
Socialist planning or a free market?

Martin Thomas and David Marsland

Martin Thomas

THE FREE MARKET is a cruel and unequal system. In a whole epoch of human history, nonetheless, it played a progressive role. Now it is possible to do better.

I shall also look at the relevance of the experience of Stalinism to the question of socialist planning

The free market is a system of inequality fundamentally because of one exchange which takes place within it, the exchange between worker and employer.

On the face of it, this is a free and equal exchange. Selling your labour power is much like selling a sack of potatoes.

The difference is that when you sell your labour power, the employer then controls the bulk of your life. He decides what you do with your skills, your energy, and a large part of your time.

He has the power to destroy your health, even sometimes to destroy your life. In Japan, they now have a new word for death from overwork, because it so common.

That is not a particularly backward capitalist country. That is the most dynamic capitalist economy in the world today.

The sale of labour power is not like just exchanging one good for another. It is a fundamentally unequal exchange, and the root of that inequality is that the means of production are in the hands of a small minority.

The free market is also a system of inequality because, built into it, is a varying, but always substantial level of unemployment — that is, a number of workers who cannot even become wage slaves. Unemployment means poverty for those who cannot sell their labour power and insecurity for those who can — for the moment.

It means that the idea of the free market being the best way of enabling individuals to plan their lives is nonsense. All your plans can be destroyed from one week to the next. If you lose your job, you can lose your home. You can lose everything.

The inequality of the free market goes wider than that. The free market system also generates huge inequalities between countries and regions. In the free market system, investment goes where it is most profitable, and that is a place where there is already a good infrastructure of communications, a healthy, educated workforce, good relations with suppliers, ample markets and so on, i.e., a place which is relatively developed economically already.

Thus, in the world today, and for the last 200 years, most investment has gone to the advanced capitalist countries and a few selected areas in the underdeveloped countries. We get huge inequalities at an international level.

The free market is not just an unequal system. It is an inhuman system. I do not think that anybody, given a choice, would say that the millionaires of western Europe and the USA having that little bit extra is more important than feeding the millions of people in the world who live constantly in danger of starvation.

In the free market, money buys everything — and human need buys nothing. If you're hungry, in a free market system, that is no entitlement at all to food. If on the other hand, you are quite well-fed and have lots of money, you can buy lots of food on a whim. Your whim is more important, in the free market system, than the desperate needs of the poor.

Further, the free market system counts or recognises as important considerations only what can be packaged as commodities for individual consumption.

If you have the money, you can buy a house, a car, all sorts of gadgets. You cannot buy a healthy environment. You cannot buy the preservation of the world in a state where it will be safe for our children and grandchildren.

You can buy hospitals full of high-tech equipment, you cannot buy preventive healthcare. You can't even buy decent drains.

The free market is inherently unequal and inhuman. It systematically rejects what is social in favour of commodities for individual consumption. That is a good reason for looking to see if something better is possible.

David Marsland argues that most of the evils of the free market system exist in other known systems, and generally in worse forms. That is true.

But if it is true that poverty on a great scale existed in all previous cultures, I do not think that is good reason for saying that we must stick with what we have today. Poverty has not been eradicated. The living standards of the poor have been going down.

In the US, the average level of real wages has been going down since the 1970s. In many parts of the Third World, real wages have gone down by 25-30% since the debt crisis of the early 1980s. In Eastern Europe and the USSR, there is a mass pauperisation.

Poverty today is not a marginal consideration. Even if you think it will decrease, how many generations are you prepared to see live out their lives in these conditions?

Why did this poverty and this inhumanity exist in previous systems? Until quite recently, the level of human industry and technology was not sufficient to meet the needs of the entire population. If you took what was produced and

shared out equally, it would not provide a comfortable life for all. That was true for thousands of years.

If there is not enough, then either you have an overlord deciding who gets enough and who does not; or you have a more impersonal system such as the market.

Historically, the market was the mechanism which produced progress. It was more progressive than having an overlord decide.

However, the pre-condition does not hold now. If you took the total production of the world now, and divided it up equally you would get an average amount per head roughly equivalent to the average national income of Portugal. The average better-off worker in Portugal is not starving. They are not living in splendour, but they have the basics. There is enough produced to give everybody the basic necessities of comfortable life. That is true now. It was not true before.

Now, the market system was shaped by the struggle for the basic necessities of life. And food and clothing lend themselves well to the use of market mechanisms.

They can be divided into discrete units consumed by individuals. They can be dealt with well by independent market transactions.

The market begins to break down even for housing. It breaks down even more if we look at things that make life more than just physical survival.

In the developed capitalist countries today, the proportion of the labour time of society needed to produce basic food and clothing is very small. That basic production used to take almost all the labour time of society. With modern technology, it takes very little.

It is no longer necessary for our lives as human beings to be dominated by an unequal system shaped by the struggle for the basics of food and clothing. A more equal system, based on democratic planning, is possible.

That new system will require other things apart from productive capacity. It demands that people have formed a habit of working together in co-operative units. It demands that we have a relatively high level of literacy and good provision of information, so that people know what is going on sufficiently to plan.

It requires a certain level of culture and civilisation. It is not possible to plan an economy democratically where the majority of the people are illiterate and do not know what is going on outside their own village — or even if they did know, they would not have the level of education and knowledge to make any useful judgements on it.

It requires a certain level of information and education. It requires also, the will to make society different.

