Beyond the Market

There can be nothing more erroneous and absurd than to postulate the control by the united individuals of their total production, on the basis of exchange value, of money.\(^1\)

Central to the Marxian conception of socialism is the idea that it is possible to ‘defetishize’ economic life, to free human beings from subjection to impersonal economic laws, to organize the production of goods and services according to a conscious plan rather than through the blind working of the market. At the heart of Marxian socialism, then, is the vision of a society beyond commodity exchange, the law of value and money. It has been common in recent years for many on the Left to dismiss this view as the stuff of ‘wild-eyed dogmatists’ clinging to a ‘fundamentalist-millenarian’ outlook not worthy of discussion by responsible individuals.\(^2\) Yet the current enthusiasm for ‘market socialism’ as an alternative to Marx’s position too often fails to recognize that there is a serious case to be answered. It has become acceptable to talk about the persistence of commodities, prices, money and profit in a future socialist society without the slightest recognition that one ought at least to acknowledge the powerful case put by Marx against the first market socialists – Thomas Hodgskin, John Gray, John Francis Bray and Pierre-Joseph Proudhon in particular. Indeed, most of this discussion proceeds in virtual ignorance of Marx’s critique of those socialist currents which looked to labour exchanges and labour money schemes as means of transforming the market in an egalitarian direction.\(^3\)

Thus, without even the slightest attempt to clarify the stakes of the argument, Alec Nove tells us that ‘the idea that “value” will not exist under socialism makes no sense’. And Alan Carling, whose species of ‘rational choice Marxism’ often provides a theoretical underpinning to contemporary market socialism, writes that ‘the marketplace really is a free space’ – as if there were not a critique of the market that merits discussion. Similarly, Robin Blackburn commends Proudhon’s ‘greater sensitivity than Marx to the significance of petty production and exchange’ without so much as a nod to the thoroughgoing critique of Proudhon’s muddle concerning commodities, exchange, value and money to be found in *The Poverty of Philosophy*, the *Grundrisse*, *A Contribution to the Critique of Political Economy* and volume 1 of *Capital*. And he proceeds to put at the centre of his account of the crisis of socialism the ‘acuteness of the theoretical critique developed by Mises and Hayek’ of any form of socialist economic planning. Moreover, he fails to note that, in Marxian terms, the Austrian critique represents an extreme case of ‘vulgar economics’ – a perspective which treats human labour as a mere technical factor of production, and the market as the only mechanism for rational allocation of goods and means of production among competing ends – and that this has profound implications for the very way ‘economy’ is conceptualized.\(^4\)

Most market socialists will argue that they do not underestimate the deficiencies of the market system, that they accept much of the Marxian critique of untrammelled market competition. It is precisely to offset the inequalities inherent in market economy that they support public ownership of the principal means of production, a guaranteed annual income, provision of free social services, and the like. At the same time, they will insist, socialism confronts a crisis of economic rationality rooted in its failure to delineate and construct efficient non-market means of regulating the production and allocation of goods and services. Relying on the horrific example of the Soviet Union and Eastern Europe, they will argue that non-market allocation of goods and services has proved grossly wasteful and inefficient. If the basic objectives of socialism are to be salvaged, they conclude, this will require utilizing the rationality inherent in market regulation of the economic process.

It is in this spirit that Alec Nove looks to the market in outlining the features of his ‘feasible socialism’. Nove proposes a competitive market which will generate ‘prices that balance supply and demand, that reflect cost and use-value’. He accepts the necessity of profit, interest and rent, and of a labour market that will determine wage scales. And he argues that ‘value’ will still govern the basic inter-relations of the economy.\(^5\)

Yet this perspective entails much more than a continuing role for some market mechanisms within a socialist economy – if that
were all there was to it, there would be little cause for debate. But the issue is much larger than that: it concerns the implications of an economy regulated by a competitive price mechanism, one in which all inputs into the production process — including labour-power — are priced by the market, since this is the only way in which 'rational market prices' can be formed and goods and services allocated on the basis of price signals to producers and consumers. The issue of contention, therefore, is not the use of market mechanisms within the framework of socialist planning; it is more fundamental than that — it concerns the compatibility of socialism with market regulation.

Much of this chapter is devoted to pursuing this question. Without underestimating the complexities of democratic socialist planning on a national — let alone international — level, I believe that socialists must be clear on the basic issues at stake in such a discussion — and that such clarity has been conspicuously absent in much recent discussion. There is no point jumping into an argument over the technical instrumentalities of socialist economy if issues of fundamental principle are misconstrued. And one of the noteworthy things about the recent 'turn to the market' within much of the Left is that the market has been adopted as a purely technical means of allocating goods and services without consideration of its deeper social and economic implications. Yet before we can make any progress in discussing socialist economy, we must come to terms with first principles.

Let us begin, then, with the basic assumption shared by all market socialists: that the market is the most efficient means of allocating goods and services because of the automatic process through which it sends price signals to producers and consumers about changes in the supply of and demand for goods. Given the enormous number of goods and services produced in a modern economy, and the complexity of gauging their demand and determining the inputs (raw materials, technologies, skills, etc.) required to produce them, efficiency dictates that the market govern their allocation. Thus far, the argument appears innocent enough. But what is usually ignored in such discussions is that an economy governed by price signals is one in which market principles determine the value of all inputs and outputs within the economic process. It follows, as Nove recognizes, that all goods and services, including human labour-power, should be priced through their exchange against a universal equivalent (money). Yet this has consequences that deserve to be explored. And given that the ultra-liberals whose arguments have loomed large in recent discussions of socialism and the market are clear about at least some of the terms of the debate, their argument provides a useful point of departure for our discussion. Let us take Mises's classic anti-socialist statement, 'Economic Calculation in the Socialist Commonwealth', as a case in point.

At the heart of Mises's argument are a number of crucial claims about economic rationality. First, he asserts that 'without economic calculation there can be no economy'. Second, in the absence of such calculation it is 'impossible to speak of rational production'. Third, calculation and rational production are impossible without 'a pricing mechanism'. Fourth, for the pricing mechanism to operate there must exist a free and competitive market. Fifth, a competitive market economy — the only genuine, i.e. rational, economy — requires 'private ownership of the means of production' since production goods will not have rational market prices unless they are sold by private producers and purchased by private firms whose only criterion is profit maximization by means of price competition. It follows from all of the above that the market cannot regulate an economy in the absence of private ownership of the means of production, competition, market-determined monetary prices and profit maximization.

Spelled out in these terms, it is difficult to see how there could be any accommodation between socialism and the neo-liberal position. Blackburn makes no effort to confront this issue head-on, seemingly unaware of the full terms of debate. But Brus and Laski clearly recognize what is at stake. In From Marx to the Market they observe that, in proposing to remove parts of the economy from market regulation, even market socialism 'is still exposed to criticism from the extreme liberal position' of Mises and Hayek. Inherent in that position is the notion that all economic transactions and relations should be regulated by the market; the persistence of a sector regulated by criteria other than those of the market will subvert the whole edifice of economic rationality. Grasping the force of this argument Brus and Laski note that 'if marketization is the right direction of change, it must be pursued consistently'. This would involve accepting the need for a capital market in which profit-maximizing firms compete for credit, as well as the inevitability of unemployment and economic fluctuations. Not surprisingly, Brus and Laski conclude with the observation that if marketization is the only viable strategy, then 'not only the original Marxist promise has
to be cast aside as anachronistic, but also the very concept of transition from capitalism to socialism.\footnote{7}

These are indeed the true stakes of the argument. If the market is the only mechanism of rational economy, then it should govern all aspects of economic life. And, as I argue in detail below, it is no good saying that market socialism proposes to combine socialist objectives with market-governed allocation. For that is to dodge the crucial issue: whether it is possible to have an economy regulated by market prices which obeys, at least in part, a non-market logic. It is not the persistence of market transactions and mechanisms that is at issue here; it is the question of the economic logic inherent in market regulation of the economy – i.e. whether the allocation of goods, services, labour and investment funds will be determined by the opportunities for profit indicated by the price signals given in competitive markets. The latter, I argue, spells the death of any meaningful notion of socialism, as Brus and Laski concede. The choice, therefore, is socialism or market regulation. And it is better to be clear on this than to pretend, as Frederic Jameson puts it, ‘that socialism really has nothing to do with socialism itself any longer'.\footnote{8}

For what market socialists propose, unwittingly in most cases, is a ‘socialism’ based on a labour market and wage-labour – i.e. a system in which labour-power is commodified. Market regulation, as I outline below, is not possible unless labour-power is bought and sold on the market. Genuine commodity prices can be formed only if the value of the labour input to the production process is itself determined (priced) through the market. And this requires that workers receive market-determined wages, that their labour take the form of wage-labour. Again, Mises could not be clearer on the matter. In the market economy, he writes, ‘man deals with other people’s labor in the same way he deals with all scarce material factors of production’. And, he continues, ‘as far as there are wages, labor is dealt with like any material factor of production and bought and sold on the market’.\footnote{9}

Yet these statements take us onto Marx’s terrain. For it was he who demonstrated that the innermost secret of capitalism is the commodification of labour-power and that the latter underpins exploitation and capitalist accumulation. The key to the capitalist economy, therefore, is the market in human labour-power. And this insight, systematically pursued, explodes the entire fetishistic universe of classical political economy and renders nonsensical all notions of ‘market socialism'.

Wage-Labour, Accumulation and Market Regulation

The essential character of capitalist society is determined by the fact that the market in labour comes to structure and dominate the overwhelming bulk of economic activities. What distinguishes capitalism is not the existence of a market per se, but rather the fact that the basic social relation between producing and exploiting classes is structured in market terms – around the sale and purchase of human labour-power. This has the consequence that the capitalist economy is governed by the law of value (expressed through the market) which reduces human labour-power to a thing, and establishes the domination of living labour (human productive activity in the here and now) by past products of labour (dead labour, capital). Moreover, the market cannot be the regulator of economic reproduction until labour-power is commodified; it follows, therefore, that a market-regulated economy is an economy based on wage-labour. Most defences of market socialism make no effort even to address, never mind confront, these arguments concerning labour-power, the law of value and market regulation. Given their vital importance to any thorough understanding of market economy, it is worth clarifying a few of these key points at this stage in our discussion.

The existence of commodity production, of production for exchange, is not unique to capitalism. Elements of commodity production have existed within diverse modes of social production. But the laws of commodity exchange do not come to govern the reproduction of the economy without the commodification of labour-power: ‘only where wage-labour is its basis does commodity production impose itself upon society as a whole’.\footnote{10} For without the transformation of labour-power into a commodity, the fundamental law of commodity production and exchange (the law of value) – which dictates that commodity exchange take place according to socially necessary labour times established competitively on the market – will not regulate the economy.

This can be seen if we consider commodity production by peasant proprietors whose subsistence is not dependent on access to the market. To the degree to which a share of the output of the household is produced for the market, we have production oriented to exchange; the peasants discover the exchange-value of their commodities once they are brought to the market. But, because the peasant household is not separated from the means of production and subsistence (the
peasants possess land and can thus produce a wide range of goods for consumption), these commodities will not as a rule exchange at their values (according to the socially necessary abstract labour they contain). On the contrary, since the economic survival of peasant proprietors such as these does not depend on exchange — they produce much of what they consume directly on the land they possess and could in principle withdraw entirely from the market and revert to producing only for direct consumption — the labour they devote to commodity production is not priced by the market. Much of their labour is concrete, private labour producing use-values for direct consumption. As a result, it is entirely rational for them to engage in commodity production (in order to procure certain use-values available through market exchange) even when the price provided by the market in no way corresponds to their costs of subsistence during the time they devote to producing for the market. Given their non-market access to means of subsistence, this need not be disastrous for members of the peasant household. Their economic reproduction is not governed by market exchange. Consequently, they could continue to exist on their own direct production and enter into market exchanges which do not conform to market rationality. They are under no economic compulsion to conform to the (abstract) standards of the market since their survival is not market-dependent, i.e. they have non-market means of reproducing themselves.

