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What Socialists Would Do in America — If They Could

Let's pose a far-reaching question, without pretending to answer it fully. What would happen in America if we were able to make it come to pass? How would we move beyond the welfare state? What measures would be taken on the far side of liberal reform, yet well short of utopia?

These questions are not academic. In Europe today there are democratic socialist mass parties that are putting them on the political agenda. In America there is, of course, no major socialist movement, yet. But this society is more and more running up against the inherent limits of the welfare state. We can no longer live with the happy assumptions of '60s liberalism—that an endless, noninflationary growth would not only allow us to finance social justice but to profit from it as well. So, for instance, a Democratic president is told by key economic advisers that workers will have to bear the consequences of breathing cotton dust because industry "cannot afford" the cost of protecting their lungs.

In the United States, at present, the dominant reaction to such structural problems is to sound retreat. This may well strike cruelly at the poor, the minorities, women, and all other vulnerable people. But ultimately the forced march to the rear will not work. For there are limits to the ability of the nation to impose the social costs of late-capitalist production upon those least able to defend themselves.

So I baldly assert that old-fashioned reaction is not, in the long run, a feasible way of dealing with our problems. There will either be a new-fashioned reaction—sophisticated, modern, planned—or there will be a

socialist alternative. It is with this thought in mind that I undertake an attempt to define a socialist policy for the (still unforeseeable) middle distance. First, I will try to outline some of the general problems raised by such an imaginative definition of the future. Then, there will be a brief sketch of that possible socialist future. And finally, I will try to relate these speculations to the immediate present, since I am convinced that projecting what should be must help us, here and now, in devising what can be.

I: Some General Problems

Capitalism is dying. It will not, however, disappear on a given day, or in a given month or even year. Its demise will take place as a historic process that could lead to democratic socialism—or to a new kind of collectivist and authoritarian society. And one of the key problems of locating socialism in this process is that it must emerge in a society that is not capitalist or socialist but something in-between, with elements of both.

Let me now hastily sketch in a few details to support the sweeping statements I have just made.

The way capitalism ends defines the terrain on which socialism becomes possible.* Present-day capitalism is more and more collectivist, that is, it increasingly makes its economic decisions politically. This happens

*In what follows, I have summarized the arguments detailed and documented in *The Twilight of Capitalism*. Readers who seek proof for my various assertions will, I hope, find it there.

because the inherent tendencies of the system subvert the always imperfect “free markets” of an earlier age and because, in any case, those markets could not organize a system of such interdependent complexity. Thus far, this process of collectivization within capitalism has been dominated by corporate priorities, even when the collectivizers have been liberals, trade unionists, or socialists.

This last trend is not the result of a conspiracy on the right or of betrayals on the left. It is a consequence of the fact that, as Claus Offe put it, the capitalist state is not itself a capitalist. The economic and political health of the government thus becomes dependent on investment decisions made in private boardrooms. Those decisions are critical determinants of the Gross National Product, the level of employment, and indeed of the government’s own revenues. The rulers of the welfare state therefore must adapt themselves to corporate priorities—“win business confidence.”

Those corporate priorities center on the maximizing of profits. This, obviously, is no longer done in an entrepreneurial or “robber-baron” way. The nonowning manager has a much more sophisticated calculus and, corporate collectivist that he is, takes political and even social factors into account. Yet, even in this new guise capitalism remains dangerously and fundamentally antisocial. Capacity is expanded in good times as if there were no tomorrow—or more precisely, as if the ability of the society to consume were not limited by the very income structure that capitalist production enforces. In consequence, there are periodic crises. At the same time, the growing social costs of the system are imposed upon those least able to pay—a fact cruelly visible in the devastated cities of the Northeast and industrial Middle West. Markets are rigged with increasing expertise, which is one source of inflation in the midst of recession. Inequality persists because, under capitalism, private wealth, personal and corporate, is the main source of new investment funds.

The welfare state reinforces these trends. Since the health of the entire economy is seen to depend on the will of those who control in-

vestment, “trickle down” becomes *the* ideology of late capitalism. Thus the political representatives of the rich are now demanding—in the name of the common good—that further tax privileges should be conferred on the wealthy, while government-spending for everyone else is curtailed.

This corporate collectivism is not, however, a stable system—as anyone who has lived in the ’70s can testify. The private, and anti-social, priorities that inform public action are becoming more and more destructive. The anticapitalist measures used to shore up capitalism create a crisis of legitimacy. And eventually, the contradictions of “private socialization” will require basic structural changes. Those could move in the direction of a new class society, a bureaucratic sort of collectivism, or toward a new communitarianism, a democratic socialism.

