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IS SOCIALISM BACK? A REVIEW OF CONTEMPORARY ECONOMIC LITERATURE

by Emilio Carnevali¹ and André Pedersen Ystehede²³

ABSTRACT

The paper deals with the recent resurgence of interest in the concept of “socialism” from an economic perspective. The most significant contemporary proposals for a new model of socialism are surveyed across five major thematic areas: socialism as a voluntary endeavour and socialist ethics; socialism as a process of democratisation; socialism, efficiency and profit maximisation; the problem of planning and the new calculation debate; and, socialism as a means vs. socialism as an end. A common framework to assess the new blueprints is constructed to identify the likely directions of the research on these themes in the near future.

Keyword(s): Economic Planning, János Kornai, Political Economy, Socialism, Comparative Economics

1. INTRODUCTION

In a lecture held in the academic year 1977-1978, the American economist Kenneth Arrow told the story of how the Great Depression of the 1930s inspired his early socialist beliefs:

“The long queues of unemployed at the soup kitchens shown in the newspapers and the newsreels, the waves of bank failures and the personal tragedies of the depositors, the gasping struggles of relatives who tried to run small businesses, and the ominous connection between unemployment and the rise of Nazism were convincing evidence that the current economic system was a disaster” (Arrow 1978, p. 473).

Later historical developments (especially in the USSR), personal life experiences and a long career as one of the most accomplished economists of the twentieth century – he won the Nobel Prize in 1972 – changed the way those early beliefs were understood, justified, conceptualised and defended. In the heyday of Keynesian economics, Arrow regarded the intellectual endeavour of exploring alternatives to the capitalist system as important. But the healthy conditions of the major capitalist economies made this task less urgent. Then the crisis of the 1970s broke out: “The apparent pause in economic growth, the crisis in stabilisation policy occasioned by current inflationary threats and realities, and the loss of purpose in redistributive measures all combine to raise anew the question of alternatives to capitalism” (Arrow 1978, p. 477).

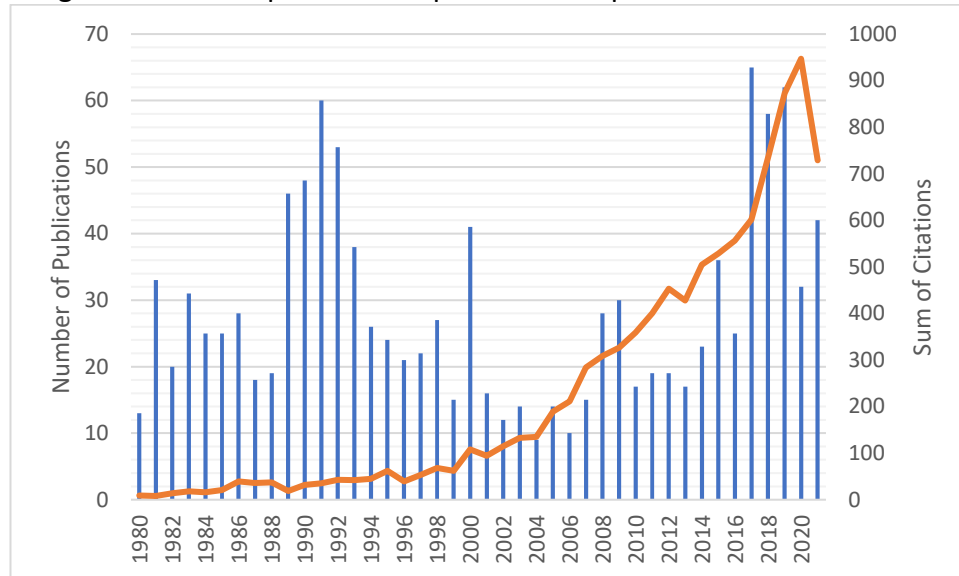
¹ Northumbria University, 12 Martello Gardens, Newcastle upon Tyne, NE7 7LD, United Kingdom. Email: emilio.carnevali@northumbria.ac.uk.

² Statistics Denmark, Sejrøgade 11, 2100 Copenhagen, Denmark. Email: aystehede@gmail.com.

³ Responsibility for the information and views expressed in the paper lies entirely with the author.

Indeed, the reflection on alternatives to the current capitalist system seems to be a quite countercyclical field in economics. Historically, it has thrived in moments of crisis, and ebbed in benign economic periods, see Figure 1.

Figure 1: socialist publications peak when capitalism runs into a crisis*



Source: Web of Science search on 'socialism' and 'market socialism' limited by English publications in economics journals, books and conference papers. * 2021 includes publications up to the 23rd October.

The debate almost disappeared after the collapse of the Soviet Union, see publications since 1991 in Figure 1. A consensus emerged: there is no viable alternative to a capitalist mode of production. The paper by Andrei Shleifer and Robert Vishny, published in the *Journal of Economic Perspectives*, illustrated the dominance of capitalism as an economic system. They argued “that the damage from the government pursuing its ‘political’ objectives will be much greater under socialism than under capitalism because, under socialism, the government has a greater ability to determine outcomes at the firm level” (Shleifer and Vishny, 1994, p.166). Their paper marked a shift in the debate about comparative economic systems from socialism vs. capitalism to capitalism vs. capitalism (cf. Esping-Andersen, 1990; Albert, 1993; Hall and Soskice, 2001).

The capitalism vs. socialism debate was relegated to the periphery of the field. However, it resurfaces in periods of crisis. As George Stigler once said: “Competition is a tough weed, not a delicate flower” (Stigler 1993, p. 402). This could be truer in the realm of ideas than in the realm of commodity production, in reference to which Stigler created his motto.

The financial crisis has been “a traumatic event during which we all had to question many cherished beliefs” (Blanchard, 2015). Then, the Covid 19 pandemic has forced governments to implement levels of state intervention only previously seen during wartime in capitalist countries. These crises have given reasons for critical questions concerning the current socio-economic system and consideration of (radical) alternatives. The tendency is also observable in the academic literature and there is some evidence to question whether the view expressed by Shleifer and Vishny in 1994 remains equally dominant today.

As it is evident from Figure 1, interest in socialism peaked in the early 1990s, when capitalism had defeated socialism in the battle of ideas for economic systems. Since then, spikes in

research interest for socialism can be observed in times of crises. Still, this attention remained below the peak of the 1990s. However, from 2017 to 2019 three consecutive peaks set new records in terms of publication on socialism. The sum of citations, which remained stable until the twenty-first century, has since grown exponentially.

The increasing interest in socialism in the field of economics parallels an increasingly favourable view on socialism among the public when looking at the United States of America, the winner of the “Cold War” and the country seen by many as the embodiment of capitalism. A 2018 GenForward survey⁴ on institutions and political polarisation in the US finds that 45% of those aged 18 to 34 are mostly favourable toward socialism. In comparison, 49% are mostly favourable toward capitalism for the same age group⁵. In the United Kingdom, another prime example of a capitalist economy, a Forefront Market Research poll commissioned by the Institute of Economic Affairs found that 67% of people aged between 16 and 34 would like to live in a socialist economic system (Niemietz 2021).

So, is “socialism back”? The answer mainly depends on what one means by socialism. This survey will provide a summary of what contemporary “socialist theorists” have in mind when they qualify their proposals as “socialist”⁶.

Section 2 of the paper will describe what “historical socialism” has been as a preliminary condition to understand the premise and the novelties of the present-day debate. Then a series of contemporary socialist proposals will be investigated. The exposition will be organised along a cluster of common themes: socialism as a voluntary endeavour and socialist ethics (Section 3); socialism as a process of democratisation (Section 4); socialism, efficiency and profit maximisation (Section 5); the problem of planning and the new calculation debate (Section 6); socialism as a means vs socialism as an end (Section 7). In Section 7, we also include a brief, original proposal for an extension of Chilosí’s model (Chilosí 2015) based on an endogenous preferences approach.

A tentative assessment of this vast literature will be presented in Section 8. Here – and in Section 9 (Conclusions) – we will try to identify a common ground in the contemporary literature and contrast this “core” with both the traditional concept of socialism and the reality of western capitalist socio-economic systems, as both paradigms are the targets of the critique contained in contemporary socialist blueprints. Indeed, the *new socialism* is characterised by a remarkable eclecticism. Its criticism of both *real contemporary capitalism* and *real historical socialism* has favoured the adoption of a *rare combination* of elements drawn by both the socialist and the liberal traditions. The attention for equality and social justice that is typical of the socialist movement is combined with a thorough consideration of themes usually associated with liberalism: pragmatism, empiricism, individual freedom and efficiency.

2. WHAT HAS “REAL SOCIALISM” BEEN?

⁴ Find the report here: <https://genforwardsurvey.com/download/?did=121> [accessed: 17.04.2021].

⁵ Find the survey response here: <https://genforwardsurvey.com/2018/03/01/institutions-polarization/?question=Q36> [accessed: 17.04.2021].

⁶ This is an important criterion that we have followed to select the works analysed here among an incredibly vast literature: the projects have to be explicitly qualified as socialist by their authors. The other criterion is their relevance in the contemporary debate. We acknowledge this is fairly subjective and we accept there could be different opinions on what should be included and what should not.

Socialism is a word that has taken an incredible variety of different meanings since its first appearances in the political debate of Western countries in the late eighteenth and early nineteenth centuries. To overcome the impossible task of summarising a more than two century-long debate into a unique and consistent definition, we will use a very brief description of a well determined historical social structure: the organisation that emerged in Russia, Eastern Europe and in other countries where the Communist Party seized power in the twentieth century. We use this as a reference for our analysis because:

- a) Critics of any socialist project – also in contemporary debates – often refer to this historical form to oppose other forms of socialism, or sometimes even to oppose any reform that implies greater government intervention within a capitalist economy. The differences between the proposals outlined in the paper, that is “contemporary socialism”, and historical “real socialism” should be made clearer by a proper definition of the latter; this would facilitate the analysis of specific and original characteristics of the former.
- b) It represents an extreme level of departure from the socio-economic structure that emerged in Western countries characterised by capitalist economies (from the late eighteenth century) and liberal-democratic political systems (during the twentieth century). In this sense, it offers a benchmark to gauge the distance to alternative arrangements of contemporary capitalist systems.

