

Political Power, Democracy and Coupon Socialism

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In this essay I will examine the relationship between coupon socialism, as elaborated in John Roemer's *A Future for Socialism*, and democracy.¹ Roemer affirms, and I concur, that the goals of socialists are not simply a certain kind of economic egalitarianism, but have also been concerned with the nature of the state and political power. He specifies this political goal as 'equality of opportunity for political influence'.² More conventionally, socialists frame this goal in terms of radically extending and deepening democratic governance, where 'radical democracy' includes the idea of political equality, but also envisions new forms of political participation, communication and consensus formation. Socialists have generally argued that, although capitalist societies may have democratic forms of government, capitalism in various ways thwarts the full development of true democratic practices. Socialism, then, is viewed as democracy-enhancing for two basic reasons: first, it eliminates certain key mechanisms that undermine democracy; secondly, if socialism is to be effectively implemented and sustained, it requires a significant extension and deepening of democracy. The question I want to address here is: in what ways might coupon socialism facilitate the democratic governance beyond the limits possible in capitalism? In what ways would it neutralize the distinctively capitalist barriers to democracy? And in what ways would its own institutional requirements encourage a process of extending and deepening democratic governance?

In section 1, I will briefly clarify the meaning of the democratic goal of socialists. I will argue that the goal is more than simply equal political influence, but also involves the extension of democratic authority over the economy. In section 2, I will discuss some core concepts in the neo-Marxist theory of power and the state which will help frame the specific analysis of coupon socialism and democracy. Section 3 will explore the ways in which coupon socialism might be

democracy-enhancing with respect to a variety of dimensions of political power.

1 Why Do Socialists Want Enhanced Democracy?

There are two dimensions on which we can judge the democraticness of democracy: (1) the extent to which political power is equally distributed in a population; (2) the range of decisions which are subjected to the democratic decision-making process. The shallowness of capitalist democracy lies not simply in the ways in which money and wealth shape political decision making, but in the ways the protections of private property rights remove certain kinds of choices from the democratic arena.

Roemer strongly affirms the commitment of socialists to the first of these dimensions of democracy, but has an ambivalent attitude towards the second. He argues that

popular or political control over investment . . . is important, but for only two reasons: in a market economy, the markets required to allocate investment efficiently do not exist, and investment has a number of external effects . . . that are not well managed with markets. . . . To state the contrapositive, if there were a full set of futures markets, if externalities associated with investment were small, and if people's preferences were formed under conditions of equal opportunity, I would have little objection to determination of investment by the market, that is, by citizens in the economy determining the rate of investment as a consequence of individual responses to prices.³

This argument implies that there is no intrinsic reason why the allocation of the economic surplus or even more broadly the 'running of the economy' should be under collective control, except for those situations in which democratic control is more efficient than markets (because of the absence of certain futures markets) or those situations in which various kinds of negative externalities of market allocations require democratic control for their solution. Basically Roemer believes that, all things being equal, it would be a good thing if atomized markets allocated everything; democracy should thus intrude only where this does not work. Democratic control potentially can solve problems of market failures.

An alternative perspective, defended by many contemporary democratic socialists, agrees that markets are important and should be allowed because they help to solve various problems in the democratic

control of economic processes, but that democratic control of the economy is itself a positive value. If there were no incentive and information problems, then the best way of organizing much of economic life would be through a deliberative, democratic framework for deciding on investments. However, we know that this leads to lots of problems, and at least some of these can be solved by introducing markets. Markets potentially can solve problems of democratic failures.

It should be stressed that there is a large zone of pragmatic overlap between these two perspectives on the articulation of markets and democracy in the underlying goals of socialists. After all, market failures of various sorts are pervasive and open up a quite considerable space for democratic intervention in economic processes. On what grounds, therefore, can we defend the extension of democratic control in economic practices beyond those mandated by market failures?

