NEW THEORIES IN MARKET SOCIALISM: NOVE v. ROEMER

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I. INTRODUCTION

Since the candidacy of Bernie Sanders for U.S. president in 2016, socialism has been garnering more interest, particularly among young people. A Harvard University survey in 2016 found that 51 percent of young people, between 18 and 29, did not support capitalism, and 31 percent support socialism.[1] The survey indicates young people favor an alternative, but the gap in support for socialism suggests an ambivalence toward what that alternative should be. I also suspect that of the 31 percent that does support socialism, many have no clear idea of what that would mean.[2] Scholars have put forward a plethora of possibilities. These proposals generally fall into one of two categories, market socialism or planned socialism. This paper will focus on two authors who provide some new theories of market socialism, Alec Nove (1983) and John E. Roemer (1994).

In *The Economics of Feasible Socialism Revisited*, Alec Nove's considerations for a market socialist economy are relatively broad in scope but offers little in the way of concrete proposals to address some of the important questions raised such as foreign trade and patent protection. Roemer, on the other hand, in *A Future for Socialism*, is more narrowly focused on investment and the structure of public ownership for a modern market socialist system. Roemer's model, while novel in its conception of public ownership, is less traditional than what socialists like Nove might advocate.[3]

Aside from the perceived failures of central planning, one reason for retaining the market mechanism in the transition to socialism is that it is simply the mechanism to which citizens of developed capitalist countries are accustomed. Roemer prefaces his proposal with this view: "[Socialist] proposals [should] take people as they actually are today, not as they might be after an

[1] Ehrenfreund, M. (2016, April 26). "A majority of millennials now reject capitalism, poll shows." The Washington Post, Wonkblog. Retrieved from: https://www.washingtonpost.com/news/wonk/wp/2016/04/26/a-majority-of-millennials-now-reject-capitalism-poll-shows/?utm_term=.f5e958518dc8

[2] Anyone who has visited online comment threads on the topic of socialism will learn quickly the confusion of young and old people alike on what it means to have socialist system, and how it is different from capitalism. The most significant source of conflation tends to be between the welfare state and socialism. However, early socialists and Marxists always understood the difference. In a review of a book on Vichy France, historian Robert O. Paxton argues, "Continental European Marxists opposed piecemeal welfare measures as likely to dilute worker militancy without changing anything fundamental about the distribution of wealth and power. It was only after World War II, when they abandoned Marxism (in 1959 in West Germany, for example), that continental European socialist parties and unions fully accepted the welfare state as their ultimate goal." Paxton, R. O. (25 April, 2013), "Vichy Lives! – In a way", The New York Review of Books, Retrieved from https://www.nybooks.com/articles/2013/04/25/vichy-lives-in-a-way

[3] It should be noted that Roemer model is not intended to be the end system, and leave the door open for change over time as the needs and preferences change.

egalitarian economic policy or cultural revolution has "remade" them. We must assume...that people are, in the short term, at least, what they are: what can be changed—and slowly, at that—are the institutions through which they interact" (Roemer, 1994; p. 46). Recognizing people are slow to evolve, institutions need to be designed with cultural and behavioral norms in mind. These institutional designs should align human incentives with societal goals, but not all at once. Over time, institutions like the market may no longer be needed, and human cooperation can evolve to levels only dreamed of in science fiction. In the meantime, retaining the market mechanism is consistent with the preservation of consumer and producer sovereignty. Consumers' needs and preferences determine what goods and services are produced, and producers are free to decide how to best produce them. However, by retaining the market mechanism, market socialists recognize we must also retain some of its negative attributes.

The remainder of this paper will be structured as follows: section II considers what we should assume will still be present in a market-oriented economy. Section III begins with Nove's considerations of property rights around land and patent protection. It will also review the social ownership forms permitted in the Nove model of market socialism. Also in this section, consideration will be given to what I will call the 'alignment' problem for labor-managed firms in light the Yugoslav experience. Section IV will be dedicated to Roemer, his solution to the alignment problem, and his model of public ownership. This section will also include a select number of models from other authors surveyed in Roemer's book, *A Future for Socialism*. Section V will conclude with my critique of the Roemer model.