The comprehension of the new socialist projects via a comparative analysis could be further improved with the use of two other benchmarks: contemporary capitalist systems and an ideal type of capitalism (which may or may not reveal the direction of movement of contemporary capitalist systems). “Pure capitalism” could be identified in four ways: through “positive” theoretical approximation, such as the “minimum state” described in Nozick’s “Anarchy, State, and Utopia” (1974); through a “negative” theoretical approximation, as the “opposite” of the “real socialism”, the latter being the most consequential historical attempt to *abolish* capitalism; through an historical reconstruction of the pre-welfare era capitalism (e.g. the kind of Victorian capitalism described in Marx’s *The Capital*); or, through a survey of contemporary economies in the light of the varieties of capitalism approach (Hall and Soskice, 2001; Coates, 2005; Hancké et al., 2007). We think all these strategies have their merits. However, given the wide scope of our survey, which includes different models elaborated from different theoretical perspectives, we do not tie our approach to a single specific benchmark. Still, the utility of a brief description of what “real socialism” has been should now be clear.

Our presentation of the characteristics of the socialist system relies mainly on the “model”, or “generalization”, proposed by János Kornai⁷, whose work represents one of “the most informed” accounts of the socialist system at the end of its historical cycle in Russia and Eastern Europe (Blanchard, 1999). Kornai defined the “Classical Socialist System” as the political-economic structure developed under Stalin in the Soviet Union and under Mao in China⁸. The apex of the political structure of “Classical Socialism” can be found in the

⁷ Mehrdad Vahabi (2021) and Michael Ellman (2021) have recently provided insightful analyses on different aspects of Kornai’s research on socialism. The academic journal Public Choice has also published a special issue (178, 1-2, 2021) in honour of Kornai.

⁸ This temporal reference should not be interpreted as if “Classical Socialism” only characterised those countries in that specific time. For instance, the USSR in the 1970s, after the failed attempts to introduce reforms in the “Khrushchev era”, can still be regarded as “Classical Socialism”. Some countries stuck to the Classical model right

undivided power of the Communist Party and in the dominance of its official ideology, which merges some elements of the political philosophy of the founding fathers of “Scientific Socialism” (Marx and Engels) with contributions from later revolutionaries (such as Lenin, Stalin and Mao). The main economic pillars of “Classical Socialism” are public ownership of firms (or “means of productions”) and “bureaucratic coordination” (as opposed to a “market coordination”). They can be described as follows:

- 1) Public ownership: state own-firms (mainly in the industrial sector) and cooperatives (mainly in the agricultural sector) are the dominant production units and forms of control rights. Some form of private proprieties may survive in “Classical Socialism” (both in the formal and in the informal sector) but they are severely discouraged by the official ideology and the legal framework. In countries where they do survive and are allowed to operate legally, for instance in East Germany, Hungary and Poland, their role in the overall economy is marginal, if not negligible⁹. The only “institution” with some resemblance to a private enterprise that plays a vital role in the economy of “Classical Socialism” is the “private plot”. This is a small piece of land assigned to a family by its cooperative. The family has no propriety rights of the land, but it can sell the products of the crop on the market and retain the profits. The cooperative can take back the land at any time¹⁰. Virtually no private firms employing hired labour (meaning external from the family involved) exist in the “Classical Socialism”. This would be classified as a capitalist enterprise and the relationship between the owner of the firm and the worker(s) would be considered “exploitative” from a Marxist perspective.
- 2) Bureaucratic coordination: in “Classical Socialism” the role of the market is extremely limited. In its “pure form” it exists only in the informal private sector. In the formal sector, some sort of market forces can be identified in the sector for consumption goods and services. Households are generally free to buy everything they will and everything they can within their means (except for rationed items). However, prices are administrated. Their main function is to “guide” the demand in line with purposes that are considered “preferable” according to the ideology of the planners (for instance: prices of basic staple articles and cultural services are “artificially” low, and prices of luxury goods are “artificially” high). The main problem that consumers face is the lack of items. According to Kornai every form of “Classical Socialism” is a “shortage economy”: this is regarded by Kornai as a “system specific” characteristic and is unavoidable within the structural economic framework (Kornai, 1980; Kornai, 1992; Kornai, 2006)¹¹. The coordination mechanism that links together all the other sectors of the classical socialist economy is “bureaucratic coordination”, which

to the end of the regime in the 1980s (e.g. Czechoslovakia and East Germany). The usefulness and longevity of this definition are also demonstrated by the fact that contemporary scholars of the Chinese economy still refer to the same set of ideas in the description of the planned economy that emerged during the 1949 revolution, see, for instance, Naughton (2018).

⁹ In 1952 the percentage of private non-agricultural employment over total non-agricultural employment in East Germany, Hungary and Poland was respectively 34.0, 4.5 and 4.7. In East Germany the same percentage became 5.9 in 1980, see Åslund (1985) and Hungarian Central Statistical Office (1959).

¹⁰ The contribution of this “private sector” to the total agricultural product is not at all negligible: for instance, in the Soviet Union in 1965, 40% of the total production of meat and milk, and 67% of the production of eggs came from this “private sector” (Gregory and Stuart, 1990).

¹¹ For a recent assessment of the evolution of Kornai’s thought on the characterization of “Classical Socialism” as a shortage economy see Nuti (2018).

consists of provisions dictated by a higher layer of a hierarchical structure to the lower layer of the same hierarchical structure. These provisions implement parts of a general economic plan which embrace the whole economy. That is why a socialist economy is often called a “planned economy” or a “command economy”.

The operation of a production system based on the aforementioned elements faces hard challenges:

- a) There are very low incentives for workers and managers to go beyond the prescription of the plan, and therefore to foster innovation and productivity growth.
- b) Managers strive to get as many resources (input) as they can and the lowest possible level of target production from the plan. These phenomena, compounded with the ideological drive for an accelerated rate of growth, contribute to the “investment hunger” (Kornai, 1972; Kornai, 1980a; Kornai, 1992) that characterises this system. In turn, investment hunger is one of major causes of the shortages that appear to be an intrinsic characteristic of “Classical Socialism”.
- c) The complexity of the plan and its implementation discourage any attempt of departure from it. Departures may include the introduction of new technology or new and better products.

These are only some of the factors that explain a generally poor performance of “Classical Socialism” in terms of efficiency and technical progress. This poor performance partially accounts for the mismatch between growth of investment and economic growth that characterises “Classical Socialism” (Pryor 1985, cf. table 3-1, p.76).

Despite these limits, “Classical Socialism” manages to provide a certain level of material welfare or social protection to its citizens. Among the most prominent achievements of the system, we can list the following:

1. full employment;
2. free education;
3. partially free health services¹²;
4. right to a “shelter”: despite housing shortages in “Classical Socialism”, rough sleeping virtually does not exist as anybody can find a shelter of some kind;
5. a safety net for the incapable and sick, who are cared for by the state;
6. comprehensive public pension system.

“Classical Socialism” tends to implement a rather equalitarian distribution of income. However, the labour market is one of the few sectors of the economy where “market forces” play a non-negligible role: for instance, higher wages are used to attract workers where there is a shortage of work. Consequently, the distribution of income is far from uniform. Indeed, several capitalist countries such as Sweden or even the United Kingdom, had in the 1970s lower after-tax Gini indexes than the USSR. In fact, Eastern European Socialist countries and the most socially inclusive Western European capitalist countries had similar Gini indexes in the 1970s. Overall, welfare provisions in “Classical Socialism” can be considered an important feature of this political-economical organisation, which is consistent with its ideology.

¹² “Classical Socialism” can feature different health services models: for instance, in the USSR health services are free for the entire population. In China the peasantry is not fully covered by a universal healthcare system free of charge.

What is more controversial is the issue of whether it is possible to talk of a “system specific” feature. Several capitalist countries spend more on welfare (in comparison to GDP) than “Classical Socialist” countries (Kornai, 1992). As Kornai put it, if one sees “combating of poverty and helping the needy, weak, and disadvantaged as one of the main objectives of socialism” (Kornai, 1992, p.327), and if one sees a fairer distribution of material welfare as a duty of the socialist state, then

“measured by this yardstick, the classical socialist system just partially fulfils its mission. (...) For those who consider this criterion the hallmark of a socialist social system, the Scandinavian countries have made far more progress towards socialism than the socialist countries” (Kornai, 1992, p.327).

3. VOLUNTARY SOCIALISM AND SOCIALIST ETHICS

According to Duncan Foley (Foley, 2020), well before the collapse of the Soviet Union, the “New Left” culture of the 1960s had contributed to the suspicion in left-wing circles towards the central planning ideas of the “Old Left”, hence, the popularity of small-scale projects based on the spontaneous spread of “socialist organisations” based on democratic principles and equal rights to the appropriation of common resources.

It is possible to find several historical antecedents of these kind of endeavours: from Robert Owen’s “New Harmony” (founded in 1825) and Charles Fourier’s “Phalanxes” (the first, and short-lived, community – “Clermont Phalanx” – was founded in 1844, but others followed), to the experiences born within the Christian Reform movement (e.g. the rural communes of the Hutterites, still present in North America) or the Zionist movement (e.g. the Kibbutz). To some extent even the “hippy colonies” of the 1970s, that are ultimately an economic offspring of the “New Left”, can be ranked as such antecedents.

Foley draws inspiration from this libertarian and communitarian humanism to put forward a proposal of socialism – or, to use his own words, of “an alternative set of social relations” (Foley, 2020a, p.324) – which “represents the transition to socialism as a cumulative process of day-to-day choice” (Foley, 2020a, p.328). Foley envisages a new community – which he calls “Lifenet” – that coexists with the capitalist economic system. It is based on the model of the peer-production enterprises that in recent decades have been very successful in producing open-source software. However, Lifenet should engage in the production of a wide range of goods and services (from food to clothes). Individuals contribute to the production in Lifenet on a voluntary basis and without any material compensation. They can also use freely the products produced by Lifenet (i.e. without charge). They may or may not have a standard (part-time or full-time) job in the capitalist sector too.

One of the main complications that Lifenet would face is the possibility of shortages and mismatch between supply and demand in different sectors. The problem is not dissimilar to the one that plagued historical centrally planned economies where basic consumption goods were heavily subsidised. Foley suggests three solutions: a) the capitalist sector could provide a buffer for Lifenet goods temporarily not available (this was also the logic behind the limited legalisation of the private sector in historical centrally planned economies which ended the “Classical Socialism” era); b) non-market signals should drive the re-allocation of resources within the Lifenet production system; c) “an ethos of thrift, prudence, and waste-aversion” (Foley, 2020a, p.325) should be developed by the participants of Lifenet.