Those preconditions are all created by capitalism, or are functions of capitalism.

I have argued that the free market system is an unequal and cruel system. For a whole epoch of human history, however, it was progressive in terms of what was possible then, but conditions have been created now where something better is possible.

The obvious objection is that the better system has been tried, in the Stalinist states, and those states show the failure of socialist planning.

I would argue that, whatever it was called, Stalinism was not even an attempt at socialist planning. To argue this is not a matter of saying “it went wrong” after the event.

If we look back at the criteria and conditions that Marx saw as necessary for the development of socialism, we see that the practices and models of Stalinism were denounced by socialists long before they were ever put into practice.

If we go back a century to the beginning of the mass Marxist movement, one of its main arguments and polemics was against what they called “state socialism”. They argued against people who thought that socialism meant control by the state, bureaucratic manipulation of the economy and bureaucratic nationalisation like that being carried out by Bismarck in Germany.

Marxists argued, not after seeing what would happen under Stalin, but in the 1880s and 1890s, that “state socialism” had nothing to do with their socialism.

Socialism, they said, was about democratic planning controlled by the working class. Bureaucratic planning, contrary to the interests of the workers, was anti-socialist. They did not even give qualified support to Bismarckian nationalisations, let alone see them as socialism.

Marxists further argued that the idea of developing socialism in a single country, particularly in a backward country, such as Russia was in 1917, was out of the question. Socialism could only be developed on the basis of the most advanced capitalism, and in a much broader framework than a single country.

Again, that argument was not a get out after the experience of Stalinism. It was argued before anybody in the socialist movement had ever heard of Stalin or Stalinism.

Finally, when Stalin launched into his Stalinist economic policy — and at the start, not after seeing the results — Trotsky and other Marxists condemned the policy as bureaucratic, over-centralised, and foolish in its attempt to do away with market mechanisms far too quickly.

Socialist planning does not mean that we want to do away with free markets straight away. We recognise that the free markets played a huge role in human development, and cannot be dispensed with overnight.

After a socialist revolution we will have to use markets quite considerably. It will take generations to eliminate them.

On the basis of the evidence, Stalinism was not an attempt at socialist planning. It was bureaucratic planning. It was a form of economic organisation which — Marxists had argued long before — represented no advance over capitalism.

Moreover, Stalinism was shaped not by socialist ideas, but much more by economic competition with and emulation of the capitalist West. Stalinism was trying to develop the industry of the Soviet Union in competition with that of the West.

If we want to give credit or discredit for shaping the Stalinist system to socialism or capitalism, then the discredit must go to capitalism.

If socialist planning is nothing to do with Stalinism, how then do I define it? What would socialist planning be, if not state socialism? From a socialist point of view, the main purpose of socialist planning is quite different.

Stalinist planning was about industrial development in competition with the capitalist world. Socialist planning is not primarily about faster economic growth. It is not even primarily about increasing control over the economy. It is primarily about decreasing the control of the economy over human lives.

Up to now, economic affairs have dominated human life. For a whole epoch, the low level of technology and industry meant that the struggle to get the essentials of life had to dominate human life. Under capitalism it doesn't matter if enough of this or that is produced. There is always a drive for more profit, for this or that new profitable line of production, for increased pressure on the worker to work more.

In Japan, they have the most tremendous technology, and they could produce the basics of life with a relatively small effort. It would be possible for people to have a relatively leisured and dignified life.

Despite that, something like 70% of Japanese workers say that they constantly feel physically exhausted and mentally exhausted. That is their lives. Their lives are dominated by being exhausted for the sake of profit.

Socialist planning is aimed at ending the dominance of economic concerns over human life. How is that to be done?

The first thing is to cut the working week to a level which enables everybody to have free activity, not to have their lives dominated by what an employer tells them all to do still less by what the state tells them to do!

We must reduce the drudgery necessary to produce the basics of life. We cannot do away with drudgery but by mechanisation and automation we can continue the process already developed by capitalism, of reducing the necessary drudgery to a small amount.

We should share that drudgery out equally, so that we don't have some people overworked, some people in idleness and rich, and other people in idleness and poor as under capitalism.

The organisation of that drudgery is the area where planning operates. Socialist planning is not about state planning of people's whole lives.

And even in the area of basic production, we will not be able to plan social needs straightaway. It will take generations before the level of technology, the degree of information and culture, and the spirit of co-operation have developed enough to make the planning of basic economic essentials just an administrative question.

Under socialist planning everybody would be required to do their share of the drudgery. When they have done that they have free time. That free time would not be the enforced idleness of many under capitalism. It would be free time on the basis of having the essentials of life and on the basis of access to education, culture and so on.

It would be free time we could use for study, for sport, for handicrafts, for conversation, for friendship, or if we like just for idling.

Free time — time which is not dominated by economic consideration — is the core of socialism. It would release the time for people to plan their lives decently

They would not have their lives decided by the free market, where your life can be ruined from one week to the next, and not even by your own fault — not because you are an inefficient worker or an idle worker, but simply because of some shift in demand for your employer's products.

That is how I see socialist planning. Is it utopian? That question really comes down to: is human nature sufficiently elastic that it can develop the spirit of co-operation and solidarity necessary for such re-organisation? It is impossible to say yes or no for sure because it has not been tried yet. We will find out whether or not it is possible by trying.

