David Miller

A VISION OF MARKET SOCIALISM

How It Might Work—And Its Problems

The collapse of communist regimes in Eastern Europe reopens the question whether there is any form of socialism that might be adopted, with popular support, in the advanced societies. The experience of communism suggests, fairly unequivocally, that such a system must rely mainly on market mechanisms. Mikhail Gorbachev has gone on record as saying that markets and capitalism are not to be confused, that one predates the other by many millennia and, by implication, may postdate it too. But proposals for a socialist market economy, aiming to combine the efficiency advantages of markets with the humane and egalitarian goals of socialism, still meet with fierce resistance on both sides. Defenders of orthodox capitalism claim that you cannot reap the economic benefits of markets without private property in the means of production, whereas some socialists continue to argue that market socialism represents a capitulation to the enemy. My main purpose here is to show that market socialism remains true to basic socialist aims, but I shall also try to dispel some frequently expressed doubts about its practical viability.

If we are rethinking socialism in the light of twentieth-century experience, we must begin by identifying clearly the basic goals that animate the socialist tradition. There are several such goals, whose relationship to one another is neither obvious nor straightforward. First, there is the conscious direction of social activities toward common purposes: socialists have opposed the anarchy, so-called, of market capitalism, in which overall outcomes are simply a by-product of the pursuit of private interests by uncoordinated actors. Second, there is democracy, understood not simply as formal, parliamentary democracy but also as social democracy, democratic control of a much wider area of social and economic life. Third, there is material equality in the conditions of life. For a few socialists this has meant absolute equality; for rather more, it means a limit to inequality, with some disparities in living standards acceptable on grounds of justice. All, however, oppose what are seen as the excessive inequalities of a capitalist society. Fourth, there is freedom, understood as the opportunity for each person to develop his or her latent potential, and often contrasted with the narrow "negative" freedom of liberal society. Fifth, there is community, the idea that social relations should be characterized by cooperation and a sense of collective belonging rather than by conflict and competition.

It is worth noticing that there are possible tensions among these values. The aspiration to consciously direct social activities suggests the need for a single directing center, and this might well conflict with the socialist commitment to a widening of democracy. Again, the socialist belief in personal freedom is not self-evidently compatible with the idea of community, which might require that society impose upon itself a common set of moral values. But rather than speculating on these problems in the abstract, I should like to sketch a model of market socialism and then ask to

As part of the reconsideration of political and economic ideas that is now going, *Dissent* is scheduling a series of essays on market socialism. This article continues our exploration of the issue.

what extent it realizes the goals I have identified.

Why Have Market Socialism?

Consider an economy in which each enterprise is formally constituted as a workers' cooperative, leasing its capital from an outside investment agency. Cooperatives make their own decisions about products, methods of production, prices, and so on, and compete with one another in a free market. Net profits form a pool out of which incomes are paid. Each enterprise is democratically controlled by all who work for it, and among the issues to be decided is the distribution of income within the cooperative.

Let us look a little more closely at what the ground rules of such an economy might be. Enterprises borrow capital from an investment agency at a fixed rate of interest and subject to certain restrictions. They have rights of use in the capital they borrow but not full rights of ownership. This means that the value of their fixed assets must be maintained: capital cannot be treated as income nor loaned to other enterprises. There must also be bankruptcy rules: enterprises that cannot provide their members with at least subsistence income must eventually be wound up, with the workers transferring to other cooperatives. Each enterprise must maintain its democratic form. If it wishes to expand, it must take in additional workers as full members with equal voting rights. Subject to that condition, however, it can adopt whatever internal management structure it chooses. Small cooperatives might want to decide most issues by general meeting, larger ones might want to have a more elaborate system of decision making, with executive committees, and so on.