Given the fact that not all the inputs for Lifenet production could be produced within the network itself, the latter should also trade with the capitalist economy. This trade seems to

be modelled like the one between two different countries with a fixed exchange rate and no central bank reserves adjustments: export needs to provide the currency to finance import. Foley admits that “it is not going to be hard to criticize the particular fantasy I put forward. The main function of such exercises is to induce dialectic thinking by making concrete assumptions that can be knocked down” (Foley, 2020a, p.324).

An example of such dialectic thinking can also be found in Giacomo Corneo’s book *Is Capitalism Obsolete? A Journey Through Alternative Economic Systems* (2017). Although the book was published earlier than Foley’s papers, and in chapter two, Corneo deals with the conditions that would allow a similar community to hold together. Indeed, despite the originality of his proposals, Foley’s blueprint is not the first attempt to set up a project where individuals freely give their labour and freely receive from the common ownership of what is produced by other individuals. As Foley himself points out, the problem of incentives is one of the main obstacles that a community of this type would face. Can we realistically rely on the fact that citizens will put efforts in the production of goods for Lifenet, or – generally speaking – for the community? Is it possible to avoid free-riding behaviours?

Corneo identifies three categories of motivation that could sustain the cooperative behaviour necessary for this system to exist: charity (or a disinterested sentiment of love and friendship towards other citizens); social norms that would drive even egoist individuals toward cooperative behaviours because they are convenient from a rational point of view; ethics and a sense of moral duty. Corneo uses games theory to show that no *individual category* would pass the cooperation test, meaning they would not allow the cooperative behaviour to cement itself and the project to survive. However, the combination of all of them (and their mutual influence) could produce a different outcome *under specific conditions*. Among them:

- a) Individuals should live in relatively small and isolated communities to foster “clarity, transparency, farsightedness, and social control” (Corneo 2017, p. 80).
- b) A computer-based information system should control and record the “productive and consumer activities of individuals in minute detail, with its findings accessible to everyone” (Corneo 2017, p. 81).

Corneo’s intent is to show that solving the cooperation problem in theory could be possible, but it has its costs, even if we set aside any problem of “efficiency” of the system in terms of resource allocation¹³. These costs should be weighed against the benefits of the common ownership system, and this activity is “obviously highly subjective, and depends on one’s value judgments” (Corneo 2017, p. 81).

4. SOCIALISM AS A PROCESS OF DEMOCRATISATION

The lecture by Kenneth Arrow (1978) that is quoted at the beginning of this paper features some important thoughts on the relationship between democracy and economic systems. Among the arguments that Arrow presents for his “cautious case for socialism” there is the following:

“in a system where virtually all resources are available for a price, economic power can be translated into political power by channels too obvious to mention. In a capitalist society, economic power is very unequally distributed, and hence democratic government is inevitably something of a sham. In a sense, the maintained

¹³ Corneo deals with the efficiency of the common ownership system in chapter 4 of the book, and he draws the conclusion that it would imply a “dramatic decline in wealth” (Corneo 2017, p. 97) in comparison with contemporary capitalism. This should be another cost to consider.

ideal of democracy makes matters worse, for it adds the tensions of hypocrisy to the inequality of power” (Arrow 1978, p. 478).

Arrow’s point highlights the challenge of balancing the inequality of power and functioning democratic institutions. Hence, the aspiration for a radical democratisation of society is one of the recurrent topics of several contemporary socialist projects¹⁴. They are characterised by a wide variety of approaches and specific proposals, as we are going to show in this section. However, they share a common idea: if democracy must be taken “seriously”, the movement of democratisation should not consider the structures and institutions of the economic system beyond its reach, as it is in the economic system that the inequality of power originates. Hence the rediscovery of schemes and strategies that fully belong to the socialist tradition – such as the movement for self-management of firms – that have been neglected during the long period of hegemony of “Classical Socialism” as *the* unique alternative to the capitalist system.

Before looking into the details of a representative sample of these contemporary socialist projects, some clarifications are needed to explain what exactly will be covered in this section and what will be treated in others¹⁵:

- a) The relationship between the political and the economic system is at the very core of Marxism as a political philosophy, or even better as a philosophy of history. In Section 8 we will see how the contemporary interpretations of socialism as a movement of democratisation relate to the Marxist tradition, that had so much influence in the past in the shaping of the philosophical premises of socialist thought. We will also deal briefly with modern interpretations of the traditional Marxist nexus between base and superstructure.
- b) An important thread among theoretical contributions on self-management has been developed by authors who addressed the topic with a focus on efficiency and with the use of neoclassical principles. These authors will be discussed in Section 5.
- c) Self-management of firms did not play any significant role in classical socialism, but it became relatively popular and debated in Eastern European countries in the “reform era” that followed the classical system period. In those days the most prominent model was the Yugoslavian economy¹⁶ or the cooperative experiments implemented in “reformist” regimes like Hungary. These schemes are not going to be treated here, but it is important to bear in mind the presence of these precedents even though we cannot consider self-management of firms as a feature of historical “real socialism”.

Thomas Piketty emphasises the importance of democracy, active participation and decentralisation of decisions in his scheme for a “Participatory Socialism” that is explicitly contrasted to the “hypercentralized state socialism” of the past (Piketty, 2020, p.969). Still, Piketty defines his blueprint as “socialism” because it is based on the criticism of capitalism and private ownership. He uses the label “proprietaryism” to define the political ideology which brings to the limit the defence of private property. After a retreat in the golden age of

¹⁴ The title of a relatively recent book that features a debate between Erik Olin Wright and Robin Hahnel is particularly telling: “Alternatives to Capitalism: Proposals for a Democratic Economy” (Hahnel and Wright, 2016).

¹⁵ Or not treated at all in this paper. Indeed, the scope of the matter is such that some painful choices have been necessary.

¹⁶ Tito’s Yugoslavia broke from with Stalin’s USSR in 1948 and then started to develop an original model of “market socialism” that was later studied in other socialist countries in the reform era.

the post-war social democratic compromise, proprietarism has regained ground since the “conservative revolution” of the Eighties. Democratic socialism, or social democracy, as they have been developed in Western European countries during the twentieth century, especially in Scandinavian countries, have failed to address the new challenges of globalisation in the most recent decades. However, they still represent a useful compass for the principles of a “just society”. The tradition of progressive liberalism is part of Piketty’s “philosophical pantheon” too; not only can the members of his “ideal society” enjoy the full endowment of civil and political rights advocated by the liberal tradition, but his distributional rules of justice explicitly draw from John Rawls’s “difference principle”¹⁷. The formulas used by Rawls and Piketty, respectively, state that:

“Social and economic inequalities are to be arranged so that they are both: (a) to the greatest benefit of the least advantaged, consistent with the just savings principle, and (b) attached to offices and positions open to all under conditions of fair equality of opportunity”(Rawls, 1971, p.302)

"To the extent that income and wealth inequalities are the result of different aspirations and distinct life choices or permit improvement of the standard of living and expansion of the opportunities available to the disadvantaged, they may be considered just" (Piketty, 2020, p.968)

In terms of socioeconomic arrangements, Piketty proposes to overturn the “pure” private ownership of capital by establishing a “social ownership” of capital. The French economist suggests that half of the board seats in every private firm, large or small, should be given to representatives of the workers.

The model is the experience of “co-management” or “co-determination” arrangements that were introduced in Germany with a series of legislative initiatives during the second half of the twentieth century (more precisely in 1951, 1952 and 1976. For recent studies of German co-management see Silvia 2013 and McGaughey 2017). Yet Piketty’s proposal is more radical, as it should apply to small firms too. In Germany the 50% rule only concerns companies with more than 2,000 employees, whereas a one-third rule covers the firms with between 500 and 2,000 employees.

The new balance of power could be reinforced further by a redesign of corporate governance that would limit the voting rights to the threshold of 10% for each investor. This would strengthen the idea of decision making within enterprises as a “collective deliberation”.

In addition, progressive taxes on inheritance and income should be introduced, with marginal rates as high as 90% on the highest incomes. An annual tax on wealth with progressive rates should be applied to all kind of assets (net of debt). All taken together, this reform of taxation¹⁸ would assure a far larger circulation of wealth and property, in line with the broader idea of “social ownership” rather than pure private ownership. The revenues of such a system could take the form of a capital endowment given to all adults at the age of 25 (which could

¹⁷ It is worth noting that Rawls considered both market (or liberal) socialism and proprietary democracy – but not welfare-state capitalism – as compatible with his theory of justice (Rawls 1973 and 2001, Krouse and McPherson 1988, Edmundson 2017, Kuch and Schweiger 2021). This could also explain why Piketty tends to identify his blueprint with the tradition of outright socialism rather than a version of social democracy.

¹⁸ Piketty (2020) features a quite detailed proposal of such a system of taxation, with income/wealth bands and corresponding tax rates: see Table 17.1, p. 982. However, the author considers the figures of this plan for “illustrative purposes” only, as the actual structure should be the result of a democratic deliberative process that takes into consideration the specific conditions and preferences of a community.

amount to 60% of the average adult wealth) and of a basic universal income (which could amount to 60% of the average income after taxes¹⁹).

Moreover, a more equal distribution of income and wealth would limit the influence of money and economic power on the deliberative process that is usually exerted via financial support to campaigns and political parties by firms or wealthy individuals. A fair and transparent system of public support to political activities should replace the system based on private funding.

In *Another Now: Dispatches from an Alternative Present*²⁰ (2020) Yanis Varoufakis – a self-defined “erratic Marxist” (Varoufakis, 2015) and former Minister of Finance in Greece – has outlined a proposal for a new socialist society which combines two traditions: a Marxist critique of markets, and more specifically capital markets; and a notion of a horizontal hierarchy in the workplace – which essentially removes the notion of different layers of entitled remuneration associated with CEOs, management and workers position in the hierarchy – called ‘corpo-syndicalism’.

In “Other Now”, the parallel universe described by Varoufakis, the land is no longer owned by individuals, but by communities. It is split into commercial and social zones: commercial zones constitute business plots and social zones provide space for housing. People make a bid on how much they are willing to pay in rent for a property. The rent accrues to the local community to finance improvements and projects in the area.

There is no place for a commercial banking system in the traditional sense. Everyone has accounts at the central bank. This trait draws similarities with historical “Classical Socialism” where banks virtually operated as territorial branches of the central bank (Kornai, 1992). Yet it is also in line with development of the financial system that is already under way, given that over 50 monetary authorities are exploring the option of introducing digital currencies, which would allow common citizens to deposit funds directly with the central bank. A pilot project involving half a million people has already been launched in China (The Economist, 2021).