This summary analysis points to a key assumption of all that follows and helps to define a central problem for socialists seeking to transcend the welfare state. *Socialism will have to define itself in the course of a contradictory transitional period in which elements of both traditional capitalism and corporate collectivism will coexist with, and threaten, socialist innovations.*

It is foolish to imagine a day, a month, or a year when society suddenly “leaps” from capitalism to socialism; the very complexity of modern society precludes that. Where, in some brief period of time, will one suddenly find a socialist cadre capable of taking over from the capitalist managers? How can new psychologies, and new ethics, be created quickly? Moreover, one must have a due respect for socialist ignorance. We know the evils of the old order in great detail, but we do not have all the plans for the new order in our hip pocket. Even if we did, that would be of small help since a socialist society must be built democratically and cannot be proclaimed from on high.

After all, socialists do not simply propose a new economy. We realize that there must be a transformation of culture, of individual and collective values, if the new structures are to

matter. As Antonio Gramsci rightly insisted, socialism is the work of an epoch and it has to do with an entire society, not just with property forms or tax laws.

But that fact creates enormous problems. How, for instance, does one avoid the co-optation of partial measures of socialization in an economy in which corporate collectivism retains considerable power? In a recent book, Serge Christophe Kolm analyzed what this meant in the Chile of *Unidad Popular*. One of the first measures of the Allende government was to increase enormously the wages of the poor while holding down prices. This meant, however, a reduction in the profits of the private sector—profits that had been the traditional source of new investment funds. At first, the problem was not too serious since the wage policy set off a consumer boom. But eventually, there occurred a slowdown and the corporations had to borrow, thereby setting into motion the inflationary spiral. The Nixon administration, the CIA, the copper companies, the world financial community (including the World Bank), all did what they could to make matters worse.

Still, the relevant point here is that Chile demonstrates the inherent difficulties in introducing socialist measures in an economy still manifesting strong capitalist tendencies. So, alas, does the Tennessee Valley Authority. From its inception under the New Deal until the early '50s, the TVA managed to control floods and generate power in a way that enormously stimulated the region's economy. But from the early '50s on, this public property behaved more and more in a classic private way. It moved from hydropower to coal and in the process was a major initiator of the destructive strip-mining of Appalachia. Indeed, it is possible to make a sad generalization: *most existing nationalized enterprises in the world behave about as badly as private enterprises*. When one adds that those nationalized companies constitute, more often than not, the collectivization of private losses and inefficiencies one gets a sense of the enormous difficulties of a transition toward socialism within the contradictory world of late capitalism. In that setting, the danger of

co-optation does not arise, primarily because of the personal corruption of leaders or bureaucrats; it is a structural tendency of the society.

So in imagining socialism as it would emerge just the other side of the welfare state, the imagination must be realistic. How does one begin to create a new society in a world in which there will be capitalist striving for gain, socialist egalitarianism, and "communist" free goods in the libertarian sense of the word as used by Marx in his *Critique of the Gotha Program*. Under such difficult conditions, how is it possible to transfer the control of basic investment decisions from private boardrooms to the democratic process?

In facing up to these issues within the framework of a brief essay, much that is enormously important will be placed in parentheses. I will deal with a single developed society and ignore the international implications of socialism that are, in other contexts, decisive. I will posit the existence of a political movement capable of taking the lead in implementing the proposals I make, and I will focus on economic and social structures and present my illustrations as evocative symbols of a possible future, and not at all as a fully worked-out program.

II: Speculations and Possibilities

First, socialism proposes a national planning process in which all the people would have an *effective* right to participate.

Through a political process, the society would consider its basic options. Put in American terms, the Administration would outline the needs of the next period and the resources available to meet them. Since the latter would not be infinite, there would have to be proposed "trade-offs." A crash program for the improvement of health might limit the growth of education; the decision to take the benefits of increased productivity in the form of more leisure time would mean that the same productivity could not be spent on more

consumer goods. This last point is particularly important because one would hope that, as socialist consciousness would rise, so would the tendency toward the decommercialization of life—toward communal, non-commodity forms of consumption, like neighborhood centers or public theaters.

Under such conditions there obviously would be debates over priorities. These would be resolved by a democratic process in which parties would compete with one another over conflicting programs. That, however, would not mean a mere extension of present-day “pluralist” theory, which ignores the way formal democratic rights, precious as they are, can be subverted by economic and social inequalities. In the period of transition, there would not simply be a corporate sector striving to impose its values upon the polity; the government itself would obviously be (and already is) a center of power. For democracy to work in such a context, it would have to be much more profound and real than it is today. Let us imagine two quite unutopian aspects of such a deepening of democracy.