Then the question is, is there a force which will try? Yes, there is. One of the most important and progressive things about capitalism is that it generates the desire to improve society. It does not just generate that desire in general, it generates it in particular among a particular class, the working class.

The working class in capitalist society is the basic toiling class, similar to the toiling classes in other forms of society. But it is also different. It is the only basic labouring class in human history which has developed permanent organisations based on the principle of solidarity.

We are well aware of the deficiencies with which those developments have been marked — the deficiencies of the existing working class movements, the way in which they exist. But in a broad historical view, the remarkable thing is that capitalism generates a class which has this capacity to organise, and consciously to set itself the tasks of firstly changing its conditions within the old society and eventually substituting a new society.

The working class is a class which finds itself all the time, like it or not, in class struggle with the owners of the means of production. It finds itself in that struggle irrespective of what we, or anybody else, wishes.

That class struggle is going to continue, whatever people say about socialism being condemned by the experience of Stalinism. In that class struggle, there is the force which is going to try — as least — to re-organise society on a basis which is not as unequal and as cruel as the free market.

And it is well worth a try.

David Marsland

THERE IS NOTHING wrong in principle or in general with planning. It depends who is doing the planning, what for, and how. Individuals and families absolutely need to plan the personal project of their lives carefully and long-term. It is a primary function of the capitalist ethos and an enterprise culture to encourage this.

Many do, but, alas, too many of us have been discouraged from the need for it by the Welfare State, which pretends to make it unnecessary.

Big Brother does people's planning — for their children's education, for the family's health care, for pensions, and so on — very ineffectively. Only the people whose project it is can plan properly for themselves, since no one else can know or understand their wishes, needs, and situation.

Organisations also need to plan if they are to carry out their proper tasks effectively. The larger the organisation the more difficult it is to plan well, so it should be devolved as far as possible, with the centre handling only strategic planning.

Even then there are difficulties due to the inaccessibility, unreliability, and fluctuating state of relevant planning information. Hence the key role of markets, as a source of information — about demand and consumers' preferences — to assist organisations in their planning.

The crucial importance of the market as a handmaiden to organisational planning is demonstrated by the general inadequacy of planning in organisations operating outside any sort of market. A major reason for the gross inadequacy of planning in health care or in education in Britain is their protection within a top-down, command-mode, state-centralist cocoon which insulates them from the information they need and blunts the awareness of managers of the need to plan.

Thus, quite contrary to the socialist analysis, a market is necessary to encourage long-term, strategic thinking. Only when power is devolved to relevant operational levels — schools, hospital trusts, etcetera — and when at least a quasi-market is established, is rational planning at the level of the organisation feasible.

Planning, then, is necessary for individuals, groups, and organisations, and beneficial provided that relevant sorts of information in terms of which to ground planning decisions are available.

Planning beyond those limited spheres — in state and society — is where the serious difficulties and the key theoretical and political arguments appear.

Both at local state and especially at central state levels grave problems about planning are inevitable, for three distinct reasons. First the scale of activities involved. The larger the context of action, the more problematical planning becomes. Secondly the nature and range of tasks for which the state is responsible.

Generally speaking, the less appropriate for state capacities the tasks taken on by the state, and the wider the range of such tasks, the less effective does planning become. Thirdly, the infeasibility of states operating in a market. State capitalism is a contradiction in terms.

In general terms, wherever states take over tasks better handled by other agencies and a wider rather than a narrower range of tasks, in these conditions the essential planning tasks of the state — and of course there are such, for the internal and external protection of citizens, for relations with the gov-

ernments of other states, and for the management of the law and money — are likely to be handled badly.

Thus at state level too planning is essential and beneficial, but only provided that it is done in a minimal state context, and even then only if it is modest and cautious in the extreme.

In general, subsidiarity requires that state planning should be restricted to tasks in relation to which individuals and groups cannot plan for themselves, and which cannot be handled by organisations independent of the state and operating in markets, preferably real markets.

The grounds for this restriction of the state's planning role are two-fold. First, economic: the state in general plans badly, lacking both the personal involvement and understanding of individuals and groups, and the task specificity and market-driven efficiency of independent, profit-oriented organisations.

Secondly, political: if the state, even a democratic state, is allowed control of planning outside its proper sphere, liberty is bound to be dangerously threatened.

Thus there is a perfectly proper and very important role for planning in a free society by individuals, by groups, by organisations, and by the state as well. However, planning should be located appropriately, and at state level limited to essential modest tasks. The economy narrowly defined should be left largely to independent organisations and the market.

So too should much of the economy broadly defined — the production and distribution of goods and services, which of course includes much of what we have been schooled by socialists to call welfare.

This analysis leaves the state with an important but restricted planning role. The importance of planning by the state, within its proper sphere, is unapologetically acknowledged.

A free society needs a strong, confident state capable of carrying out on behalf of its citizens its vital role — including the planning required by that role — effectively and efficiently in a world of unpredictable challenges and dangers.

Despite this, socialists will read it as an expression of an extreme and intolerable market-orientated ideology. Certainly it goes beyond the level of marketisation achieved even by a decade of Thatcherism. It challenges absolutely the concept of the "mixed economy" of the Butskellite era, which postulated considerable state control and planning. And of course it must seem absolutely unacceptable to real socialists of whatever specific persuasion, as a contradiction of their basic principles.

