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Market Socialism

Paul W Nesbitt-Larking

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GENERAL EDITOR

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RUTGERS UNIVERSITY

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Volume 1 Cover Photo: President Lyndon B. Johnson signs the Civil Rights Act of 1964 on July 2, 1964, as Martin Luther King, Jr. looks on. Credit: LBJ Library Photo by Cecil Stoughton.

Volume 2 Cover Photo: President Gerald Ford (center, right) and former presidential candidate Ronald Reagan (center, left) show solidarity at the Republican National Convention, August 19, 1976. Credit: Courtesy Gerald R. Ford Library.

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died in 1979, the year that his last book, *The Aesthetic Dimension*, was published.

SEE ALSO

Volume 1 Left: New Left; Vietnam War; Feminism; Socialism; Marx, Karl; Environmentalism.

Volume 2 Right: Vietnam War; Capitalism.

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Market Socialism

MARKET SOCIALISM DESCRIBES a range of models of political economy that combine aspects of free markets with elements of socialism. The necessary philosophical and political basis of market socialism is the belief that neither capitalism nor socialism is adequate or viable. While the dignity of human choice and autonomy is inherent in the free market principle, unregulated economies produce unjustifiable inequalities and injustices. Therefore, some collective standard of provision and guaranteed quality of life must modify and limit those very freedoms that permit choice. However, bureaucratic and centralized structures (associated with 20th-century command economies) are too domineering, inefficient, and restrictive of human freedom.

Market socialism is something of a compromise between the authoritarian excesses of a command economy and the cold injustices of an entirely free market. The historical genesis of market socialist ideals is the period of the late Cold War. Radical critics in both the west and the former communist world searched for models that rejected the worst features of capitalism—waste, greed and exploitation in the workplace and the marketplace—while retaining the attractive elements of relative economic prosperity, freedom, and consumer choice. The old models of socialism as they existed in Eastern Europe, the Soviet Union, and China were un-

acceptably authoritarian and rigid. Against capitalism, market socialism identifies the waste, inequality, workplace alienation, sexism, racism and environmental despoliation that are the normal, if not always inevitable, concomitants of an entirely unregulated free market. Against communist-style command economies, market socialists point to the oppressive controls, the bureaucratically driven waste, the overproduction of cheap and unwanted goods, the absence of innovation, and the dullness and indignities of life in a consumer market without freedom of choice. Too much power is placed in the hands of bureaucrats, managers, and producers.

In a market socialist political economy, freedom of market choice is combined with public regulation and the provision of certain goods and services through the state or nonprofit organizations. The principal manufacturing and resource industries might be under public control and/or ownership. Public enterprises could include the principal utilities, transportation networks, major manufacturers, and resource extractive industries.

The market socialist economy also advocates the widespread employment of workers cooperatives, a powerful degree of democratic decision making in private corporations, with codetermination (workers sitting on corporate boards) and profit sharing. This is a challenging structure, in that cooperatives do not respond in the same way as private corporations to market signals from without or organizational imperatives from within. Those who advocate market socialism recognize that the challenges of keeping cooperatives lean and responsive are substantial.

The characteristic fiscal strategy of market socialism places strong emphasis on redistributive and progressive taxation. Attention is paid to maintaining full employment, and inflation is controlled through measures of wage and price regulation. There is a strong welfare state and guaranteed provision of basic services from cradle to grave. Moreover, the collective provision of housing, health, safety-net support, education, and age-related needs is not incompatible with the development of strong voluntary networks of community activism in these fields.

Market socialism includes a measure of corporatism at the national and local levels (an arrangement in which the leading economic organizations in society are represented directly in the heart of government) and powerful state regulation of economic externalities. Democratic involvement, with citizens' forums and other consultative bodies, further shapes the decisional architecture of the state.

There may also be strong trends toward decommodification via strategic planning to reward successful enterprises and nurture poor ones back to economic health. If markets are to be taken seriously, the economic system must allow for risk and failure and for the closing down of inefficient or unresponsive enterprises. Holding companies could receive investment capital from various sources and then lend it at reasonable rates to promising enterprises. Risks and benefits might thereby be better socialized than in a purely capitalist economy. A market socialist economy can also promote choice and diversity in ways that meet the needs of its citizens and do so in ways that are currently difficult to achieve. In the field of media, for example, investment decisions might be structured so as to stimulate smaller and more specialized publications, web sites and programs.

On an individual level, there would be a substantial level of consumer choice, and market socialism incorporates modest and controlled incentives and disincentives with respect to reward for talent, risk and effort.

Market socialism is an ideal that has been more adequately theorized than realized in practice. Nonetheless, in the Cold War era and its aftermath, there were some limited variants of market socialism in both communist and capitalist countries. While the Swedish welfare state might better be described as fundamentally capitalist with social democratic characteristics, its commitment to social equality, rational planning, and income solidarity shares certain characteristics of market socialism. In many ways, the Swedish model comes closest in the real world to the abstract principles of market socialism. Further reforms to the Swedish model (those associated in particular with socially progressive and rational investment strategies and the decommodification of privately held capital) would prompt further developments along market socialist lines in Sweden.

In the current political economic environment, however, there is evidence that Sweden is turning away from market socialist principles rather than further embracing them. In the post-Stalinist world, a number of communist regimes experimented with marketization and decentralization of command economies. In the early 1950s, Marshal Tito's Yugoslavia broke with the Soviet Union, and in so doing implemented a cooperative system of decentralized planning and self-management, based upon Workers' Councils. A version of market socialism was also attempted in Hungary from the 1960s to the 1980s in the "New Economic Mechanism." However, neither it nor Soviet leader Mikhail

Gorbachev's *perestroika* (liberalization) initiatives were sufficient to make the break from central command and control.

Following the Maoist era in Chinese politics, Deng Xiaoping's reforms of the late 1970s marshalled in a "socialist market economic system" that has been progressively decentralizing, marketizing, deregulating, and privatizing the Chinese economy. While contemporary China has been characterized by more open markets and less state control of the economy, the authoritarian state apparatuses have continued to dominate and little has been done to protect workers from alienation, exploitation and unequal opportunities. Therefore, China cannot be said to be a functioning market socialist regime.

SEE ALSO

Volume 1 Left: Political Economy; Social Democracy; Socialism; Communism.

Volume 2 Right: Capitalism; *Laissez-Faire*.

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Marx, Karl (1818-1883)

KARL MARX IS ARGUABLY one of the most influential persons of the modern historical era. Few other persons than Marx have had such a profound impact on the thought and actions of people, particularly national governments. It is with social philosophy and social theories that Marx has had his greatest effect, and even in the 21st century, he is still very much a champion of the political left and a source of derision for the political right.

Born in Trier, Germany, into a Jewish family headed by lawyer Hershel Marx (later renamed Heinrich Marx due to anti-Semitism), Marx was locally educated and was noted at his school for being a student of excel-