One line of argument stresses the ways in which the preferences, and even the operative values, of actors are endogenous to the process by which decisions are made. This is not just a question of the formation of preferences under 'conditions of equal opportunity', but under conditions of democratic deliberation versus atomized private choices. Dialogue and deliberation can change people's minds. Isolated decision making in market transactions, therefore, can lead to suboptimal outcomes because people are not engaged in the settings in which they can be convinced to make other kinds of choices.

The issue of the endogeneity of preferences, however, goes beyond simply the problem of information and persuasion. Being in a deliberative context brings to the foreground issues of other people's well-being and various values beyond one's own self-interest. This is not just a question of hearing arguments and being exposed to new points of view; it is a question of being part of a collective project which triggers different moral codes and priorities. This is also not a question of fundamental transformations of human beings into different kinds of moral agents. Roemer is correct in insisting that we design institutions that accept people as they really are today rather than how they might become under some alternative cultural system. The point is that, even today, the preferences people act on in practice are shaped by the interactions and communications within which they make decisions. People are very complicated as moral agents and simultaneously hold values of generosity and selfishness, the welfare of their loved ones and the welfare of people in the wider community, individual success and collective harmony. Different contexts will call forth or reinforce different sets of these values. Atomized, private

consumption choices in the market will strengthen different kinds of preference orderings than will involvement in more collective processes of decision making in a democratic community.⁴

The issue of the endogeneity of preferences to the process of decision making is related to another common argument for the desirability of democratic over atomized decision-making processes in allocating the social surplus. Atomized market allocations may make it harder to overcome certain kinds of prisoner's dilemmas. The choice of investments in public versus private transportation would be a classic example: each individual serially making autonomous choices results in everyone choosing private transportation, with the result that commuting takes longer than it would have taken if everyone had chosen public transportation. One can, of course, call the traffic congestion resulting from market allocations of transportation investments an example of a 'negative externality', and I assume that this is how Roemer would treat the problem (although perhaps the problem is a missing futures market in uncongested travel). But there is another issue here: the atomized decision-making process undermines the development of assurance game (or conditional altruist) preference orderings which would render the public transportation free riding problem easier to solve. It is not just that with fixed preferences democracy may solve market failures, but that democracy elicits different configurations of the preferences themselves.

The basic underlying principle here is that to the extent possible people should be able democratically to decide issues which shape the fates of their communities. Of course, there are many complications that have to be dealt with to give precision to this idea. Principles of democratic collectivity need to be balanced against issues of individual autonomy and individual rights. The meaning of 'community' needs to be precisely defined. I will not deal with these problems here. The point I do want to emphasize is that this kind of view gives a positive value to the process of democratic deliberation and public dialogue and sees it as desirable in principle for the collectivity to have as much control as possible over the social surplus.

The central question of this essay, then, is whether coupon socialism is a step in the right direction. As a way of organizing property rights, does it enhance the capacity of democratic politics to shape the fate of communities?

2 A Neo-Marxist Conception of Power and the State

To frame the discussion, it will be helpful briefly to review the central claims of the contemporary neo-Marxist critique of capitalist democracy. A useful place to begin is with a sketch of how some contemporary theorists understand the concept of political *power*. If democracy is fundamentally about organizing political power in such a way that people have 'equal opportunity for political influence' then it would do us well to know what we mean by power before we talk about the extent to which it is democratically organized. (What follows is a fairly didactic exposition of neo-Marxist views of political power and social class. Readers familiar with these concepts and arguments might skip to section 3.)

Robert Alford and Roger Friedland, building on the analysis of Steven Lukes and others, have elaborated a tripartite typology of 'levels of power' that will be useful in examining these issues.⁵

1. *Situational* power refers to power relations of direct command and obedience between actors, as in Weber's celebrated definition of power as the ability of one actor to get another to do something even in the face of resistance. This is the characteristic form of power analyzed in various behavioral studies of power. Typically, when we talk about people *having* power, it is this kind of instrumental, situational power to which we are referring.