First, if the Administration or even the Administration and the major opposition have an effective monopoly on the machinery and personnel of the planning process, then the formal right to challenge the plan becomes almost empty of content. In French “indicative planning,” for instance, the workers are legally guaranteed representation at every level of the system. But they, unlike business and government, do not have the expert staff, the computers, the “knowledge technology” so important in a modern society. Therefore, they normally don’t bother to participate in the exercise.

If, then, planning is to be a critical instrument of the assertion of popular control over the investment process, there must be effective provision for democratic participation. Any significant group of people—much larger than a coffee klatsch, much smaller than a majority—should be given the means to challenge the official plan(s). This could be done in at least two ways. Such a group could be given the funds to hire its own experts and

computers; or it could be given the right to have the official bureaucracy work out the details of its counterplan(s). Within such a framework, when the Administration and the Congress would go to the various regions and ask for popular inputs, there would not be the *pro forma* hearings that so often prevail today. The critics would be technically as well prepared as the establishment.

Second, the political process itself should be democratized. Here, some of the West European countries now are far ahead of the United States. All television time available to candidates for federal office should be allocated according to a democratic formula. And each significant group should either get subsidies for its own press, or else—as is sometimes the case in this country with intraunion oppositions in campaign periods—have legally guaranteed access to the print media.

Let us assume, then, that truly democratic procedures could be established within the planning process, given a little imagination and a mass socialist political movement. What of the content of the plan(s)? How would it (or they) be rationally debated and worked out? How would it (or they) be implemented democratically without an enormous proliferation of bureaucracy?

It would be of utmost importance that everyone in the planning debates know the real costs of all the proposals. It was thus not an accident that, on the few occasions when he explicitly referred to the socialist future, Marx spoke of the need for careful bookkeeping. Like Max Weber, he regarded bookkeeping as one of the great accomplishments of the capitalist era, and then added that it would be even more necessary under socialism precisely because production would be planned. And it is, of course, one of the central themes in a contemporary indictment of late capitalism that this system falsifies prices by imposing its social costs on helpless people and/or the government.

This point raises a technical question that should at least be noted before moving on to a basic issue. In the absence of capitalist-factor

markets, can society rationally compute efficient prices? In a famous attack on socialism Ludwig von Mises argued that it would not be possible to do so. He was effectively answered by Oskar Lange, A. P. Lerner, and Joseph Schumpeter (the latter summarizes the debate in *Capitalism, Socialism, and Democracy*). To be sure, I do not accept many of the overly centralist assumptions of their imagined solutions, yet their central point about rational prices under socialism is persuasive. Schumpeter, brilliant Austrian conservative, held that socialist prices would be set by marginal costs; the late Anthony Crosland, a British Fabian, noted that *only* under socialism would such capitalist theories work; and some of the economists grouped around François Mitterand, like Philippe Brachet, have gone into detail as to how this might be done in present-day France. So I will assume that serious debate can take place on the basis of accurate information about “trade-offs.”

But does this mean, then, that socialism will operate according to the criterion of profit? And if so, what of the claim that it entails production for use *instead of* profit?

Profit, I would argue on the basis of historical evidence, is the specific form that the surplus from production takes in, and only in, capitalism. Such a surplus exists in all but the most primitive of subsistence societies; it will certainly have to exist under socialism. Under capitalism, the surplus is appropriated by the owners and managers of the means of production, and it is both a title to wealth and to the right to make basic investment decisions about the future of the economy. In pre-capitalist systems, the surplus was appropriated by political and ideological, not economic, means, i.e., on the basis of “God’s will” as backed by the human sword.

Under socialism, there will be a social dividend to provide for those who do not (usually because they cannot) work for depreciation and for expansion (on the last count, it should be remembered that I am speaking of the socialist transition when there will be many urgent needs for new investment, both at home and abroad). But that social

dividend will not be a “profit.” It will be appropriated by the society and allocated after democratic decision-making; it will not go to individuals in the form of wealth or elite power, as is now the case. Second, although a socialist society will have to create a surplus and will want to measure the return on investments as precisely as possible, the resulting “interest rate” will be an accounting device and not a flow of income to private owners. Third, socialist accounting will compute social cost and social benefit in a way that capitalism, for systemic reasons, does not and cannot do. For instance, mainstream economists today defend the ruin of the Northeastern and Middle Western cities as an inevitable—tolerable if unfortunate—consequence of making a more “efficient” use of resources. But efficiency, it must be understood, is not a mathematical absolute obeyed by technocrats; it is always defined in relation to the interests of different groups and individuals. Under capitalism this is done behind a veil of mystifying rationalization and in the interests of a minority. Under socialism, the term will be democratically defined in public debate in relation to the needs of the majority.

Let us assume, then, that the democratic planning process has determined the basic priorities of the society. How will they be implemented?