In this model of market socialism, the state would have a significant economic role to play, but it would not attempt to plan the outputs of the economy directly. Its function would rather be to set the parameters of the market in such a way that the economy served broadly egalitarian ends. One important aspect of this function is regulation of investment, which is to be undertaken either by private banks or by public investment agencies (I shall consider later the pros and cons of these options). In either case, the banks' job is to provide capital to both existing and newly formed cooperatives. Investment decisions should take into account not only the commercial viability of each enterprise but also wider considerations—in particular the need to keep the economy competitive, avoiding concentrations of market power, and the need to maintain a regional balance in employment. The investment agencies also have a large role to play in providing information to enterprises about prices, market trends, and so on, and in sponsoring the formation of new cooperatives in industries and areas where the need is greatest. Finally, the state is responsible for establishing a minimum level of income and for supporting members of cooperatives that are unable, in the short term, to generate this income, so that new product lines can be developed or restructuring take place.

Besides these functions, the state would, of course, continue to carry out many of the tasks it currently performs, for instance, in the area of welfare provision. To advocate market socialism is not to make a fetish of the market. Markets are an effective device for providing a wide range of familiar goods and services, but where the boundaries should be drawn—which goods and services are best provided through the market and which through public agencies—is a matter of practical experience, not of principle. On the other hand, it is a serious error to confuse some possible instrument of socialism, such as the nationalization of basic industries, with the ends of socialism themselves.

The system just outlined is a pure model of market socialism intended to stimulate debate, not a blueprint for a real-world economy. In particular, as we shall shortly see, cooperatives will not always be the best organizational form for every industry. But before considering some practical problems, I want to consider the model in the light of the five basic goals of socialism listed above.

Market socialism sharply retrenches on the first of these goals: the direction of social activities toward conscious purposes. The general framework of the market—the form that enterprises take, investment policy, and so on—is established by deliberate decision; but concrete economic outcomes—what is produced, in what quantities, by whom—are left to the free play of market forces. What is achieved is economic efficiency, in the familiar sense of meeting consumers' needs with the least possible expenditure of resources and labor. Like other market economies, market socialism provides incentives for producers to respond efficiently to consumer demand, but unlike capitalism, it places all workers in this position by linking incomes directly to the net receipts of each enterprise. The macroeconomics of a system of this kind have been studied quite extensively now by economists, who can specify the conditions under which it will be efficient in the technical sense. I shall consider some alleged inefficiencies below.

We are forced to abandon, or at least severely curtail, conscious social direction as an aim by our experience of central planning in practice. Economically, it has proved increasingly difficult to coordinate activities through centrally issued directives the more technologically advanced a society becomes, for although the means at the planners' disposal may become more sophisticated, the range of economic activities that have to be coordinated becomes vastly greater. Readers will, I assume, be familiar with the economic difficulties faced in recent years by the communist economies, particularly in the provision of consumer goods, and also with the not-too-impressive record of nationalized industries in the West.

Perhaps more important still, the tension between central direction and democracy that I hinted at earlier has been confirmed in practice. This conflict can occur at two levels. At the national level, it is impossible to envisage effective planning without a bureaucratic machine staffed by experts with access to technical information and therefore always liable to break free from democratic control. Put simply, it is hard to imagine the ordinary citizen being in a position to master sufficient technical detail to challenge a decision of the planning authority. At the level of the local factory or social service unit, central direction will inevitably reduce the scope for direct democracy by preempting major policy decisions. Under full-scale planning, decisions about the nature and volume of production, the pricing of inputs and outputs, and so on, are all made by the central authority, leaving little room for meaningful industrial democracy.

Embracing market socialism also means qualifying, in certain respects, the socialist commitment to community. I do not mean that the commitment should be abandoned—indeed I have argued elsewhere that what continues to distinguish socialists from radical or egalitarian liberals (such as Ronald Dworkin) is their recognition of the importance of communal ties in underpinning collective provision and the redistribution of material resources. What needs to be given up is the vision of an all-embracing monolithic community that leaves no room for social relationships of other kinds. Instead, the market socialist picture is one of a complex society in which elements of community exist at different levels—in neighborhoods, in workplaces, and, above all, in the arenas of politics, where people can act to express their common identity as citizens—but also alongside competitive and other relations. Such a picture rests on a view of human beings as complex creatures both needing and being able to sustain a wide variety of relationships with their fellows.