Yet it is, I suggest, a modest proposition. The supporters of capitalism have never suggested that the market should replace planning entirely, or denied the importance of planning by the state in pursuit of its proper objectives. "Unfettered capitalism" is a socialist concept intended to subvert liberal capitalist societies, not a liberal concept at all.

By contrast, socialists can never in principle be satisfied with controlling or

managing the market. The principled aim of socialism is to supersede the market with alternative mechanisms, expropriate it entirely, and install a planned economy within a planned society. Capitalism requires modest but effective “fettering” of the market: socialism relies on “unfettered command”, that is to say the replacement of the market by planning.

And of course we know why socialists want this. Their analysis exposes markets as inherently inefficient and unjust. It reveals profit as inevitably exploitative. It condemns competition as wasteful and as destructive of the character of those involved in it. It condemns capitalism, defined essentially by profit-driven competitive markets, as incapable of serving people’s real needs, as requiring and reproducing intolerable inequality, and in short as a morally repugnant system serving the real interests of no one save capitalists.

My answer to this socialist challenge to capitalism, and to the demand for comprehensive planning deduced from and justified by it, is two-fold. First a response in terms of theory and principle concerning the feasibility of planning. Secondly a pragmatic and practical response in terms of the demonstrated benefits of markets and the consumer sovereignty on which they rely.

However, there is one logically prior point. There is no need to justify markets in principle or in practice if the socialist critique of capitalism is fallacious or substantially exaggerated. I suggest that, despite the continuing popularity among intellectuals here and in other free societies of socialist ideas, the analysis of capitalism which provides their only justification is erroneous.

The socialist critique manages — despite the patent contradiction involved — to condemn capitalism for sustaining and aggravating poverty, and at the same time for maintaining its illegitimate power by bribing and corrupting the people with the fruits of economic progress.

Perfectly absurdly, as it seems to me, accusations of creating poverty comprise today, as they have for more than a hundred and fifty years, one of the main lines of critique of capitalism.

Yet no civilisation throughout history, no other type of society, past or present — among modern societies neither self-proclaimed socialist societies, nor fascist societies, nor military dictatorships, nor dynastic despotisms, nor revolutionary theocracies, nor any others have succeeded in providing and sustaining such wealth as the tiny minority of capitalist societies have entirely reliably produced. None of these alternative systems has raised the general standard of living of whole populations to the high and continually improving levels which even the so-called poor in Britain take entirely for granted. Only capitalism destroys poverty.

Whether measured in terms of life expectancy, real incomes, distribution of property, leisure spending, or whatever, the material condition of the British population — even in general recession — is good and continually improving.

“Trickle down” is altogether too modest a characterisation of recent improvements in standards of living. Capitalism has produced in Britain a veritable cornucopia of wealth which has cascaded right across society. This has transformed the standard of living and the quality of life in material terms

beyond what was even conceivable except by a tiny minority as recently as 1945.

None of this is contradicted in the slightest by the persistence of economic inequalities, or even by their increase from time to time. Inequalities are required as the engine of the economic progress which increases living standards all round and destroys poverty. They are a major source of incentive, aspiration and ambition. They are also widely accepted in moral terms, and they are in a strict philosophical sense natural, being liberated by capitalism, as Hayek has shown, most notably in *The Fatal Conceit*, as a key component of the market which defines it. Challenge the shifting inequalities of capitalism, and economic progress is destroyed.

Of course this is miscomprehended by capitalism's critics and even by some of its more luke-warm supporters. The Poverty Lobby's spurious identification of economic inequality with poverty, and its dogmatic determination to eliminate by socialistic measures and mechanisms the very dynamic which has rendered real poverty obsolete, are an index of the poverty of socialist analysis and of the timidity of the pro-capitalist intellectuals who are their supposed opponents. Certainly their efforts provide not the slightest justification for believing other than that, as George Gilder has demonstrated in *The Capitalist Revolution*, on the material front at least, capitalism has succeeded and is succeeding triumphantly.

The second line of socialist critique is what I call the "materialist slander". It comes in many distinct versions, but they share a common inclination to find in the styles of life, in the forms of character, and in the values required by capitalism for its success, a gross underestimate and a hideous deformation of human potential.

It is the charge that capitalist culture is altogether and merely materialistic; the claim that competition is inherently destructive, the charge that property divides and subjugates, the accusation that individualism, or at least capitalism's possessive individualism, inhibits co-operation, the critical presumption that economic inequality precludes citizenship and even fraternity; the belief that pursuit of profit inhibits altruism and prevents genuine service; the widespread view even among moderate critics of capitalism that markets destroy community.

Yet most even of the worst features are even worse by a big margin in pre-capitalist and post-capitalist societies. The scope for effective reform and improvement without structural change is patently enormous. Empirical studies of people's lives — as reported, for example, by Gilder and by Michael Novak in *The Spirit of Democratic Capitalism* — clearly and definitely suggest high levels of satisfaction at work, at leisure, and holistically; improving levels of education, sophistication, and civilisation; and consistent movement overall towards a far greater degree of personal and interactional expression and development than we have any right — given a realistic view of the past and of man's infinite capacity for evil — to expect.

Moreover, the supposedly destructive features of capitalism which it is

alleged are responsible for all the problems — property, profit, competition, inequality, and the rest — turn out to be precisely the mechanisms which directly, in and of themselves and indirectly through their sustenance of freedom, are making positive human development possible.