2. *Institutional* power refers to the characteristics of different institutional settings which shape the decision-making agenda in ways which serve the interests of particular groups.⁶ This is also referred to as 'negative power', or the 'second face of power' – power which excludes certain alternatives from a decision-making agenda, but not, as in situational power, which actually commands a specific behavior. Institutional power is above all power that is inscribed in institutional rules, regulations and protocols which make it hard to place certain concerns on the table, but easy to include others.

3. *Systemic* power is perhaps the most difficult (and contentious) conceptually. It refers to the power to realize one's interests by virtue of the overall structure of a social system, rather than by virtue of instrumentally commanding the behavior of others or of rules which shape the agendas of specific organizations. Systemic power, in Luke's analysis, is power that shapes *what people want*. If the first face of power is the ability to command people in spite of what they want, and the second face of power is the ability to define what wants get on the public table of political deliberation, the third face of power

concerns the very formation of the wants themselves. To the extent that the formation of wants is closely tied to the nature of the social system within which people live it is linked to 'systemic' power in the Alford–Friedland sense.

Alford and Friedland discuss this typology of power using a loose game theory metaphor:⁷ systemic power is power embedded in the fundamental nature of the *game itself*; institutional power is power embodied in the specific *rules of the game*; situational power is power deployed in specific *moves within a given set of rules*. When actors use specific resources strategically to accomplish their goals, they are exercising situational power. The procedural rules which govern how they use those resources reflects institutional power. The nature of the social system which determines the range of possible rules and achievable goals reflects systemic power. There is thus a kind of cybernetic relationship among these levels of power: the system level imposes limits on the institutional level which imposes limits on actors' strategies at the situational level. Conflicts at the situational level, in turn, can modify the rules at the institutional level which, cumulatively can lead to the transformation of the system itself.

Alford and Friedland also relate this typology to common political terms for the degree of polarization in political conflicts: *liberal* versus *conservative* politics constitute conflicts restricted to the situational level, conflicts over moves in the game within a fixed set of rules; *reformist* versus *reactionary* politics are political conflicts at the institutional level of power over attempts to transform the rules within which situational conflicts occur; and *revolutionary* versus *counter-revolutionary* politics are conflicts located at the systemic level of power over which game to play. This does not imply that a change in the 'game itself' cannot be accomplished by gradual, incremental changes in the rules of the game. It is possible that reformist struggles cumulatively could have revolutionary consequences; this is the vision of certain strands of reformist socialism. But it does imply that the stakes are different when the nature of the game is at issue rather than simply rules within a game.⁸

The central thesis of neo-Marxist theories of the state is that at each of these levels of the analysis of power, capitalism undermines democracy by giving advantages to the capitalist class and its interests. The argument for situational power is the most straightforward. Class structures, among other things, distribute resources which are useful in political struggles. In particular, in capitalist societies capitalists have two crucial resources available to them to be deployed

politically: enormous financial resources and personal connections to people in positions of governmental authority. Capitalists are in a position to use their wealth directly to shape the direction of state policies through a wide variety of concrete mechanisms: financing politicians, political parties and policy think tanks; financially controlling the main organs of the mass media; offering lucrative jobs to high level political officials after they leave state employment; extensive lobbying.⁹ When combined with the dense pattern of personal networks which give capitalists easy access to the sites of immediate political power, such use of financial resources gives the bourgeoisie vastly disproportionate direct leverage over politics.