Although they are entering into exchange, in other words, they are producing for the market not as a result of economic compulsion, but because of choices with respect to use-values. They are deciding whether it is worth it to them to work x hours in order to produce commodity y for the market which can be sold so that they might purchase so much of commodity z (which they do not produce for themselves). This is not production governed by exchange (and hence by value and abstract labour). The labour-time of peasant proprietors such as these remains concrete. Their economic reproduction is not dependent on the pricing of their labour by the market; they do not run the risk of starving should they be unable to transform their concrete useful labour into abstract social labour, or should the terms of that transformation (the market price of their commodity) be inadequate to recompense their costs of production. Their labour thus remains private and need not conform to social norms.

But things are radically different in an economy where the direct producers have been separated from the means of production — or even where independent producers are market-dependent, i.e. their costs of production are determined by the market and their survival depends upon market prices for their commodities which meet or exceed their market-determined costs. Now the products of concrete labour must exchange with money at a price sufficient to enable the direct producers to reproduce themselves. Moreover, this exchange must be on terms that meet or exceed their original costs of production. Only now do we have production governed by exchange, a situation in which economic reproduction depends on producers organizing their concrete labour processes according to the standards of the market (human labour in the abstract). All inputs into the production process now pass through the market and are monetized (receive a money price). And only now can it be said that the market regulates the allocation of labour and all goods and services:

the product wholly assumes the form of a commodity only — as a result of the fact that the entire product has to be transformed into exchange-value and that also all the ingredients necessary for its production enter it as commodities.11

Short of the domination of direct producers by the market — which determines the money costs of their means of production and subsistence and forces them to produce for the market and at average levels of productivity — the value of labour-time will not be determined by the market. Historically, the separation of workers from the means of production and subsistence and the creation of a system of wage-labour were the crucial historical preconditions of generalizing commodity/market relations. This was so for two reasons: millions of producers were made market-dependent through dispossession of non-market means of subsistence (land, common rights, etc.); and the consequent commodification of their labour-power created a genuine labour market in which 'labour' became yet another market-determined cost of production. In these circumstances, there is a constant drive to have the concrete labour processes involved in commodity production conform to the average levels of social productivity, i.e. to transform concrete into abstract labour. Short of this, the market cannot produce 'rational market prices', i.e. prices based on market determination of the values of commodities. The commodification of labour-power has historically been the key to 'rational' market prices. Before proceeding further, let us take a moment to clarify a few essential terms.

Concrete labour refers to the unique production process undertaken by an individual, while abstract labour describes the social value
of that labour as it is expressed through the exchange of commodities on the market (a value which is determined by the labour time 'socially necessary' to produce a commodity). Thus, 10 hours of concrete labour expended in producing a commodity may be worth only 8 hours of average social labour when it comes to exchanging with other products on the market. The market, in other words, translates concrete (individual) labour into abstract (social) labour, and it does so via the medium of money.

In a system of unsocialized production for exchange, the social value of a commodity appears only on the market. It is the market which confers social being and social value on the commodity by telling the producer the price at which it will exchange. The specific commodity must therefore express its social value in something outside itself. It is impossible, after all, for any specific commodity to present the labour which went into producing it as directly social labour. Since there is a gap between individual (concrete) and social (abstract) labour, the commodity can express its social value only indirectly, through the medium of something else. And this is the role of money — to function as a 'general equivalent', a representative of human labour in the abstract, which mediates every exchange transaction and quantifies the social value of each and every act of concrete labour.

This takes us to the danger that haunts producers who are governed by exchange (as opposed to those whose reproduction is not governed by the market). For it is in the nature of the commodity form that the translation of use-value into exchange-value, of concrete into abstract labour may not occur, that specific acts of concrete labour may fail to achieve universality as exchange values. It is an ever-present possibility that some producers will fail the test of the market, that they will be unable to find a buyer for the use-values they have produced. Nearly as dangerous is the possibility that the terms of the translation of concrete into abstract labour, the ratio between market price and original costs of production, will not be adequate to reproduce the commodity-producing unit.

For it is not enough simply that a use-value realize itself as an exchange-value (by exchanging for money), that its concrete labour be translated into socially necessary abstract labour. Even should that translation occur, the bigger the gap between the two terms, the less concrete labour approximates to the average level of productivity reflected in socially necessary labour-time, the greater the risk that the translation will take place on terms which prevent the producing unit from reproducing itself (i.e. that market revenues fall short of costs of production). For this reason, commodity producers experience the law of value — exchange governed by socially necessary labour time — as an external pressure. Should they fail to produce efficiently enough, the prices which rule the market will be insufficient to redeem their actual costs of production. The result will be a failure of self-reproduction of the producing unit (bankruptcy).

Because exchange is not guaranteed, there is a competitive scramble to meet or exceed average levels of productivity (socially necessary labour-times). The divisions inherent in the commodity form thus reproduce themselves as relations of competition between the producing units. And this means that producing units whose interactions are regulated by the market relate to one another as capitals. Capital, as Marx never tired of repeating, is a social relation, a key aspect of which is the compulsion of individual units of production (by the threat of bankruptcy) to try to better the productivity of other units. The necessity of translating concrete into abstract labour, of exchanging commodity for money, makes competition an essential feature of the relations between the individual producing units — indeed, this is a fundamental part of what makes such market-regulated entities capitals.

It is this which Marx has in mind when he writes that 'the reciprocal repulsion between capitals is already contained in capital as realized exchange-value'; and it is why capital can only exist in the form of many capitals. Because individual (concrete) and social (abstract) labour are separated under a system of commodity production, they can only be reunited by means of a competitive struggle among individual producers to realize the social value of their products. The divisions at the heart of the commodity and capital thus manifest themselves in competition between capitals: 'Conceptually, competition is nothing other that the inner nature of capital, its essential character, appearing in and realized as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity. 12

And what is this 'inner nature of capital', its 'inner tendency'? Put simply, it is the drive to accumulate by means of exploitation. For it is of the nature of the commodity/market economy that the producers feel the external pressure of the law of value (production according to socially necessary levels of productivity) as a pressure to develop the forces of production. The surest means of surviving the competition of the market is continually to raise the productivity
of labour, to produce a given good in less time. 'Capital therefore has an immanent drive, and a constant tendency, towards increasing the productivity of labour, in order to cheapen commodities and by cheapening commodities, to cheapen the worker himself.'

And this can only mean systematic exploitation. For the key to increasing the productivity of labour is the utilization of the most advanced means of production; and this requires the expenditure of enormous sums which must be generated through the profits (surplus value) of the producing unit itself. It follows that successful accumulation will rest on a constant drive to maximize surplus-value – unpaid labour which takes the form of capital as means of production. The drive to accumulate is thus a drive to maximize surplus-value which can be transformed into new and more efficient means of production: 'Accumulate, accumulate! That is Moses and the prophets! ... Therefore save, save, i.e. reconvert the greatest possible portion of surplus-value or surplus product into capital.'

One of the greatest misconceptions about capitalism is the notion that these tendencies flow from the motivations of a class of private owners of the means of production. Yet the reality is quite different: the drive to accumulate by means of exploitation is inherent in the generalization of the commodity form. An economy based on that form, in which economic reproduction occurs by means of exchange according to market criteria (socially necessary labour-time), will inevitably produce all of its basic relations, irrespective of the precise form of ownership. For what is crucial to capitalism is not a specific form of ownership of the means of production, but rather the capital relation, that relation in which the direct producers are dominated by the means of production and the incessant drive to develop and expand them. 'The rule of the capitalist over the worker', insists Marx, 'is nothing but the rule of the independent conditions of labour over the worker.' It is not the capitalist who creates these conditions, these conditions create the capitalist: 'The capitalist functions only as personified capital, capital as a person ...' This is what it means when Marx writes elsewhere that 'capital is essentially capitalist', capitalism refers to that specific set of social relations in which workers are subjected to the pressures of exploitative accumulation in order that the producing unit can survive in the world of commodity exchange.

Indeed, these relations can exist even where there is no apparent capitalist. It makes little difference if workers 'sell' their labour-power to collectives under their own control. So long as these enterprises are engaged in commodity production, so long as their revenues are governed by market prices, then wage-labour will prevail since the fund for wages will be determined by the market prices for their commodities. And so long as they are forced to accumulate in order to meet socially necessary labour-times, which are determined on the market, then the provision of these wages themselves will depend on the success of strategies of 'self-exploitation', i.e. the accumulation of a surplus from their own labour which enables the workers to utilize a quality and quantity of means of production which ensure the market viability of the firm. This is why even workers' cooperatives producing commodities for the market will tend inevitably to 'become their own capitalist' – they will be driven by market competition to accumulate a growing surplus from their own labour in order to invest in new means of production which give them a fighting chance to meet the survival conditions established on the market.

Workers acting as 'their own capitalist' may sound odd to those who have accepted the image of capital as identifiable private owners and employers. But once we grasp capital as a social relation inherent in the generalization of the commodity form – especially with respect to labour-power – then it becomes clear that the precise form in which capital is personified is an entirely secondary question. The key issue is the compulsion to competitive accumulation which entails the domination of living labour by dead labour – something which can occur even within a worker-managed firm producing for exchange. The struggle for socialism is thus not just, or even principally, about the struggle against a certain group of capitalists, however crucial that may be as a point of departure. More important, it is about overturning capital – the system of wage-labour and its basic dynamic, competitive accumulation:

the idea held by some socialists that we need capital but not the capitalists is altogether wrong. It is posited within the concept of capital that the objective conditions of labour – and these are its own product – take on a personality towards it, or, what is the same thing, that they are posited as the property of a personality alien to the worker.'

Capitalist relations and imperatives are thus built into an economy regulated by commodity production and exchange, an economy in which each producing unit is under a constant pressure to accumulate at the expense of labour in order to raise levels of productivity. This is why it is not enough for workers to establish control of their places
of work. As important as workers’ self-management within the enterprise may be, it cannot break free of the logic of the market unless the working class can establish democratic, planned control of the economy. Reunifying workers with the means of production is thus about more than workers’ control at the level of the firm; it also requires democratic control of the economic reproduction of society – otherwise the means of production will continue to be subject to the market-driven imperative to accumulate at the expense of living labour. And the latter is a form of the separation of workers from the means of production. Overcoming that separation involves reuniting the ‘collective worker’ – the whole working class – with society’s means of production. That means overcoming the separation between producing units which characterizes the market system. Workers’ control is not possible, in other words, in a situation in which groups of workers continue to relate their labour and its products to those of other workers by means of the market. So long as acts of concrete labour are connected only through the market, society’s means of production will obey the competitive imperative to accumulation as an end in itself and will thus continue to evade the control of the direct producers – which is to say that they will remain a form of capital.