Immigrants flood, where they can manage it, away from all sorts of primitive and evil societies, into capitalist societies, pursuing an escape from poverty certainly, but also and equally freedom, and the dream, which is no mere phantasy, of a good life for themselves and their families in the broadest and deepest sense of the concept of good so far available.

Thus, in material and moral terms alike, even those capitalist societies such as Britain which have been most gravely weakened by socialist intrusions, including especially excessive planning and regulation, are succeeding to a degree which makes the proposal for substituting the plan for the market unnecessary and implausible.

Moreover, on both the economic and the moral front, those central features of capitalism which socialists would displace by installing a planning regime — competition profit, enterprise, and consumer choice — are demonstrably playing a key role in securing this success.

Planning is unnecessary then; but in any case it can't work. This seems to me to have been adequately demonstrated in Hayek's refutation of Oskar Lange's thesis of the possibility of socialist calculation.

Lange claims that all the information available to capitalist entrepreneurs which is necessary for them to make optimal decisions about resource allocation is available in practice to socialist planners. Given this data, they can then plan the socialist economy rationally.

Or as Heilbroner, following Lange, puts it: "A central planning board would receive exactly the same information from a socialist economic system as did the entrepreneurs under the market system". This assumption — strengthened in some quarters recently by developments in information science and technology which speed up the flow of any sort of information and make it potentially much more comprehensive — is required by even the most modest sorts of planning, and is absolutely essential to systematic detailed planning such as would be required to replace the market. Hayek's response is as follows:

"I am afraid this is a blatant untruth, an assertion so absurd that it is difficult to understand how an intelligent person could ever honestly make it. It asserts a sheer impossibility which only a miracle could realise.

"In the first instance: most of the information which the capitalist entrepreneurs have consists of prices determined on a competitive market. This knowledge would not be available to anyone in a socialist economy where prices are not provided by the market.

So far as the particular case of the production function is concerned, the relevant production functions which guide the competitive market are, of course, not (as the theoretical models simplifyingly assume) relations between general, generic categories of commodities, but very specific relations showing how, in

a particular plant under the specific local conditions, changes in the combinations of the particular goods and services employed will affect the size of the output". (*Journal of Economic Affairs* Vol.2 No.3, 1982).

Moreover, even if the information were available — which by definition it cannot be in a socialist society — there is still no way it could be collated and analysed by a planning unit or by a single person or by any other means than the infinite complexity of the market itself. Dispersed market knowledge simply cannot be mobilised centrally.

Even on more modest and substantially oversimplified assumptions about the range and particularity of the knowledge required, such that a kind of "accountancy planning" could be possible, it couldn't work in practice. As Hayek says:

"The mere idea that the planning authority could ever possess a complete inventory of the amounts and qualities of all the different materials and instruments of production of which the manager of a particular plant will know or be able to find out makes the whole proposal a somewhat comic fiction. Once this is recognised it becomes obvious that what prices ought to be can never be determined without relying on competitive markets.

The suggestion that the planning authority could enable the managers of particular plants to make use of their specific knowledge by fixing uniform prices for certain classes of goods that will then have to remain in force until the planning authority learns whether at these prices inventories generally increase or decrease is just the crowning foolery of the whole farce". (Ibid.)

This is why all planning systems — but only some markets — fail. A competitive market system capitalises naturally on a complex interaction of individual decisions which cannot be adequately recorded, let alone reproduced in the abstract by any artificial means. This is why Central Europe, and now Russia and the Ukraine, are simply having to marketise fully.

Without a market, economic decisions are bound to be guesswork and commonly — and cumulatively — mistaken. This is also why rational planning within the Welfare State is so difficult, why state functions which cannot be privatised such as defence are so expensive and inefficient, and why it is at those boundaries between national economies which are not made transparent by free trade that major dislocations of economic efficiency and dynamism occur.

In the absence of a market, there is simply no rational basis available for resource allocation decisions. If a plan, of whatever sort, is used instead, systematic resource misallocation is inevitable. Moreover reactions to the consequences of these errors will multiply them still further, resulting sooner or later in complete economic collapse — in an economic crisis such as socialists have long expected in capitalist societies but actually occurs only in socialist societies, or at least in those societies which have defined the competitive market as the essential characteristic of capitalism and replaced it by the plan.

Even the much more modest and commonsensical notions of planning typically recommended by socialists in Britain — for example organising the health service either nationally, or even regionally, in terms of prescriptions

derived other than from a market, or distorting the natural flow of regional investment in order to supposedly protect economically weaker regions — are subject to the same fundamental errors. Socialist planning, however desirable it might seem to be, is simply not on.

In addition to these problems of principle about planning, there are also grave practical difficulties. I can best make what I mean clear by spelling out the reasons why market systems — that is to say, modes of organising the production and distribution of goods and services which are responsive via prices and profits to consumer sovereignty — are generally effective.

All the eight advantages of competitive markets I will spell out are matched by correlative disadvantages in any non-market planning system. Similar disadvantages would also of course appear as a result of private monopoly, though these are worsened by state monopoly, and worsened further again by the comprehensive state monopoly of a planned socialist society.

Sooner or later private monopolies are defeated by innovative competitors. A state monopoly, by contrast, will persist — and grow progressively more inefficient — until the state can no longer afford it either economically or politically. A socialist society — a planned monopoly of planned monopolies — will simply go on and on, getting worse and worse at everything, until it collapses.

