

LECTURE 12

[THIS LECTURE AND NEXT WEEK'S LECTURE MAKE A PAIR]

Socialist Planning

[We are discussing here an *abstract* or *ideal* notion of socialism – for the purpose of this lecture I am not interested in historical contingencies – so I will not be discussing or alluding to the failed efforts of utopian socialists or to the massacres, the police states, or the economic stagnation which attempts at socialist planning have produced in the past]

I should perhaps make clear at the outset what I mean by two of the most important concepts that I will be using throughout this lecture. Before I do anything else I must make clear what I mean by the word 'socialism', and what I mean by the phrase 'private property'.

1. SOCIALISM: What I mean by socialism and socialists is those people and movements who wish to abolish capitalism, either by the accumulation of reforms which would result in the eventual disappearance of capitalism, or by direct revolutionary means. For the purposes of this lecture neither Gordon Brown, Ed Miliband, nor George Galloway, are socialists. Nor are most, if not *all*, of the Labour Party backbenches. Nor is Michelle Bachelet the out-going centre-left president of Chile, or Lula Da Silva or Dilma Rouseff of Brazil. From this perspective it is a moot point whether Lula Da Silva (Brazil) or Evo Morales (Bolivia) or Hugo Chávez (Venezuela) are socialists of the reformist kind or not – but for the purpose of this lecture 'Socialist' means somebody who intends to abolish capitalism and replace it with a planned economy.
2. PRIVATE PROPERTY: What I mean by private property is productive property. Consequently, when I use the word private property I am *not* talking about your personal property, or a person's house or car. I am *not* talking about property used by individuals for their personal consumption, or their pension plan or their savings. By 'private property' throughout this lecture I mean property that is used as *capital* in the employment of labour – substantial share holdings, factories, offices, agricultural and building land, fleets of commercial vehicles, machinery and equipment of all kinds – all these things are for the purposes of this lecture 'private property'.

In order to get to the fundamental meaning of *socialist planning* it is essential for us to first rehearse some of the fundamental features of the capitalist system and of its development.

Within what we may call roughly the 'capitalist system' the distribution of labour time and the distribution of goods and materials made available by human labour are according to Marxists regulated by the operation of *the law of value*. It is under the operation of this law that the *socially necessary quantity of labour time* to produce a particular good or service is determined.

Lecture 12: Socialist Planning.

Anti-Capitalism: ideas, objectives and methods of the new social movements, Level II Course,
Department of Politics and Philosophy at Manchester Metropolitan University.

© Don Milligan & Manchester Metropolitan University, 2011

[DETERMINED BY THE TIME IT TAKES THE MOST EFFICIENT PRODUCER TO PRODUCE THE PARTICULAR GOOD OR SERVICE]

It is under the operation of this law that the range of goods produced, their quality, and their quantity relative to each other is determined.

We become aware of the operation of the law of value through the operation of the profit motive which acts both as the impulse or spur to production, *and* as the practical (if more or less spontaneous) force organising production through the operation of market forces.

This capitalist system in which economic activity is characterised by *generalised commodity production* – the production of goods for sale upon the market – came into existence in England toward the end of the seventeenth century and the beginning of the eighteenth century. It was described in 1776 by Adam Smith, appropriately enough, as ‘commercial society’, and the word ‘capitalist’ was in occasional use by the beginning of the nineteenth century, but the word *capitalism* only came into wider circulation as a description of ‘commercial’ society after 1870 or thereabouts.

This system came into existence very gradually – it evolved from the development of earlier forms of society as feudal relations decayed. To be sure, there were revolutions and sharp breaks in the course of this gradual development most notably, in England, in the Revolution of 1640-1659

[FEUDAL AND ABSOLUTE CLAIMS OF MONARCHICAL POWER ABOLISHED]

And in the Glorious Revolution of 1688

[FORMAL AND FINAL SUBORDINATION OF THE MONARCHY TO THE POWER OF PARLIAMENT].

However, for the most part, the domination of society by the production of goods for sale upon the market – the growth of the domination of society by commodity production – was a process of *evolution* – at times gradual and at other times rapid and turbulent.

