

Initial *Negah* Interview: October 4, 2002

1. I do not believe that the collapse of the Soviet Union indicates that planning per se has no role in an advanced industrial (or post-industrial) economy. What it does show, conclusively in my view, is that attempts to centrally plan an entire economy, making no use of markets, are doomed to fail. To be effective, planning must be done in conjunction with market mechanisms, not as a wholesale replacement for them.

I think the experiment with central planning is one that had to be tried. There were theoretical arguments calling central planning into question, arguments to the effect that central planning would be unable to process information efficiently and would introduce perverse motivational factors, but until the experiment had been tried, it was impossible to say with certainty how serious these flaws would be. We can now see that they were indeed serious. Fatal in fact.

2. I do not see the market and planning as inherently antagonistic. It's important to understand these two mechanisms dialectically. Both have strengths. Both have weaknesses. The trick is to get the right mix of planning and market, to understand what needs to be planned directly and what can be left to markets, some relatively unconstrained, some suitably restricted. Effective markets require planning; effective planning requires markets.

In my view it is one of ideological triumphs of capitalism to identify capitalism with "a market economy." In doing so, attention is focused on the least objectionable feature of capitalism. Attention is diverted from the most problematic institutional features.

Capitalism is defined by three major institutions, not one. The market, to be sure, but also private ownership of the means of production and--most importantly for Marx--wage labor. The market is an imperfect mechanism, but it also has real strengths. By keeping the capitalism-socialism debate focused on this question, apologists for capital can keep the dangerous questions off the table. For example: why, in a society that routinely lists democracy as its highest value, is there no democracy at work? For example, why, in a society that routinely lists democracy as its highest value, do citizens have no control over what is done with the social surplus, i.e., with the funds that are used for investment? It is investment, after all, which will determine the shape of the future. Why are investment funds not democratically controlled?

3. I don't think the key issue is central planning versus regional or local or global planning. The key issue is *what* to plan. In my view (as I outline in *Against Capitalism* and in *After Capitalism*) what needs to be planned is investment--not the economy as a whole. To legitimize this control--and because it is more efficient and more rational--a society's investment fund should be generated by taxation, not by private savings. (The capital assets of enterprises should be taxed, and these funds used solely for productive investment.) These funds should then be distributed according to a democratically-determined formula to various regions of the country. (Per capital might be the optimal rule in most cases, at least as a first approximation.) It is vitally important that regions not be required to compete for investment funds. The market may be an effective (if imperfect) mechanism for setting prices and hence distributing goods and services, but it is *not* an effective mechanism for deciding investment priorities or capital allocation.

4. I don't fault Marx for failing to see how markets might be utilized effectively in the transition from capitalism to communism. Marx was, among other things, a scientist. The relevant experiments had not been done. It would have been pointless for him to speculate about the strengths and weaknesses of various socialist alternatives to capitalism. There were no data to which one might appeal.

This, of course, is no longer the case. The twentieth century has been rife with economic experimentation--forms of capitalism, forms of socialism, methods of workplace organization, methods of business financing, etc.. We can now see (I maintain) what Marx could not have seen: what institutions would be most effective in creating an efficient, democratic, desirable socialism.

5. I think it vital to distinguish between a non-utopian socialism, marked by its origins within capitalism, and Marx's ultimate dream of classless, stateless, moneyless society, wherein people work according to ability and consume according to need. Marx's dream is not an impossible dream, but it not one that will be realized within the lifetime of anyone reading this. Our task--Marxist and non-Marxists alike who are struggling to get beyond capitalism--is to bring about, not "the higher form of communism," but a genuinely democratic socialism. This socialism might well serve as a transition to a higher, more fully human, form of society. It almost certainly would do so. Whether that higher form will have all or most of the characteristics that Marx predicted it would have is an open question--which later generations will answer.

6. Given our present state of development, there is no way of efficiently allocating resources that does not rely, in part, on market mechanisms. It is also the case that over-reliance on the market is massively inefficient. Human and natural resources are squandered. Human beings are rendered "superfluous;" our soil, water and air are poisoned. We cannot expect the invisible hand to give us either full employment or sustainable development. Those goals (and not only those) require a conscious and collective *visible* hand. We need markets, but we also need planning. Above all we need a democratic economy.

***Negah*: Follow-up Questions (11/21/02)**

1. I share your view that the market for labor is the most important market for capitalism, and that doing away with that market would do away with capitalism. But what would it mean, to abolish the labor market? The only feasible way, in my view, is to democratize the workplace. This eliminates wage labor. (Workers receive a share of the profits, not a wage.) It then becomes possible to pursue a policy of full-employment. This is not possible under capitalism since the threat of unemployment is the fundamental disciplinary mechanism of the system. It is possible under what I like to call "Economic Democracy," because the incentive to work hard and well is positive, not negative.