There are two existing models, neither of them applicable to democratic socialism. In the Soviet Union and other Communist countries, there is centralized command planning with the bureaucracy setting thousands of prices and production targets. The system is politically totalitarian and economically inefficient—two facts that are closely related to one another. I therefore reject this model because it does not satisfy basic socialist goals. The other model, that of indicative planning, is also not the way to democratic socialism, but it is worth examining more closely for a moment since it highlights one of the critical differences

between liberalism (in the American sense of that term) and socialism.

Here is how Stephen S. Cohen described French indicative planning in a 1977 paper for the Joint Economic Committee. There is, he says, an economic “concert” achieved without the participation of the unions, consumers, or small businessmen.

The economic concert is based on a simple political ideology and defines a simple political role for planning. The state needs a high performance economy. This has come to mean a fundamental commitment by the state to the expansion and modernization of the big business sector. Big business needs the active cooperation of the state. It needs the state to maintain a high level of effective demand and to socialize many of its costs. It also needs the aid of the state in managing its own affairs. The overarching organization provided by the state helps industry to regulate competitive forces. In brief, big business finds that it needs a cooperative economy and it needs the state to organize that cooperation. Most modern capitalist nations are doing some variant of the state-big business partnership model, but nowhere with such clarity and enthusiasm as in France.

The French planners assume that private corporate priorities are the pivot upon which all decisions turn and that it is, therefore, the role of the plan to facilitate, and sometimes humanize, the work of big business in the name of the common good. This, it will be noted, is the tacit assumption of much of American liberalism. However, it should be emphasized that in technocratic, *dirigiste* France, what is implicit in America has achieved the status of an ideology. I insist upon this point for a political reason: the American liberals (including labor liberals) who unconsciously accept the corporate premise are often also hostile to corporations and in the future could become socialist. This is not true of a principled French technocrat or, rather, the conversion required in the second case is much more profound. One of the hopeful aspects of American liberalism is its contradictory character.

In any case, we have come to a fundamental divide, one that marks off socialism from all variants of capitalist reform. The latter believed that liberal goals can be limited to a late-capitalist economic and social structure, while socialists define that structure as the core of the problem. What, then, is the socialist alternative? How will socialists actually implement the lovely choices made in the democratic planning process?

Not by command of the Soviet, or any other, model. However, in rejecting indicative planning within a late-capitalist society that is economically and politically dominated by corporate power, one is not ruling out indicative planning in an utterly different milieu. For in imagining a socialist transition from capitalism toward the good society, I hypothesize two different motivations for working to fulfill the democratic plan and see them as operating within three different kinds of enterprises.

The first motive is individual gain. The goal of socialism, clearly, is to transcend greed as far as is possible, and to act upon the basis of “to each according to his/her need, from each according to his/her ability.” This lies in the distance, although approximations of it should begin on the first day of socialist transition. But as socialism emerges from capitalism, there would be differentials in wages within an enterprise and even differentials between enterprises within the same industry. At the same time, there would be a progressive, egalitarian tax program to reduce radically the outrageous spread between executive and worker pay in capitalism today. Managers receiving hundreds of thousands a year—and setting their compensation for themselves—are not being paid wages, but if I may speak in an old yet useful language, they are appropriating surplus value in the guise of wages.

The wage structure, then, would be infinitely more progressive than it is within capitalism and would follow the Biblical injunction by exalting the lowly and making plain the high ones. Yet, there would be

differentials related to skill and output and these would be tolerated, precisely as an incentive for individuals and enterprises to produce more efficiently. Moreover, the differentials between enterprises, even though carefully limited, would be the basis of a certain competition between them. It would obviously be preferable if moral incentives alone would guarantee efficient cooperation with the planned priorities. But in this transitional stage, there is simply no realistic reason to suppose that this would be the case.

The second major motivation would be moral. It would not suffice, in and of itself; but it is absolutely essential as the growing edge of socialist possibility. The point, however, is not self-evident. In the United States moral incentives have played a role during wartime, but only then. Moreover, the American labor movement has been particularly hostile to "work enrichment" schemes, regarding them as artfully designed programs to get more work out of fewer people. More often than not, this judgment has been accurate. Why, then, assume that American workers as they are will be moved to change their attitudes in a socialist transition?

Surely, it must be obvious—not simply the fact, but a fact plain for one and all to see—that the savings of productivity will primarily go to the workers who make them or to the society as a whole. If they go to the workers, then old-fashioned capitalist psychology would explain why this incentive would work. But what does it mean to say that the gains would go to the "society"? Why would that motivate the average worker? The answer to this question is best given in the form of a generalization about the socialist wage in a transition period.

