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Poking around Slightly-Imaginary-Sweden (SIS), even the skeptical socialist is impressed. A solidaristic wage policy (centralized bargaining to achieve equal pay for equal work nationwide) forces unproductive enterprises to shape up or go under. This boosts overall economic efficiency. Strong tax incentives pull profits into reinvestment, further raising productivity and creating jobs. Intelligent labor market policies (job training and placement, subsidies for worker relocation, and so on) hold unemployment down to statistically irrelevant levels.

Because the transition to new jobs is eased, a powerful democratic labor movement cooperates in industrial rationalization, once again increasing efficiency and growth. Surplus from this dynamic economy is used to protect the environment. The surplus also supports a system of universal, high quality social welfare programs that are decentralized enough to be "user-friendly." Good education builds a skilled work force. Progressive tax policies shrink income inequalities, which keeps the market from listing too heavily toward luxury goods. Public agencies oversee the immense pension funds, thereby exercising some democratic control over investment.

National legislation prevents arbitrary firings, requires worker representation on the boards of directors of all firms, allows workers to halt production if they find unsafe conditions, and obliges employers to negotiate with local unions before implementing major changes.

After living under this system for some decades, most SIS citizens hold dear the values of equality, social justice, solidarity, democracy, and freedom. Images of the homeless on the streets of New York shock them. They pressure their government to increase aid to the Third World. They point with pride to the fact that the overall health of SIS children in the bottom 10 percent income group is identical to that in the top 10 percent. During their six weeks of vacation each year, SISers love to travel abroad. But they return convinced that their system best implements basic values.

Life is sweet in SIS. Why go beyond? The

socialist points out that because most industry is privately owned, the system is vulnerable. The left government and unions try endlessly to accommodate private capital. Not only must profits be high, private owners and investors must be persuaded that they will benefit more by staying in SIS than by moving. This gives them excessive economic power and political leverage. But no matter how well the SIS system performs, private capital will defect if it perceives significant advantage elsewhere. National loyalty is a myth. (The current flight of capital from real Sweden into the EEC countries is sad proof.) The gains made in SIS remain precarious.

The socialist has other reasons for wanting to move beyond SIS. First, she would like to break up concentrations of wealth and power in order to promote democracy. Second, she believes that people can have substantial control over their work life only if the workplace belongs to them. Third, although SIS wins high marks for equalizing life opportunity, redistributing wealth, and fostering fine (socialist) values, the socialist thinks even more could be done.

What structural changes does the socialist propose? The innovations must do more than upgrade SIS (more than, say, improve day care or make taxes more steeply progressive); they must transform capitalist SIS into a socialist country. Forms of ownership must change, and the scope of markets be reduced.

The socialist recommends enlarging SIS's small socialized sector. Under the new system, the state would own enterprises in key industries as well as natural monopolies (the telephone system, power companies, railroads, and so on). Socialization would keep concentrations of power and wealth out of private hands, give the government and labor movement more control over the economy, and prevent capital flight.

But the skeptical socialist acknowledges serious problems. The inevitable oversight agencies can undermine freedom of initiative for the managers of socialized firms. Assess-

ment of responsibility becomes difficult. Even if a good managerial culture develops in the socialized sector, the entrepreneurial function, essential to a dynamic economy, may be lost. The socialist doesn't value efficiency, competitiveness, and economic growth for themselves, but rather wants enough of these to fund the institutions that make social justice and equality possible. No socialist party wins a free election with a program of enforced autarky for a state-controlled economy.

So the socialist suggests an alternative form of ownership—workers' cooperatives. Cooperatives, too, break up concentrations of power and wealth and prevent capital flight. They give people the greatest control over their work life, eliminate unearned income, and encourage participation. The decision is made to expand SIS's existing cooperative sector until co-ops are the dominant form of ownership.

Unfortunately, new difficulties develop. Co-ops within an industry can compete ruthlessly; some knock out others, leading to new concentrations of wealth and power; some worker/members may resort to extreme self-exploitation. The socialist proposes laws to counter monopolization and to protect workers from themselves. But more serious imbalances emerge: cooperatives resist taking in new members in order to keep profits per member as high as possible. Labor mobility decreases throughout the economy. Co-ops also resist labor-saving technology, undermining overall efficiency.

Then Co-op A decides to invest its surplus in Co-op B, turning Co-op A members into capitalists. Co-op A has the possibility of becoming a powerful conglomerate. Laws are passed to prevent one co-op from investing in another. But this immobilizes capital, and the economy may lose its dynamism. Finally, an economy dominated by cooperatives doesn't have labor unions uniting workers both industry wide and throughout the economy. There is no solidaristic wage policy and therefore none of its far-reaching benefits.

Needing respite from the ownership question, the socialist considers the market and its noncapitalist alternative, planning. Compre-

hensive planning—including price setting, production quotas, and the allocation of capital, raw materials, and intermediate goods between firms—is rejected. No one can fathom how to make such a system work, with its built-in inefficiencies, shortages, impossible data requirements, arbitrary prices, and inadequate criteria for evaluation.

The socialist advocates a lighter touch. The government will shape economic development by phasing out declining industries and promoting new ones with tax credits, discounted interest rates, and direct subsidies. The socialist keeps in mind that too much intervention will undercut market discipline and the economy will be dragged down by inefficient firms that don't cover their costs.

Until convinced that something else will work, the socialist opts for a level of planning and an economy of mixed ownership that resembles more than anything else . . . well . . . SIS. The socialized sector has been enlarged a little to ensure socially useful production that the market neglects. Rigorous legislation promotes small businesses and disperses large concentrations of economic power. The co-op sector might be somewhat larger. And perhaps ways are found to root socialist values more deeply.

Our socialist is anything but satisfied. The fundamental contradiction of the system hasn't been resolved. Improved SIS is still vulnerable to capital flight. Investors might cut out anytime for places where the wages are lower, the regulations fewer, and the ethos less egalitarian—thus confirming the dictum that it's difficult to maintain SIS in just one country. The only solution is to operate in an international market where SIS conditions predominate. What SIS needs is Very-Imaginary-Europe (VIE).

So the socialist joins the movement to build VIE—yet all the while is plagued by doubt: if an ever-improved SIS depends on the dynamism of private enterprise, how can the system ever be called socialism? The response for now is another question: if the system is equally characterized by the decommodification of human needs, market regulation, and the redistribution of wealth and power, can it still be called capitalism?