Union and

1. I will consistently use the term "Communist-Party-directed" (or the abbreviated "CP-directed") to describe the kind of socialism that has actually existed in the Soviet Union, Eastern Europe, China, Cuba, Vietnam and North Korea. There are of course many other adjectives that have been used to characterize this type of socialism -- "actually existing," "bureaucratic state," "centrally planned," etc. -- and some have even called it a form of (state) capitalism. I prefer "CP-directed" because it underlines in a compact way the authoritarian, hierarchical, bureaucratic nature of both the political and the economic system.

Eastern Europe, at least, it has not only failed in recent decades to provide much growth and efficiency; it has also failed to achieve real equity, it has been ecologically disastrous, and its provision for basic needs and social services has generally been at a very modest level.<sup>2</sup> And, of course, this system has always been extremely undemocratic, and almost always deeply alienating to its workers and citizens.

Second, we cannot simply dismiss this dismal record as having nothing to do with socialism. Of course CP-directed socialism is a far cry from the democratic, egalitarian and solidaristic society that most of us on the Left have advocated. There are even some Western Leftists who have consistently refused to apply the label "socialist" to the societies at issue. Nonetheless, most Western Leftists are to some extent tainted by the record of the CP-directed state socialist countries.

For one thing, these countries have exhibited certain characteristics that have been associated with socialism, not just by CP officials and old-fashioned socialists, but by many contemporary Western Leftists -- e.g., society-wide control of capital formation, strict limitation of the role of private ownership, strong curbs on the operation of markets, guarantees of employment and basic social services to all citizens. Moreover, many on the Left have compared aspects of the performance of the CP-directed socialist economies -- e.g., their long-term growth record, their egalitarianism, their social services -- favorably with that of capitalist economies. Even when such a favorable comparison is justified by the evidence (e.g., in comparing many of Cuba's social achievements with those of other Latin American countries), to claim that it represents any kind of victory for socialism is to accept that what has been constructed in countries like Cuba is indeed a form of socialism.

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2. In these respects the accomplishments of CP-directed socialism have been somewhat more impressive in less developed economies such as those of China and Cuba, especially as compared with their own past experience; but even in these more favorable instances there have been many disappointments.

Confronted with such concerns, many of us have held out hope that at least some of the CP-directed socialist systems -- however distorted and unsatisfactory their current structure -- might evolve toward a truer form of socialism.<sup>3</sup> This again lends credence to the notion that the CP-directed socialist systems do have something to do with the socialism that we advocate.

Perhaps, then, 1989 represents the vindication of a small minority of Western Leftists -- those who have always sharply criticized the CP-directed socialist systems and who have consistently refused to consider them as having anything whatsoever to do with socialism. There are two main schools of socialist thought on the Western Left that have been "pure" in this respect; I believe that they can usefully be characterized as liberal-democratic and communitarian, respectively.<sup>4</sup>

Liberal-democratic socialists have stressed the general socialist goal of democracy, arguing in particular that liberal democracy -- a political system including constitutionally protected civil rights and liberties, democratic elections, etc. -- is an absolute prerequisite for a socialist society worthy of the name. This implies that socialist economic institutions, designed to promote such other socialist goals as equity and solidarity, must be built upon a liberal-democratic political foundation. The construction of socialist society is seen not as the replacement of "bourgeois democratic institutions" by some entirely different and superior form of democracy, but as deepening the democratic nature of these institutions and extending them from the political through the social to the economic arena. From this perspective, the authoritarian character of

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3. This is the implication of a quotation from Serge Mallet that I and my co-authors endorsed in the introductions to all three editions of Edwards, Reich and Weisskopf (1972, 1978, 1986). Mallet (1970: p.45) asserts that the societies of the Soviet Union and Eastern Europe are to true socialism "what the monsters of the paleolithic era are to present animal species: clumsy, abortive prototypes."

4. I do not include Trotskyist Marxists among those who have consistently rejected CP-directed socialist systems, because -- although they have been among the most acerbic critics of Stalinism and of the Soviet Union for at least half a century -- they do not reject all forms of communist party control over socialism.

political rule in all of the CP-directed socialist societies has disqualified them from the very start as exemplars of socialism.<sup>5</sup>

Communitarian socialists are also committed to democracy, but democracy of a less liberal and more participatory kind. In the communitarian vision it is the socialist goal of solidarity which receives the greatest emphasis -- people are to develop and sustain solidarity as active participating members of communities ranging from the neighborhood and the workplace to the society as a whole. The political and economic institutions of liberal democratic capitalism are to be discarded; what is envisaged is a revolutionary transformation to an egalitarian participatory society in which people jointly and directly control their own fate. From this perspective, the CP-directed socialist societies are rejected because of their retention of many of the individualistic patterns and hierarchical structures of capitalist societies, as well as for their betrayal of democratic ideals.<sup>6</sup>

Liberal-democratic socialists generally advocate a form of democratic market socialism, in which liberal democracy is combined with an economic system characterized by predominantly collective forms of ownership of the means of production and by the use of markets as the predominant means of resource allocation and distribution -- subject to some government planning, intervention and regulation. Collective ownership is designed to promote egalitarianism in both economic and political spheres; markets are seen as indispensable both to individual freedom of choice and to efficient resource allocation; and government regulation is seen as necessary to

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5. Liberal-democratic socialists are for the most part not closely associated with Marxism; however, some do consider themselves Marxist and see Communist Parties as having betrayed the principles of Marxism. The most prominent liberal-democratic socialists in the United States are associated with Dissent magazine, notably the late Michael Harrington; see, for example, Harrington (1989).

6. Communitarian socialists include Marxists who identify with Marx's long-run vision of a truly communist society as well as "new Leftists" who reject many elements of the Marxist tradition. One of the best known exponents of this school of thought in the United States is Noam Chomsky; for a detailed discussion of what a communitarian socialist society would look like, see Albert and Hahnel (1991).



assure that the general interest prevails over particular interests and to limit the development of substantial inequities.

Communitarian socialists generally advocate a form of democratic participatory socialism, in which there is collective social control of the means of production and in which decentralized participatory planning institutions replace the market as a mechanism for resource allocation and distribution. This is a vision of socialism in which, to put it in Marxist terms, both exploitation and alienation are overcome; thus not only private property but also markets must be abolished. Instead of responding as independent self-interested individuals to market signals in the economic arena, people are to develop and sustain themselves as interdependent social beings as they participate together in making consumption and production decisions.