The analysis of the class biases in the institutional level of power grew out of the recognition that capitalists are not always present as the predominant political actors in the formation of state policies, either overtly or behind the scenes. The argument is basically this: the state should be viewed not simply as a state *in* capitalist society, but rather as a *capitalist* state.¹⁰ This implies that there are certain institutional properties of the very form of the state that can be treated as having a specific class character. The idea here is not simply that there are certain *policies* of the state which embody the interests of a specific class, but rather that the very structure of the apparatuses through which those policies are made embodies those class interests.¹¹

Claims about the class character of the institutional level of power involve what is sometimes called non-decision-making power or negative power. The basic argument was crisply laid out in an early essay by Claus Offe.¹² Offe argued that the class character of the state was inscribed in a series of negative filter mechanisms which imparted a systematic class bias to state actions. 'Class bias', in this context, means that the property in question tends to filter out state actions which would be inimical to the interests of the dominant class. The form of the state, in effect, systematically determines what does *not* happen rather than simply what does.¹³

Three examples will help to clarify the idea that state apparatuses can have a distinctively capitalist bias built into them. First, and perhaps the most important property of the capitalist state, as emphasized by Offe and Ronge¹⁴ and Therborn¹⁵, is the institutional rules by which the capitalist state acquires financial resources: through taxation and borrowing from the privately produced surplus rather than through the state's direct appropriation of the surplus generated by its own productive activity. By restricting the state's access to funds in this way the state is rendered dependent upon capitalist production,

and this in turn acts as a mechanism which filters out state policies which would seriously undermine the profitability of private accumulation.¹⁶ Second, the legal rules that 'protect' private property by prohibiting the state from appropriating private property without 'fair' compensation, typically interpreted as market-rate compensation, blocks the capitalist state from acquiring productive resources for democratic purposes. In the contemporary debates in South Africa over land redistribution, for example, the rules of fair compensation act as an enormous constraint on various land reform policies the post-Apartheid government might wish to pursue. Third, as Poulantzas¹⁷ forcefully argued, the electoral rules of capitalist representative democracies, in which people cast votes as individual citizens within territorial units of representation rather than as members of functioning groups, has the effect of transforming people from members of a class into atomized individuals (the 'juridical citizen'). This atomization, in turn, serves to filter out state policies that would only be viable if people were systematically organized into durable collectivities or associations. To the extent that this filter can be viewed as stabilizing capitalism and thus serving the basic interests of the capitalist class, then exclusive reliance on purely territorial, individualized voting can be viewed as having a class character.¹⁸

The idea that power at the systemic level also embodies a distinctive class bias has been forcefully argued by Adam Przeworski,¹⁹ building on the work of Antonio Gramsci. Przeworski writes:

Capitalism is a form of social organization in which the entire society is dependent upon actions of capitalists . . . First, capitalism is a system in which production is oriented towards the satisfaction of the needs of others, toward exchange, which implies that in this system the immediate producers cannot survive on their own. Second, capitalism is a system in which part of the total societal product is withheld from immediate producers in the form of profit which accrues to owners of the means of production . . . If capitalists do not appropriate a profit, if they do not exploit, production falls, consumption decreases and no other group can satisfy its material interests. Current realization of material interests of capitalists is a necessary condition for the future realization of material interests of any group under capitalism . . . Capitalists are thus in a unique position in the capitalist system: they represent future universal interests while interests of all other groups appear as particularistic and hence inimical to future developments.²⁰

So long as capitalism is intact as a social order, all actors in the system have an interest in capitalists making a profit. What this means is that, unless a group has the capacity to overthrow the system

completely, then, at least in terms of material interests, even groups opposed to capitalism have an interest in sustaining capitalist accumulation and profitability.

This systemic level of power does not depend upon capitalists consciously using the dependency of the state on the rate of profit as a political weapon. The issue here is not the threat of a coordinated capital *strike* – the conscious decision by capitalists to disinvest and move their capital abroad in order to thwart a particular political project. Here the argument is that in the mundane, everyday practices of capitalists, acting atomistically in pursuit of profits, they affirm a set of interdependencies with other actors in which their interests will assume a privileged position in the society at large: everyone will want capitalism to thrive. This dependency, then, constrains the possibilities of democratic governance, for policies which seriously impinge on private profits and accumulation are seen as undesirable.