Wage, then, will be composed of three different elements (I borrow some insights from Serge Christophe Kolm). It would be capitalist in the sense that there would be differentials based on performance; it would be socialist in that an egalitarian tax policy would severely limit the differentials and work toward a redistribution of income and wealth; it would be "communist" (in the

libertarian sense) in that an increasing part of people's incomes would take the form of "free" goods, i.e., collectively paid goods and services, such as health, education, transportation. So a part of the wage would be received collectively, as a social dividend from heightened productivity.

Far-fetched? Not at all. Right now, the socialist parties of Sweden and Holland are moving in the direction of such collective payment, proposing that corporations pay a portion of their tax in stock placed in a worker-controlled mutual fund. And one of the reasons for this development is, precisely, to give workers a communal stake in productivity. This is not, it should be noted, a traditional stock-sharing device where the individual workers get shares in lieu of certain wage increases. In Sweden, this is the conservative alternative. It is a proposal for the *social* sharing of productivity gains.

One last point on wage structure. The capitalist component would be settled by collective bargaining negotiations. That issue, and the more general question of working conditions, would provide one of the bases for the continuing existence of a trade-union movement. The socialist and "communist" components would be determined by a political process in which unions, parties, and other voluntary institutions would be involved. Here again, I am positing the necessity of conflict among organizations that would interpret the common good in terms of the particular good of different strata of the citizenry.

So individuals would be motivated to cooperate in the work of the plan on the basis of capitalist, socialist, and "communist" incentives. What about enterprises? Given the previous analysis, I assume that there will be three main types of economic organization: socially owned; privately owned large enterprises; and cooperatives. There will also be a stratum of privately owned small businesses, but these will function primarily in the area of consumer markets and are not likely to play a decisive role in fulfilling the society's democratic priorities for production.

In all three of the major sectors there will be

elected worker representation at every level. This is not merely desirable as a way of dealing with alienation. It is a practical necessity if the sense of communal solidarity—the socialist motive—is to grow. And that, in turn, increases productivity. It is also essential to the antibureaucratic aspect of the socialist program, institutionalizing as many local, face-to-face controls on authority as is possible.

So far, this may sound like the socialist version of apple pie. It is much more problematic—and important—than that. Contemporary capitalist technology, Harry Braverman persuasively argues in *Labor and Monopoly Capital*, did not evolve in a value-free, technical way. It had, and has, social and even ideological functions. Specifically, it is not an accident that this technology worked at every point to expropriate the skills of the workers, to dispossess them of all decision-making, and to try to turn out automatons. Therefore, as a technology incarnating capitalist values is extremely difficult to run on a socialist basis, one of the goals of the transition will be to build different kinds of factories—and offices.

I make the last point about offices for an important purpose. Most socialist language and imagining is focused in terms of plants. But what about the “post-industrial society”? Without going into all the complexities of that question, it should be noted that a major part of the “tertiary sector” is made up of service workers in large, anonymous, factorylike settings, e.g., typing pools, supermarkets, the middling and lower levels of the information industry. Moreover, the skilled and educated reaches of this sector—engineering, universities—often in themselves require collegiality. So I am not projecting workers’ control as an exclusively blue-collar proposal.

But then neither can workers’ control operate as an absolute. In the socialist transition, as many functions as possible will be located on the most immediate level, where the majority of the people work. But individual enterprises or industries cannot be given the right to veto the democratic plans of the entire nation. It is possible, as the Yugo-

slav experience shows (and the authoritarian character of that country’s political structure is not relevant to this point), for worker-controlled enterprises to develop a collective egotism. The Yugoslavs, for instance, have found it difficult to convince the more affluent collectives to invest their surplus in high-risk underdeveloped areas. So workers’ control is not a panacea, and it will require democratic political checks on the part of the society as a whole. It even demands the redesign of technology and economic organization, in the postindustrial as well as in the industrial sectors.

Workers’ control will function in all the enterprises of the society—but those enterprises will have different structures.

- First, there is the social property sector. I say social, not nationalized, property for a reason. Any fool or charlatan or dictator can nationalize a plant. In and of itself, nationalization is neither good nor bad. Or, rather, to the degree that nationalization suggests centralized state ownership, it is bad. It is not necessary to argue the almost self-evident point that such ownership is politically hostile to democracy and economically inefficient. “Social property” stresses both the direct participation of the actual producers *and* democratic control by society rather than administrative control by bureaucrats.

It is painfully obvious that it is simpler to stitch together such harmonious formulas than to realize them in practice. As John Kenneth Galbraith emphasized in *The New Industrial State*, elected bodies either lack the competence to oversee the managers of public property or, if they acquire that competence, they create a second bureaucracy to regulate the first. Galbraith was thinking of existing nationalizations, which do not involve workers’ control, but still his point is a substantial one. As I mentioned earlier, in the very first stages of the transition it will be difficult to impose participatory socialist values upon an antiparticipatory capitalist technology. Therefore, I do not see socializa-

tion as an act, a law, or a charter, but as a *process* in which democratic forces will have to struggle during an entire historic period to give real content to their legal rights.