Both the market socialist model envisaged by the liberal-democratic socialists and the participatory socialist model envisaged by the communitarian socialists are sharply differentiated from the CP-directed socialism of the past. In the following two sections of this paper I will consider market socialism and participatory socialism in more detail, by posing and attempting to respond to questions that each of them must face from skeptical critics. In the final section I will offer my own conclusions about the kind of system that offers the best promise of a socialism for the future.

## II. Market Socialism

The idea of a market-based form of socialism was first given serious attention in the 1920s, when it was promoted by people within the social-democratic wing of Marxism as a desirable alternative to the marketless form of socialism identified with Marx's vision of full communism and embraced by the Bolshevik wing of Marxism. The first systematic theoretical exposition of the functioning of a market socialist economy was undertaken by Oskar Lange in the

1930s, who has ever since been recognized as the pioneer of market socialism.<sup>7</sup> Lange's original model involved both actual markets (in consumer goods and labor), simulated markets (in producer goods), and a limited but critical role for central planning (e.g., in determining the rate of investment and the distribution of income). All enterprises were to be owned by the government, but run according to profit-maximizing rules by independent managers. Since Lange's exposition of his original model of market socialism, a great deal of work has been done by advocates of market socialism -- many of them economists from and/or interested in the post-World-War-II Eastern European countries -- seeking to improve upon Lange's model while dealing with various problems raised by critics.<sup>8</sup>

Out of this continuing literature on the conceptualization of market socialism has emerged a variety of different models, but they all share the same central defining purpose. Market socialism seeks to promote socialist goals of equity, democracy, and solidarity while largely retaining one major feature of capitalist economies -- the market -- but largely replacing another major feature of capitalism -- private ownership of the means of production. For at least the major sectors and/or the most important enterprises in the economy, market socialists propose some form of social ownership of enterprises.

"Ownership" is a complex concept encompassing a variety of rights, which can potentially be assigned to a variety of different people. For our purposes it will be useful to identify and distinguish two such rights in particular: (1) the right to enterprise control and the right to enterprise income. The right to control confers the prerogatives and responsibilities of management: those who control the enterprise (or their representatives) make the decisions about how the enterprise will be operated, who will work in it and under what conditions, whether or not the any aspects of the enterprise are to be expanded, contracted, sold or liquidated, etc. The right

7. See Lange (1936-37) and Lange and Taylor (1938). Abba Lerner also made seminal contributions to the early literature on market socialism; see Lerner (1934) and (1936).

8. For a brief survey of the history of the idea of market socialism, see Brus (1987); for a recent contribution to the literature on conceptualizing market socialism, see Nove (1991).

to income confers a claim to the surplus generated by the enterprise -- i.e., the net (or residual) income after fixed obligations have been paid.<sup>9</sup>

The standard capitalist enterprise is owned by private individuals or shareholders who have (ultimate) control over management according to the nature and the amount of their ownership shares; typically a small number of individuals or shareholders have predominant control. Under market socialism enterprise control is social rather than private. Control of a market socialist enterprise is held by a community of people, each of whom -- in principle -- has an equal say in the management of the enterprise; as a practical matter, this (ultimate) control is usually exercised via appointment of managerial staff. There are two principal variants of such social control, depending on the nature of the community in whom control rights are vested:

(1) Public management: enterprises are run by managers who are appointed by and accountable to an agency of government (at the national, regional, or local level), which agency represents a corresponding politically-constituted community of citizens.<sup>10</sup>

(2) Worker self-management: enterprises are run by managers who are appointed by and accountable to those who work in them (or their elected representatives), with control rights resting ultimately with the community of enterprise workers (on a one-person one-vote basis).<sup>11</sup>

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9. In this context the enterprise surplus should be defined to include also any capital gains or losses.

10. Examples of recent models of market socialism characterized by public management include those of John Roemer (1991) and Leland Stauber (1977).

11. Examples of recent models of market socialism featuring worker self-management include those of David Schweickart (1980) and David Ellerman (1990) -- though in Schweickart's model the national government retains control over net capital formation, and Ellerman does not explicitly use the term "market socialism").

In the standard capitalist enterprise, ownership by private individuals or shareholders conveys not only control rights but also income rights -- again according to the nature and the amount of their ownership shares. Under market socialism income rights are held socially rather than privately. The surplus of the market socialist enterprise accrues to a community of people in a relatively egalitarian manner. Here again there are two principal variants of such social claims to income, depending on the nature of the community holding the claim:

(1) Public surplus appropriation: the surplus of the enterprise is distributed to an agency of government (at the national, regional, or local level), representing a corresponding community of citizens.<sup>12</sup>

(2) Worker surplus appropriation: the surplus of the enterprise is distributed to enterprise workers.<sup>13</sup>

These two different ways of assigning control rights and income rights under market socialism can generate a matrix of four different possible market socialist models, since there is no a priori reason why each set of rights must be assigned in the same way. As it happens, however, most contemporary advocates of market socialism lean primarily in one direction or the other: there is one school favoring what I will label the "public enterprise model," characterized by public management and public surplus appropriation, and a second school favoring the "worker enterprise model," characterized by worker self-management and worker surplus appropriation.<sup>14</sup>

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12. For example, in Roemer's model of market socialism, (most of the) enterprise surpluses flow back to the national government to be distributed (in large part) to the general public in an equitable manner as a "social dividend;" in Stauber's model, local government agencies receive enterprise capital income *qua* shareholders and either use it for local public purposes or redistribute it to local citizens.

13. For example, in both Schweickart's and Ellerman's models of worker self-management, the enterprise surplus accrues strictly to its workers -- though there are taxes and/or other charges which must first be paid to government.