The arguments at the systemic level are in many ways the trickiest to defend rigorously, for some of what looks like a constraint rooted in the private ownership of profits may simply be a constraint rooted in the conditions for production of a social surplus which would exist under any regime of property rights. That is, democratic choices over the acceptable level of pollution must be attentive to the effects of the resource allocations required to accomplish such a level on the future availability of investments (surplus). Zero pollution would probably be ‘too costly’ in terms of opportunity costs, and would thus constitute a ‘constraint’, under any set of property relations. The claim about the systemic bias of capitalist property relations, then, is a claim that such constraints on the democratic allocation of resources are narrower by virtue of the private ownership of the surplus than they would otherwise be.

3 Coupon Socialism and the Three Levels of Power

Let us now turn to the question of how coupon socialism might affect each of these levels of power.

At the situational level of power, coupon socialism would seem clearly to weaken the constraints on democratic governance. Roemer’s own discussions of democratic power mainly revolve around the situational level. Indeed, the rhetoric of Roemer’s initial affirmation of the socialists’ political goal – equality of opportunity for political *influence* – suggests a rather instrumental conception of power. Later, where he discusses his models of ‘public bads’, the emphasis is again

on the level of the public bad that would be demanded by actors with differing capacities to influence state policy.

The reasons why coupon socialism enhances democratic situational power are easy to see. By eliminating concentrations of wealth, coupon socialism contributes to a relative equalization of the resources available to individuals to deploy politically. Even though the actual profit dividend each person receives is not enormous (under Roemer’s calculations), fewer people will have gargantuan levels of discretionary income available to use for political purposes.²¹ Furthermore, the threat of capital strikes and other forms of politically motivated disinvestment is also removed in coupon socialism.²²

What about institutional power? It is less clear how this level of power will be directly affected by coupon socialism. One can imagine a variety of ways of organizing the institutions of political power which would be compatible with coupon socialism and which would, to varying degrees, be democracy enhancing. One attractive possibility would be the kind of associative democracy proposed by Joshua Cohen and Joel Rogers.²³ The core idea of Cohen and Rogers’ proposal is that functionally defined associations of various sorts play an active role in democratic governance, both as vehicles for interest representation and deliberation and as players in the administration of various kinds of public policies. For example, works councils within factories could, on the one hand, be formally recognized associations where various kinds of policy were discussed and from which representatives would participate in various kinds of policy-making bodies, and, on the other hand, be delegated real responsibilities for the monitoring and enforcing of certain policy provisions, such as health and safety regulations. Democracy would be deepened through such associational practices by increasing the forms of citizen participation, enriching the arenas for consensus formation and enhancing the accountability of administrative bodies.

The question, then, is whether, *relative to capitalism*, coupon socialism would make it easier to institutionalize the associative democratic rules of the game. There are several reasons why we might think this would be the case. First, one of the groups whose interests would potentially be most threatened by associative democracy is the class of capitalists. While Cohen and Rogers seem to argue that associative democracy could exist in a capitalist society, strengthening the ways in which popular forces can have a serious voice politically is unlikely to be welcomed by capitalists. Eliminating the class of capitalist wealth holders, therefore, removes a powerful interest opposed to associative democracy.

Second, if the banks in coupon socialism are themselves public bodies which are democratically controlled, as Roemer suggests would be the case, then some kind of associative mechanism is a natural way of organizing the governance structure of banks with respect to their constituencies. The banks in Roemer's model of coupon socialism are meant to fulfill crucial monitoring functions of firms and are also the places where certain kinds of priorities of investment alternatives are decided. One of the strengths of associative democracy is its potential for accomplishing decentralized forms of monitoring and interest representation. Some form of associative democracy in which representatives of firms, unions and community groups sat on the boards of directors of banks would seem to be a natural way of accomplishing these functions.