In this same spirit, social property will obviously not be operated as departments of the state run by civil servants. They should be constituted on the model of the TVA, as authorities with relative independence but ultimate responsibility to the elected representatives of the people. Another check upon their power will be economic. There will be a multiplicity of such authorities within each industry. The size of American enterprises, as Robert Lekachman has pointed out, is not determined by the technical requirements of “economies of scale” but is the result of the drive of major corporations to control markets, politics, and consumer taste. Within a framework of democratic planning there would not be an antitrust utopia of Adam Smithian competition among tiny economic units in a perfect market, but there could be a rational policy on corporate size and a consequent decentralization of economic power.

With certain carefully defined exceptions, social enterprises would be required to pay their own way and return a surplus for depreciation, new investment, and the social dividend. Obviously, there would be cases when, in full consciousness of the cost, society would want to continue subsidizing production for “noneconomic” reasons (in the callous, capitalist sense). That, it should be noted, is the case in most nationalized industries today, and although it might also be true under socialism, it would hardly be the dominant model. The point would be to locate social property in surplus-yielding activities. For example, the present private energy industry is completely unwilling to develop alternative sources of energy without huge government subsidies. If it gets that money from Washington it will surely develop a socially inappropriate technology. This, therefore, would be a prime area for society to invest in socially oriented research and development, which it would implement through socially owned enterprises.

Social property would also be a key element in a full-employment policy that would emphasize the growth of all regions rather than a competitive struggle between regions as in the current “beggar thy neighbor” situation in the United States. Instead of providing private corporations with multimillion- (and billion-) dollar bribes to go into the South Bronx or Appalachia—which are always collected and often dishonored—locating new and vital social industries in such areas would do that job much more directly and efficiently.

- The second tier of economic activity would be a profoundly modified private sector.

You cannot, I have stressed, *socialize* an economy overnight. It is possible to nationalize the “commanding heights” at a stroke, but that would have the negative consequences I have already described. So we must anticipate a corporate sector in the socialist transition. But if that is a necessary fact of life it is also a problematic one. A major private company, Oskar Lange argued in one of his classic discussions, is not likely to behave responsibly if it operates within a socialist political environment and feels that it is working, so to speak, on death row. Part of that problem might be met because of developments that postdate Lange’s fears: the emergence of a Galbraithian “technostructure” that, except at the very summit, will hire out to anybody as long as the pay is relatively good. But precisely that summit is the controlling factor in today’s economic world.

This is why workers’ control and public participation in the corporate structure are so important. The private title to corporate wealth and a limited profit have to be recognized; but many of the existing functions of corporate power can be socialized. For example, the worker and public representatives on the board of directors should routinely reveal all company secrets to the public. Secret debate and decision-making with regard to plant location, pricing, new products, hiring and firing policy, etc. are today considered to be “managerial prerogatives.” In the private sector during a

socialist transition such matters would be made as transparent as possible and would be subjected to social controls within the planning process.

Still, a transitional socialism would have to tolerate private profits from this sector. One of the reasons why people would invest in such undertaking would be in order to make money. (I speak here of investment in new physical assets—real investment—not of the shuffling and dealing of stock certificates in the great gambling house on Wall Street, a parasitic, near functionless waste of resources that could simply be abolished.) The deleterious social consequences of the continuing existence of profit would, however, be moderated by a highly progressive tax policy and, above all, an inheritance law that would effectively end the possibility of transferring large concentrations of wealth from generation unto generation. By now, the Ford family has been more than compensated for cantankerous old Henry's genius.

- Finally, there would be a major cooperative sector, an idea much stressed in 19th-century socialism.

In the United States, cooperatives account for less than 1 percent of GNP; in Finland, their share is 10 percent; in Israel, 30 percent. There is, then, enormous room in this country for expansion of the cooperative principle. During the socialist transition we might make great use of one of the Rooseveltian reforms: the Rural Electrification Administration. Under that system, the government has supplied cheap (subsidized) credit to cooperators and thereby accomplished a decentralized, locally controlled electrification of the countryside. (The private sector opposed the program in part on the grounds that farmers did not need electricity!) That strategy could be a major level of socialist policy in the future. It would allow for a proliferation of locally controlled, face-to-face undertakings, including community corporations. In this sector, the capitalist motivation would be most attenuated, the socialist most emphasized as the "associated producers" would actually run most of their own working lives.