One can see some of these effects in the case of the Yugoslav economy of the 1960s, 1970s and 1980s. Yugoslavia was that Stalinist state which most seriously tried to co-ordinate elements of workers’ participation in the firm with market regulation. And the results were entirely consistent with the analysis we have presented: inherent tendencies towards unemployment (partially relieved for a time through emigration), inflation, increasing social inequality, and concentration and centralization of capital.18 The Yugoslav case demonstrates that market regulation imposes its own imperatives on the firm irrespective of its structure of ownership or the degree of workers’ self-management (which in the Yugoslav case was often exaggerated by commentators). As one socialist critic rightly notes, ‘Yugoslav history suggests that self-management can be destroyed by economic conditions external to the firm, even when supported by a full panoply of intra-firm self-management laws and institutions’.19

All the basic tendencies of classical capitalism are thus inherent in an economy regulated by the market. If the market is to price the bulk of goods and services in order to provide signals guiding production and consumption, then labour-power will have to be commodified, i.e. its price (wages) will have to be determined competitively through the market. And the wages which the market determines will have to be held to a level adequate to the drive to accumulate as an end in itself (in order to maintain the market viability of the firm). There can be no market regulation, in short, without a labour market, the wages system, and the unplanned drive to accumulate for the sake of further accumulation. For market socialists to argue that they intend something else, that they intend to guarantee the reproduction of human beings independently of the market, or that their objective is to regulate and direct accumulation according to social objectives, is to accept the subordination of market processes to non-market criteria – and thus to abandon any reasonable notion of market socialism. Yet not to do so, to insist on the rationality of market regulation, is to accept wage-labour and the law of value – and the relations of exploitation these entail.

Failure to grasp this point produces enormous confusion among market socialists. One writes, for example, that ‘exploitation is not the consequence of the market per se’. He then proceeds to argue that the market could be put to good use ‘in a society where the means of production were publicly owned and where workers controlled the polity and the enterprise’.20 However, this is to evade the crucial issue. For while non-exploitative relations could indeed exist in the context of various market mechanisms subordinated to socialist planning (a point to which I shall return), this is not the argument made by modern market socialists. Their claim is for the superiority of the market as a regulator of economic life. Yet market regulation in a context in which ‘workers controlled the polity and the enterprise’ presupposes that, having established social ownership and workers’ control of production and the state, workers would accept that wages, conditions, hours and the structure and intensity of the work process should all be dictated by production for the market on the basis of the law of value. If so, then capitalist social relations would congeal once again whether they expressed themselves in terms of capitalist competition between workers’ co-operatives, state capitalism (control of publicly owned means of production by a bureaucratic group which ‘personifies’ capital), or through the crystallization of a new class of capitalist managers within the enterprise itself.

If instead workers resist the logic of market regulation, if they insist upon the priority of non-market criteria (and thus on their right to determine the structure of social production on the basis of some
attempt to ascertain social need, then they have committed themselves to transcending the market, to regulating their labour and the allocation of goods and services according to criteria other than those of prices and profits. This would mean moving the economy in the direction of demarketization, however much market mechanisms might be utilized in a context of planned regulation.

The debate between classical Marxism and market socialism is thus not over different means of achieving a shared goal. What is at issue is the very possibility of defetishizing economic life, of uniting ‘freely associated producers’ in a democratic process in which they regulate and plan the expenditure of human labour and the utilization of means of production in order to satisfy freely expressed needs. To reject this possibility is to embrace the inevitability of alienated labour, exploitation and the unplanned and anarchic drive towards competitive accumulation – and it is to renounce the achievement of anything that might recognizably pass as socialism.

The Political Economy of the Working Class

Compelling as this analysis of commodities, money and the market may be, it invites an obvious question: can this critique realize itself, can it pass from theoretical investigation to practical politics? Is it possible, in other words, to develop a meaningful political practice oriented to the transcendence of commodities and the market? And can it delineate principles which would guide the economic regulation of a non-market socialism? These questions are crucial given Marx’s well-known aversion to abstract speculation and utopian prognostication about the future order of society. For Marx, criticism is meaningful only if it is based on a real social movement. It follows that any serious discussion of the economics of socialism must take as its point of departure the actual political economy of the working-class struggle against capitalism.

Commentators have generally ignored the extent to which Marx attempted to do precisely that. His Inaugural Address of the Working Men’s International Association (September 1864) describes two victories for ‘the political economy of the working class’: the Ten Hours Bill, which imposed some limits on the length of the working day; and the creation of co-operative factories run by workers. The nature of these ‘victories’ is a key to deciphering the political economy of the working class.

The essence of the political economy of capital is the exploitation of labour, the maximization of surplus-value for capital. But whereas capital defines wealth in terms of the maximization of surplus labour, for workers ‘wealth is disposable time and nothing more’. The Ten Hours Bill, like more than a century of subsequent working-class struggle internationally, demonstrates that workers strive to limit the time in which they are subject to the dictates of capital, to win time for their own free self-development. For workers, ‘free time, disposable time, is wealth itself, partly for the enjoyment of the product, partly for the free activity which – unlike labour – is not dominated by the pressure of an extraneous purpose’.

From this principle flows the basic dynamic of a socialist economy, its tendency to develop the forces of production not in order to produce surplus value, but in order to reduce the amount of necessary social labour performed by its members. A society of freely associated producers would thus organize production with the following principle to the fore:

The free development of individualities, and hence not the reduction of necessary labour time so as to posit surplus labour, but rather the general reduction of the necessary labour of society to a minimum, which then corresponds to the artistic, scientific, etc. development of the individuals in the time set free, and with the means created for all of them.

This principle, embodied in workers’ struggles to shorten the working day, had for Marx already found its corresponding form of production: the co-operative factory. The co-operatives, he suggested, ‘have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of masters’. Not that Marx was starry-eyed about co-operative production within capitalism. On the contrary, he recognized that, because they operated in the atomized framework of commodity exchange, they would inevitably reproduce the ‘defects of the existing system’ by forcing workers to become ‘their own capitalist’ and to subject themselves to competitive pressures to exploit their own labour.

However, notwithstanding this severe deficiency, co-operative production prefigured a society based upon ‘associated labour’; indeed, the very deficiencies of co-operative workplaces within capitalism underlined the need for workers to overthrow the rule of capital. The limits imposed by capitalism on workers’ co-operatives highlight the fact that ‘to convert social production into one large and harmonious system of free and
co-operative labour, general social changes are wanted,' changes which can be realized only 'by the transfer of the organized forces of society, viz. the state power, from capitalists and landlords to the producers themselves'. And, as I have noted above, reuniting workers with the means of production involves much more than instituting workers' control at the level of the firm; it also requires establishing democratic control of the whole process of economic regulation of society. The battle for the political economy of the working class is thus a struggle for the reconstruction of the economic system on radically new principles.

On their own, reductions in the working day and co-operative factories are not incompatible with the rule of capital. But they represent principles - the maximization of free, disposable time and co-operative production - which are antithetical to the imperatives of capitalism. Further, struggles based on these principles underline the incompatibility of the rule of capital with the political economy of labour. Whereas the political economy of capital requires 'the blind rule of supply and demand', the struggle for an alternative political economy of the working class points towards 'social production controlled by social foresight'. Moreover, the constant efforts of capital to dilute, undermine and roll back workers' gains within capitalism highlight the need for workers to conquer political power. Without this, the political economy of the working class cannot become the basis of a new society.

But what does Marx mean by a society based on 'social production controlled by social foresight'? Part of the answer is that he intends a society in which production is carried on 'by freely associated men ... under their conscious and planned control' - a society of 'freely associated producers'. There is a crucial political notion involved in the concept of 'free association' - the idea that a socialist society will be self-regulating, a form of society in which there is no need for an external agency (the state) which stands over and against individuals. Indeed, Marx's hostility to the capitalist market is internally related to his hostility to the state: both express modes of social alienation in which human beings are unable to regulate and govern their economic and political affairs democratically, and in which institutions and mechanisms outside their control dominate and direct their life activities. It is worth underlining this point, since part of Marx's argument is that a society governed by the market requires a state. The state, Marx tells us in his critique of Hegel's Philosophy of Right, is an expression of alienated life activity. And the burden of his early writings was to show that where human beings do not control their labour, their most fundamental activity as a species, they will be unable to control their social and political interactions. Where an alienated mechanism - the market - is required to govern economic life, so a separate and alien institution (or set of institutions) will be necessary to impose order on the political community. Contrary to some market socialists, then, the market is not an alternative to the state; the one presupposes the other. For this reason, only a revolutionary democratization of economic life which transcends the market can lead to the dissolution of alienated political power. The struggle against the state is integrally connected to the struggle against the market.

Social production thus necessitates democratic control. We have seen that it also requires 'social foresight'; and this can only mean economic planning. Marx speaks, for example, of 'a society where the producers govern their production by a plan drawn up in advance', and he maintains that the most fundamental part of such a process would be the 'apportionment of labour-time in accordance with a definite social plan'. The conscious organization of human labour and its products is the index of a qualitatively higher form of social organization. Marx's concern is not for some grandiose administrative plan for the social direction of all economic phenomena; rather, it is for the liberation of that essential human life activity - labour - from the dictates of an alienated and not yet fully human mode of existence.

Social planning of production means first and foremost the involvement of the producers in determining how their labour will contribute to the satisfaction of freely determined social needs. This is not a problem settled unconsciously through interactions among things; rather, it is to be resolved through conscious interaction among the producers themselves. This is what it means to speak of 'social foresight' governing social production. It follows that 'the labour of the individual is posited from the outset as social labour ... He therefore has no particular product to exchange. His product is not an exchange value.' For this reason, in 'a co-operative society based on common ownership of the means of production', the labour expended in creating products does not 'appear here as the value of these products, as a material thing possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour'.

This takes us to the threshold of the problem of economic calculation, the indices which would be used to guide socialist economic planning. But before proceeding to this, it is important to address five main objections that the Marxist perspective typically encounters. In responding to these, we will be in a better position to discuss the real challenges that confront socialist planning of economic life.35

**Five Objections: Individuals, Needs, Abundance, Plan and Transition**

The first objection to the Marxian conception of socialism we shall consider is the flimsiest of the lot: the claim that Marx's socialism envisages the suppression of any private sphere, the absorption of individuality by society. According to Jean Cohen, Marx's famous 'social individual' is divested even of that 'moment of particularity' which comes from belonging to one social class among others. Since Marx never discussed the "private" or the "particular" except as that which has to be abolished with the abolition of capitalism, she writes, 'one can only presume that in the fully transparent socialized communist society envisioned in Capital it would no longer exist.'36 This is a staggering claim. That Cohen's 'presumption' is belied by even the most cursory examination of the texts seems not to matter. Note, for example, that Marx does not simply refer to 'social individuals', but to 'free social individuals' and that he treats the 'free development of individualities', or, alternatively, 'the full development of individuality' as the hallmark of a socialist society. Moreover, Marx's overwhelming insistence on time as 'the room of human development' is a nonsense without some recognition that it is unique individuals who will be using the time freed from social production to pursue their own self-development.35 But this central goal of socialism — the free development of the individual — has an essential precondition: the subjection of economic life to collective and democratic control. The emergence of the 'free social individual' must be 'based on the universal development of individuals and on their subordination of their communal, social productivity as their social wealth'.34

This brings us, second, to a more serious argument: the assertion that Marx's whole discussion of production for needs involves a fundamental incoherence. This claim has been advanced most convincingly by Kate Soper in *On Human Needs*. Soper recognizes the great strength of Marx's insistence that needs are not fixed and predetermined, but open-ended and historical. Yet this very position, she insists, undermines his critique of capitalism in terms of its failure to satisfy the 'true needs' of the majority. After all, a critique from the standpoint of 'true needs' presupposes some standard of fixed, demonstrable needs whose lack of satisfaction constitutes the ground for condemnation of capitalism. There is thus an irresolvable tension between the 'cognitive and normative discourses' one finds in Marx, between his historical and open-ended conceptualization of needs and his normative critique of capitalism from the standpoint of 'true needs'. As a result of this tension, Marx allegedly lapses into a naturalization of politics by reverting to the idea that there are identifiable natural needs whose satisfaction would be the central goal of socialist society.35

The whole of this argument pivots on a failure to grasp the theoretical foundation of Marx's critical theory. For the entire thrust of Marx's position, the very reason that he eschewed the abstract moralizing of the Left Hegelians and utopian socialists, has to do with his commitment to the idea of *immanent critique*. Put simply, Marx transformed Hegel's claim that philosophy 'is its own time apprehended in thought' into the view that a profound and comprehensive critique of society must disavow abstract speculation and flights of fancy by grounding itself in the actual social and historical forces pressing towards a societal transformation.36 The forces of socialist transformation must develop within capitalist society; otherwise socialism is a purely abstract (hence unreal) utopia. And in terms of the human beings who constitute those forces — the working class — this can only mean they develop needs whose satisfaction requires the overthrow of the existing mode of production. Marx does not require an abstract and ahistorical theory of natural needs to underpin his critique of capitalism; that critique stands or falls on the evidence of workers pushing for the satisfaction of historically created needs which conflict with the imperatives of the present system (accumulation of capital).35

It seems clear that, however important a whole range of needs may be, the most significant of these for Marx is the need for individual self-development. Broadly categorizing society in terms of the development of human freedom, Marx sees three great phases in the evolution of economic life: first, forms of society characterized by ties of personal dependence, in which members are bound to the community (often in hierarchical and exploitative relations); second, a form of society based on the 'emancipation' of individuals from such ties to the community, and the development of personal
"independence" by way of alienation through exchange relations involving commodities, prices and money; and, finally, developing within the latter he finds the potential for a form of concrete universality in which communal arrangements provide the framework for an association 'in which the free development of each is the precondition for the free development of all'.