II. ASSUMPTIONS OF THE MARKET SOCIALIST MODEL

While the market mechanism has its advantages, it also has its disadvantages. Therefore, we should assume the following will continue to exist in a market socialist model: The market will be the primary mechanism of price determination and resource allocation. While imperfect, prices do help balance supply and demand, approximate the cost of production, and reflect some degree of utility. Firms will continue to maximize profit. Additionally, wages will be determined by the labor market. There will be free movement of labor between firms, constricted only by the vested interest of workers in those firms. However, since wages are market determined, we can assume wage differentials between workers, and therefore we should expect some level of inequality. It is just not possible to eliminate all inequality, nor would that be desirable. Human effort should be rewarded, and those that put forth more effort should be adequately compensated, regardless of ability. The goal is to eliminate sources of unearned income enjoyed by capitalists.

We still have money, and the state will continue to retain monopoly control of the currency. Banks will still exist to provide services to the public including safekeeping of savings, facilitation of credit, and small scale investment. And a central bank will be needed to regulate them. Given that the market will be the mechanism of resource allocation, we can assume there will be fluctuations in business investment. Imperfect information will produce errors in judgment and uncertainty. Also, since money will be the medium of exchange, the above may induce the

occasional mindset of thrift across the population, reducing consumption and output; which ultimately induces unemployment. Frictional unemployment will undoubtedly exist, and as innovation runs its course in the way we would expect in a market economy, structural unemployment will be inevitable.

Therefore, the state will be needed to smooth out business cycles, alleviate uncertainty, provide social insurance, retrain the unemployed, and plan for structural changes in the economy. Subsidies, taxes, price controls, and regulation are par for the course to redress negative externalities of a market monetary system. We know that private investment is not riskless in a market economy. Firms can fail, and do more often than not. Given an asymmetric information environment, credit rationing is inevitable. Market socialists recognize that capital markets are inadequate facilitators of stable investment. A state that is a sovereign currency issuer, on the other hand, is not revenue constrained, and can, therefore, absorb such risk. Thus, the state must be responsible for a substantial portion of direct investment along with the provision of public goods such as education, healthcare, and some basic level of income. A necessary check on the power of the state would be a democratic or republican political system. It is by this mechanism citizens would determine the acceptable tradeoff between public goods and amenities relative to after-tax disposable income; though education, healthcare, retirement pensions, and unemployment insurance will surely make the list.

Lastly, there will be foreign trade. For large advanced economies like the U.S., international trade is a relatively small percentage of GDP but continues to grow over time. For the rest of the world, trade is an integral part of meeting the needs of firms and households. Therefore, it is essential to design socialist institutions which regulate f trade and reduce exposure of the domestic market from fluctuations in the global market. Along those lines, attention will need to be given to laws surrounding foreign direct investment, and the international flow of capital; as was the case in the Bretton Woods system. All of this should be assumed. Where Nove and Roemer diverge is in their visions is how best to arrange property rights in such a way that the positive attributes of the market are accentuated while negative ones are minimized, individual incentives align with long-term prosperity for the whole, and society is more equal. Section III and IV explores these differences further.

III. THE NOVE MODEL

Land ownership and patent protection

As noted above, Nove's considerations of feasible socialism are comprehensive. In particular, he illuminates some property rights issues including land rents and patent protection which are worth exploring—Roemer, for his part, does not touch on this area. Nove notes that in Great Britain the majority of farmers pay rent to landlords and recommends the nationalization of land. The state or municipality would then be able to lease the land for free or a fee as appropriate for the farmers to use. Family farmers, which would fall into the category of small-scale private enterprises, would be allowed to keep the profits reaped from the land with rent equivalent to the role of property

taxes. Larger farms we would imagine fall into the cooperatives category, and even larger ones into the state-owned sector; particularly for essential commodities. This question extends then to other endeavors beyond farming. Should all land be state or publicly owned, and leased to private enterprise? Some might object to this, but in capitalist economies with property taxes and eminent domain laws, it is difficult to imagine what objection there can be of substance aside from the ability to extract rents under private ownership. By making land public, or state-owned, we can ensure no income is derived from rents to any one individual; creating a more equal society.