The important thing to note is that it was not planned. Commercial society or capitalism arose spontaneously. This process was sometimes chaotic and other times it seems to have been a process calling forth new policies and modes of organisation and, periodically, responding to well-ordered reforms or specifically to surprising changes in the development of production techniques, or to developments in navigation and of geographical knowledge more generally.

Whatever it was, it was not planned. There was no political party, no ready-made 'bourgeois' or 'capitalist ideology', no plan in which the development of commercial or capitalist society from feudal or mercantilist arrangements was laid out or advocated.

[Struggle against mercantilism – Struggle for a freer labour market]

Capitalism, and the social relations associated with it, arose *without a blueprint*, and *without a conscious plan* or intention. The capitalist system arose spontaneously. The 'system' was only identified or recognised *after* it had become a fact.

In the course of its development in those areas that are now liberal democracies an understanding arose of the importance of the distinction between the political and legal sphere in which all white men – and subsequently – all human beings were held to be equal before the law. And this notion of equality rested, in the economic sphere, upon the defence of everybody's right to have property and to the defence of their freedom to use and dispose of their private property in any manner, which they chose. So, in principle the individual has the right to work for whom they like; to hire who they like; *they own themselves and any other property they may be able to acquire.*

There has been a highly complex development of vast bodies of philosophical and legal and political theory both underpinning and sustaining the development of the capitalist system, some of it associated with revolutionary upheaval and heightened periods of struggle, and some of it the product of steady processes of reform and innovation.

However, as a more *systemic* understanding of the cardinal needs of this sort of society arose it became clearly understood that it rested upon the twin pillars of (1) the establishment and defence of private property, and (2) the formation of a free labour force – Consequently, the establishment of proper contracts and the rule of law under which all private property was free from the *arbitrary* actions of both the state and of traditional forces, like the church or the nobility, became essential. Of course, implicit in this defence of private property, was the destruction of *collective* forms of property. Consequently, the ancestral rights of English labourers to common lands were destroyed along with the rights of Native Americans or Tasmanians freely to hunt game – *or to live at all.*

In the inauguration and defence of private property all forms of collective property (and the modes of life that went with it) was gradually swept away in a process of enclosure, clearances, and in wars against tribal peoples which amounted to genocide.

The positive side of this sorry tale is that the system depended not only upon private property, but also upon free labour, the destruction of *collective* forms of property and land holding was, of course, essential to the establishment of free labour – *the alienation* of the feudal peasant, the small agricultural labourer, the tribal hunter, *from their means of production* – driving these people them off their lands was essential to the development of capitalism.

Lecture 12: Socialist Planning.

Anti-Capitalism: ideas, objectives and methods of the new social movements, Level II Course,
Department of Politics and Philosophy at Manchester Metropolitan University.

© Don Milligan & Manchester Metropolitan University, 2011

[East Africa]

So, along with the destruction of collective property went the destruction of servile (or unfree) labour. Slavery, serfdom, peonage, caste and racially defined occupations and labour markets, and all other forms of servile or restricted forms of labour, had eventually to be abolished.

So both *collective* property and *servile* labour stood in the way of capitalist development. *In the interests of capitalism in general, private property and free labour had eventually to be guaranteed by the state. The state had a central role in bringing conditions favourable to capitalist development about.*

[COMPLEX AND PARADOXICAL EFFECTS
Confederate States – chattel slavery]

However, none of this challenges or undermines the historical view in which the capitalist system is initially the product of spontaneous and unplanned developments in which feudal or semi-feudal social relations and mercantilist arrangements gave way to commercial society and to the reign of the ‘law of value’, the profit motive, and the market.

This is perhaps the most fundamental difference in development between socialism and capitalism. Capitalism came into existence in an entirely unplanned manner by the action (during the course of two or three centuries) of innumerable changes in social, political and material conditions.

Socialism, on the other hand, is the product of a plan. Indeed the idea of socialism is *synonymous* with a plan. ‘Socialism’ without planning is merely a pious sentiment – a good intention. Socialism means, if it means anything at all, the replacement of the operation of the profit motive and the domination of the market with the democratic and rational decisions of working people.

Essential to the idea of socialism is the idea that *most* (if not all) of the economy should be the subject of rational decision-making in which a democratic estimation of people’s needs will take precedence over our rights to private property, the profit motive and the vagaries of the market. Private property and the operation of the *law of value* will be abolished and replaced by democratic decision-making; decision-making which will decide the range, the quantity and the quality of all goods and services produced.