The goods and services of these three tiers of production would be distributed in two ways. There would be free goods and services collectively paid for by various levels of government. How would one control waste and overuse in this area? A New York *Daily News* dispatch on the 13th anniversary of National Health in Great Britain suggests that the problem itself might be somewhat exaggerated. Not only is British medicine superior in some important indices to its American counterpart, it is also less costly as a percentage of GNP and has a lower rate of patient utilization. Even so, there obviously should be some checks on the provision of free goods and services. An idea that is already partly at work in the United States might be generalized well beyond its present use. Health maintenance organizations now provide lump-sum payments for the care of an entire group. If the providers can maintain set standards but reduce costs, they are able to get some of the savings from their own productivity. This principle might be tried out in other areas, e.g., in transportation.

Second, a transitional socialist society would make full use of the virtues of the market mechanism in the areas where consumers would choose, and pay for, their goods and services. To be sure, there is no point in investing markets with the mystical powers claimed for them by their capitalist advocates—advocates who love to ignore the essential. Thus, after Charles Schultze devotes a lyrical hymn to the power of the "unanimous consent arrangement" within markets, he adds, "if the income distribution is grossly unfair, the concept of voluntary decision and unanimous consent is a charade. . . ." Since this is the prelude to a book that praises markets in the extreme, Schultze never so much as bothers to ask whether the data show that his argument is a charade.

Socialists, however, can do more than probe the question that Schultze side-steps; they can create a new answer to it. That is, if an egalitarian tax policy has enormously reduced the discrepancies in income *and* if

public control of the private corporation has severely limited, or even abolished, monopoly pricing—and if the engineering of consumer taste is replaced by straightforward information—then markets could really function as they are supposed to. They would operate within the broad limit of the democratic plan, and alongside the free sector, in order to communicate the desires of the people and to maximize their choice. The existence of such a market would not determine the basic priorities of the economy—but it would provide more real consumer freedom than capitalist society has ever offered.

Fine, someone might reply. Sitting in a study, socialist writers can conjure up all kinds of glowing dreams. But who will pay for all of these utopian proposals?

The largest single source of corporate investment funds in the United States today is found in retained profits. Within the limits already discussed—relative autonomy of the enterprise, but under the ultimate control of a democratic society—that could well be true under socialism. For, as Marx foresaw before anyone else, capitalism has more and more “socialized” itself within its private framework. Horatio Alger and the individual stockholder long ago ceased to be that important to the investment process. Moreover, as the Meidner Plan of the Swedish trade unionists and similar proposals by the Dutch socialists indicate, a democratic sharing in an essentially social surplus could provide the basis for higher rates of capital formation than are now possible under capitalism.

Second, a useful if somewhat capricious book by a corporate apologist, Peter Drucker’s *Unseen Revolution*, helps to focus on a socialist solution to the question of Who Pays? Private-sector pension funds, Drucker said in 1976, own 25 percent of the equity capital today, and the pension funds of the self-employed, public employees, and teachers account for another 10 percent of the total. By 1985, Drucker calculates, the pensioners will “own” between 50 percent and 60 percent of equity capital, and 40 percent of

debt capital. I put “own” in quotation marks for a reason. Most of those funds are employer-controlled and are invested, as required by law, in an utterly capitalist fashion. The workers cannot sell their pension interest during their working life, borrow on it, etc. It is only available upon retirement and since some of those claims are not fully funded, there are even questions about pay-offs.

However, the point here is not the inadequacies of the existing pension system; it is to take Drucker’s rhetorical fantasy—that “pension-fund socialism” now exists in the United States—and try to turn it into fact. Roughly two-thirds of domestic welfare expenditures today are for people over 65, and there are in addition the private pension claims Drucker cites. Socialists, I suspect, would want to create a single and uniform system, since current practices give government support enormous inequities. But the point here is that societies committed to the decent care of the aging—as all the welfare states, to one degree or another, are—will indeed have to set aside or provide for huge sums of money.

In Sweden some of those funds are already used for investment in housing. Here the AFL-CIO has a program to attract union funds, where possible, into similar undertakings. Why not generalize again? An intelligent and socially motivated investment of pension funds would provide an enormous pool of capital for all three sectors of the economy in a socialist transition.

Third, some individuals might want to save more of their income than others. Within the constraints of a socialist commitment to wealth and income redistribution, that could be accomplished by the revival of an old American institution: the Post Office savings system. And there is still another source of savings: the people would pay for the non-free goods in the society and the cost would include, as it now does, funds for depreciation and new investment—but not, as now, under the control and to the benefit of wealthy individuals and their hired managers.

Finally, there is another important source of savings in the elimination of some of the outrageous waste inherent in American capitalism. Business today spends about \$38 billion (in 1977) on advertising. A little of that money provides the public with useful information about products people truly want and need; a major portion of it is employed in a corporate disinformation program to gull the supposedly sovereign consumer. Strict standards for private advertising and public support for a variety of (competing) consumer services could free much of those outlays, and a fully employed economy could find useful work for the people now living off them.