The notion of land ownership naturally leads to considerations of housing. However, Nove provides little guidance here. If indeed a socialist society is committed to the eradication, or close to it, of unearned income, then careful thought should be given to housing policy. Aside from abolition, one way to eliminate housing rents accruing to an individual is through cooperatively-owned or state-owned housing units. In the same way individual initiative would be relied upon to produce cooperative enterprises, reliable mechanisms would need to be established to incentivize the building of new housing. This becomes particularly tricky in major metropolitan areas where housing supply tends to lag behind demand; often due to regulatory barriers which are warranted in light of urban planning considerations. The alternative to such arrangements would be public investment in housing administered by municipal bureaus dedicated to urban planning and regulation of the housing supply. These bureaus would collect rents which would be used to fund municipalities, like a property tax. In this way, housing prices would be decentralized based on locality but could be controlled by local governments as appropriate. Municipal governments would also be answerable to its residents via democracy at the local level.

There is also the issue of patent protection. Nove devotes only a small paragraph to the subject, but it is worth a short detour before getting into the broader strokes of proprietary arrangements of firms in his model. Nove's position on patent protection is that it is a 'necessary evil' to ensure incentive in the development and adoption of new technologies, but leaves it there. To elaborate, I would argue that rewards to innovation and adoption of new technologies are crucial, but I am also partial to the socialist critique that such innovation should be shared. The Soviet experience indicates state honors and rewards could only induce innovation up to a point. It could well be argued that the state could have provided substantially more material incentive. However, the state is an inadequate appraiser of social benefits to innovation in many cases. This is not to suggest there are no issues with leaving it to the market. For one, the incentive to innovate often requires monopoly and barriers to entry, while the diffusion of such innovation requires free entry and competition to use it. The monopoly barriers tend to produce excessive rewards. There is also the issue that costs to innovations result in only the rich being able to afford them until the costs of production go down. And some innovations may have negative externalities. To prevent monopoly where undesirable, a requirement that patent holders license their innovations to whoever wishes to use it should be enforced. In this way, innovators reap some rewards, but innovation and knowledge will be diffused as competing firms will be able to use them. A cap on the rents to patent holders will be needed, but allowing some rents as a reward to innovation is less objectionable than rents on land. Therefore, a robust regulatory apparatus necessary to police

innovation, and intervention will be required to deal with negative externalities. Mazzucato (2013) argues that much of the economic success of innovation in the domestic sector in the United States is the direct result of public and state investments in R&D and technology. Because investment in innovation carries significant risk, private sector innovation tends to revolve around the least risky innovations. The state, on the other hand, can socialize these costs. Therefore, in addition to regulation, significant investment will be needed by the state to increase technological innovation for both the private and public sector provision of goods and services.

Social ownership in the Nove model

In Nove's model, the following forms of social ownership of enterprise will be permitted and enforced:

(1) Centralized state-owned enterprises. These enterprises will be centrally planned and administered. These may include banks and other financial institutions, as well as other sectors which operate at large scale and or in a monopolized market; this would consist of transportation and electrical networks and large integrated industries where production is vital to a well-functioning economy such as steel, oil, and industrial chemicals. To govern these organizations, "tripartite supervision" is recommended with accountability of managers to the state, employees, and consumers; how this will work is left ambiguous by Nove.

(2) Socialized enterprises would have full autonomy. These may be state or municipally owned. Management would be accountable to the workforce. However, the workers would not own the means of production; the state or municipal government would be ultimately responsible for its performance. These enterprises will also tend to be large scale and may hold monopoly power. At the more local level, say for a province or municipality, enterprises would be operated and owned making decisions within the bounds of market competition when applicable, or in accordance with regulation such that their behavior is consistent with a competitive market. For example, consider electricity production. While the regional networks are highly centralized, electricity production itself is localized and often municipally owned and operated in the U.S. case. The enterprises may also operate in relative competition with other enterprises which offer similar services. Natural monopoly cases will need to be regulated.