14. Roemer's and Stauber's models of market socialism represent different kinds of public enterprise models, while Ellerman's is a worker enterprise model; Schweickart's is predominantly

Although the replacement of private with social control and income rights at the enterprise level is what most clearly distinguishes market socialism from (market) capitalism, advocates of market socialism also generally call for a greater degree of government intervention into markets than is the norm in capitalist economies. Such intervention does not primarily take the form of quantitative controls, of the kind associated with the discredited system of centrally planned socialism. Instead, it involves more extensive government provision of public goods and services, more extensive public capital formation, more extensive government regulation of enterprises, and more extensive use of taxes and subsidies to internalize external effects that would otherwise be neglected by individual consumers and producers in the market environment. The objective here is to shape the environment in which the market operates, and to use the market rather than replace it, so that market price and cost valuations will approximate true social benefits and costs.<sup>15</sup> The difference between market socialism and capitalism in this respect is essentially one of degree rather than kind; apart from public control and income rights in enterprises, the economic role of government in a market socialist system differs little from that of government in the more regulated (e.g., social-democratic) capitalist systems.

Market socialism has been challenged both by those who question the ability of markets to function efficiently in the absence of capitalist private property rights, and by those who question the ability of social ownership forms to meet socialist goals in the context of markets. I have discussed elsewhere (Weisskopf, 1992) the former line of criticism; here I will focus on the concern that market socialism is not really socialist enough. This latter concern tends to revolve around one or more of the following three questions.

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a worker enterprise model, but includes some characteristics of a public enterprise model -- e.g., government control over net capital formation.

15. Market valuations are expected to reflect "true" social benefits and costs to a much greater extent under market socialism than under capitalism not only because of the greater degree of internalization of externalities, but also because of the more equal distribution of income that results from the socialization of enterprise income rights; thus overall market demand will not disproportionately reflect the demands of a minority of wealthy individuals.

1. *Isn't any kind of market system fundamentally inefficient?*

Rejecting the conventional view that markets contribute to efficiency, some critics argue that any kind of market system -- capitalist or socialist -- will inevitably succumb to serious inefficiencies for the following reasons:

(a) As is well known, markets do not internalize external effects; and external effects of one kind or another are far more widespread than is conventionally recognized.

(b) By rewarding people for contributions of labor but not property, market socialism does get rid of capitalist rewards to pure property ownership -- which not only have unequal distributional consequences but are not really necessary to assure deployment of the property in production. Yet market socialism, like capitalism, maintains labor income rewards to people's natural abilities when such rewards are also not really necessary to elicit the deployment of those abilities in production. A truly efficient (and more just) system of economic remuneration would have payment linked solely to differential personal effort and personal sacrifice.

(c) Markets provide an environment in which people are encouraged to find ways to better themselves at the expense of others -- through rent-seeking behavior, self-aggrandizing coalitions, etc.; as a result, there will be a systematic tendency for the general interest to be undermined by the pursuit of particular interests.

Each of these arguments is theoretically plausible; yet the challenges posed to market socialism can be answered along the following lines:

(a) The market need not be powerless to internalize externalities: where such externalities can be recognized and (at least roughly) measured, changes in property rights and/or judiciously imposed taxes and subsidies can force market participants to take them into account in their independent decentralized decision-making.

(b) To the extent that unwarranted returns to a person due to their luck in the "genetic lottery" can be measured, they can be taxed away.

(c) Rent-seeking behavior, self-aggrandizing coalitions, etc., of one kind or another can and will occur under any conceivable system of economic organization that permits some people to live better than others; virtually every system will therefore require institutions that limit anti-social behavior. The only way in which an economic system of organization per se could eradicate the problem would be if that system -- by virtue of its controls on individual patterns of living -- precluded any individual from enjoying the gains from self-interested behavior. Thus a solution to the problem of such behavior could come only at the price of strict limits on privacy and freedom of choice.

2. *Won't any kind of market system inhibit the achievement of such socialist objectives as equity, democracy and solidarity?*

Critics of the "market" within market socialism find not only its claim to efficiency suspect; they question even more strongly whether a market system can achieve the objectives that are supposed to distinguish socialism sharply from capitalism. In particular, they raise the following kinds of questions:

(a) Won't market socialism generate an elite minority of "coordinators"<sup>16</sup> -- e.g., public investment bankers, public enterprise directors, self-managed-firm managers, even government planners -- who end up gaining disproportionate economic and political power, much as do capitalists within a capitalist system, thereby precluding achievement of socialist egalitarian and democratic objectives?

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16. This term "coordinator" has been introduced by Albert and Hahnel (1981) to characterize the managers and beneficiaries of the CP-directed socialist economies, but it would seem equally appropriate as a term to characterize any small group of people who are able to parlay critical decision-making roles in a social system into disproportionate political and economic power.

(b) Don't markets of any kind tend to breed selfish motives and competitive behavior on the part of producers and consumers, dividing people instead of uniting them, encouraging indifference to rather than empathy for others, and discouraging the development of public-spirited community consciousness and solidarity?

These questions do highlight certain inevitable characteristics of market systems. Under market socialism there must be some people occupying positions of key decision-making responsibility, and in all likelihood such people will have higher incomes as well as greater power than most of the rest of the population. To transact effectively in markets people do have to think mainly in terms of their own individual (or family) welfare, while setting aside consideration for others; markets encourage anonymity, autonomy, and mobility rather than community, empathy and solidarity.<sup>17</sup> Yet all this does not necessarily mean that any market system is incompatible with important and distinctively socialist goals -- for the following reasons:

(a) Although inequalities of income and power would surely develop under market socialism, they would just as surely be much smaller than under capitalism -- because market socialism eliminates income returns to property ownership, which is the predominant source of inequalities under capitalism. While there would still be ample scope for inequalities associated with differential skills, talents, positions and even luck, it is hard to see how the equivalent of a propertied capitalist class could emerge from the more privileged strata of a market socialist society. Although a market system could not assure anything close to full equality of income and power for all participants, neither could any economic system in a complex society. Such societies require complex decision-making institutions of one kind or another; and there are bound to be great differences among people in their ability (or desire) to participate effectively in decision-making processes.

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17. See Bowles (1991) for a very suggestive analysis of the impact of markets, as cultural institutions, on the process of human development.



(b) Market socialism admittedly does not provide direct support for a culture of community, empathy and solidarity; yet it surely provides a less hostile environment for the development of such characteristics than (market) capitalism -- because it attenuates, via greater egalitarianism and stronger democracy, the consequences of unfettered markets and unrestricted private property ownership. Although economic institutions are powerful social and cultural forces, they are neither monolithic nor omnipotent; hence community, empathy and solidarity may be fostered in other spheres of life even in a market system.