The central bank offers three types of accounts to the population – “accumulation”, “legacy” and “dividend” – which represent a standard deposit account, a universal basic fund (like a savings account) and a universal basic income, respectively. These accounts do not offer interest payments, but rather tax rebates. Hence, money does not grow more money, but deposited money which is kept for a specific time period yields a tax rebate – 5% deductible from one’s tax claim – and is effectively a return. The legacy account is a universal basic fund – similar to Atkinson’s proposal of paying a fixed amount to all inhabitants once they reach some age (Atkinson, 2015)²¹ – which has gained much interest lately. The dividend account provides a running flow of means of payment to all citizens. The purpose is to ensure that people can maintain a livelihood and are not compelled to enter precarious jobs or work relations. It is conceived as a measure to eradicate meaningless jobs. The logic of the idea is explored also in Martin Sandbu’s recent book *The Economics of Belonging* (2020): higher wages induce firms to innovate and become more productive. Sandbu proposes wage restraint at the top as well. Such wage compression has been pointed to as a key feature of

¹⁹ Setting aside the income threshold, basic income measures of this form are already part of the legislation of several Western European countries.

²⁰ Despite the book being written as a sci-fi-sort-of-autobiography, it is rich in details on the social and economic arrangements of Varoufakis’s utopian society. And it is intriguing reading, although one may rightfully dislike its style or disagree with the ideas that are presented. That is why – together with the wide interest that Varoufakis’s works have attracted far beyond academia – we have chosen to cover the contents of this book in this survey.

²¹ Some years earlier, the idea was extensively discussed by Ackerman and Alstott (2000).

the Nordic model (Moene and Wallerstein, 2005; Barth and Moene, 2016). People are free to lend their accumulated savings to firms and individuals through the accumulation account. This is an opportunity for people who have saved to earn additional income by taking a risk. A new international monetary system should be based on a new international currency: the *Kosmos*, which builds on Keynes' *Bancor* plan, but with an international development fund as opposed to transfers from surplus countries to deficit countries.

The new organisation of production – one-person-one-share-one-vote – represents a horizontal-management model which draws on the insights of John Kenneth Galbraith's "The New Industrial State" (1967), namely the so-called "technostructure". Galbraith coined this term in his description of all those who participate in group decision-making within an organisation. It reflects an organisational form where individuals are highly specialised and the decision-making process is structured in groups or committees (Galbraith, 1967).

Varoufakis' system involves a split of revenues into four parts: for reinvestment, costs, wages and a bonus system. The bonus system is based on a merit point system: each member (worker) can allocate their 100 points to colleague(s) found deserving²². For instance, if one received 4% of the total points, one receives 4% of the bonus pot. Since the flows of these points are public, workers are discouraged from colluding through positive social control. Wages are equal and so income inequality arises out of the allocation of earnings among workers themselves. Workers vote with their share on the distribution of earnings and the proportion retained in the business. Payable taxes to the government are based on revenues so, strictly speaking, profits have been abolished²³. The abolition of tradable shares – due to the one-share per worker system – means that the share market evaporates. However, as said earlier, firms may obtain financing from citizens wishing to lend their excess money²⁴. The re-evaluation of cooperative firms by Varoufakis is part of a larger strand of research that indicates a renewed attention towards this production arrangement.

The classical works by Vanek (1970), Meade (1972) and Drèze (1976) will be analysed in Section 5 as a well-known example of the application of traditional neoclassical analysis to the study of "socialist" institutions. Since then, several studies have focused on the comparison between worker-managed firms (WMFs) and capitalist firms (CFs) when the conditions of the Walrasian system do not hold, e.g. asymmetric information, imperfect competition, credit rationing and other market failures due to incomplete contracts or risk-aversion. This development follows a wider evolution of economic theory.

Bowles and Gintis (1994) assess the performance of WMFs and CFs under asymmetric information in credit markets (cf. Stiglitz and Weiss, 1981; Stiglitz and Weiss, 1992) and find that WMFs face higher financing costs due to greater credit constraints among workers than capitalists. Conversely, WMFs face lower monitoring costs with respect to shirking because they benefit from mutual monitoring. The employment rent²⁵ received by workers in CFs,

²² Point systems are also common in "Classical Socialism". For instance, in Chinese agricultural collectives individuals earn work points for the task or days of work done. Activities carried out by teachers and medics within the collective could be awarded work points too, despite the fact they are not directly "productive" (Naughton, 2018).

²³ This is a semantic point since production and service activities generate higher revenues than costs, at least in theory, but by basing taxes on revenues it focuses on activities as opposed to profits, which can be moved through internal pricing.

²⁴ It is not clear from this blueprint whether the central bank can be a source of finance for all firms, but it seems that the state/central bank can finance infrastructure projects and common interest projects.

²⁵ This term was coined by David Gordon and refers to the *cost of job loss* (see Weisskopf et al., 1983; Bowles et al., 1986).

following the market failure of incomplete contracts, leads to unemployment as firms' demand for labour is reduced by the higher wage paid to decrease shirking among employees. This leads to an outcome that is Pareto-inefficient. Bowles and Gintis' findings are consistent with Mikami's comparative analysis of market power and different ownership structures (worker-owned, consumer-owned and conventional firms) in labour markets and consumer goods markets (Mikami, 2003).

Screpanti (2011) uses an analytical model to compare traditional CFs and WMFs in terms of "freedom distribution". His findings indicate that workers enjoy greater freedom in WMFs and that the positive difference contributes to the better performance of WMFs in tackling information asymmetries (Screpanti, 2011).

The re-thinking on WMFs is also the result of the attempts to address what Jon Elster calls a "well-known but poorly understood problem: how can socialists reconcile the observed paucity of cooperatives in capitalist societies with their alleged superiority on normative grounds?" (Elster, 1989 p. 93). In his articulated answer, Elster debunks some common prejudices, like for instance that workers prefer to work in traditional CFs or that WMFs are not financially viable. The reasons for their failure, when it occurs, are to be found in unfavourable circumstances, adverse selection, discrimination, or externalities. More importantly, some cooperatives fail "by success" as "profitable cooperatives often attract or turn into private ownership" (Elster 1989, p. 93).

More recently, Burdín (2016) and Dean (2019) investigate the economic performances of WMFs compared to CFs and state-owned firms; their research suggests that WMFs are viable alternative forms to organise production. The relation between cohesiveness and productivity is a key element of other empirical studies on WMFs. This is based on the notion that a more compressed wage structure, which often characterises WMFs compared to CFs, may improve the cohesiveness and therefore productivity of workers (Levine, 1991). Basterretxea and Storey (2018) find evidence in support of this hypothesis from investigating case studies in Spain and the UK which suggest that WMFs have higher productivity, more equal wage structure and a lower turnover of employees. However, WMFs face a greater challenge in keeping their most productive employees as these workers can obtain a higher wage elsewhere and tend to leave WMFs (Burdín, 2016).

Christoph Hermann (2021) considers democratisation as the core of a new form of "ecological sustainable socialism". It would also be the main instrument whereby a process of "de-commodification" can be implemented. The latter is a concept popularised in the 1980s by welfare state theorists (Offe 1984, Esping- Andersen 1987), but its origin can be tracked back to the classical work, *The Great Transformation*, by Karl Polanyi (1957). De-commodification consists of "rejecting market value and reinstating use value as the prime objective of economic activity" (Hermann 2021, p. 240). In a use-value society "production must be redirected toward the satisfaction of needs rather than the maximization of profit" (Hermann 2021, p. 240). From a more practical perspective, this would translate in a shift of contemporary economies towards practices of democratic planning (more on this is Section 6) and the encouragement of self-management enterprises. However, cooperatives of workers should not only differ from contemporary capitalist firms in term of the decision-making process and the distribution of profits. It is the accumulation of profits itself that should be questioned in favour of a more not-for-profit attitude. Despite the vagueness of some of the definitions and objectives linked to the concept of "de-commodification", Hermann's proposal is a good representation of a widespread culture (or counterculture)

among contemporary radical groups that put a lot on emphasis on alternative social practices, or consumption behaviours, hence the importance of production for self-use, self-repairing, community-based service providers, small-scaled markets, consumption of local food from local farms, etc.

Within this framework – that has much in common with the so called twenty-first-century socialism proposed by Latin American scholars (Lebowitz 2006 and 2010, Houtart 2011; Boron 2010) and the “alter-globalisation” movement of the early 2000s – socialism is to be primarily understood as an ideal of a “good life” in harmony with mankind and nature rather than a precise institutional arrangement.

5. PROFIT MAXIMISING MARKET SOCIALISM: THE PROBLEM OF EFFICIENCY IN PUBLIC OWNERSHIP

In “Classical Socialism” the substitution of the markets with central planning was a necessary element of a system that aimed to qualify itself as socialist. In recent years, market socialism has gained attention as a way to combine the socialist traditional rejection of private ownership of means of production (and its consequences in terms of distribution of power, income and wealth), with a mechanism of allocation of resources primarily driven by market forces, on the ground of their alleged superiority in terms of efficiency. In their introduction to a special issue on market socialism of the *Review of Social Economy*, Kuch and Schweiger (2021) write that “the socialism of market socialism aspires to a genuine socialism, but precisely not the socialism that is criticized as totalitarian, inefficient, or illiberal” (Kuch and Schweiger, p. 414).

The direct root of these ideas can be found in the socialist calculation debate that will be dealt with in detail in the next section. However, it would be possible to trace their origins further back: McCamby (2021) investigates whether John Stuart Mill, who described himself as a socialist, could also be considered a precursor of contemporary market socialism.

More recent “antecedents of reflections”²⁶ on market socialism can be found in the works by Vanek (1970), Mead (1972 and 1974) and Drèze (1974 and 1976). They all share a similar model in which labour-managed firms are formed by workers on a voluntary basis. These cooperatives buy other nonlabour inputs and sell the output in the market. Then the production in labour-managed firms follows a peculiar profit maximisation process: workers do not earn a salary, but they can claim a portion of the value added produced by their firm. Therefore, the firm will maximise this individual value added-earning-“profit like” component. As the share of each individual is inversely proportional to the number of workers, it will be convenient for the existing workers to hire other colleagues up to the point at which the value of marginal product of labour is equal the average earnings. Given certain assumptions²⁷, this system achieves a Pareto efficient equilibrium. Thus, the model generates conclusions that are “useful in establishing the compatibility of labour management with efficiency” (Drèze

²⁶ We used this involuted form (“antecedents on reflections”) to avoid the risk of lumping together all these authors as proto-market socialists. Indeed, while Vanek advocates the promotion of an economic system based on such organisations, Mead explicitly declares that his contribution is purely theoretical and has made “no attempt to argue for or against the institution of labour partnerships” (Mead 1972, p. 427).