Whereas market socialism requires some retrenchment on traditional socialist aims of conscious social direction and community, it can be defended fairly robustly by appeal to the values of democracy, equality, and freedom. Market socialism provides the best chance for industrial democracy, which is both valuable in its own right—it's simply a good thing for people to be in control of the environment in which they spend a good part of their waking lives—and important as a training ground and stimulus for democracy on a wider scale. Where the state assumes direct responsibility for economic decision making, there is no real scope for industrial democracy, and I think it hardly needs arguing that capitalist forms of ownership offer little scope for it either, because any delegation of decision making to a company's work force is always provisional and liable to cancellation if the decisions reached affect shareholders' interests adversely.

My second claim is that market socialism embodies a substantial degree of equality, substantial enough, I should argue, to meet the aspirations of most socialists. There is not, of course, complete material equality. The market relies on giving producers material incentives to respond to demand, and although the size of these incentives depends on tax schedules, which are politically determined, I don't want to suggest that they can be reduced to zero. Nor would this be desirable. Pure equality conflicts with the justice of rewarding people according to their productive contribution. The point is that in market socialism all income in the market sector is *earned* income, received as a result of decisions within each cooperative as to how its combined labor is to be deployed. There are no returns to capital as such. Moreover, this income is spread throughout the membership of each enterprise in accordance with whatever schedule has been agreed upon. Particular cooperatives may, of course, strike it lucky, in the sense of finding that their products sell unexpectedly well. But there is no incentive to convert such short-term gains to a long-term position of advantage under the system outlined, since cooperative members will be reluctant to reinvest their profits in what is from each member's point of view a collective asset on which he or she has no individual claim. If what matters in assessing equality is lifetime income, rather than income over some shorter period, it is reasonable to hope that windfall gains will even themselves out. Bear in mind, too, that the guaranteed income proposal provides a secure baseline beneath which no one is allowed to fall. In short, market socialism embodies three forms of equality: an equal minimum income, equal access to the capital allocated by the investment agencies, and a limit to market-generated inequalities by virtue of the cooperative system and social ownership of productive resources.

Finally, market socialism provides substantial and fairly distributed freedom. It provides, in particular, freedoms in the choice of work and in consumption, freedoms that contemporary experience shows to be highly valued. Markets allow people to plan their lives within the limits of the resources available to them, rather than waiting for the decisions of an authority. Existing capitalist markets can rightly be accused of negating this freedom, in the case of most people, by severely limiting the resources to which they have access. The arrangements I have sketched for market socialism aim to avoid this accusation. Access to capital remains crucial, and it is vital that the investment agencies not be able to exercise their powers in a discriminatory way. This is a major reason for wanting to have a plurality of such agencies—for instance, a central coordinating body and a number of regional agencies in charge of investment in their own areas—as I shall argue later. The aim is to dissolve personal power by providing people with a range of partners with whom to deal, so that they are not dependent on the grace and favor of any one official. The market achieves this for consumers, but under market socialism there is no capital market in the conventional sense, and so whatever system of capital allocation is chosen must aim to achieve the same end for producers. With this proviso, freedom under market socialism is secure.

How Would Market Socialism Work?

That, in outline, is the case that I would offer in support of market socialism: it promises economic efficiency, democracy at work, a high degree of equality, and personal freedom. But a number of critical questions have been raised about how such a system would work in practice, and I shall try now to address the most important of these (I shall avoid technical economic issues).