Capitalism constitutes the second of these three phases. It is here Marx writes, that 'a system of general social metabolism, of universal relations, of all-round needs and capacities is formed for the first time'. Marx insists that without the development of these 'universal relations', albeit relations which are merely abstractly universal, and of 'all-round needs and capacities' (which cannot be fully realized), there could be no basis for concrete socialist criticism: 'if we did not find concealed in society as it is the material conditions of production and the corresponding relations of exchange prerequisite for a classless society, then all attempts to explode it would be quixotic.'

Marx's position does not require a naturalistic theory of needs. It requires merely a theorization which demonstrates: (1) that capitalism generates needs (especially for individual self-development), which it systematically fails to satisfy; (2) that this failure of need-satisfaction induces class struggle which, on the side of the working class, creates an impetus toward societal transformation; and (3) that the productive forces and system of universal exchange developed within capitalism are capable of being mastered collectively and democratically (a capacity that is prefigured in workers' cooperatives).

We now arrive at the third objection: the notion that Marx's account of universal and all-round development of individuals presupposes conditions of unlimited availability of goods and services. This objection is formulated, especially by Alec Nove, in a manner which suggests its complete absorption in bourgeois economics. Mainstream economics characteristically conceives of the individual as a consumer, not as a producer. The shopping mall, not the workplace, is the basis of its models. Consistent with this premise, Nove imagines that Marx's discussion of a society of abundance can only mean an unlimited (and potentially infinite) supply of consumer goods (and the producer goods necessary to their production). And this, he objects, is to conjure away the central category of economics - scarcity. Marx, he claims, thus 'solves' the problems of economics by a sleight of hand. But it should now be obvious that abundance for Marx has a radically different meaning. Starting from the view that human beings are productive creatures, Marx recognized that the supply of goods and services presupposed the expenditure of human labour. Further, he held that, however much conditions of work can be transformed for the better, labour will always remain a 'realm of necessity'. Indeed, 'the realm of freedom really begins', Marx writes, 'only where labour determined by expediency and external necessity ends; it lies by its very nature beyond the sphere of material production proper'. It follows that for Marx abundance means not simply a decent and secure level of provision of material goods and services; it also entails time away from labour, time for 'the free intellectual and social activity of the individual'.

Abundance thus means raising the productivity of labour through the application of the powers of science and co-operation. It means shortening the working day (or week) to create a greater amount of time outside the sphere of necessary labour, and it ought as well to mean radically reducing socially necessary reproductive labour performed privately (childrearing, cooking, cleaning) by socializing significant amounts of such necessary labour. Marx's concept of abundance is thus integrally connected to his view of human freedom. It requires a recognition of the finitude of the life and time of individuals so that a balance can be achieved between needs for material and cultural goods, and needs for 'free intellectual and social activity'. As in all economy, therefore, time is the crucial issue. Clearly, then, any post-capitalist economy will have to negotiate two different imperatives: on the one hand, the necessity to provide a decent and secure standard of living for all; and, on the other, the need of working people for more time for 'free intellectual and social activity'. To be sure, there is a real tension here. The hallmark of a workers' state will be the participation of citizens - through workers' councils and neighbourhood committees - in processes of mass democracy which attempt to reconcile these different needs. But if they are to be conducted in a manner consistent with the aspiration towards free individual self-development, these decision-making processes require a framework in which the associated producers govern the human metabolism with nature in a rational way ... accomplishing it with the least expenditure of energy and in conditions most worthy and appropriate for their human nature. But this always remains a realm of necessity. The true realm of freedom, the development of human powers as an end in itself, begins beyond it, though it can only flourish with this realm of necessity as its basis. The reduction of the working day is the basic prerequisite.
This is the ‘value problem’, which persists in a post-capitalist society: democratic and communal regulation of individual labour-time in accordance with the need for self-development. When Marx writes that ‘economy of time, to this all economy ultimately reduces itself’, it is this human criterion he has in mind. As biological beings, humans must produce their means of subsistence, and the means of production which make this possible. This is the foundational principle of the materialist conception of history. But in a society which has developed the forces of social production to a point where it is possible to banish that scarcity which threatens biological existence and, indeed, to sustain a significant level of cultural expression and interaction, and in which the exploitation of labour has been eliminated, ‘economy of time, along with the planned distribution of labour time among the various branches of production, remains the first economic law’. Rather than the asocial arrangement in which human beings first labour, and, then, through the media of money and the market, discover the match between their productive activity and social need, socialist economy rests on a democratic process for creating the framework for such a match through conscious human regulation.

In such a situation, ‘the labour of the individual is posited from the outset as social labour’. The individual ‘has no particular product to exchange. His product is not an exchange value’. Nevertheless, this does not abolish all problems of economy: ‘On the basis of communal production the determination of time remains, of course, essential.’ What it does, however, is remove this problem from the reified world of commodities and money, and subject it to the democratic deliberation of social individuals.

This brings us to the fourth objection, the claim that the Marxist conception of planning implies some sort of omniscience on the part of the direct producers — a thesis which is central to Nove’s argument and is echoed by Blackburn. Yet, Marx’s position was that a degree of error was inevitable, as were accidental and unanticipated changes in material and socio-economic circumstances. As a result, he suggested that the dominant tendency within a socialist economy should be ‘a perpetual relative overproduction’. Only in this way could the prospect of shortages be guarded against. And for this reason, he spoke of planned creation of a ‘surplus product’ in the form of ‘an insurance and reserve fund’ to offset the possibility of underproduction and shortage. Indeed, planned overproduction is for Marx ‘equivalent to control by society over the objective means of its own reproduction,’ for it signifies that human beings have deliberately produced to avoid that condition which is most deleterious to human life — underproduction and scarcity.

There is no great difficulty in principle with planned overproduction. The bulk of producer and consumer goods are not perishables; a planned overproduction of, let us say, 5 per cent poses no insurmountable technical or logistical problems. The real issue in dispute here is not omniscience, but democracy. What the critics of socialist planning need to demonstrate is why elected delegates of workers and neighbourhood committees could not be involved in establishing a framework plan for the economy which started from a democratically established scale of social priorities with respect, for example, to food, housing, health, education and childrearing facilities, clothing, libraries, transportation, electricity and cultural and recreational goods. To be sure, this would require detailed information on technical coefficients of production, investment of resources in producer goods industries, the scales of socially necessary labour-time appropriate to various plans, differential environmental effects of various alternatives, the trade-offs between levels of output of different goods, and so on. And all of this undoubtedly requires an important amount of ‘expert’ information, which will not readily be available to each and every individual. But why could not the agencies responsible for accumulating and providing such information be subjected to democratic regulation? And why could not computerized inventory control and just-in-time delivery systems be adapted to democratic planning? Are the problems here so insurmountable that we would do better to stick with commodities and money, exploitation and crisis?

Nove has a simple answer: the only alternative to markets, commodity prices and money is a dominating, Stalinist-type bureaucracy. But this is an assertion which ultimately falls back on claims that individuals are naturally lazy and self-interested (in the narrow, asocial sense of the term characteristic of bourgeois economics). Thus, since democratic planning is not possible, the best we can hope for is the ‘democracy’ of consumer sovereignty established through personal choice in competitive markets. As with most versions of market socialism, we end up with the market and with a state that looks remarkably like the bureaucratic machinery of capitalist society. We are thus left with a perspective in which ‘commodity production and markets’ are depicted as the only alternative to bureaucratic state tyranny — with the claim, in other words, that there
is no attainable form of society more conducive to freedom than one regulated by the market. Small wonder that at the end of his study Nove feels compelled to ask of his model: 'is it socialism?' It is a question which begs to be asked—and answered in the negative.

This takes us finally to the most subtle objection to Marx's position: the claim that his sketch of an alternative economic order conjures away the real problems of an actually existing society making the transition from a recognizable capitalism towards a feasible socialism. Marx, we are told, had little, if anything, to offer with respect to the burning problem of socialist economy—'the road to be taken by a society embarking upon a transition to socialism. Even if Marx's socialist ideal is defensible—which for Nove it is not—it is said to be irrelevant to the issue at hand.

It is true that Marx rejected the elitist game of fashioning blueprints for a future society; but he was not averse to sketching out broad principles derived from a study of the developmental tendencies of capitalism and workers' struggles within the system. Thus, in his *Critique of the Gotha Programme*, he explicitly addressed the problem of a communist society, not as it has developed on its own foundations but, on the contrary, as it emerges from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges.

Here, he points out, it would not yet be possible to organize economic life according to the principle of 'to each according to their need'. That principle presupposes a level of economic and cultural development which would not yet have been achieved. In the first instance, then, distribution would be governed by the principle of 'to each according to their ability', i.e. that each would draw from the stock of social wealth in proportion to their individual contribution. This, Marx suggests, would be done on the basis of 'a certificate' entitling each individual to withdraw 'from the social stock of means of consumption' to the degree to which they have contributed. This involves, of course, the same principle 'which regulates the exchange of commodities' in capitalist society—exchange on the basis of labour-time. But, Marx insists, here 'content and form are changed, because under the altered circumstances no one can give anything except his labour, and because, on the other hand, nothing can pass into the ownership of individuals except individual means of consumption'. We have then, transitional arrangements which are 'still stigmatized by a bourgeois limitation': since individuals are unequal in various ways (age, strength, training, etc.), distribution according to labour is 'a right of inequality'. What prevents it from becoming the basis of structural inequalities and exploitation, however, is the political form of the state, mass workers' democracy and social ownership of the means of production. The latter cannot be subject to criteria of market competition, individual ownership or profitability, otherwise bourgeois right would give rise to bourgeois relations of production.