3. *Doesn't market socialism essentially amount to a social- democratic variant of capitalism? And, if so, why not simply embrace the latter?*

Advocates of social democracy share the socialist objectives of advocates of market socialism, but they differ as to the best means to achieve them. Where market socialism seeks to promote equity, democracy and solidarity primarily by transferring capitalist ownership rights to communities of citizens and/or workers, social democracy seeks to do so by government policy measures designed to constrain the behavior of capitalist owners and to empower other market participants. Thus social democrats do not try to do away with either the market or private property ownership; instead, they attempt to create conditions in which the operation of a capitalist market economy will lead to more egalitarian outcomes and encourage more democratic and more solidaristic practices than would a more conventional capitalist system.

The kinds of government policies applied to bring this about are best illustrated by the experience of Sweden in the first three decades after World War II, during which time the Social Democratic party held power uninterruptedly. These policies include (a) support for strong and encompassing labor unions; (b) a very broad and highly redistributive system of taxation and public spending; (c) a strong role for government in managing the macroeconomy and regulating

business behavior; and (d) an "active labor market policy" designed to minimize unemployment while maintaining substantial labor mobility and flexibility.<sup>18</sup>

Market socialists have traditionally been highly suspicious of social democracy, on the ground that its failure to attack head-on the source of capitalist power -- private ownership of the means of production -- would ultimately prevent it from attaining socialist objectives. But as models of market socialism have been refined over the years, the distinction between market socialism and social democracy has been somewhat blurred. Partly because of the problematic experience of East European CP-directed socialist economies with limited market-oriented economic reforms, advocates of market socialism have come to support an increasingly wide scope for markets. The trend has been to bring in more and more of the institutions of a market capitalist economy, or to seek to mimic those institutions very closely. This trend is particularly evident in the treatment of decision-making in the area of capital investment and finance, which are increasingly being removed by market socialists from direct government control to capitalist-style financial market institutions in order to extend the logic of efficient decentralization and market discipline.<sup>19</sup> While this does not amount to the restoration of full capitalist private property rights, it does open up opportunities for individuals to receive some forms of capital income.

The elimination of large-scale private property ownership under market socialism certainly leads to a much more equal distribution of income than obtains under conventional capitalism. Both theory and the actual experience of social democracy, however, suggest that government taxation and spending programs can substantially reduce the extent of income and wealth inequalities within a capitalist economy. As far as the pattern of enterprise management is

18. There is a vast literature on the Swedish model of and experience with social democracy; for a brief summary of its economic features, see Carson (1990), chapters 15 and 16.

19. This evolution in the thinking of advocates of market socialism toward an increasing role for markets can be seen very clearly in the differences between Brus (1972) and Brus and Laski (1989).

concerned, there is also good reason to question how far market socialism really differs from social democracy. Market socialist enterprise managers, whether accountable to government agencies or to enterprise workers, are expected to operate their enterprises in such a way as to maintain profitability in a market environment; this means that they will typically have only limited leeway to steer the enterprises in a direction much different than would managers accountable to privately shareholders.<sup>20</sup> And, indeed, to prevent autonomous public enterprises or worker self-managed firms from acting in their own particular interest, as against the general social interest, it would in all likelihood be necessary for government to regulate them or their markets just as is done by social-democratic governments in a capitalist economy.

At a more fundamental level, market socialism does not dispense with individual gain incentives and the necessarily associated inequalities. Instead, it seeks:

- (a) to link differences in rewards more closely to corresponding differentials in actual productive effort (for example, by eliminating or at least diminishing the individual material rewards accruing in a market capitalist system to sheer property ownership or to sheer natural talent -- neither of which serve any functional purpose in eliciting greater productive effort than would otherwise be deployed); and

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20. Some critics of market socialism have argued that a market socialist system is fundamentally unstable, bound to veer back to a form of capitalism under the pressures on enterprises imposed by competition in a market environment. Certainly market competition restricts the scope of viable options for any kind of producing enterprise; but the argument that it obliterates distinctions among enterprise types is based on a very unrealistic economic model of capitalism -- one in which "black-box" firms face no problems of contract enforcement, worker motivation, etc.; only under such restrictive assumptions is there no room at all for discretionary decision-making by firm management and is the market all-determining. For a stimulating debate on these issues, see the exchange between Arnold (1987) and Schweickart (1987).

(b) to reduce the extent of differences in rewards associated with differentials in productive effort, so as to reduce (greatly) the resultant distributional inequity without reducing (much) the incentives they generate.<sup>21</sup>

Again, this is precisely what social democracy tries to do -- albeit in a different way than market socialism. Social democracy achieves greater egalitarianism via *ex post* government taxes and subsidies, where market socialism does so via *ex ante* changes in patterns of enterprise ownership. As for serving the general social interest, market socialists and social democrats agree that, where the unfettered market will not achieve important social goals, the first option is to try to guide the market toward socially optimal behavior (via appropriate taxes, subsidies, etc., to internalize externalities by "planning with the market"); where this is not adequate, the second option is to replace price-and-market mechanisms by quantitative controls and/or direct state operation of enterprises.

On further reflection, one might well ask of market socialists: what compelling reason is there to restrict forms of enterprise ownership to types in which control and income rights accrue to (citizen or worker) communities rather than to private shareholders? Why not simply provide a level market playing field in which all types of enterprises can compete on a truly equal basis? Most contemporary market socialist models in any case allow for individual or small-scale private enterprise. Could not the problems of excessive wealth and power associated with large-scale private enterprise be addressed as easily and successfully via taxation and regulation as via restrictions on private ownership?

To sustain the superiority of the market socialist over the social democratic approach to achieving socialist objectives, an advocate of market socialism would argue as follows. In redefining and reassigning (to workers and/or communities) rights that form the point of departure

21. As Miller (1989, p.30) has put it: "for markets to operate effectively, individuals and enterprises must receive primary profits, but the proportion of those profits that they need to keep as private income depends on how far they require material (as opposed to moral) incentives."

for markets, market socialism intervenes into the market system before markets operate -- while social democracy intervenes (mainly) after markets operate. This makes social democracy much more vulnerable to weakening or disintegration under political challenge, since tax-and-subsidy schemes and government regulation are much easier to reverse than changes in property rights.<sup>22</sup> Moreover, the maintenance of property-owning capitalists under social democracy assures the presence of a disproportionately powerful class with a continuing interest in challenging social democratic government policies. Under market socialism there may well emerge a kind of managerial class with disproportionate power; but its power is likely to be less disproportionate because enterprise control rights and personal wealth will not be so highly concentrated.