That said, I don't want to go so far as to say that wage labor inevitably leads to capitalism. I think a certain amount of wage labor is compatible with a socialist society in which most enterprises, especially the large ones, the "commanding heights" if you will, are democratic--particularly if wage labor is allowed to unionize and is guaranteed some rights to participation in enterprise decision-making. I think the socialist transition-phase from capitalism to communism

will retain a sector of small-business "petty capitalism." I would go even further: it might even contain a full-fledged capitalist sector--but one so constrained that it cannot dominate the political process or the economy. Lenin's NEP embraced this idea.

2. I do not think democratizing the workplace--which is fundamental to a transition out of capitalism--will eliminate alienation. Democracy can be alienating in its own right, particularly if one is on the losing side of the vote too often. So long as we live in a world of scarcity, where the material needs of all are not fully met, where long hours of labor are still necessary, and where fulfilling, meaningful jobs are in short supply, alienation will persist. Unhappiness will persist. But not at the same level as under capitalism--because all these factors can be mitigated by extending democracy to the workplace and to the control of investment (the other key component of Economic Democracy). Mitigated, but not eliminated. Socialism cannot eliminate the material causes of unhappiness--but it can greatly reduce them. It can make life vastly better for millions of people.

3. My answer to the previous question suggests my answer to this one. Although capitalism has increased the productive capabilities of our species beyond anything dreamed of by our ancestors (as Marx and Engels emphasize in the *Manifesto*), there is still much scarcity in the world--even in the richest countries of the world, to say nothing of bottom 80%. This is not to say that we cannot eliminate poverty. We can. In material terms, it doesn't take all that much to insure that everyone has decent health care, a decent education, enough food so as to not be malnourished. (The example of Cuba makes that clear.) We could eliminate poverty if we had in place institutions compatible with our doing so--which we will not have so long as capitalism persists as the dominant order. But eliminating poverty is not the same thing as eliminating scarcity. Marx's ultimate vision is of the latter--a society where everyone's needs were satisfied, and these included not just survival needs but "higher needs"--the needs of our "emancipated senses," cultural goods, adequate leisure, interesting, meaningful work. I don't think it "far-fetched" to think that the human species can one day achieve such a state. I don't think that's an irrational hope. But I don't think it something that any of us will ever see--not an end to scarcity for the six billion of us who currently inhabit this planet. If we're lucky, we'll see the beginnings of a new economic order and maybe even an end to poverty. But an end to scarcity--that must remain for us only a hope--an ideal toward which we must strive.

4. If we provide for basic health care, education, day care, and other social-democratic amenities, and if we have some democratic control over the direction of our development (via control over investment), why not plan all the rest as well? That's your question. My answer is, because "the rest" is a near infinity of goods and services. In an advanced industrial society, individuals consume tens of thousands of commodities and services annually. Look around you. Just think of the things you've used in just one day. I look at my desk, see a computer, a printer, a stapler, a coffee cup, pens, pencils, paper, various books, floppy disks, mailing labels, a plastic box holding index cards, a roll of scotch tape, some magic markers. It's nice to know that if my computer or printer fails, or I want more books, or I run out of any of the other items, I can go out and find what I want in nearby store. They will be there, even though I didn't have to draw up a list at the beginning of the year, detailing what my needs and desires would be, and how I would rank them in intensity. In order to plan effectively--without the mediation of money and without relying on

those "blind" forces of supply and demand--planners would have to get that information from me somehow. The process would be complex and time-consuming, and would likely produce the wrong results as often as not. It's hard to imagine a mechanism that would be more effective than just relying on supply and demand, and on each enterprise out there trying to figure out what consumers want and trying to produce those things as efficiently as possible, motivated by its own desire to make a profit. (Incidentally, a firm need not wait until its bankrupt before reforming itself. Quite the contrary. If things start going wrong, workers in the firm will know at once, since their incomes immediately begin to suffer. They have every motivation to reorganize--and they can get capital from the investment fund to do so.)

I wouldn't rule out the possibility that the market might one day "wither away." If populations and tastes and resources stabilize, so that there's not much shifting around of workers and resources needed to keep the supply of goods in balance with demand, there may come a time when planning could replace the market for everything--although it's hard for me to imagine why one would want to make such a substitution under such circumstances, since the market itself would be tame enough by then. Prices would be stable. Incomes would be stable. Tastes would be stable. Perhaps our decedents will one day decide to scrap the market altogether, for reasons I can't fathom. Perhaps not. In any event, neither you nor I will ever know.

Our historical task is not communism. It's socialism--getting rid of capitalism and replacing it with an efficient and humane social order that checks the horrible destructiveness of the present system. No small task. Perhaps an impossible one. But worthy of our best efforts. It might be inspiring to keep one's eye on an even higher goal, but that shouldn't distract us from the task at hand.