One set of questions concerns the efficiency of workers' cooperatives as a form of organization. Many existing cooperatives work on a very small scale, and this has led some critics to conclude that they are only appropriate in cottage industries. An alternative explanation, however, is that it is difficult for cooperatives to attract sufficient finance when they are competing with conventional capitalist firms;

hence they tend to be concentrated in industries with low capital requirements. Students of cooperative organization suggest that it can work successfully in units of up to about five hundred people. In contemporary capitalism, there are few plants that are larger than this (and moreover plant sizes have been diminishing quite rapidly, presumably as a result of labor-saving technology). Of course most industrial corporations incorporate many such plants, but the reasons are financial rather than technological; there may be economic advantages in coordinating a complex production process through organization rather than through market relations between separate units. If that is so, then market socialism may miss out on one kind of economy of scale while simultaneously benefiting from an economic structure that is generally more competitive; that is, there will be a larger number of smaller firms, and less tendency to monopoly or oligopoly.

A related worry is that in larger cooperatives an excessive amount of time will be taken up by questions of internal organization, with meetings dragging on endlessly. This is said both to be economically inefficient and contrary to the preferences of the workers themselves, who have a limited appetite for participation (Yugoslavia is sometimes cited as an example where the quest for participation has virtually stalled productive work). In reply, I should reiterate that the only condition imposed by market socialism (in its pure version) is that the employees of each enterprise should retain sovereignty over the affairs of that enterprise and should be subject to market disciplines. They can choose whatever form of day-to-day management best suits their needs (and in larger cooperatives there is a very strong presumption that this would involve a formal management structure). A poor choice would show up in the form of lower incomes for the members, and there would then need to be a trade-off between income and level of participation. Over time, "technocratic" and "participatory" cooperatives might evolve to cater to different preferences. The main lesson to be learned from the Yugoslavian case is that you cannot have a viable system of self-management without exposing workers to the rigors of the market (with bankruptcy the ultimate sanction).

Rather similar comments apply to a related issue, labor discipline. It is sometimes alleged that worker cooperatives are reluctant to set up proper disciplinary mechanisms to deal with lazy or incompetent workers. However, exposure to the market gives workers a strong incentive to put such mechanisms in place, so that each can avoid having his or her income lowered by the fecklessness of comrades. Another allegation is that working in a cooperative is uncomfortable, because each employee has an incentive to check that his or her neighbor is not slacking. Clearly these two allegations cancel each other out and perhaps simply reflect different degrees of exposure to market forces. If workers can maintain their incomes while their productivity drops (as appears to be the case in Yugoslavia) then of course discipline is liable to disappear.

On closer inspection, then, most of the charges that are commonly leveled at workers' cooperatives as a form of economic organization fall to the ground. This is not to say that there are no problems for cooperatives.

In an earlier analysis in *Dissent* (Summer 1987) Saul Estrin and I pointed out that difficulties were likely to arise in industries subject to rapid technological change, because cooperatives require a relatively stable membership and are ill-equipped to deal with a radical restructuring of their labor force and also in industries requiring very high ratios of capital to labor, since cooperatives may be either unable or unwilling to attract the necessary amount of investment. A feasible market socialism ought to be institutionally pluralistic, in the sense that it should allow different forms of enterprise to develop to suit different sectors of the economy—for instance, labor-capital partnerships, firms that operate on the basis of an agreed division of rights, responsibilities, and profits between a labor board and a capital board, might be better suited to capital-intensive industries. This will not undermine the justifying case that I sketched earlier for market socialism provided that the cooperative sector remains the dominant one in the economy, setting employment standards and income norms for the other sectors (think of how relations even within a conventional capitalist firm would change if there were many opportunities for the employees to join workers' cooperatives instead).

The second issue I want to address is that of entrepreneurship. Critics often concede that market socialism solves the problem of incentives under socialism (since under the arrangements sketched, workers' incomes depend on their success in supplying the goods and services that consumers want); but they claim that the system will tend to stagnate, since no one has an incentive to innovate in a bold and risky way. Genuine entrepreneurship, these critics say, is possible only when an individual owner can bear the risks and reap the rewards of his innovations—hence it requires capitalist ownership of the traditional kind.