### III. Participatory Socialism

Although market socialism has become relatively popular on the Left in recent years, there is a much older socialist tradition that has always rejected the idea of including markets in anything other than a transitional phase following capitalism. Karl Marx wanted to rid the world not only of the inequalities associated with private property, but of the alienation and commodity fetishism associated with the operation of market systems. This was the Marxist tradition embraced by the Russian Bolshevik revolutionaries, and it remained an important part of the ideology -- though not the practice -- of Soviet socialism for decades after the Revolution of 1917. In point of fact, none of the "actually existing" CP-directed socialist economies of the USSR,

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22. The experience of Sweden since the mid-1970s is often cited to show the vulnerability of social democracy to pressures to move toward a more traditional form of capitalism. For informative analyses of the trials of the Swedish model of social democracy in recent years, see Lundberg (1985) and Pontusson (1987).

Eastern Europe, China, Cuba, etc., came close to dispensing with markets<sup>23</sup> -- even though they limited the operation of markets in many ways.

Contemporary participatory socialists seek to revive this marketless Marxist ideal, but in a manner very different from that of the Bolshevik tradition. First of all, they reject the authoritarian rule associated with the CP-directed socialist economies and insist instead on a democratic political framework. Second, they reject the hierarchical central planning apparatus that has hitherto been utilized as the main alternative to market exchange and insist instead on a process of decentralized planning in which people participate as equals.

Just as in the case of market socialism, ideas and conceptions of a marketless participatory socialism have been developed in various ways by various authors -- starting with utopian socialists even before Marx and continuing through anarcho-syndicalists down to present-day advocates of democratic and participatory planning. Most recently, important contributions to the literature on participatory socialism -- providing unusual and laudable detail on the actual institutions and functioning of a decentralized democratic planning system -- have been published by Pat Devine and by Michael Albert and Robin Hahnel.<sup>24</sup> In what follows I will refer in particular to the model of "participatory economics" proposed by Albert and Hahnel, since it represents the most extensively developed model of participatory socialism yet to be published.

Albert and Hahnel (1991c, p.62) have summarized their model as follows:

"The economic model at the heart of [participatory economics] uses new production, consumption and allocation institutions to promote solidarity, variety, and participatory self-management. The vision stands on three central elements:

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23. The period of "War Communism" in the Soviet Union during the civil war years immediately after the Bolshevik Revolution constitutes an exception to this assertion, but of course one associated with exceptional circumstances.

24. See Devine (1988) and Albert and Hahnel (1991a) and (1991b); of the Albert and Hahnel works, the former is a highly accessible popular presentation of their model, while the latter provides a more rigorous and technical presentation of their ideas.

\* An organizational mechanism for removing hierarchy from work by redefining work into 'balanced job complexes.' This innovation eliminates the problem of conceptual workers dominating manual workers by combining these opposed roles so that no separate categories of these sorts remain.

\* A distributive mechanism for attaining material equity by promoting consumption according to a combination of need and effort. This innovation ensures that each actor benefits in proportion as the community as a whole, thereby gaining a material, social, and emotional interest in cooperation and solidarity aimed at the greatest good for all.

\* A decision-making process based on the proportionate participation of all workers and consumers in an informed negotiation in which actors collectively decide what is produced, with what methods, and how it is distributed, all in light of one another's circumstances and with a say proportionate to their involvement in each decision's implications. This eliminates central planning's denial of self management and inculcation of widespread passivity by eliminating any top or center. And it eliminates the alienation and antisocial and allocative biases typical of markets by instituting informed participation and mutuality of aims."

The basic decision-making units of the participatory system are workplace workers' councils and neighborhood consumers' councils, in which production and consumption decisions are made collectively by workplace and neighborhood communities, respectively. But these basic decision-making units are embedded in a whole network of related councils, designed to bring to bear relevant considerations and concerns that transcend the scope of individual workplaces and neighborhoods. Thus workplace workers' councils are linked to regional and industry council federations, and neighborhood consumers' councils are linked to ward, city, county, state and regional councils. Also involved in the network of non-market decision-making institutions are a variety of "facilitation boards" -- for production, employment, community membership, information updating and plan iteration. The latter two boards play a crucial role in assuring that production and consumption plans emanating from all the workplaces and neighborhoods are ultimately modified so as to converge to a feasible overall pattern of production and consumption.

Advocates of this kind of participatory economic system assert that it can attain far more successfully than market socialism the socialist goals of egalitarianism, democracy and solidarity - because of the absence of markets -- while performing at least as efficiently as a market system -- in spite of the absence of markets. Advocates of market socialism, on the other hand, find this

effort to do without markets highly quixotic and thoroughly problematical. The major questions raised by market socialists to challenge participatory socialism can be grouped into two categories, according to whether they challenge the feasibility or the desirability of marketless participatory socialism.

1. *Is it really feasible to allocate resources in a complex economy without the market?*

Since Adam Smith's original exposition of the mechanism of the "invisible hand," advocates of the market have celebrated its ability to process the enormous amount of information necessary for coordinated economic decision-making in a complex economy and to convey it in a simple way to individual economic actors, so that they have both the information and the incentive to act in an economically efficient manner. Most economists believe that the only other way that resources can be allocated in a complex economy is via a centralized, hierarchical system of administrative commands<sup>25</sup> -- the system that has been so deeply discredited by the experience of the CP-directed socialist economies. Albert and Hahnel take up directly the challenge to develop a third resource allocational mechanism that avoids both the use of markets and the hierarchy of an administrative command system.

To replace the market without using administrative commands, they propose an enormous number and a vast network of decision-making bodies on which individuals will sit, process information, deliberate, and arrive at decisions. Precisely because they don't trust the information summarized in and conveyed by market prices, they require these decision-making bodies to consider in detail the quantitative and qualitative implications of alternative ways of allocating resources. This places some staggering requirements on the system as a whole:

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25. I refrain deliberately from using the term "central planning" to describe this system, since the literature on such systems demonstrates clearly that their planning mechanisms have been unable to bring about the coordinated fulfillment of any kind of consistent central plan; see, for example, Wilhelm (1985).