What, then, of Marx's discussion of labour 'certificates'? Isn't this merely an admission that money will still be the regulator of such a transitional society? Here we encounter an area of fundamental confusion in much of the recent debate over market socialism. Certificates which simply represent a sum of hours of labour performed are not 'money' in any recognizable capitalist sense. Money, as we have spelled out above, is the mechanism which defines and measures the value of alienated labour performed in an asocial context; indeed money is that 'thing' which transforms concrete labour into abstract labour. Where labour is communal, and its allocation determined in advance, a certificate or voucher is not money; it is not the mechanism which validates the social character of individual labour, nor does it transform the latter into the former. While such certificates represent a means of exchange, they do not perform the function of informing the producers of the social value of their private labour. Labour certificates would merely establish a basis on which a given expenditure of labour could be exchanged for a share of the general stock of the products of social labour. But this is not commodity exchange since the 'value' of labour, its entitlement to share of social wealth, is established prior to production. As a result, 'the communal character of production would make the product into a communal, general product from the outset'. Elaborating on such a system of production, Marx contrasts it with commodity production in the following way:

On the basis of exchange values, labour is *posed* as general only through exchange. But on this foundation (communal economy) it would be *posed* as such before exchange; i.e. the exchange of products would in no way be the medium by which the participation of the individual in general production is mediated. 48

The role of labour certificates is to allow mediation of individual and social labour to take place. But this is not a mediation which establishes the social value of individual labour, since this has been
established from the start; it is merely a means of mediating the exchange of labour for labour. Thus, what Marx says about Owen’s ‘labour money’ applies with equal force to his own labour certificate: it is no more ‘money’ than a theatre ticket is.\textsuperscript{49} Nevertheless, social allocation by means of labour certificates is merely a transitional form, one ‘still stigmatized by a bourgeois limitation’. How, then, does this form of social allocation wither away?

The heart of the issue here is the continued growth of the socialized consumption sector of the transitional economy, that sector governed by need not ability. To the degree to which housing, basic diet, clothing, health care, education, childcare, electricity, water, sanitation, transportation and access to cultural and recreational activities are guaranteed as social rights, the realm of ‘bourgeois right’ contracts. Within advanced capitalism, tendencies towards the socialization of services such as health and education have existed for a long time, as a result of working-class pressure and capital’s need for the physical and cultural reproduction of labour-power – albeit tendencies distorted by and subordinated to capital accumulation. In an economy freed from the dynamics of exploitation, and disengaging from the pressures of accumulation, this realm of guaranteed social consumption could increasingly encroach on that governed by exchange. Material and cultural subsistence would increasingly depend on transactions involving labour certificates or any such pseudo-money.

The expansion of the guaranteed consumption sector would thus be one side of the \textit{decommodification} of labour-power. Subsistence, enjoyment and cultural self-development would increasingly depend on individual purchases governed by the value of individual labour performed (although the requirement of social labour for healthy adults would always remain). Indeed, with the development of productive forces and cultural levels, socially guaranteed consumption would regularly expand. Increasingly, the allocation of social wealth would be governed by rights based on individual needs. Thus, the sphere of individual consumption through the market – in which many prices might be regulated as I discuss below – would contract in relative, although perhaps not absolute, terms. While they would play a subsidiary role for the satisfaction of unique, personal needs best realized outside the socialized consumption sector, such markets would occupy a marginal, if nevertheless significant, role as the expansion of the socialized sector pursued the logic of demarketization, decommodification and demonetization of economic life.

The model I am discussing need not dictate individual consumption patterns. There is no reason, for example, why a socially guaranteed consumption package could not be constructed to cater to individual preferences by allowing a variety of ‘menus’ with a range of possible ‘substitutions’ – e.g. a trade-off of better than average housing for reduced claims elsewhere, or of transportation vouchers (some combination of air, rail and automotive transport coupons) for increased claims for clothing or musical instruments, or by allowing individuals to engage in more social labour (and thus forgo time for personal self-development) so that they might make more purchases from the regulated market. Moreover, flexibility would also be provided through face-to-face exchanges by individuals of various goods, vouchers or coupons (e.g. transport coupons for tickets to cultural events). Such transactions are not, of course, commodity exchange (they are merely the exchange of use-values) and even when they are governed by regulated market prices, they do not involve universal regulation of the reproduction of individuals by a representative of abstract labour.

\textbf{The Question of Calculation}

At this point my argument is likely to be attacked on the grounds that I betray a ‘fundamentalist’ unwillingness to come to terms with the calculation problem which would exist in a socialist economy (or in a society transitional towards socialism). Robin Blackburn in particular believes that Marxists have failed to produce an adequate reply to the arguments of Ludwig von Mises and Friedrich von Hayek, according to whom rational economic decision-making is not possible without the price signals provided by genuinely competitive markets based on private ownership of the means of production and investment on the basis of profit-maximization. Not that Blackburn supports the anti-socialist case put by Mises and Hayek; but he clearly believes that these critics correctly identified the Achilles’ heel of socialist economic thought.\textsuperscript{50}

Most remarkable about this line of argument is that those who pursue it most vigorously fail to grasp its full implications. The Mises–Hayek critique of socialism according to the criterion of calculation is inseparable from an underlying theory of economic life – one that rests on the most thoroughgoing methodological individualism – and lacks coherence outside the framework of that theory. Grant the conclusion — that rational economic calculation is not possible
without competitive market prices – and one must logically accept
large chunks of the underlying theory and the view that socialism
is an inherently irrational project.

To reject the Mises–Hayek perspective on calculation is not,
therefore, a simple manoeuvre designed to evade difficulties. Rather,
it is to proclaim one’s opposition to an entirely fetishistic vision
of economic life. For, as Joseph Schumpeter pointed out, the Austrian
anti-socialists proceed from the model of a Crusoe economy in
which atomistic, self-seeking individuals choose to exchange the
products of their isolated labours. More than this, they then push
the subjectivism and individualism of this model to the most absurd
exremes. All of economic life, they insist, is driven by consumer
needs, thereby conveniently ignoring the role of labour in economic
life. Having reified both the individual and his or her status as a
consumer, they then simply conflate all of economic life with market
exchange. To live is to exchange. It follows, in the words of a modern
follower of Mises and Hayek, that ‘the core of economic theory is
the theory of markets’.51

Having reduced economic relations to subjectively driven market
exchanges between atomized, self-seeking individuals, the neo-
Austrians are free to treat pure profit as a subjective phenomenon,
as a function of discovery by entrepreneurs. And since we are all
potential discoverers, it follows that ‘we are all entrepreneurs’.
Moreover, the entrepreneurial opportunities offered to us all provide
the moral justification of capitalist private property: discoverers, we
are told, should be free to enjoy the fruits of their discovery. The
ethical justification of capitalism thus comes down to the principle
of ‘finders, keepers’.52 That the neo-Austrian position culminates in
such a pathetic banality is not accidental. Every step of the way,
the argument is crudity piled on crudity. Rampant subjectivism,
extreme methodological individualism and capitalist apologists
combine to produce what must be judged among the poorest per-
formances in the history of economic thought.53

It is not the purpose of this study to offer yet another critique
of neo-Austrian economics. I develop these points only to illustrate
a key blindspot in recent arguments which take the ultra-liberal
position on economic calculation as the point of departure for claims
that the market is the only mechanism that can regulate a socialist
economy. With respect to this argument, two crucial points need
to be made about the nature of markets.

First, the best that markets can do is to provide information to
people about a range of private economic choices available to them
as isolated individuals. Markets are incapable of providing any
meaningful information about the social effects of private economic
transactions. Yet as an important body of literature in welfare
economics has shown, virtually all allegedly private economic acts
have such public effects, or ‘externalitys’ to use the jargon of modern
economics. Even Robinson Crusoe could not act in isolation. And
in real-world situations, as E.K. Hunt points out,

most of the millions of acts of production and consumption in which
we daily engage involve externalities ... Since the vast majority of
productive and consumptive acts are social, i.e., to some degree they
involve more than one person, it follows that they will involve exter-

Thus, whatever may be said about the ability of markets to provide
information relevant to individual decision-making – and this has
been vastly overrated – they are not equipped to calculate trans-
individual effects and are thus biased against social decision-making.
Calculation of public effects of economic action requires information
that markets do not and cannot provide. Not only do markets
presuppose atomized individuals; by depriving people of information
about social effects, and by rewarding only acts judged according
to private, asocial criteria, they perpetuate atomism. Moreover,

markets bias and obstruct the flow of essential information, promote
antisocial incentives over equally powerful motivations that need not be
socially destructive, and generate increasingly inefficient allocations
of resources. In sum ... markets promote snowballing individualism that
is demonstrably non-optimal regardless of whether they are combined
with private or public enterprise.56

It is also worth noting in this regard that an important line of
argument has demonstrated convincingly that market-based hier-
archies within the firm also create inefficiencies within the individual
unit of production.56

This brings us to the second general point that needs to be made
about markets: market information is equally incapable of providing
rational criteria for investment. Austrian and neo-Austrian econom-
ics have been unable to construct a meaningful theory of capital and
investment—a failing which is thinly disguised by rhetoric about 'uncertainty', 'entrepreneurship' and 'discovery'. \(^3\) Markets provide no rational criteria which could guide the building of roads, sewers, steel mills, communication networks, schools, parks, clothing factories, childcare centres, hospitals, bakeries or hydroelectric stations. 'No individual entrepreneur', writes one economist,

'can estimate on the basis of market data alone, the productivity of investment until the investment plans of other entrepreneurs are determined. How can they say what the productivity of investment in a particular town will be until one knows whether or not that new railway line is to be laid down? We have here something analogous to external effects in production.' \(^3\)

Such investment decisions require long-run estimates of collective needs. Yet the whole point about prices is that they reflect present data. Investment inevitably changes these data over time by creating new incomes, changing technical conditions of production, altering consumer preferences (by providing new goods), and so on. The longer the time-horizon, the more glaring this problem becomes. How is the market to regulate decisions with respect to public goods—many of which are to be consumed by the next generation?

Once we move outside the fictionalized world of Crusoe economics, it becomes clear that markets are entirely incapable of guiding economic decisions that affect the well-being of large numbers of people, whether these involve a long time-horizon or choices concerning public goods like hospitals and parks. For this reason, one economist rightly notes that market theory offers 'no satisfactory "competitive solution" to the problems of the horizon and terminal capital equipment or of investment generally'. \(^3\) Indeed, the neo-Austrians implicitly recognize this fact when they reject the fictional world of general equilibrium theory. Precisely because investment decisions are a step into the unknown in a world governed by price signals, they create enormous instability. In an unregulated system, many investments will fail, some will be precarious, others will be too successful (hence inflationary). It follows that investment in a market-regulated system will produce disequilibrium, not the self-adjusting equilibrium of neo-classical economics. \(^6\)

The ultra-liberal theory of calculation rests, therefore, on the flimsiest of assumptions: that rational economic decision-making can reasonably be conceptualized according to a model of consumption choices by isolated individuals. Recognize the inherently social nature of economic action and the problem of the time-horizon associated with investment, however, and market calculation stands exposed as little more than an ideological construct with almost no explanatory power. That socialist writers could so blithely treat the market as a central mechanism of socialist economy is testimony to the current sway of fetishistic thinking on the Left.

But if the market cannot provide the sort of information needed to regulate a socialist economy—and, indeed, is structurally biased against the provision of such information—by what mechanisms and processes might a socialist economy regulate itself? A number of general points can be made in response to this question.

First, the key variables in establishing the framework of the economy are the structure of social consumption and the rate and direction of investment. The structure of consumption determines the order of priority given to a whole range of needs, and thus the allocation of productive resources to the provision of food, clothing, means of transportation and communication, housing, healthcare, education, and so on. The structure of investment similarly prioritizes such things over time. The rate of investment, on the other hand, 'determines what can be called the intertemporal distribution of welfare': how much of today's output will be devoted to meeting needs in the here-and-now and how much will be devoted to future needs. \(^5\) The division of the social product between consumption and investment thus reflects social choices with respect to present and future needs.

