Some thoughts on socialism and social democracy

Geoff Bertram, June 2026

In a recent seminar Max Rashbrooke asked a speaker "are you a socialist or a social democrat?" One possible response to that question could be: who cares? But there is serious stuff at stake here, so it's worth addressing the question at some length and talking about the specifics.

In a nutshell, the social democrat believes that the market economy can be harnessed to social ends. Many (perhaps most) socialists belong here, but many do not. Hence social democracy is a subset of socialism.

As I see it, the essential distinction between capitalism and socialism lies in the ownership, control and direction of the means of production (capital equipment including intangibles such as intellectual property). Full-on socialism involves full social ownership and control by collectives – whether decentralised at local level or centralised in the nation state – and deployment of those means of production to serve social ends [wellbeing]. Full-on capitalism involves private ownership and control of the means of production, with all labour performed under the wage relationship, output directed to meet only those market demands that are profitable, and no overriding ethical constraints about distribution, poverty or fairness other than the requirement that the labour force must be reproduced over time to sustain production.

Neither ideal type has prevailed to date in completely undiluted form. So analytically, the issue is the degree of dilution and intermixing. Social democracy as a subset of socialism lies at the point on the dilution spectrum at which the coexistence line has been explicitly crossed: the socialist project is to coexist with the market economy and its inevitable capitalistic tendencies.

A left critique of capitalism has to take a position as to whether the intent is to overthrow the system altogether, or to tame it – domesticating it, from predatory raptor to useful house-cow. Socialism, as already indicated, is a broad church that includes both positions.

The old Labour Party quest for social ownership of the means of production, distribution and exchange ("Clause IV" in the UK party constitution) was a descendant of Marx's vision of a revolutionary overthrow, in which the proletariat would take collective ownership of capital, thereby overcoming the alienation of labour from the means of production. But because the wage-labour relation was never all-encompassing under nineteenth- or twentieth-century capitalism (partly because a large chunk of the economy was operated by small businesses that did not fit the wage-labour model[1]),

[1] See Geoff Bertram and Bill Rosenberg, The changing face of self-employment in Aotearoa New Zealand, 1939–2024, *Labour and Industry* 2026, https://doi.org/10.1080/10301763.2026.2654990 .

and because full-on revolution was usually not a politically feasible option, this was in practice narrowed down to a quest for social control and ownership of just the "commanding heights" of the economy – infrastructure utilities like electricity, gas, telecommunications, and railways, plus some very large heavy industries such as iron and steel.

That laid the basis for a dual-economy model: the nation collectively would own and operate the parts of the economy where scale and market power presented the greatest risk of capitalistic predation and exploitation, while a market economy from which those large-scale beasts had been stripped out would continue to operate along the lines of the textbook perfectly-competitive economy, with profiteering restrained by Adam Smith's competitive process and by socially-guided regulation. The living standards of the population (whether wage-workers or small business owners or people outside the labour force) would be underpinned by (i) welfare-state transfers, and (ii) labour organisation through unions, plus centrally-imposed wage awards and workplace standards.

The balance between public and private ownership and control could be struck across a wide spectrum of possibilities, which led naturally enough to intense doctrinal disputes about where to draw the line. But in general, social democrats locate at the house-cow point on the spectrum, happily retaining the market economy and private property but keeping both restrained within their appropriate spheres by imposing strong regulatory restraints on size of firms and rates of profit, along with a redistributive tax-and-transfer system to limit inequality and poverty.

Social-democratic proposals for the institutions of government differ from the more doctrinaire socialists who advocate full centralised public ownership and control, in that they pay a lot of respect to the principle of subsidiarity. That principle devolves both decision-making, and the operation of restraints on profiteering and predation, to the lowest possible level, where local communities can collectively tackle their local issues while the central government's role is to provide backup, the statutory framework, the system-wide taxes, and the large-scale infrastructural spending, that are best handled at nation-state level.

Postwar Aotearoa/New Zealand provides a good model of this subsidiarity-driven philosophy in action, with its vast array of elected local-government institutions set up as "creatures of statute" to manage the local dimensions of economic and social control: rabbit boards, education boards, hospital boards, electric power boards, catchment boards, borough councils, etc etc. Michael Bassett is dismissive of this array of local institutions, viewing them as inefficient and duplicative; his 1989 public-sector reforms were part of a neoliberal push to eliminate them or turn them into privatised commercial entities. His critique was readily built on anecdotal evidence of the failings of some of the small agencies, but missed the essential point that they were the means by which the central state empowered the citizenry to exercise devolved agency over their own affairs. That gave a sense of ownership and participation that was stripped away as the neoliberal central state withdrew the subsidiarity mandates in favour of a dominant Wellington-based bureaucracy (which itself was then hollowed out in the neoliberal quest to minimise the size and role of government per se).

From a socialist/social democratic perspective, the biggest failings of that old welfare-state structure were to do with the degree of capture of both local and central agencies by self-important white men, and the exclusion of women and Maori. That was something that might have been overcome in a progressive programme of reform – but not a reason for ditching the governance architecture itself, as the neoliberals did.

Now, with the old architecture in ruins, the line of thinking coming from Maoridom through work such as *Matike Mai* is helpful in charting a way forward to a new subsidiarity-based government structure.

The bottom line is that the house-cow model is still a realistic one for the coming decades, as big-corporate capitalism itself decays towards neo-feudalism. The market economy, so long as it is confined to its sphere and prevented from polluting other spheres of social, political and cultural activity, does have serious virtues, and far-left socialist dreams of building an alternative way to organise all of the everyday business of life face the problem that Dr Frankenstein memorably (albeit fictionally) failed to solve well.

Finally, there is the issue of what is meant by democracy – a term that needs quite a bit of unpacking. In the marxist-leninist canon at the far extreme of the socialism spectrum, a "dictatorship of the proletariat" is "democratic" in the sense that (if done according to the ideal model) it gives a decisive advantage in the exercise of political and economic power to, by and for the mass of the population, represented by the party of the masses, to subjugate the forces of capital that continually struggle to reassert themselves.

But the masses are not uniform nor undifferentiated in their interests and desires. The social-democratic version of democracy flows from the Enlightenment values of empowerment and freedom for ordinary mortals (albeit the definition of who is included in that franchise has had to be pushed along continually - men without property, Maori, women, under-21-year-olds, and so on). The risk: a wide franchise electing people to minor governance agencies, combined with devolution of a lot of power and agency away from the national centre, is a prescription that works well <u>only</u> if the centre is ruthlessly effective in preventing reassertion of supremacy by large corporate capital.

That's 1300 words – too much already.

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