I mentioned earlier the parasitic character of a great deal of the activity on Wall Street and in the financial industry as a whole. A portion of the American legal profession thrives on the pervasive venality of the society. A radically progressive income and inheritance tax law, to take but one example, could free the graduates of many of the elite schools from essentially wasteful and antisocial lives. There are other activities—antiunion consultants, managerial psychologists, etc.—which are a cost of capitalist production but not of production itself. Here again, socialism, even in the confused period of transition, could offer a more efficient system (always on the premise of a social, not a corporate, definition of efficiency).

It would thus be possible in a socialist transition to plan democratically, to effectuate that plan realistically, and to finance the entire process. In making this point, I have not tried to be complete and detailed in my analysis, only to evoke the direction—and the problems—of socialist solutions. Moreover, I have been “economistic” on purpose and not indulged in the poetry of socialism. This is not to suggest that the culture and personal dimensions of socialism are unimportant. On the contrary, the economic programs are only means to the noneconomic end of human liberation. But the cynics impugn those ends by saying that we socialists cannot realistically present a program of means. And that is what I have tried to do here, in briefest outline.

III: A Vision of That Socialist Future

I am writing this essay during the summer of discontent of 1978. Proposition 13 has just passed in California and polls in that state show that the voters want welfare to be cut, first and foremost. There are many other signs of a growing social meanness. The hope and good feelings of the first half of the '60s seem to lie a century or so behind us. Is, then, this description of measures that go far beyond the welfare state a simple exercise in social fantasy? I think not.

First, there is the reason I have already given. The problems of American society today are structural and they require deep-going changes. Those, I noted, could be undertaken by sophisticated and modern reactionaries—or by democratic socialists incorporating the best of liberalism in a movement that goes beyond the welfare state. If it is thus necessary to project the middle-distant future in an open-ended way, with both rightist and leftist possibilities, it is certain that incantation, conservatism-as-usual, or political temper tantrums against our complexities will not work. The ideas I have described here are, I believe, more realistic than most of the popular panaceas of the late '70s.

Second, all utopian anticipations of the future are also descriptions of, and prescriptions for, the present. This effort at imagining socialism is rooted in—and, more important, relevant too—the America of the late '70s. In the briefest and sketchiest fashion, let me simply list some urgent and possible contemporary approximations of the more distant hopes whose realization and beginnings I have just imagined.

HERE AND NOW the democratic left should:

- Challenge corporate control of the investment process by insisting that public policy concern itself with what is produced, and how it is decided, instead of confining itself to

Keynesian “aggregates” and leaving all the details to the private sector. This would include public controls over private investment decisions, such as specifying the conditions under which corporations can leave a locality or oligopolies can raise prices, as well as such public undertakings as a democratically owned and controlled gas and oil company;

- Demand national economic planning for full employment, with the implementation of the Humphrey-Hawkins bill as a first, but only a first, step;
- Suggest public cost-conscious and accurate definitions of economic alternatives in which corporations are charged for their use and destruction of social resources;
- Propose sweeping tax reform aimed at a redistribution of income and wealth and, in particular, at the unearned income of rentiers and the untaxed wealth of successive generations of the rich;
- Suggest a rethinking of the entire American pension system, public and private, with emphasis on using such funds, theoretically “owned” by the people, for social purposes as determined democratically by the people;
- Urge employee and public representation on the boards of directors of all major corporations and a radical increase in democratic decision-making by primary workers in factories and offices;
- Propose federal support for a vast expan-

sion of producer and consumer cooperatives, including funds for community corporations.

SOME OF THESE PROPOSALS are more difficult to imagine in the near future than others, yet none of them requires a commitment to socialism and most have been approved in principle by major institutions of the mass of the democratic left. But why burden such empirically justifiable ideas by relating them to an ideology called “socialism”? There are two reasons why I do that. First, time is running out on the very American creed of utopian pragmatism, i.e., the religious conviction that all problems can be solved in the middle of the road by a process of bumbling along. The ills that afflict our society—which, to repeat the most obvious and appalling of current examples, are laying waste entire cities as effectively as a rocket attack—are systemic. They are the product of a late capitalism that collectivizes on the basis of antisocial, corporate priorities. Either the democratic left will find a systemic response to that challenge, which is fairly called socialism, or the undemocratic right will.

Second, America—Western capitalism, the world—desperately needs, not simply a legislative shopping list, but a vision. Not a religion, not a secular salvation; but a new sense of purpose. And so, in the details sketched out hopefully here there is not only a rational response to immediate issues but also the intimation of some tentative steps in the direction of a new civilization. □