Capitalism 'resolves' these issues according to the criterion of profitability. The structure of consumption is determined by capitalist decisions as to the production of those goods which, given the existing distribution of income, are expected to provide the highest rate of return. Similarly, the structure and rate of investment are determined by capital's assessment of the potential profit of various investment projects. In both cases, democratic public discussion of these issues is irrelevant. These are 'private' decisions which pertain to capital by virtue of its property rights, however much the welfare of the majority may be affected by them.

Central to the political economy of socialism is the attempt to establish democratic control over macroeconomic decisions which determine the fundamental structure of consumption and the rate and structure of investment. This involves asserting the inherently social nature of such processes, and the basic priority of macroeconomic
decision-making in economic life. And it involves challenging the methodological individualism of market economics and its mystified view of such decisions as mere aggregates of private microeconomic decisions.

By treating macroeconomics as a sum of individual microdecisions, market theory maintains that 'if the environment is being destroyed, if housing and health are inadequate while deodorants and hair sprays are abundant, or if products are unsafe, it is because people “want” it this way'. One of the central achievements of Marx’s critique of market economics was to expose the inversion of subject and object, means and ends which characterizes this outlook. Contrary to the view that commodity-market mechanisms are purely technical in nature and can be accommodated to any range of choices, Marx demonstrated that market regulation (expressed through the law of value) treats as natural what are in fact thoroughly social relations and processes: the commodification of labour-power, the subordination of use-value to exchange-value, of need to profit, and of consumption to accumulation.

By demonstrating that subordination of human needs to reified automatic laws is the very essence of market regulation, Marxism proposes the socialization and democratization of economic life. Indeed these are simply two sides of the same coin. To socialize macroeconomic decisions — by subjecting them to genuine democratic and public control — is to push back the frontiers of the market, to affirm the right of the majority to regulate processes which have hitherto governed their lives.

Related to this first principle, the socialization of macroeconomic decision-making, is a second: democratization of subsistence. The ideology of the market holds that the market is a mechanism for the expression of needs (which are reflected in prices) and that the level of demand for a given commodity is a reflection of the ‘need’ for it relative to other goods given existing supplies. The absurdity of this view has been pointed out by countless critics: if a shortage of some good drives up prices and reduces demand and consumption, then it follows that the ‘need’ for that good has diminished. Since ‘human needs only exist in markets’, notes one such critic, market ideology implies that ‘raising prices thereby reduces human needs’ (since these can only be measured by market demand). A simple example — that of ‘famine’ — illustrates the obscenity of this argument. It is commonplace in a market-regulated economy for people to starve while food is being exported from the famine region.

This is a completely ‘rational’ outcome in terms of market principles. Indeed, since domestic demand for food (measured by ability to pay) is low, market economics suggests that there is no domestic ‘need’ for the exported food. Here a basic truth is revealed: the market does not and cannot acknowledge needs which do not obey its dictate — the provision of means of exchange (a representative of abstract human labour). For it is not needs which are the issue; it is ‘entitlement’, the ability to pay in terms of the universal equivalent of the market. Thus, in the words of Amartya Sen, ‘food being exported from famine-stricken areas may be a “natural” characteristic of the market, which respects entitlements rather than needs’.

Against this inverted logic, socialism asserts the priority of directly ascertaining needs. It rejects the notion that these exist only to the degree to which they are mediated by market relations and money. Socialism thus aspires to detach access to subsistence from market exchange — which entails, as I have argued above, the growth of the ‘social wage’ provided through the socialized consumption sector. The struggle to liberate distribution of wealth from market regulation is a drive to supersede the principle of fee for service. What applies to socialized healthcare and education (at least to some degree in most advanced capitalist nations) can equally apply to housing, basic diet, transportation, communication, energy, recreation, and so on.

It is obvious that a whole range of material, cultural and historical factors would determine the rate at which progress towards this goal could be achieved. But that such a goal is possible and feasible is demonstrated by the partial socialization of a limited range of services within capitalist society. Market socialists have offered no compelling argument as to why socialization, freed from the rule of capital, could not be radically extended. And those who accept that it is feasible seem unable to recognize that the expansion of free social services necessarily involves the contraction of the market and undermines market regulation of the economy.

At this point the impatient critic is likely to throw down two more challenges. First, can one reasonably imagine that social planning could provide appropriate supplies of the multiplicity of goods and services to which most people in advanced capitalist society have become accustomed? And second, do I mean to suggest that socialist economy will be indifferent to efficiencies of production and distribution? To both questions my answer is no. But this involves much less of a concession to the market than my critic is likely to believe.
Let me start by granting that it is not reasonable to expect society to plan precise output levels for hundreds of thousands of goods. I see no reason, however, to be especially troubled by this fact. To begin with, the bulk of human subsistence consists of a fairly limited range of basic goods. Even in the case of the advanced capitalist countries, Ernest Mandel points out, 'private consumers may purchase a few thousand different goods in the course of their whole life-cycle (even that would be an exaggerated estimate for many of them). Production schedules for such goods could easily be devised without price signals since, even in capitalist societies, 'the bulk of current production corresponds to established consumption patterns and predetermined production techniques that are largely if not completely independent of the market'.\(^6\) As for fluctuations in demand, again, for most of these goods, lack of price information poses little problem. There is little lost by way of efficiency, after all, in choosing to overproduce a wide range of goods with a reasonable shelf-life, e.g. soaps and shampoos, canned and many packaged foods, household appliances, clothing goods, pencils, pens, notepaper, and so on. The same applies to many industrial goods, from ball bearings to aluminium and electrical generators. Furthermore, inventory control systems are far more effective than price signals for tracking changes in the demand for goods – which is precisely why capitalists devote so much effort and investment to perfecting them. As Pat Devine notes, price changes are not necessary to provide the information that changes in capacity are needed. A change in demand first becomes apparent as a change in the quantity being sold at the existing price and is therefore reflected in changes in stocks or orders. Such changes are perfectly good indicators or signals that an imbalance between demand and current output has developed.\(^6\)

Price changes in response to changes in demand are therefore not necessary for purpose of providing information about the need to adjust capacity.\(^6\)

It is worth noting that this argument does not apply only to supplies of consumer goods. The development of computer-regulated just-in-time delivery systems for parts and components in manufacturing processes demonstrates that price signals are not required to assure the availability of all the elements necessary to manufacture a final product. Modern corporations engage in much more planning than mainstream economics likes to acknowledge. There is no reason why a socialist economy could not refine and develop such systems of planning within the firm.

Still, there are good reasons for not including all goods and services in a social planning process. Goods of lower overall priority to the community, those whose scarcities are a significant factor, and those which cater to highly specialized needs could best be left to individual market exchange. Which goods would enter this sphere depends on the first instance on the make-up of the socialized sector. If we assume that a range of 'luxury' goods would be allocated according to market exchange: fine wines, exotic teas and coffees, specialty clothing and home furnishing, some electrical goods, and the like. Let us also assume that this sector allocates goods whose consumption society prefers to discourage, such as cigarettes. Further, let us assume that a range of personal services are available in this sphere, e.g. hairdressing and cosmetic surgery.

The existence of a sector such as this would provide for a large number of individual preferences to be accommodated according to supply and demand. But this need not involve much of a concession to market principles for reasons which should now be clear. First, the scope of this sector would be limited. So long as the bulk of subsistence goods are not procured through the market, then the latter will not regulate the social and material reproduction of human beings. Second, even in such a sphere, there is no reason that the market should reign supreme. Many market prices could be regulated by public policy. Cigarettes provide an obvious case in point. If society wishes to discourage consumption of such goods, or to force consumers to pay for obvious external effects, it can easily 'tax' them (as do modern capitalist societies) by setting prices well above costs of production and making them unresponsive to a decrease in demand. The 'taxes' accrued in this way could be appropriated by public authorities to subsidize the socialized consumption sector, to create special funds (e.g. for environmental clean-up), or to lower the prices of certain goods still allocated through the market (hardcover books perhaps). The crucial point here is that even this limited market sector could be regulated according to social criteria and need not, therefore, involve any move towards market regulation.\(^6\) In the words of Włodzimierz Brus,

A society which consciously constructs a mechanism for the functioning of its economy chooses between different combinations of direct and market forms of allocation, and subordinates commodity relations to autonomously defined goals and criteria of rationality. In this way society can overcome commodity fetishism.\(^6\)
This comment takes us to our critic's second challenge: the problem of efficiency. Note that Brus refers to 'criteria of rationality' which are 'autonomously defined'. The emphasis here is on the plural form: criteria. For one of the characteristics of an economy moving beyond the market is its liberation from domination by the law of value, the relentless drive to reduce socially necessary labour-time in order to maximize surplus-value and the rate of accumulation. As I have argued above, this does not mean that the economy of time disappears in socialist society. It does mean, however, that the problem of time is situated within the political economy of the working class.

The cardinal principle of that political economy is 'the free development of individualities', the 'development of human powers as an end in itself'. Human labour ceases to be a means to an end — the self-expansion of capital. Increasingly, the development of the many-sided creative energies and capacities of individuals becomes the ultimate goal of society. Of course, our biological and social constitution make necessary social labour inevitable. But socialist society strives to reduce such labour in order to maximize time for individual self-development. For 'wealth', as Marx puts it, 'is disposable time and nothing more'.

It follows that socialist economy does possess an inbuilt drive to increase the efficiency of production: the impetus to maximize free, disposable time. And this drive can be developed as a structural incentive within the worker-controlled firm. Once output targets are set for the individual workplace — on the basis of planning according to social demand, available resources and technology and the allocation of labour — workers should be free to introduce innovations which enable them to meet those targets in fewer hours subject to quality control criteria. So long as workers meet their output target in less time than anticipated with no diminution in quality, they ought to be free to dispose of their increased time away from social labour as they please. Their options should include taking on more social labour elsewhere in order to meet an unanticipated increase in demand for some good (provided they have the requisite skills) so that they might supplement their 'money wages' for increased purchases from the market.

But if socialism is based on the maximization of time for self-development, what does it mean to insist on a plurality of criteria of economic rationality in socialist society? Part of the answer to this question is implied in our reference above to quality control. While wealth consists to an important extent of disposable time, it is also more than this for the political economy of the working class. The key thing is not just the quantity of time at workers' disposal; it is also the quality of time — within and beyond necessary social labour. For wealth is also for Marx measured by the multiplicity and richness of needs that are satisfied (which involves a combination of goods, services and time for self-development).

Indeed, one of the progressive features of capitalism according to Marx is that it develops new needs in people, it awakens and cultivates their senses and expands the range of their enjoyments: in the course of capitalist development of the productive forces, 'the producers change, too, in that they bring out new qualities in themselves, develop themselves in production, transform themselves, develop new powers and ideas, new modes of intercourse, new needs and new language'. This takes place, however, in a contradictory and one-sided way. While developing new aspirations for self-development among the producers, capitalism also restricts their opportunities to realize them. Socialism takes over and develops capital's tendency to cultivate the human being 'in a form as rich as possible in needs, because rich in qualities and relations'. But it does so in a way which liberates this positive side of capital's self-expansion from the alienation and exploitation associated with it.

Three things follow from this. First, the reduction of necessary social labour cannot be at the expense of the range of human satisfactions. On the contrary, the productivity gains brought about by the development of the forces of production would in all probability be distributed in two ways, not one: by increasing the social output to raise consumption levels (and perhaps to move some goods from the sphere of market exchange into the socialized consumption sector) and, after that, by reducing necessary social labour. The second thing which follows from our qualitative criteria is that reduction in necessary labour-time could not be at the expense of the conditions of work itself. It is contrary to the political economy of the working class to increase the drudgery, monotony or hazards of work. This is why, in the very passage in which he advances the criterion of 'the development of human powers as an end in itself' as the goal of socialism, Marx also insists that this objective has as its precondition that the producers work in 'conditions most worthy and appropriate to their human nature'.