In the absence of free markets:

- * Prices go up or fail to reduce.
- * Supply is reduced and shortages follow.
- * Innovation is blocked.
- * The quality of service is reduced.
- * The state incurs costs — for running nationalised industries or for subsidies — instead of benefits from taxes.

Why does this happen? The main reason is because the only alternative to a competitive market — the only other way of organising the production and distribution of goods and services — is a command system. The central planning essential to a command economy simply cannot, in its nature, answer consumers' needs effectively as a competitive market system in most cases can.

There are eight reasons why this is so.

1. Consumer tastes and needs vary over a wide range and unpredictably. Only markets, that is to say, mechanisms specifically answerable to consumer demand, can address this variety effectively.

2. Consumer tastes and needs are subject to rapid unpredictable change. Only markets can adjust with reliable rapidity to such change.

3. Entrepreneurs and technologists tend — unless they are prevented — to produce innovations and improvements. Only a market answerable to consumer preferences allows reliably for effective testing and implementation of such improvements.

4. Only those forms of organisation of the production of goods and services which are oriented to consumer preferences and subject to consumer sovereignty are likely, through competition, to minimise costs and prices.

5. Only those forms of organisation of the production of goods and servic-

es which are oriented to consumer preferences and subject to consumer sovereignty are likely, again through competition and the effects of prices, to reduce waste and more generally to maximise efficiency.

6. Only consumer sovereignty is capable of determining optimum levels of investment and expenditure. In its absence investment and other expenditure is likely to be artificially and damagingly either held down or exaggerated.

7. Only consumer sovereignty within a competitive market prevents the need for excessive and dangerous political controls, ramifying bureaucracy, and rationing in one form or another.

8. Only organisations which are answerable to competitive markets and consumer choice are capable of resisting exaggerated trade union demands.

For all these reasons, a market, involving real competition between a number of producers and suppliers of goods and services, is likely in most cases to be superior to any command or planned economy in delivering the quantity and the quality of what people want.

The states belonging to free societies need to plan if they are to do their proper work effectively. However, this should be modest in scope and scale, cautiously handled, and limited to the decisively restricted sphere of operations which are appropriate to the state in free societies.

Any extension of state planning beyond these limits is bound to be both ineffective and counter-productive. Extension of state planning as a counterweight to or a substitute for the normal and natural operation of the free market cannot in any circumstances be other than gravely damaging to the real interests of the whole population.

When liberal capitalist societies like Britain are faced by recession, or challenged over the longer term by successful competition from other nations, there is a powerful temptation to believe that state planning and state intervention can provide an antidote. All our experience in Britain since the War refutes this optimistic notion. Interference with the market, however modest and well-intentioned, simply makes things worse.

The real answer is not more planning, but less, not an increase in state intervention, but a radical reduction. The success of the British economy depends entirely on the capacities of entrepreneurs, managers and workers to invent, produce and sell products and services at a profit on the global market.

I have argued here that, beyond very modest parameters, planning is unnecessary, infeasible in principle, and ineffective in practice. It may seem that the progressive application of human intelligence to social affairs must inevitably counsel adoption of a comprehensive planning mode in relation to every sort of human problem. This is how it is being argued currently, for example, in relation to environmental problems and "green" issues. But in this important instance and generally this conception is mistaken.

Human intelligence and advancing knowledge ought, on the contrary, to advise us that the market is a powerfully productive institution, evolved naturally over generations, with which we should interfere as little as can be managed.

The better part of intelligence is to marvel at the market's gifts to mankind, to protect and facilitate its operations, and to resist the impatient clamour of the planners tooth and nail. The commitment of socialists and others to planning is indeed, in Hayek's memorably precise phrase, a "fatal conceit".

Martin Thomas

CAPITALISM ENCOURAGES AND allows individuals to plan for themselves; socialism means planning by Big Brother, which is unfree and anyway does not work. So David Marsland argues. In fact planned co operation on a large scale was introduced into human life by capitalism, not by socialism. Modern methods of production involve intricate networks of cooperation linking thousands of people. Under capitalism all that planned cooperation is shaped and regulated by the competing drives for profit of a minority of wealthy owners; and the planning is done despotically, from above, by those owners. Working-class socialism certainly does not mean replacing "unfettered command" by private capitalist owners with "unfettered command" by the state.

It means making the planned cooperation social and democratic; and regulating it so as to provide for every citizen comfort, security and, by cutting work time, free time.

David Marsland argues that planning on such a large scale cannot work. The central administration cannot conceivably gather all the relevant information fast enough. A market economy, by contrast, provides information where it is necessary in a decentralised way.

There is some truth in this argument. In the dispute which David Marsland cites between Hayek and the maverick socialist economist Oskar Lange, I think Hayek was right. Lange's scheme, where the socialist administration is supposed to act like a socialist version of that theoretical fiction of academic economics, the "Walrasian auctioneer" who simultaneously finds prices to balance supply and demand in every market, is unworkable.

But Lange was a maverick. Marxian socialists have long argued that, because of the difficulties of centralising information, a workers' government would have to combine broad strategic planning with the use of markets (real markets, not Lange's pseudomarkets) for a long time.

Only the broad patterns of investment, social provision, and income distribution would be planned. Not all that planning would be centralised, any more than big capitalist corporations do all their planning in their head offices.