²⁷ These assumptions can be stricter than the ones applied to a Walrasian economy. For instance, frictionless entry and exit, which is quite natural in case of profit-maximizing entrepreneurs, could represent a far more challenging condition for groups of workers wanting to create or shut down a cooperative.

1976, p. 1127). All is done through a methodology that relies “upon the more developed theory of competitive economics” (Drèze 1976, p. 1128), that is to say, the general equilibrium neoclassical model.

John Roemer’s “highly mathematical” proposal of socialism (1982; 1994; 2008; 2015; 2021)²⁸ combines the use of the standard neoclassical profit maximisation procedure we have just seen with game theory. Again, the former is justified as a way to ensure that the allocation of resources is Pareto efficient, and the socialist system retains those incentives to innovation that characterise the capitalist system.

However, with respect to individuals’ utility (the workers’ payoff function, which in turn shapes the labour supply function), Roemer’s maximisation process in a socialist system differs from the one achieved in a capitalist economy. The difference stems from the assumptions upon which the behaviour of the utility maximising agent is described. The agent in a capitalist society acts according to a Nash optimising behaviour and “considers the choice of his optimal plan under the assumption that all other agents’ actions remain fixed at the equilibrium plans” (Roemer, 2021, p.578). In a socialist society the agent should follow a “Kantian” optimising behaviour, according to which each player takes the action he would “will that it should become a universal law” (Kant, 1785, p.30).

Given the traditional set of assumptions on competitive markets, the traditional neoclassical theory demonstrates that standard profit and utility maximisation processes (standard profit maximisation coupled with Nash optimizing behaviour by workers) produces Pareto efficiency (first theorem of welfare economics), but only if no taxation is introduced²⁹. By contrast, Roemer demonstrates that with a Kantian optimising behaviour among workers Pareto efficiency is compatible with different levels of taxation. Redistribution of income and wealth via this channel permits the system to achieve any desired outcome in terms of the Gini coefficient. This first form of socialism, called “Socialism 1”, is considered by Roemer a version of social democracy.

Indeed, the elements that allow the “Kantian” attitude to thrive – understanding, desire and trust – are the ones that are (or were) typically found in the social fabric of the social democratic Scandinavian countries. The Swedish centralised wage bargaining model, based on the cooperation of trade unions, employers’ organisations and the government, can be seen as a practical translation of the mathematical model implemented via the Kantian optimising behaviour assumption.

A more radical option – Socialism 2 – is offered by adding two additional pillars to the socialist “ethos” just described: a socialist “ethic” of distributive justice and different propriety relations. In a market economy neoclassical theory suggests that labour and capital are rewarded according to their contribution to the production process: wage equals marginal productivity of labour³⁰ and interest on capital equals capital marginal productivity. The residual profits (which, in line with the Arrow-Debreu model (Arrow-Debreu 1954), are considered by Roemer as something different from interest on capital) accrue to the owners

²⁸ Here we will focus mainly on the most recent version of his work, Roemer (2021).

²⁹ More precisely, lump-sum taxation and the taxation of pure profits are consistent with Pareto efficiency. However, different types of taxation are not.

³⁰ Here we have presented the argument in its original, “neoclassical” form. It is beyond the scope of this paper to offer any assessment of neoclassical theory. However, it is worth mentioning that even within a theoretical framework based on a Cobb-Douglas style production function and profit maximisation it could be misleading to think that the marginal product of labour “determines” the wages. “The equality of the marginal product of labour (...) to the wage is the result [ex post] of the profit maximization process by entrepreneurs” (Foley et al., 2019, p.85).

of the firms. In Socialism 1 allocation of income is altered by taxation, but still firms' owners are the ultimate recipients of profits. In Socialism 2 the residual profits are divided among the participants of the production system (workers and investors, the latter being the providers of capital³¹). Pareto efficiency is achievable with any strictly positive value of λ , a parameter that defines the division of profit ($\lambda = 1$: all residual profits go to workers; $\lambda = 0$: all residual profits go to investors).

From a practical perspective this arrangement should be implemented for all larger firms. That is because, beyond a certain size, the organisation's profits cannot be considered as the remuneration of the skills of the owner-entrepreneur. Remuneration of investment-saving, which would occur even with $\lambda = 1$ given the continuity of factor payments (interests on capital still exist), is regarded by Roemer as essential for two reasons:

- a) to guarantee a democratic transition to socialism. A massive confiscation of private wealth by the state would not receive democratic support from the population. Accordingly, the transformation of large firms into profit distributing entities should be carried out via the acquisition by the government of those firms from old owners;
- b) to provide incentives for citizens to invest their wealth efficiently. Yet investors' remuneration should be compatible with the socialist ethic of distributive justice, that prescribes the elimination of disadvantages due to the condition of birth of individuals. From this perspective inequalities are acceptable, but "solely by virtue of choices among a set of persons who all face the same outcome of luck, as specified by their circumstances" (Roemer, 2017, p.301). That is why inheritance should be strictly restricted.

Which socialist variant – Socialism 1 or Socialism 2 – "combines optimally the attributes of attainability, sustainability, and equality?", Roemer asks himself. "Surely, only experience and experiment will tell", is his answer (Roemer, 2021, p.596).

It is worth noting that Roemer emphasises, in his description of socialism, the importance of cooperative behaviour and social-moral attitudes. This represents an evolution in Roemer's thought. He had previously put forward a blueprint that did not call for any change in the individualistic ethos of contemporary "capitalist" agents/citizens (Roemer 1994). Simplifying drastically, we could say that Roemer's earlier model was a "shovel ready" project, to be implemented by people as they are today. By contrast, his later analysis converges to some extent with contributions that have approached the theme of the renewal of the "socialist project" from a philosophical perspective, such as the works of Gerald Allan Cohen – *Why not Socialism?* (2009) – and Axel Honneth – *The Idea of Socialism: Towards a Renewal* (2017).

Further development of Roemer's socialist project can be found in the work of Giacomo Corneo (2019), whose proposal of "shareholder socialism" also draws from Stauber (1987). Shareholder socialism aims to achieve three major social objectives through public ownership of large enterprises:

- 1) a higher participation of workers in the management of firms;
- 2) a more equal distribution of income in a time when the effectiveness of traditional instruments of redistribution have been eroded by phenomena such as international tax competition;
- 3) the protection of the democratic political decision-making process from the detrimental influence of large private corporations.

³¹ The distinction between workers and owners of capital/investors is only functional. Workers can be savers and investors too. Therefore, they can technically be workers and investors at the same time, although it is useful to distinguish the two roles for the sake of income allocation.

Corneo acknowledges that public ownership of all larger firms poses major risks: cronyism can drive public enterprises far from market discipline to accommodate short-term objects of politicians; innovation can be curtailed both by cronyism and by the fear of private firms to become too “successful” and be nationalised; a government in control of both the political and the economic spheres exposes society to catastrophic outcomes in case of incompetence. Yet appropriate institutional arrangements can prevent these risks from materialising. For the purposes of this survey, we are going to focus only on the proposals concerning the economic sphere strictly speaking.

The supervision of market socialist firms should be assigned to a Federal Shareholder (FS) agency independent from the government. A minority (“say one third of capital”, Corneo 2019, p.39³²) of their shares should be freely traded in the stock markets. Prices of stocks would be indicators of firms’ performances. They can also ensure that the FS pursues a strategy of profit maximisation thanks to the pressure of private investors and incentive schemes for managers. Returns of the FS should then be channelled to the government’s budget. A “German style” system of “co-determination” should ensure the participation of workers in the management of market socialist firms, but the exact form of this arrangement should be firm-specific. Corneo also devises a precise auction mechanism whereby takeover of private firms³³ by market socialist firms could be carried out. The mechanism – which is explained with the use of a formal mathematical model – would protect incentives that prompt owners of private firms to innovate and expand. Indeed, private owners would always receive compensation for the sale of the firm which is ultimately based on their own evaluation of its value.

It is even possible to envisage a “two-steps” strategy towards the institution of a full-fledged FS agency (Corneo 2017). The first stage would be the creation of Sovereign Wealth Fund (SWF) with a diversified portfolio of stocks of publicly quoted companies. It could be initially funded through inheritance taxes and/or government bonds and/or the returns from privatizations of particular assets (e.g. use of airwaves, emission rights, etc.). The SWF would act as a collective rentier to address the most urgent inequality and poverty issues. A social dividend guaranteed by the market returns of the fund would generate a universal transfer payment free of taxes³⁴. However, the fund should not be seen as a mere source of income: the institution should give voice to “deep concerns about the quality of human relationships in society and of humanity’s relationship to nature” by “subjecting the fund’s investment decisions to ethical requirements determined by a democratic process” (Corneo 2017, p. 266). The growing popularity of socially responsible investment funds in private wealth management has already generated a relevant amount of know-how and good practises. The

³² In Corneo 2017 other proportions are suggested: 51% for the FS and 49% for private investors. We can regard these differences as negligible.

³³ For “private firms” here we mean privately-owned firms not publicly quoted. Privately-owned firms that are publicly quoted can be acquired by simply buying a majority stake (Corneo 2017).

³⁴ The following back of the envelope calculation is presented in Corneo 2017 (p. 265): assume that in the US a SWF of the size of 50% of the GDP is created over a period of 20 years; assume an average return of 7%. This would result in a total social dividend of 3.5% of the GDP, that would allow an annual payment of approximately \$2000 per citizen. The poverty line would decrease by one third. Despite the simplicity of the calculation, it is worth mentioning – as Corneo does in a footnote – that this order of magnitude of the social dividend is similar to the one actually distributed by the Alaska Permanent Fund, a SWF set up in 1976 by a Republican governor. Several other uses of the social dividend are analysed by Corneo too, such as funding a sabbatical year or an annuity in old age.

ethical, or socially responsible, SWF would apply these principles to the management of collective wealth.

6. PLANNING VS SPONTANEOUS ORDER: THE NEW CALCULATION DEBATE

In 1920 Ludwig von Mises published a paper (“Economic Calculation in the Socialist Commonwealth”) that would generate an incredibly long-lasting debate on the technical feasibility of an economic system with no private ownership of the means of production (a socialist economy).

