

# The idea of a liberal socialism

BO ROTHSTEIN 11th December 2023

**Liberalism and socialism have been wrongly counterposed. Connected, they represent a hegemonic alternative.**



**Not forgotten: a bust of Gustav Möller in his Malmö birthplace (Jorchr, CC BY-SA 3.0 DEED)**

For the vast majority, liberalism and socialism are each other's ideological and political opposites. Socialism is considered to stand for state control of society, state ownership and central planning of production instead of allocation through the market economy. And for most people, liberalism is synonymous with the individual's self-determination, the primacy of the market and a limited state.

Socialists generally believe that liberals are insensitive to the inequalities to which the market economy gives rise and place far too much responsibility on the individual when it comes to dealing with social problems. Liberals, on the other hand, believe that socialists underestimate the dangers of too much state power, do not pay enough attention to individuals' rights and ignore the market economy's propensity to grow.

## Carlo Rosselli

Historically, however, a few political thinkers have challenged and sought to dispel this counterposition. One was Carlo Rosselli, who already in 1929 launched the concept of liberal socialism.

Rosselli, who came from a wealthy Jewish family, joined the Socialist Party in Italy early on. He developed his critique of Marxist determinism after the class struggle pursued by the party in 1919-20—amid a massive wave of strikes involving much violence and many factory occupations—brought the country to a situation close to civil war, from which Benito Mussolini's fascists emerged triumphant.

Rosselli gave up a promising academic career to join the anti-fascist movement and, after helping some militants escape, was detained in a prison camp on Lipari, where he secretly wrote his only book, *Il socialismo liberale*.

Translated and published in English in 1994, this criticised the party for ignoring the fact that the working class was in the minority and for giving reactionary forces motives for the illegal political actions that resulted in the victory of fascism. According to the well-known Italian political philosopher Norberto Bobbio, *Il socialismo liberale* became the 'little red book' for him and many others in the resistance movement during the 1930s.

Rosselli argued that the struggle for socialism must be framed by democracy and the rule of law: liberalism's defence of the rights of the individual was the ethical basis of socialism. He condemned the dictatorship established by the Russian Communists and Vladimir Lenin's craze for bureaucratic exercise of power, to which he opposed an economy based on decentralisation and local autonomous co-operatives.

## Become a Social Europe Member

Support independent publishing and progressive ideas by becoming a Social Europe member for less than 5 Euro per month. Your support makes all the difference!

[Click here to become a member](#)

He criticised the 'class against class' strategy of the Third International under Josef Stalin, which lumped 'social fascist' social democrats with the enemy, making unity against fascism impossible. Instead of Stalin's forced collectivisation of agriculture and one-party dictatorship, Rosselli advocated structural social reforms that would increase individual freedom in a civil society.

After more than two years in captivity, Rosselli managed to escape to France, where he created the 'Justice and Freedom' movement, an important part of the opposition to fascism. In June 1937, he and his brother Nello were murdered by French fascists in the spa town of Bagnoles-de-l'Orne. Legal proceedings after the war showed that this was in all probability on behalf of Mussolini. The brothers' funeral in Paris turned into a major anti-fascist demonstration, with more than 100,000 participants.

## Gustav Möller

In Sweden, meanwhile, Gustav Möller was also an original liberal-socialist thinker. A legendary social-democratic politician of the 'second generation', he was minister of social affairs from the early 1930s to 1951 and creator of the cornerstones of the universal Swedish welfare state.

Like Rosselli, Möller was appalled by the effects of maximalist, revolutionary class politics, for him demonstrated by the civil war in Finland, in which the proportionate death toll was at least as high as in the Spanish civil war of 1936-39. In 1918, Möller was sent to Finland by the social-democratic party as one of three mediators. Meeting the leaders of the Finnish social democrats, he sharply criticised violence and abuses by those on the red side, asserting that this meant they lacked the 'moral force' to counter the *bourgeois* reaction. His interlocutors however rejected the mediation proposals and chose to continue the class war—which ended in bitter defeat.

Möller drew the same conclusions as Rosselli from the class conflicts in Italy at the time: the socialist movement must not deviate an inch from parliamentary democracy and the rule of law. He also concluded that it was not possible to build socialist strategy solely on the working class because it neither was nor would become the majority. Instead, the socialist side should seek broader alliances, as the Swedish social democrats were to do with the peasants in the 1930s and later the middle class.

Möller was also very critical of the Communists' preference for socialism as the nationalisation of production. In a famous speech to the Scandinavian Workers' Congress in Copenhagen in 1920, he said of the state's relationship with private firms: 'There is no doubt that when we realise these great plans, we must also solve the problem of bureaucracy. It is of no use to create a state where civil servants sit in the agencies and lead and control production. We have to create other forms.'