Finally, reduction in necessary labour cannot be at the expense of the natural and social environment outside the workplace. Central
to Marx's outlook is the view that 'man is a part of nature'; that
nature is the human being's 'inorganic body'. The health and well-
being of this 'body' is a genuine human need. It would be unac-
ceptable, therefore, to have one group of workers introduce an
innovation which improved productivity within the workplace while
adding dangerous pollutants to the land, water or atmosphere.
Moreover, environmentally hazardous increases in productivity within
the workplace would be socially inefficient since they would require
increased labour inputs for new pollution control systems, environ-
mental clean-up projects, and the like. It is characteristic of capitalism
that, as Engels puts it, in relation to nature, as to society, it is
predominantly concerned about only the immediate, the most
tangible result'. Capitalism thus treats nature as a mere means to an
end, the self-expansion of capital. But this leads to terrible de-
struction. Moreover, 'nature takes its revenge on us' for violating its
inherent characteristics – as part of nature, human beings suffer from
its despoilation. Using the example of capitalist agriculture, Marx
argued that this mode of production only increases output 'by
simultaneously undermining the original sources of all wealth – the
soil and the worker'.

Socialism would obey a different logic. The short-run efficiencies
which dominate a mode of production governed by the maximization
of surplus-value result in degradation of the worker and despoilation
of the environment. For the political economy of the working class,
the health of the environment – clean air and water, protection of
the ozone layer, restoration of rain forests and so on – is just as much
a need as is the disalienation of the labour process.

The needs of socialist citizens could not be reduced, therefore,
simply to the desire to minimize necessary social labour, however
important that would be. Their needs would be rich and varied. And
as there is no single measure of the multiplicity of human needs,
it follows that a number of separate but interrelated criteria would
have to guide the planning process. In general terms, we can sum-
marize the most fundamental objectives that would guide socialist
planning as follows: (1) increasing the quantity and quality of per
capita consumption (and especially its guaranteed component); (2)
decreasing necessary social labour in order to maximize disposable
time; (3) improving the conditions of work in order to eliminate
hazards and reduce monotony and drudgery; (4) reducing private
labour performed in the household (e.g. cooking, cleaning, laundry)
through the creation of communal kitchens, dining areas and laun-
dries (whose use would be entirely voluntary) and through the
provision of household appliances; (5) protection of the well-being
of the natural and social environment; (6) planned relative overpro-
duction. Of course, these objectives will often point in different
directions. And the choices involved cannot be translated into a
single measure or means of calculation – a point which was ne-
eglected by socialist writers who intervened in the calculation debate,
thus weakening their critique of the neo-Austrian position.

One of the advances represented by socialist planning is precisely
that the rich and varied needs which are central to modern human
existence would not be subordinated automatically to a monolithic
economic law. The essence of socialist planning is that people
democratically participate in the deliberations by which these criteria
(and others) are balanced. Indeed, this is what it means to move from
the realm of blind necessity to the realm of freedom. There is nothing
metaphysical in the idea. It simply refers to the fact that democracy
and conscious human deliberation would direct the basic pattern
of economic reproduction of society. In such a context, the criterion
of efficiency would become a means to human ends, not an end in
itself to which all needs are subordinated.

But what of calculating efficiencies where these are consistent with
the criteria which would guide socialist planning? Aren't indices of
relative costs crucial here? And is not the great advantage of prices
that they provide precisely such indices? How does one calculate
the greater or lesser efficiency of various methods of production
without a means of measuring all the inputs involved according to
some common standard?

The very way in which these questions are posed indicates much
of what is wrong with current thinking about the market. For it
betrays an inability to conceive of calculation without market prices.
Yet, as Oskar Lange pointed out in his principal contribution to
the calculation debate, such a position confuses 'prices in the narrower
sense, i.e., the exchange ratios of commodities on a market, with
prices in the wider sense of "terms on which alternatives are of-
fered"'. And, notwithstanding Mises, Hayek and their acolytes,
there is in principle no reason why such relative indices – or 'plann-
ing prices' – could not be devised without resorting to market
regulation. Indeed, one enormous advantage of devising them outside
the market is that the cost of 'externalities' could enter directly into
'price' calculation. Planning prices could thus be freed from the
information constraints inherent in market calculation. In addition,
unlike the static data provided by the market, planning prices could be adjusted (through an equational system) to take account of the changing economic parameters brought about by investment. Posed in these terms it is clear that Schumpeter was right when he concluded that 'there is nothing wrong with the pure logic of socialism' and, indeed, that at the level of logical analysis, 'the socialist blueprint is drawn at a higher level of rationality than the pure theory of capitalism'.

A common objection to this argument is that, logic aside, the sheer scale of the calculations involved would render any planning process impracticable. Let us note that this objection involves a wild exaggeration of the number of price solutions with which planning would have to cope. Equally important, there is little doubt that Lange was right too when he pointed to the superiority of computers over markets for solving a system of simultaneous equations — a superiority which has to do principally with calculating economic dynamics. Computer programs can incorporate the effects of changes brought about by growth, investment and public policy decisions in a way that completely eludes the price system of the market. The computer is not just a substitute for the market, therefore; it has calculative capacities different from those of the market:

After setting up an objective function (for instance maximising the increase of national income over a certain period) and certain constraints, future shadow prices can be calculated. These shadow prices serve as an instrument of economic accounting in long-term development plans. Actual market equilibrium prices do not suffice here, knowledge of the programmed future shadow prices is needed.

Mathematical programming turns out to be an essential instrument of optimal long-term economic planning. ... Here, the electronic computer does not replace the market. It fulfills a function the market was never able to perform.

Non-market 'prices' thus have a number of real advantages over market prices with respect to economic calculation: they can incorporate social costs ('externalities'), they can respond to changing parameters brought about by decisions outside the scope of a single firm, and they can be adjusted to take account of the anticipated effects of long-term development plans. Let me emphasize again that I am discussing 'planning prices' here, i.e. a measure of relative costs that would guide economic decisions where this is the operative criterion. This has nothing to do with market regulation of the economic reproduction of society. As far as the technical question of devising planning prices is concerned, however, my own view is that Maurice Dobb's elaboration of a model of measuring past, present and future labour inputs could serve quite effectively as a means of calculation for these purposes.

I have largely ignored Dobb's contribution to the literature on economic planning since his approach is undermined by a reliance on the Russian experience as his point of departure and, not surprisingly, on the labour market to determine wages, and by his failure even to acknowledge workers' democracy as a key to socialist planning. For these reasons, much of Dobb's work is of little or no value to the development of a political economy of socialism. But with respect to this technical problem, devising a measure of average labour inputs for purposes of socialist economic calculation, Dobb's discussion is instructive. This is especially so because, as he points out, a dated-labour system of calculation could provide a measure not merely of labour-expenditures actually incurred, but of potential labour-expenditures that would be imposed elsewhere if the input in question were to be put to a sub-marginal use.

Let me hasten to add, once again, that any such quantitative method of calculation would have to be subordinate to qualitative criteria (a point that is absent in Dobb). Efficiency calculations are relevant only where all other considerations are equal, or nearly so. Precisely because a range of qualitative concerns would operate autonomously, socialist society could choose methods of production which would be less cost-efficient in the short or medium term because of the less satisfactory conditions of work or the long-run depletion of natural resources associated with alternative methods. And this possibility, I repeat, is one of the features which distinguishes a planned economy from one regulated by the market.

My discussion of the calculation debate may be summarized, then, as follows. I argued, first, that the challenge thrown down by Mises and Hayek is not merely a technical one. To accept the terms of debate as they pose them is to accept that all aspects of economic life must be reduced to a single measure. All concrete labour must be reduced to a single abstract form; all human needs must be expressed via a common medium which quantifies them; human labour and the natural environment must be treated as simple commodity inputs into a production process and thus regulated according to short-run cost-efficiencies; and social needs must be treated as mere aggregates of individual market decisions.
Second, I attempted to show that socialism would set its basic economic parameters by establishing communal ownership of the means of production and social control of the structure of consumption and the rate and direction of investment. Remove these macroeconomic issues from the market and a framework plan for the economy would be in place. Connected to this, third, is the idea that the economic reproduction of human beings would be demarketed. The bulk of means of subsistence would increasingly be provided through a socialized sector based on provision of free goods and services not governed by market prices. I pointed out, fourth, that provision of a whole range of consumer goods could be regulated by inventory control systems more efficiently than by price signals (a fact that is recognized by modern capitalist firms). And I suggested in this regard that the methods of just-in-time delivery of parts and components could provide much of the information necessary to the supply of these items within manufacturing systems.

Fifth, I argued that, given the sorts of parameters involved in democratically establishing a framework plan for the economy, there need be no insoluble problem involved with calculating ‘planning prices’ which would allow efficient choices to be made with respect to the implementation of an economic plan. None of this need involve notions of omniscience. It involves the claim that there is an alternative to market regulation, the shortcomings of which have been obscured by the fetishistic notions prevalent among market socialists. At the same time I claimed, sixth, that there are valid reasons for leaving the allocation of a wide range of goods to individual market exchange. But even here, I pointed out, many prices could be regulated (through ‘taxes’ and subsidies) according to public policy.

I then took up, seventh, the efficiency argument. I maintained that the governing efficiency criterion of socialism would be the maximization of disposable time and that this provides an impetus to the development of the forces of production. But I insisted that the richness of human needs — itself a key measure of wealth — would require that this efficiency criterion be balanced by a number of qualitative concerns with respect to the quality of products, of the work process, and of the natural and social environments. While there is a single logic guiding the political economy of socialism — the satisfaction of human needs — these cannot be reduced to a single measure. Democratic debate and decision-making will be the very heart and soul of a (far from infallible) process by which people will weigh their needs and come to a set of ‘tradeoffs’ incorporated in an economic plan.

Finally, I argued that where a measure of efficiency is relevant, a number of comparative measures of ‘costs’ could be devised. I am inclined to think that Dobb’s method of measuring past, present and future labour inputs could be especially useful here. Whether I am right on this technical question is not decisive. But it seems clear that Schumpeter was correct to acknowledge the economic rationality of socialism. And given the possibilities of using computers for linear programming, there is in principle no reason why accountable agencies could not devise ‘planning prices’ much more comprehensive and dynamic than those which regulate the market. A socialism that does not capitulate to the market is both feasible and viable. It is, ironically, market regulation, not socialist planning, which should be on trial.

Socialized Markets or Market Reformism?

At first glance my position may seem close to Diane Elson’s theory of ‘socialized markets’. Elson advocates an economic arrangement in which ‘the process of production and reproduction of labour power is the independent variable to which the accumulation process accommodates’. She suggests, in other words, that the social and material reproduction of people should be guaranteed outside of exchange. To this end, she argues for ‘public provision of health, education, water and sanitation services free of charge’, the guarantee of ‘a minimum money income to cover the purchase of sufficient food, clothing, shelter and household goods for a very basic living standard’, and, finally, for ‘free provision of access to information networks: print, telephone, photocopiars, fax machines, computers, etc.’.