So, it is clear that not only is the struggle for socialism a self-conscious political process, *what it is intended to produce*, will also be a self-conscious political process – the self-conscious management of economic and social life.

Gone is the defence of private property and the spontaneous, *now gradual, now turbulent*, process in which capitalism arose – in its place we have a set of highly developed and clearly articulated intentions concerning the building of a new form of society.

Consequently, ‘socialism’ and ‘planning’ – economic planning – are inseparable, and in its most ideal form, ‘socialism’ and ‘planning’ will result in the ‘planned economy’. Under the planned economy it will be rational economic decisions that determine the distribution of labour time and the distribution of all of society’s other resources.

Now, without dwelling for the moment upon whether this process of socialist development is going to be sudden and revolutionary or arise as a consequence of the accumulation of reforms it is evident that what socialists want to do *is to begin to determine the trajectory of economic and social development*.

At the moment, of course, the trajectory of economic and social development is in the hands of capitalists and of institutions and states favourable to capitalist development. What socialists want is a move towards a situation in which (under more modest socialist schemes) self-conscious economic planning by the state and by public services and co-operative enterprises would begin to overcome the operation of market forces and the profit motive (even if for the time being private property and the operation of the law of value is not actually squeezed *entirely* out of the economy). For more ambitious socialists ‘economic planning by the state’ would have a revolutionary content; for them the phrase ‘economic planning’ would mean first and foremost, the end of private property and its replacement by ‘workers’ management of production’.

[At this point it is vital not to confuse socialist planning with the use of the state and state planning to assist the development of capitalist relations or to assist, as was the case with the NSDAP – the Nazi party – the ambition for national self-sufficiency (or autarky) in pursuit of military and territorial expansion. Within capitalist societies the state can assume a great variety of forms and functions. The state can like that of Bismarck’s Germany after the establishment of the German Empire, or that of Imperial Japan after the Meiji Restoration of 1868, function as a very direct and important element in the development of capitalism – planning economic development in a manner entirely consonant with the development of large-scale capitalist enterprises.]

Capitalism is not synonymous with ‘liberal’ or ‘neo-liberal’ economic development. In fact, capitalism developed within feudal and mercantilist settings – it did not arise in free or liberal circumstances. And there are many instances where (after the emergence of the system in the Britain, Belgium, the Netherlands, France, and the Northern United States), capitalism arises in an active and complex relationship with the state in an almost corporate manner in which relations between the bureaucratic and, strictly speaking, non-capitalist forces, combine in or around the state to facilitate the development of capitalist relations.

Lecture 12: Socialist Planning.

**Anti-Capitalism: ideas, objectives and methods of the new social movements, Level II Course,
Department of Politics and Philosophy at Manchester Metropolitan University.**

© Don Milligan & Manchester Metropolitan University, 2011

This appears to be occurring in Russia today, and is most certainly occurring in the People's Republic of China. In both cases party and state institutions have an administrative and bureaucratic role in the management and development of capitalist relations above and beyond any maintenance of the rule of law and the protection of contracts. On the contrary, these states often abrogate contracts and violate property rights often undermining any claim they might have to being lawful states.

[I am not talking here about welfare provision, or the state provision of regional or sectoral assistance, to particular capitalists or industries, (which of course is widespread in Europe or America).] I am talking about the manner in which the state as the representative of bureaucratic or other political or social interests actively participates in the management and development of a capitalist economy. This might be Nazi Germany, or in completely different circumstances, it might be contemporary China or modern Russia. In such circumstances state intervention in business or state economic planning, even if it includes the nationalisation of industries, wholesale land reforms, or the confiscation of some capitalist property, should not be confused with socialism.

The objective of socialist planning is the erosion or outright abolition of capitalism. Whether the agents of socialism are traditional social democrats, committed to a process of gradual reforms, or revolutionaries, committed to the more or less rapid transformation of society, the objective is the abolition of private property and the abolition of the operation of the law of value. In their place socialists want to establish an economic system characterised by a variety of different forms of *collective property* and of *rational planning* in which the motive of all production would be *socially determined human needs* and not *privately determined individual interests*.