(a) to involve every single person in the society (save presumably the young and the infirm) in consumption and production decision-making processes, via their participation in consumer and worker councils -- and in some cases also various facilitation boards;

(b) to compile an enormous amount of information about the economy and to make that information available in a timely and accessible way to all of the individuals engaged in economic decision-making at one level or another (of course, every individual need not know everything about the economy, but each individual must have access to information about the ramifications of his or her own production and consumption decisions throughout the rest of the economy);

(c) to develop a system of accounting -- as an alternative to conventional market prices -- that enables the social value of different production and consumption activities to be measured and compared, so that individual decision-makers can understand the aggregate consequences of any given set of decisions;

(d) to develop a way of measuring the effort expended in different types of work activities, and the benefits realized from different types of consumption activities, so as to be able to determine whether production efforts and consumption benefits are fairly allocated;

(e) to find a way for the group of people involved in any given decision-making body to arrive in a reasonably harmonious and timely fashion at agreement on decisions;  
and

(f) to develop a system to assure that the myriad plans developed at the ground level of the decision-making network (the neighborhood consumer councils and the workplace production councils), when aggregated, converge to a consistent pattern

of resource allocation for the economy as a whole; here they have in mind a process of iteration and modification of plans as they travel up and down geographical-administrative levels of the network.

The mere listing of these requirements is enough to generate skepticism about whether and how they can possibly be met. Even if, in principle, institutions and processes can be developed to meet these requirements (and Albert and Hahnel, as well as others such as Devine, have advanced some ingenious ideas to do so), one is bound to wonder whether the whole system would actually function in practice. Wouldn't participatory planning require each individual to dedicate so much time, interest and energy to acquiring information and participating in decision-making meetings that most people would get sick of doing it? Indeed, isn't the practice of participatory democracy sufficiently difficult, time-consuming and emotionally draining that it ought to be economized -- used only for the most critical of social/political/economic decisions, rather than for every aspect of the resource allocation process?

My comments thus far have focused on whether a participatory socialist system can possibly find a way to accomplish the information-processing role of the market. The other major function of the market is to motivate actors to consume and to produce in a consistent and appropriate way. The market system does this by structuring individual material rewards and penalties, in such a way that individual actors -- behaving as *homo economicus*, i.e., pursuing their own self-interest -- will choose to undertake economic actions in a consistent and appropriate way. Participatory socialism very explicitly rejects this market motivational scheme, viewing it as a prime source of overall inefficiency, inequality, and the fostering of individualistic and selfish rather than socially-conscious and cooperative behavior.

Albert and Hahnel are clear that individual material incentives should not play a major role in motivating socially and economically desirable action, or discouraging socially and economically undesirable action, in their participatory economy -- though they do not rule out such

rewards, as long as they are consciously allocated by decision-making people rather impersonally allocated by a market-like mechanism. But what, then, would serve primarily to replace the incentive system of the market? There are a number of possibilities, to many of which they allude. On the positive motivational side, people could derive satisfaction (a) from the intrinsic interest of the more enjoyable parts of their own balanced job complex, (b) from fulfilling their responsibilities to others in the society, and/or (c) from a vicarious sharing in the enjoyment derived by others from consumption and production activities. On the negative motivational side, people could be discouraged from antisocial behavior by (d) the watchfulness and peer pressure of fellow consumers and workers, and/or (e) the practical inability of getting away with such behavior (whether it is excessively high consumption or excessively low production) in a society committed to egalitarianism.

In order for such mechanisms to add up to a workable system of motivation which could replace individual material market incentives, there would surely have to be a wholesale conversion of human behavior patterns from *homo economicus* to what might best be characterized as *homo socialis* -- i.e., a person whose very consciousness was socially rather than individually oriented. It is a fundamental premise of Marxism that people are strongly influenced by their socio-economic environment -- that people's values and behavior can and will become different as historical and socio-economic conditions change. Accepting this premise, one can envisage that in a participatory economic environment people would develop the attitudes and capabilities that make a participatory system work. What remains to be examined, however, is the process whereby both the needed institutions and the needed values and behavior patterns would emerge. I will return to this question in the final section of the paper.

## 2. *Is it really desirable to establish a socialist system without markets?*

Even if it can be shown that participatory socialism is feasible, there remain some important questions about whether it would be desirable to build such a system. These questions

go to the fundamental values that inform the movement for socialism; and it is here that the most critical differences between market and participatory socialists may well lie.

Why should a socialist, committed to the goals of equity, democracy and solidarity, harbor doubts about the desirability of a feasible participatory socialist system? There are indeed a number of possible grounds:<sup>26</sup>

(a) In spite of its principled commitment to egalitarianism and democracy, the process of decision-making in Albert and Hahnel's participatory economy might in fact enable some people to exercise much greater influence over decisions than others. Disproportionate influence would not arise from disproportionate income or wealth, but potentially from disproportionate interest in and aptitude for participatory decision-making processes. In other words, some people are likely to be much more interested in -- or better at -- accessing and processing information, and influencing group decision-making, than others.

(b) Another important concern about the nature of the democracy fostered by participatory socialism is whether it can adequately protect the legitimate interests of those who hold and wish to act on minority views. True democracy requires not only that people have more or less equal influence over decisions that affect them to the same degree, but that minorities be protected from majority decisions -- however equally and fairly they are arrived at -- which disadvantage them in important ways. Under participatory socialism there are many important decision-making bodies that are expected to operate according to consensus or, if that can't be reached, by majority vote. Citizens are encouraged -- indeed required -- to exercise a great deal of voice in participating in these decision-making bodies. If a decision doesn't go the way of a particular individual or group, however, the

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26. Many of the points listed here were made earlier by Folbre (1991, pp.67-70).

opportunities for exit are limited: changing workplaces or neighborhoods remains possible, but one cannot be confident that this would be easy to do in practice.<sup>27</sup>

(c) Although not a goal that is usually voiced explicitly by socialists, freedom of choice -- of how to live, what to consume, what kind of work to do, how to express oneself, how to define one's social identity, etc. -- is an important value. A non-market participatory system requires people to justify many of their choices along these lines to some kind of collective decision-making body, which is bound to limit the extent to which people can really get their choices accepted -- no matter how democratically decision-making bodies are constituted.<sup>28</sup> By enabling individuals to make most choices without reference to what others think about their decisions, a market system provides much greater freedom of this kind. Of course it does so only for people who have the wherewithal to afford alternative choices; thus for a market system to promote meaningful freedom of choice for all, the distribution of income must be reasonably equitable.