Third, as envisioned by Roemer, the basic way that more centralized democratic planning of the market would occur in coupon socialism would be through strategic use of interest rate surcharges and subsidies to encourage investment in specific sectors. Since this planning mechanism is linked to the practices of the banks, it would seem that the possibility of coordinating and fine-tuning such policies might be enhanced under institutions of associative democratic governance involving associations of banks and other functional constituencies.

For these arguments to be convincing, of course, details of the institutional design of associative democratic coupon socialism would have to be elaborated. All that I have suggested here is that there is a certain organizational affinity between the idea of associational democracy and the institutions of coupon socialism.

The problem of systemic power gets to the heart of the relation of forms of property relations and political power. Certainly in the Marxist tradition, this is where the real power of the capitalist class lies. The key issue here is the extent to which the day-to-day investment and disinvestment decisions in coupon socialism, compared to capitalism, constrain the policy options of democratic political institutions.

The answer to this question undoubtedly depends upon the institutional details of the way coupon socialism would actually work. Thus, for example, in one place Roemer seems to offer some institutional suggestions which would potentially severely compromise the democratic potential of coupon socialism: 'Foreign investors would not have coupons, of course, but would invest real capital in return for some share of profits'.²⁴ Roemer expresses some concern about this only because 'citizens might use foreign firms as their agents to invest their capital in domestic firms'. He concludes that, 'This would have to be outlawed.' Depending upon the scale and scope of

such direct foreign investment, however, a much more important issue than citizens circumventing the egalitarian norms of coupon ownership might be the recreation of systemic vulnerability of the democratic state to the private investment choices of capitalists. Democratic capacity is enhanced in coupon socialism because deliberative democratic bodies have to worry less about capital flight and disinvestment than under private enterprise capitalism. Direct foreign investment undermines this.

The pivotal institution for the problem of systemic power in coupon socialism seems to be the banks, for the banks make the basic decisions about the allocation of the economic surplus in the form of loans to firms and it is the banks that have primary responsibility for monitoring the performance of firms. Roemer is at pains to argue that the banks need to be relatively autonomous from government control. He fears that if they were too closely controlled by the government their loans would be allocated primarily on the basis of political criteria and thus they would cease to be instruments of profit-maximizing, market efficiency. On the other hand, since the banks are not themselves private firms, if they are not themselves closely monitored there is always the risk that they will have no particular incentive to monitor the firms effectively.

Roemer acknowledges that he has not worked out a solution to this problem, but he believes that a combination of democratically elected boards of directors and a proper incentive structure to managerial careers in the banking industry would solve the problem. If we assume that this problem is solved, then it would seem that coupon socialism with democratically controlled public banks would greatly relax the systemic constraints on democratic state power.

One way of thinking about this is to look at the capacity for sustainable tax rates as an index of the political capacity of the democratic state. A high, sustainable tax rate means that the state can control a significant part of the social surplus without it leading to a declining tax base. This is not to argue that a maximally unconstrained democratic state would necessarily opt for the highest sustainable level of taxation. For a wide range of reasons, a democratic state might choose lower than maximally sustainable taxes. Nevertheless, the scope of democracy is enhanced if the democratic state has the capacity to raise taxes to higher sustainable levels.

It seems likely that the democratic state in a coupon socialism would have considerably enhanced capacities for taxation since it would not face the threat of disinvestment and capital flight in the face of rising tax rates. The main constraint on tax rates would come

from the effect of taxes on labor effort, and accordingly on the level of earnings that constitute the income tax base. While it is, of course, difficult to estimate what is the elasticity of labor supply (or effort) to taxation, it would certainly be less sensitive to taxation than 'capital effort' since most people are neither able nor willing to emigrate to avoid high taxes, whereas capitalists have no difficulty in moving investments to lower tax areas to reduce taxation. In fact, if we assume that people have target standard of livings which they try to achieve, then there would be reason to believe that, up to a point, increasing income taxes might even lead to an increase, rather than a decrease, in labor effort. The empirical experience of the increase in household labor supply since the early 1970s (mainly in the form of increased labor force participation of women) to compensate for declining real wages lends support to this argument.