FIVE ELEMENTS

1. Abolition of the distinction between economics and politics – all economic decisions would be administrative or political decisions taken by officials or assemblies
 2. Abolition of the Market in all materials, goods and services
- Abolition of the twin props of capitalism:*
3. Abolition of Private Property
 4. Abolition of Free Labour – abolition of the market in labour
5. Allocation of all resources, including labour, by democratic decisions:
 - I. Direction of Labour by some process of democratic decision-making

This process cleaves the word and concept 'democracy' in two. And it is the reason that you cannot use the word 'democracy' independently of its 'class' or 'social' content. Consequently, the seizure of private property by Hugo Chávez, for example, would be a violation of democratic rights as far as Barack Obama or of pro-capitalists in Venezuela were concerned, even if Chávez won the support of seventy five per cent of the population. For the capitalist the word democracy means:

- Representative government
- The rule of law
- Freedom of Speech
 - Freedom of Religion
 - Freedom of assembly and organisation
 - Full rights for minorities.

It is within this conception of democracy that capitalists have sought to develop and sustain the sanctity of private property and of free labour – the twin pillars of the capitalist system.

For the socialist, however, the word democracy means popular self-management of the economy and of all aspects of social life. Socialist democracy might imply freedom of speech and religion, it might also imply freedom of assembly and organisation, the protection of minorities, and so on – but under socialism – democracy would *not* imply the protection of private property *or* the defence of free labour. All productive property would be in the hands of the state or of other collectively owned and managed enterprises. All labour would be allocated according to democratically determined plans.

Clearly, when a socialist is talking about democracy they mean something very different from those who support capitalist democracy. For a socialist democracy means popular self-management – sometimes called ‘workers’ self-management’.

This form of management presents very few problems if practiced at the level of workers’ control of the individual firm or workplace. It is easy to imagine the democratic management of a particular workplace. One need only think of, *On The Eighth Day*, the vegetarian café and shop on the Oxford Road. This establishment has been successfully run as a workers’ co-operative or collective for well over thirty years.

The full members of the co-op make all decisions concerning investment, hours of work, shift patterns, pay, the hiring and payment of temporary staff, and the recruitment of new full members of the co-op – they make all these decisions democratically. However, the circumstances in which they take all these decisions is still dominated by the operation of the law of value – they engage in competition on the market – and their wages and prices are determined by their success or failure in that competitive process.

Indeed, even if every firm and workplace were a workers’ co-operative, like *On The Eighth Day*, we would still be living under a form of capitalism – because the operation of the law of value would not be suppressed by co-operative employment.

Each co-op would still have to compete against every other enterprise. And the allocation of resources would continue to be dictated by the profit motive *pursued by*

each co-op rather than by each privately owned firm. Prices would still be set competitively. The law of value would still operate.

No, socialist planning assumes, at the very least, an entire national economy, in which democratic decisions could be made not simply at the level of each individual firm or workplace, but at the level, in the first instance, of the entire national economy.

Such a socialist plan presupposes at least three different levels of democratic management:

1. Democratic management at the level of the individual workplace
2. Democratic management at the level of the particular industry or sector in which the particular firm or co-op works
3. Democratic management of national economic planning in which the needs and capacity of the individual workplace, the particular industry or sector, is democratically co-ordinated with the needs of the national economy and of its necessary relations with the *regional*, and with the *global* economy.

Socialism means the democratic management of the economy by working people and their families. It means the determination by working people of wage levels, and of the supply of labour, equipment and materials, to particular branches of industry.

In practice socialism would mean the allocation of all economic and social resources by economists, planners, and other experts and technologists working to a plan drawn up by democratic assemblies of working people and their families. *In practice* socialism would mean the allocation of all economic and social resources by professional experts working on behalf of the working class.

- INSTITUTE OF WORKERS CONTROL
Ken Coates & Tony Topham
Industrial Democracy
Profit Sharing
Co-Partnership
Co-operation
- IMAGINING THE FUTURE
Alex Callinicos & P. J. Devine
Negotiated Co-ordination

NEXT WEEK I WILL BE TALKING ABOUT HISTORICAL MATERIALISM
AND WHAT COMMUNISTS UNDERSTAND AS THE
NECESSITY OF COMMUNISM