(d) The proposal for balanced job complexes in a participatory socialist society -- with each individual rotating through a variety of jobs of widely varying degrees of desirability -- is designed to avoid the hierarchy of power, income and prestige that tends to develop when people specialize in particular jobs. But many people are likely to prefer doing more specialized work activities than would be permitted under a balanced-job-complex requirement, which means that enforcement of the requirement might well involve implicit

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27. Of course, changing workplaces or neighborhoods is not that easy to do in practice for many people in market economies either; but the point is that market economies offer individuals or minorities other kinds of opportunities for exit when they make choices that differ from those of the relevant majority.

28. Even the option of switching workplaces and neighborhoods, or forming new ones, does not completely overcome this problem; aside from any difficulties in effecting such switches, there will be societal rules in a participatory economy which every workplace and neighborhood must adhere to, and no doubt many issues of interpretation of those rules which will call for socially-determined decisions. Of course, even the most individualistic society must adhere to some rules if it is to survive at all; but the point is that societal rules loom more important in a communitarian society in which people's responsibility to one another is elevated to a guiding principle.

or explicit coercion. Moreover, many people might well prefer to have certain activities carried out by other specialists rather than by participants rotating through from the rest of their balanced job complexes; not just brain surgery and airplane piloting come to mind here, but also such everyday activities as teaching, writing and the performance of music, art and sports. Apart from their inhibition of personal freedom, balanced job complexes designed to avoid specialization seem likely to deprive society of the benefits of activities performed well only by people who have devoted a disproportionate amount of time and effort to them.<sup>29</sup>

Some of these questions about the desirability of participatory socialism stem from the attribution of substantial fundamental value to (at least some kinds of and some extent of) individuality, privacy, freedom of choice, and specialized talents and abilities -- in addition to and alongside the more traditional socialist goals of equity, democracy and solidarity. The more weight one places on the former kind of objectives, the more skeptical one will be about the desirability of participatory socialism.

#### IV. Conclusion

Having raised many of the arguments both for and against the variants of socialism with the strongest claims to a future, I turn now to an attempt to decide on the one that offers the most promise to achieve the basic goals of socialism. The most important choice to be made is between market socialism and participatory socialism. Before turning to that choice, however, it will be useful to consider what kind of market socialism provides the best alternative to participatory socialism.

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29. As Moore (1980) has argued forcefully in a critique of Marx's vision of full communism, the material basis of cultural complexity is precisely the division of labor.

### A. Public Enterprise vs. Worker Enterprise Market Socialism

Market socialism calls for the replacement of private by social control and income rights within a (government-guided) market environment. An important question for advocates of market socialism is whether to base the social rights on communities of citizens or workers. Should the rights to and the responsibility for enterprise management be vested in governmental agencies (democratically accountable to electorates of citizens) or in workers' councils (democratically accountable to electorates of enterprise workers)? Should the residual income of the enterprise accrue to the general public (via government agencies) or to enterprise workers?

Advocates of public management stress its advantages vis-a-vis worker self-management with respect to what I label "capital efficiency" -- access to capital funds, encouragement of risk-taking, technological progress, etc.<sup>30</sup> Advocates of public surplus appropriation stress its advantages with respect to equity at the societal level: channelling the residual income of enterprises into an aggregate "social dividend" recognizes the interdependence of all production activities, protects workers and citizens against the potential risk and inequity of having their capital income tied to the performance of a particular enterprise (which may do well or do badly for reasons of luck rather than merit), and can distribute society's surplus much more equitably than when individual enterprises retain much of their own surplus.

Advocates of worker self-management stress its advantages vis-a-vis public management in several different respects: (1) "labor efficiency" -- motivation of work effort and quality, disciplining of management, organizational improvement, etc;<sup>31</sup> (2) democracy: worker self-management at the enterprise level is in and of itself democratic, and may well reinforce democracy at the political level; and (3) solidarity: through greater participation in workplace and enterprise decision-making, workers may gain a stronger sense of solidarity with their fellow

30. See Weisskopf (1991) for a detailed analysis of the efficiency characteristics of alternative systems of enterprise ownership.

31. See Weisskopf (1991).

workers. Advocates of worker surplus appropriation stress its advantages with respect to labor efficiency and solidarity, as workers' incomes are linked collectively to the performance of their enterprises.

Clearly there are significant trade-offs here. Different kinds of social control rights are advantageous with respect to different kinds of efficiency considerations, and different kinds of social income rights are advantageous with respect to different socialist objectives of equity, democracy and solidarity. A reasonable solution to the dilemma of choice -- consistent with the overall spirit of compromise inherent in market socialism -- would be to encourage a mixture of public and worker control and income rights, emphasizing each in the particular circumstances in which it would do the most good. Such a compromise could take the form of promoting public management in those industries and enterprises characterized by relatively large economies of scale and/or relatively extensive externalities, and promoting worker self-management in industries and enterprises with smaller economies of scale and/or less significant externalities. Since income, unlike control, can easily be shared, it might well be best to promote patterns of enterprise income rights in which there is both a social dividend claim and an enterprise worker claim.

#### B. Market Socialism vs. Participatory Socialism

No such compromise solution is available for the choice between market and participatory socialism; here we are talking about fundamentally different systems whose principles must be accepted or rejected *in toto*.<sup>32</sup> To make this choice, socialists must confront two major, separable issues. The first issue is whether people can be expected to change from *homo economicus*, as we know him/her in contemporary capitalist societies, to *homo socialis*, as he/she is depicted in he

32. Obviously, a system cannot both have markets and be marketless. One could consider a compromise in which markets operate in certain spheres, while decentralized participatory planning institutions operate in others. However, I take advocates of participatory socialism to insist on the complete banning of markets -- on the grounds that any non-trivial amount of market activity corrodes the values and behavior patterns on which a participatory economic system depends for its success.



operation of participatory socialist societies -- and, if so, how such a change could come about. The second issue is how much value we should attach to the opportunity for individuals to exercise such libertarian rights as freedom of choice, privacy, and the development of one's own specialized talents and abilities -- as compared to the more traditional socialist goals of equity, democracy and solidarity.