Other authors had addressed a similar topic before, with the same neoclassical perspective that Mises took (see for instance Pareto 1897 and Barone 1908). However, Mises’s contribution was so powerful and influential in underlining the importance of the problem of rational economic accounting in a socialist economy that his opponent Oscar Lange wrote: “a statue of Professor Mises ought to occupy an honourable place in the great hall of the Ministry of Socialisation” (Lange 1936, p.53).

A detailed reconstruction of that historical debate goes beyond the scope of this paper. Nonetheless a short summary of it is necessary since this will help to understand how similar topics have resurfaced in contemporary economic debates and how the current disputes can still be framed within the recurrent theoretical opposition firstly presented by that debate, that is to say the contrast between the followers of a top-down approach to social engineering and a bottom-up method for allocation and distribution of resources which relies on spontaneous organisation (Foley 2020b; 2020a).

Mises challenged the possibility of rational economic calculation in a socialist economy and, consequently, of an efficient use of resources. With no private ownership of capital goods, and no markets where these goods could be exchanged for money, it would have been impossible to assign a price to these goods. With no prices, no calculation of the profitability of any production activity would have been possible. And no choice between alternative uses of resources could be assessed: “every step that takes us away from private ownership of the means of production and from the use of money also takes us away from rational economics” (Mises 1920, p. 17).

Robbins (1934) and Hayek (1935) developed the argument further. They did not deny the possibility of a purely theoretical solution of the problem. Indeed, a general equilibrium model should turn out the equilibrium prices of all the factors of production given their quantities, a series of production functions and reasonable assumptions on consumers’ preferences. Yet devising a general equilibrium model for a whole, real-world economy, and solving all the unknowns featured by this system of simultaneous equations, would have been beyond the reach of any real-world institution.

Lange’s reply (1936 and 1937), built on an earlier contribution by Taylor (1929), made use of the same neoclassical general equilibrium framework upon which the adversaries of socialism had based their arguments. According to Lange, in the practical operation of a socialist economy there was no need for any overcomplicated calculation via theoretical systems of equations. A “trial and error” approach taken by the planners would do the job perfectly well. Lange anticipated some of the reasonings later put forward by Friedman (1953) in explaining the relationship between economic modelling and real agents’ behaviours. Firms or consumers in capitalist economies do behave *as if* they are maximising their profits or utility functions, but they do not actually carry out any calculation. They get to the same results via “trial and errors” procedures. The same could be done by the planners of the socialist

economy. An initial series of prices of the means of production could have been set almost arbitrarily. The managers of the socialist firms are then given the mandate to maximise profits given the initial set of prices. Any practical mismatch between supply and demand in any market could have been fixed by subsequent adjustments of the prices set by the planners. Still, the socialist economy could have retained a series of advantages with respect to the capitalist one, first of all a more equal distribution of the social surplus (the reward of capital owned collectively by the citizens). In Lange's contribution it is possible to find the theoretical anticipation of many of the reforms that some decades later were implemented in several socialist countries under the label of "Market Socialism" (whether the reference to the market was featured in official documents or not).

Later interventions by Hayek (see, in particular, Hayek 1940, 1944, 1976) raised additional arguments against the "desirability" rather than the "feasibility" of a planned-socialist economy. Hayek claimed that a market system based on privately owned free enterprises is superior to a centrally-planned economy due to its unrivalled ability in collecting and using the information dispersed among millions of different individuals. No central planner could hope to match the information management performance of a spontaneous decentralised order.

The contemporary calculation debate has developed in three directions:

- a) a reassessment of the "feasibility" arguments centred on the practical difficulties of calculation in a socialist economy;
- b) a continuation of the "institutional" debate on the merits of a spontaneous-decentralised system as opposed to central planning;
- c) a historiographic dispute on the contents, the remit and the "right interpretation" of the theoretical contributions of the original debate.

Cottrell and Cockshott (1993) make a strong case for reassessing the computational difficulties faced by a top-down socialist economy "in the light of the development of the theory and technology of computation since that time [of the 1930s]" (Cottrell and Cockshott, 1993, p.73). Foley has taken this point up and argues that the computational difficulties have been overcome by the development of optimal control theory on one side, and by the computing power of modern computers on the other. Foley states that "Technocratic Socialism" has lost ground in the western world more due to its unpopularity rather than its non-feasibility, hence his proposal of a decentralised socialist system based on the common free use of voluntarily produced resources (2020b; 2020a, see Section 3). Similar conclusions are drawn by Hahnel (2021), who argues that advances in mathematical programming theory and computational capacity of modern technology have made most of the arguments of the anti-socialist side of the original calculation debate obsolete. The problem of central planning is not its feasibility anymore: it is its desirability. In its place, Hahnel champions a participatory planning procedure (which will be discussed more below) to overcome the market mechanism without resorting to authoritarian directives.

Modern mechanism design theory provides a coherent framework to analyse and assess the efficiency of a variety of institutions, or "allocation mechanisms" (Baliga and Maskin 2003, Serrano 2004). Many of the topics addressed by mechanism design theory, from the problems of incentives to the use of information dispersed among countless private agents, were anticipated by the historical calculation debate.

Indeed, as Eric Maskin points out, "Friedrich von Hayek's work was an important precursor to the modern theory of mechanism design" (Maskin 2015, p. 247) as he "had a remarkable intuitive understanding of some major propositions in mechanism design – and the

assumptions they rest on – long before their precise formulation. Indeed, his understanding seems to have been a guiding influence in their formulation” (Maskin 2015, p. 251).

Among these propositions, it is possible to identify two fundamental strengths of the market mechanism for resource allocation. The first is its “ability” to minimize the quantity of information necessary to obtain a Pareto efficient allocation. Mount and Reiner (1974) and Jordan (1982) provided formal treatment of this argument within the mechanism design framework.

The second proposition refers to incentive compatibility. Hayek’s intuition was that no institution can rival the market mechanism in “the extent to which the individual can choose his pursuits and consequently freely use his own knowledge and skill” (Hayek 1945, p. 528). The topic has been addressed formally by Hurwicz (1972), Roberts and Postlewaite (1976) and Hammond (1979), who defined incentive compatibility as a condition in which “agents do indeed have an incentive to reveal the truth about themselves when they take account of the effect of their revelations upon the economic allocation” (Hammond 1979, p. 263). Hammond based his demonstration on two assumptions: a large economy, in which no agent – consumer or producer – has market power since each of them is very small relative to the economy (the large economy assumption corresponds to the large number of participants assumption); utilities and demands as continuously differentiable functions of the agents’ characteristics. Hammond showed that in this environment the only allocation mechanism that is both Pareto efficient and incentive compatible is the competitive market. Makowski and Ostroy (1987) developed the argument further via the characterization of perfect competition based on the principle of marginal product (each individual receives a reward equal to their marginal product) rather than the large number of participants assumption.

A different approach to the same epistemological problem is explored by Adaman and Devine (1996), who try to combine insights from different “sides” of the economic calculation debate. They underline the irreplaceable value of dispersed and tacit knowledge conveyed through the market exchange mechanism. However, they rediscover Maurice Dobb’s “peripheral” and almost forgotten contribution to the original economic calculation debate (Dobb 1935, 1955, 1960), and relaunch his criticism of the “short-sighted” views of agents in an “atomistic market economy”, with particular attention to the coordination of investment decisions. The main institutional outcome of this viewpoint synthesis is given by a “participatory planning” model of socialism. A standard market exchange mechanism drives the allocation of resources within the existing capacity, while specific “negotiated coordination bodies” (Adaman and Devine 1996), that represent a wide range of stakeholders at the industry level (e.g. enterprises, customers, government agencies, major supplying industries, etc.), deal with the decisions concerning future capacity and the structure of an industry’s productive assets. It is this participatory decision-making process that should facilitate a wider circulation of information and mobilisation of tacit knowledge held not only by the entrepreneurs, but by a much larger spectrum of social agents. Other projects of democratic planning are focused on workers’ and consumers’ councils that operate at different territorial levels (Albert and Robin Hahnel 1991a and 1991b, Albert 2003, Hahnel 2021), or on community councils (Gindin 2018). A third area of research in these topics is focused on the original debate and its interpretations. Indeed, it would be fair to say that it is not only possible to talk of an original debate (the one mainly based on the contributions by Mises, Lange and Hayek), but also of an “original” or “traditional”, or “standard” interpretation, which originated from the account of the debate given by Schumpeter (1942), Sweezy (1942), Bergson (1948) and Samuelson (1976). The summary provided in the first part of this section follows broadly this standard

interpretation in emphasising, for instance, some discontinuity between the arguments by Mises and Hayek (e.g. the shift from the “feasibility” to the “desirability” perspective in assessing the socialist economy).

Don Lavoie (an economist of the Austrian school of thought) challenges what he considers a “non-innocent reading” of the debate spread by “neoclassical theorists” (Lavoie 1981, p. 72). He denies the idea that Hayek (and Robbins) “retreated” from Mises’s initial standpoint that socialism would have been unfeasible due to the impossibility of a rational economic calculation. Lavoie underlines the continuity between Mises’s and Hayek’s criticism of a socialist economy developed through a dynamic analysis as opposed to the static equilibrium analysis embedded in the neoclassical model. From this perspective, Lange’s response – based on a static general equilibrium model-like argument – should be considered essentially off-target. Further contributions in keeping with this “revisionist approach” have followed: Murrell 1983, Shapiro 1989, Temkin 1989, Rothbard 1991.

Camarinha Lopes (2021) counters some of the main standpoints of the “revisionist” version. He argues that it was Lange’s successful endeavour to defend socialism within a neoclassical theoretical framework (the same as Mises’s) that pushed the Austrian school out of the mainstream and explains the change of strategy by Hayek. According to Camarinha Lopes, the popularity of Lavoie’s reading of the controversy has very much to do with “the rise of neoliberalism”, which has seen the socialist economic calculation debate “being fought with renewed vigour” and the “very history of the debate itself [being] weaponised” (Camarinha Lopes, p. 787).