There would be tensions in the combination of planning and markets. A lot of experience from capitalist societies, however, shows it would be workable. Some highly successful capitalist systems, such as Japan's or South Korea's, have had effective government planning of major investment. It has been capitalist government planning, done bureaucratically, undemocratically, corruptly, and in the interests of profit. There is no reason to suppose that democratic planning would be less workable.

And then the working class, the great majority of the people, would no longer toil only to enrich the top 10 per cent, who in Britain own 53 per cent of all marketable wealth and almost all land and shares. Everyone could have a decent job, and the excess of what the workers produce over their own direct consumption would go to social provision and to socially-controlled investment.

We could get rid of the vast waste and duplication arising from capitalist competition — and its offshoots, such as advertising, excessive packaging, and so on — and economise on the labour currently used to provide luxuries for the rich. Cutting the competitive drive for profit would also cut the roots of conflict between nations, and open the way to redirect the huge resources currently spent on preparations for war.

We could ensure decent public services, health, education, child-care, transport. With improving technology, the working week, and thus the control of the economy over human life, could be cut, to allow free time for a society which is a free association of free individuals.

How fast the use of markets could be reduced, and when and how it could be reduced to nothing, is a more difficult question. That reduction, I think, presupposes that the burden of drudgery to meet our material wants is cut to a low level, and that those material wants themselves become stable and are satisfied. As Trotsky put it, it awaits the time “when the steady growth of social wealth has made us bipeds forget our miserly attitude towards every excess minute of labour, and our humiliating fear about the size of our ration”.

The argument of Hayek, and other apologists for capitalism, rests on the axiom that it will never be possible to remove that “fear about the size of our ration” — that it is unchangeable human nature always to want to consume more, sooner. A competitive scramble for rations is therefore inevitable, and the market is a more flexible, dignified and efficient way to organise it than policemen and queues.

That argument, to my mind, is circular: it takes the patterns of behaviour shaped by capitalist economics, calls them human nature, and then triumphantly concludes that capitalism fits human nature! Obviously no one can say for sure when, or if, a cooperative commonwealth could erode the anxious greed for property bred into us by capitalism. But even if it never could, even if socialism could never get beyond an uneasy compromise between democratic planning and markets, we need to get rid of capitalism.

For David Marsland’s claims for capitalism do not stand up. The best gloss that can be put on his claim that capitalism encourages and allows individuals to plan for themselves is this: that the market informs those individuals of the limits put on them by the need to fit into a society based on large scale cooperation (as capitalism is), and does it in an efficient way, allowing the individuals to make dignified choices within those limits.

If that claim be true, it amounts only to saying that the market is a good way of telling workers that they are condemned to scrape by, in a life of drudgery and worry, largely shut out from access to the wealth and culture built on their

labour. No doubt the discipline of the market is preferable to the slave driver's whip, and it does leave the worker a choice about how to scrape by.

But capitalism disrupts workers' plans for their lives even within those limits. With high interest rates and unemployment, some 80,000 people lost their homes last year through mortgage repossessions; there must have been hundreds of thousands who avoided repossession only through desperate scraping by. Any plans you make in a capitalist economy can be ruined from one day to the next when you are thrown out of work; and millions are thrown out of work, forced on to the dole queue or into marginal jobs, all the time.

Marx put it like this: "The sphere of commodity exchange is a very Eden of the innate rights of man. It is the exclusive realm of Freedom, Equality, Property, and Bentham... Bentham, because each looks only to his own advantage... When we leave this sphere, a certain change takes place in our dramatis personae. He who was previously the money owner now strides out in front as the capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but — a tanning."

David Marsland claims to defend capitalism. In fact he — like all the others who have undertaken the same grim task, Hayek, Friedman, so on — defends only an idealised picture of "the sphere of commodity exchange".

Marx was only half ironic. Free market capitalism as compared to serfdom or slavery does bring a real expansion of freedom and equality. But capitalism is not just a system of individuals making free and equal exchanges in a market-place. Behind that market-place stands a system of production where the worker is unfree and unequal. The apparently free and equal exchange between buyer and seller of labour-power means in fact that in return for a routine pittance, scantier or more ample as it may be, the workers have to labour under the dictatorship of the capitalist and to increase the wealth of the capitalist.

And, real capitalist markets do not correspond with the "ideal" of efficient, reliable balancing of supply and demand. At almost all times outside wars, capitalist economies generate vast armies of the unemployed and marginally employed, people defined by the system as "excess supply" of labour-power. Two and a half million people are jobless in Britain today even according to the government's rigged statistics; the true figure must be well over three million.

David Marsland identifies capitalism with "consumer sovereignty". The idea is that the market, by transmitting signals from final consumer demand, ensures that the economy develops as consumers want.

At best this would mean only that capitalism satisfies the wants which capitalism creates — for our wants are in large part created by capitalism. It is not as if there were wants embedded in human nature, right back to the Stone Age, for BMW cars, Nintendo games, and, for that matter, volumes of Marxist theory, and now at last capitalism has satisfied them.

In fact capitalism does not satisfy the wants which capitalism creates. Signals are sent through the market only by consumers with money, not by human

wants or needs. The whim of the rich is satisfied; the desperate need of the poor is not.

Capitalism does not even satisfy the most basic physical needs of millions. An increasing number of people in the world today — some hundreds of millions — live on the edge of starvation. The poor countries of the Third World are just as much a part of world capitalism, with its patterns of uneven development, as are the relatively rich countries of the West.