(3) Co-operative enterprises would operate in the competitive environment of the market. The fundamental difference between cooperatives and state-ownership structures is that the cooperative would have full ownership of its property, its rewards, and would be responsible for its failures. Nove does not define cooperatives. The International Cooperative Alliance defines cooperatives as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise." Thus, cooperatives come in many different varieties including worker cooperatives, consumer cooperatives, or a combination of the two. There are also second or third tier cooperatives with members who are also cooperatives.

(4) Small-scale private enterprise would consist of private entrepreneurs who employ a limited number of people. The examples Nove gives would be a family farm employing laborers

to work fields and harvest, small restaurants, travel agencies, garage repair shops, etc. The ultimate size limit of these enterprises could be determined by the actual number of employees or the value of its assets; which would also need to vary by sector. Nove argues the proprietor of such enterprises would also work so that only a small portion of income would result from such productive arrangements. Marxist theory suggests there would be unearned income from the profit appropriated from the wage workers in addition to the income earned from working. Limiting the number of workers ensures such profit gain would be relatively small. Another factor pushing down those profits is competition. Worker wages and benefits would need to be competitive with that of the cooperative and socialized sector to retain workers.

Finally, (5) individuals should be permitted to undertake private enterprise. Examples would include freelance journalists, plumbers, artists, etc. As technology becomes more advanced, this list is likely to grow.

The Alignment Problem

Worker cooperatives are labor-managed firms. Having autonomy means they may determine wage structures, reinvestment decisions, elect a board of directors, and possibly also elect management itself. Giving workers more control raises concerns in light of the Yugoslav experience. While there are many other individual cases such as Mondragon Corp. in Spain, or Publix in the U.S., Yugoslavia is the only country to have implemented the practice at a macro scale. Upon implementation in 1950, after its break with the Soviet Union, the state retained ownership of the productive assets, and, more or less, maintained a significant role in the economy through indicative planning.

In Yugoslavia's reform toward market socialism in the 1960s, indicative planning through the so-called "basic proportions" formula, which regulated the spread between wages and productivity, was lifted. The consequence was accelerating wage inflation. The issue at the core of what Western analysts called the "Illyrian" model was a misalignment in the incentive structure between workers' short-term interest and the long-term interest of enterprises. Yugoslav workers had no property rights or real stake in the enterprises since the state retained ownership, so workers' self-interest was biased towards short-run income gains rather than long-term profitability. This bias also fostered reluctance to expand the workforce, particularly in downturns, as equally shared profits reduced incomes.

While market competition would, in theory, have tempered these tendencies, this mechanism was frequently circumvented by the soft budget constraint (i.e., loans from the state), and later local patron banks. In an environment where cooperative enterprises are permitted to fail, the market mechanism will have more influence in tamping down wage demands. Nove suggests such inflation can also be held in check through progressive taxation. Taxation on firms might serve this purpose to some extent, and undoubtedly progressive income taxes at the individual level would tamp down demand-pull inflation, but not wage inflation. There is an argument to be made that the alignment problem was specific to Yugoslavia given its state ownership arrangement and the soft budget constraint facing firms. Nonetheless, the failure of the Yugoslavia worker self-

management system has provoked considerable thought into this issue by speculators of market socialist systems.