To evaluate this, we need to be clear about what entrepreneurship consists of. In common usage the "entrepreneur" is often used to designate the person who owns or manages a firm, but clearly these are distinct functions even if often combined in practice. The entrepreneurial function itself consists in perceiving a difference between the future selling price of some good (perhaps a good not yet made) and the cost of the resources (including capital) needed to produce it, and then setting in train a process of production to supply the good. Entrepreneurship is possible because of uncertainty: no one can be sure precisely what the future demand for a good will be at a given price, and because of this it is possible for entrepreneurs to receive a rent over and above the fixed return on the capital they employ.

The most striking entrepreneurial act is the decision to establish a new firm to exploit a market opportunity, but there is no difference in principle between this and the more routine entrepreneurship displayed when an existing firm switches to a new line of production or decides to make its products using a new technique. It then becomes an open question whether in any given economy the entrepreneurial function is mainly discharged by the founding of new firms or by changes in the production schedules of existing firms. Under market socialism there is likely to be a more stable enterprise structure, with less exit and entry of firms, but a greater willingness on the part of firms to adapt to changes in the market and use the skills of their members in new ways. There is still room for entrepreneurship of the first kind. A like-minded group of individuals may simply decide to set up an enterprise to exploit a market opportunity—or, more likely, a group may leave an existing cooperative and establish a new firm.

Perhaps the critics believe that entrepreneurship cannot be exercised collectively, that it always stems from an individual's perception of the state of the market. Now it may be true that bright ideas for new products, say, always crop up first in one person's mind. But even in a capitalist system, would-be entrepreneurs must persuade investors (bankers, shareholders) to advance them capital and workers to join their enterprises; all these people need to be convinced that the entrepreneur's idea is potentially a viable one. Exactly the same is true in a labor-managed economy: a worker with a bright new idea must persuade his or her colleagues to implement it, or failing that he or she must look around for new colleagues who are convinced by the proposal; and, of course, an investment bank must be induced to put up the capital. The main difference is that the worker in the cooperative system must be prepared to share the returns of his or her entrepreneurial skills with co-workers, in the form of the increased income flows that result. These fellow workers may be willing to give their inventive colleague a bonus—they would be well advised to do so—but there is nothing he or she can do to enforce such a payment while remaining within the cooperative. Capitalist entrepreneurs, on the other hand, can hope to corral all the returns of their entrepreneurship themselves.

The criticism then boils down to the claim that people lack a sufficient incentive to exercise their entrepreneurial talents unless they are able to corral all the proceeds individually. This claim seems a weak one. There is much satisfaction to be gained simply from seeing one's ideas work out in practice (and of course deriving *some* material benefit from this). Notice too that the capitalist system of entrepreneurship is likely to involve an unfair division of risk between the entrepreneur and his or her investors and employees. The former gets the returns of successful entrepreneurship while the latter two groups very largely bear the cost of failure—capital advanced is not fully repaid, workers have to face the considerable costs of finding new jobs, and so on. It is simply not true, as is sometimes alleged, that capitalist property relations allow a mutually agreeable distribution of risk between those who enjoy facing it (entrepreneurs) and those who are risk-averse (rentiers and employees). Everyone is exposed to the uncertainties of the market but not everyone is in a position to respond positively to those uncertainties. Under a market socialist regime, by contrast, all participants in the market sector of the economy have to exercise some degree of entrepreneurship—and bear the gains and losses accordingly—albeit perhaps only in the form of voting to implement X's clever new suggestion for making widgets more cheaply.