If these arguments are correct, then the level of sustainable taxation in coupon socialism will be considerably higher than in capitalism. This, in turn, means that the democratic state in coupon socialism operates under weaker constraints in its deliberations over appropriate policies and priorities, and thus would have enhanced democratic capacity.

Coupon socialism is defended by John Roemer as a feasible first step away from capitalism, a first step that accomplishes at least some of what socialists want, particularly in terms of goals of economic egalitarianism. While the details of how this system of property rights would be articulated to a matrix of democratic institutions still needs to be elaborated, it would seem that coupon socialism might be a first step towards significantly deepening and extending democratic politics. Instrumental power would be less subject to manipulation by the wealthy; institutional arrangements for associational democracy would become more feasible and perhaps even encouraged; and the systemic constraints on democracy would be weakened.

Notes

1. John E. Roemer, *A Future for Socialism*, Cambridge, MA: Harvard University Press 1994.
2. *Ibid.*, p. 11.
3. *Ibid.*, pp. 20–21.
4. Perhaps one can call 'self-centered' preferences a 'negative externality' of market allocations. The desirability of expanding the scope of democratic decision making, then, could be subsumed under the general rubric of solving market failures. Such an extension of the idea of negative externality, however, is somewhat misleading, since this is a negative externality of the essential *process* of market allocating rather than of the outcome of the allocations itself.

5. Robert Alford and Roger Friedland, *The Powers of Theory*, Cambridge: Cambridge University Press 1985. Steven Lukes, *Power: a Radical View*, London: Macmillan 1974.

6. Alford and Friedland prefer the term 'structural power' for this second 'level'. All three levels of power, however, are 'structural' in the sense of being systematically structured by and through social practices. The distinctive characteristic of this second level of power is the way it is embodied in features of institutional design, and thus it seems more appropriate to call it simply institutional power.

7. The nature of conflicts within a sport can be thought of in terms of these three levels. Given that you are playing basketball, and given that basketball has a specific set of rules, then different players will have more or less 'power' in the moves of the game – more or less capacity to accomplish their goals (making baskets). Suppose the rule for goal tending was removed. This would enhance the power of very tall players. Given those rules, various strategies would develop to affect this 'balance of power', but it would be tough for many players to ever make a basket. The result is that conflict is likely to be displaced onto the rule-making body to reform the rules. However, so long as the game remained 'basketball', the basic desires of the players would remain oriented towards making baskets.

8. This set of metaphors also suggests that a crucial criterion for evaluating rule changes is the extent to which they alter the 'nature' of the game. Thus, widening the net in soccer is a different kind of rule change from allowing players to pick up the ball and run with it.

9. The focus on these kinds of mechanisms which link the state to the bourgeoisie are by no means limited to scholars who explicitly see their work as Marxist. For example, G. William Domhoff in his many books on the 'power elite' – including *The Powers that Be*, New York: Random House 1979, *Who Rules America Now?*, Engelwood Cliffs: Prentice Hall 1983, and *The Power Elite and the State*, Hawthorne, NY: Aldine de Gruyter 1990 – specifically situates his work in opposition to 'Marxism' (or, at least, to the main currents of neo-Marxism prevalent since the early 1970s) and yet places the networks and resources of capitalists at the center stage of his analysis of the 'power elite'.

10. This linguistic turn of phrase – 'the state in capitalist society' vs 'the capitalist state' – was, to my knowledge, first formulated by Nicos Poulantzas in 'The Problem of the Capitalist State', *New Left Review* 58 (1969), pp. 67–78, his well-known critique of Ralph Miliband's book, *The State in Capitalist Society*, New York: Basic Books 1969. The thesis itself, however, has a long Marxist pedigree, going back to Marx's own work, particularly his analysis of the class character of the state in his discussions of the Paris Commune. This theme was then forcefully taken up by Lenin in 'The State and Revolution', where he argued that because the very form of the state in capitalism was stamped with a bourgeois character, it could not simply be captured, it had to be smashed. For a general discussion of the problem of capturing vs smashing the state, see Wright, *Class, Crisis and the State*, London: Verso 1978, ch. 5.