7. SOCIALISM AS A MEANS VS SOCIALISM AS AN END

The vast majority of the models presented so far attempt to translate socialist ideals into a certain set of institutional arrangements. The onus of qualifying the system as socialist falls ultimately on the characteristics of these institutions. A different approach to the problem of the relationship between “ends” and “means” is suggested by Alberto Chilosì (2002, 2012, 2014). After the harsh lesson of the twentieth century, and the failure of “real socialism”, socialism should be “salvaged” as a “social preference system orientated towards equality and social justice” (Chilosì 2012, p. 1). As no institution is perfect (“real capitalism” included), any specific organization of production should be approached through an “instrumental and pragmatic” attitude (Chilosì 2012, p. 4): the only measure of judgment being its ability to achieve certain goals. As long as capitalist institutions (or, better, privately owned capitalist firms) outperform other models of ownership³⁵, for instance in terms of efficiency, it could well be that these are the most appropriate means to realise socialist ends, as given by a certain set of preferences by the public. However, judgments on means are transitory: an institution could be very effective in a particular time and space and less effective in a different context. The evolution of technology, social habits, conditions of life, all contribute to the change of our way of working together. Therefore, what is the best solution for a particular task *now* and *here*, could not be the best solution in the future. Socialism as a means, in the sense of a production system

³⁵ Obviously, there is no consensus on this point among the authors we have covered in the previous sections. For instance, according to Corneo “conventional wisdom takes for granted the superiority of private control of firms, but this belief is grounded in the perceived behavior of owner-entrepreneurs in small and medium-sized businesses. As far as large firms are concerned, claims of such superiority are far-fetched” (Corneo 2017, p. 277).

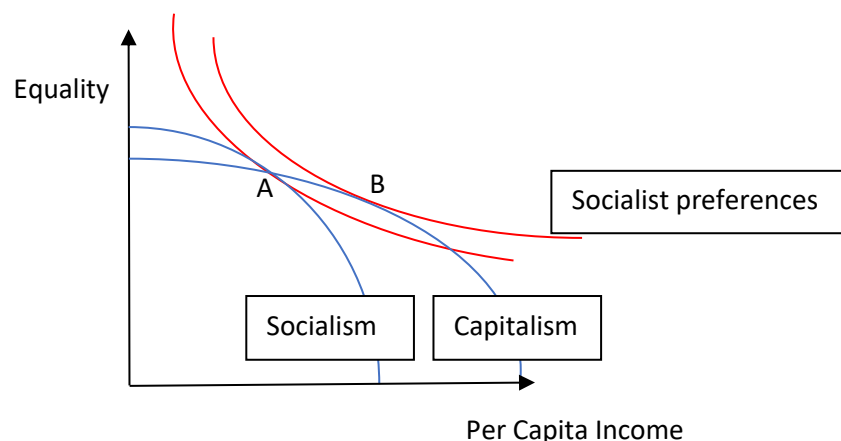
widely based on state-owned enterprises, could “come back” as a viable alternative to serve socialism as an end once it has proved itself *relatively* more effective (relative in the sense of “in comparison with others”, for some specific objectives).

The policy implications of this open-ended view of the means point to an evolutionary perspective: a pluralistic economic environment should allow different institutions to exist and compete on a level playing field. The fittest would prevail for some time, before another one takes over. A similar evolutionary approach is shared by Corneo. Once the Federal Shareholder – the main pillar of his socialist project – is established a “market-driven selection process would follow that would lead in time to an optimized partition” (Corneo 2017, p. 277) between the public sector and the private sector. “Given a level playing field where both forms of governance could compete” (Corneo 2017, p. 277), higher levels of efficiency and profitability would allow the best performing sector to thrive and expand.

To some extent, the distinction between socialism as an end and socialism as a means, together with a call to focus on the former rather than the latter, can be traced back to very early stages of the socialist movement. Eduard Bernstein underlined the importance of the “ethical foundations” of the socialist ideas. Marxist determinism was the effect of the enduring influence of Hegelism on German cultural life. However, an alternative philosophical foundation for Marxism and for the socialist ideals could be found in Kant and his ethics. We have already seen in Section 5 an example of application of a Kantian approach in contemporary socialist literature (Roemer 2021). At its origin, the Neokantian approach valued the moral arguments in the call for socialism and challenged a philosophy of history that assumed the collapse of capitalism as the inevitable results of its intrinsic contradictions. A famous sentence by Bernstein is often quoted as the epitome of this Neokantian revisionist course: “The final goal of socialism is nothing to me, the movement is everything” (Bernstein 1899, p. 190). Despite its apparent dismissal of the “aim” in favour of the “movement”, this concept is actually an invitation to reject any institutional fetishism (the focus of socialism as a means, in Chilosì’s terminology, or a specific economic model) to favour a “instrumental and pragmatic” attitude towards the political and economic arrangements that should facilitate the achievement of socialism as a system of social values (socialism as an end).

When socialism is regarded (also) as a set of preference, the following diagram represents the coexistence of capitalist institutions and socialist ends within a typical trade-off between equality and efficiency (per capita income) as presented by Chilosì (2015, p. 16):

Figure 2: Socialist preferences in a capitalist world

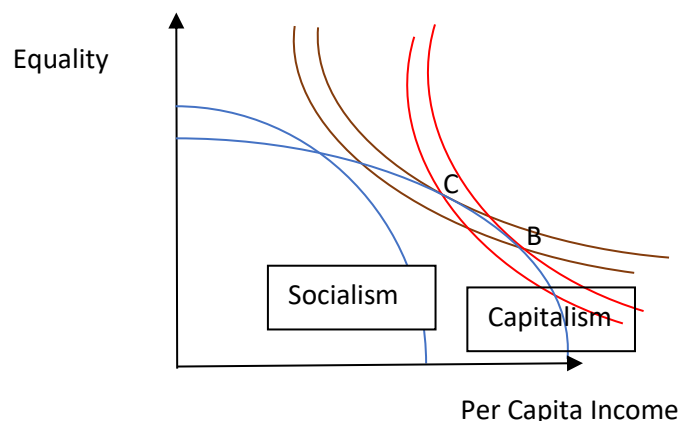


Even with rather equalitarian, or socialist, preferences (meaning: rather flat indifference curves), it could be possible for the optimal point in terms social utility to lie in B, on the capitalist “social goals productions possibilities frontier” (meaning: capitalism as a means). Chilosi acknowledges that the shape of the indifference curves could be “system-specific”: citizens change their worldview in accordance with the social environment they live in. Yet to obtain an optimum on the socialist frontier we would need extremely flat curves, and

“according to the experience of the socialist countries, even there the degree of socialism preferences has not been strong enough to compensate for the reduction in the average living standards and in the scope of consumer choices, in relation to those believed possible in the long run with a different system” (Chilosi 2015, p. 16).

We would then like to put forward an additional development within Chilosi’s theoretical framework: in the matter of social justice, the shape of the indifference curves could be influenced by the actual position of the social institutions on the possibility frontier rather than the system *per se*. This would explain the “law of the pendulum” that so often characterises the ebbs and flows of political and economic thought. And this could also be behind the latest resurgence of the concept of socialism. Societies tend to take for granted the achievements that have been acquired and long for change, aiming to fix the most urgent problems of *their* time. They reshape their preferences accordingly. Different problems and different urgencies to be addressed in the future, would again shift the order of priorities. The following graph should help to illustrate the point:

Figure 3: socialist endogenous preferences



Starting from point C (e.g. in 1970), society could move to point B on a higher indifference curve among the red set (e.g. in 2020). The more unequal distribution in point B could then change the shape of the indifference curves. The new preferences set could now be the brown one, and the optimum outcome would be reached coming back to C. This would represent the contemporary shift to socialism in terms of social preferences. In the movement from B to C there could even be a shift of the blue socialist possibilities frontier to the right, so that socialism as a means could offer the basis for a new optimum too. Then a new cycle of ebbs and flows would start again.

Several authors have exposed the limits of traditional micro theory and its treatment of individual preferences as exogenous and independent from the cultural and social context (see the extensive review by Samuel Bowles on “endogenous preferences”, Bowles 1998, or the seminal work by Sen 1977). Modern behavioural economics, theory of cultural evolution and evolutionary game theory all contributed to the development of a better understanding of how economic institutions affect the evolution of individual and collective preferences. However, the effects of capitalist or market institutions on preferences, values and behaviours are usually thought to encourage those characteristics that are associated with the *homo economicus* (rational calculation in pursuit of pure self-interest). Evidence from history suggests that paradoxical endogenous preferences can also arise in the realm of political orientations and choices: individuals may *react* to their economic environment by valuing a set of values which explicitly challenges the fundamental social norms of that environment.

The acknowledgment of the temporariness of social preferences should reinforce the call for an “instrumental and pragmatic” approach towards economic institutions championed by Chilosì. And it emphasises the importance of an open and democratic debate on comparative economics.

8. A TENTATIVE ASSESSMENT

This survey has tried to organise the contemporary discussion on socialism through a cluster of recurrent themes. However, it has become evident that it is not always easy to clearly define the boundaries between these themes, and several authors deal with issues that cross the thematic groups transversely.

Virtually all contemporary projects of socialism emphasise the importance of participation, redistribution of power and active citizenship. This is a striking difference between the “Classical Socialism” analysed in Section 2 and contemporary socialism. The latter feature absolutely no hint of the necessity of a “dictatorship of the proletariat” as discussed in Marx’s or Lenin’s writings: see, for instance, Marx’s *Critique of Gotha Program* (1875), or Lenin’s *State and Revolution* (1917). Those ideas were at the origin of the political post-revolution institutions, or at least the main source of the formal legitimisation of that system in the name of an outright alternative to “bourgeois democracy”. Nowadays, even among those authors who question the quality of contemporary political arrangements, the direction of the change advocated is towards further “democratisation” of existing institutions. No temporary suspension of political rights traditionally enjoyed by citizens in modern liberal democracies is propagandised. Equally, there is no mention that belonging to a certain social class or political party should be the basis for any kind of political discrimination.

In Marx’s political philosophy the post-capitalist world should overcome the division between state and civil society: until this separation is not overcome, the identity of a man as a “citizen” will always be in conflict with his identity of a “member of a community”. According to his first identity, he belongs to a reign of equality. Yet he is an “imaginary member of an illusory sovereignty” (Marx, 1843, p.154), because he is actually “deprived of his real individual life and endowed with an unreal universality” (Marx, 1843, p.154). A real universality can be achieved only when the two spheres are re-united.

By contrast, in contemporary socialist blueprints a more robust separation of the political sphere from the economic sphere is often considered a necessary condition for further democratisation of the political decision-making process. The latter should be protected in its

autonomy from the influence of the power of the big players in the economic arena, {see Honneth (2017), who follows the lesson of the seminal work by Jurgen Habermas: “*Theory of Communicative Action*” (1981)}. Rather than a re-unification of the social spheres that have been separated by the Modern Age, what is needed is the Lifeworld (*Lebenswelt*) to be “decolonised” from the economic system (Habermas, 1981).