The question then is how best to arrange incentives so that workers' self-interest aligns with long-term profitability of their enterprises. Nove suggests a couple of potential solutions: (1) Wages for a given position in the firm should be determined solely by the market wage rate for similar positions, not based on the profitability of the firm. How to enforce this without violating autonomy is of concern, but labor market competition will play a role. (2) Bonuses based on net revenue of the firm, weighted to seniority and individual performance, would alleviate inertia in labor force expansion. (3) Nove also suggests a length-of-service bonus based on long-term profits or asset values of the firm payable upon retirement or termination (whether voluntary or involuntary). (4) There could also be a penalty deduction for failure, particularly when management is overruled by workers' councils or other elected committees. (5) Another is the example of Spain's Mondragon Corp., a co-operative conglomerate where workers are required to "make a sizeable contribution, which earns a rate of interest and which is repayable when they leave...a major part of this [contribution] may be lent to the worker by the co-operative itself, to be repaid out of earnings" (Nove, 1983). (6) A proposal mentioned by Roemer (1994) comes from Dreze (1989) who suggests wages should consist of a combination of a fixed labor wage, presumably determined by the labor market, and bonuses which vary with the firm's performance which would be invested in a national pension fund so that risk is limited to the aggregate performance of the economy.

The above is by no means an exhaustive list of potential solutions, and no one solution is guaranteed to work for every firm or industry. The beauty of an economically democratic society is the ability to experiment and see what works. Firms will emulate successful models, and innovators will no doubt improve on them. Some models will not work and result in failure if workers are unadaptable; this is the price of innovation in a market economy.

Some socialists might take issue with aligning incentives purely with profitability as this could result in negative externalities, such as pollution or unsafe products. Admittedly, profitability should be but one metric towards an overall goal of sustainability for the firm, which includes taking stock of costs of actions by the firm on their environment and neighbors. However, workers, as part of the communities that might be affected by such externalities, are in a better position to realize them before the government. Since the majority of firms are labor-managed in Nove's vision, they will have more power to direct the process of production in ways that reduce these externalities. And where workers fail to appropriately account for such social costs in their profit maximization problem, the state will need to intervene to regulate them and address the externalities.

New firm entry and investment

Germane to the discussion above, and crucial to a well-functioning competitive market place, is the entry of new firms. Therefore, well-defined procedures are needed to direct and encourage the creation of co-operative and socialized firms. Equally crucial is the determination of how these

startups will be funded. For the centralized and decentralized public sector, according to Nove, central planners would take the initiative based on the needs of the economy, and the state would fund needed expansions. For small and co-operative enterprises, the solution is less clear and goes unaddressed by Nove. As noted above, market socialist advocates recognize that capital markets are imperfect. Thus the provision of direct investment should be socialized by the state. However, the mechanism by which the provisioning takes place requires consideration.

My own preference is the socialization of investment through public banking where every major region would have a public development bank in the model of the Bank of North Dakota. For the U.S., each state would have a public bank, charged with servicing the needs of its geographical constituency. This state development bank would be responsible for the distribution of public investment in infrastructure as well as public and private sector enterprises. These banks would also have autonomous local branches—as many as needed to serve the public adequately. These banks would also need to be regulated by the central bank which would control the money supply and interest rates.

Nove expresses some concern over duplication of investment. However, the point of a market economy is for multiple firms to compete, in this way they find the most efficient way to produce adjusting product quality as preferred by the consumer. Typically, the enterprise that can strike the right balance between efficiency and desired quality wins out. Some enterprises will fail. Investment should not be denied just because it is duplicative. Overinvestment should always be preferred to underinvestment.[4]

IV. THE ROEMER MODEL PLUS

Roemer's solution to the alignment problem

According to Roemer, self-financing is the most significant issue contributing to the alignment problem for two reasons: (1) it increases risk portfolio as it places "workers' labor and financial assets in the same venture", and (2) would bias investment towards industry with lower capital intensity production to maximize per worker income. Thus, as part of the solution to the alignment problem, Roemer suggests external sources of finance. But how that external financing should be organized is the key question. Roemer surveys several proposals. I have selected a couple worth exploring from Fleurbaey (1993), Weisskopf (1993) and Bardhan (1993) as described by Roemer. In all of these proposals, firms exist in a competitive market environment, and the assumptions reviewed in section II still apply. However, Fleurbaey and Weisskopf firms are labor-managed while Bardhan and Roemer firms are managerially-managed. The property relations in the former, as in the Nove model, worker ownership and self-management. In the latter category, firms are 'publicly owned' in the sense analogous to a joint-stock corporation, and are therefore responsible

[4] The reason is underinvestment contributes to unemployment as argued by Keynes (1936). However, a socialist system will factor environmental concerns. Where duplicative production is harmful to the environment, it should be curtailed. But where there is no such concern, duplicative investment in firms to produce similar or identical products is healthy for competition in a market economy, even a socialist one.

to shareholders. In this model, managers are appointed by a board of directors, and workers would also have no direct input in the management of the firm.