His main idea was that production would be carried out by autonomous, self-governing companies, where employees as well as consumers and representatives of a broader societal interest sat on the boards. Entire responsibility for the development of production would lie 'with the company itself'—not any central-planning body.

Although Möller's political career was much longer than Rosselli's and his party was in power, not much of his vision of a socialism built on self-governing companies was realised, stymied by depression and war. When the social democrats adopted a new programme in 1944, he sharply criticised its dilution of a socialist order. In 1946,

by a small margin he **lost a vote** on the leadership to the younger generation in the party, who set aside socialism in favour of a strong welfare state.

Nevertheless, here Möller's liberal scepticism of central government and the exercise of state authority prevailed. The health-insurance system he launched would be administered by locally elected health-insurance funds and unemployment insurance by trade-union unemployment funds. In shaping financial support for small businesses in the 30s, Möller likewise entrusted regional business associations rather than the National Board for Commerce. Many more examples of his avoidance of the strong hand of bureaucratic state power could be added.

## Ownership = control?

Is there anything today that corresponds to the 'Möller-Rosselli' union of liberalism and socialism? If by socialism one means that the power of capital ownership over production should be limited or even ended, then yes: in many countries, more and more companies are **owned and/or controlled** by those who work in them.

As the American economist David Ellerman **has shown**, both Marxism and capitalism are founded on the wrongheaded idea that capital ownership is what in a market economy gives power in production. Capital hires (that is, employs) labour and the capital owners control the business. But in a market economy employees can rent (that is, borrow) the capital needed by the company and then it is they who have power over production. It is thus not capital ownership *per se* that determines power relations within a company but how the 'lease' between capital and labour is constructed—who hires whom or what. This contract theory of power upends what both left and right think about power and capital.

It is astonishing that more than a century of socialist thought has not **confronted** the notion that the owners of 'the means of production' have the right of command in the 'relations of production'. Nationalisation, central planning and, in Sweden, the (failed) 'wage-earner funds' project have not challenged this principle on which capitalism is based: ownership of capital should give the owners—whether individual magnates, financial institutions, central planners or union leaders—the right of command in the production process. Indeed, this is a nice example of what Antonio Gramsci called *bourgeois* 'hegemony'.

Two of the most respected theorists of liberal democracy, Robert Dahl and John Rawls, have taken stances similar to Rosselli and Möller. In *John Rawls: Reticent Socialist*, William Edmundson shows that in Rawls' last writings his previous notion that 'welfare capitalism' would be compatible with his famous ideas of social justice was no longer correct. Instead, he pointed to 'liberal socialism' and/or 'property owning democracy' as prerequisites. As for Dahl, in his 1989 book *Democracy and its Critics* he explicitly referred to Ellerman, arguing that there was no reason why liberals should refrain from pursuing democracy also **within working life**.

Companies owned or managed by their employees through a democratic process have now **been studied** for four decades: they do very well financially, they pay higher salaries and more of the employees are satisfied. They also counteract growing economic inequality by giving employees in addition a share of the return on capital, often as higher **pensions**.

Paradoxically, such companies are significantly **more common** in the 'super-capitalist' United States and conservatively controlled Britain than in social-democratic Sweden. This is because of legislation allowing employees, via a foundation, to buy their company with its future profits as financial security. **Employee Stock Ownership Programmes (ESOPs)** thus do not require employees to risk any of their own money when they take over the company. In the US and also now in the UK, this process is facilitated by favourable tax rules and opportunities for government loans.

Interestingly, this economic democracy via workforce ownership is supported by Republicans as well as Democrats—a positive affirmation of Gramscian hegemony from the progressive side. Almost ten million employees now work in 7,000 such companies in the US, of which more than 4,000 have the ESOP fund as majority owner. A **similar policy** was introduced in the UK in 2014 and more than 500,000 employees now work in some 1,700 Employment Ownership Business (EOB) companies. This type of 'liberal socialism' appears more common in high-technology companies, where the most important asset is not capital provided by owners but rather the competence, creativity and engagement proffered by the employees.

## **Taking democracy seriously**

Politically, liberal socialism differs from standard liberalism in that it takes economic inequality and economic democracy seriously. A liberalism that was also socialist could have avoided the disastrous **neoliberal diversion** of the last four decades.

It also differs however from social democracy in that it takes socialism—understood as the right of employees to **govern their corporations**—seriously too. Such a recognition by the socialist movement in its entirety a century ago would have prevented its hijacking by allying state power to the 'one-man management' which Lenin espoused as avidly as the US advocate of 'scientific management' Frederick Taylor.

Far from being an oxymoron, liberal socialism represents a synergy between the two great enlightenment political strands—for too long running on divergent tracks, to the detriment of both. As Rosselli argued, socialism is liberalism's idea of freedom taken to its logical endpoint.



## **Bo Rothstein**

Bo Rothstein is senior professor of political science at the University of Gothenburg.