New goods and services will typically mean new investment capital, which brings us to the issue of how it should be provided under market socialism. In my initial sketch I assumed, in line with most economic opinion, that cooperatives should be externally financed by means of interest-bearing loans. In order to protect the autonomy of the cooperatives, it seems important that, instead of a single investment agency, there should be several competing sources of funding, so that a cooperative can switch away from an investment agency that tries to dictate the terms of the loan in an unduly narrow way. This could be achieved either by a set of private banks or through a devolved system of public funding—say one in which regional and local banks were made responsible to the tier of government in their area rather than to central government. Private banks might appear to be excluded by the general socialist principle prohibiting private returns from capital, but they could be constituted so that their shares were owned by cooperatives and public authorities in some proportion. The choice between public and private investment banks is a fine one. Private banks—which I assume would aim simply to maximize the return on their investments—would create an orthodox capital market, but perhaps at the cost of neglecting social considerations such as regional levels of employment. Public banks could be instructed to take such considerations into account when setting their investment criteria, but the corresponding danger is that they would become subject to political lobbying, with the result that they might pay too little attention to commercial factors, and, for instance, might prop up ailing enterprises that were large employers of labor in their own area. If public banks are preferred, it seems essential to protect them from such lobbying by granting them a large degree of autonomy—their overall performance might be periodically reviewed by the relevant political body, but not particular investment decisions. Under these conditions, it might not make much difference in practice what formal system of ownership was adopted for the investment banks.

This arm's-length relationship with the state rebuts the charge that investment agencies under market socialism amount to central planning under another guise. The primary function of the banks is to respond to applications for capital investment by cooperatives and other enterprises, and to judge these applications by ordinary commercial criteria. No doubt the banks would act as a source of financial advice to the cooperatives as they often now do to small capitalist firms. Investment banks under market socialism would have a more active role to play in fostering new cooperatives and would probably have special sections devoted to this task, but there would be no question here of any compulsion—the bank would simply play an initiating role in bringing together people seeking new employment, but would hand over the running of the cooperative to the members once it was established. (The best example of a bank's playing such a role is the Caja Laboral Popular at Mondragon in Spain, which has now helped to establish over one hundred co-ops.) The role of central government would be to decide the overall level of investment and to lay down general policy guidelines.

The criticisms I have been addressing are all variants on the theme that you cannot enjoy the virtues of a market economy while instituting a system of social ownership of capital. The final criticism I want to consider comes from a different quarter and has as its target the market element in market socialism. The charge is that because of its extensive reliance on market mechanisms a socialist market economy would suffer from many of the defects of existing capitalist economies, particularly in its effects on the natural environment. Market socialism is driven by the quest for profits; the fact that enterprises are predominantly labor-managed does not alter this fact. Thus, insofar as the quest for profit leads firms to use polluting technology and to destroy natural ecological systems, market socialism holds out little hope for improvement.

In reply I want to make a general point about markets and the environment, and then some specific points about market socialism. There is a tendency to saddle the market economy with environmental effects whose real source is uncoordinated decision making regardless of economic setting. If one producer (or consumer) releases sulphur dioxide into the atmosphere, little harm is done, but if many do it simultaneously the result is acid rain. This has nothing to do with the market or nonmarket nature of the economy, as we can confirm by observing that the pollution records of centrally planned economies, such as those of East Germany and Czechoslovakia, have been among the worst in Europe.

Whatever the economic system, environmental effects of this kind can only be controlled by collective action. Typically this will mean action by national government (or indeed supranational bodies), although it is worth noting that markets may themselves be responsive to environmental concern by consumers in some cases. We can see this happening in the current race to put environmentally friendly products on supermarket shelves. Where different brand versions of the same product are virtually interchangeable apart from their environmental effects, even a slight degree of green concern on the part of consumers will tip the scales in favor of the friendly brands.

So, although no one in their senses would propose laissez-faire as a recipe for environmental bliss, the relationship between markets and the environment is less one-sided than critics would have us believe. What of market socialism in particular? What difference is the transfer of control to enterprise work forces likely to make to the economy's impact on the environment?

It would clearly be absurd to suggest that no workers' cooperative is ever going to contemplate using polluting technology or destroying natural resources. But three factors make this less likely. First, because profits are shared throughout the enterprise, the economic stakes are lowered. By comparison to a traditional capitalist firm, no one person has much to lose by switching to a more environmentally sound technique of production. Second, the effects of environmental pollution will also be felt more widely among those responsible for making the decisions. This is most obvious where the technology produces toxic wastes that the workers have to handle themselves: it is difficult to believe that the present methods of disposing of wastes at nuclear power plants would have been adopted if those plants had been labor-managed. The point also applies, however, where the pollution takes the form of emissions into the surrounding air, water or soil. This is very likely to have a direct impact on the lives of at least some of the firm's members, and thus will be resisted fiercely.