Other market socialist proposals

Let's begin with the Fleurbaey model. As noted above, firms are labor-managed. Firms receive external financing from private banks which are also labor-managed. Profit dividends are distributed to workers and banks. Therefore, firms are controlled by workers and influenced by banks. Although not explicitly noted in Roemer's survey of Fleurbaey, a safe assumption is that the state, via the central bank, will regulate these labor-managed banks a well as the money supply. However, while investment funding is external, the worker's risk is still tied to the success of one venture. The following models address this issue by introducing stock-ownership.

Under Weisskopf's proposal of external financing, labor-managed firms would operate as joint-stock corporations and raise funds on a stock market. Citizens could only purchase shares through mutual funds which then buy shares of the firms, but they would have no voting rights. Therefore, firms would ultimately be controlled by workers, but mutual funds would have some influence by selling stock. The fluctuation in stock price would act as a signal of mutual funds' view of firm performance influencing firm behavior. Citizens would also be a check on mutual funds through the same mechanism. Small private enterprise will be permitted in this framework. It is conceivable such firms may grow to such a size that external financing would be required, converting the firm to a public company. An initial public offering would be a way to raise funds and allow the purchase of shares by the mutual funds. Three concerns come to mind: (1) The description by Roemer of the Weisskopf model is limited. It is unclear what obligations, if any, citizens have to purchase shares. If there is no obligation to buy shares, then there will be some portion of the population who may not invest. Weisskopf may address this concern in some other way, or it may not be a concern to him at all. Roemer is more explicit, proposing the distribution shares to every citizen through a coupon system which can only be used to purchase shares. More on this in the next sub-section. (2) What size should private enterprise be allowed to achieve before requiring an initial public offering? And how should such firms be financed in the meantime, banks? And, (3) it is also unclear if successive expansionary investment would also require additional rounds of fundraising. Indeed this is the most plausible and comports with the similar funding rounds of today, but it would seem some minimum limit be required while smaller investment needs are financed externally by banks. There is also the question of how mutual funds should be run themselves. Some regulation of mutual fund activities will be necessary.

Under Bardhan's proposal, firms are managerially-managed. Financing is modeled after the very interesting Japanese *keiretsu* which characterized the Japanese economy in the second half of the 20th century. In the *keiretsu*, firms are grouped under the purview of one main bank. The bank would raise capital for firms and monitor their performance. Firms also would also have interlocking shareholdings between companies under the auspices of the bank. The benefit of this arrangement is that it insulated firms from stock market fluctuations and hostile takeovers. Dividends were a portion of the firm's revenue. In traditional keiretsu, profits are not necessarily

divided among workers. Instead, workers were rewarded with bonuses at the end of the year based on the performance of the firm. Bardhan's modification to the *keiretsu* arrangement would be that individuals will not be able to purchase stock, only firms, and dividends would indeed be distributed to workers of the firms.

Roemer's proposed model

In the Roemer model, distribution of dividends would go to every citizen in the economy. All firms would be autonomous publicly owned enterprises (i.e., joint stock corporations). Firms will still obtain external investment financing through banks. The novelty of the Roemer model is the introduction of a coupon market. Citizens will receive an equal number of coupons which will be used to purchase shares from mutual funds which in turn purchase shares of firms. Coupons cannot be sold, only traded; this will prevent a small minority from owning most shares. And here is where Roemer's proposal gets a little complicated. Roemer suggests the coupons will have a separate value system than the currency. Coupon values will fluctuate as coupons are traded. This will serve the same purpose as stock price signals in the Weisskopf model, only in coupon values. Upon death, coupons would be returned to the government treasury.