This feature of contemporary socialism fits well with the growing demand of the citizens to “be listened to” and not to rely exclusively on traditional intermediation systems (i.e. traditional political parties) within traditional democratic processes (i.e. elections of members of parliament at regular intervals). In this sense, the radical message of contemporary socialism does not mark only a discontinuity with respect to “classical socialism”, but also with respect to the practices, liturgies, and participation devices of contemporary liberal democracies in the western capitalist world. This approach, at least in theory, could offer a progressive alternative to right-wing populist movements that in recent years have voiced the discontent of the so-called “left-behind” (Sandbu, 2020).

From an economic-institutional perspective, contemporary socialism is pragmatic, empirical, and flexible. It does not claim an unconditional and ideological opposition to private property of means of production like “classical socialism”. At the same time, it is far more open than most contemporary progressive movements to explore original propriety forms and outright public or state ownership of firms.

In the classical system the elimination of private firms – even when it has not been practically implemented to a complete degree – was an end. If “exploitation” is what characterises the work relationship when the means of production are privately owned³⁶, it is evident that a society that wants to put an end to the exploitation of man by man should get rid of private firms completely, irrespective of their size (with the exceptions of family enterprises or self-employed businesses, where workers and owners are in fact the same people). That is not the case in contemporary socialism: private ownership needs to be abolished only when – and insofar as – different institutions can better serve intrinsic values such as democratic participation, equality and the freedom of pursuing a meaningful life.

Regarding markets, different attitudes have emerged from the survey. Historical socialism has been built on a strong faith in central planning. In turn this faith has its roots in Marx’s vision of a post-capitalist society. As is well known, Marx and Engels never provided a detailed description of what a socialist society would look like, as it would have been somehow the “unforeseeable product” of the historical development of the capitalist society and its productive forces. Yet it was clear in their writings that socialism would be a system where “united cooperative societies are to regulate national production upon a plan, thus taking it under their own control, and putting an end to the constant anarchy and periodical convulsion which are the fatality of capitalist production” (Marx, 1871, p.335). Indeed, “within the co-operative society based on common ownership of the means of production, the producers do not exchange their products” (Marx, 1875, p.567).

Elimination of markets and pure reliance on central bureaucratic planning is not a feature of contemporary socialist proposals, although some proposals for participatory planning have been outlined in Section 6. Most authors acknowledge the importance of market coordination

³⁶ Even a reformer of “Classical Socialism” like Mikhail Gorbachev made this point clear when he stated: “Private ownership, as is well known, is the basis of the exploitation of man by man, and our revolution was accomplished precisely in order to liquidate it, in order to hand over everything to ownership of people. Trying to restore private ownership means to move backwards, and is a deeply mistaken decision” (Gorbachev 1988 quoted in Kornai (1992, p.445)).

and economic competition to achieve innovation and an efficient allocation of resources. Yet contemporary socialism does not share the prejudice against government intervention that often characterises the mainstream public debate in contemporary capitalist countries³⁷. From this perspective, common ground can be found among those industrial economists that have recently emphasised the importance of state intervention and state sponsored research for technological innovation (Mazzucato 2013), or the need to curb the detrimental effects of competition through intellectual propriety rights and patent laws (Tudoreanu and Kotz, 2020).

Many authors discuss the problem of the “ethos” or the “behavioural preconditions” required for a socialist system to work. The growing attention towards this issue – which in the near future could be the prelude of closer interdisciplinary collaborations across the fields of sociology, philosophy, political science and economics – coincides with the decline of the hegemony of a certain interpretation of Marxist historical materialism in the new socialist thinking. The problem of fostering a new socialist ethics could be ignored – to some extent – as far as a radical or revolutionary change in the production structure was thought to trigger an equally radical change in all the aspects of the cultural “superstructure”. The historical experience of real socialism challenged this vision. And even within the Marxist tradition, new research projects emerged that attributed more crucial and independent roles to the cultural sphere (e.g. the authors of the so-called Frankfurt School). On the other hand, most contemporary socialist projects champion a reformist approach that starts from the existing capitalist economy and promotes the introduction of more and more elements of socialism in it. As socialism has lost its Messianic push, the pragmatic attitude of the new socialist has ushered in a new awareness on ethics and the behavioural constraints of social engineering. All this does not mean that economic interests and economic conditions are considered not to play any role in shaping the *Weltanschauung* of contemporary men and women, and in influencing the way they choose (or do not choose) to live and work together. Still, we are facing a new and original way to understand the old relationship between base and superstructure.

This survey has dealt with economic theory only when it was necessary to shed light on the assumptions upon which some practical proposals are elaborated. However, the paper does not feature any in-depth treatment of important theoretical issues that have been part of the socialist debate from the outset. For instance, we included no reference to the modern discussion on exploitation. Authors whose proposals are covered in this survey do not share the same ideas on the topic. Foley makes exploitation central in his evaluation of capitalism. Romer’s central ethical issue is the justice of the distribution of capital and skills, not exploitation as such. Piketty focuses on income and wealth inequality, but he does not criticise inequality on the basis of exploitation.

There are two reasons why this matter – and more generally any topic of “high theory” – has not been treated. One is quite simple: the constraints of the length of an academic paper forced us to make some choices, and we chose to focus on the more recent developments of

³⁷ The existence of market failures in the case of R&D and basic technological research is a very old topic in public economics, in particular the theory of public goods. It is also part of the curriculum of undergraduate and postgraduate university courses (see, for instance, Stiglitz’s famous handbook “Economics of the Public Sector”, that was firstly published in 1986 and is now available in its fourth edition: Stiglitz and Rosengard 2015). Yet, since the 1980s, the attention of scholars and policymakers has been more often focused on government failures. From this perspective, recent studies on the importance of public investment in R&D strategies mark a significant novelty.

the debate and its more directly practical implications. The other reason should have implicitly emerged from the long discussion we have tried to summarise so far. Contemporary socialist authors hold a wide variety of “theoretical backgrounds” and their visions differ not only in the details on how the socialist economy should work, but even more on how the contemporary capitalist system actually works. At the time of the classical calculation debate Mises wrote:

“It is clear that the political call for the introduction of socialised production neither requires nor can obtain the support of the labour theory of value on the one hand, and that on the other those people holding different views on the nature and origin of economic value can be socialist according to their sentiments” (Mises 1920, p. 30).

Setting aside the specific aversion of Mises for Marxism, this separation between theory and politics that he was championing – but that did not actually characterise *his time* – is today more evident. Socialism has somehow become more pluralistic both from a theoretical and a practical perspective: no concepts are held as ultimate truths in the difficult, long journey towards a more equal, open, inclusive, compassionate, tolerant and democratic society. Many lessons from history have been learned.

Unfortunately, the same theoretical pluralism cannot be found in contemporary economic theory as a discipline, despite some recent progress following several authoritative calls for a change in this direction (Stiglitz 2015 and 2018, Blanchard 2018, Wren-Lewis 2018, Lavoie 2018). We think it would be beneficial for economic theory if the reopening of the debate on different economic paradigms, that could be brought about by the contemporary socialist debate, could facilitate a reopening of the debate on different economic theory paradigms.

9. CONCLUSIONS

In the conclusions of his 1926 essay “Liberalism and labour” John Maynard Keynes wrote that the “political problem of mankind” is made of three components: “Economic Efficiency, Social Justice and Individual Liberty” (Keynes, 1931, p.344). If “the second ingredient is the best possession of the great party of the Proletariat” the first and the second can be better drawn from the Liberal tradition (Keynes, 1931, p.344). That is why Keynes in that essay promotes a collaboration between the Labour Party and the Liberal Party for the future of British politics. A few years later, in Italy, a similar combination of “social goods” is the core of an even bolder attempt of political syncretism. “Liberal Socialism” is the political philosophy put forward by eminent representatives of the antifascist movement such of Carlo Rosselli (“Liberal Socialism”, (1930)) or Guido Calogero (“Difesa del liberalsocialismo”³⁸, (1945)). These ideas were not explicitly embedded in the programmes of any major political party in Italy, but played a crucial role in the writing of the Constitution of the new Italian Republic, which was approved in 1948 with the support of Liberal and Catholic formations as well as Marxist parties (the Italian Socialist Party and the Italian Communist Party).

Contemporary socialist blueprints seem to share with these historical antecedents the ambitions to combine the strengths of the two systems. New versions of socialism are based on a general criticism of purely private propriety of “means of productions” and the distribution patterns that derive from it. Yet they also aim to retain the push for innovation

³⁸ “In defence of Liberalsocialism”. No English translation of this work is available, and therefore we have used the original Italian title.

and self-independence that is considered the main factor behind both the success of capitalist economies and failure of historical "Classical Socialism".

Notoriously, János Kornai was very sceptical of such an approach. He compared this attitude to a visit to a supermarket (Kornai, 1980b). On the shelves of the shop are displayed all "the advantageous qualities of all systems", such as the full employment typical of socialist systems and the organisation and discipline of the western, capitalist factories. The secret for collective happiness and prosperity would be to drop in the trolley all the "optimum components" and melt them into the "optimum system" (Kornai, 1980b, p.156). According to Kornai, that is not possible, as each system must be internally consistent for the elements to bind together and work. That is also the reason why – after an early period in which he has envisaged this kind of reform for the Hungarian economy – he came to criticise "Market Socialism". The arrangement is unstable and doomed to fail, as markets require capitalist "institutions" to work properly. The same view has been held by other scholars on both sides of the systems debate. The Marxist economist Maurice Dobb, for instance, warned the reformers in Eastern countries that "changing an economic system is not like making a cake or a pudding where you are fairly free to mix ingredients" (Dobb, 1966, p.33). The Italian liberal philosopher Benedetto Croce compared "Liberal Socialism" to an "ircocervo", an imaginary creature half goat and half deer: evidently, it does not exist (Croce, 1942).

Contemporary theorisations for a new idea of socialism do not share this scepticism towards combinations of a variety of institutions and political-economic arrangements. If one thinks of historical classical socialism as the only possible socialism, the answer to the question "is socialism back?" should be a clear "no". However, as we have seen, that is not the right way to navigate the current debate. Socialism could come back in the near future as a movement to address the "political problem of mankind" via a deeper "systemic" or "paradigm" approach. If this happens, comparative economics will return to being a matter of comparison between different systems rather than different versions of the same system.