In the effort to build a socialist society, market socialists take the terrain of *homo economicus* to be the relevant one -- at least for the present and the foreseeable future. If people act essentially as *homo economicus*, it follows that a significant amount of inequality, hierarchy, competition, etc., are necessary ingredients of an efficient economic system; and this is one important reason for the market socialist acceptance of markets. Participatory socialists, on the other hand, believe that for the construction of socialism within the foreseeable future *homo economicus* need not be an unalterable fact. They argue (with Marx) that *homo economicus* is the result of a particular pattern of historical development (and a related pattern of unequal power), which can be changed if people decide do so and act collectively on that desire. The struggle for *homo socialis* can itself help to bring about the desired change in human values and behavior, which would then permit the socialist goals of equity, democracy, and solidarity to be achieved with reasonable efficiency under a system dependent on participation and cooperation rather than autonomy and competition.

Many market socialists -- for example, Alec Nove (1991, Part 1) -- dismiss the idea of *homo socialis* as utopian, and on that basis reject participatory socialism as utterly irrelevant to the fashioning of a "feasible" socialism for the foreseeable future. In the previous section I raised many of the arguments with which skeptics question the feasibility of a participatory economy, and these arguments have made a skeptic of me. I believe, however, that even if we skeptics are wrong about the prospects for developing *homo socialis*, there remains a solid reason for turning away from the communitarian vision of socialism.

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Consider what it would take to move from here to there. The same Marxist reasoning that suggests that *homo socialis* is perfectly possible, within an appropriately symbiotic institutional context, suggests that people who have been living in a capitalist institutional environment will retain the characteristics of *homo economicus*.<sup>33</sup> How, then, could it be possible to move from *homo economicus* to *homo socialis* while respecting the current attitudes and preferences of the general public? It would appear that only some kind of revolutionary vanguard could lead such a transformation, for a democratic process would reflect in large measure people's current mind sets. But we need hardly be reminded that an undemocratic revolutionary process can easily lead not to the promised superior and democratic society of the future, but to a decidedly undemocratic and quite inferior alternative outcome.

This reasoning does not rule out the possibility of any kind of democratic social change from contemporary conditions. It does suggest, however, that such change must be gradual enough so that it is realistic to expect that people -- as they are in their current socio-economic environment -- can be persuaded of the desirability of the change. This seems to me a compelling reason for pursuing socialism in terms of the more modest ambitions of market socialists. Even if one's ultimate hope is to progress to a participatory form of socialist society, a gradual move to some form of market socialism -- which would begin to change the socio-economic environment in which people actually live in a more socialist direction -- would appear to be a necessary first step in achieving a democratic transition.

Whether a subsequent transition from market socialism to participatory socialism would in fact be desirable remains an open question. In my discussion of participatory socialism in the previous section I suggested that certain libertarian objectives associated with personal freedom of choice can best be satisfied only if individuals have the kind of opportunities for choice (and for exit) that markets can provide. While the replacement of markets with a participatory economic

33. The same surely holds true for people who have been living in a CP-directed socialist institutional environment, where the motivational system remained rooted in individual material incentives.

system would arguably contribute to a more egalitarian, democratic and solidaristic society, the point is that it would do so at a cost in terms of libertarian objectives.

It is undeniable that such libertarian objectives smack of "bourgeois rights," while the objectives of equality, democracy and solidarity have traditionally been the most strongly associated with socialism. I submit, however, that both kinds of objectives are important ingredients of a good society, and that the task for socialists is to assure the attainment of both in significant measure. I therefore believe that market socialists are right to opt for a significant role for markets, recognizing that this involves a sacrifice of some degree of equality, democracy and solidarity, but expecting that it will deliver more freedom of choice, more respect for privacy, and greater development of personal talents and abilities.

#### C. Democratic Self-Managed Market Socialism

I have thus concluded with an endorsement of market socialism. To emphasize that democracy should be the essential cornerstone of the socialist project -- in the process of transition as well as in the organization of institutions -- I include the word "democratic" in my characterization of market socialism. And to emphasize that democracy must be extended from the political to the social to the economic sphere of life, I include also the word "self-managed."

A democratic self-managed market socialism combines:

- (1) A liberal democratic political framework, under which government (at all levels) is accountable to citizens via regular democratic elections in a context of civil rights and civil liberties, and participatory democratic mechanisms are promoted at local levels where direct participation is feasible.
- (2) Social rights to the control and the income of enterprises (above a modest size), with these rights to be divided between communities of citizens and communities of workers according to pragmatic criteria.

(3) Markets as the predominant mechanism for resource allocation, providing informational and incentive benefits as well as freedom of choice, with the opportunities for exit afforded by markets complementing the opportunities for voice afforded by participatory democracy in local politics and enterprise self-management.

(4) National economic policy direction, whereby the market is rendered the servant rather than the master of society: the national government provides overall macroeconomic guidance and undertakes microeconomic intervention as needed -- not only via taxes and subsidies but also by running some enterprises (e.g., where natural monopolies exist), by providing certain goods and services (e.g., capital or consumption goods with strong public good characteristics), by assuring general social security (to maintain economic welfare for all), and by pursuing active-labor-market policies (to keep unemployment down).

However attractive and convincing this vision of socialism may be to its advocates, we must recognize that its general appeal is still very limited. On the Right, it confronts powerful political forces and a powerful ideology favoring capitalism over socialism. On the Left, it faces obstacles even among people upset with the present system, convinced of the need for fundamental change and ready to embrace some form of socialism.

The problem is that the call for market socialism is simply not the kind of clarion call that is emotionally satisfying or politically inspirational; the case for market socialism is all too reasoned, too balanced, too moderate. This is its virtue, but also its Achilles' Heel. Who will rally behind its banner? If it is ever to get anywhere, it will need the backing of a strong political movement; and a political movement needs powerful rallying cries and effective popular mobilization to get off the ground. Democratic self-managed market socialism needs to resonate more fully and more clearly with public hopes and aspirations, or it is likely to remain a socialism for the future but not of the future.

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