How the coupon supply will expand with a growing population and firms goes unelaborated. Presumably, the number of firms would grow relative to the population, and the value of profit dividends to coupons would remain relatively stable. Business cycle expansions (or contractions) in the number of firms relative to the population may result in fluctuations of profit income. Even so, the benefit of the model is that it would ensure that the surplus is wholly shared across the economy. As such, the dividends would be relatively small so that no citizen would be able to live off dividends alone. The majority of income would, therefore, be earned from work.

V. CONCLUSION

One major feature of Roemer's model socialists may criticize is the absence of labor-managed firms. For Roemer, this comes out of a notion of "conservatism" in the transition to socialism, noting it is better to change the system one feature at a time, than all at once. It is more important to change "the private nature of the financing of firms than the management structure as the first step" assuming the economy is starting from a hierarchical structure as in the U.S. (Roemer, 1994; p. 122). A later step might be to introduce labor-managed firms, but Roemer does not concede that labor-management will be optimal for reasons we have discussed in section III (i.e., the alignment problem). However, these concerns are overemphasized by analysts and driven by the Yugoslav experience. The failure of Yugoslav labor-management was the result of circumstances specific to Yugoslavia, and its poor policy choices. Yugoslav worker myopia likely resulted from having no asset stake in the firm, and so higher wage demands were prioritized over reinvestment. The incentive structure was further perverted by the existence of the soft-budget constraint which subsidized failure. And more contemporary skepticism of labor-management ignores the performance of labor-managed cooperatives and worker-owned firms in developed industrial

economies which have demonstrated remarkable competitiveness in production and efficiency (Pérotin, 2016), as well as their resilience in adverse economic conditions (Lampel et al. 2010, 2014).

More fundamentally, the absence of labor-management in the Roemer model runs counter to the goal of socialism. In the Roemer model, democracy is permitted for the consumer, but not for the worker. While the complete distribution of equity shares would certainly make society more equal, workers would lack control over the means of production and continue to be alienated, in the Marxian sense, from their product, from the production process, and thus denied self-determination. Co-operative enterprises by no means eliminate this alienation in commodity production. But collective ownership and self-management—at small scales—empowers worker self-determination. Since workers have no direct ownership stake in the means of production in the Roemer model, can it be appropriately be considered socialist?

Roemer rightly criticizes the fetishism of state ownership by some socialists, and instead advocates for "those property rights that will bring about a society that best promotes equality of opportunity for everyone" (Roemer, 1994; p. 21). However, merely broadening equity is no more socialist than state ownership as it can exist in a variety of political systems.[5] The purpose of socialism is not only to transfer the title of ownership to a broader number of citizens, but to transform the social relations of production in a way that is democratic. In this respect, Nove's vision of market socialism most resembles my own by allowing multiple forms of ownership structures including cooperatives where workers can have self-determination. Nove's model is also pragmatic in its recognition of the limitations of the market mechanism, which he resolves by allowing for centralized ownership and planning of some portion of production where essential and effective to do so. Nove's model also recognizes that no one property ownership arrangement is appropriate or desirable for all production. In some cases, it will be clear cut that the state should plan and administer some manufacturing or industry, while the rest will vary in degree of centralization, ownership, and autonomy. Such a model will be messy and complicated, but it will also be flexible and dynamic as it should be.

[5] For example in the Soviet system. While state ownership in the Soviet system was supposed to represent ownership for the citizens, in practice that was never the case as the political system was authoritarian. Even after the glasnost ("openness") political reforms during the leadership of Mikhail Gorbachev era, while politically more responsive to its citizenry, some even argue this era embodied true democratic state socialism, it was nonetheless oppressive in the sphere of production (in the same sense U.S. production is). Another example is Yugoslavia between 1945 and 1950, before the introduction of worker self-management.

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