This approach clearly has the merit of implying that labour-power be dec commodified and that society move in the direction of demarketing economic life. Yet Elson recoils from the full implications of her own analysis. She criticizes ‘anti-price Marxists’ for failing to appreciate ‘the progressive aspects of market coordination’, and for not understanding ‘that a decentralized socialist economy needs a decentralized price mechanism’. Indeed, she reverts at times to an entirely mainstream view of economy, as when she claims that ‘the crucial point about money and prices is that they enable us to consider alternatives’. Now, as I have shown, this is
not at all the case. The crucial thing about money and prices is that they embody a profound social contradiction, the alienation of individual from society, of use-value from exchange-value, of concrete from abstract labour, which requires an alien third party, a ‘thing’ beyond labourers and their products, to reconcile these separated elements. And this thing then comes to dominate the economic lives of the producers:

The existence of money presupposes the objectification of the social bond ... money ... can have a social property only because individuals have alienated their own social relationship from themselves so that it takes the form of a thing.  

Elson appears to see none of this. It comes as no surprise then that her discussion of Marx’s concept of commodity fetishism is woefully inadequate. Rather than seeing it as a theory of the value-form specific to capitalism – where the sociality of human labour takes the abstract, externalized form of a thing – she reduces it to merely ‘a dramatic metaphor for the isolation problem’ in which a given individual or firm does not have access to all the information necessary to make fully informed market decisions. As a result, Elson dulls the razor-sharp edge of Marx’s critique of capitalism. Where Marx had intended his notion of commodity fetishism to underline the inherently alienating nature of economic life governed by commodity–money relations, Elson treats it as little more than a critique of restricted access to market information. In the end, she discusses ‘socialization’ of economic life not principally as a question of de commodification, but rather as a problem of fair and equal access to market information.

Given this confusion, Elson ends up trying to reconcile the irreconcilable. Her useful insights as to how the production and reproduction of labour-power could be guaranteed outside the market are vitiated by her efforts to cling to market-determined money prices as the regulators of a wide array of economic transactions. For, in so far as she grants real autonomy to a ‘decentralized price mechanism’ to allocate labour, goods and services, she gives an asocial mechanism the power to govern the economic metabolism of society – and thus undermines socialization. If enterprises are to be governed by the laws of the market, after all, they will be compelled to accumulate in order to achieve (or better) socially necessary labour-times. The organization, intensity, hours and rhythms of work will have to be determined ultimately by the forces of market competition. Moreover, there will be a constant tension between the principles of socialization and market regulation. Either the system will allow the bankruptcy of relatively inefficient enterprises (and the layoffs and unemployment that entails), or more efficient firms will have to be taxed at a higher level in order to keep those firms afloat and to continue to sustain the provision of free social services and a guaranteed minimum income – thereby undermining the market reward for successful accumulation and diluting market rationality.

The clash between the logics of market-regulation on the one hand and socialization on the other will inevitably generate social discontent – either among those who are driven out of work or whose wages are driven down by market competition, or on the part of those whose market efficiency is ‘penalized’ by higher taxes which inhibit their ability to accumulate as rapidly as possible in the face of present or future competitive threats. Whichever route the system chooses, the benefits of socialization will continually be undermined by the reality of market imperatives. The same conflict which is at work in the advanced capitalist countries at the moment will sooner or later come into play: either society will choose to break with market regulation in order to preserve the benefits of socialization, or it will be forced to erode the socialized sphere in order to allow market forces freer play. In the end, Elson’s ‘socialized markets’ embody a fundamental contradiction: the coexistence of market and non-market logics of economic regulation. One or the other must ultimately assert its dominance. If Elson claims that she always intended the market to be subordinate to the logic of socialization, she will have to accept that her model will not have a genuine ‘decentralized price mechanism’, nor will it strictly speaking provide for the choice between economic alternatives on the basis of money prices.

This is not to deny that different mechanisms can be incorporated within a single economic system. It is to insist, rather, that the combination of utterly different economic logics is not viable. My argument has been that socialism represents the increasing subordination of market transactions to non-market regulation by the direct producers and their fellow citizens. Recognizing that autonomous markets are inherently asocial, I have argued that socialism must strive to limit, restrict and subordinate them within a framework governed by a commitment to de commodifying economic life. Elson fails to come to terms with what is at stake here: a choice between principles of economic regulation. Her position ends up entangled
in a welter of contradictions which she tries to resolve with a thoroughly unconvincing appeal to the liberal notion that the key economic task is to challenge 'capital's prerogatives over information'.

We observe here a phenomenon which runs through the history of market socialism since the 1820s: a rapid descent from the lofty heights of 'socialization' to the depths of market reformism. Lack of clarity about commodities, money and market regulation continually results in attempts to revamp the market without transcending it. In Elson's case, market reformism fixes itself not on a call for co-operative stores and workshops or currency reform, but on an appeal for a 'campaign around open access to information'.

This, regrettably, is the inevitable fruit of adaptation to the ideology of the market. The effort to distance oneself from the barbaric legacy of Stalinism by means of compromise with the market can only lead to retreat from genuine socialism. Indeed, the trajectory of much of the Left in the aftermath of the collapse of Stalinism has been precisely that - towards accommodation with liberalism, as if trying to fit in with the dominant ideological discourse is the best way to preserve critical thought. The result has been a series of efforts to depict socialism as little more than spruced up liberalism, or as entirely compatible with the market principles of liberal economics. Considered in these terms, modern market socialism is just one facet of a general intellectual and political retreat. Moreover, this retreat threatens the very integrity of the revolutionary socialist project. 'There is a real danger', notes one critic, 'that the chilling experience of Stalinism and the sobering experience of social democracy is producing a lowering of sights, a loss of focus on the priorities and values that make the socialist/communist project revolutionary and worthwhile.'

Yet it is precisely now, as the laudable efforts of working people in Eastern Europe to put an end to the tyranny of Stalinism are being channelled into the dead-end of marketization, that revolutionary socialism cannot afford confusion on the question of the market. For what is happening to the economies of Eastern Europe at the moment is merely a local example of a global process of restructuring according to the dictates of the market – price competition, cost minimization, profit maximization. Now, as the world economy experiences its third major recession since the mid 1970s, is hardly the time for socialists to retreat from the fundamental idea that there is an alternative to the twin tyrannies of the market and the state: the democratic system of workers' self-government and conscious planning of social production that Marx termed a 'free association of the producers'.

The history of the working-class movement is a history of resistance to the tyranny of the market and its laws. From anti-enclosure riots to Luddite rebellions, from the campaign against the New Poor Law to struggles against factory closures and wage-cuts today in Brazil, Poland, South Africa or the United States, the working class has continually fought against domination by the market in human labour power.

It was the great achievement of Karl Marx to have theorized that struggle, to have shown the inherently alienating, competitive and exploitative nature of an economy based on the commodification of labour-power, and to have constructed a socialist perspective which demonstrated that proletarian struggles could triumph only by breaking the rule of capital – and that this meant overturning commodity and market relations. The trend of many on the Left today to embrace the market, to denounce 'anti-price Marxists', to turn to Mises and Hayek for the challenge necessary to renew socialism leads towards a renunciation of that entire legacy, and of its vision of socialism as a society in which human beings are no longer dominated by the products of their own labour.

Following that path is not the service we owe the working class movement as it confronts the immense misery and destruction of the late twentieth century. Socialist advance today requires a recovery of all that was best in Marx's critique of the capitalist market and the vision of self-emancipation which flowed from it. There, not in the ideology of the market, will we find resources for socialist renewal.
NOTES TO PAGES 162-171

55. Ibid., p. 166.
57. Marx, Capital, 1, p. 161, n.26. See also ibid., p. 181, n.4.
58. Ibid., p. 196. Marx does not deal at this point with the added complication of divergences of prices from immanent value brought about by equalization of the rate of profit in the context of variations in the organic composition of capital (the value relation of means of production to living labour); he takes these points up only in the third volume of Capital.
59. Ibid., p. 199.
60. Ibid., p. 236.
63. Ibid., p. 731.
65. Ibid., p. 734, n.10.

6. Beyond the Market

11. Karl Marx, Thomas of Surplus Value, Part 3, trans. Jack Cole and S.W. Ryazanskaya (Moscow: Progress, 1971), p. 74. It should be remembered that independent commodity producers (including peasants) whose reproduction is market-dependent – i.e. they have market-determined money rents, must buy both producer and consumer goods on the market, and are thus compelled to raise cash through commodity production – are also governed by the market.
15. Karl Marx, ‘Immediate Results of the Process of Production’, in Capital, 1, p. 989; Grundrisse, p. 513. Of course, all of this entails some form of private ownership and/or control of the means of production; but this need not mean that certain individuals have a legal claim over the means of production, only that the latter are not owned and controlled by society. Alienated labour and the commodity form do entail at least some form of ownership and control – but these forms are multifaceted, a point to which I return.
21. On this point, see Hal Draper, Karl Marx’s Theory of Revolution. Volume One: State
37. For an excellent discussion of this, see Lebowitz, pp. 72–7.
40. Nove, pp. 15–16.
42. Marx, *Capital*, 3, pp. 958–9. As well as prioritizing the reduction of social labour, Marx is equally concerned that the process of social production itself be disanalogized to the greatest extent possible – a point to which I return below.
46. On Marx's anti-elitist aversion to blueprints, see Draper, ch. 10.
49. Marx, *Capital*, 1, p. 188, n.1. See also *Capital*, 2, p. 434.
53. Perhaps nowhere is this clearer than in the so-called 'philosophical' works of the later Hayek. See chapter 2 above, notes 3–5.


63. Ibid., p. 40.


67. This point is hinted at by Pat Devine, who correctly insists on distinguishing between market exchange (which socialism can accept within limits) and market forces (which are antithetical to socialism however much they might have to be tolerated and hemmed in for a period of time). Unfortunately, Devine undermines much of his own case by accepting the need for a labour market (and hence the commodification of labour-power) and by giving market prices an exaggerated role in the allocative process. See ibid., pp. 22–3, 197, 238–41.


70. Marx, *Theories of Surplus Value*, 3, p. 255.

71. Quality control inspectors would have to be accountable to public agencies. Poor quality products which were rejected by these inspectors would thus involve increased hours on the part of workers who failed to meet established standards.


74. Marx, *Capital*, 3, p. 959. It should be remembered that Marx rejected the notion of a fixed human nature. The human nature at issue here is socially and historically formed.


78. Joseph Schumpeter, *Capitalism, Socialism and Democracy*, 3rd edn (New York: Harper and Row, 1975), pp. 172, 196. This is not to embrace Schumpeter’s hypothetical socialist model. Like Lange, Taylor and Dobbs, Schumpeter is too ready to accept the terms of debate thrown up by Mises and Hayek. On this point, however, he is clearly correct.

79. See Mandel, pp. 10–18.


83. Ibid., pp. 27, 12, 11, 27.


85. Elson’s confusion in this area is not new. In an often insightful essay on Marx’s theory of value from the late 1970s, she consistently confused matters by suggesting that abstract labour is a transhistorical concept, one applicable to any and all forms of economy. In so doing, she failed to grasp Marx’s insistence that abstract labour refers to the purely formal and alienated universality of human labour under capitalism. Unlike social labour, which is a concept applicable to all forms of economy, the notion of abstract labour is specific to the refined forms of capitalist economy. See Elson, ‘The Value Theory of Labour’, in *Value: The Representation of Labour in Capitalism*, ed. Diane Elson (London: CSE, 1978), pp. 149–50.

86. Elson, pp. 43–4. This is not to disparage Elson’s many valid insights. She is right to point out, for instance, that Mandel fails to incorporate the household and the labour performed therein into his model. Her own approach to this issue, however, is too uncritical. She fails to discuss the prospect of socializing large amounts of this kind of necessary social labour through the development of communal kitchens, dining facilities, laundries and childcare centres.


**Conclusion**