Finally, decisions within a workers' cooperative cannot be taken behind closed doors in the way that they usually can in conventional capitalist firms. Every member has the right to be involved, and so unless there is unanimous agreement to conceal a decision, it will become a matter of public knowledge. This means that where environmental legislation is in place, it will be very difficult for a cooperative of any size to pay lip service to the legislation while covertly flouting it.

Does Market Socialism Have a Chance?

Having now sketched and defended market socialism on general grounds, I should like to conclude with a few remarks about its practical prospects. Market socialism has often been associated in the past with reform movements in the Eastern bloc. This has largely been overtaken by recent events, but in any case there are serious obstacles in the way of a direct move from a central planned economy to market socialism. Some of these can be brought to light by considering Gorbachev's attempt to create a cooperative sector in the Soviet economy as a way of dealing with the worst shortages of consumer goods, especially foodstuffs. Introducing a profit-maximizing institution into an environment characterized by scarcity, administered prices, and an extensive black market has had two main consequences. First, the cooperatives have tended to charge what are in effect black market prices for their products, far in excess of the prices prevailing in the state-controlled shops. Second, given materials shortages in the Soviet Union, many cooperatives have found it more profitable to import manufactured goods from abroad than to produce for themselves. Together these tendencies have created a public image in the Soviet Union of the cooperatives as racketeers and exploiters, and the resulting outcry has obliged the authorities to restrict their activities. But the fault lies with the environment rather than with the co-ops. The lesson is that the market element of market socialism must be in place prior to the socialist element. More generally, the experience of a command economy means that workers are ill-prepared to face the risks and responsibilities of self-management in a market environment. The skills required for cooperative organization need to be learned. Moreover, where wages have long been fixed by bargaining with central authority, the idea of earnings varying according to market success is unfamiliar and hard to take.

Paradoxically, then, market socialist ideas might seem to stand a greater chance of success in well-established market economies, where working under market constraints is a familiar experience, but where many employees find themselves frustrated by the hierarchical structure of the traditional capitalist firm. Paths of transition here might include schemes enabling employees to buy out their own firms, especially as a way of warding off takeover bids; the formation of workers' cooperatives as the natural mode of organization in high-tech industries such as computing, where all or most employees are highly skilled; and various schemes of profit-sharing and codetermination that involve a gradual devolution of responsibility to the shop floor in workplaces of a more traditional kind. None of these initiatives can succeed, however, without substantial political support—in the form not only of enabling legislation but also of financial backing for participatory enterprises—and here we face what is perhaps the most formidable obstacle to market socialism in the West. Consider the position of a society attempting to implement some form of socialism within an international order that remains predominantly capitalist. A society that, for instance, implements a form of self-management or imposes strict environmental controls on manufacturing industry may find that its products cannot compete internationally with those of other countries where capitalist practices remain unmodified. It then faces a stark dilemma: either it restricts trade, with serious economic consequences, including inability to take full advantage of the international division of labor, or it reluctantly reverts to free-market capitalism. We might then face a position where there was substantial support across the advanced societies for social change along lines proposed in this article but where no single nation was prepared to introduce the necessary reforms by itself.

My conclusion is that a strong case can be made for market socialism, in terms of both its congruence with core socialist ideals and its economic feasibility. The major difficulty lies not in the system itself but in finding a path of transition to such an economy either from the collapsing communist economies of the Eastern bloc or from the affluent capitalist economies of the West. Increasing international cooperation may work in favor of such a transition (the European Charter of Social Rights is perhaps a distant harbinger) if there continues to be domestic support for greater economic equality and a more participatory style of work organization. But the path will be a long one, and we ought to think of market socialism as a guiding ideal, not as a platform for the next election. □