11. Policies as such could embody particular class interests because actors external to the state with specific class interests were able to impose those policies on the state. That is, if capitalists were always actively present politically and always predominant in conflicts involving *situational* power, then, even if the state itself was a completely class-neutral apparatus, state policies could be uniformly pro-capitalist. The claim that the form of the state itself embodies certain class principles was meant to provide a way of explaining why state policies are broadly consistent with the interests of the bourgeoisie, even when they are not present as the ubiquitous, active initiators of state policies.

12. Claus Offe, 'Structural Problems of the Capitalist State: Class rule and the political system. On the selectiveness of political institutions', in Von Beyme, ed., *German Political Studies* vol. I, London: Sage 1974, pp. 31–57.

13. Offe emphasizes the extremely difficult methodological issues involved in empirically demonstrating such 'negative selections'. The basic issue is being able to

distinguish between things which simply have not yet happened from things which have been systematically excluded as 'non-events' and therefore *cannot* happen.

14. Claus Offe and Volker Ronge, 'Theses on the Theory of the State', *New German Critique* 6 (Fall, 1975).

15. Goran Therborn, *What Does the Ruling Class Do When it Rules?*, London: Verso 1978.

16. Logically, one could have a capitalist system of production in which the state directly owns a significant number of enterprises and uses the profits from these businesses to finance its general budget, thus not needing to tax private capital and wages at all. The fact that with very few exceptions, such as the ownership of Statoil (the North Sea Oil Company in Norway) by the Norwegian State, or perhaps (if they are genuine capitalist states) the oil sheikdoms in the Persian Gulf, capitalist states do not acquire significant revenues this way is not a feature of capitalism as such but of the way states have institutionally developed within capitalism.

17. Nicos Poulantzas, *Political Power and Social Classes*, London: NLB 1973.

18. There is some ambiguity in many discussions of the class character of the state over the status of the claim that a particular formal property of the state, in this case atomized territorial representation, has a particular class character. Some writers (Therborn, for example) seem to suggest that the element in question inherently has a given class character. Others, for example, Chantal Mouffe, 'Hegemony and Ideology in Gramsci', in *Gramsci & Marxist Theory*, Mouffe, ed., London: Routledge & Kegan Paul 1979 or Norberto Bobbio, 'Are there Alternatives to Representative Democracy?', *Telos* 35 (1978) pp. 17-30 suggest that the class character comes from the gestalt in which a given element is embedded. Territorial representation thus has a capitalist character because it is not articulated to various forms of more functional representation and direct democracy rather than because intrinsically territorial representation as such reproduces capitalism.

19. *Capitalism and Social Democracy*, Cambridge: Cambridge University Press 1985.

20. *Ibid.*, pp. 138-9.

21. Since coupon socialism itself does nothing to reduce inequalities in employment earnings, there will still be people with very high incomes that can be used in politics, but there will not be any Ross Perrots.

22. In one place Roemer suggests that coupon socialism is compatible with direct foreign investment in the equity of firms. In such a model, the coupon system only applies to 'domestic' ownership, but foreigners can function as normal capitalists. If a significant amount of capital was invested in this way, then the threat of politically motivated disinvestment by private capitalists would once again become a source of antidemocratic situational power.

23. Joshua Cohen and Joel Rogers, 'Secondary Associations and Democratic Governance', *Politics & Society* 20:4 (December 1992), pp. 393-472 and *Associations and Democracy*, London: Verso 1995.

24. *Ibid.*, p. 82.

Assessments of the Economics of Coupon Socialism