Moreover the big strategic investment decisions which shape the course of the economy are not dictated by consumer demand. At best market signals convey information only, about now, not about the time, five, ten or fifteen years away for which those big investments must be planned. Even enthusiastic supporters of free-market capitalism worry about its tendencies to “short-termism”, or going for short-term gains at the expense of the long term.

Social needs which cannot be satisfied by the selling of individual commodities to individual people — such as the need for a sustainable relation to the environment — generate no market signals at all.

The real driving principle of capitalist economics is not consumer demand, but profit. Clearly there are human wants more or less independent of the prevailing mode of production, and those wants influence consumer demand which in turn influences profits; but consumer demand is also shaped and limited by the drive for profit. The market is not the only way to provide people with choice about what to consume. A public library can offer a better choice of books than a capitalist bookshop; a good, subsidised works canteen can offer better choice than a streetful of capitalist fast-food places.

David Marsland argues that “inequalities are required as the engine of economic progress... They are a major source of incentive, aspiration, and ambition.”

In the idealised free-market economy made up of millions of small workshops or farms, this argument would have force. By making sure that the efficient workshop did better than the slovenly one, the market would promote progress.

It is also true that a workers’ government would at first need inequalities. Skilled and conscientious workers would get more than unskilled and idle ones.

But the idealised free-market economy has never existed, and never will exist. Even if it did exist, it would be a cruel and arbitrary system for those many whom it recognises only as “dependents” — those too old or sick to work, housewives, and children (that is, everyone in a large and important part of their lives). And the major inequalities in capitalist societies today have nothing to do with differentials between more and less productive workers.

A series of excellent books — all written by supporters of capitalism — have recently told us a lot about what the rich actually do, and how they get rich. Read *Liar’s Poker*, *Barbarians at the Gate*, or *Maxwell: the outsider!*

People who are very skilled and diligent at caring for children or the old, or educating, or scientific research, or engineering, or even production management, do not get rich.

The skills and efforts encouraged by huge “incentives” under modern capitalism are those of the huckster and the wheeler-dealer. No doubt the skills of

the energetic dealmaker and the fixer will be needed in a cooperative commonwealth, as they are needed in the labour movement today. But why should those skills be rewarded by huge riches? Why do they need to be?

Moreover the evidence is that when those skills are rewarded by huge riches they are corrupted rather than refined. The Robert Maxwells, the John Gutfreunds, the Henry Kravises, the Ross Johnsons, become foolish, self-indulgent despots, if not outright crooks.

Nevertheless, argues David Marsland, "capitalism destroys poverty". He argues this in a capitalist world where 1,500 million people in two subcontinents, sub-Saharan Africa and South Asia, have an average food consumption of only 2200 calories per head, while the World Health Organisation sets the minimum for health at 2600 calories! That the poorest countries often have governments calling themselves "socialist" does not lift the blame from capitalism. From Nigeria to Bangladesh, these are capitalist countries, shaped over centuries by capitalist rule and capitalist trade.

In Britain people do not starve. It seems to me rather sick to give great credit to capitalism for this fact, when technology today allows only five per cent of the workforce to produce more than enough food for everyone.

Even in relatively rich Britain a survey published in June last year found that hundreds of thousands of small children go without enough to eat at least once a month because their parents are short of cash; well over a million have "nutritionally poor" diets. Diseases of poverty such as rickets have reappeared.

Some hundreds of thousands — no-one knows exactly how many — are homeless. Yet David Marsland asserts that "real poverty," is "obsolete", and the illusion of poverty is sustained only by "the Poverty Lobby's spurious identification of economic inequality with poverty".

No-one equates poverty with economic inequality. A millionaire and a billionaire are economically unequal, but the millionaire is not poor. However, a homeless family in Britain today living in a council-provided bed-and-breakfast place is poor, even if their food, their clothing, their amusements, and even the squalid room they live in, would look like wealth to a medieval peasant.

Human beings are social animals. Human life is not just biological survival as individuals, but life in society. To get out of poverty means more than not starving or freezing to death; it means being able to take a normal and dignified part in society.

Capitalism does create poverty. Regularly and routinely, workers are paid no more than the value of their labour power, which is defined by a "living wage" adequate to keep the working class fit for work. Regularly and routinely, workers are poor relative to the riches they produce for the capitalist class and its hangers-on. And, while the averagely paid worker generally scrapes by in modest comfort, regularly and routinely capitalism throws millions out of their jobs. Capitalism cannot work without unemployed people, and without those unemployed people being unable to maintain even a working-class standard of living.

The pauper existence of the unemployed may mean starvation, or it may

mean only discomfort and misery. It matters which. Capitalism modified by reforms imposed by the labour movement is better than unmodified capitalism; liberal capitalism is better than capitalism mixed with archaic or semi-feudal survivals; prosperous capitalism is better than stagnant, backward capitalism.

None of that should make us “marvel at the market’s gifts to mankind” — or tolerate the fact that under capitalism so many human beings have to give up so much of their dignity, their energy, their hopes and their happiness to a cruel and inhuman market.

The debate between Martin Thomas and David Marsland took place at the “Stand Up for Real Socialism” conference sponsored by the Alliance for Workers’ Liberty on 2 November 1991. The tape recording of the summations of Marsland and Thomas at that event was indecipherable. The second contribution here from Martin Thomas was written after the event as a response to David Marsland’s opening speech on 2 November 1991. David Marsland was offered the opportunity to write a response to the response, but chose not to take it up.